

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, Member
Mr. Zafar Ahmed Siddiqui, Member
Mr. Razi-ur-Rahman Khan, Member

Trustee to the Fund

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 Ameen- Islamic Banking

Auditors

Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants

Legal Advisor

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

Registrar

Technology Trade (Pvt) Limited
Dagia House, 214-C, Block-2,
PECHS, Karachi.

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 4th 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, 2013.

SALE AND REDEMPTION OF UNITS

During the year, units worth Rupees 605.315 million were issued and units with a value of Rupees 399.572 million were redeemed.

UNIT HOLDERS

As of June 30, 2013, total unit outstanding were, 7,654,170 units with a value of Rs. 785 million were outstanding (period ended June 30, 2012: 5,209,001 units with a value of Rs. 537 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	104.01	104.01
Lowest	101.19	101.19
As of June 30, 2013	102.56	102.56

ECONOMIC OUTLOOK

The outgoing fiscal year was a historic yet challenging year for Pakistan's economy wherein it continued to endure an unprecedented set of challenges in the form of widening fiscal deficit, security hazards, falling foreign exchange reserves and rising energy shortfall. These challenges kept the GDP expansion subdued to 3.6% against target of 4.3%.

The average headline Inflation for FY13 stood at 7.4% against 11% in FY12. This stayed almost 200bps below the SBP target of 9.5%. Throughout the year, inflation remained on the downside due to better supply of food and nonfood items, which in turn resulted in easing of domestic prices as well as global commodity prices. Given the relative slowdown in Inflation, the State Bank of Pakistan reduced the key policy rate by a cumulative 300bps over the year - i.e. from 12% to 9%.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

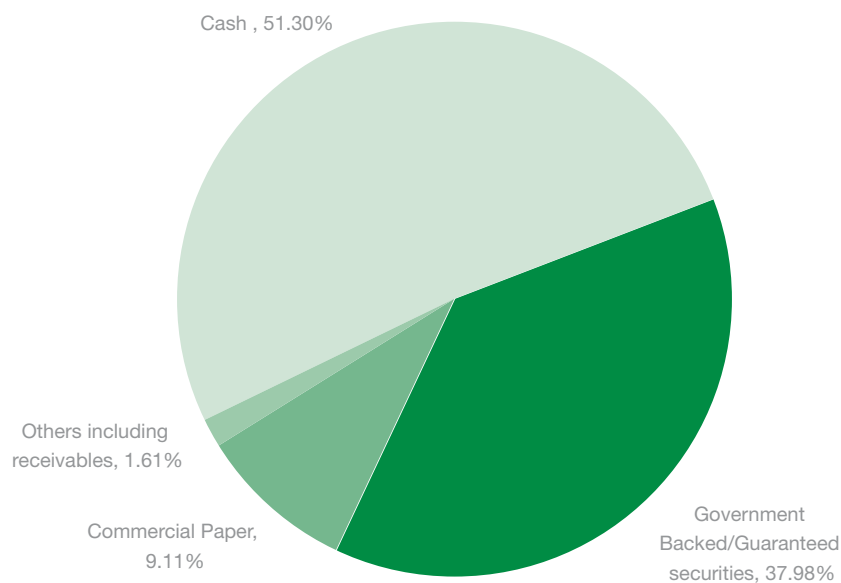
Pakistan's current account balance posted a deficit of USD 2.3bn, witnessing a decline of 100% YoY. This was primarily attributable to inward remittances which continued to demonstrate a stellar performance by clocking in at USD 13.9bn - up by 5% YoY. This increase is primarily driven by government's efforts to divert remittances from informal to the formal channels. Since the launch of Pakistan Remittance Initiative (PRI), the share of worker's remittances has increased considerably from 75% in FY10 to 90% in FY13.

During FY13, the country's foreign exchange reserves depleted by over USD 7bn to close the year at USD 11bn. The fall in the reserve position was owed to repayments made to the International Monetary Fund. Pakistan made massive repayments totaling over USD 3bn to the IMF which not only deteriorated the reserve position but also pressurized the Pakistani Rupee beyond the PKR 98 mark. In order to make up for the external funding squeeze and fiscal deficit financing, the government's budgetary requirement stepped up substantially, compelling them to resort to borrowing from the financial sector.

PERFORMANCE

FISGF ended the year with an annual return of 8.28%, beating the benchmark by 98bps and cementing its position as one of the more stable funds in the category. Your fund witnessed an upsurge of 41% in Assets under Management over the year coupled with fund rating being upgraded to AA- from A+. During the year, exposure in Ijarah Sukuks was curtailed and befitting entry was made in high yielding instruments. Moreover, exposure in commercial paper was increased during the last quarter of outgoing fiscal year in order to increase returns. Going forward, the fund shall increase exposure to corporate Sukuks in order to provide competitive returns without compromising on the quality of assets.

ASSET ALLOCATION AS ON JUNE 30, 2012



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

INCOME DISTRIBUTION

The Board of directors has approved fund distribution at the rate of 7.80% (Interim 6.60% and final 1.20%) (i.e Rs. 7.80 per unit of par value of Rs.100 each).

MUTUAL FUND RATING

JCR-VIS has awarded the fund stability rating of "AA- (f)" for Faysal Islamic Savings Growth Fund (FISGF). This rating denotes High 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 xvi 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, 2013 forms part of this annual report.

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 was no 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.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

PATTERN OF HOLDING

The Pattern of Holding of FISGF as at June 30, 2013 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, 2014.

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: September 24, 2013

Enamullah Khan
Chief Executive Officer

FUND MANAGER'S REPORT

Economic Review

The outgoing fiscal year was a historic yet challenging year for Pakistan's economy wherein it continued to endure an unprecedented set of challenges in the form of widening fiscal deficit, security hazards, falling foreign exchange reserves and rising energy shortfall. These challenges kept the GDP expansion subdued to 3.6% against target of 4.3%.

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Pakistan's current account balance posted a deficit of USD 2.3bn, witnessing a decline of 100% YoY. This was primarily attributable to inward remittances which continued to demonstrate a stellar performance by clocking in at USD 13.9bn - up by 5% YoY. This increase is primarily driven by government's efforts to divert remittances from informal to the formal channels. Since the launch of Pakistan Remittance Initiative (PRI), the share of worker's remittances has increased considerably from 75% in FY10 to 90% in FY13.

During FY13, the country's foreign exchange reserves depleted by over USD 7bn to close the year at USD 11bn. The fall in the reserve position was owed to repayments made to the International Monetary Fund. Pakistan made massive repayments totaling over USD 3bn to the IMF which not only deteriorated the reserve position but also pressurized the Pakistani Rupee beyond the PKR 98 mark. In order to make up for the external funding squeeze and fiscal deficit financing, the government's budgetary requirement stepped up substantially, compelling them to resort to borrowing from the financial sector.

Money Market Review

Monetary policy gained substantial momentum over FY13 at the behest of the State Bank of Pakistan, easing up by 300bps to low of 9%. Liquidity variation, rising fiscal deficit and widening government borrowing increased volatility in the money market and resulted in numerous opportunities to capitalize on falling interest rate risk.

In the absence of any external budgetary support, the Government resorted to domestic financing avenues to bridge the fiscal deficit - in turn driving up growth in broad money (M2). On account of higher fiscal borrowing and curtailment of liquidity injections, bond yields remained around 150bps to 200bps above the discount rate over the course of year.

During FY13, the SBP held 26 T-bill auctions and realized PKR 5.5tn with weighted average yield ranging from 9.64% to 9.80% across different maturities. The central bank continued to intervene in the money market to stabilize yields through Open Market Operations (OMO); however, it continued to reduce OMO injections to discourage liquidity redeployment in T-bills and encourage private credit off-take. Along with reduction in size, OMO cutoff rates surged over each successive injection, leading to a decline in risk-free spreads that were often targeted by commercial banks and subject to much criticism.

Over latter half of the year, heightened interest rate volatility in the secondary market caused institutional investors to remain inclined towards shorter-tenor instruments and protect themselves against signs of reversing interest rate risk.

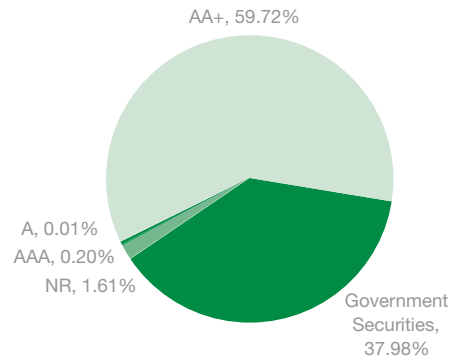
Going forward, higher inflationary readings may elevate longer tenor yields, possibly pushing real returns lower. The upcoming EFF agreement with the IMF could add to monetary tightening pressures, resulting in a reversal of the key policy rate over the first quarter of the new fiscal year.

FUND MANAGER'S REPORT

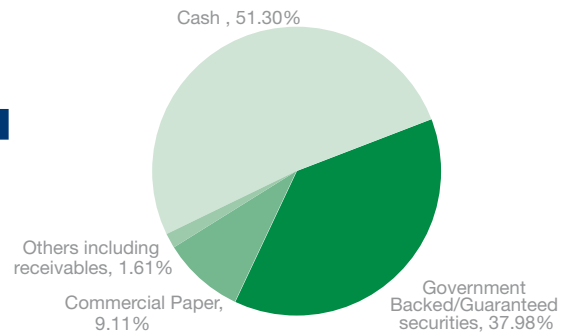
FUND INFORMATION

Fund Type	Open Ended
Category	Islamic Income Scheme
Risk Profile	Low
Net Assets (PKR mn)	784.98
NAV per Unit (PKR)	102.56
Pricing Mechanism	Forward
Custodian/Trustee	CDC
Auditor	Ernst & Young Ford Rhodes Sidat Hyder
Management Fee	1.50%
Front/Back end Load	Nil
Launch Date	June 14, 2010
Benchmark	Average 6M deposit rate of 3 Islamic Banks
Stability Rating	AA - (f) (JCRVIS)
AMC Rating	AM3+ (JCRVIS)

Asset Quality



Asset Allocation



FUND RETURNS

	FY13	FY12
Annual Return	8.28	11.24
Benchmark	7.30	8.70

FISGF Performance

FISGF ended the year with an annual return of 8.28%, beating the benchmark by 98bps and cementing its position as one of the more stable funds in the category. Your fund witnessed an upsurge of 41% in Assets under Management over the year coupled with fund rating being upgraded to AA- from A+. During the year, exposure in Ijarah Sukuks was curtailed and befitting entry was made in high yielding instruments. Moreover, exposure in commercial paper was increased during the last quarter of outgoing fiscal year in order to increase returns. Going forward, the fund shall increase exposure to corporate Sukuks in order to provide competitive returns without compromising on the quality of assets.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
 الحمد لله رب العالمين، والصلاة والسلام على خاتم النبيين وسيد المرسلين،
 وعلى آله واصحابه أجمعين. أمّا بعد

REPORT OF THE SHARIAH ADVISOR FAYSAL ISLAMIC SAVINGS GROTH FUND

Karachi
 June 30, 2013

By the blessing of ALLAH, the year ended 30 June, 2013 under analysis was 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's personnel 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 Faysal Asset Management Limited's 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 30 June 2013 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 اللهُ عَلَى حَبِيبِهِ مُحَمَّدٍ صَلَّى اللهُ عَلَيْهِ وَسَلَّمَ
Muhammad Abubaker Siddiq
 Shariah Advisor
 Faysal Asset Management Limited

Mufti Muhammad Abubaker
 Shariah Advisor
 Faysal Asset Management limited

ABDUL ZAHID FAROOQI
 Shariah Advisor
 Faysal Asset Management Limited
Abdul Zahid Farooqi
 Shariah Advisor
 Faysal Asset Management limited



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

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ey.com/pk

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 2013, 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 2013.

Ernst & Young Ford Rhodes Sidat Hyder

Karachi: 24 September 2013

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



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, 2013 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: October 08, 2013



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 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 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 (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange Limited requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions 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 requirement 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 procedure to determine whether the related party transactions were undertaken at arm's length price 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 30 June 2013.

We refer to the clause 9 of the Statement which describes the non-compliance with the Code.

Our conclusion is not qualified in respect of the above matter.

Chartered Accountants

Date: September 24, 2013

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 Listing Regulations of Karachi Stock Exchange 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 in the following manner:

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

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

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 the Management 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, no casual vacancy occurred on the Board.
5. The Management 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, determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other executive and non-executive directors has 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 during the year. 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. All the directors of the Management Company are well-conversant with the relevant laws applicable to the Fund and Management Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. The compliance with the requirement of certification of directors under clause (xi) of the Code shall be ensured during year ending June 30, 2014.

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

10. The Board has approved the appointment of Chief Financial Officer and Company Secretary during the year.
11. The Directors' report relating to the Fund for the year ended June 30, 2013 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 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 that 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 four 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 of the Committee have been approved in the meeting of the Board of Directors 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 four members including CEO of whom three are non-executive directors and the chairman of the Committee is an independent director.
18. The Management Company has outsourced its internal audit function to KPMG Taseer Hadi & Co. Chartered Accountants (the Firm) who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund. Further, the Head of Internal Audit has been appointed during the year to act as coordinator between the Firm and the Board.
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 shares of the Management Company or 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 Funds' units, was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.

We confirm that all other material principles enshrined in the Code have been complied with.

For and on behalf of the Board

Karachi
Dated: September 24, 2013

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 Savings Growth Fund** (the Fund), which comprise the statement of assets and liabilities as at 30 June 2013, and the related statements of income, distribution, 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's 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 auditing standards 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 auditors' 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 state of the Fund's affairs as at 30 June 2013, 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 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: 24 September, 2013
Karachi

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2013

	Note	June 30, 2013	June 30, 2012
		----- (Rupees) -----	
Assets			
Bank balances	7	405,353,572	329,086,319
Investments	8	374,468,441	207,249,346
Prepayments, deposits and other receivables	9	9,443,502	4,186,494
Preliminary expenses and floatation costs	10	<u>1,079,530</u>	<u>1,630,680</u>
Total assets		790,345,045	542,152,839
Liabilities			
Payable to the Management Company	11	1,230,769	2,936,216
Remuneration payable to the Trustee	12	109,715	73,538
Accrued and other liabilities	13	4,025,032	2,622,145
Total liabilities		5,365,516	5,631,899
Net assets		<u>784,979,529</u>	<u>536,520,940</u>
Unit holders' fund (as per the statement attached)		<u>784,979,529</u>	<u>536,520,940</u>
		----- (Number of units) -----	
Number of units in issue		<u>7,654,170</u>	<u>5,209,001</u>
Contingencies and commitments	14	----- (Rupees) -----	
Net asset value per unit		<u>102.56</u>	<u>103.00</u>

The annexed notes from 1 to 23 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, 2013

	June 30, 2013	June 30, 2012
Income	Note	(Rupees)
Profit earned on government securities and sukuk certificates	44,930,739	35,695,044
Return on certificates of musharaka	1,795,890	-
Return on bank balances	21,185,347	26,357,377
Net gain / (loss) on investments classified as 'at fair value through profit or loss'		
- Net capital gain on sale of investments	2,574,873	51,542
- Net unrealised loss on revaluation of investments	(913,349)	(177,065)
	8.5	(125,523)
Total income	69,573,500	61,926,898
Expenses		
Remuneration of the Management Company	10,246,773	7,482,625
Sales tax on management fee	1,654,351	1,197,251
Federal excise duty on management fee	92,915	-
Remuneration of the Trustee	1,161,320	866,684
Brokerage charges	256,500	53,500
Bank charges	25,086	28,055
Auditors' remuneration	405,000	430,101
SECP annual fee	512,335	374,059
Legal and professional charges	60,000	60,163
Fees and subscription	180,042	69,985
Settlement charges, federal excise duty and capital value tax	5,504	6,004
Amortisation of preliminary expenses and floatation costs	551,150	552,660
Printing charges and other expenses	257,064	251,691
Provision for Workers' Welfare Fund	1,182,883	1,110,916
Total expenses	16,590,923	12,483,694
Net income from operating activities	52,982,577	49,443,204
Element of income and capital gains included in prices of units sold less those in units redeemed - net	4,977,930	4,991,654
Net income for the year before taxation	57,960,507	54,434,858
Taxation	-	-
	16	
Net income for the year after taxation	57,960,507	54,434,858
Other comprehensive income for the year	-	-
Total comprehensive income for the year	57,960,507	54,434,858

The annexed notes from 1 to 23 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, 2013

	June 30, 2013	June 30, 2012
Undistributed income brought forward	----- (Rupees) -----	-----
[includes unrealised gain on investments of Rs.72,935 (2011: unrealised gain of Rs.279,494)]	14,655,334	10,022,025
Final bonus distribution for the year ended June 30, 2012 @ Rs.2.00 per unit (2011: Rs.3.10 per unit declared for distribution on July 09, 2011) declared for distribution on July 05, 2012	(8,031,453)	(5,147,637)
Final cash dividend for the year ended June 30, 2012 @ Rs.2.00 per unit (2011: Rs.3.10 per unit declared for distribution on July 09, 2011) declared for distribution on July 05, 2012	(2,386,548)	(3,699,149)
Interim bonus distribution for the quarter ended September 30, 2012 @ Rs.2.5 per unit (2011: Rs.2.75 per unit declared for distribution on October 28, 2011) declared for distribution on October 20, 2012	(11,499,628)	(7,098,064)
Interim cash dividend for the quarter ended September 30, 2012 @ Rs.2.5 per unit (2011: Rs.2.75 per unit declared for distribution on October 28, 2011) declared for distribution on October 20, 2012	(2,985,062)	(3,281,504)
Interim bonus distribution for the quarter ended December 31, 2012 @ Rs.1.75 per unit (2011: Rs.4.00 per unit declared for distribution on February 11, 2012) declared for distribution on January 30, 2013	(11,462,239)	(16,305,465)
Interim cash dividend for the quarter ended December 31, 2012 @ Rs.1.75 per unit (2011: Rs.4.00 per unit declared for distribution on February 11, 2012) declared for distribution on January 30, 2013	(2,089,544)	(4,773,096)
Interim bonus distribution for the quarter ended March 31, 2013 @ Rs.1.85 per unit (2012: Rs.1.60 per unit declared for distribution on April 21, 2012) declared for distribution on April 19, 2013	(11,953,059)	(6,466,724)
Interim cash dividend for the quarter ended March 31, 2013 @ Rs.1.85 per unit (2012: Rs.1.60 per unit declared for distribution on April 21, 2012) declared for distribution on April 19, 2013	(2,208,946)	(3,029,910)
Interim bonus distribution for the month of May 31, 2013 @ Rs.0.5 per unit (2012: Rs.Nil) declared for distribution on June 03, 2013	(3,251,423)	-
Interim cash distribution for the month of May 31, 2013 @ Rs.0.5 per unit (2012: Rs.Nil) declared for distribution on June 03, 2013	(597,012)	-
Net income for the year after taxation	57,960,507	54,434,858
Undistributed income carried forward		
[includes unrealised loss on investments of Rs.913,349 (2012: unrealised gain of Rs.72,935)]	16,150,927	14,655,334

The annexed notes from 1 to 23 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, 2013

	June 30, 2013	June 30, 2012
Note	----- (Rupees) -----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	57,960,507	54,434,858
Adjustments for non-cash and other items:		
Net capital gain on sale of investments classified as 'at fair value through profit or loss'	(2,574,873)	(51,542)
Net unrealised loss on revaluation of investments classified as 'at fair value through profit or loss'	913,349	177,065
Profit earned on government securities and sukuk certificates	(44,930,739)	(35,695,044)
Return on certificates of musharika	(1,795,890)	-
Return on bank balances	(21,185,347)	(26,357,377)
Element of income and capital gains included in prices of units sold less those in units redeemed - net	(4,977,930)	(4,991,654)
Amortisation of preliminary expenses and floatation costs	551,150	552,660
	(16,039,773)	(11,931,034)
Increase in assets		
Prepayments, deposits and other receivables	(24,958)	(120,000)
(Decrease) / increase in liabilities		
Payable to the Management Company	(1,705,447)	(179,749)
Remuneration payable to the Trustee	36,177	24,223
Accrued and other liabilities	1,402,887	1,350,791
	(266,383)	1,195,265
	(16,331,114)	(10,855,769)
Proceeds from sale / redemption of investments	1,071,598,459	553,631,889
Payments against purchase of investments	(1,239,129,000)	(569,113,691)
Profit received on government securities and sukuk certificates	42,527,727	31,395,771
Return received on bank balances	22,125,169	24,233,836
Net cash (used in) / generated from operating activities	(102,877,645)	29,292,036
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received against issue of units	605,315,986	845,783,466
Payments made against redemption of units	(399,572,862)	(639,324,306)
Dividend paid	(10,267,112)	(14,783,659)
Net cash generated from financing activities	195,476,012	191,675,501
Net increase in cash and cash equivalents during the year	76,267,253	220,967,537
Cash and cash equivalents at the beginning of the year	329,086,319	108,118,782
Cash and cash equivalents at the end of the year	405,353,572	329,086,319

The annexed notes from 1 to 23 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, 2013

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
Net asset value per unit at the beginning of the year	103.00	103.51
Net asset value per unit at the end of the year	102.56	103.00
Net assets at the beginning of the year	536,520,940	295,402,235
Amounts received on issue of units *	605,315,986	845,783,466
Amounts paid on redemption of units **	(399,572,862)	(639,324,306)
	205,743,124	206,459,160
Element of income and capital gains included in prices of units sold less those in units redeemed - net	(4,977,930)	(4,991,654)
Final cash dividend for the year ended June 30, 2012 @ Rs.2.00 per unit (2011: Rs.3.10 per unit declared for distribution on July 09, 2012) declared for distribution on July 05, 2012	(2,386,548)	(3,699,149)
Interim cash dividend for the quarter ended September 30, 2012 @ Rs.2.50 per unit (2011: Rs.2.75 per unit declared for distribution on October 28, 2011) declared for distribution on October 20, 2012	(2,985,062)	(3,281,504)
Interim cash dividend for the quarter ended December 31, 2012 @ Rs.1.75 per unit (2011: Rs.4.00 per unit declared for distribution on February 11, 2012) declared for distribution on January 30, 2013	(2,089,544)	(4,773,096)
Interim cash dividend for the quarter ended March 31, 2013 @ Rs.1.85 per unit (2012: Rs.1.60 per unit declared for distribution on April 21, 2012) declared for distribution on April 19, 2013	(2,208,946)	(3,029,910)
Interim cash distribution for the month of May 31, 2013 @ Rs.0.5 per unit (2012: Rs.Nil) declared for distribution on June 03, 2013	(597,012)	-
Net capital gain on sale of investments	2,574,873	51,542
Net unrealised loss on revaluation of investments	(913,349)	(177,065)
Other net income for the year	56,298,983	54,560,381
Other comprehensive income for the year	-	-
Total comprehensive income for the year	57,960,507	54,434,858
Net assets as at the end of the year	784,979,529	536,520,940
	----- (Number of units) -----	
* Number of units issued (including 336,781 bonus units issued during the year ended June 30, 2013 and 346,084 bonus units issued during the year ended June 30, 2012)	6,361,298	8,578,274
** Number of units redeemed	3,916,129	6,223,076

The annexed notes from 1 to 23 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, 2013

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 a company 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 Limited. 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 note 4.1.

NOTES TO THE FINANCIAL STATEMENTS

4.1 New and amended standards and interpretations

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

IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

IAS 12 – Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above standards, amendments and interpretations 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.

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.

The net "element of income / loss and capital gains / losses included in prices of units sold less those in units redeemed" during an accounting period is transferred to the income statement.

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. 33 of 2012 dated October 24, 2012, read with Regulation 66(b) of the NBFC Regulations.

NOTES TO THE FINANCIAL STATEMENTS

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.

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

4.6 Provisions

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

4.7 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.

4.8 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.

4.9 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, placements under murabaha, musharikhah, mudarabah, ijara arrangements and return on bank balances are recognised on a time proportion basis using effective interest rate method.

4.10 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.

NOTES TO THE FINANCIAL STATEMENTS

4.11 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.

4.12 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.

4.13 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.

4.14 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.

4.15 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:

Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
IFRS 7 – Financial Instruments: Disclosures – (Amendments)	
– Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 19 – Employee Benefits –(Revised)	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.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2013. The Fund expects that such improvements to the standards will not have any material impact on the Fund's financial statements in the period of initial application.

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

	June 30, 2013	June 30, 2012
7. BANK BALANCES	Note	(Rupees)
Cash at bank - PLS saving accounts	7.1	<u>405,353,572</u> <u>329,086,319</u>

7.1 These carry mark-up ranging from 6% % to 8.75% (June 30, 2012: 6% to 11.70%) per annum.

	June 30, 2013	June 30, 2012
8. INVESTMENTS	Note	(Rupees)
At fair value through profit or loss		
Designated 'at fair value through profit or loss'		
Government securities	8.1	300,125,000 100,050,000
Unlisted debt securities	8.2	<u>-</u> <u>15,247,935</u>
		300,125,000 115,297,935
Held to maturity		
Commercial paper - sukuk certificates	8.3	<u>74,343,441</u> <u>91,951,411</u>
		374,468,441 207,249,346

NOTES TO THE FINANCIAL STATEMENTS

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

Name of Security	Yield per annum	Face value				Balance as at June 30, 2013			Market value as percentage of total investments	Market value as percentage of net assets
		As at July 01, 2012	Purchased during the year	Sold during the year	As at June 30, 2013	Carrying Value	Market value	Unrealised gain / (loss) on revaluation		
----- (Rupees) -----										
GoP Ijara Sukuks										
Government of Pakistan Ijara Sukuk - 3 years	-	100,000,000	-	100,000,000	-	-	-	-	-	-
Government of Pakistan Ijara Sukuk - 3 years	10.02%	-	401,400,000	200,856,749	200,543,251	200,543,250	199,920,000	(623,250)	53.39%	25.47%
Government of Pakistan Ijara Sukuk - 3 years	9.65%	-	202,400,000	151,800,000	50,600,000	50,476,575	50,130,000	(346,575)	13.39%	6.39%
Government of Pakistan Ijara Sukuk - 3 years	-	-	371,304,000	371,304,000	-	-	-	-	-	-
Government of Pakistan Ijara Sukuk - 3 years	9.43%	-	50,025,000	-	50,018,853	50,018,853	50,075,000	56,147	13.37%	6.38%
		100,000,000	1,025,129,000	823,960,749	301,162,104	301,038,678	300,125,000	(913,678)	80.15%	38.23%

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

Name of the investee company	Face Value				Balance as at June 30, 2013			Market value as percentage of total investments	Market value as percentage of net assets
	As at July 01, 2012	Purchased during the year	Fully redeemed / disposed off during the year	As at June 30, 2013	Carrying value	Market value	Unrealised gain / (loss) on revaluation		
----- (Rupees) -----									
Engro Fertilizer Company Limited	15,000,000	-	15,000,000	-	-	-	-	-	-
	15,000,000	-	15,000,000	-	-	-	-	-	-

8.3 Commercial papers - Sukuk certificates (secured) - held to maturity

Name of the investee company	Rate of return per annum	Face Value				Carrying value as at June 30, 2013 (Rupees)	Maturity	Rating	Face value as percentage of Total investments	Face value as percentage of net assets
		As at July 01, 2012	Purchased during the year	Matured during the year	As at June 30, 2013					
----- (Rupees) -----										
Hub Power Company Limited	10.80%	50,000,000	72,000,000	50,000,000	72,000,000	74,343,441	July 12, 2013	AA+	19.23%	9.17%
Kot Addu Power Company Limited	-	-	67,000,000	67,000,000	-	-	-	-	-	-
Engro Fertilizers Limited	-	37,860,000	-	37,860,000	-	-	-	-	-	-
		87,860,000	139,000,000	154,860,000	72,000,000	74,343,441	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

8.4 Certificate of Musharaka - held to maturity

Name of the investee company	----- Face Value -----					Carrying value as at June 30, 2013 (Rupees)	Maturity	Rating	Face value as percentage of Total investments	Face value as percentage of net assets
	Rate of return per annum	As at July 01, 2012	Purchased during the year	Matured during the year	As at June 30, 2013					
		----- (Rupees) -----								
Standard Chartered Modaraba	-	-	75,000,000	75,000,000	-	-	-	-	-	-
	-	75,000,000	75,000,000	-	-	-	-	-	-	-

June 30,
2013
Note ----- (Rupees) -----
June 30,
2012

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

Market value of investments	300,125,000	115,297,935
Cost of investments	(301,038,349)	(115,225,000)
	(913,349)	72,935
Net unrealised gain / (loss) on investments at the beginning of year	72,935	(279,494)
Realised on disposal during the year	(72,935)	29,494
	-	(250,000)
	(913,349)	(177,065)

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES - considered good

Prepayments	144,958	120,000
Security deposit - Central Depository Company of Pakistan Limited	100,000	100,000
Profit receivable on government securities	7,177,348	359,732
Profit receivable on debt securities	-	645,744
Return receivable on bank balances	2,021,196	2,961,018
	9,443,502	4,186,494

NOTES TO THE FINANCIAL STATEMENTS

	Note	June 30, 2013	June 30, 2012
		----- (Rupees) -----	
10. PRELIMINARY EXPENSES AND FLOATATION COSTS			
Preliminary expenses and floatation costs		1,630,680	2,183,340
Amortisation during the year	10.1	(551,150)	(552,660)
		<u>1,079,530</u>	<u>1,630,680</u>

10.1 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.

11. PAYABLE TO THE MANAGEMENT COMPANY

Management fee payable	11.1	968,091	649,031
Sales tax on management fee payable		169,763	103,845
Preliminary expenses and floatation costs		-	2,183,340
Federal excise duty payable on management fee	11.2	92,915	-
		<u>1,230,769</u>	<u>2,936,216</u>

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, 2012: 1.5%) per annum of the daily net asset value of the Fund.

11.2 During the current year, an amount of Rs.0.093 million (June 30, 2012: Rs.Nil) was charged on account of Federal excise duty on management fee levied through Finance Bill 2013 with effect from June 13, 2013.

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.

NOTES TO THE FINANCIAL STATEMENTS

	Note	June 30, 2013	June 30, 2012
----- (Rupees) -----			
13. ACCRUED AND OTHER LIABILITIES			
SECP annual fee payable	13.1	512,334	374,058
Accrued liabilities		742,739	661,010
Provision for Workers' Welfare Fund	13.2	2,769,959	1,587,077
		4,025,032	2,622,145

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, 2012: 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 (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

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. However, during March 2013, the SHC larger bench issued a judgment in response to various petitions in similar cases whereby the amendments introduced in the Workers' Welfare Fund Ordinance, 1971 through Finance Act, 2006 and 2008 respectively (Money Bills) have been declared constitutional and overruled a single-member Lahore High Court (LHC) bench judgment issued in August 2011.

MUFAP's legal counsel is of the view that the stay granted to mutual funds in respect of recovery of WWF remains intact and the constitution petitions filed by the Mutual Funds to challenge the Workers Welfare Fund contribution have not been affected by the Judgment passed by the larger bench of SHC.

As the matter relating to levy of WWF is currently pending in the SHC, the Management Company, as a matter of prudence, has decided to retain and continue with the provision for WWF amounting to Rs.2.77 million (June 30, 2012: Rs.1.59 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.0.36 (0.35%) per unit (June 30, 2012: Rs.0.31(0.30%) per unit).

NOTES TO THE FINANCIAL STATEMENTS

14. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2013.

	June 30, 2013	June 30, 2012
Note	-----	-----
	(Rupees)	

15. AUDITORS' REMUNERATION

Audit fee	250,000	220,000
Review and other certifications	155,000	210,101
	<u>405,000</u>	<u>430,101</u>

16. 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. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders in the manner explained above as disclosed in note 20 to these financial statements, hence, no provision for taxation has been made in these financial statements.

17. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

17.1 Connected persons / related parties include Faysal Asset Management Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, other collective investment schemes managed by the Management Company, Faysal Asset Management Limited - Staff Provident Fund, Faysal Asset Management Limited - Staff Gratuity Fund, Faysal Bank Limited, Faysal Bank Limited - Staff Provident Fund, Faysal Bank Limited - Staff Gratuity Fund and other entities under common management and / or directorship and the directors and officers of the Management Company and the Trustee.

17.2 The transactions with connected persons are in the normal course of business, at contracted rates.

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

NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
Transactions during the year		
Faysal Asset Management Limited - (Management Company)		
Remuneration of the Management Company	10,246,773	7,482,625
Sales tax on management fee	1,654,351	1,197,251
Federal excise duty on management fee	92,915	-
Preliminary expenses and floatation costs - paid during the year	2,183,340	572,290
Other costs	-	30,000
Faysal Bank Limited (Group / Associated Company)		
Issue of Nil units (2012: 3,142,479 units)	-	325,000,000
Redemption of Nil units (2012: 3,142,479 units)	-	327,100,638
Participation in non competitive bid of government securities	-	250,000,000
Cash dividend paid	8,600,000	11,450,000
Central Depository Company of Pakistan Limited - (Trustee of the Fund)		
Remuneration of the Trustee	1,161,320	866,684
Settlement charges	5,504	6,004
Meezan Bank Limited - (Common Directorship)		
Sale of government securities	-	100,382,712
Purchase of government securities	-	180,363,617
Directors and Key Management Personnel of the Management Company		
Issue of Nil units (2012: 6,478 units)	-	665,000
Redemption of Nil units (2012: 9,790 units)	-	996,881
Bonus issue of Nil units (2012: 642 units)	-	64,858
Unit holders holding 10% or more units		
Farnaz Mustafa Khalid		
Bonus issue of 33,940 units (2012 :79,702 units)	3,437,605	8,063,387
Redemption of 789,539 units (2012: Nil units)	81,006,766	-
The Bank of Khyber		
Issue of Nil units (2012: 673,773 units)	-	70,137,738
Redemption of Nil units (2012: 700,420 units)	-	71,421,812
Cash dividend paid	-	1,120,672
Bonus issue of Nil units (2012: 26,647 units)	-	2,690,051

NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
Outstanding balances		
Faysal Asset Management Limited (Management Company)		
Remuneration payable to the Management Company	968,091	649,031
Sales tax on management fee payable	169,763	103,845
Federal excise duty payable on management fee	92,915	-
Preliminary expenses and floatation costs payable	-	2,183,340
Faysal Bank Limited (Group / Associated Company)		
Units in issue 1,000,000 units (2012: 1,000,000 units)	102,555,800	103,000,000
Directors and Key Management Personnel of the Management Company		
Units in issue Nil units (2012: 1,800 units)	-	185,400
Central Depository Company of Pakistan Limited - (Trustee of the Fund)		
Remuneration payable to the Trustee	109,715	73,538
Security deposit	100,000	100,000
Unit holders holding 10% or more of the units in issue		
Farnaz Mustafa Khalid		
Units in issue Nil units (2012: 755,600 units)	-	77,826,800

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

18.1 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, 2013, the Fund's exposure to the risk of changes in market interest rates relates primarily to bank balances, commercial papers and Ijara sukuks. The bank balances and commercial papers are subject to interest rates as declared by the respective banks on periodic basis. The debt securities and Ijara sukuks are subject to floating profit rates. The Ijara sukuks are valued at brokers average rate. As at June 30, 2013, approximately 98.37% (June 30, 2012: 98.12%) 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. 7.78 million (June 30, 2012: Rs. 5.319 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.

18.2 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, 2013	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	1,230,769	-	-	-	1,230,769
Remuneration payable to the Trustee	109,715	-	-	-	109,715
Accrued and other liabilities	742,739	-	-	-	742,739
	<u>2,083,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,083,223</u>

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	752,876	2,183,340	-	-	2,832,371
Remuneration payable to the Trustee	73,538	-	-	-	73,538
Accrued and other liabilities	661,010	-	-	-	661,010
	<u>1,487,424</u>	<u>2,183,340</u>	<u>-</u>	<u>-</u>	<u>3,566,919</u>

18.3 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, 2013	June 30, 2012
	----- (Rupees) -----	
Bank balances	405,353,572	329,086,319
Commercial papers	74,343,441	91,951,411
Investment in unlisted debt securities	-	15,247,935
Security deposit	100,000	100,000
Profit receivable on debt securities	-	645,744
Return receivable on bank balances	2,021,196	2,961,018
	<u>481,818,209</u>	<u>439,992,427</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, 2013	June 30, 2012
Rating category	----- (%) -----	
AA, AA-, AA+, AAA	99.99	96.35
A, A-, A+	0.01	3.62
Unrated	0.00	0.03
	<u>100.00</u>	<u>100.00</u>

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

	June 30, 2013	June 30, 2012
	% of assets exposed to credit risk	
Commercial banks	84.57	75.47
Chemicals	-	3.61
Electricity / energy	15.43	20.90
Others	-	0.02
	<u>100.00</u>	<u>100.00</u>

NOTES TO THE FINANCIAL STATEMENTS

18.4 Unit Holders' Fund

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.

The Fund has no restrictions or specific capital requirements on the subscription and redemption of units.

In accordance with the risk management policies, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

18.5 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, 2013, the Fund held the following financial instruments which were measured at fair value:

	June 30, 2013			
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Investments designated 'at fair value through profit or loss'				
Government securities				
- Ijara Sukuks	-	<u>300,125,000</u>	-	<u>300,125,000</u>

NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Investments designated 'at fair value through profit or loss'				
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>

During the year ended June 30, 2013, 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. 33 of 2012 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.

19. 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

20. SUBSEQUENT EVENT

20.1 The Board of Directors of the Management Company in their meeting held on July 05, 2013 have declared a payout at the rate of 1.20% i.e. Rs.1.20 per unit (2012: 2.00% i.e. Rs.2.00 per unit). The financial statements of the Fund for the year ended June 30, 2013 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.

20.2 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.

21. 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.

22. GENERAL

Figures have been rounded off to the nearest rupee.

23. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 24, 2013 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
AND NOTIFIED ENTITIES REGULATIONS, 2008**

(i) PATTERN OF UNIT HOLDING

Category	No. of investors	Units held	Percentage
Individuals	340	3,650,731	48%
Associated company	1	1,000,000	13%
Banks and DFIs	2	194,025	3%
Retirement funds	13	1,212,025	16%
Others	9	1,597,389	21%
	365	7,654,170	100%

(ii) TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

Particulars	Percentage
Elixir Securities Pakistan (Pvt) Limited	96.85%
KASB Securities Limited	3.15%

(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 21 years
Mr. Najm UI Hassan	MBA, ACMA, CFA I	Over 18 years
Mr. Vasseh Ahmed	Master in Science	Over 5 years
Mr. Ayub Khuhro	BSC Economics, CFA I	over 5 years
Syed Shahid Iqbal	B. COM	Over 23 years
Mr. Imran Altaf	MBA, CFA III	Over 5 years
Mr. Faraz Khan	MBA	Over 7 years
Mr. Muhammad Asif Tahir (Non- voting member)	ACCA	Over 6 years

**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
AND NOTIFIED ENTITIES REGULATIONS, 2008**

June 30, 2013 June 30, 2012 June 30, 2011
----- (Rupees) -----

(iv) PERFORMANCE TABLE

Net assets	<u>784,979,529</u>	<u>536,520,940</u>	<u>295,402,235</u>
Net asset value per unit	<u>102.56</u>	<u>103.00</u>	<u>103.51</u>
Offer price	<u>102.56</u>	<u>103.00</u>	<u>103.51</u>
Repurchase price per unit	<u>102.56</u>	<u>103.00</u>	<u>103.51</u>
Highest offer price per unit	<u>104.01</u>	<u>105.18</u>	<u>106.35</u>
Highest repurchase price per unit	<u>104.01</u>	<u>105.18</u>	<u>106.35</u>
Lowest offer price	<u>101.19</u>	<u>100.93</u>	<u>100.22</u>
Lowest repurchase price per unit	<u>101.19</u>	<u>100.93</u>	<u>100.22</u>
Total return:	8.08%	10.90%	10.13%
- capital growth	0.28%	0.55%	0.38%
- income distribution	7.80%	10.35%	9.75%
Average annual return:			
- one year	8.08%	10.90%	10.13%
- two years	9.49%	10.51%	10.02%
- three years	9.70%	10.31%	0.00%
Distribution per unit:			
- Interim distribution per unit	6.60%	8.35%	6.65%
- Final distribution per unit	<u>1.20%</u>	<u>2.00%</u>	<u>3.10%</u>
	<u>7.80%</u>	<u>10.35%</u>	<u>9.75%</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.

(v) WEIGHTED AVERAGE MATURITY (DAYS)

	June 30, 2013	June 30, 2012	June 30, 2011
Weighted average maturity	<u>266</u>	<u>143</u>	<u>89</u>

**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
AND NOTIFIED ENTITIES REGULATIONS, 2008**

(vi) PARTICULARS OF FUND MANAGERS

Name	Qualification	Experience	Other Collective Investment Schemes
Imran Altaf	MBA, CFA Level III	Over 5 Years	Faysal Income & Growth Fund

(vii) 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 05 2012	Aug 16 2012	Oct 20 2012	Oct 24 2012	Dec 03 2012	Jan 22 2013	Jan 30 2013	Mar 15 2013	Apr 19 2013	Apr 27 2013
Mr. Mohammad Abdul Aleem, Chairman	10	1	1	1	1	1	1	1	1	1	1
Mr. Feroz Rizvi, Director	8	1	1	0	0	1	1	1	1	1	1
Syed Majid Ali, Director	10	1	1	1	1	1	1	1	1	1	1
Mr. Zafar Ahmed Siddiqui, Director	8	0	1	1	0	1	1	1	1	1	1
Mr Syed Ibadur Rahman Chishti, Director *	2	1	1	0	0	0	0	0	0	0	0
Mr. Razi ur Rahman, Director	9	1	1	1	1	1	0	1	1	1	1
Mr. Enamullah Khan, Chief Executive Officer	10	1	1	1	1	1	1	1	1	1	1

* Granted leave of absences for 8 meetings out of 10 held.

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 AND NOTIFIED ENTITIES REGULATIONS, 2008

(viii) 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				
		Aug 15 2012	Oct 19 2012	Jan 29 2013	Apr 8 2013	Apr 17 2013
Mr. Feroz Rizvi, Director	4	1	0	1	1	1
Syed Majid Ali, Director	5	1	1	1	1	1
Mr. Zafar Ahmed Siddiqui, Director	4	1	1	1	0	1
Mr. Razi ur Rehman, Director	3	0	0	1	1	1

(ix) 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			
		November 19, 2012	February 13, 2013	May 03, 2013	June 07, 2013
Mr. Zafar Ahmed Siddiqui, Chairman	3	1	1	1	0
Syed Majid Ali	3	0	1	1	1
Mr. Razi ur Rahman Khan	4	1	1	1	1
Mr. Enamullah Khan	4	1	1	1	1

(x) RATING OF THE FUND AND THE MANAGEMENT COMPANY

The JCR - VIS Credit Rating Company Limited (JCR - VIS) has assigned a rating of "AA - (f)", to Faysal Islamic Saving Growth Fund.

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