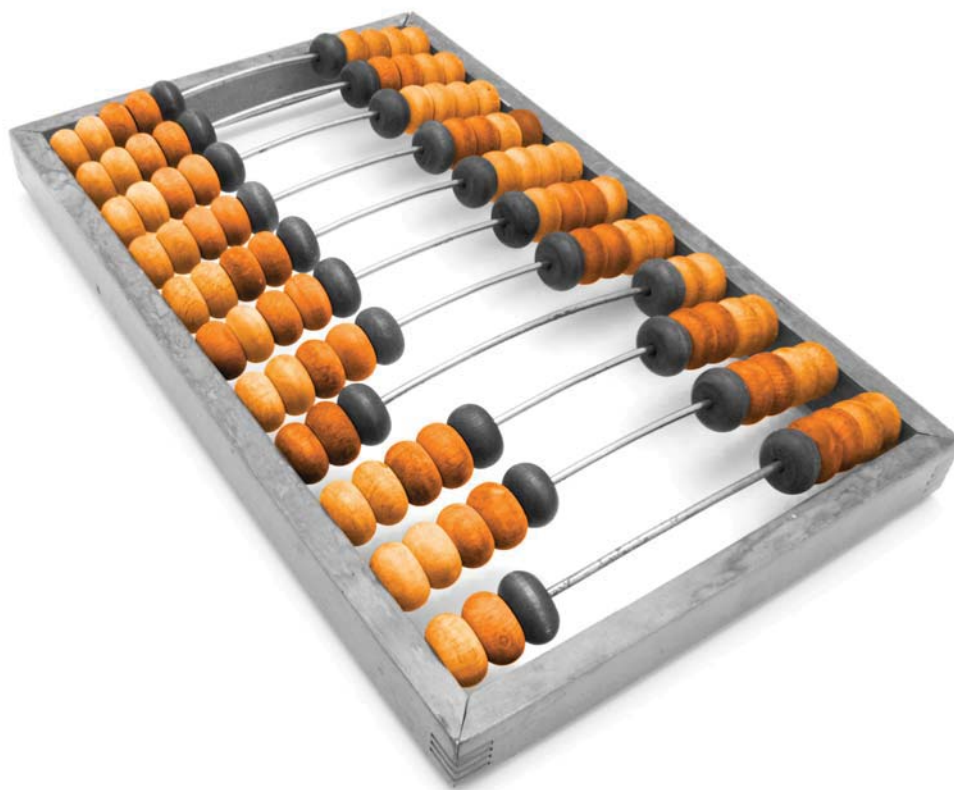


Faysal Asset Management

Asset Allocation Fund

Financial Statements for the year ended June 30, 2014



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FUND INFORMATION

Management Company

Faysal Asset Management Limited

Board of Directors of the Management Company

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

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

Mr. Najm-Ul-Hassan

Audit Committee

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

Trustee to the Fund

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

Bankers to the fund

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

Auditors

Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants

Legal Advisor

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

Registrar

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

MISSION STATEMENT

Faysal 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, 2014.

SALE AND REDEMPTION OF UNITS

During the year, units worth Rupees 67.349 million were issued and units with a value of Rupees 62.730 million were redeemed.

UNIT HOLDERS

As of June 30, 2014, 1,826,221 units with a value of Rs. 125.901 million were outstanding (June 30, 2013: 1,340,563 units with a value of Rs. 106.323 million).

UNIT PRICES

Unit prices are being announced on a daily basis based on the NAV of the underlying portfolio. The highest and lowest offer/redemption prices during the year as well as the prices prevailing as of June 30, 2014 were as below:

	Offer Price	Redemption Price
Highest	80.23	80.23
Lowest	63.24	63.24
As of June 30, 2014	68.94	68.94

EQUITY MARKETS REVIEW

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

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

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

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

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

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

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

PERFORMANCE REVIEW

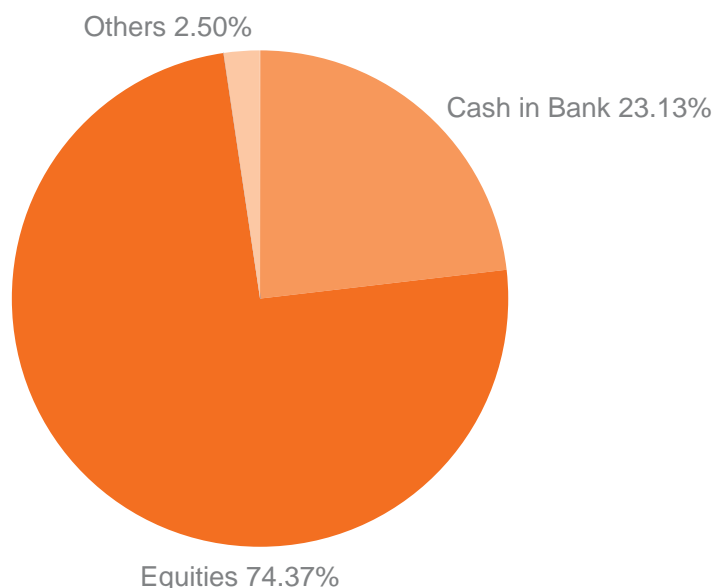
During the outgoing fiscal year 2014, your fund yielded a non-annualized return of 17.01%. As the market achieved an all-time high of 29,900 points during the year, exposure in equities was enhanced from 42% to 75% so as to capitalize on market gains. Remaining funds were deployed in bank accounts yielding healthy returns to achieve yield stability.

Equity investments were primarily concentrated in Oil and Gas, Cements, Personal Goods and Chemicals. Investment rationales for the concentration included dividend yield play and robust margin accretion, volumetric growth and acquisitions, GSP+ status, and sector turnaround coupled with strong fundamentals with restructuring and privatization of SOEs, respectively.

Going forward, we expect investors to remain vigilant and alert to recovery in macro-economic landscape and restructuring and privatization euphoria while the market stands at the top of an exponential rally and at an all-time high.

However, price-to-earnings multiple for the market remains low and corporate earnings for FY14 are expected to grow in the range of 13-15%. This will allow investment opportunities within fundamentally sound and trigger-active stocks for higher yields.

ASSET ALLOCATION



INCOME DISTRIBUTION

The Board of directors has not approved Final distribution as the income for year is already distributed via Interim distribution at the rate of 9.00% (i.e Rs. 9.00 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 years ranking), "Average performance" to FAAF.

CORPORATE GOVERNANCE

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

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 Fund, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
 - b. Proper books of account of the Fund have been maintained;
 - c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent 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 Fund's ability to continue as a going concern;
 - g. The details of taxes, duties, levies and charges outstanding, are disclosed in the financial statements;
 - h. The number of board and committees' meetings of the Management Company held during the year and attendance by each director forms part of this Annual Report; and
 - i. The prescribed pattern of unit holding is given as part of this Annual Report.

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

Trades By:	Investment	Redemption
	----- (No. of Units) -----	
Management Company	314,902	Nil
Director and key Management Personnel	18,492	Nil

PATTERN OF HOLDING

The Pattern of unit holding of FAAF as at June 30, 2014 is given as part of this Annual Report.

AUDITORS

The present auditors Messers Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retire and, has completed term for consecutive five years therefore does not offer themselves for re-appointment. The Board endorses the recommendation of the Audit Committee for appointment of Messers M. Yousuf Adil Saleem & Co. Chartered Accountants as the auditors for the year ending June 30, 2015.

ACKNOWLEDGEMENT

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

For and on behalf of the Board

Karachi: 30th September, 2014

Enamullah Khan
Chief Executive Officer

FUND MANAGER'S REPORT

Economic Outlook for FY14

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

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

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

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

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

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

Equity Market Review

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

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

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FUND MANAGER’S REPORT

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

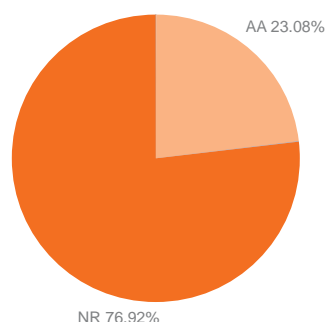
FUND INFORMATION

Fund Type	Open Ended
Category	Asset Allocation Scheme
Risk Profile	Moderate to High Risk
Launch Date	July 24, 2006
Custodian/Trustee	CDC
Auditor	Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants

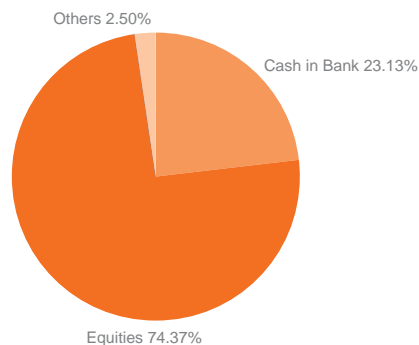
Management Fee	2%
Front/Back end Load	Nil
Min Subscription	PKR. 5,000
Benchmark*	KSE100 Index / 6M KIBOR
Pricing Mechanism	Forward
Dealing Days	Monday-Friday
Cut-Off Timing	9am-5pm
AMC Rating	AM3+ (JCRVIS)
NAV per Unit (PKR)	68.94
Net Assets (mn)	125.90
Leverage	Nil

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

Asset Quality



Assets Allocation



FUND INFORMATION

	June 14	June 13
YTD	17.01	20.26
Benchmark (YTD)	30.21	34.43

FAAF

During the outgoing fiscal year 2014, your fund yielded a non-annualized return of 17.01%. As the market achieved an all-time high of 29,900 points during the year, exposure in equities was enhanced from 42% to 75% so as to capitalize on market gains. Remaining funds were deployed in bank accounts yielding healthy returns to achieve yield stability. Equity investments were primarily concentrated in Oil and Gas, Cements, Personal Goods and Chemicals. Investment rationales for the concentration included dividend yield play and robust margin accretion, volumetric growth and acquisitions, GSP+ status, and sector turnaround coupled with strong fundamentals with restructuring and privatization of SOEs, respectively. Going forward, we expect investors to remain vigilant and alert to recovery in macro-economic landscape and restructuring and privatization euphoria while the market stands at the top of an exponential rally and at an all-time high.

However, price-to-earnings multiple for the market remains low and corporate earnings for FY14 are expected to grow in the range of 13-15%. This will allow investment opportunities within fundamentally sound and trigger-active stocks for higher yields.

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

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

**TRUSTEE REPORT TO THE UNIT HOLDERS****FAYSAL 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, 2014 in accordance with the provisions of the following:

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

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

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

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

Karachi: October 28, 2014

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Faysal Asset Management Limited (the Management Company) of **Faysal 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 (x) 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 2014.

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

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

Chartered Accountants
Date: 30th September, 2014
Karachi

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE FAYSAL ASSET ALLOCATION FUND

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35 of Listing Regulations of 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. Osman Khan
Non-Executive Director	Mr. Nauman Ansari Syed Majid Ali Mr. Razi-Ur-Rahman Khan Syed Ibad-Ur-Rehman Chishti
Executive Director	Mr. Enamullah Khan (CEO)

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

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. Casual vacancy occurring on the board on 27 November 2013 and 21 April 2014 respectively were filled up by the directors within ninety days, however the board is in process to fill the casual vacancy occurred on 27 June 2014.
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 have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter 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-versed with the relevant laws applicable to the Fund and Management Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. The Compliance with the requirement of certification of directors under clause (xi) of the code shall be ensured during the year ending June 30, 2015.
10. The Directors' report relating to the Fund for the year ended June 30, 2014 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Fund were duly endorsed by the CEO and CFO of the Management Company before approval of the Board.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE FAYSAL ASSET ALLOCATION FUND

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

Karachi
Dated: 30th September, 2014

Enamullah Khan
Chief Executive Officer

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

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

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: 30th September, 2014

Karachi

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2014

	Note	June 30, 2014	June 30, 2013
		----- (Rupees) -----	
Assets			
Bank balances	7	32,746,342	23,727,674
Investments	8	105,279,675	47,789,119
Prepayments, deposits and other receivables	9	3,523,890	12,684,509
Receivable against sale of investments		-	30,345,794
Total assets		141,549,907	114,547,096
Liabilities			
Payable to the Management Company	10	210,071	621,883
Remuneration payable to the Trustee	11	57,536	58,310
Accrued and other liabilities	12	7,119,483	7,543,604
Payable against purchase of investments		8,262,069	-
Total liabilities		15,649,159	8,223,797
Net assets		125,900,748	106,323,299
Unit holders' fund (as per the statement attached)		125,900,748	106,323,299
		----- (Number of units) -----	
Number of units in issue		1,826,221	1,340,563
		----- (Rupees) -----	
Net asset value per unit		68.94	79.31

The annexed notes from 1 to 20 form an integral part of these financial statements.

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

Chief Executive Officer

Director

Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	Note	June 30, 2014	June 30, 2013
		----- (Rupees) -----	
Income			
Profit earned on debt and government securities classified as			
'at fair value through profit or loss' - held-for-trading		243,025	7,751,010
Income from Margin Trading System (MTS)		15,821	-
Dividend income- on investment classified as			
'at fair value through profit or loss' - held-for-trading		1,914,200	8,891,789
Return on bank balances		3,790,580	8,516,495
Net gain on investments:			
- Net capital gain on sale of investments classified as			
- designated at 'fair value through profit or loss'		531,000	12,179,056
- 'at fair value through profit or loss' - held-for-trading		15,690,278	64,536,941
- Net unrealised gain / (loss) on revaluation of investments			
classified as 'At fair value through profit or loss' - held-for-trading		5,547,369	(2,211,802)
- Provision against non-performing instruments-			
designated at 'fair value through profit or loss'		-	(13,137,043)
		<u>21,768,647</u>	<u>61,367,152</u>
Total income		27,732,273	86,526,446
Expenses			
Remuneration of the Management Company		2,442,821	8,613,175
Provision for indirect taxes and duties	12.4	453,388	47,650
Sales tax on management fee		390,851	1,385,734
Remuneration of the Trustee		699,993	897,871
Brokerage charges		2,124,934	5,160,807
Bank charges		37,214	46,382
Auditors' remuneration	13	542,576	465,000
SECP annual fee	12.1	115,894	409,126
Legal and professional charges		27,616	60,000
Fees and subscriptions		123,617	135,544
Settlement charges, federal excise duty and capital value tax		905,404	1,384,422
Printing charges and other expenses		274,256	121,438
Provision for Workers' Welfare Fund	12.3	390,604	365,523
Total expenses		<u>8,529,168</u>	<u>19,092,672</u>
Net income from operating activities		19,203,105	67,433,774
Element of loss and capital losses included in prices of units sold less those in units redeemed - net		(63,511)	(49,523,171)
Net income for the year before taxation		<u>19,139,594</u>	<u>17,910,603</u>
Taxation		-	-
Net income for the year after taxation		19,139,594	17,910,603
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u><u>19,139,594</u></u>	<u><u>17,910,603</u></u>

The annexed notes from 1 to 20 form an integral part of these financial statements.

For Faysal Asset Management Limited
(Management Company)

Chief Executive Officer

Director

Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
Accumulated loss brought forward [includes unrealised loss on investments of Rs.2,211,802 (2012: unrealised loss of Rs.13,844,080)]	(160,446,779)	(178,357,382)
Final bonus distribution for the year ended June 30, 2013 @ Rs.12.75 (2012: Rs.Nil) per unit declared for distribution on July 05, 2013	(14,992,694)	-
Final cash dividend for the year ended June 30, 2013 @ Rs.12.75 (2012: Rs.Nil) per unit declared for distribution on July 05, 2013	(2,099,477)	-
Interim bonus distribution for the period ended June 27, 2014 @ Rs.9.00 (2013: Nil) per unit declared for distribution on June 27, 2014	(12,650,770)	-
Interim cash distribution for the period ended June 27, 2014 @ Rs.9.00 (2013: Nil) per unit declared for distribution on June 27, 2014	(2,144,625)	-
Net income for the year after taxation	19,139,594	17,910,603
Accumulated loss carried forward [includes unrealised gain on investments of Rs.5,547,369 (2013: unrealised loss of Rs.2,211,802)]	<u>(173,194,751)</u>	<u>(160,446,779)</u>

The annexed notes from 1 to 20 form an integral part of these financial statements.

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

Chief Executive Officer

Director

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	June 30, 2014	June 30, 2013
Note	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	19,139,594	17,910,603
Adjustments for non-cash and other items:		
Net gain on investments:		
- Net capital gain on sale of investments classified as		
- designated at 'fair value through profit or loss'	(15,690,278)	(64,536,941)
- 'at fair value through profit or loss' - held-for-trading	(531,000)	(12,179,056)
- Net unrealised (loss) / gain on revaluation of investments		
- classified as 'At fair value through profit or loss' - held-for-trading	(5,547,369)	2,211,802
- Provision against non-performing instruments-		
- designated at 'fair value through profit or loss'	-	13,137,043
Profit earned on debt and government securities classified as		
'at fair value through profit or loss' - held-for-trading	(243,025)	(7,751,010)
Dividend income- on investment classified as		
'at fair value through profit or loss' - held-for-trading	(1,914,200)	(8,891,789)
Return on bank balances	(3,790,580)	(8,516,495)
Income on Margin Trading System (MTS)	(15,821)	
Element of loss and capital loss included		
in prices of units sold less those in units redeemed - net	63,511	49,523,171
	(8,529,168)	(19,092,672)
Decrease / (increase) in assets		
Dividend, prepayments, deposits and other receivables	9,431,889	(10,102,110)
	9,431,889	(10,102,110)
(Decrease) / increase in liabilities		
Payable to the Management Company	(411,812)	69,328
Remuneration payable to the Trustee	(774)	933
Accrued and other liabilities	(2,568,746)	4,123,818
	(2,981,332)	4,194,079
	(2,078,611)	(25,000,703)
Proceeds from sale / redemption of investments	946,473,059	3,512,360,697
Payments made against purchase of investments	(943,587,105)	(3,339,484,056)
Income received on Margin Trading System (MTS)	15,821	-
Profit received on debt and government securities	243,025	9,967,652
Dividend received	1,745,200	9,071,789
Return received on bank balances	3,688,310	9,529,202
Net cash generated from operating activities	6,499,699	176,444,581
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received against issue of units	67,348,900	353,512,313
Payments made against redemption of units	(62,730,454)	(611,706,253)
Dividend paid	(2,099,477)	-
Net cash generated from financing activities	2,518,969	(258,193,940)
Net increase / (decrease) in cash and cash equivalents during the year	9,018,668	(81,749,359)
Cash and cash equivalents at the beginning of the year	23,727,674	105,477,033
Cash and cash equivalents at the end of the year	7 32,746,342	23,727,674

The annexed notes from 1 to 20 form an integral part of these financial statements.

For Faysal Asset Management Limited
(Management Company)

Chief Executive Officer

Director

Director

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

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
Net asset value per unit at the beginning of the year	<u>79.31</u>	<u>65.95</u>
Net asset value per unit at the end of the year	<u>68.94</u>	<u>79.31</u>
Net assets at the beginning of the year	106,323,299	297,083,465
Amounts received on issue of units *	67,348,900	353,512,313
Amounts paid on redemption of units **	(62,730,454)	(611,706,253)
	4,618,446	(258,193,940)
Element of loss and capital losses included in prices of units sold less those in units redeemed - net	63,511	49,523,171
Final cash dividend for the year ended June 30, 2013 @ Rs.12.75 (2012: Rs.Nil) per unit declared for distribution on July 05, 2013	(2,099,477)	-
Interim cash distribution for the period ended June 27, 2014 @ Rs.9.00 (2013: Nil) per unit declared for distribution on June 27, 2014	(2,144,625)	-
Net gain on sale of investments	16,221,278	76,715,997
Net unrealised gain / (loss) on revaluation of investments	5,547,369	(15,348,845)
Other net losses for the year	(2,629,053)	(43,456,549)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	19,139,594	17,910,603
Net assets at the end of the year	<u>125,900,748</u>	<u>106,323,299</u>
	----- (Number of units) -----	
* Number of units issued (including 407,539 bonus units issued during the year ended June 30, 2014 and Nil bonus units issued during the year ended June 30, 2013)	<u>1,338,822</u>	<u>5,146,099</u>
** Number of units redeemed	<u>853,164</u>	<u>8,310,174</u>

The annexed notes from 1 to 20 form an integral part of these financial statements.

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

Chief Executive Officer

Director

Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

Faysal 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 Limited. 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.

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

The JCR - VIS Credit Rating Company Limited (JCR - VIS) has assigned a "MFR 2 - Star" (3 years) fund ranking to Faysal Asset Allocation Fund as of August 8, 2014.

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

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of 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 / Revised Standards, Interpretations and Amendments

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

IAS 19 – Employee Benefits – (Revised)

IFRS 7 – Financial Instruments : Disclosures – (Amendments)
– Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

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

Improvements to Accounting Standards Issued by the IASB

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

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

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

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

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

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

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

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

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

4.3 Investments

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

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

NOTES TO THE FINANCIAL STATEMENTS

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".

At fair value through profit or loss

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

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

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

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

Held to maturity investments

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

Available-for-sale investments

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

Fair value of investments is determined as follows:

Listed shares

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

Debt securities

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

Government securities

These are valued by reference to the quotations obtained from the Reuters page.

NOTES TO THE FINANCIAL STATEMENTS

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.

4.6 Provisions

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

4.7 Issue and redemption of units

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

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

NOTES TO THE FINANCIAL STATEMENTS

4.8 Cash and cash equivalents

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

4.9 Revenue recognition

Gain or loss on sale of 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, income from reverse repurchase agreements and income from margin trading system (MTS) are recognised on a time proportion basis using effective interest rate method.

4.10 Taxation

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

4.11 Net Asset Value (NAV) per unit

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

4.12 Distribution to unit holders

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

4.13 Preliminary expenses and floatation costs

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

4.14 Receivable against Margin Trading System (MTS)

Transactions for purchase of marketable securities under Margin Trading System (MTS) are entered into at contracted rates for specified period of time. Securities purchased under the MTS are not recognised in the Statement of Assets and Liabilities. The amount paid under such agreement is recognised as "Receivable against Margin Trading System (MTS)". Profit is recognised on accrual basis using the effective interest rate

NOTES TO THE FINANCIAL STATEMENTS

method. Cash releases are adjusted against the receivable as reduction in the amount of receivable. The maximum maturity of a MTS contract is 60 calendar days and 25% of the exposure is released automatically at the expiry of every 15th calendar day.

4.15 Financial assets and financial liabilities

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

Financial assets carried in the statement of assets and liabilities include bank balances, 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.

4.16 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.

4.17 Offsetting of financial assets and liabilities

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

5. ACCOUNTING ESTIMATES AND JUDGMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in note 4.3 and 4.16 to the financial statements.

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

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

Standard, interpretation or amendment

IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
IAS 16 & 38 – Clarification of Acceptable Method of Depreciation and Amortization	January 01, 2016

Standard, interpretation or amendment

IAS 16 & 41 – Agriculture: Bearer Plants	January 01, 2016
IAS 19 – Employee Contributions	July 01, 2014
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)	January 01, 2014
IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting - Amortization	January 01, 2014
IFRIC 21 – Levies	January 01, 2014

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

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

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

Standard

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

NOTES TO THE FINANCIAL STATEMENTS

	Note	June 30, 2014	June 30, 2013
		----- (Rupees) -----	
7. BANK BALANCES			
Cash at bank - PLS savings accounts	7.1	<u>32,746,342</u>	<u>23,727,674</u>
		<u>32,746,342</u>	<u>23,727,674</u>
<p>7.1 These carry mark-up ranging between 7.00% and 9.25% (June 30, 2013: 6% to 9.25%) per annum and include a balance of Rs.0.052 million (June 30, 2013: Rs.0.42 million) held with Faysal Bank Limited, a related party.</p>			
8. INVESTMENTS			
At fair value through profit or loss - held-for-trading			
Listed equity securities	8.1	105,279,675	45,320,119
Debt securities - sukuk certificate	8.3	-	-
		<u>105,279,675</u>	<u>45,320,119</u>
Designated 'at fair value through profit or loss'			
Listed equity securities	8.4	-	2,469,000
Listed debt securities	8.5	13,137,043	13,137,043
Less: Provision against debt securities	8.5	(13,137,043)	(13,137,043)
		-	-
		<u>-</u>	<u>2,469,000</u>
		<u>105,279,675</u>	<u>47,789,119</u>

NOTES TO THE FINANCIAL STATEMENTS

8.1 Listed equity securities * - held-for-trading

Name of the Investee Company	Note	----- Number of shares -----				Carrying Value as at June 30, 2014 (Rupees)	Market Value as at June 30, 2014 (Rupees)	---- Investment as % of ----		
		As at July 01, 2013	Purchased during the period	Bonus / right shares received during the period	Disposed during the period			As at June 30, 2014	Net assets	Total investments
* Ordinary shares having a face value of Rs.10 each unless stated otherwise.										
Oil and gas										
Byco Petroleum Pakistan Limited	-	-	1,000	-	1,000	-	-	-	-	-
Oil and Gas Development Company Limited	-	-	182,000	-	182,000	-	-	-	-	-
Pakistan Oilfields Limited	-	-	95,000	-	95,000	-	-	-	-	-
Pakistan Petroleum Limited	-	-	145,000	-	145,000	-	-	-	-	-
Pakistan State Oil Company Limited	-	-	179,000	-	169,000	10,000	3,879,300	3,888,500	3.09%	3.69%
Hascol Petroleum Limited	-	-	148,000	-	5,000	143,000	10,074,017	11,317,020	8.99%	10.75%
National Refinery Limited	-	-	60,000	-	60,000	-	-	-	-	-
Mari Petroleum Company Limited	-	-	339,600	-	318,600	21,000	8,108,398	7,842,030	6.23%	7.45%
							22,061,715	23,047,550	18.31%	21.89%
									0.94%	
Electricity										
HUB Power Company Limited	-	-	124,000	-	124,000	-	-	-	-	-
Japan Power Generation Limited	-	-	584,000	-	584,000	-	-	-	-	-
Karachi Electric Supply Company Limited	-	-	3,255,000	-	2,105,000	1,150,000	8,125,035	9,763,500	7.75%	9.27%
Kot Addu Power Company Limited	-	-	75,000	-	75,000	-	-	-	-	-
Pakgen Power Limited	-	-	729,000	-	729,000	-	-	-	-	-
							8,125,035	9,763,500	7.75%	9.27%
									0.40%	
Commercial banks										
Soneri Bank Limited	-	-	25,000	-	25,000	-	-	-	-	-
Habib Bank Limited	-	-	50,000	-	50,000	-	-	-	-	-
MCB Bank Limited	-	-	134,100	-	134,100	-	-	-	-	-
National Bank of Pakistan	-	-	665,000	-	665,000	-	-	-	-	-
The Bank of Punjab	-	-	2,421,000	-	2,421,000	-	-	-	-	-
NIB Bank Limited	-	-	1,000,000	-	600,000	400,000	992,708	892,000	0.71%	0.85%
Meezan Bank Limited	-	-	150,000	-	150,000	-	-	-	-	-
United Bank Limited	-	-	118,000	-	118,000	-	-	-	-	-
							992,708	892,000	0.71%	0.85%
									0.04%	
Chemicals										
Engro Corporation Limited	-	-	125,000	-	125,000	-	-	-	-	-
Descon Oxychem Limited	-	-	1,000,000	-	1,000,000	-	-	-	-	-
ICI Pakistan Limited	-	227,401	14,100	-	241,501	-	-	-	-	-
Lotte Chemical Pakistan Limited	8.1.1	-	1,940,000	-	187,500	1,752,500	14,129,193	12,600,475	10.01%	11.97%
							14,129,193	12,600,475	10.01%	11.97%
									0.51%	

NOTES TO THE FINANCIAL STATEMENTS

Name of the Investee Company	Note	Number of shares				As at June 30, 2014	Carrying Value as at June 30, 2014 (Rupees)	Market Value as at June 30, 2014 (Rupees)	Investment as % of		
		As at July 01, 2013	Purchased during the period	Bonus / right shares received during the period	Disposed during the period				Net assets	Total investments	Investee company paid-up capital
Construction and materials (cement)											
AKZO Nobel Pakistan Limited		30,000	240,500	-	270,500	-	-	-	-	-	
D.G. Khan Cement Company Limited		-	186,000	-	186,000	-	-	-	-	-	
Maple Leaf Cement Factory Limited		-	225,000	-	225,000	-	-	-	-	-	
Fecto Cement Limited		-	463,000	-	463,000	-	-	-	-	-	
Kohat Cement Company Limited		-	285,000	-	285,000	-	-	-	-	-	
Fauji Cement Company Ltd		-	1,000,000	-	1,000,000	-	-	-	-	-	
Attock Cement Limited		-	10,000	-	10,000	-	-	-	-	-	
Lafarge Pakistan Cement Limited	8.1.1	-	1,700,000	-	500,000	1,200,000	13,548,280	19,176,000	15.23%	18.21%	0.78%
Dewan Cement Ltd		-	1,300,000	-	1,300,000	-	-	-	-	-	
Pioneer Cement Limited		-	125,000	-	125,000	-	-	-	-	-	
Cherat Cement Limited		-	55,000	-	55,000	-	-	-	-	-	
Lucky Cement Limited		-	70,500	-	70,500	-	-	-	-	-	
							13,548,280	19,176,000	15.23%	18.21%	0.78%
Food producers											
Engro Foods Limited		-	153,800	-	153,800	-	-	-	-	-	
							-	-	-	-	
Personal goods (textile)											
Kohinoor Mills Limited		-	25,000	-	25,000	-	-	-	-	-	
Nishat Chunian Limited		-	425,000	1,000	426,000	-	-	-	-	-	
Nishat Mills Limited		-	125,000	-	125,000	-	-	-	-	-	
Sapphire Fibres Limited		-	41,500	-	8,700	32,800	9,330,962	9,512,000	7.56%	9.03%	0.39%
Gul Ahmed Textile Mills Ltd		-	45,000	-	45,000	-	-	-	-	-	
Azgard Nine Limited		-	200,000	-	200,000	-	-	-	-	-	
Crescent Textile Mills Ltd		-	25,000	-	25,000	-	-	-	-	-	
Colony Textile Mills		-	50,000	-	50,000	-	-	-	-	-	
Gadoon Textile Mills Ltd.		-	55,100	-	30,100	25,000	6,318,500	6,248,750	4.96%	5.94%	0.25%
Saif Textile Mills Ltd		-	95,000	-	95,000	-	-	-	-	-	
							15,649,462	15,760,750	12.52%	14.97%	0.64%
Engineering											
Millat Tractors Limited		10,800	6,550	-	17,350	-	-	-	-	-	
							-	-	-	-	
Non life insurance											
Adamjee Insurance Company Limited		-	125,000	-	125,000	-	-	-	-	-	
EFU General Insurance Co.		-	4,500	-	4,500	-	-	-	-	-	
							-	-	-	-	
Fixed line telecommunication											
Pakistan Telecommunication Company Limited		-	1,642,500	-	1,642,500	-	-	-	-	-	
Telecard Limited		-	200,000	-	200,000	-	-	-	-	-	
Wateen Telecom Limited		-	25,000	-	25,000	-	-	-	-	-	
							-	-	-	-	
Household goods											
Tariq Glass Industries Ltd.		-	185,000	-	185,000	-	-	-	-	-	

NOTES TO THE FINANCIAL STATEMENTS

Name of the Investee Company	Note	Number of shares				As at June 30, 2014	Carrying Value as at June 30, 2014 (Rupees)	Market Value as at June 30, 2014 (Rupees)	Investment as % of		
		As at July 01, 2013	Purchased during the period	Bonus / right shares received during the period	Disposed during the period				Net assets	Total investments	Investee company paid-up capital
Technology hardware and equipment											
Avanceon Limited	-	1,025,000	12,950	1,037,950	-	-	-	-	-	-	
Financial services											
Jahangir Siddiqui & Company Limited	-	80,000	-	80,000	-	-	-	-	-	-	
Forestry (paper and board)											
Century Paper & Board Mills Ltd.	-	10,000	-	10,000	-	-	-	-	-	-	
Industrial metals and mining											
International Industries Limited	-	125,000	-	125,000	-	-	-	-	-	-	
Gas water and multiutilities											
Sui Northern Gas Pipelines Company Ltd.	-	1,000	-	1,000	-	-	-	-	-	-	
Sui Southern Gas Company Ltd.	-	870,000	-	600,000	270,000	9,656,361	9,898,200	7.86%	9.40%	0.40%	
						9,656,361	9,898,200	7.86%	9.40%	0.40%	
Software and computer services											
TRG Pakistan Limited	-	600,000	-	-	600,000	9,658,895	8,418,000	6.69%	8.00%	0.34%	
Pharma and bio tech											
Abbot Laboratories (Pakistan) Ltd.	-	18,900	-	8,900	10,000	5,910,708	5,723,200	4.55%	5.44%	0.23%	
Engineering											
Ghandhara Industries Ltd.	-	25,000	-	25,000	-	-	-	-	-	-	
Travel and leisure											
Pakistan International Airlines	-	3,462,000	-	3,462,000	-	-	-	-	-	-	
		268,201	28,864,650	13,950	23,532,501	5,614,300	99,732,356	105,279,675	83.63%	100.00%	4.27%

8.1.1 This investment includes securities with fair value aggregating to Rs.23.17 million (June 30, 2013: 200,000 shares of ICI Pakistan Limited having fair value aggregating to Rs.33.28 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.

NOTES TO THE FINANCIAL STATEMENTS

8.2 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	Market value of investment	Provision (held) if any	Value of investment after provision	Investment as at year end as a percentage of	
						Net assets	Total assets
Lotte Chemical	8.2.1	Equity Shares	12,600,475	-	12,600,475	10.01%	8.90%
Lafarge Pakistan Cement Limited	8.2.1	Equity Shares	19,176,000	-	19,176,000	15.23%	13.55%

8.2.1 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 due to reduction of fund size. However, the NBFC Regulations allow three months time period to regularize these exposures.

8.3 Debt securities- At fair value through profit or loss - held-for-trading

Name of the investee company	Number of certificates				Carrying value as at June 30, 2014 (Rupees)	Market value as at June 30, 2014 (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, 2013	Purchased during the period	Disposed off during the period	As at June 30, 2014					
Sukuk Certificates									
WAPDA 3rd Sukuk	-	1,200	1,200	-	-	-	-	-	-
	-	1,200	1,200	-	-	-	-	-	-

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

Name of the investee company	Number of shares					Market value as at June 30, 2014 (Rupees)	Investment as % of		
	As at July 01, 2013	Purchased during the period	Bonus / right shares received during the period	Disposed off during the period	As at June 30, 2014		Net assets	Total investments	Investee company paid-up capital
Technology hardware and equipment									
TPL Trakker Limited	300,000	-	-	-	300,000	-	-	-	-
	300,000	-	-	-	300,000	-	-	-	-

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

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, 2014 (Rupees)	Market value as at June 30, 2014 (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, 2013	Purchased during the period	Redeemed during the period	Disposed off during the period	As at June 30, 2014					
Term Finance Certificates (TFCs)										
Financial services										
Trust Investment Bank Limited	7,000	-	-	-	7,000	13,137,043	-	-	-	-
Less: Provision						(13,137,043)				
	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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	7,000	1,874	6 months KIBOR +1.85%	July 2013	Secured	Withdrawn
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8.5.1.1 Due to financial difficulties, Trust Investment Bank Limited (the Issuer) was unable to make payment of principal amounting to Rs.8.746 million due on July 04, 2012, January 04, 2013 and July 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 suspended the accrual of mark-up accordingly.

8.6 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 (Rupees)	Provision held (if any)	Value of investment after provision	--- Investment as % of ---	
						Net assets	Gross assets
Trust Investment Bank Limited	8.6.1	TFCs	13,137,043	(13,137,043)	-	-	-
			<u>13,137,043</u>	<u>(13,137,043)</u>	<u>-</u>	<u>-</u>	<u>-</u>

8.6.1 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.

NOTES TO THE FINANCIAL STATEMENTS

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES - considered good

Prepayments		170,221	103,976
Security Deposit with National Clearing Company of Pakistan Limited		2,750,000	2,500,000
Return receivable on bank balances	9.1	184,669	82,399
Receivable against sale of units		250,000	9,998,134
Dividend receivable		169,000	-
		<u>3,523,890</u>	<u>12,684,509</u>

9.1 This includes return receivable amounting Rs.1,004 (June 30, 2013: Rs.3,497) on balance held with Faysal Bank Limited (a related party).

10. PAYABLE TO THE MANAGEMENT COMPANY

Management fee payable	10.1	181,251	529,533
Sales tax payable on management fee		28,820	92,350
		<u>210,071</u>	<u>621,883</u>

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, 2013: 2%) per annum of the daily net asset value of the Fund.

11. REMUNERATION PAYABLE TO THE TRUSTEE

		<u>57,536</u>	<u>58,310</u>
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The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net asset value of the Fund.

12. ACCRUED AND OTHER LIABILITIES

SECP annual fee payable	12.1	115,894	409,126
Brokerage payable		155,510	2,464,652
Accrued liabilities		1,790,064	2,086,445
Zakat payable		9,753	9,753
Payable against sale of units		-	276,648
Dividend payable	12.2	2,144,625	-
Provision for Workers' Welfare Fund	12.3	2,639,934	2,249,330
Provision for indirect taxes and duties	12.4	263,703	47,650
		<u>7,119,483</u>	<u>7,543,604</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, 2013: 0.095%) per annum of the daily net asset value of the Fund.

12.2 This includes dividend payable amounting to Rs.2,049,225 (June 30, 2013: Rs.Nil) to Faysal Bank Limited (a related party).

NOTES TO THE FINANCIAL STATEMENTS

- 12.3** The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it is alleged that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

In August 2011, the Honorable Lahore High Court (LHC), in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013, a larger bench of the Honorable High Court of Sindh (SHC) has passed an order declaring that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 respectively do not suffer from any constitutional or legal infirmity. However, as mentioned above, the constitutional petition challenging the applicability of WWF on mutual funds is still pending adjudication and not yet decided. The Management Company has considered the implications of the above judgment of SHC and is of the view that the matter will eventually be settled in its favor and WWF will not be levied on the Fund.

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

As the matter relating to the levy of WWF is currently pending in the SHC, the Management Company, as a matter of prudence, has decided to retain and continue with the provision for WWF amounting to Rs.2.639 million (June 30, 2013: Rs.2.249 million) in these financial statements. Had the provision not been made, the net asset value per unit of the Fund would have been higher by Rs.1.45 (2.10%) per unit (June 30, 2013: Rs.1.68 (2.12%) per unit).

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

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

13. AUDITORS' REMUNERATION

Audit fee	288,750	275,000
Review and other certifications	199,500	190,000
Other	29,926	-
	518,176	465,000
Sales tax	24,400	-
	542,576	465,000

NOTES TO THE FINANCIAL STATEMENTS

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

14. TAXATION

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

15. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

15.1 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.

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

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

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
Transactions during the year		
Faysal Asset Management Limited (Management Company)		
Remuneration for the Management Company	2,442,821	8,613,175
Sales tax on management fee	390,851	1,385,734
Issue of 314,902 units (2013: 483,246 units)	22,000,000	34,997,141
Bonus issue of 189,286 units (2013: Nil units)	12,903,080	-
FED paid during the period	158,919	-
Redemption of Nil units (2013: 1,167,991 units)	-	90,000,000
Faysal Bank Limited (Group / Associated Company)		
Profit on PLS savings accounts	50,070	355,034
Issue of 73,627 units (2013: 4,405,746 units)	5,000,000	300,000,000
Cash dividend paid	4,013,552	-
Bank charges	3,353	7,037
Purchase of equity investments	-	299,921,665
Redemption of Nil units(2013: 4,251,680 units)	-	320,599,793
Faysal Asset Management Limited - Staff Provident Fund		
Issue of Nil units (2013: 11,437 units)	-	800,000
Redemption of Nil units (2013: 11,437 units)	-	855,468

NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
Faysal Asset Management Limited - Staff Gratuity Fund		
Issue of Nil units (2013: 5,004 units)	-	350,000
Redemption of Nil units (2013: 5,004 units)		374,267
Central Depository Company of Pakistan Limited (Trustee of the Fund)		
Remuneration of the Trustee	699,993	897,871
Settlement charges	100,898	98,959
Directors and Key Management personnel (Management Company)		
Issue of 18,492 units (2013: Nil units)	1,300,000	-
Unit holders holding 10% or more units		
Government of NWFP GPI Fund		
Bonus issue of 92,619 units (2013: Nil units)	6,164,707	-
Redemption of 576,125 units (2013: Nil units)	70,936,043	-
Packages Limited - Staff Pension Fund		
Bonus issue of 37,096 units (2013: Nil units)	2,574,438	-
Issue of 286,049 units (2013: Nil units)	22,000,000	-
Outstanding balances		
Faysal Asset Management Limited - (Management Company)		
Remuneration payable to the Management Company	181,251	529,533
Sales tax on management fee payable	28,820	92,350
Units in issue 933,129 units (June 30, 2013: 428,933 units)	64,329,897	34,019,715
Faysal Bank Limited - (Group / Associated Company)		
Balance in PLS savings account	52,811	421,609
Units in issue 257,219 units (June 30, 2013: 154,065 units)	17,732,710	12,219,268
Profit receivable on PLS savings account	1,004	3,497
Dividend payable	2,049,225	-
Central Depository Company of Pakistan Limited - (Trustee of the Fund)		
Remuneration payable to the Trustee	57,536	58,310
Faysal Money Market Fund (Common Management)		
Receivable against conversion of Nil units (June 30, 2013: 97,829 units)	-	9,998,134
Payable against conversion of Nil units (June 30, 2013: 2,710 units)	-	276,648

NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
Directors and Key Management personnel (Management Company)		
Units in issue 4,352 units (June 30, 2013: Nil units)	300,000	-
Unit holders holding 10% or more units in issue		
Government of NWFP GPI Fund		
Units in issue Nil units (June 30, 2013: 483,507 units)	-	38,348,111
Packages Limited - Staff Pension Fund		
Units in issue 323,144 units (June 30, 2013: Nil units)	22,277,566	-

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

16.1 Market risk

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

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of 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, 2014 approximately 23.13% (June 30, 2013: 21.46%) 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.0.327 million (June 30, 2013: Rs.0.228 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.

NOTES TO THE FINANCIAL STATEMENTS

(ii) Foreign currency risk

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

(iii) Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The equity price risk exposure arises from the Fund's investment in equity securities. Management of the Fund estimates that a 5% increase or decrease in the overall equity prices in the market with all other factors remaining constant would result in increase or decrease of Fund's net assets by Rs.5.264 million (June 30, 2013: Rs.2.389 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 8.1 and 8.4 to these financial statements.

16.2 Liquidity risk

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

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

June 30, 2014	Upto one month	More than one month and upto three months	More than three months and upto one year	More than one year	Total
----- (Rupees) -----					
Financial liabilities					
Payable to the Management Company	210,071	-	-	-	210,071
Remuneration payable to the Trustee	57,536	-	-	-	57,536
Accrued and other liabilities	4,090,199	-	-	-	4,090,199
	<u>4,357,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,357,806</u>

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013	Upto one month	More than one month and upto three months	More than three months and upto one year	More than one year	Total
----- (Rupees) -----					
Financial liabilities					
Payable to the Management Company	621,883	-	-	-	621,883
Remuneration payable to the Trustee	58,310	-	-	-	58,310
Accrued and other liabilities	4,827,745	-	-	-	4,827,745
	<u>5,507,938</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,507,938</u>

16.3 Credit risk

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

	June 30, 2014	June 30, 2013
----- (Rupees) -----		
Bank balances and term deposit receipts	32,746,342	23,727,674
Return receivable on bank balances and term deposits receipts	184,669	82,399
Dividend receivable	169,000	-
Security deposit	2,750,000	2,500,000
Receivable against sale of investments	-	30,345,794
Receivable against sale of units	250,000	9,998,134
	<u>36,100,011</u>	<u>66,654,001</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:

Rating category	June 30, 2014	June 30, 2013
----- % -----		
AA, AA-, AA+	91.22	35.72
Unrated	8.78	64.28
	<u>100.00</u>	<u>100.00</u>

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

NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2014	June 30, 2013
	% of assets exposed to	
Commercial banks	91.22	35.72
Others	8.78	64.28
	100.00	100.00

16.4 Unit Holders' Fund

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

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

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

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

16.5 Fair value hierarchy

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

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

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

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

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

	June 30, 2014			Total
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Investments classified as 'at fair value through profit or loss'				
Listed equity securities - held-for-trading	105,279,675	-	-	105,279,675
	105,279,675	-	-	105,279,675

NOTES TO THE FINANCIAL STATEMENTS

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

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

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

18. 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.

19. GENERAL

Figures are rounded off to the nearest rupee.

20. DATE OF AUTHORISATION FOR ISSUE

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

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

Chief Executive Officer

Director

Director

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

Annexure I

(i) PATTERN OF UNIT HOLDING

Category	No. of investors	Units held	%
Associated company	2	1,160,820	63.56
Insurance company	-	-	-
Retirement Funds	5	403,080	22.07
Individuals	83	262,218	14.36
Banks and DFIs	-	-	-
NBFCs	-	-	-
Other	1	102	0.01
	<u>91</u>	<u>1,826,220</u>	<u>100.00</u>

(ii) TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

Name	June 30, 2014 %
Fortune Securities (Private) Limited	13.66%
Arif Habib Securities Limited	13.14%
Next Capital Limited	11.93%
MS Maniar Financials (Private) Limited	11.74%
Sherman Securities Limited	11.26%
BMA Capital Limited	7.76%
We Financial Service (Private) Limited	6.12%
Adam Securities (Private) Limited	5.69%
JS Global Capital Limited	4.67%
IGI Finex Securities Limited	4.16%

Name	June 30, 2013 %
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%

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

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

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

(iv) PARTICULARS OF FUND MANAGERS

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

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

(v) PERFORMANCE TABLE

Net assets	125,900,748	106,323,299	297,083,463
Net asset value per unit	68.94	79.31	65.95
Offer price	68.94	79.31	67.93
Repurchase price per unit	68.94	79.31	65.95
Highest offer price per unit	80.23	80.80	73.56
Highest repurchase price per unit	80.23	80.80	71.41
Lowest offer price	63.24	64.93	64.63
Lowest repurchase price per unit	63.24	64.93	62.74
Total return:	17.01%	20.26%	-0.02%
- capital growth	8.01%	0.93%	-0.02%
- income distribution	9.00%	19.33%	-
Average annual return: (Launch date: July 24, 2006)			
- one year	17.01%	20.26%	-0.02%
- two years	18.64%	10.12%	10.28%
- three years	12.42%	13.61%	17.09%
Distribution per unit:			
- Interim distribution (Rs. per unit)	-	-	-
- Final distribution (Rs. per unit)	9.00%	12.75%	-
	<u>9.00%</u>	<u>12.75%</u>	<u>-</u>

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

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(vi) MEETINGS OF THE BOARD OF DIRECTORS

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

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

* Resigned effective from September 24, 2013.

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

*** Resigned effective from April 02, 2014.

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

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

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

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

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

(viii) MEETINGS OF THE BOARD HR COMMITTEE

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

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

(ix) RATING OF THE FUND AND THE MANAGEMENT COMPANY

The JCR-VIS Credit Rating Company Limited (JCR-VIS) has assigned a "MFR 2-Star" fund ranking to Faysal Asset Allocation Fund as of June 30, 2014 and has awarded an "AM3+" asset manager rating to the Management Company as of December 27, 2013.

Faysal Asset Management

Asset Allocation Fund

Financial Statements for the year ended June 30, 2014

