



FAYSAL  
INCOME &  
GROWTH FUND



2011



FAYSAL  
INCOME &  
GROWTH FUND

Financial Statements for the Year Ended  
June 30, 2011

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GROWTH FUND



#### **Faysal Income & Growth Fund**

The prime objective of Faysal Income & Growth Fund (FIGF) is to provide superior long-term risk adjusted returns by investing in a diverse pool of fixed income securities, including money market instruments; in particular, the aim is to minimise interest rate risk through duration management and default risk through portfolio diversification. The Fund will employ prudent and disciplined investment management, and maximize the total investment return through systematic and informed security selection.

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**FAYSAL  
INCOME &  
GROWTH FUND**



## FUND INFORMATION

### Management Company

Faysal Asset Management Limited

### Board of Directors of the Management Company

Mr. Mohammad Abdul Aleem, Chairman  
Mr. Salman Haider Sheikh, Chief Executive Officer  
Mr. Feroz Rizvi, Director  
Syed Majid Ali Esq., Director  
Mr. Zafar Ahmed Siddiqui, Director  
Syed Ibad-ur-Reham Chishti, Director  
Mr. Muhammad Aliuddin Ansari, Director

### CFO of the Management Company

Mr. Shahid Usman Ojha

### Company Secretary

Mr. Mian Ejaz Ahmed

### Audit Committee

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

### Trustee

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

### Bankers to the fund

Soneri Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Faysal bank Limited  
The Bank of Punjab  
Silk Bank Limited  
Habib Bank limited  
Habib Metropolitan Bank Limited  
NIB Bank Limited  
United Bank Limited

### Auditors

M. Yousuf Ali Saleem & Co.  
Chartered Accountants

### Legal Advisor

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

### Registrar

Gangjees Registrar Service (Pvt) Limited  
Room # 506, 5th Floor, Clifton Centre,  
Kehkashan Clifton-Karachi.

### Distributors

Summit Markets (Pvt) Limited  
Alfalah Securities (Pvt) Limited  
Faysal Asset Management Limited  
Faysal Bank Limited  
Flow (Pvt) Limited  
Foundation Securities (Pvt) Limited  
IGI Investment Bank Limited  
JS Global Capital Limited  
Pak Oman Investment Bank Limited

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## MISSION STATEMENT

FIGF seeks to provide its risk-averse investors an opportunity to earn a consistent market based income with a conservative risk profile while maintaining security of principal as its prime objective.

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## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Directors of the Faysal Asset Management Limited, the Management Company of **Faysal Income & Growth Fund (FIGF)**, are pleased to present the 6th Annual Report on the operations of FIGF along with the audited accounts, Reports of the Trustee and Auditors to the Unit Holders for the financial year ended June 30, 2011.

### SALE AND REDEMPTION OF UNITS

During the year, units worth Rupees 0.652 million were issued and units with a value of Rupees 187 million were redeemed.

### UNIT HOLDERS

As of June 30, 2011, total unit outstanding were 5,778,332 with a value of Rs. 604 million (June 30, 2010: 7,174,009 units with a value of Rs. 747 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, 2011 were as below:

	<u>Offer Prices</u>	<u>Redemption Prices</u>
Highest	107.43	106.36
Lowest	101.91	100.90
As of June 30, 2011	105.50	104.45

In June 2011 the CPI dipped by 0.76% on MoM basis reaching 13.13% YTD primarily due to lower than expected decrease in the perishable item and high base effect. In order to persuade IMF to release the tranche of \$ 1.72bn, government is making all the efforts to manage CPI and other macroeconomic indicators. One such effort was the tax collection of a whopping amount of PKR 155bn in the last week of FY2010-2011. The inevitable widening of the trade deficit has been covered by the massive inflow of remittance since March 2011.

On the External Side FDI dropped by 37% YoY to US\$160mn in May-11, but is up 26% MoM. YTD, FDI is down 29% YoY. Trade deficit for 10MFY11 stood at \$9.39bn, down 8% as compared to 10MFY10.

The external inflow other than remittances remained strained as most of the international agencies have delayed support till IMF issues a letter of comfort for Pakistan. Furthermore, the statement of US Secretary of State to withdraw Military aid to Pakistan has also built negative sentiments in the international market.

In later half of July 2011 IMF is scheduled to meet the government officials to monitor the progress on the implementation of the "conditionalities" imposed by the stand by agreement and has also asked the government to give clarification on the macroeconomic targets given in the budget of FY2011-2012. We believe that the inflation numbers will not experience further increase even with more than probable surge in fuel prices in the upcoming months as the high base effect will also play a vital role in keeping inflation under control. Going forward, in FY2011-2012 fiscal deficit will be a cause of concern for the government since the imminent debt servicing and principle repayment will be too huge for the government's revenue to cover.





## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

### MONEY MARKET REVIEW:

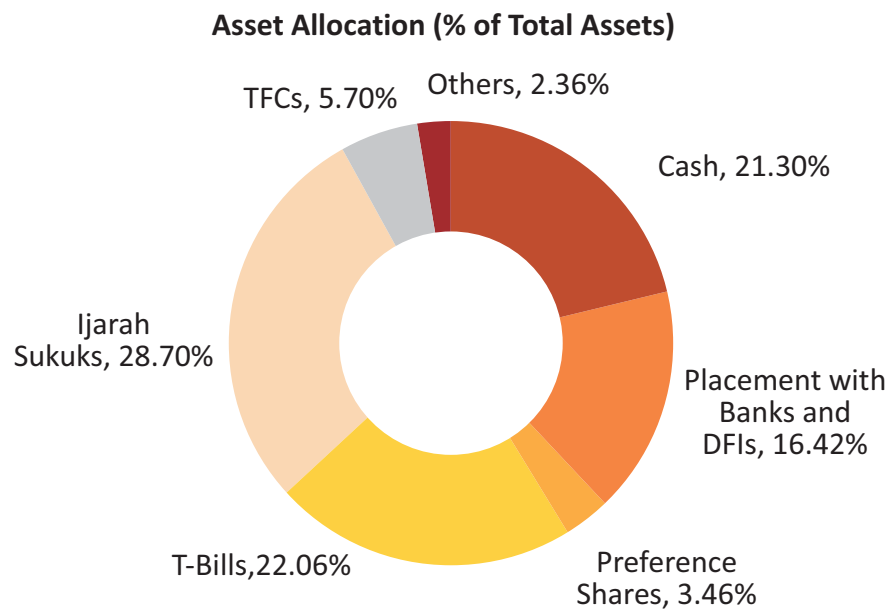
The money market during the month of June 2011 remained mostly mixed with discounting reported couple of times and also money market witnessed the lowest levels of floor rate at 11%. However, frequent intervention by SBP through OMOs stabilized money market where average overnight rates were ranging between 12.50% to 13.50%. Moreover, in the T-bill auction dated June 16, 2011 SBP given the cut-off yield of 13.48%, 13.73% and 13.90% in 3, 6 and 12 months respectively and maintained the same stance in last T-bill auction dated June 30, 2011 of the FY-11 at the same rates.

### PERFORMANCE

During the year Faysal Income & Growth Fund (FIGF) was categorized as "Aggressive Income Fund" in accordance with the Circular 7 of 2009 issued by the Securities and Exchange Commission of Pakistan. FIGF has posted a Year to Date (YTD) yield of 9.71% as compared to its benchmark of 13.30% and its peer group average negative return of 4.51% for the year ended June 30, 2011. FIGF started the year at NAV/unit of PKR 104.12 and closed the year at NAV/unit of PKR 104.45, after giving an aggregate payout of PKR 9 per unit to its valued investors during the year under review. As on June 30, 2011 our portfolio comprises of 37.72% in cash and money market instruments, 50.85% in T-Bills and GoP Ijara Sukuk, 5.70% in TFC's, 3.46% in preference shares. Approximately 88% of the portfolio is invested in AA or better rated instruments. The strategy remains to look out for opportunities with high return potential while maintaining our asset quality.

### Asset Allocation

The Asset Allocation of the fund as on June 30, 2011 is as follows:





## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

### INCOME DISTRIBUTION

The Board of directors has approved fund distribution at the rate of 9% (Interim 6.5% and final 2.5%) (i.e Rs. 9 per unit of par value of Rs.100 each).

### MUTUAL FUND RATING

JCR-VIS has assigned fund stability rating of "A(f)" for Faysal Income & Growth Fund (FIGF) as its categorization was changed from Hybrid Income Fund to an Aggressive Income fund as per SECP's Circular 7 of 2009. The fund stability rating is based on the investment policy and asset allocation mix of the portfolio. A(f) denotes moderate degree of stability in Net Asset Value.

### MEETINGS OF THE DIRECTORS

The details relating to the meetings of directors are given as part of this Annual Report.

### CORPORATE GOVERNANCE

1. A prescribed statement by the management along with the auditors' report thereon for the year ended June 30, 2011 forms part of this annual report.
2. Statements under clause xix of the Code:
  - i. The financial Statements, prepared by the Management presents fairly the state of affairs of the Fund and result of its operations, cash flows and movement in unit holder's fund.
  - ii. Proper books of accounts of the Fund have been maintained.
  - iii. Appropriate accounting policies have been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
  - iv. International Accounting Standards have been followed in the preparation of financial statements without any material departure.
  - v. The system of internal control is sound in design and has been effectively implemented and monitored.
  - vi. There is no significant doubt upon Fund's ability to continue as going concern.
  - vii. There has been no material departure from the Best Practices of the Code of Corporate Governance, as detailed in the Listing Regulations.
  - viii. Outstanding statutory payments on account of taxes, if any, have fully disclosed in the accounts.
  - ix. The details of Board Meetings held and attended by the Directors forms part of this Annual Report.
  - x. The prescribed pattern of shareholding is given as part of this Annual Report.

There were no sales purchase of units of the fund was carried out during the year by the Directors, CEO, CFO, Company Secretary, key executives and the Management Company.







## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

### PATTERN OF HOLDING

The Pattern of Holding as at June 30, 2011 of FIGF is given as part of this Annual Report.

### AUDITORS

The present auditors Messers M. Yousuf Adil Saleem & Co., Chartered Accountants retire. The audit committee has recommended the appointment of M/s A.F. Ferguson & Co, Chartered Accountants, being eligible, offer themselves for appointment. The Board endorses the recommendation of the Audit Committee for appointment of M/s A.F. Ferguson & Co., Chartered Accountant as the auditors for the financial year 2012.

### 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, 2011

**Salman Haider Sheikh**  
Chief Executive Officer





## FUND MANAGER'S REPORT

### Macro Economic Analysis

In FY10-11 Pakistan faced continuous and intensified security challenges. In addition, the country was challenged with multiple adverse shocks of commodity and oil prices and the fallout of the global financial crisis and calamity of the great floods. Considering these challenges the growth rate of 2.4% during the year 2010-11 seems reasonable. The floods wiped out about 2% points from the growth as well as inflicted a massive damage of \$10 billion on country's economic structure. Some 20 million people were displaced as more than 50,000 Sq. Km area was submerged in water.

Despite many challenges, the overall performance of the economy has been moderately satisfactory. The most significant development during the year was the performance of the external sector, which posted a current account surplus of \$ 437mn due to significant growth in exports, remittance and slower growth in import bill. Exports, crossing the \$20 billion mark for the first time, registered a growth of 28% compared to same period reaching \$25.4 billion. Remittances have also recorded a strong performance by crossing the double digit mark and are set to reach the historic level of more than \$11.2 billion. The combined effect of these positive developments was reflected in the growth of external reserves which also touched a historic high of \$17.1 billion at the end of April, 2011.

On fiscal side a deficit of 4% of GDP was posted in FY10-11. Part of the increase in the fiscal deficit is explainable on account of higher security related expenditures and the floods, however significant contribution to this increase came from higher subsidies, delay in adoption of tax measures, non-realization of auction of 3-G license and several petroleum related incomes which were affected due to non-resolution of circular debt problem in full. The emerging fiscal situation has reinforced the urgent need to broaden the tax base, rationalize expenditure and to better insulate the economy from shocks. Pakistan's per capita real income has risen by 0.7% in 2010-11 as against 2.9 % last year. Per capita income in dollar term rose from \$ 1073 last year to \$ 1254 in 2010-11. The total investment has declined from 22.5% of GDP in 2006-07 to 13.4% of GDP in 2010-11. The national savings rate has decreased to 13.8% of GDP in 2010-11 as against 15.4 percent of GDP last year. Domestic savings has also declined substantially from 16.3 percent of GDP in 2005-06 to 9.5 percent of GDP in 2010-11. A low and declining tax-to-GDP ratio and increasing public debt stock has imposed a constraint on the size of fiscal stimulus to support revival of growth momentum needed for the economy.

### Money Market Review

Treasury yields showed a downturn since the third auction of 1QFY12 due to the unanticipated cut in discount rate by 50bps. The Cutoff Yields of 3 months, 6 months and 12 months T-bills dipped by 46bps, 50bps and 54bps respectively. Government's reliance on domestic borrowing to finance the deficit has been increasing due to the insignificant support from the external sources. In 1QFY12 the target amount of T-bill auction is PKR 750bn against the maturity of PKR 701bn. In 1st quarter FY12 the target amount for T-Bill auction was PKR 702bn where total amount accepted was PKR 939bn. Significant participation was witnessed in the 12 month paper. The cutoff for 3, 6 and 12 months paper at the beginning of the quarter stood at 13.485%, 13.7586% and 13.9074%. The unanticipated cut in the discount rate by 50bps in Monetary Policy statement in July 2011 led to a significant dip in the T-Bill yields as the cutoff for 3, 6 and 12 months paper in the last auction stood at 13.07%, 13.23% and 13.31% respectively.





## FUND MANAGER'S REPORT

Auction Date	Settlement Date	Maturing Amount	Target Amount	Accepted Amount
13-Jul-11	14-Jul-11	61,270	90,000	125,524.85
27-Jul-11	28-Jul-11	106,278	120,000	138,199.24
10-Aug-11	11-Aug-11	176,044	170,000	201,191.48
24-Aug-11	25-Aug-11	90,990	190,000	128,279.96
7-Sep-11	8-Sep-11	150,266	150,000	178,131.16
21-Sep-11	22-Sep-11	116,859	130,000	167,778.57
<b>Total Q1-FY12 Amounts</b>		<b>701,707</b>	<b>750,000</b>	<b>939,105</b>

### Investment Objective

FIGF seeks to provide investors optimal yield through diversified portfolio consisting of both long-term fixed instruments as well as short-term money market instruments.

### Fund Information

Fund Type	Open Ended
Category*	Aggressive Income Fund
Stability Rating (JCRVIS)	A(f)
Risk Profile	Medium
Launch Date	10-Oct-05
Custodian/Trustee	CDC
Auditor	M. Yousuf Adil Saleem & Co
Management Fee	1.50%
Front End Load	1%
Back End Load	0%
Min Subscription	PKR. 5,000
Benchmark	90% 1 Yr KIBOR and 10% average of most recent published 3month deposit rates of top 3 scheduled Commercial Bank by deposit size
Pricing Mechanism	Forward
Dealing Days	Monday-Friday
Cut-Off Timing	9am-5pm
AMC Rating	AM2- (JCRVIS)
Registrar	Gangjees Registrar Services (Pvt.) Ltd.

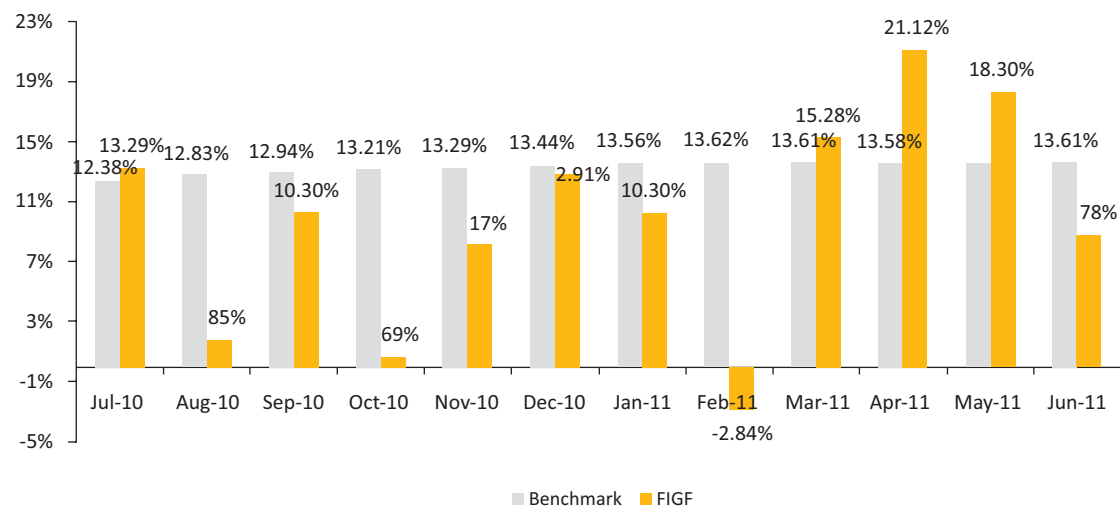




### FUND MANAGER'S REPORT

<b>Risk-quant</b>	Alpha	-0.016%
	Sharpe	-1.5162
	Std. Dev	0.172%
	VAR	0.283%
	Skewness	-2.0594
	Sortino	-0.7097
	Kurtosis	41.2480
	Weighted Average Days	133

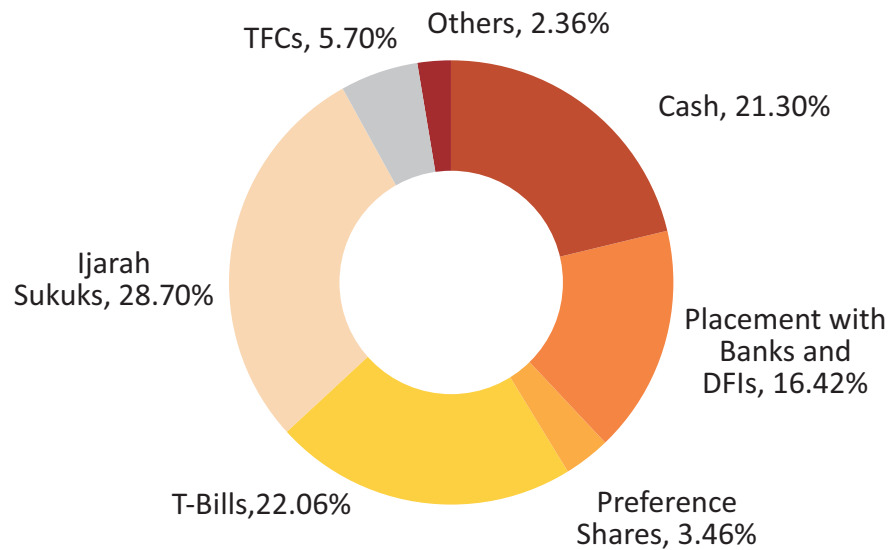
<b>Funds Return</b>	FY11 Return	9.71
	Since Inception	10.23
	Benchmark YTD Return	13.30
	Average Market YTD Return	-4.55





## FUND MANAGER'S REPORT

### Asset Allocation (% of Total Assets)



### Performance Review

Faysal Income & Growth Fund (FIGF) performed steady during the year. On a Year To Date (YTD) basis FIGF surpassed its peers by 14.26% having yielded 9.71% as compared to peer average return of -4.55% YTD. FIGF started the year at NAV/unit of PKR 101.37 and closed the year at NAV/unit of PKR 104.45 after giving an aggregate payout of PKR 9.0 per unit to its valued investors during the year under review. On the asset allocation side, we had increased the portfolio in govt. securities and Ijarah Sukuk during the year. As on June 30, 2011 our portfolio comprises of 37.72% in cash and money market instruments, 22.06% in T-Bills, 28.79% in Ijarah Sukuk, 5.70% in TFC's, 3.46% in preference shares. Approximately 89% of the portfolio is invested in AA or better rated instruments. The strategy remains to look out for opportunities with high return potential while maintaining our asset quality.





## TRUSTEE REPORT TO THE UNIT HOLDERS

### 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

The Faysal Income & Growth Fund (the Fund), an open-end fund was established under a trust deed dated April 27, 2005, executed between Faysal Asset Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2011 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.

We would like to draw unit holders attention towards the directives of the Securities and Exchange Commission of Pakistan issued vide Circulars # 1 of 2009 and 3 of 2010, which require that the debt securities shall only be reclassified as performing on receipt of all arrears i.e. principal as well as interest for the next two installments. The sukuk certificates of Kohat Cement Company Limited were classified as performing in June 2010 based on their restructured plan approved in February 2010.

The Management Company while complying the same has reclassified these sukuk certificates as performing, however, has not accrued the deferred mark-up. The Management Company has informed us that the same has been done on prudence basis, considering the underlying risk of realisability of the deferred mark-up which will be received in future periods.

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

Karachi: October 17, 2011





## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

This statement is being presented by the Board of Directors of Faysal Asset Management Limited (FAML), the Management Company of Faysal Income & Growth Fund (the Fund) to comply with the Code of Corporate Governance (the Code) contained in Regulation No.35 of Listing Regulations of the Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby listed company is managed in compliance with the Best Practices of the Code of Corporate Governance.

FAML, the Management Company is not listed and hence, the Code is not applicable to it. However, the Fund, being listed on the Karachi Stock Exchange, comes under the ambit of the Code. The Fund being a unit trust scheme does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund.

The Management Company has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors. At present the Board includes three independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the resident directors of the Management Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancy occurred during the year was filled up with in thirty days by the Board of Directors of the management company.
5. The Management Company has prepared and circulated a "**Statement of Ethics and Business Practices**" which is being signed by all the directors and employees of the Management Company for the current year.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board. There is no other executive director of the Management Company besides the CEO.
8. The meetings of the Board were presided over by the Chairman and in his absence, by a director elected by the Board for this purpose. The Board met at-least once in every quarter. Written notices of the Board meetings were circulated at least seven days before the meetings. Agenda and working papers were also circulated before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors of the Faysal Asset Management Limited are professionally qualified persons with rich experience in financial sector and are well aware of their duties and responsibilities under Companies Ordinance 1984, NBFC (Establishment & Regulations) Rules, 2003, NBFCs and Notified Entities Regulations, 2008 and Memorandum and Articles of FAML.





## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

10. The Board has approved the appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The directors' report of the fund for this period 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 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 pattern of the unit holdings.
14. The Fund has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises of three members, all of whom are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Management Company has outsourced its internal audit function to a firm of Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund and they (or their representatives) are involved in the internal audit function
18. 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, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. 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.
20. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors of the Management Company.
21. We confirm that all other material principles contained in the Code have been complied with.

Karachi

**Salman Haider Sheikh**  
Chief Executive Officer







## 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 contained in the code of Corporate Governance prepared by the Board of Directors of **FAYSAL ASSET MANAGEMENT LIMITED** (the Management Company) of the **FAYSAL INCOME & GROWTH FUND (the Fund)** to comply with the Listing Regulation of the Karachi Stock Exchange, where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

The Code of Corporate Governance requires board of directors to approve related party transactions bifurcating 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. In this connection we are only required and have ensured compliance of requirement to the extent of board of directors approving the related party transactions in the aforesaid manner. We have not carried out any procedures to enable us to express an opinion as to whether the related party transactions were carried out at arm's length price.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Fund for the year ended June 30, 2011.

Chartered Accountants

Karachi  
Date: 24, September 2011





## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **Faysal Income & GrowthFund (the Fund)**, which comprises the statement of assets and liabilities as at June 30, 2011, and the income statement, distribution statement, cash flow statement, statement of movements in unit holder's fund and a summary of significant accounting policies together with other explanatory notes.

### Management Company's Responsibility for the Financial Statement

Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the fund'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 fund'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 June 30, 2011 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### Other Matters

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

### Chartered Accountants

**Engagement Partner**  
Mushtaq Ali Hirani

Karachi.  
Date: 24, September 2011





## STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2011	Note	June 30, 2011	June 30, 2010
		----- (Rupees) -----	
<b>Assets</b>			
Bank balances	8	181,445,195	385,316,972
Dividend, deposits and other receivables	9	12,907,552	7,636,691
Investments	10	415,566,997	356,659,752
<b>Total assets</b>		<b>609,919,744</b>	<b>749,613,415</b>
<b>Liabilities</b>			
Payable to the Management Company	11	793,643	916,791
Remuneration payable to the Trustee	12	89,500	122,239
Accrued and other liabilities	13	5,490,447	1,601,096
<b>Total liabilities</b>		<b>6,373,590</b>	<b>2,640,126</b>
<b>Net assets</b>		<b>603,546,154</b>	<b>746,973,289</b>
<b>Unit holders' fund</b>		<b>603,546,154</b>	<b>746,973,289</b>
		----- (Number of units) -----	
<b>Number of Units in issue</b>		<b>5,778,332</b>	<b>7,174,009</b>
		----- (Rupees) -----	
<b>Net assets value per unit</b>		<b>104.45</b>	<b>104.12</b>
<b>Contingencies and commitments</b>	14		

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

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

**Salman Haider Sheikh**  
Chief Executive Officer

**Feroz Rizvi**  
Director

**Syed Majid Ali**  
Director





## INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

	Note	June 30, 2011	June 30, 2010
		----- (Rupees) -----	
<b>Income</b>			
Profit earned on debt and Government securities		35,387,978	31,289,158
Dividend income		2,112,108	4,287,108
Return on bank balances and term deposit receipts		46,815,234	57,703,945
Net (loss)/ gain on investments at fair value through profit or loss			
- Net capital (loss) / gain on sale of investments		(969,121)	4,538,785
- Unrealized (loss) / gain on revaluation of investments	10.8	(4,832,093)	1,140,302
		(5,801,214)	5,679,087
<b>Element of loss and capital losses included in prices of units sold less those in units redeemed</b>		(5,207,902)	(4,556,355)
<b>Total income</b>		73,306,204	94,402,943
<b>Expenses</b>			
Remuneration of the Management Company	11.1	9,864,796	11,471,965
Remuneration of the Trustee	12	1,220,603	1,527,102
Brokerage		252,975	1,324,200
Bank charges and guarantee commission		122,617	173,410
Auditors' remuneration	15	408,305	387,437
Securities and Exchange Commission of Pakistan annual fee	13.1	493,243	566,420
Legal and professional		69,710	60,000
Annual rating fee		180,000	170,000
Annual listing fee		40,000	40,000
Settlement, federal excise duty and capital value tax		194,775	390,297
Printing		86,447	252,500
Provision against debt securities		1,261,058	-
Workers' welfare fund	13.2	3,918,442	-
<b>Total Expenses</b>		18,112,971	16,363,331
Net income for the year before taxation		55,193,233	78,039,612
Taxation	16	-	-
<b>Net income for the year after taxation</b>		55,193,233	78,039,612
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		55,193,233	78,039,612
<b>Earnings per unit - basic and diluted</b>	17		

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

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

**Salman Haider Sheikh**  
Chief Executive Officer

**Feroz Rizvi**  
Director

**Syed Majid Ali**  
Director





## DISTRIBUTION STATEMENT

### FOR THE YEAR ENDED JUNE 30, 2011

	June 30, 2011	June 30, 2010
	----- (Rupees) -----	
Undistributed Income brought forward [(includes unrealized loss on investment of Rs. 16,608,699 (2009: unrealized loss of Rs 49,490,032) ]	29,572,287	12,808,469
Final distribution for the year ended June 30, 2010 @ Rs. 2.75 per unit, declared for distribution on July 7, 2010 (2009:Rs. 0.8 per unit declared for distribution on July 6, 2009)		
Bonus on 5,300,122 units (2009: 5,227,699)	(14,575,335)	(4,182,159)
Cash on 1,873,888 units (2009: 1,873,888)	(5,153,190)	(1,499,110)
Interim distribution for the quarter ended September 30, 2010 @ Rs. Nil per unit, (2009:Rs. 2.75 per unit declared for distribution on October 22, 2009)		
Bonus on Nil units (2009: 4,907,141)	-	(13,494,638)
Cash on Nil units (2009: 1,873,888)	-	(5,153,190)
Interim distribution for the half year ended December 31, 2010 @ Rs. 3 per unit, declared for distribution on February 19, 2011 (2009: Rs. 3 per unit declared for distribution on February 20, 2010)		
Bonus on 4,188,982 units (2009: 5,168,184)	(12,566,945)	(15,504,551)
Cash on 1,873,888 units (2009: 1,873,888)	(5,621,663)	(5,621,657)
Interim distribution for the quarter ended March 31, 2011 @ Rs. 3.50 per unit, declared for distribution on April 23, 2011 (2010: Rs. 2.25 per unit declared for distribution on April 24, 2010)		
Bonus on 4,164,861 units (2010: 5,157,441)	(14,577,014)	(11,604,243)
Cash on 1,873,888 units (2010: 1,873,888)	(6,558,606)	(4,216,246)
Net Income for the year after taxation	55,193,233	78,039,612
Undistributed Income carried forward [includes unrealized loss on investments of Rs.13,968,886 (2010: unrealized loss of Rs.16,608,699)]	<u>25,712,767</u>	<u>29,572,287</u>

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

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

**Salman Haider Sheikh**  
Chief Executive Officer

**Feroz Rizvi**  
Director

**Syed Majid Ali**  
Director





## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	June 30, 2011	June 30, 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	55,193,233	78,039,612
<b>Adjustments for non-cash and other items</b>		
Net capital loss / (gain) on sale of investment at fair value through profit or loss	969,121	(4,538,785)
Dividend income	(2,112,108)	(4,287,108)
Profit earned on debt and government securities	(35,387,978)	(31,289,158)
Return on bank balances and term deposit receipts	(46,815,234)	(57,703,945)
Element of loss and capital losses included in prices of units sold less those in units redeemed	5,207,902	4,556,266
Provision against debt securities	1,261,058	
Unrealized loss / (gain) on investment at fair value through profit and loss - net	<u>4,832,093</u>	<u>(1,140,302)</u>
	(16,851,913)	(16,363,331)
<b>Decrease in assets</b>		
Profit, dividend, deposits and other receivables	-	16,799,576
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	(123,148)	10,988
Remuneration payable to the Trustee	(32,739)	1,926
Accrued and other liabilities	<u>3,889,351</u>	<u>(416,599)</u>
	3,733,464	(403,685)
	(13,118,449)	32,560
Proceeds from sale / redemption of investments	3,006,925,456	810,082,888
Payment against purchase of investments	(3,072,894,973)	(925,557,500)
Dividend received	2,987,108	3,712,108
Profit received on debt and government securities	26,749,418	28,733,941
Return received on bank balances and term deposit receipts	49,307,933	54,279,745
<b>Net cash used in operating activities</b>	(43,507)	(28,716,258)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received against issue of units	652,427	437,918,638
Payments made against redemption of units	(187,147,238)	(480,018,133)
Dividend paid	(17,333,459)	(16,490,203)
<b>Net cash used in financing activities</b>	<u>(203,828,270)</u>	<u>(58,589,698)</u>
Net decrease in cash and cash equivalents during the year	(203,871,777)	(87,305,956)
Cash and cash equivalents at beginning of the year	385,316,972	472,622,928
<b>Cash and cash equivalents at end of the year</b>	<u>8</u> <u>181,445,195</u>	<u>385,316,972</u>

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

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

**Salman Haider Sheikh**  
Chief Executive Officer

**Feroz Rizvi**  
Director

**Syed Majid Ali**  
Director





## STATEMENT OF MOVEMENT IN UNIT HOLDERS FUND

**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>June 30, 2011</b>	June 30, 2010
	----- (Rupees) -----	
Net asset value per unit at beginning of the year	104.12	101.80
Net asset value per unit at end of the year	104.45	104.12
<b>Net assets at beginning of the year</b>	746,973,289	722,967,020
Amount received on issue of units *	652,427	437,918,638
Amount paid on redemption of units **	(187,147,238) (186,494,811)	(480,018,133) (42,099,495)
Element of loss and capital losses included in prices of units sold less those in units redeemed	5,207,902	4,556,355
Final cash dividend for the year ended June 30, 2010 @ Rs.2.75 per unit, declared for distribution on July 07, 2010 (2009: Rs.0.8 per unit declared for distribution on July 6, 2009)	(5,153,190)	(1,499,110)
Interim cash dividend for the quarter ended September 30, 2010 @ Rs. Nil per unit, (2009:Rs. 2.75 per unit declared for distribution on October 22, 2009)	-	(5,153,190)
Interim cash dividend for the half year ended December 31, 2010 @ Rs. 3 per unit, declared for distribution on February 19, 2011 (2009:Rs. 3 per unit declared for distribution on February 20, 2010)	(5,621,663)	(5,621,657)
Interim cash dividend for the quarter ended March 31, 2011 @ Rs. 3.50 per unit, declared for distribution on April 23, 2011 (2010:Rs. 2.25 per unit declared for distribution on April 24, 2010)	(6,558,606)	(4,216,246)
Capital (loss) / gain on sale of investments	(969,121)	4,538,785
Unrealized (loss)/ gain on revaluation of investments - at fair value through profit and loss	(4,832,093)	1,140,302
Other net income for the year	60,994,447	72,360,525
<b>Total comprehensive income for the year</b>	55,193,233	78,039,612
<b>Net assets at end of the year</b>	603,546,154	746,973,289
	----- (Number of units) -----	
* Number of units issued (including 410,056 bonus units issued during the year ended June 30, 2011 and 435,880 bonus units issued during the year ended June 30, 2010)	416,370	4,598,363
** Number of units redeemed	1,812,046	4,525,939

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

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

**Salman Haider Sheikh**  
Chief Executive Officer

**Feroz Rizvi**  
Director

**Syed Majid Ali**  
Director





## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

#### 1. LEGAL STATUS AND NATURE OF BUSINESS

Faysal Income & Growth Fund (the Fund) has been established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and has been authorized as a unit trust scheme by the Securities and Exchange Commission of Pakistan (SECP) on June 24, 2005. It has been constituted under a Trust Deed dated April 27, 2005 between Faysal Asset Management Limited (the Management Company), a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited (CDC) as the Trustee, also incorporated under the Companies Ordinance, 1984. The Fund was launched on October 10, 2005.

The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Karachi Stock Exchange (Guarantee) Limited. The principal activity of the Fund is to make investments in fixed income securities including money market instruments.

During the year, the SECP vide its letter No SCD/NBFC II/DD/FAML/598/2010 dated July 28, 2010 required the Management Company to categorize the Fund as per the available categories in Circular 07 of 2009. Pursuant to this, the Management Company, with the approval of Board of Directors, has re-categorized the Fund from 'Income Scheme' to 'Aggressive Fixed Income Scheme'. The SECP has also given its approval for the said re-categorization subject to the fulfillment of certain conditions which were duly fulfilled by the Management Company.

#### 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 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 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 which are accounted for as stated in notes 5.1 and 5.2 below.

3.2 The financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency.

#### 4. ACCOUNTING STANDARDS AND INTERPRETATIONS THAT BECAME EFFECTIVE DURING THE YEAR

In the current year, the Fund has adopted all new Standards issued by the IASB and as notified by the Securities and Exchange Commission of Pakistan that are relevant to its operations and effective for Fund's accounting period beginning on July 01, 2010.







## NOTES TO THE FINANCIAL STATEMENTS

Amendments to IAS 7 - Statement of Cash Flows *Effective from accounting period beginning on or after January 01, 2010*

The amendments (part of Improvements to IFRSs (2009)) specify that only expenditures that result in a recognized asset in the balance sheet can be classified as investing activities in the statement of cash flows. Consequently, any cash flows in respect of items that do not qualify for recognition as an asset (and, therefore, are recognized in profit or loss as incurred) would be reclassified from investing to operating activities in the statement of cash flows and prior year amounts restated for consistent presentation. There is no such classification in financial statements of the Fund for the year ended June 30, 2011.

Following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has no significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

### Issued in 2009

IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations

IFRS 8 – Operating Segments

IAS 1 – Presentation of Financial Statements

IAS 7 – Statement of Cash flows

IAS 17 – Leases

IAS 36 – Impairment of Assets

IAS 39 – Financial Instruments: Recognition and Measurement

### Issued in April 2010

IFRS 3 – Business Combinations

IAS 27 – Consolidated and Separate Financial Statements

## 5. 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.

### 5.1 Investments

The investments of the Fund, upon initial recognition, are classified as investment at fair value through income statement or available-for-sale investment, as appropriate.





## NOTES TO THE FINANCIAL STATEMENTS

All investments, are initially measured at fair value plus, in the case of investments not at fair value through income statement, 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 recognized 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".

### **At fair value through income statement**

These include held-for-trading investments and such other investments that, upon initial recognition, are designated under this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the near term. After initial measurement, such investments are carried at fair value and 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 amortized cost less any provision for impairment except in case of debt securities (listed but not regularly traded on a stock exchange) and Government securities, which are carried at fair value in accordance with the requirements of the NBFC Regulations.

### **Loans and receivables**

Loans and receivables are non-derivative investments with fixed or determinable payments that are not quoted on the active market. Such assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the loan and receivable are derecognized or impaired, as well as through the amortization process.

### **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 unrealized gain or loss recognized directly in the unit holders' fund until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recognized in unit holders' fund is taken to the income statement.

### **Fair value of investments is determined as follows:**

#### *Listed shares*

These are valued on the basis of closing market prices quoted on the respective stock exchange.





## NOTES TO THE FINANCIAL STATEMENTS

### *Debt securities*

The Fund's investment in debt securities is revalued at the rates quoted by Mutual Funds Association of Pakistan (MUFAP) in accordance with SECP's Circular No.1 of 2009 dated 06 January 2009, read with Regulation 66(b) of the NBFC Regulations.

### *Government securities*

These are valued by reference to the quotations obtained from the PKRV rate sheet on the Reuters page.

### 5.2 Derivatives

Derivative instruments held by the Fund generally comprise of futures contracts and options in the capital market. These are initially recognized at their fair value. The fair value of futures contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the futures contract. Derivatives financial instruments are included in investments in the statements of assets and liabilities and the resultant gain or loss on the remeasurement of derivative financial instruments are included in the income statement 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.

### 5.3 Securities under repurchase / resale agreements

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

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

### 5.4 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 recognized in the income statement.





## NOTES TO THE FINANCIAL STATEMENTS

Impairment is determined as follows:

- (a) for assets carried at amortized 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 holders' 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.

### 5.5 Provisions

Provisions are recognized 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.

### 5.6 Issue and redemption of units

Units issued are recorded at the offer price prevalent on the day the investment 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 from investor.

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

### 5.7 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.

### 5.8 Revenue recognition

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

Dividend income on equity securities is recognized in the income statement when the right to receive the dividend is established.





## NOTES TO THE FINANCIAL STATEMENTS

Gains or losses on sale of securities and unrealized gains or losses arising on revaluation of investments classified as 'financial assets at fair value through income statement' are included in the income statement in the period in which they arise.

Mark-up on Government securities, debt securities, return on certificates of investment, profit on clean placements, return on bank balances and term deposit receipts and income from reverse repurchase agreements are recognized on a time proportion basis using effective interest rate method.

### 5.9 Element of income / loss and capital gains / losses included in prices of units sold less those in units redeemed

To prevent the dilution of per unit income and distribution of income already paid out on redemption, as dividend, an equalization account called "element of income / loss and capital gains / losses included in prices of units sold less those in units redeemed" is created.

The "element of income / loss and capital gains / losses included in prices of units sold less those in units redeemed" account is credited with the amount representing net income / loss and capital gains / losses accounted for in the last announced net asset value and included in the sale proceeds of units. Upon redemption of units, the "element of income / loss and capital gains / losses included in prices of units sold less those in units redeemed" account is debited with the amount representing net income / loss and capital gains / losses accounted for in the last announced net asset value and included in the redemption price.

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

### 5.10 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates, if any. 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 realized and unrealized capital gains for the year are distributed amongst the Fund unit holders. The Fund intends to avail this exemption for current and future periods. Accordingly, no provision is made for current and deferred taxation in these financial statements.

### 5.11 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 recognized amount and the Fund intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

### 5.12 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 outstanding at the year end.





## NOTES TO THE FINANCIAL STATEMENTS

### 5.13 Proposed dividend and transfer between reserves

Dividends declared and transfers between reserves, made subsequent to the statement of assets and liabilities date are considered as non-adjusting events and are recognized in the financial statements in the period in which such dividends are declared / transfers are made.

### 5.14 Financial assets and financial liabilities

All financial assets and financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognized 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 currently.

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

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

## 6. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, 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 judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgements 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.

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

The following International Financial Reporting Standards and Interpretations as notified by the Securities and Exchange Commission of Pakistan are only effective for accounting periods, beginning on or after the date mentioned against each of them:





## NOTES TO THE FINANCIAL STATEMENTS

Standard or interpretation	Effective date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments: Disclosures (Amendment)	July 01, 2011
IAS 1 - Presentation of Financial Statements (Amendment)	July 01, 2012
IAS 12 - Income Taxes (Amendment)	January 01, 2012
IAS 19 - Employee Benefits (Amendments)	January 01, 2013
IAS 24 - Related Party Disclosures (Amendments)	January 01, 2011
IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (Amendment)	January 01, 2011

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.

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 (accounting periods beginning on or after)
IFRS 9 – Financial Instruments	January 01, 2013
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

	Note	June 30,	June 30,
		2011	2010
<b>8. BANK BALANCES</b>		----- (Rupees) -----	
Cash at banks - PLS saving accounts	8.1	131,445,195	385,316,972
Term deposit receipt	8.2	50,000,000	-
		<u>181,445,195</u>	<u>385,316,972</u>





## NOTES TO THE FINANCIAL STATEMENTS

8.1 These carry mark-up ranging from 5% to 13.50% (2010: 5% to 12.35%) per annum and include balance of Rs. 0.069 million (2010: Rs. 0.135 million) held with Faysal Bank Limited (a related party).

8.2 This carries mark-up of 13.75% per annum having one month maturity.

	June 30, 2011	June 30, 2010
<b>9. DIVIDEND, DEPOSITS AND OTHER RECEIVABLES</b>	<b>Note</b>	(Rupees)
<b>Considered good</b>		
Profit on debt securities	9,315,217	676,657
Security deposits		
- National Clearing Company of Pakistan Limited	2,500,000	2,500,000
- Central Depository Company of Pakistan Limited	100,000	100,000
	2,600,000	2,600,000
Return on bank balances	992,335	3,485,034
Dividend income	-	875,000
	<u>12,907,552</u>	<u>7,636,691</u>
<b>Considered doubtful</b>		
Receivable against redemption of TFCs	445,410	-
Provision against redemption of TFCs	(445,410)	-
	<u>-</u>	<u>-</u>
	<u>12,907,552</u>	<u>7,636,691</u>
<b>10. INVESTMENTS</b>		
<b>At fair value through profit and loss - Held for trading</b>		
Listed equity securities	10.1	-
		12,490,995
<b>Designated 'at fair value through profit and loss'</b>		
Listed preference shares	10.2	21,050,009
Listed debt securities	10.3	2,449,755
Unlisted debt securities	10.4	32,265,560
Government securities	10.6	309,782,700
		<u>365,548,024</u>
		22,367,224
		3,744,130
		86,839,875
		<u>180,695,199</u>
		<u>306,137,423</u>
<b>Held-to-maturity</b>		
Certificates of investment	10.7	50,018,973
		<u>415,566,997</u>
		<u>50,522,329</u>
		<u>356,659,752</u>





## NOTES TO THE FINANCIAL STATEMENTS

### 10.1 Listed equity securities\*

Name of the investee company	----- Number of shares -----				Market value as at June 30, 2011	--- Investment as % of ---		
	As at July 01, 2010	Purchased during the year	Disposed off during the year	As at June 30, 2011		Net assets	Total investments	Investee company paid-up capital
* Ordinary share having a face value of Rs.10 each unless stated otherwise								
<b>Fixed line telecommunication</b>								
Pakistan Telecommunication Company Limited	500,000	-	(500,000)	-	-	-	-	-
<b>Banks</b>								
National Bank of Pakistan	-	50,000	(50,000)	-	-	-	-	-
The Bank of Khyber	950,000	-	(950,000)	-	-	-	-	-
Bank Alfalah Limited	-	100,000	(100,000)	-	-	-	-	-
United Bank Limited	-	50,000	(50,000)	-	-	-	-	-
<b>Chemicals</b>								
Lotte Pakistan PTA Limited	-	100,460	(100,460)	-	-	-	-	-
<b>Construction and materials</b>								
D.G. Khan Cement Company Limited	-	100,000	(100,000)	-	-	-	-	-
<b>Personal Goods</b>								
Azgard Nine Limited	-	100,000	(100,000)	-	-	-	-	-
Nishat Mills Limited	-	250,000	(250,000)	-	-	-	-	-
Nishat Chunian Limited	-	100,000	(100,000)	-	-	-	-	-
	<u>1,450,000</u>	<u>850,460</u>	<u>(2,300,460)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 10.2 Preference shares

Name of the investee company	----- Number of shares -----				Market value as at June 30, 2011	--- Investment as % of ---		
	As at July 01, 2010	Purchased during the year	Disposed off during the year	As at June 30, 2011		Net assets	Total investments	Investee company paid-up capital
* Preference share having a face value of Rs.10 each unless stated otherwise								
<b>Industrial transportation</b>								
Pakistan International Container Terminal Limited	2,112,108	-	(5,000)	2,107,108	21,050,009	3.49%	5.07%	1.66%
	<u>2,112,108</u>	<u>-</u>	<u>(5,000)</u>	<u>2,107,108</u>	<u>21,050,009</u>	<u>3.49%</u>	<u>5.07%</u>	<u>1.66%</u>

### 10.3 Listed debt securities

Name of the investee company	----- Number of shares -----					Carrying value as at June 30, 2011 (Rupees)	--- Investment as % of ---	
	As at July 01, 2010	Purchased during the year	Redeemed during the year	Disposed off during the year	As at June 30, 2011		Net assets	Total investments
Term Finance Certificates (TFCs)								
<b>Fixed line telecommunication</b>								
Telecard Limited	10.3.1	2,020	-	-	2,020	3,265,403	0.55%	0.79%
Less: Provision for impairment		-	-	-	-	(815,648)	-0.14%	-0.20%
		<u>2,020</u>	<u>-</u>	<u>-</u>	<u>2,020</u>	<u>2,449,755</u>	<u>0.41%</u>	<u>0.59%</u>





## NOTES TO THE FINANCIAL STATEMENTS

10.3.1 Due to the financial difficulties, Telecard Limited (Telecard) was unable to make the payment of principal amounting to Rs. 0.445 million due on May 27, 2011 which has been classified as part of 'Other receivable' at the year end and fully provided for in the books of the fund. However, the entire amount of mark-up due on the coupon date has been paid by the issuer and recognized as income. Telecard is renegotiating with the term finance certificate holders. The fund has recognized an aggregate provision of Rs.1.261 million (including Rs.0.445 million classified under 'other Receivable' note 9) as per the applicable regulation / directives. The fund has suspended the accrual of further mark-up on this investment.

### 10.4 Unlisted debt securities

Name of the investee company	----- Number of shares -----					Carrying value as at June 30, 2011 (Rupees)	--- Investment as % of ---	
	As at July 01, 2010	Purchased during the year	Redeemed during the year	Disposed off during the year	As at June 30, 2011		Net assets	Total investments
Sukuk Certificates								
<b>Construction and materials</b>								
Kohat Cement Limited	100,000	-	-	-	100,000	32,265,560	5.35%	7.76%
<b>Banks</b>								
Bank Alfalah Limited	10,000	-	-	(10,000)	-	-	0.00%	0.00%
	<u>110,000</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>100,000</u>	<u>32,265,560</u>	<u>5.35%</u>	<u>7.76%</u>

### 10.5 Significant terms and conditions of Debt Securities are as follows:

Name of security	Number of certificates held	Face value per certificate (Rupees)	Mark-up rate (Per annum)	Maturity	Secured / unsecured	Rating
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#### Listed Debt Securities

Telecard Limited	2,020	5,000	3.75% + 6 months KIBOR	November, 2013	Secured	D
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#### Unlisted Debt Securities

Kohat Cement Limited	100,000	500	1.8% + 3 months KIBOR	December, 2015	Secured	Non-rated
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## NOTES TO THE FINANCIAL STATEMENTS

### 10.6 Government Securities

	Note	June 30, 2011 (Rupees)	June 30, 2010 (Rupees)	----- Investment as % of -----	
				Net assets	Total investments
Government of Pakistan Ijara Sukuk	10.6.1	175,431,250	-	29.07%	42.21%
Market Treasury Bills (MTBs)	10.6.2	134,351,450	180,695,199	22.26%	32.33%
		<u>309,782,700</u>	<u>180,695,199</u>	<u>51.33%</u>	<u>74.54%</u>

10.6.1 This represent Government of Pakistan Ijara Sukuk having face value of Rs.175 million having maturities upto March 2014. The Fund's yield on these instruments ranges from 13.39% to 13.68% per annum.

10.6.2 These represent Market Treasury Bills having face value of Rs.150 million (June 30, 2010: Rs.200 million) having a tenure of one year (June 30, 2010: one year). The Fund's yield on these instruments ranges from 13.78% to 13.83% per annum (June 30, 2010: 12.19% to 12.22% per annum) with maturities upto May 2012.

### 10.7 Certificates of Investments (COIs) - un-secured

	Note	June 30, 2011 (Rupees)	June 30, 2010 (Rupees)	----- Investment as % of -----	
				Net assets	Total investments
Pak Brunei Investment Company Limited	10.7.1	50,018,973	-	8.29%	12.04%
Pak Libya Holding Company Limited	10.7.2	-	50,522,329	0.00%	0.00%
		<u>50,018,973</u>	<u>50,522,329</u>	<u>8.29%</u>	<u>12.04%</u>

10.7.1 Face value of these COIs is Rs. 50 million and they carry mark-up @ 13.85% per annum with maturity of six months.

10.7.2 Face value of these COIs is Rs. 50 million and they carry mark-up @ 12.30% per annum matured on November 30,2010



## NOTES TO THE FINANCIAL STATEMENTS

		June 30, 2011	June 30, 2010
	Note	----- (Rupees) -----	
<b>10.8 Net unrealized (loss)/ gain during the year in the value of investments at fair value through profit and loss</b>			
Fair value of investments at fair value through profit and loss		366,363,672	306,137,423
Cost of investments at fair value through profit and loss		(380,332,558) (13,968,886)	(322,746,122) (16,608,699)
Net unrealized loss in market value of investments at fair value through profit and loss at beginning of the year		16,608,699	49,490,032
Realized on disposal during the year		(7,471,906) 9,136,793 (4,832,093)	(31,741,031) 17,749,001 1,140,302
<b>11. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Management fee	11.1	789,665	916,791
Sales load		3,978	-
		793,643	916,791

11.1 The Management Company is entitled to a remuneration for services rendered to the Fund under the provisions of the NBFC Regulations during the first five years of a Fund's existence of an amount not exceeding three per cent of the average annual net assets of the Fund and thereafter of an amount equal to two per cent of such assets. During the current year, the Management Company has claimed its remuneration at the rate of 1.5% (2010: 1.5%) of the average daily net assets of the Fund.

### 12. REMUNERATION PAYABLE TO THE TRUSTEE

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

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2011 is as follows:

Amount of Funds Under Management (Net Asset Value)	Tariff per annum
Upto Rs. 1,000 million	Rs. 0.6 million or 0.7% p.a. of NAV, whichever is higher
On an amount exceeding Rs 1,000 million To 5000 million	Rs. 1.7 million plus 0.085% p.a. of NAV exceeding Rs. 1,000 million.
Over 5000 million	Rs. 5.1 million plus 0.07% p.a. of net assets exceeding Rs. 5 billion





## NOTES TO THE FINANCIAL STATEMENTS

	Note	June 30, 2011	June 30, 2010
		(Rupees)	
<b>13. ACCRUED AND OTHER LIABILITIES</b>			
Accrued liabilities		1,071,583	1,027,498
SECP annual fee	13.1	500,422	573,598
Workers' welfare fund	13.2	3,918,442	-
		5,490,447	1,601,096

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% of the average annual 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 Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to the Fund for collection of WWF.

However, on prudent basis, the Board of Directors of the Management Company in their meeting held on October 02, 2010 has decided to make provision for Workers' Welfare Fund (WWF) in the financial statements of the Fund with effect from July 01, 2008 and, accordingly, adjusted the Net Asset Value of the Fund on October 02, 2010 and record WWF onwards on a daily basis.

On December 14, 2010, the Ministry filed its response to the constitutional petition pending in the Court. As per the legal counsel who is handling the case, there is contradiction between the above referred clarification issued by the Ministry and the response filed by the Ministry in the Court.

Subsequent to the year end, in August 2011, the Lahore High Court has issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 are declared unconstitutional and therefore struck down. The Management Company, in consultation with MUFAP, is currently considering the implications arising out of the above judgment and is also awaiting decision of the Sindh High Court on this matter.





## NOTES TO THE FINANCIAL STATEMENTS

### 14. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2011.

### 15. AUDITORS' REMUNERATION

Note	June 30, 2011	June 30, 2010
	----- (Rupees) -----	
Audit fee	250,000	250,000
Half yearly review fee	70,000	66,125
Code of Corporate Governance review fee	30,000	33,063
Other certifications	30,000	28,750
Out of pocket expenses	28,305	9,499
	<u>408,305</u>	<u>387,437</u>

### 16. TAXATION

The Fund is exempt from tax under clause 99 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year, as reduced by the capital gains whether realized or unrealized, is distributed among its unit holders.

The Fund is also exempt from the provisions of Section 113 (minimum tax) under clause II (i) of Part IV of the Second Schedule to Income Tax Ordinance 2001.

### 17. EARNINGS PER UNIT - BASIC AND DILUTED

EPU based on cumulative weighted average units for the year has not been disclosed as in the opinion of the management company, determination of the same is not practicable.

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

	June 30, 2011	June 30, 2010
	----- (Rupees) -----	
<b>18.1 Transactions during the year</b>		
<b>Faysal Asset Management Limited (Management Company)</b>		
Remuneration of Management Company	9,864,796	11,471,965
Sales load	14,474	163,881
Issue of Nil units (2010: 1,644,891 units)	-	175,000,000
Redemption of Nil units (2010: 1,644,891 units)	-	175,460,570
<b>Faysal Savings Growth Fund (common management)</b>		
Purchase of preference shares of Pakistan International Container Terminal Limited	-	19,008,972





## NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2011	June 30, 2010
	----- (Rupees) -----	
<b>Faysal Asset Management Limited - Employees Provident Fund</b>		
Issue of Nil bonus units (2010: 100 units)	-	10,263
Redemption of Nil units (2010: 2,973 units)	-	317,236
<b>Faysal Asset Management Limited - Staff Gratuity Fund</b>		
Issue of Nil bonus units (2010: 54 units)	-	5,513
Redemption of Nil units (2010: 1,597 units)	-	170,413
<b>Faysal Bank Limited (group company)</b>		
Cash dividend paid	17,333,459	16,490,209
Profit received on PLS saving accounts	33,690	162,077
Purchase of Government securities	70,170,274	-
<b>Faysal Bank Limited - Staff Provident Fund</b>		
Issue of 51,638 bonus units (2010: 44,738 units)	5,256,284	4,597,134
<b>Faysal Bank Limited - Staff Gratuity Fund</b>		
Issue of bonus units 26,942 (2010: 23,338 units)	2,741,891	2,398,052
<b>AKD Securities (Private) Limited</b> (major shareholder of the Management Company)		
Brokerage fee	-	17,500
<b>Central Depository Company of Pakistan Limited</b> (Trustee of the Fund)		
Remuneration of the Trustee	1,220,603	1,527,102
Settlement charges	11,352	58,848
<b>18.2 Outstanding balances as at year end</b>		
<b>Faysal Asset Management Limited (Management Company)</b>		
Remuneration of the Management Company	789,665	916,791
Sales load payable	3,978	-
<b>Faysal Bank Limited (group company)</b>		
Units in issue 1,873,887 units (June 30, 2010: 1,873,887 units)	195,727,537	195,109,154
Balance in PLS saving account	69,611	135,308
<b>Faysal Bank Limited - Staff Provident Fund</b>		
Units in issue 603,091 units (June 30, 2010: 551,453 units)	62,993,888	57,417,237
<b>Faysal Bank Limited - Staff Gratuity Fund</b>		
Units in issue 314,602 units (June 30, 2010: 287,660 units)	32,860,168	29,951,161
<b>Central Depository Company of Pakistan Limited</b> (Trustee of the Fund)		
Remuneration payable to the Trustee	89,500	122,239
Settlement charges payable	-	2,626
Deposit	100,000	100,000





## NOTES TO THE FINANCIAL STATEMENTS

### 19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

#### 19.1 Market risk

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

##### (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instrument will fluctuate due to changes in the market interest rates. As of June 30, 2011, the Fund is exposed to such risk in respect of bank balances, term finance certificate, sukuk bonds, Government securities and Certificates of Investment of financial institutions. The bank balances are subject to floating interest rates as declared / agreed by the respective bank on periodic basis. Management of the Fund estimates that an increase of 100 basis points in the market rate, with all other factors remaining constant, would increase the Fund's income by Rs.1.631 million (June 2010: Rs. 3.3 millions) and a decrease of 100 basis points would result in a decrease in the Fund's income 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 Fund has exposure of equity price in preference shares of Pakistan International Container Terminal Limited only. Management of the Fund estimates that a 5% increase or decrease in the overall equity prices in the market with all other factors remaining constant would result in increase or decrease in value of preference shares and of Fund's net assets by Rs. 1.053 million. However, in practice, the actual results may differ from the sensitivity analysis. During the year, the Fund ceased to invest in equity securities as per the requirements of Circular No. 07 of 2009.







## NOTES TO THE FINANCIAL STATEMENTS

### 19.2 Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemption of its redeemable units on a regular basis. Units are redeemable at the unit holder's 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.

The table below summarizes the maturity profile of the Fund's financial instruments:

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

#### Liabilities

Payable to the Management Company	793,643	-	-	-	793,643
Remuneration payable to the Trustee	89,500	-	-	-	89,500
Accrued and other liabilities	1,071,583	-	-	-	1,071,583
	<u>1,954,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,954,726</u>

2010	Upto one month	More than one month and upto three months	More than three months and upto one year	More than one year	Total
------	----------------	---	--	--------------------	-------

#### Liabilities

Payable to the Management Company	916,791	-	-	-	916,791
Remuneration payable to the Trustee	122,239	-	-	-	122,239
Accrued and other liabilities	394,224	633,274	-	-	1,027,498
	<u>1,433,254</u>	<u>633,274</u>	<u>-</u>	<u>-</u>	<u>2,066,528</u>

### 19.3 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge its obligation. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements. The table below analyses the Fund's maximum exposure to credit risk. The Fund's investment in government securities amounting to Rs. 309.78 million (2010: 180.70 million) is not subject to the 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, 2011	June 30, 2010
	----- (Rupees) -----	
Bank balances and term deposit receipts	181,445,195	385,316,972
Investment in debt securities	55,765,324	90,584,005
Certificates of investment	50,018,973	50,522,329
Dividend receivable	-	875,000
Mark-up receivable on debt securities	9,315,217	676,657
Return receivable on bank balances	992,335	3,485,034
	<u>297,537,044</u>	<u>531,459,997</u>

Investment of the Fund in debt securities is collateralized by creation of first charge in favour of the trustee of the issue over the fixed assets (including / excluding land and building as specified) of the issuer.

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 analyzes the credit quality of Fund's exposure:

	June 30, 2011	June 30, 2010
	----- % -----	
<b>Rating category</b>		
AA+, AA, AA-	86.87	92.44
A+, A, A-	-	-
BBB+, BBB, BBB-	-	0.72
Unrated	13.13	6.84
	<u>100.00</u>	<u>100.00</u>

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

	2011	2010
	% of assets exposed to credit risk	
Financial services	18.91	9.53
Banks	67.96	82.91
Fixed line telecommunication	0.93	0.72
Construction and materials	12.20	6.84
	<u>100.00</u>	<u>100.00</u>





## NOTES TO THE FINANCIAL STATEMENTS

### 19.4 Capital management

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

### 19.5 Fair value Hierarchy

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

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	June 30, 2011		
	Level 1	Level 2	Level 3
	----- (Rupees) -----		
<b>Investments at fair value through income statement</b>			
Listed equity securities	-	-	-
Listed preference shares	21,050,009	-	-
Listed debt securities	-	-	2,449,755
Unlisted debt securities	-	32,265,560	-
Government securities	-	309,782,700	-
	<u>21,050,009</u>	<u>342,048,260</u>	<u>2,449,755</u>
	June 30, 2010		
	Level 1	Level 2	Level 3
	----- (Rupees) -----		
<b>Investments at fair value through profit or loss</b>			
Listed equity securities	12,490,995	-	-
Listed preference shares	22,367,224.00	-	-
Listed debt securities	-	3,744,130	-
Unlisted debt securities	-	86,839,875	-
Government securities	-	180,695,199	-
	<u>34,858,219</u>	<u>271,279,204</u>	<u>-</u>

During the year, Rs. 2,449,755 has been transferred from level 2 to level 3.





## NOTES TO THE FINANCIAL STATEMENTS

### 20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

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

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

### 21. NON-ADJUSTING EVENT AFTER THE STATEMENT OF ASSETS AND LIABILITIES DATE

The Board of Directors of the Management Company in their meeting held on July 09, 2011 have declared distribution at the rate of 2.50% (i.e. Rs.2.50 per unit). The financial statements of the Fund for the year ended June 30, 2011 do not include the effect of such distribution which will be accounted for in the financial statements of the Fund subsequent to the year end.

### 22. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

### 23. GENERAL

Figures are rounded off to the nearest rupee unless otherwise mentioned.

### 24. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on September 24, 2011 by the Board of Directors of the Management Company.

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

**Salman Haider Sheikh**  
Chief Executive Officer

**Feroz Rizvi**  
Director

**Syed Majid Ali**  
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**

	<b>No. of investors</b>	<b>Units held</b>	<b>%</b>
<b>Category</b>			
Individuals	95	225,049	3.89
Associated companies and directors (including Close relatives)	3	2,791,590	48.31
Retirement funds	14	2,375,636	41.11
Public limited companies	-	-	-
Others	8	386,057	6.68
	<u>120</u>	<u>5,778,332</u>	<u>100.00</u>

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

<b>Name</b>	<b>%</b>
Alfalah Securities (Private) Limited.	25.02
KASB Securities Limited.	17.74
Moonaco Securities (Private) Limited.	15.83
IGI Finex Securities Limited.	9.88
Fortune Securities Limited.	5.86
Invisor Securities (Private) Limited.	5.67
BMA Capital	5.10
Elixir Securities (Private) Limited.	4.23
Foundation Securities Limited.	2.96
ACE Securities (Private) Limited.	2.96

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

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

- Mr. Salman Haider Sheikh
- Mr. Shahid Usman Ojha
- Mr. Asad Iqbal
- Mr. Omar Ehtisham Anwar
- Mr. Ayaz Mustafa Zuberi
- Mr. Mansoor Bughio
- Mr. Qamar Abbas





## 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

### Mr. Salman Haider Sheikh

Mr. Haider has over 12 years of international experience of asset management and investment banking. He has held various securities licenses including Series-7 (General Securities Representative) and Series-63 (Uniform Securities Agent Law) issued by the National Association of Securities Dealers (NASD) New York. He has also passed course examinations for Series-3 (Futures & Commodities) and Series-24 (General Securities Principal) and Life & Health Insurance licenses. He has participated in a six-month course on financial systems, risk management, analysis of financial products, marketing strategy and compliance at Wachovia Bank, USA.

Mr. Haider has managed large investment portfolios for both retail and institutional clients on the equity and fixed income side. Mr. Haider participated as a team member in venture capital / Private equity and investment banking transactions of over \$1 billion. His work experience includes positions in the USA at Merrill Lynch, Janney Montgomery & Scott and Wachovia Bank. Mr. Haider holds a post-graduate certificate in "Executive Leadership" from Cornell University. He holds an MBA from Rutgers University with concentration in Finance. He holds Bachelors in Finance from the same institution.

### Mr. Shahid Usman Ojha

Mr. Shahid Usman Ojha has over 14 years of experience in Mutual Fund industry and Financial Institutions including organizations like Dawood Capital Management Limited, Pak Asian Fund Limited and Standard Chartered Bank Limited. Mr. Ojha is an associate member of Institute of Cost & Management Accountant of Pakistan and Pakistan Institute of Public Finance Accountants. He has also completed his Masters in Economics from University of Karachi. Mr. Ojha possesses 5 years experience of working in the asset management industry in various capacities. In his last served job, Mr. Ojha worked in a similar position in Dawood Capital Management Limited where his core responsibilities included Financial Management and Reporting, Taxation, Finalization of Accounts and Budgeting.

### Mr. Asad Iqbal

Mr. Iqbal has worked on Wall Street from 1995 to 2002 in various capacities with the latest being Vice President in Equities for Goldman, Sachs & Co. At Goldman, he was responsible for book building for all Goldman lead equity and convertible equity offerings for their US clients. During this period, Mr. Iqbal worked on over 100 equity and convertible debt offerings including some of the most prominent deals such as the Goldman Sachs and Accenture Initial Public Offerings and the AT&T secondary offering.

Prior to joining FAML, Mr. Iqbal was Managing Director of one of the prominent equity brokerage houses of the country and also served on the board of directors for the Karachi Stock Exchange (KSE) Ltd in 2009. As a member of the KSE board Mr. Iqbal served as the chairman of the New Products committee and was instrumental in the launch of the Bond Automated Trading System as well as the re-introduction of Cash Settled and Deliverable Futures. Mr. Iqbal also served on the boards of the National Commodity Exchange as well as JCR-VIS. Mr. Iqbal holds a Bachelors of Science Degree from Carnegie Mellon University and also held Series 7 and Series 63 certifications from the NASD.





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### Mr. Omar Ehtisham Anwar

Mr. Omar Ehtisham Anwar has almost three years of experience in equity markets. He is a graduate of Lahore University of Management Sciences (LUMS) and holds a BSC (Honors) degree in Computer Science. Previously, Mr. Anwar was working for Alfalah Securities a subsidiary of Bank Alfalah in the Institutional Sales Group. His responsibilities included dealing with individual, institutional and foreign clients, guiding clients on their investment options by keeping abreast with market conditions, meeting market deadlines and risk assessment. He was also responsible for providing business and technical support and initiating new product ideas.

### Mr. Ayaz Mustafa Zuberi

Mr. Ayaz Mustafa Zuberi has over twelve years of experience in financial sector. He was on the Board of Directors of three Securitization Companies in Pakistan. Mr. Zuberi was also the Chief Dealer in Treasury at ORIX Investment Bank Pakistan Limited and prior to joining FAML he was serving as Manager Islamic Funds at UBL Fund Managers Limited. Mr. Zuberi holds Masters in Business Administration from American University of Hawaii and also a Certified Fraud Examiner from ACFE, Austin, USA. He has also done one year Post Graduate Diploma in Islamic Banking and Finance from Centre for Islamic Economics (Darul-Uloom) Karachi.

### Mr. Mansoor Bughio

Mr. Bughio has over 15 years of experience in the areas of Treasury, Money market & FX, Capital markets, Islamic Banking, Structured derivatives, Sukuk & TFCs, Project financing and Investment banking along with Asset management. He has been working with couple of highly reputed organizations in Pakistan and abroad at leading roles. Prior to joining FAML, Mr Bughio was working in the capacity of Head of Islamic Products at Al Rajhi Bank, Saudi Arabia. He has also served as chief dealer-Treasury at Saudi-Pak Investment and CEO of NAIML. Mr Bughio has also worked with KASB Securities as Head on Debt markets and SVP-Head of brokerage division at First Dawood Investment Bank Ltd. He completed his Diploma in Financial Management from Maastricht School of Management, Netherlands in 1999 and MBA-Finance from Quaid-e-Azam University, Islamabad, Pakistan in 1996.

### Mr. Qamar Abbas

Mr. Abbas is currently Head of Research and Product Development at FAML. Mr. Abbas earned his MSc. in Finance from Cass Business School London and MSc. in Physics from University of Karachi. He has over eight years experience in fields of Capital Market Research, Investment Advisory and Product Development with over three years association with UBL Fund Managers as a Manager Research and Product Development. He played an instrumental role in launching of Fixed Income, Equity and Islamic Funds at UBL Fund Managers. Mr. Abbas started his career in 1997 with Eastern Capital Limited and has worked with other top tier brokerage houses since then before joining UBL Fund Managers. He also taught in a renowned business school of Karachi in both graduate and undergraduate programs.





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**(iv) PERFORMANCE TABLE**

	June 30, 2011	June 30, 2010	June 30, 2009
	(Rupees)		
Net assets	<u>603,546,154</u>	<u>746,973,289</u>	<u>722,967,020</u>
Net asset value per unit	<u>104.45</u>	<u>104.12</u>	<u>101.80</u>
Offer price	<u>105.50</u>	<u>105.17</u>	<u>102.82</u>
Repurchase price per unit	<u>104.45</u>	<u>104.12</u>	<u>101.80</u>
Highest offer price per unit	<u>107.43</u>	<u>107.91</u>	<u>105.83</u>
Highest repurchase price per unit	<u>106.36</u>	<u>106.84</u>	<u>104.78</u>
Lowest offer price	<u>101.91</u>	<u>102.77</u>	<u>101.13</u>
Lowest repurchase price per unit	<u>100.90</u>	<u>101.75</u>	<u>100.12</u>
Total return:			
- capital growth	0.71%	0.29%	8.90%
- income distribution	9.00%	10.75%	8.00%
Average annual return: (Launch date: October 10, 2005)			
- one year	9.71%	11.04%	8.90%
- two years	10.38%	9.97%	18.87%
- three years	10.24%	9.96%	31.63%
Distribution per unit:			
- Interim distribution per unit	6.50%	8.00%	7.20%
- Final distribution per unit	<u>2.50%</u>	<u>2.75%</u>	<u>0.80%</u>
	<u>9.00%</u>	<u>10.75%</u>	<u>8.00%</u>

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







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**(v) NAME OF FUND MANAGERS**

Mr. Omar Ehtisham Anwar  
Mr. Ayaz Mustafa Zuberi  
Mr. Mansoor Bughio

**(vi) MEETING OF THE 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 07 2010	Aug.30, 2010	Sep. 25, 2010	Oct. 02, 2010	Oct. 30, 2010	Feb. 19, 2011	Apr. 23, 2011
Mr. Mohammad Abdul Aleem, Chairman	6	-	1	1	1	1	1	1
Salman Haider Sheikh, Chief Executive Officer	7	1	1	1	1	1	1	1
Syed Majid Ali	7	1	1	1	1	1	1	1
Mr. Feroz Rizvi	6	1	1	-	1	1	1	1
Mr. Zafar Ahmed Siddiqui	5	1	1	1	1	-	1	-
Mr. Salman Ahmed Usmani	4	-	-	1	1	1	1	-
Syed Ibadur Rehman Chishti	2	-	-	-	-	1	-	1

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

As of June 30, 2011, the JCR - VIS Credit Rating Company Limited (JCR - VIS) of the Fund was " A(f) " and the management company rating was "AM2-"

