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## FUND INFORMATION

### Management Company

Faysal Asset Management Limited

### Board of Directors of the Management Company

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

### CFO and Company Secretary of the Management Company

Mr. Najm-ul-Hassan

### Audit Committee

Mr. Feroz Rizvi, Chairman  
Syed Majid Ali, Member  
Mr. Zafar Ahmed Siddiqui, Member  
Mr. Razi-ur-Rahman Khan, Member

### Trustee to the Fund

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

### Bankers to the fund

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 Asset Allocation Fund endeavours to provide investors with an opportunity to earn long-term capital appreciation optimizing through broad mix of asset classes encompassing equity, fixed income & money market instruments.

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Directors of the Faysal Asset Management Limited, the Management Company of **Faysal Asset Allocation Fund** (FAAF), are pleased to present the Annual Report on the operations of FAAF along with the audited accounts, Reports of the Trustee and Auditors to the Unit Holders for the year ended June 30, 2013.

### SALE AND REDEMPTION OF UNITS

During the year, units worth Rupees 353.512 million were issued and units with a value of Rupees 611.706 million were redeemed.

### UNIT HOLDERS

As of June 30, 2013, 1,340,563 units with a value of Rs. 106 million were outstanding (June 30, 2012: 4,504,638 units with a value of Rs. 297 million).

### UNIT PRICES

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

	Offer Price	Redemption Price
Highest	80.80	80.80
Lowest	64.93	64.93
As of June 30, 2013	79.31	79.31

### EQUITY MARKETS REVIEW

Pakistan's equity market saw another productive year as the benchmark index retained its position as the most lucrative investment avenue across the frontier and regional market. The primary benchmark index yielded 52% YoY, outpacing major frontier markets. The benchmark index climbed steadily throughout the first half of fiscal year, generating 22.5% on account of monetary easing. In the wake of decelerating inflation, the Central Bank slashed the key policy rate by 250bps over the first half, bringing the key policy rate down to a single digit. The aggressive easing stance resonated in corporate fundamentals and valuations, making them highly attractive across the board. Resultantly, investor confidence strengthened and sentiments turned bullish.

The second half was considerably more composed, as market direction was dominated primarily by political landscape and developments. Nevertheless, market confidence recovered as political clarity improved over election results. With the smooth transition of power, PML (N) won a sweeping majority in general elections. The index broke record high levels as the pro-business center promoted bullish sentiments, registering a return of 24.3% over the latter half.

The outgoing year also saw developments on the corporate front, where the index heavy weight Unilever opted for delisting at the local bourse. Major movement was witnessed in the Pharma and Cement sector, which registered returns of 132% and 112%, respectively over the outgoing fiscal year.

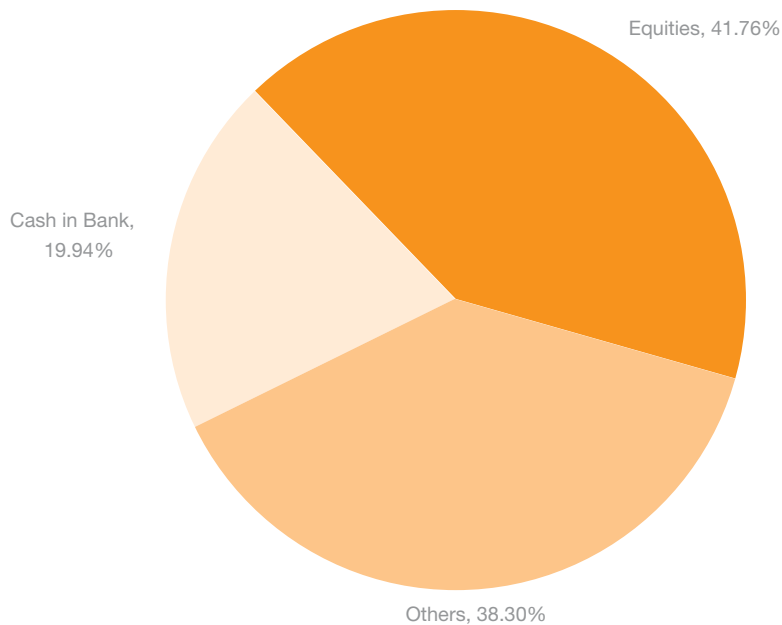
Going forward, the market is expected to remain buoyed by expected support from Extended Loan Facility (EFF) of the International Monetary Fund, especially in light of stressed reserves and non-materialization of Coalition Support Funds. That said, the equity market is currently exposed to economic reservations, particularly deteriorating foreign reserves, depreciating Pak Rupee and widening balance of payment deficit.

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

### PERFORMANCE REVIEW

Your fund ended the year with a robust return of 20.26%. The fund yielded a monthly return of 1.42%, outpacing the benchmark by a whopping 330bps. At the start of the fiscal year, your fund's equity exposure was aligned in line with monetary direction, foreign portfolio investments and political noise. The asset mix evolved in tandem with ongoing local and international developments to minimize risk and provide superior risk adjusted performance. Exposure was increased in the final months to capitalize on the bullish momentum created by pre-election expectations and the eventual election results in which the PML-N emerged with a landslide victory. Going forward, the fund will continue to exercise its proactive investment philosophy and adjust exposure to equities and fixed income accordingly.

### ASSET ALLOCATION



### INCOME DISTRIBUTION

The Board of directors has approved final distribution at the rate of 12.75% (i.e Rs. 12.75 per unit of par value of Rs.100 each).

### MUTUAL FUND RATING

JCR-VIS has assigned three years fund performance ranking of "MFR 2 –Star" ( 3 year ranking), "Below average Performance" to FAAF.

### CORPORATE GOVERNANCE

A prescribed under clause xvi of the Code of Corporate Governance 2012 **Statement of Compliance with the Code of Corporate Governance** along with the auditors' report thereon for the year ended June 30, 2013 forms part of this annual report.

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

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

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

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

<b>Trades By:</b>	<b>Investment</b>	<b>Redemption</b>
	------(No. of Units)-----	
Management Company	483,246	1,167,991

### PATTERN OF HOLDING

The Pattern of Holding of FAAF as at June 30, 2013 is given as part of this Annual Report.

### AUDITORS

The present auditors Messers Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retire and, being eligible, offer themselves for re-appointment. The Board endorses the recommendation of the Audit Committee for re-appointment of Messers Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as the auditors for the year ending June 30, 2014.

### ACKNOWLEDGEMENT

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

For and on behalf of the Board

Karachi: September 24, 2013

**Enamullah Khan**  
Chief Executive Officer



## FUND MANAGER'S REPORT

### Economic Review

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

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

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

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

### Equity Review

Pakistan's equity market saw another productive year as the benchmark index retained its position as the most lucrative investment avenue across the frontier and regional market. The primary benchmark index yielded 52% YoY, outpacing major frontier markets. The benchmark index climbed steadily throughout the first half of fiscal year, generating 22.5% on account of monetary easing. In the wake of decelerating inflation, the Central Bank slashed the key policy rate by 250bps over the first half, bringing the key policy rate down to a single digit. The aggressive easing stance resonated in corporate fundamentals and valuations, making them highly attractive across the board. Resultantly, investor confidence strengthened and sentiments turned bullish.

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The outgoing year also saw developments on the corporate front, where the index heavy weight Unilever opted for delisting at the local bourse. Major movement was witnessed in the Pharma and Cement sector, which registered returns of 132% and 112%, respectively over the outgoing fiscal year.

Going forward, the market is expected to remain buoyed by expected support from Extended Loan Facility (EFF) of the International Monetary Fund, especially in light of stressed reserves and non-materialization of Coalition Support Funds. That said, the equity market is currently exposed to economic reservations, particularly deteriorating foreign reserves, depreciating Pak Rupee and widening balance of payment deficit.

## FUND MANAGER'S REPORT

### FUND INFORMATION

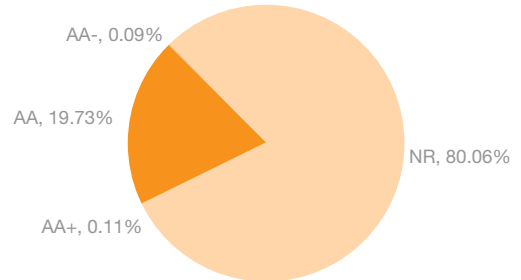
Fund Type	Open Ended
Category	Asset Allocation Scheme
Risk Profile	Moderate to High Risk
Net Assets (PKR mn)	106.32
NAV per Unit (PKR)	79.31
Pricing Mechanism	Forward
Custodian/Trustee	CDC
Auditor	Ernst & Young Ford Rhodes Sidat Hyder
Management Fee	2.00%
Front/Back end Load	Nil
Launch Date	July 24, 2006
Benchmark	KSE100 Index / 6M KIBOR
AMC Rating	AM3+ (JCRVIS)

\*Weighted average of 6M KIBOR & percentage invested in Equities

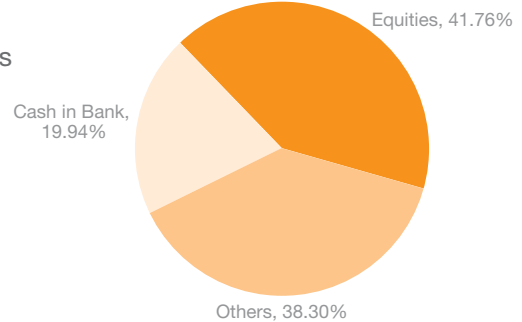
### FUND INFORMATION

	FY13	FY12
Annual Return	20.26	-0.02
Benchmark	34.43	11.62

### Asset Quality



### Asset Allocation



### FAAF Performance

Your fund ended the year with a robust return of 20.26%. The fund yielded a monthly return of 1.42%, outpacing the benchmark by a whopping 330bps. At the start of the fiscal year, your fund's equity exposure was aligned in line with monetary direction, foreign portfolio investments and political noise. The asset mix evolved in tandem with ongoing local and international developments to minimize risk and provide superior risk adjusted performance. Exposure was increased in the final months to capitalize on the bullish momentum created by pre-election expectations and the eventual election results in which the PML-N emerged with a landslide victory. Going forward, the fund will continue to exercise its proactive investment philosophy and adjust exposure to equities and fixed income accordingly.

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

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



ISO 27001 Certified

**TRUSTEE REPORT TO THE UNIT HOLDERS****FAYSAL ASSET ALLOCATION 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 Asset Allocation Fund (the Fund) are of the opinion that Faysal Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2013 in accordance with the provisions of the following:

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

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

Karachi: October 28, 2013

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

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2013.

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

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

Chartered Accountants

Date: September 24, 2013

Karachi

## STATEMENT OF COMPLIANCE BY FAYSAL ASSET ALLOCATION FUND WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35 of Listing Regulations of Lahore 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 Asset Allocation Fund** (the Fund). The Fund being a unit trust open end scheme does not have its own Board of Directors. The Management Company has applied the principles contained in the Code to the Fund in the following manner:

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

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

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

2. The directors have confirmed that none of them are serving as a director in more than seven listed companies, including the Management Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
4. During the year under review, no casual vacancy occurred on the Board.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, an overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment, determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other executive and non-executive directors has been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. All the directors of the Management Company are well-conversant with the relevant laws applicable to the Fund and Management Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. The compliance with the requirement of certification of directors under clause (xi) of the Code shall be ensured during year ending June 30, 2014.

## **STATEMENT OF COMPLIANCE BY FAYSAL ASSET ALLOCATION FUND WITH THE CODE OF CORPORATE GOVERNANCE**

10. The Board has approved the appointment of Chief Financial Officer and Company Secretary during the year.
11. The Directors' report relating to the Fund for the year ended June 30, 2013 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by the CEO and CFO of the Management Company before approval of the Board.
13. The Directors, CEO, and executives do not hold any interest in the units of the Fund other than that disclosed in the Directors' report.
14. The Management Company has complied with all the applicable corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of four members, all of whom are non-executive directors of the Management Company including the chairman of the Committee who is an independent non-executive director.
16. The meetings of the Audit Committee were held at least once in every quarter and prior to the approval of interim and final results of the Fund as required by the Code. The terms of reference of the Committee have been approved in the meeting of the Board of Directors and the Committee has been advised to ensure compliance with those terms of reference.
17. The Board has formed an HR and Compensation Committee. It comprises of four members including CEO of whom three are non-executive directors and the chairman of the Committee is an independent director.
18. The Management Company has outsourced its internal audit function to KPMG Taseer Hadi & Co. Chartered Accountants (the Firm) who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund. Further, the Head of Internal Audit has been appointed during the year to act as coordinator between the Firm and the Board.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Management Company or units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Funds' units, was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.

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

For and on behalf of the Board

Karachi  
Dated: September 24, 2013

**Enamullah Khan**  
Chief Executive Officer



# INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Faysal Asset Allocation Fund** (the Fund), which comprise the statement of assets and liabilities as at 30 June 2013, and the related statements of income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's responsibility for the financial statements

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

### Auditors' responsibility

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

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

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

### Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2013, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Chartered Accountants

Audit Engagement Partner: **Shabbir Yunus**  
Dated: 24 September 2013  
Karachi

## STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2013	June 30, 2013	June 30, 2012	
Note	----- (Rupees) -----		
<b>Assets</b>			
Bank balances and term deposit receipts	7	23,727,674	105,477,033
Investments	8	47,789,119	187,822,389
Dividend, prepayments, deposits and other receivables	9	12,684,509	4,665,448
Receivable against sale of investments		30,345,794	3,148,313
<b>Total assets</b>		<b>114,547,096</b>	<b>301,113,183</b>
<b>Liabilities</b>			
Payable to the Management Company	10	669,533	600,205
Remuneration payable to the Trustee	11	58,310	57,377
Accrued and other liabilities	12	7,495,954	3,372,136
<b>Total liabilities</b>		<b>8,223,797</b>	<b>4,029,718</b>
<b>Net assets</b>		<b>106,323,299</b>	<b>297,083,465</b>
<b>Unit holders' fund (as per the statement attached)</b>		<b>106,323,299</b>	<b>297,083,465</b>
		----- (Number of units) -----	
<b>Number of units in issue</b>		<b>1,340,563</b>	<b>4,504,638</b>
<b>Contingencies and commitments</b>	13		
		----- (Rupees) -----	
<b>Net asset value per unit</b>		<b>79.31</b>	<b>65.95</b>

The annexed notes from 1 to 22 form an integral part of these financial statements.

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

*Chief Executive Officer*

*Director*

*Director*



## INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2013

Income	Note	June 30, 2013	June 30, 2012
		----- (Rupees) -----	
Profit earned on debt and government securities		7,751,010	10,996,415
Dividend income		8,891,789	7,577,398
Return on bank balances and term deposit receipts		8,516,495	13,567,840
Net gain / (loss) on investments classified as 'at fair value through profit or loss'			
- Net capital gain on sale of investments		76,715,997	9,225,547
- Net unrealised loss on revaluation of investments		(2,211,802)	(870,429)
- Provision against non-performing assets	8.8	(13,137,043)	(28,074,159)
		<u>61,367,152</u>	<u>(19,719,041)</u>
<b>Total income</b>		<b>86,526,446</b>	<b>12,422,612</b>
<b>Expenses</b>			
Remuneration of the Management Company		8,613,175	6,443,510
Federal excise duty on management fee	10.2	47,650	-
Sales tax on management fee		1,385,734	1,030,960
Remuneration of the Trustee		897,871	700,202
Brokerage charges		5,160,807	1,722,865
Bank charges		46,382	50,761
Auditors' remuneration	14	465,000	480,578
SECP annual fee		409,126	296,001
Legal and professional charges		60,000	60,000
Fees and subscription		135,544	60,480
Settlement charges, federal excise duty and capital value tax		1,384,422	574,728
Amortisation of preliminary expenses and floatation costs		-	50,573
Printing charges and other expenses		121,438	340,181
Provision for Workers' Welfare Fund		365,523	-
<b>Total expenses</b>		<b>19,092,672</b>	<b>11,810,839</b>
<b>Net income from operating activities</b>		<b>67,433,774</b>	<b>611,773</b>
<b>Element of loss and capital losses included in prices of units sold less those in units redeemed - net</b>		<b>(49,523,171)</b>	<b>(642,837)</b>
<b>Net income / (loss) for the year before taxation</b>		<b>17,910,603</b>	<b>(31,064)</b>
Taxation	15	-	-
<b>Net income / (loss) for the year after taxation</b>		<b>17,910,603</b>	<b>(31,064)</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income / (loss) for the year</b>		<b>17,910,603</b>	<b>(31,064)</b>

The annexed notes from 1 to 22 form an integral part of these financial statements.

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

*Chief Executive Officer*

*Director*

*Director*

## DISTRIBUTION STATEMENT

**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>June 30, 2013</b>	<b>June 30, 2012</b>
	----- (Rupees) -----	
<b>Undistributed loss brought forward</b> [includes unrealised loss on investments of Rs.13,844,080 (2012: unrealised loss of Rs.18,692,061)]	<b>(178,357,382)</b>	(154,707,913)
Final bonus distribution for the year ended June 30, 2012 @ Rs.Nil per unit (2011: Rs.4.75 per unit declared for distribution on July 09, 2011) declared for distribution on July 05, 2012	-	(9,134,417)
Final cash dividend for the year ended June 30, 2012 @ Rs.Nil per unit (2011: Rs.4.75 per unit declared for distribution on July 09, 2011) declared for distribution on July 05, 2012	-	(14,483,988)
Net income / (loss) for the year after taxation	<b>17,910,603</b>	(31,064)
<b>Undistributed loss carried forward</b> [includes unrealised loss on investments of Rs.2,211,802 (2012: unrealised loss of Rs.13,844,080)]	<u><b>(160,446,779)</b></u>	<u>(178,357,382)</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.

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

*Chief Executive Officer*

*Director*

*Director*

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

	June 30, 2013	June 30, 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	Note	(Rupees)
Net income / (loss) for the year before taxation		17,910,603
<b>Adjustments for non-cash and other items:</b>		
Net capital gain on sale of investments classified as 'at fair value through profit or loss'		(76,715,997)
Net unrealised loss on revaluation of investments classified as 'at fair value through profit or loss'		870,429
Provision against non-performing assets		13,137,043
Profit earned on debt and government securities		(7,751,010)
Dividend income		(8,891,789)
Return on bank balances and term deposit receipts		(8,516,495)
Other income		
Element of loss and capital losses included in prices of units sold less those in units redeemed - net		49,523,171
Amortisation of preliminary expenses and floatation costs		-
		(19,092,672)
<b>(Increase) / decrease in assets</b>		
Dividend, prepayments, deposits and other receivables		(10,102,110)
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company		69,328
Remuneration payable to the Trustee		933
Accrued and other liabilities		4,123,818
		4,194,079
		(25,000,703)
Proceeds from sale / redemption of investments		3,512,360,697
Payments made against purchase of investments		(3,339,484,056)
Profit received on debt and government securities		9,967,652
Dividend received		9,071,789
Return received on bank balances and term deposit receipts		9,529,202
<b>Net cash generated from / (used in) operating activities</b>		176,444,581
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amounts received against issue of units		353,512,313
Payments made against redemption of units		(611,706,253)
Dividend paid		-
<b>Net cash used in financing activities</b>		(258,193,940)
Net decrease in cash and cash equivalents during the year		(81,749,359)
Cash and cash equivalents at the beginning of the year		105,477,033
<b>Cash and cash equivalents at the end of the year</b>	7	23,727,674

The annexed notes from 1 to 22 form an integral part of these financial statements.

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

*Chief Executive Officer*

*Director*

*Director*

## STATEMENT OF MOVEMENT IN UNIT HOLDERS FUND

FOR THE YEAR ENDED JUNE 30, 2013

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
Net asset value per unit at the beginning of the year	<u>65.95</u>	<u>70.71</u>
Net asset value per unit at the end of the year	<u>79.31</u>	<u>65.95</u>
<b>Net assets at the beginning of the year</b>	<b>297,083,465</b>	351,579,625
Amounts received on issue of units *	<b>353,512,313</b>	45,022,903
Amounts paid on redemption of units **	<b>(611,706,253)</b>	(85,646,848)
	<b>(258,193,940)</b>	(40,623,945)
Element of loss and capital losses included in prices of units sold less those in units redeemed - net	<b>49,523,171</b>	642,837
Final cash dividend for the year ended June 30, 2012 @ Rs.Nil per unit (2011: Rs.4.75 per unit declared for distribution on July 09, 2011) declared for distribution on July 05, 2012	-	(14,483,988)
Net capital gain on sale of investments	<b>76,715,997</b>	9,225,547
Net unrealised loss on revaluation of investments	<b>(2,211,802)</b>	(870,429)
Other net loss for the year	<b>(56,593,592)</b>	(8,386,182)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	<b>17,910,603</b>	(31,064)
<b>Net assets at the end of the year</b>	<u><b>106,323,299</b></u>	<u>297,083,465</u>
	----- (Number of units) -----	
* Number of units issued (including Nil bonus units issued during the year ended June 30, 2013 and 138,484 bonus units issued during the year ended June 30, 2012)	<u><b>5,146,099</b></u>	<u>835,388</u>
** Number of units redeemed	<u><b>8,310,174</b></u>	<u>1,303,046</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.

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

*Chief Executive Officer*

*Director*

*Director*

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

### 1. LEGAL STATUS AND NATURE OF BUSINESS

Faysal Asset Allocation 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 September 21, 2005. It has been constituted under a Trust Deed, dated January 31, 2006, between AMZ Asset Management Limited (former Management Company) and Central Depository Company of Pakistan Limited (CDC) as the Trustee till February 24, 2010 and thereafter between Faysal Asset Management Limited (the Management Company), a company incorporated under the Companies Ordinance, 1984 and CDC as the Trustee, also a company incorporated under the Companies Ordinance, 1984.

The Fund is an open-end asset allocation fund and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis and the units are transferable and can be redeemed by surrendering them to the Fund.

The policy of the Fund is to invest in a mix of equity securities, fixed income and money market instruments.

### 2. STATEMENT OF COMPLIANCE

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

### 3. BASIS OF MEASUREMENT

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

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

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

## NOTES TO THE FINANCIAL STATEMENTS

### 4.1 New and amended standards and interpretations

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

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

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

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

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

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

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

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

### 4.3 Investments

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### At fair value through profit or loss

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

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

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

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

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

### 4.4 Derivatives

Derivative instruments held by the Fund generally comprise of futures 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 Securities under repurchase / resale agreements

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

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



## NOTES TO THE FINANCIAL STATEMENTS

### 4.6 Impairment of financial assets

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

Impairment is determined as follows:

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

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

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

### 4.7 Provisions

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

### 4.8 Issue and redemption of units

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

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

### 4.9 Cash and cash equivalents

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

## NOTES TO THE FINANCIAL STATEMENTS

### 4.10 Revenue recognition

Gain or loss on sale of investments is accounted for in the year in which it arises.

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

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

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 recognised on a time proportion basis using effective interest rate method.

### 4.11 Taxation

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

### 4.12 Offsetting of financial assets and liabilities

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

### 4.13 Net Asset Value (NAV) per unit

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

### 4.14 Distribution to unit holders

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

### 4.15 Preliminary expenses and floatation costs

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

## **NOTES TO THE FINANCIAL STATEMENTS**

### **4.16 Financial assets and financial liabilities**

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

Financial assets carried in the statement of assets and liabilities include bank balances, term deposits receipts, return on bank balances and term deposits receipts, profit on debt securities, dividends, deposits, investments and receivable against sale of investments.

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

### **5. ACCOUNTING ESTIMATES AND JUDGMENTS**

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

<b>Standard, interpretation or amendment</b>	<b>Effective date (accounting periods beginning on or after)</b>
IFRS 7 – Financial Instruments: Disclosures – (Amendments)	
– Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 19 – Employee Benefits –(Revised)	January 01, 2013
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

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

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

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.

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

## NOTES TO THE FINANCIAL STATEMENTS

		June 30, 2013	June 30, 2012
<b>Note</b>	-----	(Rupees)	-----
<b>7. BANK BALANCES AND TERM DEPOSIT RECEIPTS</b>			
Cash at bank - PLS saving accounts	7.1	23,727,674	83,477,033
Term deposit receipts		-	22,000,000
		23,727,674	105,477,033

7.1 These carry mark-up ranging from 6% to 9.25% (June 30, 2012: 6% to 11.75%) per annum and include balance of Rs.0.046 million (June 30, 2012: Rs.0.309 million) held with Faysal Bank Limited, a related party.

		June 30, 2013	June 30, 2012
<b>Note</b>	-----	(Rupees)	-----
<b>8. INVESTMENTS</b>			
<b>At fair value through profit or loss held-for-trading</b>			
Listed equity securities	8.2	45,320,119	82,003,698
<b>Designated 'at fair value through profit or loss'</b>			
Listed equity securities	8.4	2,469,000	67,101,872
Listed debt securities		13,137,043	12,380,885
Less: Provision against debt securities	8.5	(13,137,043)	-
		-	12,380,885
Unlisted debt securities		-	28,074,159
Less: Provision against debt securities		-	(28,074,159)
		-	-
		2,469,000	79,482,757
		47,789,119	161,486,455
<b>Held to maturity</b>			
Commercial papers - sukuk certificates	8.6	-	26,335,934
		47,789,119	187,822,389

### 8.1 Listed debt securities\* - held-for-trading

Name of the investee company	----- Number of certificates -----				Market value as at June 30, 2013 (Rupees)	Market value as percentage of total investments	Market value as percentage of net assets	Market value as percentage of size of issue
	As at July 01, 2012	Purchased during the year	Disposed/ redeemed during the year	As at June 30, 2013				
Personal goods (textile)	-	968,000	968,000	-	-	-	-	-
Treet Corporation Pakistan Limited	-	968,000	968,000	-	-	-	-	-

\* Participation term certificates

## NOTES TO THE FINANCIAL STATEMENTS

### 8.2 Listed equity securities \* - held-for-trading

Name of the investee company	Note	Number of shares				Market value as at June 30, 2013 (Rupees)	--- Investment as % of ---		
		As at July 01, 2012	Purchased during the year	Bonus / right shares received during the year	Disposed off during the year		As at June 30, 2013	Net assets	Total Investments

\* All shares have a face value of Rs.10 each except for Habib Sugar Mills Limited which have a face value of Rs.5.

#### Oil and gas

Attock Petroleum Limited	-	3,200	-	3,200	-	-	-	-	-
Attock Refinery Limited	-	150,000	-	150,000	-	-	-	-	-
Byco Petroleum Pakistan Limited	-	1,575,000	-	1,575,000	-	-	-	-	-
National Refinery Limited	15,000	9,500	-	24,500	-	-	-	-	-
Oil and Gas Development Company Limited	-	1,103,286	-	1,103,286	-	-	-	-	-
Pakistan Oilfields Limited	-	450,800	-	450,800	-	-	-	-	-
Pakistan Petroleum Limited	-	400,000	-	400,000	-	-	-	-	-
Pakistan State Oil Company Limited	50,000	245,000	21,000	316,000	-	-	-	-	-
Shell Pakistan Limited	-	10,000	-	10,000	-	-	-	-	-
						-	-	-	-

#### Electricity

HUB Power Company Limited	-	1,358,000	-	1,358,000	-	-	-	-	-
Japan Power Generation Limited	6,959,238	200,000	-	7,159,238	-	-	-	-	-
Karachi Electric Supply Company Limited	-	563,000	-	563,000	-	-	-	-	-
Kot Addu Power Company Limited	-	10,000	-	10,000	-	-	-	-	-
Nishat Power Limited	-	25,000	-	25,000	-	-	-	-	-
Nishat Chunian Power Limited	-	269,500	-	269,500	-	-	-	-	-
Packagen Power Limited	-	800,000	-	800,000	-	-	-	-	-
						-	-	-	-

#### Commercial Banks

Bank Alfalah Limited	-	300,000	-	300,000	-	-	-	-	-
Habib Bank Limited	-	1,000	-	1,000	-	-	-	-	-
Habib Metropolitan Bank Limited	80,309	-	-	80,309	-	-	-	-	-
MCB Bank Limited	-	623,600	-	623,600	-	-	-	-	-
National Bank of Pakistan	45,000	2,025,000	-	2,070,000	-	-	-	-	-
The Bank of Punjab	-	2,959,500	-	2,959,500	-	-	-	-	-
United Bank Limited	-	12,000	-	12,000	-	-	-	-	-
						-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

Name of the investee company	Note	Number of shares				Market value as at June 30, 2013 (Rupees)	--- Investment as % of ---			
		As at July 01, 2012	Purchased during the year	Bonus / right shares received during the year	Disposed off during the year		As at June 30, 2013	Net assets	Total Investments	Investee company paid-up capital
<b>Chemicals</b>										
Arif Habib Corporation Limited		-	1,152,801	7,250	1,160,051	-	-	-	-	
Dawood Hercules Corporation Limited		-	1,940,500	-	1,940,500	-	-	-	-	
Dewan Salman Fibre Limited		1,110,766	2,933,000	-	4,043,766	-	-	-	-	
Engro Corporation Limited		-	937,588	-	937,588	-	-	-	-	
Engro Polymer & Chemicals Limited		-	5,000	-	5,000	-	-	-	-	
Fatima Fertilizer Company Limited		145,000	1,780,500	-	1,925,500	-	-	-	-	
Fauji Fertilizer Bin Qasim Limited		-	25,000	-	25,000	-	-	-	-	
Fauji Fertilizer Company Limited		-	325,000	-	325,000	-	-	-	-	
ICI Pakistan Limited	8.2.1	19,447	463,400	-	255,446	227,401	37,846,327	35.60%	79.19%	3.97%
Lotte Chemical Pakistan Limited		60,000	6,220,500	-	6,280,500	-	-	-	-	
							37,846,327	35.60%	79.19%	3.97%
<b>Construction and materials (cement)</b>										
AKZO Nobel Pakistan Limited		9,779	116,300	-	96,079	30,000	1,803,900	1.70%	3.77%	0.06%
D.G. Khan Cement Company Limited		-	510,000	-	510,000	-	-	-	-	
Dewan Cement Limited		-	100,000	-	100,000	-	-	-	-	
Fauji Cement Company Limited		-	6,667,500	-	6,667,500	-	-	-	-	
Fecto Cement Limited		-	187,500	-	187,500	-	-	-	-	
Kohat Cement Company Limited		-	20,000	-	20,000	-	-	-	-	
Lafarge Pakistan Cement Limited		800,000	4,677,500	-	5,477,500	-	-	-	-	
Lucky Cement Limited		-	26,000	-	26,000	-	-	-	-	
							1,803,900	1.70%	3.77%	0.06%
<b>Food producers</b>										
Engro Foods Limited		3,179	580,500	-	583,679	-	-	-	-	
Habib Sugar Mills Limited *		-	1,055,500	-	1,055,500	-	-	-	-	
							-	-	-	
<b>Mutiutilities (gas and water)</b>										
Sui Northern Gas Pipeline Company		200,000	2,840,000	164,500	3,204,500	-	-	-	-	
							-	-	-	
<b>Personal goods (textile)</b>										
Azgard Nine Limited		-	125,000	-	125,000	-	-	-	-	
Nishat Chunian Limited		-	35,000	-	35,000	-	-	-	-	
Nishat Mills Limited		-	155,000	-	155,000	-	-	-	-	
Service Industries Limited		-	15,400	-	15,400	-	-	-	-	
							-	-	-	
<b>Engineering</b>										
AL - Ghazi Tractors Limited		-	50,000	-	50,000	-	-	-	-	
Millat Tractors Limited		50,899	45,800	-	85,899	10,800	5,669,892	5.33%	11.86%	0.03%
							5,669,892	5.33%	11.86%	0.03%
<b>Non life insurance</b>										
Adamjee Insurance Company Limited		-	875,000	-	875,000	-	-	-	-	
TPL Direct Insurance Limited		-	420,000	-	420,000	-	-	-	-	
							-	-	-	

## NOTES TO THE FINANCIAL STATEMENTS

Name of the investee company	Note	Number of shares					Market value as at June 30, 2013 (Rupees)	--- Investment as % of ---		
		As at July 01, 2012	Purchased during the year	Bonus / right shares received during the year	Disposed off during the year	As at June 30, 2013		Net assets	Total Investments	Investee company paid-up capital
<b>Fixed line telecommunication</b>										
Pakistan Telecommunication Company Limited	-	7,203,755	-	7,203,755	-	-	-	-	-	-
Telecard Limited	-	541,000	-	541,000	-	-	-	-	-	-
World Call Telecom Limited	-	250,000	-	250,000	-	-	-	-	-	-
<b>Technology hardware and equipment</b>										
TPL Trakker Limited	995,000	-	-	995,000	-	-	-	-	-	-
<b>Automobile and parts</b>										
Atlas Honda Limited	-	92,000	-	92,000	-	-	-	-	-	-
Exide Pakistan Limited	-	5,000	-	5,000	-	-	-	-	-	-
<b>Financial services</b>										
Jahangir Siddiqui Company Limited	-	405,000	-	405,000	-	-	-	-	-	-
<b>General industrials</b>										
Cherat Packaging Packages Limited	-	10,500	-	10,500	-	-	-	-	-	-
Tri Pack Films Limited	-	300	-	300	-	-	-	-	-	-
<b>Industrial transportation</b>										
Pak International Container Terminal Limited	-	100	-	100	-	-	-	-	-	-
Pakistan National Shipping Corporation	-	1,000	-	1,000	-	-	-	-	-	-
<b>Industrial metals and mining</b>										
International Industries Limited	-	100,000	-	100,000	-	-	-	-	-	-
		10,543,617	56,007,830	192,750	66,475,996	268,201	45,320,119	42.62%	94.83%	4.06%

8.2.1 This investment includes securities with fair value aggregating to Rs.33.286 million (June 30, 2012: Rs.11.79 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 Details of non-compliant investments with the investment limit specified by Regulation 55 of the NBFC Regulations

Name of non-compliant investment	Note	Type of investment	Value of investment	Provision held (if any)	Value of investment after provision	Investment as at year end as a percentage of	
						Net assets	Gross assets
----- (Rupees) -----							
ICI Pakistan Limited	8.3.1	Ordinary equity shares	37,846,327	-	-	35.60%	33.04%

8.3.1 The above exposure is in excess of the limit 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 limit exceeded the prescribed limit of 10% to any single entity, 25% for sector wise and 35% for group wise due to reduction of fund size as on June 30, 2013. However, the NBFC Regulations allow three months time period to regularize these exposures.



## NOTES TO THE FINANCIAL STATEMENTS

### 8.4 Listed equity securities \* - designated 'at fair value through profit or loss'

Name of the investee company	Note	Number of shares				Market value as at June 30, 2013 (Rupees)	--- Investment as % of ---		
		As at July 01, 2012	Purchased during the year	Bonus / right shares received during the year	Disposed off during the year		As at June 30, 2013	Net assets	Total Investments

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

#### Oil and gas

Pakistan State Oil Company Limited		10,000	-	2,000	12,000	-	-	-	-	-
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#### Electricity

Japan Power Generation Limited		100,000	-	-	100,000	-	-	-	-	-
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#### Commercial banks

Bank Alfalah Limited		200,000	-	-	200,000	-	-	-	-	-
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#### Chemicals

Engro Corporation Pakistan Limited		100,000	-	-	100,000	-	-	-	-	-
Fatima Fertilizer Company Limited		50,000	-	-	50,000	-	-	-	-	-
Lotte Chemical Pakistan Limited		500,000	-	-	500,000	-	-	-	-	-
						-	-	-	-	-

#### Construction and materials (cement)

Lafarge Pakistan Cement Limited		900,000	-	-	900,000	-	-	-	-	-
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#### Engineering

Millat Tractors Limited		11,092	-	-	11,092	-	-	-	-	-
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#### Non life insurance

TPL Direct Insurance Limited		125,000	-	-	125,000	-	-	-	-	-
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#### Technology hardware and equipment

TPL Trakker Limited		2,000,000	-	-	1,700,000	300,000	2,469,000	2.32%	5.17%	0.14%
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#### Personal goods (textile)

Nishat Mills Limited		290,000	-	-	290,000	-	-	-	-	-
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#### Multiutilities (gas and water)

Sui Northern Gas Pipelines Limited		100,000	-	-	100,000	-	-	-	-	-
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		4,386,092	-	2,000	4,088,092	300,000	2,469,000	2.32%	5.17%	0.14%
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## NOTES TO THE FINANCIAL STATEMENTS

### 8.5 Listed debt securities\* - designated 'at fair value through profit or loss'

Name of the investee company	----- Number of certificates -----					Carrying value as at June 30, 2013 (Rupees)	Market value as at June 30, 2013 (Rupees)	Market value as percentage of total investments	Market value as percentage of net assets	Market value as percentage of size of issue
	As at July 01, 2012	Purchased during the year	Redeemed during the year	Disposed off during the year	As at June 30, 2013					

\* Term Finance Certificates (TFCs)

#### Financial services

Trust Investment Bank Limited	7,000	-	-	-	7,000	13,137,043	-	-	-	-
Less: Provision charge during the year						(13,137,043)				
	7,000	-	-	-	7,000	-	-	-	-	-

#### 8.5.1 Significant terms and conditions of listed debt securities are as follows:

Name of security	Note	Number of certificates	Face value (Rupees)	Mark-up rate (per annum)	Maturity	Secured / unsecured	Rating
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#### Listed debt securities

Trust Investment Bank Limited	8.5.1.1 & 8.5.1.2	7,000	5,000	6 months KIBOR +1.85%	July 2013	Secured	Withdrawn
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**8.5.1.1** Due to financial difficulties, Trust Investment Bank (the Issuer) was unable to make payment of principal amounting to Rs.8.746 million due on July 04, 2012 and January 04, 2013 and, accordingly, the Fund has recognised provision of Rs.13.137 million against its exposure in TFCs issued by the issuer as per Circular 33 of 2012 of SECP and has reversed the accrual of mark-up accordingly.

**8.5.1.2** Included herein is sum of Rs.2.708 million (June 30, 2012: Rs.Nil) representing provision in addition to the minimum provision in accordance with provisioning policy of the Fund for additional provision against non performing exposures and as allowed by the SECP Circular No. 33 of 2012 and 13 of 2009 dated May 04, 2009.

### 8.6 Unlisted debt securities\* - designated 'at fair value through profit or loss'

Name of the investee company	----- Number of certificates -----					Market value as at June 30, 2013 (Rupees)	Market value as percentage of total investments	Market value as percentage of net assets	Market value as percentage of size of issue
	As at July 01, 2012	Purchased during the year	Redeemed during the year	Disposed off during the year	As at June 30, 2013				

\* Sukuk Certificates

#### Construction and materials

Maple Leaf Cement Limited	5,800	-	-	(5,800)	-	-	-	-	-
Maple Leaf Cement Limited (additional units)	218	-	-	(218)	-	-	-	-	-
	6,018	-	-	(6,018)	-	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

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

Name of Investee Company	Rate of return per annum	----- Face value -----				Carrying value as at June 30, 2013	Maturity	Rating	Face value as percentage of total investments	Face value as percentage of net assets	Face value as percentage of size of issue
		As at July 01, 2012	Purchased during the year	Matured during the year	As at June 30, 2013						
----- (Rupees) -----											
Electricity											
Hub Power Company Limited	-	25,000,000	-	-	25,000,000	-	-	-	-	-	-
		25,000,000	-	-	25,000,000	-	-	-	-	-	-

### 8.8 Details of non-compliant investments with the investment criteria of assigned category

Name of non-compliant investments	Note	Type of investment	Value of investment before provision	Provision held (if any)	Value of investment after provision	--- Investment as % of ---	
						Net assets	Total investments
----- (Rupees) -----							
Trust Investment Bank Limited	8.8.1	TFCs	13,137,043	(13,137,043)	-	-	-
			13,137,043	(13,137,043)	-	-	-

**8.8.1** Circular No. 7 of 2009 issued by the SECP requires that the rating of any debt security in the portfolio shall not be lower than the investment grade. However, the ratings of above mentioned debt securities are withdrawn and hence, they are lower than investment grade.

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

Name of Security	Yield per annum	----- Face value -----					----- Balance as at June 30, 2013 -----			Market value as percentage of total investments	Market value as percentage of net assets
		As at July 01, 2012	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2013	Carrying Value	Market value	Unrealised gain / (loss) on revaluation		
----- (Rupees) -----											
Market Treasury Bills - 1 year	-	-	10,000,000	10,000,000	-	-	-	-	-	-	-
Market Treasury Bills - 6 months	-	-	850,000,000	400,000,000	450,000,000	-	-	-	-	-	-
Market Treasury Bills - 3 months	-	-	473,000,000	313,000,000	160,000,000	-	-	-	-	-	-
Pakistan Investment Bonds	-	-	50,000,000	50,000,000	-	-	-	-	-	-	-
		-	1,383,000,000	773,000,000	610,000,000	-	-	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

	Note	June 30, 2013	June 30, 2012
		----- (Rupees) -----	
<b>9. DIVIDEND, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES - considered good</b>			
Dividend receivable		-	180,000
Prepayments		103,976	-
Security deposit with National Clearing Company of Pakistan Limited		2,500,000	2,500,000
Profit receivable on debt securities		-	890,342
Return receivable on bank balances and term deposit receipts		82,399	1,095,106
Receivable against sale of units	9.1	9,998,134	-
		12,684,509	4,665,448

**9.1** This amount represents receivable from Faysal Money Market Fund (FMMF), a related party, against conversion of units from FMMF to the Fund. The amount was settled on July 02, 2013.

### 10. PAYABLE TO THE MANAGEMENT COMPANY

Management fee payable	10.1	529,533	511,137
Sales tax on management fee payable		92,350	81,782
Federal excise duty payable on management fee	10.2	47,650	-
Sales load payable		-	7,286
		669,533	600,205

**10.1** 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 percent of such assets. The Management Company has charged its remuneration at 2% (June 30, 2012: 2%) per annum of the daily net asset value of the Fund.

**10.2** During the current year, an amount of Rs.0.0476 million (June 30, 2012: Rs.Nil) was charged on account of Federal excise duty on management fee levied through Finance Bill 2013 with effect from June 13, 2013.

### 11. REMUNERATION PAYABLE TO THE TRUSTEE

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

## NOTES TO THE FINANCIAL STATEMENTS

		June 30, 2013	June 30, 2012
	Note	----- (Rupees) -----	
<b>12. ACCRUED AND OTHER LIABILITIES</b>			
SECP annual fee payable	12.1	<b>409,126</b>	296,001
Brokerage payable		<b>2,464,652</b>	394,933
Accrued liabilities		<b>2,086,445</b>	794,810
Zakat payable		<b>9,753</b>	2,586
Provision for Workers' Welfare Fund	12.2	<b>2,249,330</b>	1,883,806
Payable against sale of units	12.3	<b>276,648</b>	-
		<u><b>7,495,954</b></u>	<u>3,372,136</u>

**12.1** 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 0.095% (June 30, 2012: 0.095%) per annum of the daily net asset value of the Fund.

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

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

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

As the matter relating to levy of WWF is currently pending in the SHC, the Management Company, as a matter of prudence, has decided to retain and continue with the provision for WWF amounting to Rs.2.249 million (June 30, 2012: Rs.1.884 million) in these financial statements. Had the provision not been made, the net asset value per unit of the Fund would be higher by Rs.1.68 (2.12%) per unit (June 30, 2012: Rs.0.418 (0.63%) per unit).

## NOTES TO THE FINANCIAL STATEMENTS

**12.3** This amount represents payable to Faysal Money Market Fund (FMMF), a related party, against conversion of units from FMMF to the Fund. The amount was settled on July 02, 2013.

### 13. CONTINGENCIES AND COMMITMENTS

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

	<b>June 30, 2013</b>	<b>June 30, 2012</b>
<b>Note</b>	----- (Rupees) -----	-----
<b>14. AUDITORS' REMUNERATION</b>		
Audit fee	<b>389,000</b>	250,000
Review and other certifications	<u><b>76,000</b></u>	<u>230,578</u>
	<u><b>465,000</b></u>	<u>480,578</u>

### 15. TAXATION

The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders in the manner explained above as disclosed in note 19 to these financial statements, hence, no provision for taxation has been made in these financial statements.

### 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:

## NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
<b>Transactions during the year</b>		
<b>Faysal Asset Management Limited (Management Company)</b>		
Remuneration for the Management Company	8,613,175	6,443,510
Sales tax on management fee	1,385,734	1,030,960
Federal excise duty on management fee	47,650	-
Sales load	-	93,177
Redemption of 1,167,991 units (2012: Nil Units)	90,000,000	-
Issue of 483,246 units (2012: Nil units)	34,997,141	-
Bonus issue of Nil units (2012: 74,800 units)	-	4,933,816
<b>Faysal Bank Limited (Group / Associated Company)</b>		
Profit on PLS saving accounts	355,034	311,151
Participation in non-competitive bid of government securities	-	299,910,000
Purchase of equity investments	299,921,665	-
Issue of 4,405,746 units (2012: Nil units)	300,000,000	-
Redemption of 4,251,680 units (2012: Nil units)	320,599,793	-
<b>Faysal Asset Management Limited - Staff Provident Fund</b>		
Issue of 11,437 units (2012: Nil units)	800,000	-
Redemption of 11,437 units (2012: Nil units)	855,468	-
<b>Faysal Asset Management Limited - Staff Gratuity Fund</b>		
Issue of 5,004 units (2012: Nil units)	350,000	-
Redemption of 5,004 units (2012: Nil units)	374,267	-
<b>Central Depository Company of Pakistan Limited (Trustee of the Fund)</b>		
Remuneration of the Trustee	897,871	700,202
Settlement charges	98,959	58,794
<b>NaOtional Clearing Company of Pakistan Limited *</b> <b>(Common Directorship)</b>		
Clearing charges	-	233,356
<b>Dawood Hercules Corporation Limited - (Common Directorship)</b>		
Dividend on Ordinary shares held by the Fund	-	40,686
<b>ICI Pakistan Limited - (Common Directorship) **</b>		
Sale / Transfer of Nil Ordinary shares (2012: 64,228)	-	9,224,391
Dividend on Ordinary shares held by the Fund	-	148,500
Purchase of Nil Ordinary shares (2012: 83,675)	-	11,501,259

## NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
<b>AkzoNobel Pakistan Limited - (Common Directorship) **</b>		
Transfer of Nil Ordinary shares (2012: 9,779)	-	1,281,755
<b>Unit holders holding 10% or more units</b>		
<b>The Bank of Punjab</b>		
Cash dividend paid	-	12,500,911
<b>Government of NWFP GPI Fund</b>		
Bonus issue of Nil units (2012: 32,480 units)	-	2,142,376
* During the year Mr. Aliuddin Ansari has resigned as a director of Faysal Asset Management Limited with effect from June 19, 2012. The transactions hereinabove represent the transactions upto the date of his resignation.		
** Mr. Feroz Rizvi has resigned as a director of ICI Pakistan Limited and Akzo Nobel Pakistan Limited with effect from December 27, 2012.		
<b>Outstanding balances</b>		
<b>Faysal Asset Management Limited - (Management Company)</b>		
Remuneration payable to the Management Company	529,533	511,137
Sales tax on management fee payable	92,350	81,782
Federal excise duty payable on management fee	47,650	-
Units in issue 428,933 units (June 30, 2012: 1,113,498 units)	34,019,715	73,435,825
Sales load payable	-	7,286
<b>Faysal Bank Limited - (Group / Associated Company)</b>		
Balance in PLS savings account	421,609	309,161
Units in issue 154,065 units (June 30, 2012: Nil units)	12,219,268	-
Profit receivable on PLS savings account	3,497	1,137
<b>Central Depository Company of Pakistan Limited - (Trustee of the Fund)</b>		
Remuneration payable to the Trustee	58,310	57,377
<b>ICI Pakistan Limited - (Common Directorship) **</b>		
227,401 Ordinary shares held by the Fund (June 30, 2012: 19,447 shares)	-	2,548,918
<b>AkzoNobel Pakistan - (Common Directorship) **</b>		
30,000 Ordinary shares held by the Fund (June 30, 2012: 9,779 shares)	-	1,281,755



## NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
<b>Engro Foods Limited - (Common Directorship)</b>		
Nil Ordinary shares held by the Fund (June 30, 2012: 3,179 shares)	-	204,887
<b>Japan Power Generation Limited - (Common Directorship of Group Company)</b>		
Nil Ordinary shares held by the Fund (June 30, 2012: 7,059,238 shares)	-	12,353,667
<b>Faysal Money Market Fund (Common Management)</b>		
Receivable against conversion of 97,829 units (June 30, 2012: Nil units)	<b>9,998,134</b>	-
Payable against conversion of 2,710 units (June 30, 2012: Nil units)	<b>276,648</b>	-
<b>Unit holders holding 10% or more units in issue</b>		
<b>Government of NWFP GPI Fund</b>		
Units in issue 483,507 (June 30, 2012: 483,507 units)	<b>38,348,111</b>	31,887,495

\* During the year Mr. Aliuddin Ansari has resigned as a director of Faysal Asset Management Limited with effect from June 19, 2012. The transactions hereinabove represent the transactions upto the date of his resignation. As a result, units in issue at year end have not been disclosed above.

\*\* Mr. Feroz Rizvi has resigned as a director of ICI Pakistan Limited and Akzo Nobel Pakistan Limited with effect from December 27, 2012.

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

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of June 30, 2013, the Fund's exposure to the risk of changes in market interest 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, 2013, approximately 21.46% (June 30, 2012: 47.44%) of the Fund's financial assets are subject to interest rates.

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

Management of the Fund estimates that an increase of 100 basis points in the floating interest rate, with all other factors remaining constant, would increase the Fund's income and increase the net assets of the Fund by Rs.0.228 million (June 30, 2012: Rs.1.736 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.2.389 million (June 30, 2012: Rs.7.455 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 8.4 to these financial statements.

## NOTES TO THE 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, 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	669,533	-	-	-	669,533
Remuneration payable to the Trustee	58,310	-	-	-	58,310
Accrued and other liabilities	2,363,093	-	-	-	2,363,093
	<u>3,090,936</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,090,936</u>

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

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

#### Financial liabilities

Payable to the Management Company	600,205	-	-	-	600,205
Remuneration payable to the Trustee	57,377	-	-	-	57,377
Accrued and other liabilities	1,189,743	-	-	-	1,189,743
	<u>1,847,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,847,325</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:

## NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
Bank balances and term deposit receipts	23,727,674	105,477,033
Investment in listed debt securities	-	12,380,885
Commercial papers	-	25,000,000
Profit receivable on debt securities	-	890,342
Return receivable on bank balances and term deposits receipts	82,399	1,095,106
Dividend receivable	-	180,000
Security deposit	2,500,000	2,500,000
Receivable against sale of investments	30,345,794	3,148,313
Receivable against sale of units	9,998,134	-
	<u>66,654,001</u>	<u>150,671,679</u>

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

	June 30, 2013	June 30, 2012
	----- % -----	
<b>Rating category</b>		
AA, AA-, AA+	42.03	87.55
BB, BB+, BB-, B	-	8.73
Unrated	57.97	3.72
	<u>100.00</u>	<u>100.00</u>

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

	June 30, 2013	June 30, 2012
	----- % of assets exposed to credit risk -----	
Commercial banks	35.72	70.30
Other financial institutions	-	8.58
Oil and gas	-	0.12
Electricity / energy	-	17.48
Others	64.28	3.52
	<u>100.00</u>	<u>100.00</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 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.

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

	June 30, 2013			Total
	Level 1	Level 2	Level 3	
	----- (Rupees) -----			
<b>Investments classified as 'at fair value through profit or loss'</b>				
Listed equity securities - held-for-trading	45,320,119	-	-	45,320,119
Designated at fair value through profit or loss				
- Listed equity securities	<u>2,469,000</u>	<u>-</u>	<u>-</u>	<u>2,469,000</u>
	<u>47,789,119</u>	<u>-</u>	<u>-</u>	<u>47,789,119</u>

## NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
<b>Investments classified as 'at fair value through profit or loss'</b>				
Listed equity securities - held-for-trading	82,003,698	-	-	82,003,698
Designated at fair value through profit or loss				
- Listed equity securities	67,101,872	-	-	67,101,872
- Listed debt securities	-	12,380,885	-	12,380,885
	<u>149,105,570</u>	<u>12,380,885</u>	<u>-</u>	<u>161,486,455</u>

During the year ended June 30, 2013, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements except as follows:

	June 30, 2013 -- (Rupees) --
Opening balance	-
Cost of investment	12,380,885
Add: Unrealised loss charged in the previous year	756,158
Provision against non-performing assets	<u>(13,137,043)</u>
Closing balance	<u>-</u>

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.

### 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.

## **NOTES TO THE FINANCIAL STATEMENTS**

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. SUBSEQUENT EVENT**

The Board of Directors of the Management Company in their meeting held on July 05, 2013 have declared a payout at the rate of 12.75% i.e. Rs.12.75 per unit (June 30, 2012: Nil). The financial statements of the Fund for the year ended June 30, 2013 do not include the effect of the payout which will be accounted for in the financial statements of the Fund subsequent to the year end.

### **20. 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.

### **21. GENERAL**

Figures have been rounded off to the nearest rupee.

### **22. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on September 24, 2013 by the Board of Directors of the Management Company.

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

Chief Executive Officer

Director

Director

**SUPPLEMENTARY NON FINANCIAL INFORMATION  
AS REQUIRED UNDER RULES 6(D), (F), (G), (H), (I) AND (J)  
OF THE 5TH SCHEDULE TO THE NON BANKING FINANCE COMPANIES  
AND NOTIFIED ENTITIES REGULATIONS, 2008**

**(i) PATTERN OF UNIT HOLDING**

Category	No. of investors	Units held	Percentage
Associated companies*	2	583,006	43.49%
Insurance companies	-	-	-
Banks and DFIs	-	-	-
NBFCs	-	-	-
Retirement Funds	7	645,927	48.18%
Individuals	68	111,554	8.32%
Others	1	76	0.01%
	78	1,340,563	100.00%

\* Includes faysal bank Limited

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

Particulars	Percentage
Adam Securities Private Limited	13.51%
Next Capital Limited	13.17%
Elixir Securities Pakistan Limited	11.77%
MS Maniar Financials Private Limited	10.95%
Continental Capital Management Limited	10.80%
Fortune Securities Private Limited	9.07%
Shajar Capital Pakistan Limited	8.21%
Top Line Securities Private Limited	4.13%
JS Global Capital Limited.	4.04%
Arif Habib Securities Limited	3.28%

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

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

Name	Qualification	Experience
Mr. Enam Ullah Khan	B. Eco , FSA, Accreditations	Over 21 years
Mr. Najm UI Hassan	MBA, ACMA, CFA I	Over 18 years
Mr. Vasseh Ahmed	Master in Science	Over 5 years
Mr. Ayub Khuhro	BSC Economics, CFA I	Over 5 years
Mr. Muhammad Raheel	B.Sc. in Science	Over 10 years
Mr. Muhammad Faraz Khan	MBA	Over 7 years
Mr. Muhammad Asif Tahir (Non- voting member)	ACCA	Over 6 years



**SUPPLEMENTARY NON FINANCIAL INFORMATION  
AS REQUIRED UNDER RULES 6(D), (F), (G), (H), (I) AND (J)  
OF THE 5TH SCHEDULE TO THE NON BANKING FINANCE COMPANIES  
AND NOTIFIED ENTITIES REGULATIONS, 2008**

	June 30, 2013	June 30, 2012	June 30, 2011
	----- (Rupees) -----		
<b>(iv) PERFORMANCE TABLE</b>			
Net assets	<u>106,323,299</u>	<u>297,083,463</u>	<u>351,579,625</u>
Net asset value per unit	<u>79.31</u>	<u>65.95</u>	<u>70.71</u>
Offer price	<u>79.31</u>	<u>67.93</u>	<u>72.83</u>
Repurchase price per unit	<u>79.31</u>	<u>65.95</u>	<u>70.71</u>
Highest offer price per unit	<u>80.80</u>	<u>73.56</u>	<u>76.30</u>
Highest repurchase price per unit	<u>80.80</u>	<u>71.41</u>	<u>74.08</u>
Lowest offer price	<u>64.93</u>	<u>64.63</u>	<u>60.03</u>
Lowest repurchase price per unit	<u>64.93</u>	<u>62.74</u>	<u>58.28</u>
Total return:	20.26%	-0.02%	20.58%
- capital growth	0.93%	-0.02%	15.83%
- income distribution	19.33%	-	4.75%
Average annual return: (Launch date: April 19, 2004)			
- one year	20.26%	-0.02%	20.58%
- two years	10.12%	10.28%	25.64%
- three years	13.61%	17.09%	4.32%
Distribution per unit:			
- Final distribution (Rs. per unit)	<u>12.75%</u>	<u>-</u>	<u>4.75</u>
	<u>12.75%</u>	<u>-</u>	<u>4.75</u>

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

**(v) PARTICULARS OF FUND MANAGERS**

Name	Qualification	Experience	Other Collective Investment Schemes
Muhammad Raheel	B.Sc. In Science	10 years	Faysal Balanced Growth Fund

## SUPPLEMENTARY NON FINANCIAL INFORMATION AS REQUIRED UNDER RULES 6(D), (F), (G), (H), (I) AND (J) OF THE 5TH SCHEDULE TO THE NON BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008

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

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

Name of Directors	Meetings Attended	Meetings held on									
		Jul 05 2012	Aug 16 2012	Oct 20 2012	Oct 24 2012	Dec 03 2012	Jan 22 2013	Jan 30 2013	Mar 15 2013	Apr 19 2013	Apr 27 2013
Mr. Mohammad Abdul Aleem, Chairman	10	1	1	1	1	1	1	1	1	1	1
Mr. Feroz Rizvi, Director	8	1	1	0	0	1	1	1	1	1	1
Syed Majid Ali, Director	10	1	1	1	1	1	1	1	1	1	1
Mr. Zafar Ahmed Siddiqui, Director	8	0	1	1	0	1	1	1	1	1	1
Syed Ibad ur Rahman Chishti, Director *	2	1	1	0	0	0	0	0	0	0	0
Mr. Razi ur Rahman, Director	9	1	1	1	1	1	0	1	1	1	1
Mr. Enamullah Khan, Chief Executive Officer	10	1	1	1	1	1	1	1	1	1	1

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

## SUPPLEMENTARY NON FINANCIAL INFORMATION AS REQUIRED UNDER RULES 6(D), (F), (G), (H), (I) AND (J) OF THE 5TH SCHEDULE TO THE NON BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008

### (vii) MEETINGS OF THE AUDIT COMMITTEE

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

Name of Directors	Meetings Attended	Meetings held on				
		Aug 15 2012	Oct 19 2012	Jan 29 2013	Apr 8 2013	Apr 17 2013
Mr. Feroz Rizvi, Director	4	1	0	1	1	1
Syed Majid Ali, Director	5	1	1	1	1	1
Mr. Zafar Ahmed Siddiqui, Director	4	1	1	1	0	1
Mr. Razi ur Rehaman, Director	3	0	0	1	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			
		Nov 19 2012	Feb 13 2013	May 3 2013	Jun 7 2013
Mr. Zafar Ahmed Siddiqui, Chairman	3	1	1	1	0
Syed Majid Ali	3	0	1	1	1
Mr. Razi ur Rahman Khan	4	1	1	1	1
Mr. Enamullah Khan	4	1	1	1	1

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

The JCR - VIS Credit Rating Company Limited (JCR - VIS) has assigned a rating of " MFR 3 - Star" (3 years ranking), Fund Ranking to Faysal Asset Allocation Fund.

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