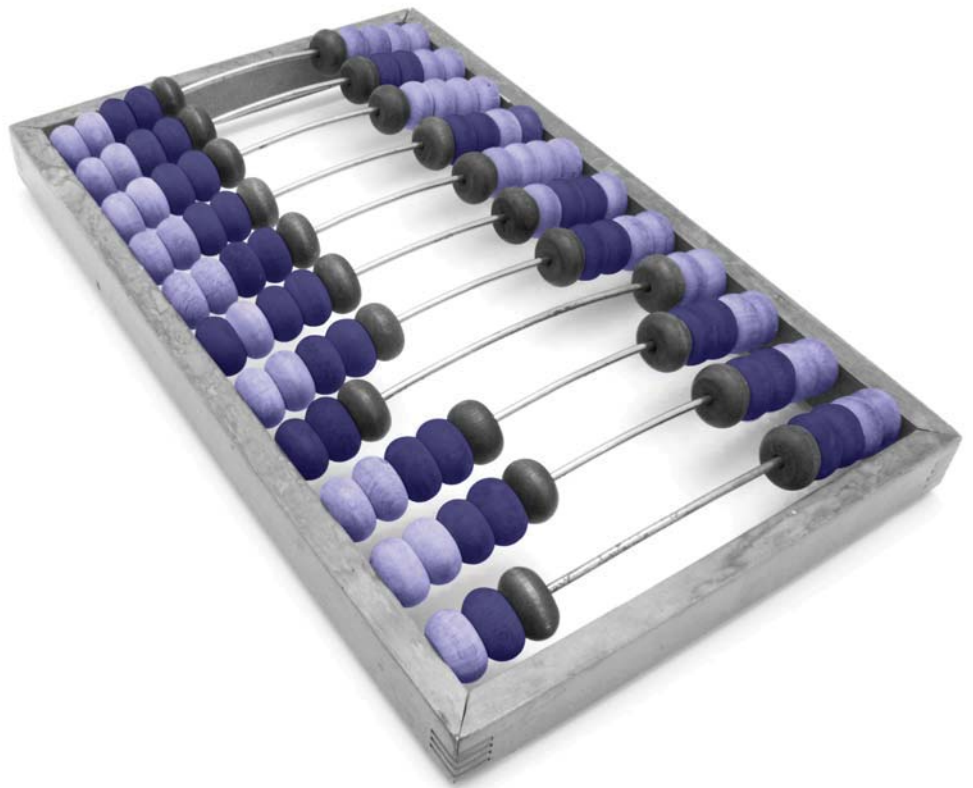


Faysal Asset Management

Balanced Growth Fund

Financial Statements for the year ended June 30, 2014



Faysal Balanced Growth Fund

The Faysal Balanced Growth Fund (FBGF) is an open-ended mutual fund. The units of FBGF are listed on the Karachi Stock Exchange and were initially offered to the public on April 19, 2004. FBGF seeks to provide long-term capital appreciation with a conservative risk profile and a medium to long-term investment horizon. FBGF's investment philosophy is to provide stable returns by investing in a portfolio balanced between equities and fixed income instruments.

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FUND INFORMATION

Management Company

Faysal Asset Management Limited

Board of Directors of the Management Company

Mr. Nauman Ansari, Chairman
Mr. Enamullah Khan, Chief Executive Officer
Mr. Razi-Ur-Rahman Khan, Director
Mr. Osman Khan, Director
Syed Majid Ali, Director
Syed Ibad-Ur-Rehman Chishti, Director

Chief Operating & Financial Officer and Company Secretary of the Management Company

Mr. Najm-Ul-Hassan

Audit Committee

Mr. Razi-Ur-Rahman Khan, Chairman
Syed Majid Ali, Member
Mr. Osman Khan, Member

Trustee to the Fund

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

Bankers to the fund

NIB Bank Limited
Soneri Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
The Bank of Punjab
Askari Bank Limited
UBL Ameen- Islamic Banking

Auditors

Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants

Legal Advisor

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

Registrar

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

MISSION STATEMENT

Faysal Balanced Growth Fund endeavours to provide investors with an opportunity to earn income and long-term capital appreciation by investing in a large pool of fund representing equity/ non equity investment in a broad range of sectors and financial instruments.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Directors of the Faysal Asset Management Limited, the Management Company of **Faysal Balanced Growth Fund** (FBGF), are pleased to present the Annual Report on the operations of FBGF along with the audited accounts, Reports of the Trustee and Auditors to the Unit Holders for the year ended June 30, 2014.

SALE AND REDEMPTION OF UNITS

During the year, units worth Rupees 55.031 million were issued and units with a value of Rupees 56.150 million were redeemed.

UNIT HOLDERS

As of June 30, 2014, 1,938,976 units with a value of Rs. 119.802 million were outstanding (June 30, 2013: 1,511,929 units with a value of Rs. 107.694 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, 2014 were as below:

	Offer Price	Redemption Price
Highest	70.87	70.87
Lowest	57.94	57.94
As of June 30, 2014	61.79	61.79

EQUITY MARKETS REVIEW

Pakistan's equity market continued its bullish trend in the outgoing year FY14 as the benchmark KSE-100 index closed above the 29,600 index points translating in to a gain of 9.2%, or 2,493 index points during the outgoing 4QFY14, taking the fiscal year FY14 return to 41.16%.

This rally was led by continued rerating of the index and increase in Pakistan's weight in the MSCI FM Index to 7.39% from 4.16% earlier encouraging foreign portfolio investment inflow to reach USD 262mn over the period under review.

Investors sought attractiveness of fundamentally sound equities that improved on account of harmonizing macro scenario with strong LSM growth; subdued inflationary pressures and FX reserve rebuilding which lead to the Pakistani Rupee appreciate by 8.9% from an all-time high witnessed during the year.

Amongst different sectors Banks (+58% on improving NIMs), Cements (+51% on the back of strong domestic demand and margins) and Textiles (+30% on the EU's GSP Plus status) remained the major winners within the large weight space, while Food processors (-5% on distribution concerns), Electricity (+5% as maintenance and overhaul took its toll on earnings) and Fixed Line (+9% emergence of breakdown in LDI space) were the main laggards. The index heavy weight Oil and Gas sector only managed to yield +20% over the year.

The local bourse saw a flurry of IPOs during the outgoing year that generated significant investor interest where companies namely, EFERT, AVN and HASCOL staged impressive investor interest. The secondary public offerings ("SPOs") of UBL and PPL received a very positive response from foreign and local investors, and allowed the government to raise a total of USD 542mn from the two transactions by the government.

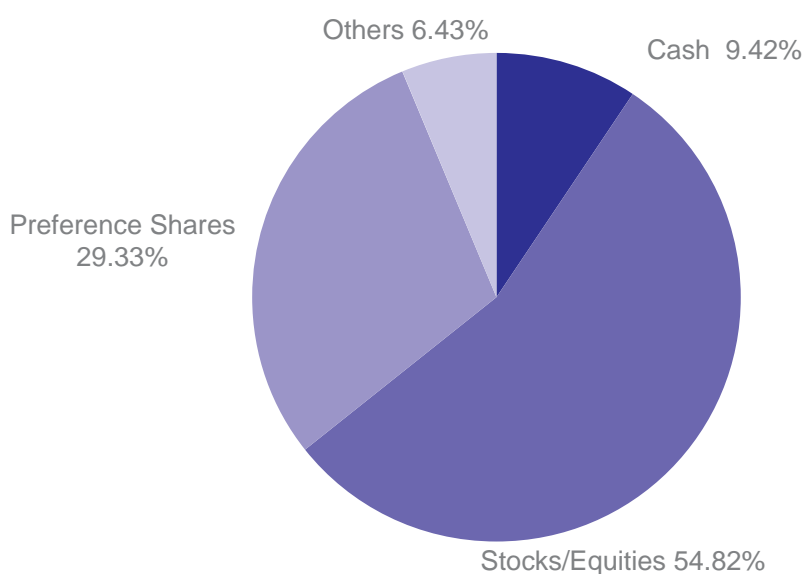
Going forward, the improving economic outlook has rendered a case for consolidation of the index at current levels based on a) continued strengthening of foreign reserves b) stability in PKR/USD parity resulting in lower import bill, c) successful privatization of SOEs and d) Government backed development projects and e) prudent tax collection measures and successful conclusion of operation against militants in north Waziristan.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

PERFORMANCE REVIEW

Faysal Balanced Growth Fund yielded a return of 14.69% during outgoing fiscal year FY2014 owing to proactive investment philosophy, robust corporate earnings growth, buoyant stock market activity and a diversified exposure of equities and fixed income. During FY14, equity exposure was regulated and monitored considering improved macro-economic outlook, interest rate stance taken by SBP, spectacular rise in broad stock market, improving law & order and political situation in the country. In line with buoyant sectors activity aligned with upbeat capital market, exposure in equity was regularize accordingly that helped yielded a robust return. Going forward, your fund is well positioned to consolidate on better sector opportunity in next fiscal year on the back of stronger economic outlook coupled with strong capital market scenario. yields.

ASSET ALLOCATION



INCOME DISTRIBUTION

The Board of directors has not approved Final distribution as the income for year is already distributed via Interim distribution at the rate of 7.50% (i.e Rs. 7.50 per unit of par value of Rs.100 each).

MUTUAL FUND RATING

JCR-VIS has assigned three years fund performance ranking of "MFR 1- Star" (3 years ranking), "Weak performance" to FBGF.

CORPORATE GOVERNANCE

A prescribed under clause xli of the Code of Corporate Governance 2012 Statement of Compliance with the Code of Corporate Governance along with the auditors' report thereon for the year ended June 30, 2014 forms part of this annual report.

1. Statements under clause xvi of the Code:
 - a. The financial statements, prepared by the management of the Fund, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
 - b. Proper books of account of the Fund have been maintained;
 - c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement;
 - d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained;
 - e. The system of internal control is sound in design and has been effectively implemented and monitored;

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

- f. There are no significant doubts upon the Fund's ability to continue as a going concern;
- g. The details of taxes, duties, levies and charges outstanding, are disclosed in the financial statements;
- h. The number of board and committees' meetings of the management company held during the year and attendance by each director forms part of this Annual Report; and
- i. The prescribed pattern of unit holding is given as part of this Annual Report.

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

Trades By:	Investment	Redemption
	------(No. of Units)-----	
Management Company	811,553	Nil

PATTERN OF HOLDING

The Pattern of unit Holding of FBGF is given as part of this Annual Report.

AUDITORS

The present auditors Messers Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retire and, being eligible, offer themselves for re-appointment. The Board endorses the recommendation of the Audit Committee for appointment of Messers Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as the auditors for the year ending June 30, 2015.

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: 30th September, 2014

Enamullah Khan
Chief Executive Officer

FUND MANAGER'S REPORT

Economic Outlook for FY14

The year under review commenced with ambitious plans of the incumbent business friendly government that took charge in May 2013 to improve ailing external account liquidity, expedite revenue collection measures, escalate tax-to-GDP ratio, fill energy demand-supply gap, and spur economic growth. Given Pakistan's low external liquidity buffer and dwindling foreign exchange reserves coupled with depreciating PKR, Pakistan entered into a deal of \$6.8 billion with IMF under Extended Fund Facility (EFF) signed in September 2013 under stringent IMF conditions to put a ceiling on Net Domestic Assets (NDA) of SBP, curb fiscal deficit of the country, bring energy reforms, improve tax administration, build foreign exchange reserves, and privatize State Owned Entities. Under IMF Programme, Pakistan's economy followed a turnaround with GDP growth recorded at 4.3%, the highest level achievement since 2008-2009 coupled with exceptional growth of 27% in foreign exchange reserves to stand at USD 13.99bn in FY14 on account of issuing Eurobond worth USD2bn, CSF payments, IMF's four quarterly tranches, proceeds from 3G/4G auction, loan from World Bank of USD 1bn, and other bilateral and multilateral sources as a result of which PKR appreciated to stabilize at PKR 98.6 which improved sentiments about the economy.

On the external front, current account witnessed widening deficit taking 11MFY14 deficit of USD 2.57bn as compared to USD 2.15bn in the same period last year. However, overseas remittances continued to surge by 13.72% in FY14 to USD 15.83bn providing relief to the external account pressures.

Considering fiscal conditions, the government embarked on an aggressive tax collection target of PKR 2,275bn after having revising it downward twice. The target was missed by a meager figure of PKR 9bn in FY14, however tax collection increased by 16% in FY14 against the same period last year while curbing non development expenditures. Consequently, fiscal deficit stands at 5.8% in FY14. Considering Privatization mandates, Pakistan succeeded in conducting Secondary Public Offering of UBL and PPL in the capital markets along with rigorous privatization plans on board for the next fiscal year.

On a monetary front, CPI for FY14 remained in single digits at an average of 8.62% YoY (vs 7.4% in FY13) owing to uptick in domestic food prices considering cyclical demand/supply factors. The headline inflation remains well within SBP's revised target of 9-10% for FY14 as compared to target of 10-11% at start of the year, keeping real interest rate positive to nearly ~2%. Moreover, monetary growth (M2) remained at 12.2% in FY14 as compared to 15.9% in FY13 driven by limits imposed by IMF on SBP's Net Domestic Assets and government borrowings coupled with strong foreign inflows that kept ratio of NDA/NFA on a lower side.

Having considered weak economic condition along with fragile external account, depreciating rupee, negligible foreign exchange reserves and rising inflation in early 1HFY14, SBP hiked discount rate twice in a year from 9-9.5% and 9.5-10% in Sept and Nov 2013 respectively. However, discount rate was kept unchanged for the later 2HFY14 owing to improving economic conditions while keeping a check on inflation and IMF's stringent conditions to consider a vigilant stance on monetary policy.

Going forward, GDP growth is expected to grow at 5% next fiscal year owing to improving LSM growth rate, burgeoning foreign exchange reserves from privatization proceeds and IMF tranches, containing inflationary pressures, declining fiscal deficit, and bridging energy supply gap by bringing fiscal reforms.

Equity Market Review

Pakistan's equity market continued its bullish trend in the outgoing year FY14 as the benchmark KSE-100 index closed above the 29,600 index points translating in to a gain of 9.2%, or 2,493 index points during the outgoing 4QFY14, taking the fiscal year FY14 return to 41.16%.

This rally was led by continued rerating of the index and increase in Pakistan's weight in the MSCI FM Index to 7.39% from 4.16% earlier encouraging foreign portfolio investment inflow to reach USD 262mn over the period under review.

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Amongst different sectors Banks (+58% on improving NIMs), Cements (+51% on the back of strong domestic demand and margins) and Textiles (+30% on the EU's GSP Plus status) remained the major winners within the large weight space, while Food processors (-5% on distribution concerns), Electricity (+5% as maintenance and overhaul took its toll on earnings) and Fixed Line (+9% emergence of breakdown in LDI space) were the main laggards. The index heavy weight Oil and Gas sector only managed to yield +20% over the year.

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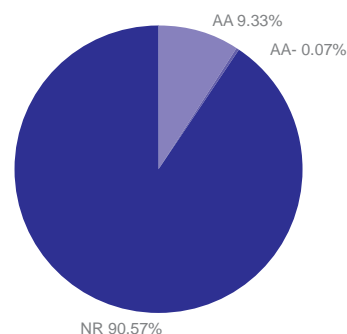
Going forward, the improving economic outlook has rendered a case for consolidation of the index at current levels based on a) continued strengthening of foreign reserves b) stability in PKR/USD parity resulting in lower import bill, c) successful privatization of SOEs and d) Government backed development projects and e) prudent tax collection measures and successful conclusion of operation against militants in north Waziristan.

FUND INFORMATION

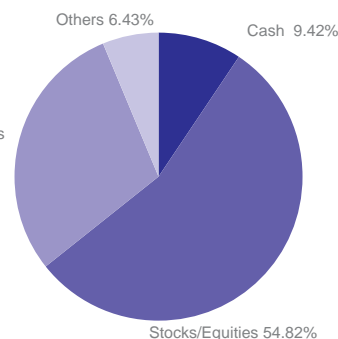
Fund Type	Open Ended
Category	Balanced Scheme
Risk Profile	Moderate
Launch Date	April 19, 2004
Custodian/Trustee	CDC
Auditor	Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants
Management Fee	2%
Front/Back end Load	Nil
Min Subscription	PKR. 5,000
Benchmark*	KSE100 Index / 6M KIBOR
Pricing Mechanism	Forward
Dealing Days	Monday-Friday
Cut-Off Timing	9am-5pm
AMC Rating	AM3+ (JCRVIS)
NAV per Unit (PKR)	61.79
Net Assets (mn)	119.80
Leverage	Nil

* weighted average of 6M kibar & percentage invested in equities

Asset Quality



Assets Allocation



FUND INFORMATION

	June 14	June 13	
YTD	14.69	19.22	Preference Shares
Benchmark (YTD)	23.53	30.70	29.33%

FBGF

Faysal Balanced Growth Fund yielded a return of 14.69% during outgoing fiscal year FY2014 owing to proactive investment philosophy, robust corporate earnings growth, buoyant stock market activity and a diversified exposure of equities and fixed income. During FY14, equity exposure was regulated and monitored considering improved macro-economic outlook, interest rate stance taken by SBP, spectacular rise in broad stock market, improving law & order and political situation in the country. In line with buoyant sectors activity aligned with upbeat capital market, exposure in equity was regularize accordingly that helped yielded a robust return. Going forward, your fund is well positioned to consolidate on better sector opportunity in next fiscal year on the back of stronger economic outlook coupled with strong capital market scenario.

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

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shakra-e-Faisal
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com

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

We Central Depository Company of Pakistan Limited, being the Trustee of Faysal Balanced Growth Fund (the Fund) are of the opinion that Faysal Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2014 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

For the purpose of information, the attention of unit holders is drawn towards the fact that the exposure taken by the Fund in the equity shares of Lafarge Cement Pakistan Limited has exceeded the exposure limit as defined in Regulation 55(5) of the NBFC Regulations. We, being the Trustee have reported the issue to the Commission.

The breach was finally regularized by the Management Company on October 14, 2014 upon receiving the Commission's reply of refusal on Management Company's another request based on certain assumption to allow the Management Company for extension of time to dispose off the said securities.

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

Karachi: October 28, 2014

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

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2014.

Further, we highlight below an instance of non-compliance with the requirements of the Code as reflected in the paragraph reference where it is stated in the Statement:

Paragraph Reference	Description
22	The absence of a mechanism for annual evaluation of the Board's performance as per the requirements of the Code of Corporate Governance, on which the Board is currently working.

Chartered Accountants
Date: 30th September, 2014
Karachi

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES CODE OF CORPORATE GOVERNANCE FAYSAL BALANCED GROWTH FUND

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

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

Category	Names
Independent Director	Mr. Osman Khan
Non-Executive Director	Mr. Nauman Ansari Syed Majid Ali Mr. Razi-Ur-Rahman Khan Syed Ibad-Ur-Rehman Chishti
Executive Director	Mr. Enamullah Khan (CEO)

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

- The directors have confirmed that none of them are serving as a director in more than seven listed companies, including the Management Company.
- All the resident directors of the Management Company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
- Casual vacancy occurring on the board on 27 November 2013 and 21 April 2014 respectively were filled up by the directors within ninety days, however the board is in process to fill the casual vacancy occurred on 27 June 2014.
- The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- The Board has developed a vision / mission statement, an overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment, determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other executive and non-executive directors has been taken by the Board.
- The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- All the directors of the Management Company are well-conversant with the relevant laws applicable to the Fund and Management Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. The Compliance with the requirement of certification of directors under clause (xi) of the code shall be ensured during the year ending June 30, 2015.
- The Directors' report relating to the Fund for the year ended June 30, 2014 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- The financial statements of the Fund were duly endorsed by the CEO and CFO of the Management Company before approval of the Board.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES CODE OF CORPORATE GOVERNANCE FAYSAL BALANCED GROWTH FUND

12. The Directors, CEO, and executives do not hold any interest in the units of the Fund other than that disclosed in the Directors' report.
13. The Management Company has complied with all the applicable corporate and financial reporting requirements of the Code.
14. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors of the Management Company including the chairman of the Committee.
15. The meetings of the Audit Committee were held at least once in every quarter and prior to the approval of interim and final results of the Fund as required by the Code. The terms of reference of the Committee have been approved in the meeting of the Board of Directors and the Committee has been advised to ensure compliance with those terms of reference.
16. The Board has formed an HR and Compensation Committee. It comprises of five members of whom four are non-executive directors and the chairman of the Committee is an independent director.
17. The Management Company has outsourced its internal audit function to KPMG Taseer Hadi & Co. Chartered Accountants (the Firm) who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund. The Head of internal audit had resigned in the month of June 2014, the management company is in the process of appointing a suitable candidate for this position.
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 (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Management Company or units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
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 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Funds' units, was determined and intimated to directors, employees and stock exchange.
21. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
22. We confirm that all other applicable material principles enshrined in the Code have been complied with except that the Board is working to put in place a mechanism for its annual evaluation at the year end.

Karachi
Dated: 30th September, 2014

Enamullah Khan
Chief Executive Officer

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Faysal Balanced Growth Fund** (the Fund), which comprise the statement of assets and liabilities as at 30 June 2014, and the related statements of income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2014, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

Other matter

The financial statements of the Fund for the year ended 30th June 2013 were audited by another firm of Chartered Accountants, whose report dated 24 September 2013 expressed an unqualified opinion and conclusion thereon respectively.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: 30th September, 2014

Karachi

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2014

	Note	June 30, 2014 ----- (Rupees) -----	June 30, 2013 -----
Assets			
Bank balances	7	12,041,711	18,030,899
Investments	8	107,549,135	76,514,550
Prepayments, deposits and other receivables	9	4,993,880	4,291,359
Receivable from the Management Company	10	3,230,314	3,230,314
Receivable against sale of investments		-	12,398,048
Total assets		127,815,040	114,465,170
Liabilities			
Payable to the Management Company	11	230,946	349,440
Remuneration payable to the Trustee	12	57,535	57,534
Accrued and other liabilities	13	7,724,532	6,363,889
Total liabilities		8,013,013	6,770,863
Net assets		119,802,027	107,694,307
Unit holders' fund (as per statement attached)		119,802,027	107,694,307
		----- (Number of units) -----	
Number of units in issue		1,938,976	1,511,929
		----- (Rupees) -----	
Net asset value per unit		61.79	71.23

The annexed notes from 1 to 21 form an integral part of these financial statements.

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

Chief Executive Officer

Director

Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	Note	June 30, 2014 ----- (Rupees) -----	June 30, 2013
Income			
Profit earned on debt and government securities - designated 'at fair value through profit or loss'		-	1,974,834
Dividend income from investments classified as:			
- designated at 'fair value through profit or loss'		-	350,000
- 'at fair value through profit or loss' - held-for-trading		1,653,350	2,675,749
Return on bank balances		1,622,678	3,924,137
Net gain on investments:			
- Net capital gain on sale of investments classified as:			
- available-for-sale		1,840,800	39,148,420
- designated at 'fair value through profit or loss'			
- 'at fair value through profit or loss' - held-for-trading		12,072,662	(4,443,469)
- Net unrealised loss on revaluation of investments - designated 'at fair value through profit or loss'		-	(1,840,800)
- Net unrealised gain / (loss) on revaluation of investments - 'at fair value through profit or loss' - held-for-trading		5,517,119	(1,053,002)
		19,430,581	31,811,149
Total income		22,706,609	40,735,869
Expenses			
Remuneration of the Management Company		2,132,364	3,753,101
Provision for indirect taxes and duties	13.4	395,767	27,229
Sales tax on management fee		341,178	606,479
Remuneration of the Trustee		700,000	700,000
Brokerage charges		1,046,817	1,383,513
Bank charges		17,960	44,178
Auditors' remuneration	14	489,874	512,617
SECP annual fee	13.1	90,657	157,827
Legal and professional charges		27,616	60,000
Fees and subscription		200,000	190,000
Settlement charges, federal excise duty and capital value tax		548,657	508,504
Printing charges and other expenses		316,008	354,747
Provision for Workers' Welfare Fund	13.3	323,824	353,098
Total expenses		6,630,722	8,651,293
Net income from operating activities		16,075,887	32,084,576
Element of loss and capital losses included in prices of units sold less those in units redeemed - net		(208,491)	(14,782,786)
Net income for the year before taxation		15,867,396	17,301,790
Taxation	15	-	-
Net income for the year after taxation		15,867,396	17,301,790
Other comprehensive income for the year		-	-
Total comprehensive income for the year		15,867,396	17,301,790

The annexed notes from 1 to 21 form an integral part of these financial statements.

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

Chief Executive Officer

Director

Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
Accumulated loss brought forward	(178,812,301)	(196,114,091)
[includes unrealised loss on investments of Rs.2,893,802 (2012: unrealised loss of Rs.6,922,966)]		
Final bonus distribution for the year ended June 30, 2013 @ Rs.10.85 (2012: Rs.Nil) per unit declared for distribution on July 05, 2013	(15,080,483)	-
Final cash dividend for the year ended June 30, 2013 @ Rs.10.85 (2012: Rs.Nil) per unit declared for distribution on July 05, 2013	(1,323,938)	-
Interim bonus distribution for the period ended June 27, 2014 @ Rs.7.50 (2013: Rs.Nil) per unit declared for distribution on June 27, 2014	(11,615,126)	-
Interim cash distribution for the period ended June 27, 2014 @ Rs.7.50 (2013: Rs.Nil) per unit declared for distribution on June 27, 2014	(1,525,390)	-
Net income for the year after taxation	15,867,396	17,301,790
Accumulated loss carried forward	<u>(192,489,842)</u>	<u>(178,812,301)</u>
[includes unrealised gain on investments of Rs.5,517,119 (2013: unrealised loss of Rs.2,893,802)]		

The annexed notes from 1 to 21 form an integral part of these financial statements.

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

Chief Executive Officer

Director

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	June 30, 2014	June 30, 2013
Note	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	15,867,396	17,301,790
Adjustments for non-cash and other items:		
Net gain on investments:		
- Net capital gain on sale of investments classified as:	-	-
- available-for-sale		
- designated at 'fair value through profit or loss'	(1,840,800)	(39,148,420)
- 'at fair value through profit or loss' - held-for-trading	(12,072,662)	4,443,469
- Net unrealised loss on revaluation of investments - designated 'at fair value through profit or loss'	-	1,840,800
- Net unrealised (loss) / gain on revaluation of investments - 'at fair value through profit or loss' - held-for-trading	(5,517,119)	1,053,002
Profit earned on debt and government securities - designated 'at fair value through profit or loss'	-	(1,974,834)
Dividend income from investments classified as:		
- designated at 'fair value through profit or loss'	-	(350,000)
- 'at fair value through profit or loss' - held-for-trading	(1,653,350)	(2,675,749)
Return on bank balances	(1,622,678)	(3,924,137)
Element of loss and capital losses included in prices of units sold less those in units redeemed - net	208,491	14,782,786
	(6,630,722)	(8,651,293)
(Increase) / decrease in assets		
Prepayments, deposits and other receivables	(419,178)	7,571,410
(Decrease) / increase in liabilities		
Payable to the Management Company	(118,494)	(49,158)
Remuneration payable to the Trustee	1	157
Accrued and other liabilities	(164,657)	909,071
	(283,150)	860,070
	(7,333,050)	(219,813)
Proceeds from sale / redemption of investments	473,867,133	758,413,717
Payments made against purchase of investments	(473,073,179)	(633,412,642)
Dividend received	1,481,350	2,305,061
Profit received on debt and government securities	-	4,944,243
Return received on bank balances	1,511,335	4,063,552
Net cash (used in) / generated from operating activities	(3,546,411)	136,094,118
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received against issue of units	55,030,810	1,365,000
Payments made against redemption of units	(56,149,649)	(135,779,904)
Dividend paid	(1,323,938)	-
Net cash used in financing activities	(2,442,777)	(134,414,904)
Net (decrease) / increase in cash and cash equivalents during the year	(5,989,188)	1,679,214
Cash and cash equivalents at the beginning of the year	18,030,899	16,351,685
Cash and cash equivalents at the end of the year	7 12,041,711	18,030,899

The annexed notes from 1 to 21 form an integral part of these financial statements.

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

Chief Executive Officer

Director

Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2014

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
Net asset value per unit at the beginning of the year	<u>71.23</u>	<u>59.78</u>
Net asset value per unit at the end of the year	<u>61.79</u>	<u>71.23</u>
Net assets at the beginning of the year	107,694,307	210,024,635
Amounts received on issue of units *	55,030,810	1,365,000
Amounts paid on redemption of units **	(56,149,649)	(135,779,904)
Element of loss and capital losses included in prices of units sold less those in units redeemed - net	(1,118,839)	(134,414,904)
Final cash dividend for the year ended June 30, 2013 @ Rs.10.85 (2012: Rs.Nil) per unit declared for distribution on July 05, 2013	(1,323,938)	-
Interim cash distribution for the period ended June 27, 2014 @ Rs.7.50 (2013: Rs.Nil) per unit declared for distribution on June 27, 2014	(1,525,390)	-
Net capital gain on sale of investments	13,913,462	34,704,951
Net unrealised gain / (loss) on revaluation of investments	5,517,119	(1,053,002)
Other net loss for the year	(3,563,185)	(16,350,159)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	15,867,396	17,301,790
Net assets at the end of the year	<u>119,802,027</u>	<u>107,694,307</u>
	----- (Number of units) -----	
* Number of units issued (including 436,678 bonus units issued during the period ended June 30, 2014 and Nil bonus units issued during the period ended June 30, 2013)	<u>1,330,181</u>	<u>20,307</u>
** Number of units redeemed	<u>903,134</u>	<u>2,021,513</u>

The annexed notes from 1 to 21 form an integral part of these financial statements.

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

Chief Executive Officer

Director

Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

Faysal Balanced Growth Fund (the Fund) has been established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and has been authorised as a unit trust scheme by the Securities and Exchange Commission of Pakistan (SECP) on February 18, 2004. It has been constituted under a Trust Deed, dated January 29, 2004, between Faysal Asset Management Limited (the Management Company), a company incorporated under the Companies Ordinance, 1984 and Muslim Commercial Financial Services (Private) Limited as the Trustee till June 04, 2005 and thereafter between Faysal Asset Management Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee, also incorporated under the Companies Ordinance, 1984.

The Fund is an open ended balanced 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 Limited (KSE). The Fund was launched on April 19, 2004.

The principal activity of the Fund is to make investments in equity market and fixed income securities including money market instruments.

The Fund is categorised as an "Balanced Growth Scheme" as per the circular 07 of 2009 issued by Securities and Exchange Commission of Pakistan.

The JCR - VIS Credit Rating Company Limited (JCR - VIS) has assigned a "MFR 1 - Star" (3 years) fund ranking to Faysal Balanced Growth Fund as of January 30, 2014.

JCR - VIS has awarded an "AM3+" asset manager rating to the Management Company as of December 27, 2013.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTES TO THE FINANCIAL STATEMENTS

4.1 New and amended standards and interpretations

The Fund has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current year:

IAS 19 – Employee Benefits – (Revised)

IFRS 7 – Financial Instruments: Disclosures – (Amendments)

– Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

Improvements to Accounting Standards Issued by the IASB

IAS 1 – Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment

IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 – Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

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

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

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

The Element is arrived at by comparing the unit prices with opening Ex - NAV at the beginning of the financial year. The Element so computed is recognised in the income statement except to the extent that the amount represented by unrealised appreciation / diminution arising on available-for-sale securities is included in distribution statement.

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

4.3 Investments

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

At fair value through profit or loss

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

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

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

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

Held-to-maturity investments

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

Available-for-sale investments

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

Fair value of investments is determined as follows:

Listed shares

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

Debt securities

These are valued at the rates quoted by Mutual Funds Association of Pakistan (MUFAP) in accordance with the SECP's Circular No. 33 of 2012 dated October 24, 2012, read with Regulation 66(b) of the NBFC Regulations.

Government securities

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

NOTES TO THE FINANCIAL STATEMENTS

4.4 Derivatives

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

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

4.5 Provisions

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

4.6 Issue and redemption of units

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

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

4.7 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.

4.8 Revenue recognition

Gain or loss on sale of investments 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 dividend is established.

Unrealized gains or losses arising on revaluation of investments classified as 'financial assets at fair value through profit or loss' 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 income from reverse repurchase agreements are recognized on a time proportion basis using effective interest rate method.

4.9 Expenses

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

NOTES TO THE FINANCIAL STATEMENTS

4.10 Taxation

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

4.11 Net asset value (NAV) per unit

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

4.12 Distribution to unit holders

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

4.13 Preliminary expenses and floatation costs

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

4.14 Financial assets and financial liabilities

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

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

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

At the time of initial recognition, all financial assets and financial liabilities are measured at fair value. The particular recognition methods adopted for subsequent remeasurement of significant financial assets and financial liabilities are disclosed in the individual policy statements associated with each item.

4.15 Impairment of financial assets

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

Impairment is determined as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

4.16 Offsetting of financial assets and liabilities

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

5. ACCOUNTING ESTIMATES AND JUDGMENTS

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

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in note 4.3 and 4.14 to the financial statements.

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

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

Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
IAS 16 & 38 - Clarification of Acceptable Method of Depreciation and Amortization	January 01, 2016
IAS 16 & 41 - Agriculture: Bearer Plants	January 01, 2016
IAS 19 - Employee Contributions	July 01, 2014
IAS 32 - Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IAS 36 - Recoverable Amount for Non-Financial Assets – (Amendment)	January 01, 2014
IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting - Amortization	January 01, 2014
IFRIC 21 - Levies	January 01, 2014

NOTES TO THE FINANCIAL STATEMENTS

The Fund is currently evaluating the impact of the above standards and interpretation on the Fund's financial statements in the period of initial application.

In addition to the above standards and interpretations, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after July 01, 2014. The Fund expects that such improvements to the standards will not have any impact on 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

IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2017

	Note	June 30, 2014	June 30, 2013
		----- (Rupees) -----	
7. BANK BALANCES			
Cash at bank - PLS savings accounts	7.1	<u>12,041,711</u>	<u>18,030,899</u>

7.1 These carry mark-up ranging between 7.00% and 9.25% (June 30, 2013: 6% to 9.25%) per annum and include a balance of Rs.84,772 (June 30, 2013: Rs.505,695) held with Faysal Bank Limited (a related party).

8. INVESTMENTS

'At fair value through profit or loss'

held-for-trading

Participation Term Certificates	8.1	-	2,252,500
Listed equity securities	8.2	<u>70,059,135</u>	<u>28,212,850</u>
		<u>70,059,135</u>	<u>30,465,350</u>

Designated 'at fair value through profit or loss'

Listed equity securities	8.3	-	8,559,200
Preference shares	8.4	<u>37,490,000</u>	<u>37,490,000</u>
		<u>37,490,000</u>	<u>46,049,200</u>
		<u>107,549,135</u>	<u>76,514,550</u>

8.1 Participation Term Certificates - held-for-trading

Name of the investee company	As at July 01, 2013	Addition during the year	Disposed during the year	As at June 30, 2014	Market value as at June 30, 2014 (Rupees)	--- Investment as % of ---	
						Net assets	Total investments
Treet Corporation Limited	50,000	-	50,000	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

8.2 Listed equity securities * - held-for-trading

Name of the investee company	Note	----- Number of shares -----				Carrying value as at June 30, 2014 (Rupees)	Market value as at June 30, 2014 (Rupees)	--- Investment as % of ---		
		As at July 01, 2013	Purchased during the year	right shares received	Disposed off during the year			As at June 30, 2014	Net assets	Total investments
* Ordinary shares having a face value of Rs.10 each unless stated otherwise										
Banks										
Habib Bank Limited	-	-	45,000	-	45,000	-	-	-	-	-
UBL Bank Limited	-	-	51,000	-	51,000	-	-	-	-	-
The Bank of Punjab	651,000	145,000	-	-	796,000	-	-	-	-	-
NIB Bank Limited	-	-	500,000	-	199,500	300,500	745,456	670,115	0.56%	0.62%
MCB Bank Limited	-	-	35,000	-	35,000	-	-	-	-	-
Soneri Bank Limited	-	-	25,000	-	25,000	-	-	-	-	-
National Bank of Pakistan	-	-	135,000	-	135,000	-	-	-	-	-
							745,456	670,115	0.56%	0.62%
Chemicals										
Arif Habib Corporation Limited	-	-	1,000	-	1,000	-	-	-	-	-
Sitara Peroxide Limited	-	-	30,000	-	30,000	-	-	-	-	-
Descon Oxychem Limited	-	-	487,500	-	487,500	-	-	-	-	-
Fauji Fertilizer Company Limited	-	-	35,000	-	35,000	-	-	-	-	-
Engro Corporation Limited	-	-	73,000	-	73,000	-	-	-	-	-
Lotte Chemical Pakistan Limited	-	-	1,680,000	-	105,000	1,575,000	11,953,970	11,324,250	9.45%	10.53%
ICI Pakistan Limited	111,272	12,500	-	-	123,772	-	-	-	-	-
							11,953,970	11,324,250	9.45%	10.53%
Construction and material										
Akzo Nobel Pakistan Limited	16,300	172,000	-	-	188,300	-	-	-	-	-
Fecto Cement Limited	-	240,000	-	-	240,000	-	-	-	-	-
Kohat Cement Company Limited	-	70,000	-	-	70,000	-	-	-	-	-
Cherat Cement Limited	-	55,000	-	-	55,000	-	-	-	-	-
Pioneer Cement Limited	-	25,000	-	-	25,000	-	-	-	-	-
Dewan Cement Ltd	-	950,000	-	-	950,000	-	-	-	-	-
DG Khan Cement Company Limited	-	155,000	-	-	155,000	-	-	-	-	-
Atock Cement Limited	-	10,000	-	-	10,000	-	-	-	-	-
Lucky Cement Limited	-	25,000	-	-	25,000	-	-	-	-	-
Lafarge Pakistan Cement	8.2.1	975,000	-	-	975,000	11,107,180	15,580,500	13.01%	14.49%	0.12%
Maple Leaf Cement Factory Limited	-	70,000	-	-	70,000	-	-	-	-	-
Fauji Cement Company Limited	-	650,000	-	-	650,000	-	-	-	-	-
							11,107,180	15,580,500	13.01%	14.49%
Food Producers										
Engro Foods Limited	-	66,000	-	-	66,000	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

Name of the investee company	Note	Number of shares				Carrying value as at June 30, 2014 (Rupees)	Market value as at June 30, 2014 (Rupees)	--- Investment as % of ---		
		As at July 01, 2013	Purchased during the year	right shares received	Disposed off during the year			As at June 30, 2014	Net assets	Total investments
Financial services										
Jahangir Siddiqui & Company Limited	-	75,500	-	75,500	-	-	-	-	-	-
Non-life insurance companies										
EFU General Insurance Company Limited	-	4,500	-	4,500	-	-	-	-	-	-
Adamjee Insurance Company Limited	-	60,000	-	60,000	-	-	-	-	-	-
Oil and gas										
Byco Petroleum Pakistan Limited	-	1,000	-	1,000	-	-	-	-	-	-
Oil & Gas Development Company Limited	-	39,000	-	39,000	-	-	-	-	-	-
Pakistan Oilfields Limited	-	65,000	-	65,000	-	-	-	-	-	-
National Refinery Limited	-	8,000	-	8,000	-	-	-	-	-	-
Hascol Petroleum Limited	-	171,000	-	5,000	166,000	11,683,119	13,137,240	10.97%	12.22%	2.00%
Pakistan Petroleum Limited	-	116,500	-	116,500	-	-	-	-	-	-
Mari Petroleum Company Limited	-	160,000	-	159,000	1,000	379,510	373,430	0.31%	0.35%	0.04%
Pakistan State Oil Company Limited	-	103,500	-	103,500	-	-	-	-	-	-
						12,062,629	13,510,670	11.28%	12.56%	2.04%
Personal goods (textile)										
Nishat Mills Limited	-	80,000	-	80,000	-	-	-	-	-	-
Nishat (Chunian) Limited	-	118,000	1,050	119,050	-	-	-	-	-	-
Sapphire Fibers Limited	-	31,000	-	3,300	27,700	8,001,009	8,033,000	6.71%	7.47%	4.08%
Crescent Textile Mills Ltd	-	25,000	-	25,000	-	-	-	-	-	-
Colony Mills Ltd	-	50,000	-	50,000	-	-	-	-	-	-
Gul Ahmad Textile Mills Limited	-	60,000	-	60,000	-	-	-	-	-	-
Gadoon Textile Mills Ltd.	-	25,000	-	25,000	-	-	-	-	-	-
Saif Textile Mills Limited	-	5,000	-	5,000	-	-	-	-	-	-
Azgard Nine Limited	-	100,000	-	100,000	-	-	-	-	-	-
Kohinoor Textile	-	25,000	-	25,000	-	-	-	-	-	-
						8,001,009	8,033,000	6.71%	7.47%	4.08%
Electricity										
Japan Power Generation Limited	-	105,000	-	105,000	-	-	-	-	-	-
Hub Power Company Limited	-	130,000	-	130,000	-	-	-	-	-	-
Kot Addu Power Company Limited	-	160,000	-	160,000	-	-	-	-	-	-
Pakgen Power Limited	-	151,000	-	151,000	-	-	-	-	-	-
K-Electric Limited	8.2.1	2,495,000	-	1,495,000	1,000,000	7,126,645	8,490,000	7.09%	7.89%	0.01%
						7,126,645	8,490,000	7.09%	7.89%	0.01%

NOTES TO THE FINANCIAL STATEMENTS

Name of the investee company	Note	Number of shares				Carrying value as at June 30, 2014 (Rupees)	Market value as at June 30, 2014 (Rupees)	--- Investment as % of ---				
		As at July 01, 2013	Purchased during the year	right shares received	Disposed off during the year			As at June 30, 2014	Net assets	Total investments	company paid-up capital	
Fixedline Telecommunication												
Pakistan Telecommunication Company Limited	-		665,000	-	665,000	-	-	-	-	-		
Telecard Limited	-		200,000	-	200,000	-	-	-	-	-		
Wateen Telecom Ltd	-		25,000	-	25,000	-	-	-	-	-		
Engineering												
Millat Tractors Limited	800		12,500	-	13,300	-	-	-	-	-		
Ghandhara Industries Ltd	-		5,000	-	5,000	-	-	-	-	-		
Technology hardware and equipment												
Avanceon Limited	-		662,000	10,750	672,750	-	-	-	-	-		
Forestry (paper and board)												
Century Papar & Board Mills Ltd	-		10,000	-	10,000	-	-	-	-	-		
Software and computer services												
TRG Pakistan Limited	-		600,000	-	600,000	9,652,780	8,418,000	7.03%	7.83%	0.22%		
Industrial metals and mining												
International Industries Limited	-		75,000	-	75,000	-	-	-	-	-		
Gas water and multiutilities												
Sui Southern Gas Company Ltd.	-		410,000	-	300,000	110,000	3,892,475	4,032,600	3.37%	3.75%	0.05%	
Travel and leisure												
Pakistan International Airlines	-		1,410,000	-	1,410,000	-	-	-	-	-		
			<u>779,372</u>	<u>15,156,500</u>	<u>11,800</u>	<u>11,192,472</u>	<u>4,755,200</u>	<u>64,542,143</u>	<u>70,059,135</u>	<u>44.37%</u>	<u>65.14%</u>	<u>6.36%</u>

8.2.1 This investment includes securities with fair value aggregating to Rs.16.48 million (June 30, 2013: 60,000 shares of ICI Pakistan Limited having market value of Rs.9.98 million) which have been pledged with National Clearing Company of Pakistan Limited as security against settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

8.3 Listed equity securities * - Designated 'at fair value through profit or loss'

Name of the investee company	Number of shares				Market value as at June 30, 2014 (Rupees)	--- Investment as % of ---		
	As at July 01, 2013	Purchased during the year	right shares received	Disposed off during the year		As at June 30, 2014	Net assets	Total investments
Technology Hardware and Equipment								
Trakker Pakistan Limited	1,040,000	-	-	1,040,000	-	-	-	-
	<u>1,040,000</u>	<u>-</u>	<u>-</u>	<u>1,040,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

* Ordinary shares having a face value of Rs.10 each unless stated otherwise

NOTES TO THE FINANCIAL STATEMENTS

8.4 Preference shares *

Name of the investee company	Note	----- Number of shares -----					Market value as at June 30, 2014 (Rupees)	--- Investment as % of ---	
		As at July 01, 2013	Purchased during the year	Redeemed during the year	Disposed off during the year	As at June 30, 2014		Net assets	Total investments

* Preference shares having a face value of Rs.10 each unless stated otherwise

Household Goods

Pak Elektron Limited	8.4.1	3,749,000	-	-	-	3,749,000	37,490,000	31.29%	34.86%
		3,749,000	-	-	-	3,749,000	37,490,000	45.55%	34.86%

- 8.4.1 The Fund has an investment in cumulative Class A Preference Shares (preference shares) of Pak Elektron Limited (PEL) since 2004. These preference shares are listed on Lahore Stock Exchange Limited. As per the terms of the issue, PEL has an option to redeem in cash the principal amount of preference shares i.e. Rs.10 per share alongwith all accumulated unpaid dividends. This option can be exercised by PEL till the expiry of sixty days from the maturity date of the preference shares i.e. December 02, 2013. After the expiry of the said period, there would be mandatory conversion of entire holding of preference shares alongwith all accumulated unpaid dividends into ordinary shares of PEL by giving a 30 days' notice to the issuer. The conversion shall be at the spot price as reported by the Karachi Stock Exchange on 91st calendar day after maturity date of preference shares.

In response to the clarification sought by the Management Company through letter dated February 07, 2012, the SECP in its letter SCD/AMCW/FBGF/68/2012 dated March 09, 2012 has advised the Management Company to treat the above instrument as debt or equity instrument as per the recommendation of Audit Committee. The Audit Committee, after consultation with the internal auditors of the Fund, in its meeting held on April 21, 2012 has decided to treat the instrument as debt security.

The Fund regularly received dividend on these preference shares till 2009 at the rate of 9.5% per annum. From 2010 onwards, no dividend has been declared by the Board of Directors of PEL, and accordingly, the Fund, on a prudent basis, does not accrue any dividend income on these preference shares. The amount of this cumulative dividend as at June 30, 2014 aggregated to Rs.14.25 million (2013: Rs.12.46 million). The management is of the view that dividend income will be recorded once the Board of Directors of PEL will declare dividend or at the time of redemption or mandatory conversion of these preference shares as mentioned above.

Further, in its letter dated May 06, 2014, the Fund has issued a notice of conversion to the issuer in accordance with the Articles of Association of the issuer for the conversion of these preference shares into ordinary shares.

8.5 Details of non-compliant investments:

Name of non-compliant investment	Note	Type of Instrument	Rating Required	Rating of Instrument	Value of Investment	Provision held	Value of Investment after Provision	--- Investment as % of ---	
								Net assets	Gross Assets
Pak Elektron Limited (Household Goods - Sector)	8.5.1	Preference shares	A-	withdrawn	37,490,000	-	37,490,000	31.29%	29.33%
Hascol Petroleum Limited	8.5.2	Equity Shares	N/A	N/A	13,137,240	-	13,137,240	10.97%	10.29%
Lafarge Pakistan Cement	8.5.2	Equity Shares	N/A	N/A	15,580,500	-	15,580,500	13.01%	12.21%

NOTES TO THE FINANCIAL STATEMENTS

8.5.1 Circular No. 7 of 2009 issued by the SECP requires that rating of any debt security in the portfolio shall not be lower than A-. However, the rating of above mentioned security has been withdrawn. The exposure limit of Household sector exceeded by 6.29% against the prescribed limit of 25% of the total net assets as required under the NBFC regulations whereas the exposure limit of single entity is exceeded by 21.29% against the prescribed limit of 10% of the total net assets as required under the NBFC regulations. The SECP vide its letter no. SCD/AMCW/FBGF/19/2014 dated July 11, 2014 granted extension up to August 31, 2014 to regularize the said exposure.

8.5.2 The above exposure is in excess of the limits prescribed by the NBFC Regulations and disclosure for breach of exposure limit is made as required by the circular no 16 of 2010 dated July 07, 2010 by SECP. Exposure limits exceeded the prescribed limits due to reduction of fund size as on June 30, 2014. However, the NBFC Regulations allow three months time period to regularize these exposures.

	Note	June 30, 2014	June 30, 2013
		----- (Rupees) -----	
9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES - considered good			
Security deposits			
- National Clearing Company of Pakistan Limited		2,750,000	2,500,000
- Central Depository Company of Pakistan Limited		107,500	107,500
		2,857,500	2,607,500
Return receivable on bank balances	9.1	120,750	9,407
Dividend income receivable		172,000	-
Prepayments		169,178	-
Income tax refundable	9.2	1,674,452	1,674,452
		4,993,880	4,291,359
9.1	This includes return receivable amounting Rs.1,018 (2013: Rs.4,939) on balance held with Faysal Bank Limited (a related party).		
9.2	This represents tax withheld till September 30, 2004 under Section 233(A) of the Income Tax Ordinance, 2001. This amount has been claimed as refundable in the return of income for the year ended June 30, 2005 and efforts are being made through tax advisor of the Fund to recover the same.		
10. RECEIVABLE FROM THE MANAGEMENT COMPANY		3,230,314	3,230,314

In the matter involving the levy of Workers' Welfare Fund (WWF) on mutual funds (as fully explained in note 13.2), the Fund, as a matter of abundant caution, has created a provision for WWF since July 2008. Further, in order to compensate the unit holders of the Fund, the Board of Directors of the Management Company in their meeting held on October 02, 2010 decided to reduce their management fee for the year ended June 30, 2010 by Rs.3,230,314 i.e. the amount of provision for WWF as on June 30, 2010. Accordingly, this amount has been recorded as receivable from the Management Company and will be settled by the Management Company only upon payment of WWF to the relevant authorities otherwise it will be reversed in case decision regarding the applicability of WWF on Collective Investment Schemes is in favour of the Fund.

NOTES TO THE FINANCIAL STATEMENTS

		June 30, 2014	June 30, 2013
Note		----- (Rupees) -----	-----
11. PAYABLE TO THE MANAGEMENT COMPANY			
Management fee payable	11.1	199,091	296,087
Sales tax payable on management fee		<u>31,855</u>	<u>53,353</u>
		<u>230,946</u>	<u>349,440</u>

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 percent of the average annual net assets of the Fund and thereafter of an amount equal to two per cent of such assets. The Management Company has charged its remuneration at the rate of 2% (June 30, 2013: 2%) per annum of the daily net asset value of the Fund.

12. REMUNERATION PAYABLE TO THE TRUSTEE		<u>57,535</u>	<u>57,534</u>
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The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net asset value of the Fund.

13. ACCRUED AND OTHER LIABILITIES

SECP annual fee payable	13.1	90,657	159,515
Brokerage payable		143,728	703,517
Accrued liabilities		739,037	813,072
Zakat payable		588	-
Dividend payable	13.2	1,525,300	-
Provision for Workers' Welfare Fund	13.3	4,985,619	4,660,556
Provision for indirect taxes and duties	13.4	<u>239,603</u>	<u>27,229</u>
		<u>7,724,532</u>	<u>6,363,889</u>

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 0.085% (June 30, 2013: 0.085%) per annum of the daily net asset value of the Fund.

13.2 This represents dividend payable to Faysal Bank Limited (a related party).

13.3 The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment, it is alleged that all Collective Investment Schemes / mutual funds (CISs) 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.

In August 2011, the Honorable Lahore High Court (LHC), in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013, a larger bench of the Honorable High Court of Sindh (SHC) has passed an order declaring

NOTES TO THE FINANCIAL STATEMENTS

that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 respectively do not suffer from any constitutional or legal infirmity. However, as mentioned above, the constitutional petition challenging the applicability of WWF on mutual funds is still pending adjudication and not yet decided. The Management Company has considered the implications of the above judgment of SHC and is of the view that the matter will eventually be settled in its favor and WWF will not be levied on the Fund.

Further, in May 2014, the Honourable Peshawar High Court (PHC) held that the impugned levy of contribution introduced in the Ordinance through Finance Acts, 1996 and 2009 lacks the essential mandate to be introduced and passed through a Money Bill under the constitution and, hence, the amendments made through the Finance Acts are declared as 'Ultra Vires'.

As the matter relating to the levy of WWF is currently pending in the SHC, the Management Company, as a matter of prudence, has decided to retain and continue with the provision for WWF amounting to Rs.4.98 million (June 30, 2013: Rs.4.66 million) in these financial statements. Had the provision not been made, the net asset value per unit of the Fund would have been higher by Rs.0.91 (1.47%) per unit (June 30, 2013: Rs.0.95 (1.33%) per unit).

- 13.4** As per the requirements of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the services of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law. The matter has been collectively taken up by the Management Company jointly with other Asset Management Companies and Central Depository Company of Pakistan Limited on behalf of schemes through a constitutional petition filed in the Honourable Sindh High Court (SHC) during September 2013 which is pending adjudication. However, the SHC has issued a stay order against the recovery of FED. The Fund, as a matter of abundant caution, has charged FED and sales tax on service thereon in its financial statements with effect from June 13, 2013.

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
14. AUDITORS' REMUNERATION		
Audit fee	330,000	330,000
Review and other certifications	150,000	150,000
Other	9,874	32,617
	489,874	512,617
Sales tax	-	-
	489,874	512,617
15. TAXATION	-	-

The income of the Fund is exempt from income tax under Clause (99) of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001 (Clause 99) subject to the condition that not less than 90 percent of the accounting income for the year, as reduced by capital gains, whether realized or unrealized, is distributed amongst the unit holders. The Management Company has distributed not less than 90 percent of its annual accounting income to avail the tax exemption. Accordingly, no provision for current and deferred tax has been made in this financial statements.

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16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
Transactions during the year		
Faysal Asset Management Limited (Management Company)		
Remuneration of the Management Company	2,132,364	3,753,101
Sales tax on management fee	341,178	606,479
Issue of 811,553 units (2013: Nil units)	49,999,773	-
Bonus issue of 97,950 units (2013: Nil units)	6,086,647	-
FED paid during the year	130,717	-
Faysal Bank Limited (Group / Associated Company)		
Profit on PLS savings account	12,429	171,408
Bank charges	725	-
Cash dividend paid	2,848,349	-
Issue of 81,433 units (2013: Nil units)	5,000,000	-
Redemption of Nil units (2013: 1,188,352 units)	-	83,419,989
Central Depository Company of Pakistan Limited - (Trustee of the Fund)		
Remuneration of the Trustee	700,000	700,000
Settlement charges	49,384	28,052
Unit Holder Holding 10% or more of the units in issue		
Novartis Pharma (Pakistan) Limited - Employees Gratuity Fund		
Redemption of 322,960 units (2013: Nil units)	19,716,695	-
Bonus Issue of 49,194 units (2013: Nil units)	2,970,355	-
Pakistan Machine Tool Factory (Pvt.) Limited - Employees Provident Trust		
Redemption of Nil units (2013: 366,873 units)	-	22,647,095

NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
Outstanding balances		
Faysal Asset Management Limited (Management Company)		
Receivable from the Management Company	3,230,314	3,230,314
Remuneration payable to the Management Company	199,091	296,087
Sales tax on management fee payable	31,855	53,353
Issue of 909,503 units (2013: Nil units)	56,198,216	-
Faysal Bank Limited - (Group / Associated Company)		
Issue of 203,373 units (2013: 121,940 units)	12,566,434	8,685,757
Balance in PLS savings account	84,772	505,695
Profit receivable on PLS savings account	1,018	-
Central Depository Company of Pakistan Limited - (Trustee of the Fund)		
Remuneration payable to the Trustee	57,535	57,534
Deposit	107,500	107,500
Unit Holder Holding 10% or more of the units in issue		
Novartis Pharma (Pakistan) Limited - Employees Gratuity Fund		
Nil units (June 30, 2013: 273,765 units)	-	19,500,209

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

17.1 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

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. As of June 30, 2014, the Fund's exposure to the risk of changes in market profit rates relates primarily to bank balances. The bank balances are subject to interest rates as declared by the respective banks on periodic basis. As at June 30, 2014, approximately 9.42% (June 30, 2013: 15.75%) of the Fund's financial assets are subject to profit rates.

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

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Management of the Fund estimates that an increase of 100 basis points in the floating profit rate, with all other factors remaining constant, would increase the Fund's income and increase the net assets of the Fund by Rs.0.12 million (June 30, 2013: Rs.0.18 million) and a decrease of 100 basis points would result in a decrease the Fund's income and decrease the net assets of the Fund by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

(ii) Foreign currency risk

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

(iii) Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The equity price risk exposure arises from the Fund's investment in equity securities. 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 of Fund's net assets by Rs.5.38 million (June 30, 2013: Rs.3.83 million). However, in practice, the actual results may differ from the sensitivity analysis.

The Management Company manages the above market risks through diversification of investment portfolio and placing limits on individual and aggregate exposures in accordance with the internal risk management policies and regulations laid down by the SECP.

The analysis of Fund's concentration on equity price risk is disclosed in note 8.2 and 8.3 to these financial statements.

17.2 Liquidity risk

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

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

June 30, 2014	Upto one month	More than one month and upto three months	More than three months and upto one year	More than one year	Total
----- (Rupees) -----					
Financial liabilities					
Payable to the Management Company	230,946	-	-	-	230,946
Remuneration payable to the Trustee	57,535	-	-	-	57,535
Accrued and other liabilities	2,408,065	-	-	-	2,408,065
	<u>2,696,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,696,546</u>

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013	Upto one month	More than one month and upto three months	More than three months and upto one year	More than one year	Total
----- (Rupees) -----					
Financial liabilities					
Payable to the Management Company	376,669	-	-	-	376,669
Remuneration payable to the Trustee	57,534	-	-	-	57,534
Accrued and other liabilities	1,516,589	-	-	-	1,516,589
	<u>1,950,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,950,792</u>

17.3 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge its obligation. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements.

The table below analyses the Fund's maximum exposure to credit risk. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements at reporting date:

	June 30, 2014	June 30, 2013
----- (Rupees) -----		
Bank balances	12,041,711	18,030,899
Security deposit	2,857,500	2,607,500
Return receivable on bank balances	120,750	9,407
Investment in debt securities and preference shares	37,490,000	37,490,000
	<u>52,509,961</u>	<u>58,137,806</u>

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

	June 30, 2014	June 30, 2013
----- (%) -----		
Rating category		
AA, AA-, AA+, AAA	23.16	33.65
A, A-, A+	-	-
Unrated	76.84	66.35
	<u>100.00</u>	<u>100.00</u>

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

	June 30, 2014	June 30, 2013
	% of assets exposed to credit risk	
Commercial banks	23.16	29.92
Household goods	71.40	62.20
Personal goods	-	3.74
Others	5.44	4.14
	<u>100.00</u>	<u>100.00</u>

17.4 Unit Holders' Fund

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

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

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

Under the NBFC regulations 2008, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme.

17.5 Fair value hierarchy

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

Level 1: quoted prices in active markets for identical assets.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at June 30, 2014, the Fund held the following financial instruments which were measured at fair value:

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014				
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Investments classified as 'at fair value through profit or loss'				
Listed equity securities - held-for-trading	70,059,135	-	-	70,059,135
Designated at fair value through profit or loss				
- Listed preference shares	37,490,000	-	-	37,490,000
	107,549,135	-	-	107,549,135
June 30, 2013				
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Investments classified as 'at fair value through profit or loss'				
Participation term certificate	2,252,500	-	-	2,252,500
Listed equity securities - held-for-trading	28,212,850	-	-	28,212,850
Designated at fair value through profit or loss				
- Listed equity securities	8,559,200	-	-	8,559,200
- Listed debt securities	37,490,000	-	-	37,490,000
	76,514,550	-	-	76,514,550

During the year ended June 30, 2014 there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

In accordance with Circular No. 33 of 2012 issued by SECP, all traded debt securities are valued on the basis of their volume weighted average price during the last 15 days while thinly traded and non traded debt securities are valued using a valuation methodology devised by MUFAP which includes variables including yields on government securities, Karachi Inter Bank Offer Rates and credit ratings. As the valuation techniques use inputs from observable market data, these securities are classified as Level 2. Rates for non-performing securities, however, are not quoted by MUFAP and are valued using the provisioning criteria prescribed by the abovementioned Circular and are hence classified as Level 3.

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

NOTES TO THE FINANCIAL STATEMENTS

18. 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 as the items are short-term in nature.

19. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

20. GENERAL

Figures are rounded off to the nearest rupee.

21. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 30th September, 2014 by the Board of Directors of the Management Company.

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

Chief Executive Officer

Director

Director

SUPPLEMENTARY NON FINANCIAL INFORMATION
DISCLOSURE REQUIREMENTS UNDER CLAUSE 6 - NOTES TO THE ACCOUNTS
SUB CLAUSE (D), (F), (G), (H), (I) AND (J) OF THE 5TH SCHEDULE TO THE
NON BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008

Annexure I

(i) PATTERN OF UNIT HOLDING

Category	No. of investors	Units held	%
Associated company	2	1,112,877	57.40
Insurance company	1	13,032	0.67
Retirement Funds	5	234,348	12.09
Individuals	143	542,525	27.98
Banks and DFIs	-	-	-
NBFCs	-	-	-
Other	1	36,194	1.87
	<u>152</u>	<u>1,938,976</u>	<u>100.00</u>

(ii) TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

Name	June 30, 2014 %
Next Capital(Private) Limited	14.26%
MS Maniar Financials (Private) Limited	12.65%
Fortune Securities (Private) Limited	11.12%
Adam Securities (Private) Limited	5.96%
We Financial Service (Private) Limited	5.34%
JS Global Capital Limited	4.12%
Top Line Securities (Private) Limited	2.39%
IGI Finex Securities Limited	1.50%
Investment Managers Securities (Private) Limited	1.30%
Intermarket Securities Limited	0.09%

Name	June 30, 2013 %
MS Maniar Financials (Private) Limited	14.75
Elixir Securities Pakistan (Private) Limited	12.97
Adam Securities (Private) Limited	12.31
Shajar Capital Pakistan (Private) Limited	9.42
Next Capital(Private) Limited	8.99
Continental Capital Management Limited	8.46
Fortune Securities (Private) Limited	6.63
JS Global Capital Limited	4.89
Top Line Securities (Private) Limited	4.29
KASB Securities Limited	4.14

**SUPPLEMENTARY NON FINANCIAL INFORMATION
DISCLOSURE REQUIREMENTS UNDER CLAUSE 6 - NOTES TO THE ACCOUNTS
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(iii) THE MEMBERS OF THE INVESTMENT COMMITTEE

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

Name	Qualification	Experience
Mr. Enamullah Khan	B. Eco , FSA, Accreditations	Over 22 years
Mr. Najm-UI-Hassan	MBA, ACMA, CFA I	Over 19 years
Mr. Vasseh Ahmed	Master in Science	Over 6 years
Mr. Ayub Khuhro	BSC Economics, CFA I	Over 6 years
Mr. Muhammad Faraz Khan	MBA, M.A (Eco)	Over 8 years

(iv) PARTICULARS OF FUND MANAGERS

Name	Qualification	Other Collective Investment Schemes Managed
Mr. Vasseh Ahmed	Master in Science	Faysal Asset Allocation Fund

June 30, 2014 June 30, 2013 June 30, 2012
----- (Rupees) -----

(v) PERFORMANCE TABLE

Net assets	119,802,027	107,694,307	210,024,635
Net asset value per unit	61.79	71.23	59.78
Offer price	61.79	71.23	61.13
Repurchase price per unit	61.79	71.23	59.78
Highest offer price per unit	70.87	72.92	67.95
Highest repurchase price per unit	70.87	72.92	66.45
Lowest offer price	57.94	61.53	59.60
Lowest repurchase price per unit	57.94	60.17	58.28
Total return:	14.69%	19.15%	-4.69%
- capital growth	7.19%	8.30%	-4.69%
- income distribution	7.50%	10.85%	-
Average annual return: (Launch date: April 19, 2004)			
- one year	14.69%	19.15%	-4.69%
- two years	16.92%	7.23%	2.65%
- three years	9.72%	8.15%	2.65%
Distribution per unit:			
- Interim distribution (Rs. per unit)	-	-	-
- Final distribution (Rs. per unit)	7.50%	10.85%	-
	<u>7.50%</u>	<u>10.85%</u>	<u>-</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.

**SUPPLEMENTARY NON FINANCIAL INFORMATION
DISCLOSURE REQUIREMENTS UNDER CLAUSE 6 - NOTES TO THE ACCOUNTS
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NON BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008**

(vi) MEETINGS OF THE BOARD OF DIRECTORS

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

Name of Directors	Meetings Attended	Meetings held on									
		Jul 05 2013	Sep 24 2013	Sep 26 2013	Oct 04 2013	Oct 29 2013	Feb 10 2014	Feb 24 2014	Apr 28 2014	Jun 27 2014	
Mr. Nauman Ansari, Chairman	1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1
Mr. Naved A. Khan, Ex-Chairman***	2	N/A	N/A	N/A	N/A	N/A		1	1	N/A	N/A
Mr. Mohammad Abdul Aleem, Ex-Chairman**	4	1	1	1	1	0	N/A	N/A	N/A	N/A	
Mr. Feroz Rizvi, Director**	4	0	1	1	1	1	N/A	N/A	N/A	N/A	
Mr. Zafar Ahmed Siddiqui, Director*	1	1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Mr. Nadeem Karamat, Director****	2	N/A	N/A	N/A	N/A	N/A	1	0	1	N/A	
Syed Majid Ali, Director	7	1	1	1	0	1	1	1	1	0	
Mr. Osman Khan, Director	1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1	
Syed Ibad ur Rahman Chishti, Director *****	1	0	0	0	0	0	0	1	0	0	
Mr. Razi ur Rahman, Director	9	1	1	1	1	1	1	1	1	1	
Mr. Enamullah Khan, Chief Executive Officer	8	1	1	1	0	1	1	1	1	1	

* Resigned effective from September 24, 2013.

** Resigned effective from November 27, 2013 after SECP approval for new directors.

*** Resigned effective from April 02, 2014.

**** Resigned effective from June 27, 2014.

***** Granted leave of absences for 8 meetings out of 9 held.

**SUPPLEMENTARY NON FINANCIAL INFORMATION
DISCLOSURE REQUIREMENTS UNDER CLAUSE 6 - NOTES TO THE ACCOUNTS
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(vii) MEETINGS OF THE AUDIT COMMITTEE

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

Name of Member	Meetings Attended	Meetings held on			
		Sep 23 2013	Oct 28 2013	Feb 21 2014	Apr 8 2014
Mr. Razi ur Rehman, Chairman	4	1	1	1	1
Mr. Feroz Rizvi, Ex-Chairman	2	1	1	N/A	N/A
Syed Majid Ali, Director	3	1	0	1	1
Mr. Zafar Ahmed Siddiqui, Director	0	0	N/A	N/A	N/A
Mr. Nadeem Karamat, Director	2	N/A	N/A	1	1

(viii) MEETINGS OF THE BOARD HR COMMITTEE

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

Name of Directors	Meetings Attended	Meetings held on		
		July 05 2013	Feb 21 2014	April 25 2014
Mr. Nadeem Karamat, Chairman	2	N/A	1	1
Mr. Zafar Ahmed Siddiqui, Ex-Chairman	1	1	N/A	N/A
Syed Majid Ali, Director	3	1	1	1
Mr. Razi ur Rahman Khan, Director	3	1	1	1
Syed Ibad ur Rahman Chishti, Director	0	N/A	0	0
Mr. Enamullah Khan, Chief Executive Officer	3	1	1	1

(ix) RATING OF THE FUND AND THE MANAGEMENT COMPANY

The JCR-VIS Credit Rating Company Limited (JCR-VIS) has assigned a "MFR 1-Star" fund ranking to Faysal Balanced Growth Fund as of June 30, 2014 and has awarded an "AM3+" asset manager rating to the Management Company as of December 27, 2013.

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