

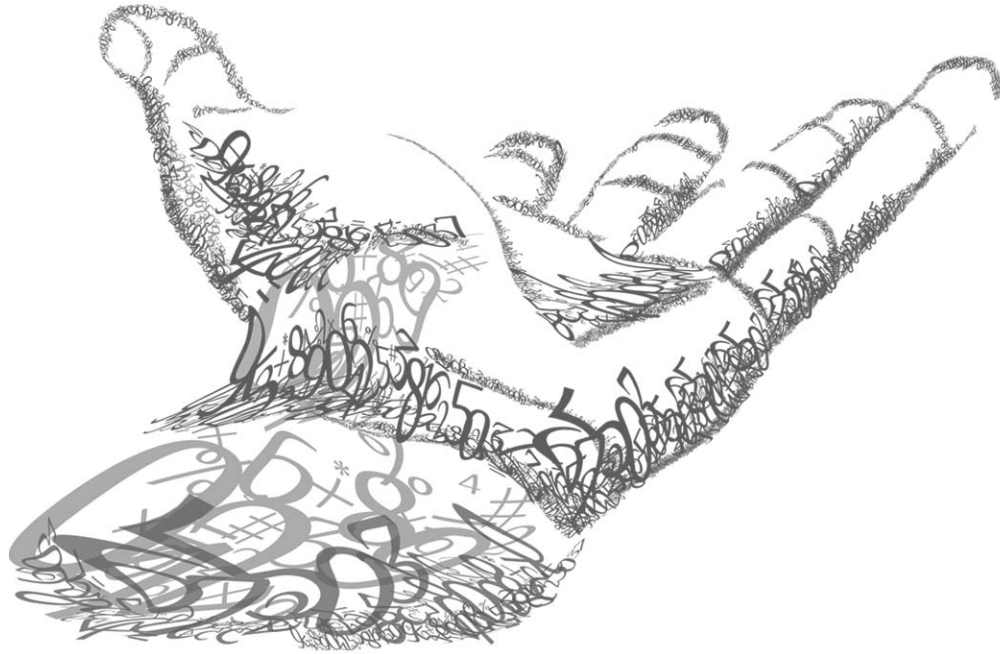


FAYSAL
BALANCED
GROWTH FUND

Accounts for the Year Ended
June 30, 2010



FAYSAL
BALANCED
GROWTH FUND



collective wisdom



faysal funds



FAYSAL BALANCED GROWTH FUND

Faysal Balanced Growth Fund

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

collective wisdom



faysal funds



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Management Company

Faysal Asset Management Limited

Board of Directors of the Management Company

Mr. Mohammad Abdul Aleem, Chairman
Mr. Salman Haider Sheikh, Chief Executive Officer
Mr. Feroz Rizvi, Director
Syed Majid Ali Esq., Director
Mr. Zafar Ahmed Siddiqui, Director
Mr. Salman Ahmed Usmani, Director

CFO of the Management Company

Mr. Shahid Usman Ojha

Company Secretary of the Management Company

Mr. Raza Mohsin Qizilbash

Audit Committee

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

Trustee

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

Bankers to the fund

Altas Bank Limited
Bank Alfalah Limited
Faysal bank Limited
MCB Bank Limited
The Bank of Punjab
NIB Bank Limited

Auditors

Ford Rhodes Sidat Hyder & Co., Chartered Accountants

Legal Advisor

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

Registrar

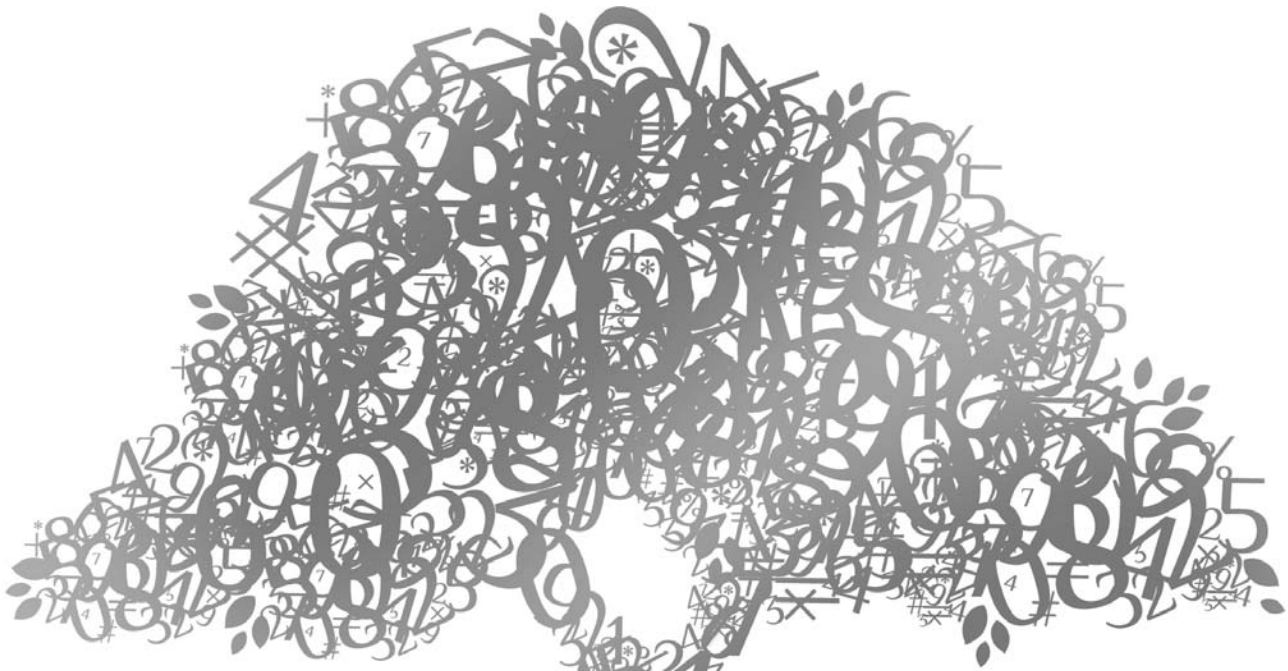
Gangjees Registrar Service (Pvt) Limited
Room # 506, 5th Floor, Clifton Centre,
Kehkashan Clifton-Karachi.

Distributors

Access Financial Service (Pvt) Ltd.
Altas Capital Markets (Pvt) Limited
Alfalah Securities (Pvt) Limited
AKD securities (Pvt) Limited
Faysal Asset Management Limited
Faysal Bank Limited
Picic Commercial Bank Limited
Flow (Pvt) Limited
IGI Investment Bank Limited
JS Global Capital Limited
Pak Oman Investment Bank Limited
Reliance Financial Products (Pvt) Limited
Invest Capital & Securities (Pvt) Ltd.



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



The Directors of the Faysal Asset Management Limited, the Management Company of Faysal Balanced Growth Fund (FBGF), are pleased to present the 7th Annual Report on the operations of FBGF along with the audited financial statements, Reports of the Trustee and Auditors to the Unit Holders for the financial year ended June 30, 2010.

SALE AND REDEMPTION OF UNITS

During the year, units worth Rupees 94.413 million were issued and units with a value of Rupees 370.440 million were redeemed. The larger redemption in units was due to the deteriorating investor sentiment after the self-imposed floor on the stock market that lasted a few months.

UNIT HOLDERS

As of June 30, 2010, 5,569,018 units with a value of Rs. 516 million were outstanding (June 30, 2009: 8,421,216 units with a value of Rs. 640 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, 2010 were as below:

	Offer Price	Redemption Price
Highest	104.22	101.92
Lowest	80.31	78.54
As of June 30, 2010	94.80	92.71

EQUITY MARKETS REVIEW

The KSE-100 Index gained 35.74% (at 9,721) to close out FY' 2010 as the country recovered from severe political and economic turmoil. The index gave a stellar performance during the first half of the year as it gave a return of 31.06% starting from 7,162.18 and closing at 9,386.92. Rebound in international equity markets, increase in risk appetite, stable currency, improving law and order situation and strong reserves were some of the reasons for this performance. However, second half saw the index give a modest return due to failure to enter MSCI emerging market index, resurgence of inflationary concerns and poor law and order situation. Amidst a sharp commodity meltdown, entry into the IMF regime, easing monetary environment and a marked improvement in risk perception; the local bourses witnessed a surprising return of foreign investors. Factors that have encouraged foreign investment include; significant lowering of country risk perception as reflected in the fall in Eurodollar bond spread, increased foreign flows in frontier markets in general, discount of the local equity market with respect to other frontier markets and stability in currency. Although local investors remained net sellers due to liquidity issues, inflationary concerns, government - judiciary tussle on NRO (National Reconciliation Ordinance) and uncertainty regarding modalities related to CGT (Capital Gains Tax) foreign buying remained strong. According to data provided by NCCPL (National Clearing Company of Pakistan Limited) foreigners bought shares worth PKR 114.63 Bn and sold shares worth PKR 67.21 Bn thus resulting in net buying of PKR 47.42 Bn (USD 555.95 Mn) during the out going year. Volumes and turnover also increased during this year as compared to the previous year. Some IPOs (Initial Public Offerings) were also witnessed during the year highlighting returning confidence of the local investors in the local bourses. We believe that at current levels the market is undervalued based on P/E multiples and dividend yields relative to its peers. Introduction of a market leverage product, break through in negotiations with the IMF and strong corporate results can revive the sentiments and bring local investors back.



PERFORMANCE REVIEW

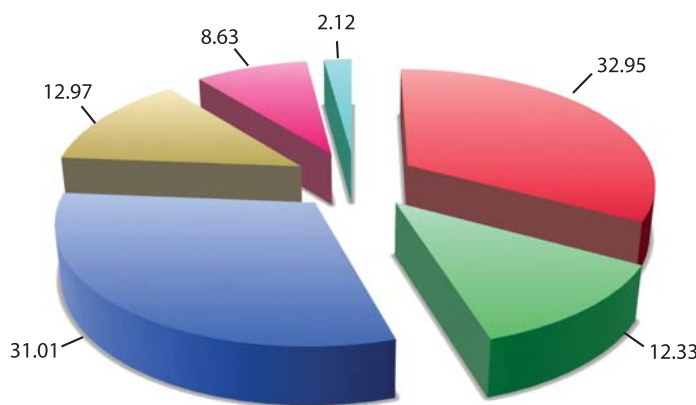
FBGF closed this year as the best performing balanced fund as the fund was awarded 5 star rating by JCR - VIS which is the highest rating possible. This stellar performance shows the management's proactive and prudent approach towards safe guarding our investors' interest. The proactive fund management approach enabled us in optimizing return/yield for the investors. The risk adjusted return/yield of the fund also highlights the stability as well as the degree of credit quality of the fund's portfolio. FBGF started this year at a NAV/unit of PKR 76 and closed the year at a NAV/unit of PKR 92.71, up 21.99% on YTD (Year to Date) basis. In comparison FBGF's benchmark gave a return of 24.38%. FBGF's peers averaged a return of 14.86%, thus FBGF massively outperformed its peer group by 713 bps (basis points). FBGF also announced a full year profit payout of 27% for its shareholders during the year as well which was the highest in the industry. On the asset allocation side average exposure in equities was maintained at 51% while 49% was maintained in fixed income. FBGF closed the year with a since inception return of 56.12%.

Reference to the amendments in Worker's Workers welfare fund as disclosed in Note 14 of financial statements, the management of FAML decided not to provide WWF liability upto the materiality level and upon breach of materiality level it will record the liability in fund's books. Therefore, the management, has made a provision for WWF in the financial statements for the periods upto June 30, 2010 amounting to Rs.3,230,314 Further, in order to compensate the unit holders of the Fund, subject to payment of WWF, the Board of Directors of the Management Company in their meeting held on October 02, 2010, has decided to reduce their management fee by the amount of the provision for WWF.

ASSET ALLOCATION

As of June 30, 2010, the fund was invested 31.01% in equities compared to 65.79% at the end of last year. The fund was invested 33.93% in fixed income with the remaining 35.06% in cash deposits.

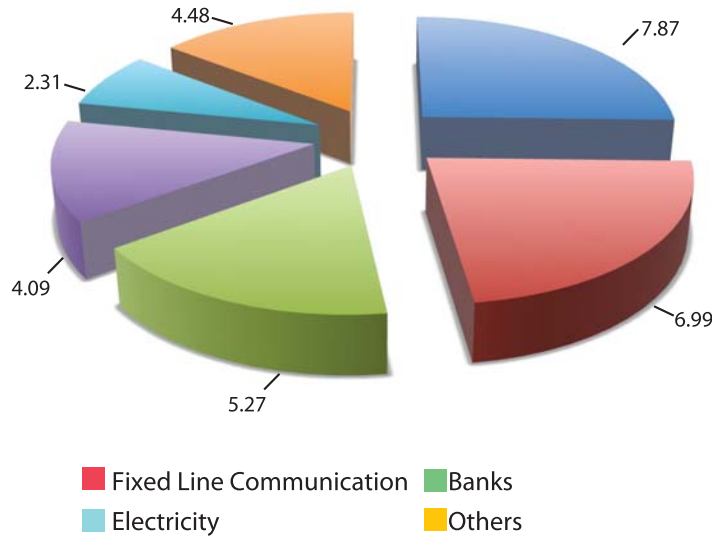
Asset Allocation as on June 30th, 2010



- Cash & Cash Equivalent
- TFC's
- Stocks/Equities
- Preference Shares
- T-Bills
- Others



Sector-wise allocation as on June 30th, 2010



INCOME DISTRIBUTION

The Board of directors has approved fund final distribution at the rate of 27% (i.e Rs. 27 per unit of par value of Rs.100 each).

MUTUAL FUND RATING

JCR-VIS has assigned fund performance rating of "MFR 5- Star", "Very Good Performance" to FBGF. MFR 5-Star denotes performance in the top 10TH percentile vis-à-vis the peer group.

MEETINGS OF THE DIRECTORS

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

CORPORATE GOVERNANCE

1. A prescribed statement by the management along with the auditors' report thereon for the year ended June 30, 2010 forms part of this annual report.
2. Statements under clause xix of the Code:
 - i. The financial Statements, prepared by the Management presents fairly the state of affairs of the Fund and result of its operations, cash flows and movement in unit holder's fund.
 - ii. Proper books of accounts of the Fund have been maintained.
 - iii. Appropriate accounting policies have been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
 - iv. International Accounting Standards have been followed in the preparation of financial statements without any material departure.





- v. The system of internal control is sound in design and has been effectively implemented and monitored.
- vi. There is no significant doubt upon Fund's ability to continue as going concern.
- vii. There has been no material departure from the Best Practices of the Code of Corporate Governance, as detailed in the Listing Regulations.
- viii. Outstanding statutory payments on account of taxes, if any, have fully disclosed in the accounts.
- ix. The details of Board Meetings held and attended by the directors form part of this Annual Report.
- x. The prescribed pattern of shareholding is given as part of this Annual Report.

There were no sale and repurchase of units of the Fund carried out by the Directors, CEO, CFO, Company Secretary of the Management Company including their spouse and minor children.

PATTERN OF HOLDING

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

AUDITORS

The present auditors Messers Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retire and, being eligible, offer themselves for re-appointment. The Board endorses the recommendation of the Audit Committee for re-appointment of Messers Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as the auditors for the financial year 2011.

ACKNOWLEDGEMENT

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

For and on behalf of the Board

Salman Haider Sheikh
Chief Executive Officer

Date : October 02, 2010
Karachi



Investment Objective

FBGF endeavors to provide investors with an opportunity to earn income and long-term capital appreciation by investing in a large pool of funds representing equity / non equity investments in a broad range of sectors and financial instruments.

Fund Information	
Fund Type	Open Ended
Category	Balanced Scheme
Launch Date	19-Apr-04
Custodian/Trustee	Central Depository Company of Pakistan
Auditor	Ernst & Young Ford Rhodes Sidat Hyder
Benchmark	KSE100 Index / 6M KIBOR
Pricing Mechanism	Forward
AMC Rating	AM2- (JCRVIS)
Registrar	Gangjees Registrar Services (Pvt.) Ltd.

Risk-quant	Alpha	-0.013%
	Beta	0.9686
	Sharpe	0.7987
	Std Dev	0.780%
	VAR	1.283%
	R-squared	0.5274
	Treynor	0.1018
	Kurtosis	6.8800

Fund Returns (%pa)	FY10 Return	21.99%
	Since Inception	56.12%
	Benchmark YTD Return	24.38%
	Average Market YTD Return	14.86%

Equity Market Review

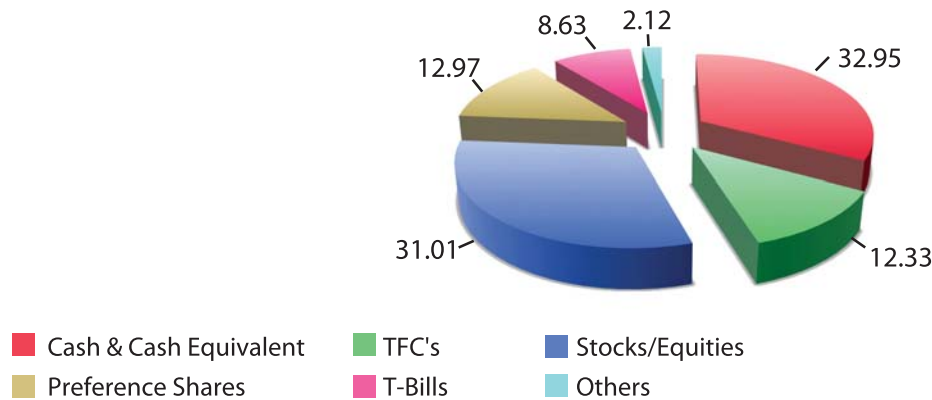
The KSE-100 Index gained 35.74% (at 9,721) to close out FY' 2010 as the country recovered from severe political and economic turmoil. The index gave a stellar performance during the first half of the year as it gave a return of 31.06% starting from 7,162.18 and closing at 9,386.92. Rebound in international equity markets, increase in risk appetite, stable currency, improving law and order situation and strong reserves were some of the reasons for this performance. However, second half saw the index give a modest return due to failure to enter MSCI emerging market index, resurgence of inflationary concerns and poor law and order situation. Amidst a sharp commodity meltdown, entry into the IMF regime, easing monetary environment and a marked improvement in risk perception; the local bourses witnessed a surprising return of foreign investors. Factors that have encouraged foreign investment include; significant lowering of country risk perception as reflected in the fall in Eurodollar bond spread, increased foreign flows in frontier markets in general, discount of the local equity market with respect to other frontier markets and stability in currency. Although local investors remained net sellers due to liquidity issues, inflationary concerns, government - judiciary tussle on NRO (National Reconciliation Ordinance) and uncertainty regarding modalities related to CGT (Capital Gains Tax) foreign buying remained strong. According to data provided by NCCPL (National Clearing Company of Pakistan Limited) foreigners bought shares worth PKR 114.63 Bn and sold shares worth PKR 67.21 Bn thus resulting in net buying of PKR 47.42 Bn (USD 555.95 Mn) during the out going year. Volumes and turnover also increased during this year as compared to the previous year. Some IPOs (Initial Public Offerings) were also witnessed during the year highlighting returning confidence of the local investors in the local bourses. We believe that at current levels the market is undervalued based on P/E multiples and dividend yields relative to its peers. Introduction of a market leverage product, break through in negotiations with the IMF and strong corporate results can revive the sentiments and bring local investors back.



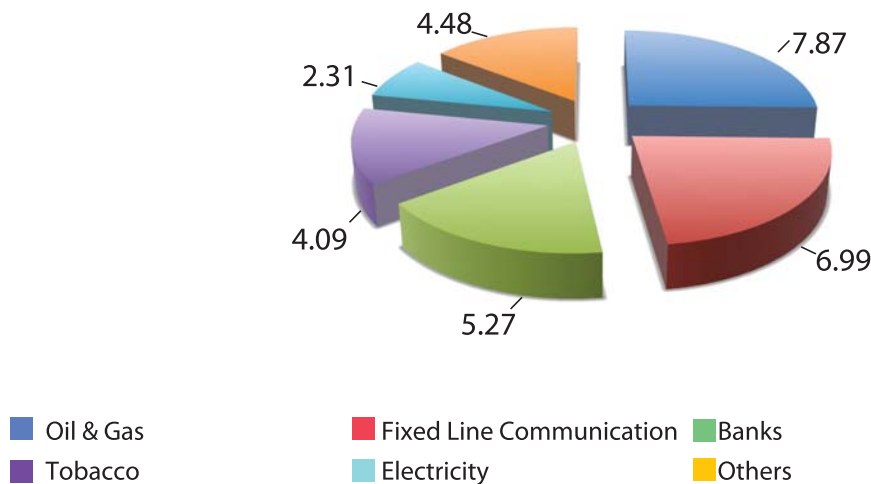
Performance Review

FBGF closed this year as the best performing balanced fund as the fund was awarded 5 star rating by JCR - VIS which is the highest rating possible. This stellar performance shows the management's proactive and prudent approach towards safe guarding our investors' interest. The proactive fund management approach enabled us in optimizing return/yield for the investors. The risk adjusted return/yield of the fund also highlights the stability as well as the degree of credit quality of the fund's portfolio. FBGF started this year at a NAV/unit of PKR 76 and closed the year at a NAV/unit of PKR 92.71, up 21.99% on YTD (Year to Date) basis. In comparison FBGF's benchmark gave a return of 24.38%. FBGF's peers averaged a return of 14.86%, thus FBGF massively outperformed its peer group by 713 bps (basis points). FBGF also announced a full year profit payout of 27% for its shareholders during the year as well which was the highest in the industry. On the asset allocation side average exposure in equities was maintained at 51% while 49% was maintained in fixed income. FBGF closed the year with a since inception return of 56.12%.

Asset Allocation (% of Total Assets)



Sector Allocation (% of Total Assets)



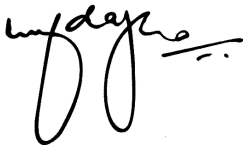
Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

The Faysal Balanced Growth Fund (the Fund), an open-end fund was established under a trust deed dated January 29, 2004, executed between Faysal Asset Management Limited, as the Management Company and Muslim Commercial Financial Services (Private) Limited (MCFSL), as the Trustee.

As per amendatory trust deed of change of trustee dated June 22, 2005, MCFSL retired as the Trustee and Central Depository Company of Pakistan Limited was appointed as the Trustee of the Fund.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2010 in accordance with the provisions of the following:

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



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

Karachi: October 28, 2010



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

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

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

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

11. The directors' report for this period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO of the Management Company before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the units of the Fund other than that disclosed in the pattern of the share holdings (units).
14. The Fund has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises of three members, all of whom are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Management Company has outsourced its internal audit function to M. Yousuf Adil Saleem & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund and they (or their representatives) are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.




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 Balanced Growth Fund (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited where the Fund is listed.

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

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

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange(Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 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 2010.



Chartered Accountants

Date: October 02, 2010
Karachi

We have audited the accompanying financial statements of Faysal Balanced Growth Fund (the Fund), which comprise the statement of assets and liabilities as at 30 June 2010, 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 the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

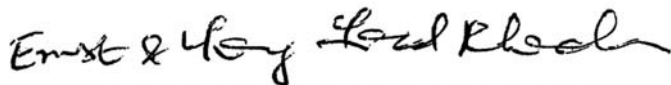
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 2010 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, the NBFC Rules and the NBFC Regulations.



Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: October 02, 2010
Karachi



AS AT JUNE 30, 2010

	Note	June 30, 2010 ----- (Rupees) -----	June 30, 2009 -----
Assets			
Bank balances	8	172,013,850	67,451,680
Dividend, deposits and other receivables	9	11,049,544	17,924,170
Investments	10	339,029,602	556,980,882
Receivable from management company	11	3,230,314	-
Total assets		<u>525,323,310</u>	<u>642,356,732</u>
Liabilities			
Payable to the Management Company	12	855,726	671,709
Remuneration payable to the Trustee	13	85,573	105,088
Accrued and other liabilities	14	8,082,811	1,576,565
Total liabilities		<u>9,024,110</u>	<u>2,353,362</u>
Net assets		<u>516,299,200</u>	<u>640,003,370</u>
Unit holders' fund			
		<u>516,299,200</u>	<u>640,003,370</u>
		----- Number of units -----	
Number of units in issue		<u>5,569,018</u>	<u>8,421,216</u>
		----- (Rupees) -----	
Net asset value per unit		<u>92.71</u>	<u>76.00</u>
Contingencies and commitments	15		

The annexed notes from 1 to 25 form an integral part of these financial statements.

For Faysal Asset Management Limited
(Management Company)



Salman Haider Sheikh
Chief Executive Officer



Feroz Rizvi
Director



Syed Majid Ali
Director



FOR THE YEAR ENDED JUNE 30, 2010

	Note	June 30, 2010	June 30, 2009
		----- (Rupees) -----	
Income			
Profit earned on clean placements, debt and Government securities		11,620,050	17,786,968
Dividend income		26,048,289	23,611,669
Return on bank balances		19,309,536	22,592,293
Other income		66,620	191,890
Net gain / (loss) on investments at fair value through profit or loss			
- Net capital gain / (loss) on sale of investments		120,400,894	(173,812,914)
- Unrealised loss on revaluation of investments	10.5	(4,340,489)	(96,710,632)
		116,060,405	(270,523,546)
Element of income and capital gains included in prices of units sold less those in units redeemed		9,192,387	26,680,146
Total income / (loss)		182,297,287	(179,660,580)
Expenses			
Remuneration of the Management Company - net	12.1	9,922,609	16,220,317
Remuneration of the Trustee	13	1,315,292	1,349,485
Brokerage charges		3,836,743	2,639,533
Bank charges		34,964	35,257
Auditors' remuneration	16	466,181	514,831
SECP annual fee		557,311	620,238
Legal and professional charges		60,000	60,000
Annual rating fee		115,000	100,000
Annual listing fee		40,000	35,000
Settlement charges, federal excise duty and capital value tax		954,865	370,251
Printing and other expenses		248,331	473,914
Provision for Workers' Welfare Fund		3,230,314	-
Total expenses		20,781,610	22,418,826
Net income / (loss) for the year before taxation		161,515,677	(202,079,406)
Taxation	17	-	-
Net income / (loss) for the year after taxation		161,515,677	(202,079,406)
Other comprehensive income for the year		-	-
Total comprehensive income / (loss) for the year		161,515,677	(202,079,406)
Earnings / (loss) per unit	18	29.00	(24.00)

The annexed notes from 1 to 25 form an integral part of these financial statements.

For Faysal Asset Management Limited
(Management Company)



Salman Haider Sheikh
Chief Executive Officer



Feroz Rizvi
Director



Syed Majid Ali
Director



FOR THE YEAR ENDED JUNE 30, 2010

	June 30, 2010	June 30, 2009
	----- (Rupees) -----	
Undistributed (loss) / income brought forward [includes unrealised loss on investments of Rs.216,433,521 (2009: unrealised loss of Rs.119,722,889)]	(202,118,272)	17,989,629
Final bonus distribution for the year ended June 30, 2009 @ Nil per unit, (2008: Rs.1.8 per unit declared for distribution on July 05, 2008)	-	(13,211,240)
Final cash dividend for the year ended June 30, 2009 @ Rs.Nil per unit, (2008: Rs.1.8 per unit declared for distribution on July 05, 2008)	-	(4,817,255)
Net income / (loss) for the year after taxation	161,515,677	(202,079,406)
Undistributed loss carried forward [includes unrealised loss on investments of Rs. 220,774,010 (2009: unrealised loss of Rs.216,433,521)]	<u>(40,602,595)</u>	<u>(202,118,272)</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.

For Faysal Asset Management Limited
(Management Company)



Salman Haider Sheikh
Chief Executive Officer



Feroz Rizvi
Director



Syed Majid Ali
Director



FOR THE YEAR ENDED JUNE 30, 2010

	June 30, 2010	June 30, 2009
Note	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the year before taxation	161,515,677	(202,079,406)
Adjustments for non-cash and other items:		
Net capital (gain) / loss on sale of investments at fair value through profit or loss	(120,400,894)	173,812,914
Dividend income	(26,048,289)	(23,611,669)
Profit earned on clean placements, debt and Government securities	(11,620,050)	(17,786,968)
Return on bank balances	(19,309,536)	(22,592,293)
Element of income and capital gains included in prices of units sold less those in units redeemed	(9,192,387)	(26,680,146)
Unrealised loss on revaluation of investments at fair value through profit or loss - net	<u>4,340,489</u>	<u>96,710,632</u>
	(20,714,990)	(22,226,936)
Decrease / (Increase) in assets		
Dividend, deposits and other receivables	8,498,327	(7,486,907)
Receivable from management company	(3,230,314)	-
Increase / (decrease) in liabilities		
Payable to the Management Company	184,017	(1,604,174)
Remuneration payable to the Trustee	(19,515)	(59,308)
Accrued and other liabilities	6,506,246	(140,052)
	<u>6,670,748</u>	<u>(1,803,534)</u>
	(8,776,229)	(31,517,377)
Proceeds from sale / redemption of investments	2,440,915,077	1,159,158,601
Payment against purchase of investments	(2,106,903,392)	(1,138,769,561)
Dividend received	25,594,285	24,964,162
Profit received on clean placements, debt and Government securities	11,933,586	18,663,340
Return received on bank balances	17,826,303	23,985,422
Net cash from operating activities	380,589,630	56,484,587
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received against issue of units	94,413,063	69,728,001
Payments made against redemption of units	(370,440,523)	(215,720,438)
Dividend paid	-	(4,817,255)
Net cash used in financing activities	(276,027,460)	(150,809,692)
Net increase / (decrease) in cash and cash equivalents during the year	104,562,170	(94,325,105)
Cash and cash equivalents at the beginning of the year	67,451,680	161,776,785
Cash and cash equivalents at the end of the year	8 172,013,850	67,451,680

The annexed notes from 1 to 25 form an integral part of these financial statements.

For Faysal Asset Management Limited
(Management Company)



Salman Haider Sheikh
Chief Executive Officer



Feroz Rizvi
Director



Syed Majid Ali
Director



FOR THE YEAR ENDED JUNE 30, 2010

	June 30, 2010	June 30, 2009
	----- (Rupees) -----	
Net assets value per unit at the beginning of the year	<u>76.00</u>	<u>101.80</u>
Net assets value per unit at the end of the year	<u>92.71</u>	<u>76.00</u>
Net Assets at the beginning of the year	640,003,370	1,019,572,614
Amount received on issue of units *	94,413,063	69,728,001
Amount paid on redemption of units **	(370,440,523)	(215,720,438)
Element of income and capital gains included in prices of units sold less those in units redeemed	(276,027,460)	(145,992,437)
	(9,192,387)	(26,680,146)
Final cash dividend for the year ended June 30, 2009 @ Rs.Nil per unit (2008: Rs.1.8 per unit)	-	(4,817,255)
Net income / (loss) for the year after taxation	161,515,677	(202,079,406)
Other comprehensive income for the year	-	-
	161,515,677	(202,079,406)
Net Assets as at the end of the year	516,299,200	640,003,370
	----- Number of units -----	
* Number of units issued (including Nil units issued during the year ended June 30, 2010 and 132,112 units issued during the year ended June 30, 2009)	<u>1,019,265</u>	<u>1,015,632</u>
** Number of units redeemed	<u>3,871,463</u>	<u>2,610,246</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.

For Faysal Asset Management Limited
(Management Company)



Salman Haider Sheikh
Chief Executive Officer



Feroz Rizvi
Director



Syed Majid Ali
Director



FOR THE YEAR ENDED JUNE 30, 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

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

The Fund is an open ended balanced mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Karachi Stock Exchange (Guarantee) Limited (KSE). The Fund was launched on April 19, 2004.

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention except for investments and derivatives which are accounted for as stated in notes 5.1 and 5.2 below.

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

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

The Fund has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 2 - Share Based Payment – Amendments regarding Vesting Conditions and Cancellations (Amendment)

IFRS 3 - Business Combinations (Revised)

IFRS 7 - Financial Instruments: Disclosures (Amendments)

IFRS 8 - Operating Segments

IAS 1 - Presentation of Financial Statements (Revised)

IAS 23 - Borrowing Costs (Revised)

IAS 27 - Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)

IAS 27 - Consolidated and Separate Financial Statements (Amendment)



IAS 32 - Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)

IAS 39 - Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendments)

IFRIC 15 - Agreements for the Construction of Real Estate

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

IFRIC 17 - Distributions of Non-cash Assets to owners

IFRIC 18 - Transfers of Assets from Customers

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements except for the following:

IAS - 1 "Presentation of Financial Statements (Revised)"

The Fund has adopted IAS - 1 "Presentation of Financial Statements (Revised)" which became effective during the year. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity / unit holders' fund includes only details of transactions with owners, with non-owner changes in equity presented as a single line item in the statement of changes in equity / unit holders' fund. In addition, the standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Fund has elected to present one single statement.

IFRS 7 - "Financial Instruments: Disclosures (Amendments)"

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurement is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity management. The fair value measurement disclosures are presented in note 20.4 to the financial statements. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 20.2 to the financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Investments

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

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

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

At fair value through profit or loss

These include held-for-trading investments and such other investments that, upon initial recognition, are designated under this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the near term. After initial measurement, such investments are carried at fair value and gains or losses on revaluation are recognised in the income statement.

Held-to-maturity investments

Investment securities with fixed maturities and fixed or determinable payments are classified as 'held-to-maturity' investments when management has both the intention and ability to hold to maturity. After initial measurement, such investments are carried at amortised cost less any provision for impairment except in case of debt securities (listed but not regularly traded on a stock exchange) and Government securities, which are carried at fair value in accordance with the requirements of the NBFC Regulations.

Loans and receivables

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

Available-for-sale investments

Investments which are not classified in any of the preceding categories are classified as available-for-sale investments. After initial measurement, such investments are measured at fair value with 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. However, unquoted equity investments are carried at lower of investment price or break-up value in accordance with the requirements of the NBFC Regulations.

Fair value of investments is determined as follows:

Listed shares

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

Debt securities

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

Government securities

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

5.2 Derivatives

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

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

5.3 Securities under repurchase / resale agreements

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



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

5.4 Impairment of financial assets

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

5.5 Provisions

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

5.6 Issue and redemption of units

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

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

5.7 Cash and cash equivalents

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

5.8 Revenue Recognition

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

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

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

Mark-up on Government securities, debt securities, profit on clean placements, return on bank balances and income from reverse repurchase agreements are recognised on a time proportion basis using effective interest rate method.

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

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

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

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.

5.10 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates, if any. The Fund is exempt from taxation under Clause 99 of Part I of the 2nd Schedule of 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 are distributed amongst the Fund unit holders. The Fund intends to avail this exemption for current and future periods. Accordingly, no provision is made for current and deferred taxation in these financial statements.

5.11 Offsetting of financial assets and liabilities

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

5.12 Net Asset Value (NAV) per unit

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



5.13 Proposed dividend and transfer between reserves

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

5.14 Financial assets and financial liabilities

All financial assets and financial liabilities are 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 currently.

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

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

6. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS - 24 Related Party Disclosures (Revised)	January 01, 2011
IAS - 32 Financial Instruments: Presentation - Classification of Right Issues (Amendment)	February 01, 2010
IFRS - 2 Share based payment - Amendments relating to Group Cash-settled Share-based payment transactions	January 01, 2010
IFRIC - 14 IAS - 19 - The limit on a defined benefit asset, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011
IFRIC - 19 Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

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

In addition to the above, amendments to various accounting standards have also been issued by IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after January 01, 2010. The fund expects that such improvements to the standards will not have any material impact on the Fund's financial statements in the period of initial application.

	Note	June 30, 2010	June 30, 2009
		----- (Rupees) -----	
8. BANK BALANCES			
Cash at bank - PLS saving accounts	8.1	<u>172,013,850</u> <u>172,013,850</u>	<u>67,451,680</u> <u>67,451,680</u>
8.1 These carry mark-up ranging from 5 % to 12.35% (2009: 5% to 12%) per annum and include balance of Rs.187,565 (2009: Rs.84,768) with Faysal Bank Limited (a related party).			
9. DIVIDEND, DEPOSITS AND OTHER RECEIVABLES - considered good			
Receivable against sale of investments		80	8,498,407
Dividend receivable		3,587,500	3,133,496
Mark-up receivable on debt securities		1,633,253	1,946,789
Security deposit			
- National Clearing Company of Pakistan Limited		<u>2,500,000</u>	<u>2,500,000</u>
- Central Depository Company of Pakistan Limited		<u>107,500</u>	<u>107,500</u>
		2,607,500	2,607,500
Return accrued on bank balances		1,484,801	1,568
Income tax refundable	9.1	<u>1,736,410</u> <u>11,049,544</u>	<u>1,736,410</u> <u>17,924,170</u>
9.1 This represents tax withheld till September 30, 2004 under Section 233 (A) of the Income Tax Ordinance, 2001. This amount has been claimed as refundable in the return of income for the year ended June 30, 2005 and efforts are being made through the tax advisor of the Fund to recover the same as soon as possible.			
10. INVESTMENTS			
At fair value through profit or loss - Held for trading			
Listed equity securities	10.1	161,885,973	421,035,488
Designated 'at fair value through profit or loss'			
Listed preference shares	10.2	67,715,743	45,362,900
Listed debt securities	10.3	64,350,986	90,582,494
Government securities	10.4	<u>45,076,900</u> <u>339,029,602</u>	<u>-</u> <u>556,980,882</u>



10.1 Listed equity securities*

Name of the investee company	Number of shares					Market value as at June 30, 2010. (Rupees)	Investment as % of		
	As at July 01, 2009	Purchased during the year	Bonus / right shares received	Disposed off during the year	As at June, 30, 2010		Net assets	Total Investments	Investee company paid-up capital
* Ordinary shares having a face value of Rs.10 each unless stated otherwise									
Construction and Materials									
DG Khan Cement Company Limited	-	1,968,000	-	1,968,000	-	-	-	-	-
Lucky Cement Limited	200,000	1,100,000	-	1,300,000	-	-	-	-	-
Fauji Cement Company Limited	-	962,321	-	962,321	-	-	-	-	-
Banks									
Bank Alfalah Limited	225,000	4,173,412	-	3,898,412	500,000	4,730,000	0.92%	1.40%	0.04%
BankIslami Pakistan Limited	705,250	-	-	705,250	-	-	-	-	-
Habib Bank Limited	-	225,000	-	225,000	-	-	-	-	-
JS Bank Limited	1,201,500	300,000	-	1,501,500	-	-	-	-	-
MCB Bank Limited	-	564,100	-	564,100	-	-	-	-	-
National Bank of Pakistan	410,480	1,340,000	-	1,750,480	-	-	-	-	-
The Bank of Punjab	-	550,000	-	550,000	-	-	-	-	-
The Bank of Khyber	6,033,125	-	-	-	6,033,125	22,805,213	4.42%	6.73%	1.21%
United Bank Limited	381,000	531,000	-	912,000	-	-	-	-	-
						27,535,213	5.34%	8.13%	1.25%
Chemicals									
Engro Corporation Pakistan Limited	200,000	2,325,324	10,000	2,535,324	-	-	-	-	-
Fauji Fertilizer Company Limited	302,500	472,500	-	725,000	50,000	5,153,500	1.00%	1.52%	0.01%
Dawood Hercules Chemicals Limited	-	38,884	-	38,884	-	5,153,500	1.00%	1.52%	0.01%
Non-Life Insurance Companies									
Adamjee Insurance Company Limited	-	1,356,717	-	1,356,717	-	-	-	-	-
EFU General Insurance Limited	50,000	-	-	50,000	-	-	-	-	-
Pakistan Reinsurance Company Limited	100,088	-	-	100,088	-	-	-	-	-
Financial Services									
Arif Habib Securities Limited	-	100,000	-	100,000	-	-	-	-	-
Jahangir Siddiqui & Company Limited	-	900,000	-	900,000	-	-	-	-	-
Oil & Gas									
Oil & Gas Development Company Limited	800,289	225,000	-	1,025,289	-	-	-	-	-
Pakistan Oilfields Limited	175,000	1,181,450	-	1,334,026	22,424	4,841,342	0.94%	1.43%	0.01%
Pakistan Petroleum Limited	200,000	859,750	30,000	1,064,750	25,000	4,603,000	0.89%	1.36%	0.003%
Attock Petroleum Limited	-	150,000	-	40,712	109,288	31,666,198	6.13%	9.34%	0.19%
Pakistan State Oil Company Limited	210,000	161,000	-	371,000	-	-	-	-	-
National Refinery Limited	10,000	739	-	10,739	-	-	-	-	-
Attock Refinery Limited	-	745,000	-	745,000	-	-	-	-	-
						41,110,540	7.96%	12.13%	0.20%
Electricity									
The Hub Power Company Limited	800,000	300,000	-	800,000	300,000	9,588,000	1.86%	2.83%	0.03%
Nishat Power Limited	-	383,784	-	133,784	250,000	2,484,917	0.48%	0.73%	0.10%
						12,072,917	2.34%	3.56%	0.13%
Fixed Line Telecommunication									
Pakistan Telecommunication Company Limited	700,000	3,800,000	-	2,450,000	2,050,000	36,490,000	7.07%	10.76%	0.04%
Software and Computer Services									
NETSOL Technologies Limited	-	330,000	-	330,000	-	-	-	-	-
Personal Goods									
Azgard Nine Limited	300,000	1,200,000	-	1,500,000	-	-	-	-	-
Nishat Mills Limited	350,000	1,654,000	-	1,792,700	211,300	9,111,256	1.76%	2.69%	0.09%
Nishat (Chunian) Limited	-	275,000	-	275,000	-	9,111,256	1.76%	2.69%	0.09%
Tobacco									
Pakistan Tobacco Company Limited	201,200	3,950	-	-	205,150	21,337,652	4.13%	6.29%	0.08%
Industrial Transportation									
Pakistan International Container Terminal Limited	450,000	5,000	60,000	515,000	-	-	-	-	-
Pakistan National Shipping Corporation	227,500	-	-	2	227,498	9,074,895	1.76%	2.68%	0.17%
						9,074,895	1.76%	2.68%	0.17%
Real Estate Investment and Services									
PACE (Pakistan) Limited	-	250,000	-	250,000	-	-	-	-	-
	<u>14,232,932</u>	<u>28,431,931</u>	<u>100,000</u>	<u>32,781,078</u>	<u>9,983,785</u>	<u>161,885,973</u>	<u>31.36%</u>	<u>47.76%</u>	<u>1.97%</u>

10.2 Preference shares *

Name of the investee company	Number of shares -----					Market Value as at June 30, 2010 (Rupees)	---- Number of shares ----	
	As at July, 1 2009	Purchased during the year	Redeemed during the year	Disposed off during the year	As at June, 30 2010		Net Assets	Total Investments
* Preference shares having a face value of Rs.10 each unless stated otherwise								
Household Goods								
Pak Elektron Limited	3,749,000	-	-	-	3,749,000	45,362,900	8.79%	13.38%
Industrial Transportation								
Pakistan International Container Terminal Limited	-	2,112,109	-	1,359	2,110,750	22,352,843	4.33%	6.59%
	<u>3,749,000</u>	<u>2,112,109</u>	<u>-</u>	<u>1,359</u>	<u>5,859,750</u>	<u>67,715,743</u>	<u>13.12%</u>	<u>19.97%</u>

10.3 Listed debt securities *

Name of the investee company	Notes	Number of shares -----					Market Value as at June 30, 2010 (Rupees)	---- Number of shares ----	
		As at July, 1 2009	Purchased during the year	Redeemed during the year	Disposed off during the year	As at June, 30 2010		Net Assets	Total Investments
* Term Finance Certificates (TFCs)									
Banks									
United Bank Limited (1st issue)	10.3.1	6,000	-	-	-	6,000	27,261,861	5.28%	8.04%
Financial Services									
Jahangir Siddiqui & Company Limited		7,650	-	-	7,650	-	-	-	-
Trust Investment Bank Limited		4,500	-	-	4,500	-	-	-	-
Fixed Line Telecommunication									
Telecard Limited		20,010	-	-	-	20,010	37,089,125	7.18%	10.94%
		<u>38,160</u>	<u>-</u>	<u>-</u>	<u>12,150</u>	<u>26,010</u>	<u>64,350,986</u>	<u>12.46%</u>	<u>18.98%</u>

10.3.1 These TFCs have been pledged in favour of National Clearing Company of Pakistan Limited (NCCPL) as collateral against Exposure Margins and regular trades on the National Clearing and Settlement System (NCSS).

10.3.2 Significant terms and conditions of TFCs are as follows:

No. of Security	Number of certificates	Face Value (Rupees)	Mark-up rate (per-annum)	Maturity	Secured / Un Secured	Ratings
United Bank Limited (1st issue)	6,000	5,000	8.45%	August, 2012	Unsecured	AA
Telecard Limited	20,010	5,000	3.75%+ 6 month KIBOR	May, 2011	Secured	BBB

Note

June 30, 2010
----- (Rupees) -----
June 30, 2009

10.4 Government securities

Market Treasury Bill (MTB)

10.4.1

45,076,900

-

10.4.1 It has face value of Rs. 50 million (2009:Nil). The Fund's yield on this MTB is 12.17% with maturity in May 2011.

10.5 Net Unrealised loss during the year in the value investments at fair value through profit or loss.

Market value of investments at fair value through profit or loss	339,029,603	556,980,882
Cost of investments at fair value through profit or loss	(414,032,174) (75,002,571)	(689,635,976) (132,655,094)
Net unrealised gain on investments at fair value through profit or loss at the beginning of the year	132,655,094	119,722,889
Realised on disposal during the year	(61,993,012) 70,662,082	(83,778,427) 35,944,462
	(4,340,489)	(96,710,632)

10.6 Detail of non-compliant investment with the investment criteria of assigned category

Name of non-compliant investment	Note	Type of investment	Amount Rupees	% of net assets	% of gross assets
Telecard Limited	10.6.1	TFC	37,089,125	7.18%	7.06%

10.6.1 Circular 7 of 2009 of SECP requires that the rating of any debt security in the portfolio shall not be lower than A-. However, the rating of above mentioned debt security is BBB.



10.1 Listed equity securities*

Name of the investee company	Number of shares					Market value as at June 30, 2010. (Rupees)	Investment as % of		
	As at July 01, 2009	Purchased during the year	Bonus / right shares received	Disposed off during the year	As at June, 30, 2010		Net assets	Total Investments	Investee company paid-up capital
* Ordinary shares having a face value of Rs.10 each unless stated otherwise									
Construction and Materials									
DG Khan Cement Company Limited	-	1,968,000	-	1,968,000	-	-	-	-	-
Lucky Cement Limited	200,000	1,100,000	-	1,300,000	-	-	-	-	-
Fauji Cement Company Limited	-	962,321	-	962,321	-	-	-	-	-
Banks									
Bank Alfalah Limited	225,000	4,173,412	-	3,898,412	500,000	4,730,000	0.92%	1.40%	0.04%
BankIslami Pakistan Limited	705,250	-	-	705,250	-	-	-	-	-
Habib Bank Limited	-	225,000	-	225,000	-	-	-	-	-
JS Bank Limited	1,201,500	300,000	-	1,501,500	-	-	-	-	-
MCB Bank Limited	-	564,100	-	564,100	-	-	-	-	-
National Bank of Pakistan	410,480	1,340,000	-	1,750,480	-	-	-	-	-
The Bank of Punjab	-	550,000	-	550,000	-	-	-	-	-
The Bank of Khyber	6,033,125	-	-	-	6,033,125	22,805,213	4.42%	6.73%	1.21%
United Bank Limited	381,000	531,000	-	912,000	-	-	-	-	-
						27,535,213	5.34%	8.13%	1.25%
Chemicals									
Engro Corporation Pakistan Limited	200,000	2,325,324	10,000	2,535,324	-	-	-	-	-
Fauji Fertilizer Company Limited	302,500	472,500	-	725,000	50,000	5,153,500	1.00%	1.52%	0.01%
Dawood Hercules Chemicals Limited	-	38,884	-	38,884	-	5,153,500	1.00%	1.52%	0.01%
Non-Life Insurance Companies									
Adamjee Insurance Company Limited	-	1,356,717	-	1,356,717	-	-	-	-	-
EFU General Insurance Limited	50,000	-	-	50,000	-	-	-	-	-
Pakistan Reinsurance Company Limited	100,088	-	-	100,088	-	-	-	-	-
Financial Services									
Arif Habib Securities Limited	-	100,000	-	100,000	-	-	-	-	-
Jahangir Siddiqui & Company Limited	-	900,000	-	900,000	-	-	-	-	-
Oil & Gas									
Oil & Gas Development Company Limited	800,289	225,000	-	1,025,289	-	-	-	-	-
Pakistan Oilfields Limited	175,000	1,181,450	-	1,334,026	22,424	4,841,342	0.94%	1.43%	0.01%
Pakistan Petroleum Limited	200,000	859,750	30,000	1,064,750	25,000	4,603,000	0.89%	1.36%	0.003%
Attock Petroleum Limited	-	150,000	-	40,712	109,288	31,666,198	6.13%	9.34%	0.19%
Pakistan State Oil Company Limited	210,000	161,000	-	371,000	-	-	-	-	-
National Refinery Limited	10,000	739	-	10,739	-	-	-	-	-
Attock Refinery Limited	-	745,000	-	745,000	-	-	-	-	-
						41,110,540	7.96%	12.13%	0.20%
Electricity									
The Hub Power Company Limited	800,000	300,000	-	800,000	300,000	9,588,000	1.86%	2.83%	0.03%
Nishat Power Limited	-	383,784	-	133,784	250,000	2,484,917	0.48%	0.73%	0.10%
						12,072,917	2.34%	3.56%	0.13%
Fixed Line Telecommunication									
Pakistan Telecommunication Company Limited	700,000	3,800,000	-	2,450,000	2,050,000	36,490,000	7.07%	10.76%	0.04%
Software and Computer Services									
NETSOL Technologies Limited	-	330,000	-	330,000	-	-	-	-	-
Personal Goods									
Azgard Nine Limited	300,000	1,200,000	-	1,500,000	-	-	-	-	-
Nishat Mills Limited	350,000	1,654,000	-	1,792,700	211,300	9,111,256	1.76%	2.69%	0.09%
Nishat (Chunian) Limited	-	275,000	-	275,000	-	9,111,256	1.76%	2.69%	0.09%
Tobacco									
Pakistan Tobacco Company Limited	201,200	3,950	-	-	205,150	21,337,652	4.13%	6.29%	0.08%
Industrial Transportation									
Pakistan International Container Terminal Limited	450,000	5,000	60,000	515,000	-	-	-	-	-
Pakistan National Shipping Corporation	227,500	-	-	2	227,498	9,074,895	1.76%	2.68%	0.17%
						9,074,895	1.76%	2.68%	0.17%
Real Estate Investment and Services									
PACE (Pakistan) Limited	-	250,000	-	250,000	-	-	-	-	-
	<u>14,232,932</u>	<u>28,431,931</u>	<u>100,000</u>	<u>32,781,078</u>	<u>9,983,785</u>	<u>161,885,973</u>	<u>31.36%</u>	<u>47.76%</u>	<u>1.97%</u>



10.2 Preference shares *

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	<u>3,749,000</u>	<u>2,112,109</u>	<u>-</u>	<u>1,359</u>	<u>5,859,750</u>	<u>67,715,743</u>	<u>13.12%</u>	<u>19.97%</u>

10.3 Listed debt securities *

Name of the investee company	Notes	Number of shares					Market Value as at June 30, 2010 (Rupees)	Number of shares	
		As at July, 1 2009	Purchased during the year	Redeemed during the year	Disposed off during the year	As at June, 30 2010		Net Assets	Total Investments
* Term Finance Certificates (TFCs)									
Banks									
United Bank Limited (1st issue)	10.3.1	6,000	-	-	-	6,000	27,261,861	5.28%	8.04%
Financial Services									
Jahangir Siddiqui & Company Limited		7,650	-	-	7,650	-	-	-	-
Trust Investment Bank Limited		4,500	-	-	4,500	-	-	-	-
Fixed Line Telecommunication									
Telecard Limited		20,010	-	-	-	20,010	37,089,125	7.18%	10.94%
		<u>38,160</u>	<u>-</u>	<u>-</u>	<u>12,150</u>	<u>26,010</u>	<u>64,350,986</u>	<u>12.46%</u>	<u>18.98%</u>

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No. of Security	Number of certificates	Face Value (Rupees)	Mark-up rate (per-annum)	Maturity	Secured / Un Secured	Ratings
United Bank Limited (1st issue)	6,000	5,000	8.45%	August, 2012	Unsecured	AA
Telecard Limited	20,010	5,000	3.75%+ 6 month KIBOR	May, 2011	Secured	BBB

Note

June 30, 2010
----- (Rupees) -----
June 30, 2009

10.4 Government securities

Market Treasury Bill (MTB)

10.4.1

45,076,900

-

10.4.1 It has face value of Rs. 50 million (2009:Nil). The Fund's yield on this MTB is 12.17% with maturity in May 2011.

10.5 Net Unrealised loss during the year in the value investments at fair value through profit or loss.

Market value of investments at fair value through profit or loss	339,029,603	556,980,882
Cost of investments at fair value through profit or loss	(414,032,174) (75,002,571)	(689,635,976) (132,655,094)
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Realised on disposal during the year	(61,993,012) 70,662,082	(83,778,427) 35,944,462
	(4,340,489)	(96,710,632)

10.6 Detail of non-compliant investment with the investment criteria of assigned category

Name of non-compliant investment	Note	Type of investment	Amount Rupees	% of net assets	% of gross assets
Telecard Limited	10.6.1	TFC	37,089,125	7.18%	7.06%

10.6.1 Circular 7 of 2009 of SECP requires that the rating of any debt security in the portfolio shall not be lower than A-. However, the rating of above mentioned debt security is BBB.



11. RECEIVABLE FROM THE MANAGEMENT COMPANY

Through the Finance Act, 2008, an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. The Mutual Funds Association of Pakistan (MUFAP), on behalf of its members, filed a constitutional petition in the Honourable High Court of Sindh (SHC) praying it to declare that the funds are not establishments and as a result are not liable to pay contribution to the Workers' Welfare Fund (WWF). The SHC has rejected the petition on technical grounds stating that MUFAP is not the aggrieved party in this case and required the aggrieved parties to approach the courts for the said petition. In response, another petition has been filed with the SHC by some of mutual funds through their Trustee.

However, without prejudice to the above, the Fund, as a matter of abundant caution, has made a provision for WWF in the financial statements for the periods upto June 30, 2010 amounting to Rs.3,230,314. Further, in order to compensate the unit holders of the Fund, subject to payment of WWF, the Board of Directors of the Management Company in their meeting held on October 02, 2010, has decided to reduce their management fee by the amount of the provision for WWF. Accordingly, this amount has been recorded as receivable from the Management Company at the end of the current year (see also note 22.2).

	Note	June 30, 2010	June 30, 2009
		----- (Rupees) -----	
12. PAYABLE TO THE MANAGEMENT COMPANY			
Remuneration payable to the Management Company	12.1	855,726	664,266
Sales load payable		-	7,443
		<u>855,726</u>	<u>671,709</u>

12.1 The Management Company is entitled to a remuneration for services rendered to the Fund under the provisions of the NBFC Regulations during the first five years of a Fund's existence of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two per cent of such assets. During the current year, the Management Company has claimed its remuneration @ 2% of average annual net assets (2009: 2.5% of the average annual net assets upto April 18, 2009 and thereafter 2% of average annual net assets till June 30, 2009), subject to the adjustment referred to in note 11 on account of WWF.

13. REMUNERATION PAYABLE TO THE TRUSTEE

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

14. ACCRUED AND OTHER LIABILITIES

Payable against purchase of investments		3,163,500	-
SECP annual fee payable	14.1	558,999	620,238
Accrued liabilities		942,260	865,310
Settlement charges payable and federal excise duty		41,527	4,387
Zakat payable		146,211	86,630
WWF Payable	11	<u>3,230,314</u>	-
		<u>8,082,811</u>	<u>1,576,565</u>

14.1 This represents payable to the SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay SECP annually an amount equal to 0.085% (2009: one tenth of 1% of the average annual net assets upto November 20, 2008 and thereafter 0.085% of average annual net assets till June 30, 2009) of the average annual assets of the Fund.

15. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2010

	June 30, 2010	June 30, 2009
	----- (Rupees) -----	
16. AUDITORS' REMUNERATION		
Audit fee	264,500	264,500
Half yearly review fee	66,125	66,125
Code of Corporate Governance review fee	33,063	33,063
Other certifications	50,000	66,620
Out of pocket expenses	52,493	84,523
	<u>466,181</u>	<u>514,831</u>

17. TAXATION

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

18. EARNINGS / (LOSS) PER UNIT

Earnings/ (loss) per unit is calculated by dividing the net income / (loss) after tax for the year by the number of units outstanding as at the end of the year.

Earnings / (loss) per unit based on cumulative weighted average units for the whole year has not been disclosed as in the opinion of the management determination of the same is not practicable.

19. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES
19.1 Transactions during the year

Faysal Asset Management Limited (Management Company)		
Remuneration of the Management Company	9,922,609	16,220,317
Sales load	240,305	232,366
Faysal Savings Growth Fund (common management)		
Purchase of 2,112,108 preference shares of Pakistan International Container Terminal Limited	19,008,972	-
Faysal Bank Limited (group company)		
Cash dividend	-	2,232,032
Profit on PLS savings account	69,553	54,879
Faysal Bank Limited - Staff Provident Fund		
Issue of bonus units: Nil (2009: 2,978 units)	-	297,753
ICI Pakistan Limited (common directorship)		
Purchase of shares: Nil (2009: 50,000 shares)	-	3,746,931
Disposal of shares: Nil (2009: 50,000 shares)	-	4,050,001
ICI Pakistan Management Staff Provident Fund		
Issue of bonus units: Nil (2009: 2,978 units)	-	297,753
Redemption of units: Nil (2009: 168,396 units)	-	13,475,040
AKD Securities (Private) Limited (major shareholder of the Management Company)		
Brokerage fee	374,279	-



	June 30, 2010	June 30, 2009
	----- (Rupees) -----	
AKD Staff Provident Fund		
Redemption of 8,420 units (2009: Nil)	697,159	-
Central Depository Company of Pakistan Limited-(Trustee of the Fund)		
Remuneration of Trustee	1,315,292	1,349,485
Settlement charges	122,375	88,830
19.2 Outstanding balances as at year end		
Faysal Asset Management Limited (Management Company)		
Receiveable from the Management Company	3,230,314	-
Remuneration of the Management Company	855,726	664,266
Sales load	-	7,443
Faysal Bank Limited (group company)		
Units in issue 1,310,292 units (2009:1,310,292 units)	121,477,171	99,582,192
Balance in PLS saving account	187,565	84,768
Faysal Bank Limited - Staff Provident Fund		
Units in issue 168,395 units (2009: 2,978 units)	15,611,983	297,753
AKD -Staff Provident Fund		
Units in issue: Nil (2009:8,420 units)	-	639,920
Central Depository Company of Pakistan Limited-(Trustee of the Fund)		
Remuneration of Trustee	85,555	105,088
Settlement charges	7,919	4,387
Deposit	100,000	100,000

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

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

20.1 Market risk

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

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instrument will fluctuate due to changes in the market interest rates. As of June 30, 2010, the Fund is exposed to such risk in respect of bank balances and investment in debt and Government securities. The bank balances are subject to interest rates as declared by the respective bank on periodic basis. The debt and Government securities are subject to floating / fixed interest rates but valued at MUFAP and PKRV rates respectively. Management of the Fund estimates that an increase of 100 basis points in the market rate, with all other factors remaining constant, would increase the Fund's income by Rs 2 million and a decrease of 100 basis points would result in a decrease in the Fund's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

June 30, 2010	Exposed to yield / interest rate risk				Not exposed to yield / interest rate risk	Total
	Upto one month	More than one month and upto three months	More than three months and upto one year	More than one year		
(Rupees)						
Financial Assets						
Bank balances	172,013,850	-	-	-	-	172,013,850
Dividend, deposits and other receivable	-	-	-	-	9,313,134	9,313,134
Investments	-	109,427,886	-	-	229,601,716	339,029,602
Receivable from the Management Company	-	-	-	-	3,230,314	3,230,314
	<u>172,013,850</u>	<u>109,427,886</u>	<u>-</u>	<u>-</u>	<u>242,145,164</u>	<u>523,586,900</u>
Financial Liabilities						
Payable to the Management Company	-	-	-	-	855,726	855,726
Remuneration payable to the Trustee	-	-	-	-	85,573	85,573
Accrued and other liabilities	-	-	-	-	7,523,812	7,523,812
	-	-	-	-	(8,465,111)	(8,465,111)
On statement of assets and liabilities gap	<u>172,013,850</u>	<u>109,427,886</u>	<u>-</u>	<u>-</u>	<u>233,680,053</u>	<u>515,121,789</u>
(Rupees)						
June 30, 2009						
Financial Assets						
Bank balances	67,451,680	-	-	-	-	67,451,680
Dividend, deposits and other receivable	-	-	-	-	16,187,760	16,187,760
Investments	-	90,582,494	-	-	466,398,388	556,980,882
	<u>67,451,680</u>	<u>90,582,494</u>	<u>-</u>	<u>-</u>	<u>482,586,148</u>	<u>640,620,322</u>
Financial Liabilities						
Payable to the Management Company	-	-	-	-	671,709	671,709
Remuneration payable to the Trustee	-	-	-	-	105,088	105,088
Accrued and other liabilities	-	-	-	-	956,327	956,327
	-	-	-	-	(1,733,124)	(1,733,124)
On statement of assets and liabilities gap	<u>67,451,680</u>	<u>90,582,494</u>	<u>-</u>	<u>-</u>	<u>480,853,024</u>	<u>638,887,198</u>

(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 value of investments may fluctuate due to change in business cycles affecting the business of the company in which the investment is made, change in business circumstances of the company, its business sector, industry and / or the economy in general. 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.11.48 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.

20.2 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 holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive documents.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date. However, for financial assets 'at fair value through profit or loss', the period in which those assets are assumed to mature is taken as the expected date on which these assets will be realised.

June 30, 2010	Upto one month	More than one month and upto three months	More than three months and upto one year	More than one year	Total
(Rupees)					
Financial Assets					
Bank balances	172,013,850	-	-	-	172,013,850
Dividend, deposits and other receivable	5,072,381	984,202	649,051	4,343,910	11,049,544
Investments	-	339,029,602	-	-	339,029,602
Receivable from the Management Company	3,230,314	-	-	-	3,230,314
	180,316,545	340,013,804	649,051	4,343,910	525,323,310
Financial Liabilities					
Payable to the Management Company	855,726	-	-	-	855,726
Remuneration payable to the Trustee	85,573	-	-	-	85,573
Accrued and other liabilities	6,889,916	633,896	-	-	7,523,812
	(7,831,215)	(633,896)	-	-	(8,465,111)
	172,485,330	339,379,908	649,051	4,343,910	516,858,199

June 30, 2009	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 Assets					
Bank balances	67,451,680	-	-	-	67,451,680
Dividend, deposits and other receivable	11,735,727	984,486	860,047	4,343,910	17,924,170
Investments	-	556,980,882	-	-	556,980,882
	79,187,407	557,965,368	860,047	4,343,910	642,356,732
Financial Liabilities					
Payable to the Management Company	671,709	-	-	-	671,709
Remuneration payable to the Trustee	105,088	-	-	-	105,088
Accrued and other liabilities	65,463	890,864	-	-	956,327
	(842,260)	(890,864)	-	-	(1,733,124)
	78,345,147	557,074,504	860,047	4,343,910	640,623,608

20.3 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 analyzes 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, 2010	June 30, 2009
	----- (Rupees) -----	
Bank balance	172,013,850	67,451,680
Investment in debt securities	64,350,986	90,582,494
Receivable against sale of investments	80	8,498,407
Dividend receivable	3,587,500	3,133,496
Mark-up receivable on debt securities	1,633,253	1,946,789
Return receivable on bank balances	1,484,801	1,568
	<u>243,070,470</u>	<u>171,614,434</u>

Investment of the Fund in debt securities is collateralised by creation of first charge in favour of Trustee to the issue over the specific leased assets and its associated lease rentals and fixed assets of the issuer, as specified.

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

	June 30, 2010	June 30, 2009
	----- % -----	
Rating category		
AA+, AA, AA-	82.99	70.18
A+, A, A-	-	1.34
BBB+, BBB, BBB-	15.53	26.01
Unrated	1.48	2.47
	<u>100.00</u>	<u>100.00</u>

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

	June 30, 2010	June 30, 2009
	% of assets exposed to credit risk	
Financial Services	-	11.58
Banks	83.00	54.97
Non-Life Insurance Companies	-	0.15
Oil & Gas	-	0.99
Fixed Line Telecommunication	17.00	26.67
Chemicals	-	0.69
Others	-	4.95
	<u>100.00</u>	<u>100.00</u>

20.4 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, 2010, the Fund held the following financial instruments measured at fair value:



	June 30, 2010		
	Level 1	Level 2 (Rupees)	Level 3
Investments at fair value through profit or loss			
Listed equity securities	161,885,973	-	-
Listed preference shares	67,715,743	-	-
Government securities	-	45,076,900	-
Listed debt securities	-	64,350,986	-
	<u>229,601,716</u>	<u>109,427,886</u>	<u>-</u>

	June 30, 2009		
	Level 1	Level 2 (Rupees)	Level 3
Investments at fair value through profit or loss			
Listed equity securities	421,035,488	-	-
Listed preference shares	45,362,900	-	-
Listed debt securities	-	90,582,494	-
	<u>466,398,388</u>	<u>90,582,494</u>	<u>-</u>

During the year ended June 30, 2010 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.

20.5 Capital Management

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

21. 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.

22. SUBSEQUENT EVENTS

22.1 The Board of Directors of the Management Company in their meeting held on July 07, 2010 have declared a bonus issue at the rate of 27% i.e. Rs.27 per unit (2009: Nil). The financial statements of the Fund for the year ended June 30, 2010 do not include the effect of the bonus issue which will be accounted for in the financial statements of the Fund subsequent to the year end.

22.2 Pursuant to a decision taken by the Board of Directors of the Management Company in their meeting held on October 02, 2010, the provision for WWF is made in the financial statements of the Fund with effect from July 01, 2010 and, accordingly, adjusted in the NAV of the Fund as at October 02, 2010 and onwards on a daily basis.

23. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

24. GENERAL

Figures are rounded off to the nearest rupee.

25. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 02, 2010 by the Board of Directors of the Management Company.

For Faysal Asset Management Limited
(Management Company)



Salman Haider Sheikh
Chief Executive Officer



Feroz Rizvi
Director



Syed Majid Ali
Director



(i) PATTERN OF UNIT HOLDING

Category	No. of Investors	Units Held	%
Associated companies and Directors	2	1,310,292	23.52
Insurance companies	1	6,063	0.11
Banks and DFIs	2	117,393	2.11
NBFCs	-	-	-
Retirement Funds	38	2,828,869	50.80
Individuals	305	707,045	12.70
Others	6	599,356	10.76
	<u>354</u>	<u>5,569,018</u>	<u>100.00</u>

(ii) TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

Name	%
Alfalsh Securities (Private) Limited	13.41%
Global Securities Pakistan Limited	9.88%
Aqeel Karim Dhedhi Securities (Private) Limited.	9.76%
Ismail Iqbal Securities (Private) Limited	8.82%
Elixir Securities Pakistan (Private) Limited	7.53%
KASB Securities Limited	7.16%
Al Habib Capital Markets (Private) Limited	7.12%
BMA Capital Management Limited	5.75%
IGI Finex Securities Limited	5.27%
Moonaco Securities (Private) Limited	4.28%

(iii) THE MEMBERS OF THE INVESTMENT COMMITTEE

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

Mr. Salman Haider Sheikh
Mr. Tahir Sohail
Mr. Shahid Usman Ojha
Mr. Asad iqbal
Mr. Omar Ehtisham Anwar
Mr. Ayaz Mustafa Zuberi
Mr. Qamar Abbas

Mr. Salman Haider Sheikh

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

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

Mr. Tahir Sohail

Mr. Tahir Sohail is a senior banker with over 22 years of broad base banking experience with leading multinational banks like Citibank and Deutsche Bank. He has worked in increasingly responsible positions within corporate, consumer and private banking businesses both within and outside Pakistan and was instrumental in implementing a credit scoring model for credit cards acquisition in Pakistan during his Citibank tenor. In Deutsche Bank, Tahir was actively involved in developing wealth management products at Asia Pacific regional level.

Mr. Shahid Usman Ojha

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

Mr. Asad Iqbal

Mr. Iqbal has worked on Wall Street from 1995 to 2002 in various capacities with the latest being Vice President in Equities for Goldman, Sachs & Co. At Goldman, he was responsible for book building for all Goldman lead equity and convertible equity offerings for their US clients. During this period, Mr. Iqbal worked on over 100 equity and convertible debt offerings including some of the most prominent deals such as the Goldman Sachs and Accenture Initial Public Offerings and the AT&T secondary offering. Prior to joining FAML, Mr. Iqbal was Managing Director of one of the prominent equity brokerage houses of the country and also served on the board of directors for the Karachi Stock Exchange (G) Ltd in 2009. As a member of the KSE board Mr. Iqbal served as the chairman of the New Products committee and was instrumental in the launch of the Bond Automated Trading System as well as the re-introduction of Cash Settled and Deliverable Futures. Mr. Iqbal also served on the boards of the National Commodity Exchange as well as JCR-VIS. Mr. Iqbal holds a Bachelors of Science Degree from Carnegie Mellon University and also held Series 7 and Series 63 certifications from the NASD.

Mr. Omar Ehtisham Anwar

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

Mr. Ayaz Mustafa Zuberi

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

Mr. Qamar Abbas

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



(iv) PERFORMANCE TABLE	June 30, 2010	June 30, 2009	June 30, 2008
	----- (Rupees) -----		
Net assets	516,299,200	640,003,370	1,019,572,614
Net asset value per unit	92.71	76.00	101.80
Offer price	94.80	77.71	104.10
Repurchase price per unit	92.71	76.00	101.80
Highest offer price per unit	104.22	99.88	117.28
Highest repurchase price per unit	101.92	97.68	114.69
Lowest offer price	80.31	61.16	96.65
Lowest repurchase price per unit	78.54	59.81	94.52
Total return:			
- capital growth	-5.01 %	-24 %	-3.49%
- income distribution	27 %	-	3.40%
Average annual return: (Launch date: April 19, 2004)			
- one year	21.99 %	-24.00 %	-0.09 %
- two years	-1.01%	-12.05 %	10.53%
- three years	-0.70%	-0.97 %	15.69%
Distribution per unit:			
- Interim distribution per unit	-	-	1.60%
- Final distribution per unit	27 %	-	1.80 %
	<u>27 %</u>	<u>-</u>	<u>3.40%</u>

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

(v) PARTICULARS OF FUND MANAGERS

Mr. Omar Ehtisham Anwar

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

Presently Mr. Omar is also looking after Equity area of Faysal Balanced Growth Fund and Faysal Income & Growth Fund.

Mr. Ayaz Mustafa Zuberi

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

Presently Mr. Zuberi is looking after Fixed Income Investment area of all funds managed by Faysal Asset Management Limited.

(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 held on						
	Meetings Attended	Jul 06 2009	Sep 16 2009	Oct 22 2009	Feb 20 2010	Apr 24 2010	Jun 26 2010
Mr. Mohammad Abdul Aleem	6	1	1	1	1	1	1
Mr. Feroz Rizvi	5	1	1	1	-	1	1
Syed Majid Ali	6	1	1	1	1	1	1
Mr. Zafar Ahmed Siddiqui (Appointed w.e.f. 30-Jun-2009)	3	-	-	-	1	1	1
Mr. Salman Ahmed Usmani (Appointed w.e.f. 04-Nov-2009)	2	-	-	-	1	1	-
Mr. Salman Haider Sheikh	6	1	1	1	1	1	1

(vi) RATING OF THE FUND AND THE MANAGEMENT COMPANY

The JCR - VIS Credit Rating Company Limited (JCR - VIS) has assigned a " MFR 5-Star " fund rating to Faysal Balanced Growth Fund.

JCR - VIS has awarded an " AM2- " asset manager rating to the Management Company.

