

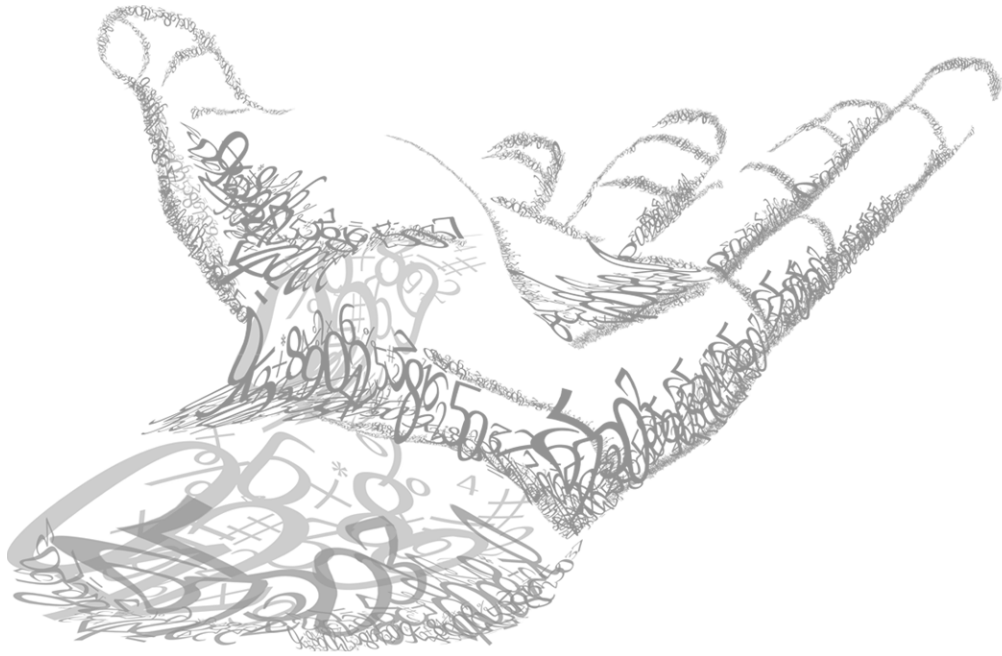


FAYSAL  
ISLAMIC SAVINGS  
GROWTH FUND

Accounts for the Year Ended  
June 30, 2010



FAYSAL  
ISLAMIC SAVINGS  
GROWTH FUND



collective wisdom



faysal funds



# FAYSAL ISLAMIC SAVINGS GROWTH FUND

## **Faysal Asset Allocation Fund**

The Faysal Asset Allocation Fund (FAAF) is an open-ended mutual fund. The units of FAAF are listed on the Lahore Stock Exchange. FAAF seeks to provide long-term capital appreciation optimizing through broad mix of asset classes encompassing equity, fixed income & money market instruments.

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# FAYSAL ISLAMIC SAVINGS GROWTH FUND

Fund Information	159
Mission Statement	160
Report of the Directors of the Management Company	161
Fund Manager's Report	164
Report of the Shariah Adviser	167
Independent Assurance Report to the Unit Holders of the Fund in Respect of the Fund's Compliance with the Shariah Rules Principles	168
Trustee Report to the Unit Holders	169
Statement of Compliance with the best practices of the code of corporate governance	170
Review Report to the Unit Holders on Statement of Compliance with the best practices of the code of corporate governance	172
Independent Auditors' Report to the Unit Holders	173
Statement of Assets and Liabilities	174
Income Statement	175
Distribution Statement	176
Statement of Cash Flows	177
Statement of Movement in Unit Holders' Funds	178
Notes to the Financial Statements	179
Supplementary Non Financial Information	191





**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**

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**

Dubai Islamic Bank Limited  
National Bank of Pakistan-Islamic Branches  
Habib Bank Limited-Islamic Branches

**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.

**Sharia Advisor**

Mufti Muhammad AbuBakar  
Mr. Abdul Zahid Farooqi

**Registrar**

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

**Distributors**

Faysal Asset Management Limited





Faysal Islamic Savings Growth Funds seeks to provide maximum possible preservation of capital and a reasonable Shariah compliant return to its unit holders.





The Directors of the Faysal Asset Management Limited, the Management Company of Faysal Islamic Savings Growth Fund (FISGF), are pleased to present the 1st Annual Report on the operations of FISGF along with the audited accounts, Reports of the Trustee and Auditors to the Unit Holders for the period ended June 30, 2010. FISGF was launched on June 14, 2010.

**SALE AND REDEMPTION OF UNITS**

During the period, units worth Rupees 397 million were issued and units with a value of Rupees 65 million were redeemed.

**UNIT HOLDERS**

As of June 30, 2010, 3,323,224 units with a value of Rs. 334 million were outstanding.

**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:

	<u>Offer Price</u>	<u>Redemption Price</u>
Highest	100.38	100.38
Lowest	100.00	100.00
As of June 30, 2010	100.38	100.38

**PERFORMANCE**

Faysal Islamic Savings Growth Fund's (FISGF) was launched in June 2010. The performance of FISGF was exceptional during the month as it yielded 9.04% during the month as compared to the benchmark return of 7.70%, outperforming the benchmark by 1.34%. On year to date, FISGF surpassed its peer group by 3.25% as it yielded a return of 9.04% vs the industry average of 5.79%.

FISGF launched on June 14, 2010 at a NAV/unit of PKR 100.00 and closed the month at a NAV/unit of PKR 100.38. On the asset allocation side, we would like to inform our valued investors that our fund is highly liquid with 30% invested in AAA rated and 69% invested in A rated banks. Going forward we intend to continue our investment strategy to look out for Shariah compliant opportunities with competitive return at acceptable risk levels.

Reference to the amendments in the workers welfare fund as disclosed in the Note 15 to the financial statements, subsequent to the year end Ministry of Labour & Manpower issued a clarification dated July 08, 2010 & further clarified it through its additional clarification dated July 15, 2010 which clearly states that mutual funds are products being managed by Asset Management Companies (AMCs). AMCs only are liable to contribute towards WWF. However the income of mutual funds, the product being sold, is exempted under the law *ibid*. MUFAP, on behalf of its member AMCs, obtained a legal opinion to assess the implications of the advice issued by the Ministry of Labour and Manpower. The legal opinion, among other things, stated that mutual funds are not required to provide for contribution to WWF and earlier provisioning, if any, can be reversed and the advice also suggests that provisioning was neither required nor necessary. However, audit firms are not convinced even on the clarification issued by Ministry of Labour and Manpower and are of the opinion that until the decision will be finalized from Honourable court or FBR issues a clear notification, such liability should be provided by funds. Management of FAML decided not to provide WWF Liability upto the materiality level and upon breach of materiality level it will be booked in the books of fund.





Accordingly, no provision in respect of WWF for the period ended June 30, 2010 amounting to Rs.25,136 has been made in these financial statements.

**ASSET ALLOCATION**

As of June 30th 2010, fund's entire assets are invested in the Islamic banks.

**INCOME DISTRIBUTION**

The Board of directors has approved fund distribution at the rate of 0.35% (i.e Rs. 0.35 per unit of par value of Rs.100 each).

**MUTUAL FUND RATING**

FISGF is currently under review by JCR-VIS rating agency for Ranking.

**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 period ended June 30, 2010 forms part of this annual report.
2. Statements under clause six of the Code:
  - i. The financial Statements, prepared by the Management presents fairly the state of affairs of the Fund and result of its operations, cash flows and movement in unit holder's fund.
  - ii. Proper books of accounts of the Fund have been maintained.
  - iii. Appropriate accounting policies have been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
  - iv. International Accounting Standards have been followed in the preparation of financial statements without any material departure.
  - v. The system of internal control is sound in design and has been effectively implemented and monitored.
  - vi. There is no significant doubt upon Fund's ability to continue as going concern.
  - vii. There has been no material departure from the Best Practices of the Code of Corporate Governance, as detailed in the Listing Regulations.
  - viii. Outstanding statutory payments on account of taxes, if any, have fully disclosed in the accounts.
  - ix. The details of Board Meetings held and attended by the directors forms part of this Annual Report.
  - x. The prescribed pattern of shareholding is given as part of this Annual Report.

The 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 are as under:

**Trades By:**

	Investment	Redemption
	----- (No. of Units) -----	
Management Company	1,500,000	Nil

**PATTERN OF HOLDING**

The Pattern of Holding of FISGF 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

FISGF seeks to provide maximum possible preservation of capital and a reasonable rate of return via investing in Shariah Compliant money market and debt securities having good credit quality rating and liquidity.

Fund Information	
Fund Type	Open Ended
Category	Islamic Income Scheme
Launch Date	14-Jun-10
Custodian/Trustee	Central Depository Company of Pakistan
Auditor	Ernst & Young Ford Rhodes Sidat Hyder
Benchmark	Average 6M deposit rate of 3 Islamic Banks
Pricing Mechanism	Forward
Registrar	Gangjees Registrar Services (Pvt.) Ltd.

\* new benchmark after July 2010 onwards will be weighted average of 6M KIBOR and percentage invested in equities

Risk-quant	Value
Alpha	0.000%
VAR	0.032%
Skewness	0.8146
Sharpe	-10.9111
Sortino	N/A
Std. Dev.	0.0019%
Kurtosis	-0.0182

Fund Returns (% p.a.)	Value
FY10 Return	9.04%
Since Inception	9.04%
Benchmark YTD Return	7.70%
Average Market YTD Return	5.79%

### Economic Outlook

FY10 was a year of fragile recovery for economy of Pakistan. GDP growth rate of 4.1% was only achieved after growth rate of prior year was adjusted resulting in low base effect. Fueled by increases in price of food and oil, CPI remained in double digit for most of the year with an average of 11.78% for FY10 as compared to 20.8% in FY09. Major reason for comparatively low inflation in FY10 was its calculation from a higher base price of prior year and lower crude prices at the start of FY10. Sharp rise in inflation is expected during FY11 due to supply side constraints and rise in energy prices. In early FY10, SBP followed policy of monetary easing with gradual cut in discount rates from 14% in June 2009 to 12.5% in November 2009. SBP was forced to abandon monetary easing during later half of FY10 as Government breached IMF set borrowing from SBP target of PKR 1,130bn creating inflationary pressures in the economy. Persistent borrowing in early FY11 led to policy of monetary tightening by SBP and we expect this policy to continue unless funds needed for cost of rehabilitation of flood victims can be mobilized from international aid. Manufacturing activities in the country showed strong resilience to energy crisis, law and order situation with LSM increasing by 4.84% in FY10. We believe that this growth was fueled by double digit increase in automobile and engineering sectors, while textile sector posted negative growth. On the external front, trade deficit improved by 11% on YoY basis due to lower import bill and marginal increase in exports. Record remittances of USD 8.9bn were received in FY10, which played a significant role in reducing current account deficit to USD 3.9bn, 58% lower on YoY basis. Going forward trend of reduction in current account deficit is expected to reverse due to higher oil prices and low agricultural output.





Foreign reserves (FX) of the country increased to USD16bn from USD11.5bn in FY09, (21 weeks on import cover) which meant that rupee only depreciated 5% to close at 85.5/USD. However Ex-IMF financing, FX reserves remained flat since June-09. Global recession and poor law and order situation adversely affected foreign investment in the country with FDI decreasing by 40% on YoY basis. In FY11 foreign investors are likely to adopt a cautious approach and wait for security situation to improve before investing in Pakistan. To sum up, economy progressed on both growth and stability front in FY10 after fiscal and trade imbalances of the prior year. Due to re-emergence of fiscal balances and devastation caused by floods during start of FY11, macroeconomic stability achieved in early FY10 is likely to be lost. We believe that government must focus on increasing tax to GDP ratio and smooth implementation of reformed GST will be a crucial first step.

### Money Market Outlook FY 10

The money market remained quite volatile during the FY 10 as evident by SBP's frequent moves to cut policy rate 2 times during the period from 14% in June 09 to 13% in August 09 and further cut of 50bps in November 09 to bring the Discount rate at 12.50%. The T-Bill cut-off yield for 3 months was 11.30%, 11.38% for 6 months and 11.47% for 12 months as on July 15, 2009 as compared to 12.05%, 12.27% and 12.38% on June 16, 2010 respectively. Despite 150 bps cut in Discount rate during the period under review, the T-bill yield increased only by 50 bps because of heavy participation and interest from financial institution to take short exposures while refraining from long term risks.

However, SBP continues to monitor the market liquidity and kept its focus on interest rate volatility as reflected active Open Market Operations during the period. Moreover, the view of majority of market participants and overall economic situation interest rates are likely to increase further. Thus, Financial Institutions will opt for investing in short term positions.

We expect the money market to remain tighter on one side, and expect the SBP to intervene regularly to keep the interest rates on optimum level with overnight rates hovering around 11.75% to 12.25% and repo rates for tenor aligned with similar duration T-Bill yields with +/- 5 bps.

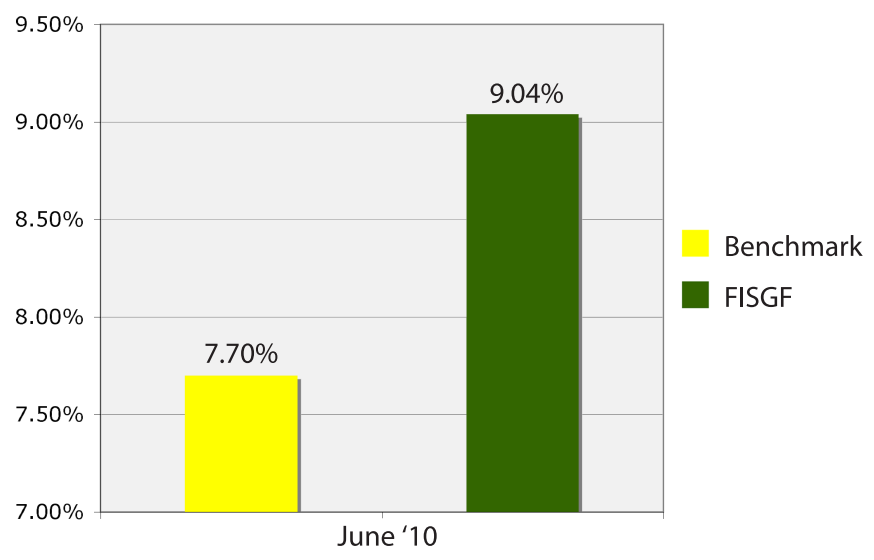
### Performance Review

Faysal Islamic Savings Growth Fund's (FISGF) launched during the month of June. The performance of FISGF was exceptional during the month as it yielded 9.04% during the month as compared to the benchmark return of 7.70%, outperforming the benchmark by 1.34%. On year to date, FISGF surpassed its peer group by 3.25% as it yielded a return of 9.04% vs the industry average of 5.79%.

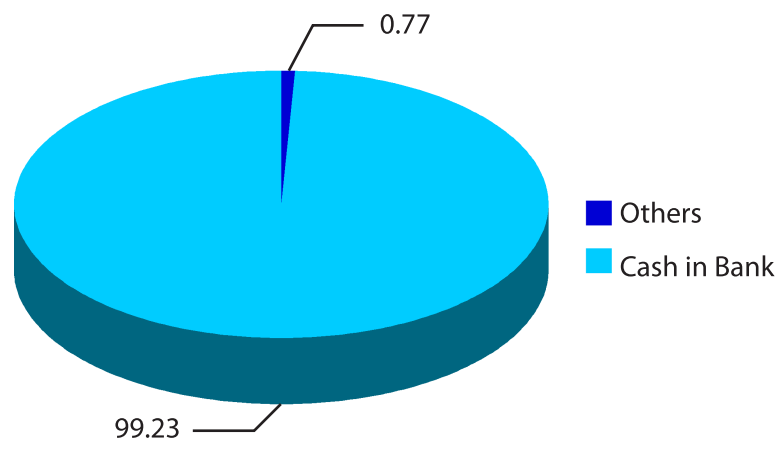
FISGF launched on June 14, 2010 at a NAV/unit of PKR 100.00 and closed the month at a NAV/unit of PKR 100.38. On the asset allocation side, we would like to inform our valued investors that our fund is highly liquid with 30% invested in AAA rated and 69% invested in A rated banks. Going forward we intend to continue our investment strategy to look out for Shariah compliant opportunities with competitive return at acceptable risk levels.



**FISGF vs Benchmark**



**Asset Allocation (% of Total Asset)**





# FAYSAL ISLAMIC SAVINGS GROWTH FUND

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ  
الحمد لله رب العالمين، والصلاة والسلام على خاتم النبيين وسيد المرسلين،  
وعلى آله واصحابه أجمعين. أمَّا بعد

## REPORT OF THE SHARIAH ADVISER FAYSAL ISLAMIC SAVINGS GROWTH FUND

Karachi  
September 20, 2010

By the blessing of ALLAH, the period ended June 30, 2010 under analysis was the first year of operations of Faysal Islamic Savings Growth Fund (FISGF). We, as the Shariah adviser of the Fund are issuing the report in accordance with clause 7.2.4 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the Shariah Compliance of the Fund's activity.

In the capability of Shariah Adviser, we have set out criteria and guideline to be followed in ensuring Shariah Compliance in the each and every transaction.

It is the responsibility of the management of the fund to establish and maintain a system of internal control to ensure Shariah Compliance with the Shariah guidelines. Our responsibility is to express an opinion, based on our review, to the extent where such compliance can be objectively verified. A review is limited primarily to inquiries of the management company's personal and review of various documents prepared by the management company to comply with the prescribed criteria.

In the light of above, we hereby certify that:

- (i) We have reviewed and approved the modes of investments of FISGF in light of the Shariah guidelines.
- (ii) All the provisions of the scheme and investments made on account of FISGF by FAML Fund Managers are Shariah Compliant and in accordance with the criteria established.
- (iii) On the basis of information provided by the management, all the operations of FISGF for the period ended June 30, 2010 have been in compliance with the Shariah principles.

May Allah make us successful and accept the efforts of the management company for developing of Islamic Finance system.

وصلى الله على حبيبه محمد صلى الله عليه وسلم

Abdul Zahid Farooqi  
Shariah adviser

Mufti Muhammad Abubaker  
Shariah adviser



We have performed an independent assurance engagement of Faysal Islamic Savings growth Fund (the Fund) to ensure that the Fund has complied with the Shariah rules and principles prescribed by the Shariah Board of the fund during the period ended 30 June 2010, in accordance with clause 7.4. of the Trust deed of the Fund.

## 2. Management's responsibility for Shariah compliance

It is the responsibility of the management of the fund to ensure that the financial arrangements, contracts and transactions entered into by the Fund are, in substance and in their legal form, in compliance with the requirements of the Shariah rules and principles. The management is also responsible for design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant accounting records.

## 3. Our responsibility

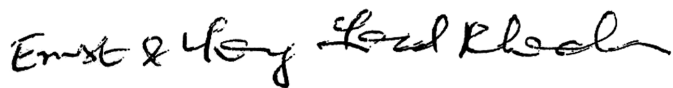
**3.1.** We planned and performed our evidence gathering procedures to obtain a basis for our conclusion in accordance with international standard for assurance Engagements 3000 (ISAE 3000) "Assurance engagements other than Audits or Reviews of Historical Financial information". This Standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance regarding the subject-matter i.e. the Fund's compliance with the Shariah rules and principles as determined by the Shariah Board.

**3.2.** The "Assurance Procedures" selected by us for the engagement were dependent on our judgment, including the assessment of the risks of material non-compliance with the Shariah rules and principles. In making those risk assessments, we considered internal controls relevant to the Fund's compliance with the Shariah rules and principles in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls.

**3.3.** Our responsibility is to express an opinion, based on the procedures performed on the Fund's financial arrangements, contracts and transactions having Shariah implications, on a test basis whether such financial arrangements, contracts and transactions, having Shariah implications, are in line with the Shariah rules and principles as prescribed by Shariah Board of the Fund.

## 4. Our opinion

In our opinion, the Fund was, in all material respects, in compliance with the Shariah rules and principles as determined by Shariah Board of the Fund during the period ended 30 June 2010.



CHATEREDACCOUNTANTS

October 02, 2010  
KARACHI:



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 Islamic Savings Growth Fund (the Fund), an open-end fund was established under a trust deed dated April 22, 2009, executed between Faysal Asset Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the period from June 17, 2010 to 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 Islamic Savings 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 period.
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.

**Salman Haider Sheikh**  
Chief Executive Officer

Date: October 02, 2010  
Karachi







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 Islamic Savings 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 period ended 30 June 2010.

*Ernst & Young Global Limited*

**Chartered Accountants**

Date: October 02, 2010  
Karachi





We have audited the accompanying financial statements of Faysal Islamic Savings 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 period 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 period 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	<b>June 30, 2010</b> --- (Rupees) ---
<b>Assets</b>		
Bank balances	7	<b>333,254,080</b>
Return receivable on bank balances		<b>2,589,647</b>
Preliminary expenses and floatation costs	8	<b>2,735,834</b>
<b>Total assets</b>		<b>338,579,561</b>
<b>Liabilities</b>		
Payable to the Management Company	9	<b>3,007,748</b>
Remuneration payable to the Trustee of Pakistan	10	<b>29,812</b>
Accrued and other liabilities	11	<b>1,962,774</b>
<b>Total liabilities</b>		<b>5,000,334</b>
<b>Net assets</b>		<b><u>333,579,227</u></b>
<b>Unit holders' fund</b>		<b><u>333,579,227</u></b>
		--- (No. of Units) ---
<b>Number of units in issue</b>		<b><u>3,323,224</u></b>
		--- (Rupees) ---
<b>Net assets value per unit</b>		<b><u>100.38</u></b>
<b>Contingencies and commitments</b>	12	

The annexed notes from 1 to 22 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 PERIOD ENDED JUNE 30, 2010

**For the period from June  
17, 2010 to June 30, 2010**

	Note	--- (Rupees) ---
<b>Income</b>		
Return on bank balances		1,882,012
<b>Element of loss and capital losses included in prices of units sold less those in units redeemed</b>		<b>(197,920)</b>
<b>Total income</b>		<b>1,684,092</b>
<b>Expenses</b>		
Remuneration of the Management Company	9	222,118
Remuneration of the Trustee	10	29,812
Bank charges		290
Auditors' remuneration	13	120,852
SECP annual fee		11,105
Legal and professional charges		3,332
Amortisation of preliminary expenses and floatation costs	8	19,796
Printing and other expenses		20,006
<b>Total Expenses</b>		<b>427,311</b>
<b>Net income for the period before taxation</b>		<b>1,256,781</b>
<b>Taxation</b>	14	-
<b>Net income for the period after taxation</b>		<b>1,256,781</b>
Other comprehensive income for the period		-
<b>Total comprehensive income for the period</b>		<b>1,256,781</b>
<b>Earnings per unit</b>	15	<b>0.38</b>

The annexed notes from 1 to 22 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





# FAYSAL ISLAMIC SAVINGS GROWTH FUND

## DISTRIBUTION STATEMENT

FOR THE PERIOD ENDED JUNE 30, 2010

**For the period  
from June 17, 2010  
to June 30, 2010**

--- (Rupees) ---

Net income for the period

**1,256,781**

Undistributed income carried forward

**1,256,781**

The annexed notes from 1 to 22 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

collective wisdom



faysal funds



FOR THE PERIOD ENDED JUNE 30, 2010

**For the period from June 17, 2010  
to June 30, 2010**

Note	-- (Rupees) --
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net income for the period before taxation	<b>1,256,781</b>
<b>Adjustments for non-cash and other items:</b>	
Amortisation of preliminary expenses and floatation costs	<b>19,796</b>
Return on bank balances	<b>(1,882,012)</b>
Element of loss and capital losses included in prices of units sold less those in units redeemed	<b>197,920</b>
	<b>(407,515)</b>
<b>Increase in liabilities</b>	
Payable to the Management Company	<b>252,118</b>
Remuneration payable to the Trustee	<b>29,812</b>
Accrued and other liabilities	<b>1,255,139</b>
	<b>1,537,069</b>
<b>Net cash from operating activities</b>	<b>1,129,554</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Amounts received against issue of units	<b>397,339,000</b>
Payments made against redemption of units	<b>(65,214,474)</b>
<b>Net cash from financing activities</b>	<b>332,124,526</b>
Net increase in cash and cash equivalents during the period	<b>333,254,080</b>
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	<b>333,254,080</b>

The annexed notes from 1 to 22 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 period from June 17, 2010  
to June 30, 2010**

Note	--- (Rupees) ---
Net asset value per unit at the beginning of the period	100.00
Net asset value per unit at the end of the period	100.38
<b>Net assets at the beginning of the period</b>	-
Amount received on issue of units *	397,339,000
Amount paid on redemption of units **	(65,214,474)
	332,124,526
Element of loss and capital losses included in prices of units sold less those in units redeemed	197,920
Net income for the period after taxation	1,256,781
Other comprehensive income for the period	-
<b>Total comprehensive income for the period</b>	1,256,781
<b>Net assets at the end of the period</b>	333,579,227
	Number of Units
* Number of units issued	3,973,288
** Number of units redeemed	650,064

The annexed notes from 1 to 22 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 PERIOD ENDED JUNE 30, 2010

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

Faysal Islamic Savings 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 June 4, 2009. It has been constituted under a Trust Deed, dated April 22, 2009, between Faysal Asset Management Limited (the Management Company) and Central Depository Company of Pakistan Limited (CDC) as the Trustee.

The Fund is a Shariah Compliant open ended Islamic income scheme. The units are offered for public subscription on a continuous basis and are transferable and can be redeemed by surrendering them to the Fund. The Fund was launched on June 14, 2010.

The policy of the Fund is to invest in Shariah Compliant money market and debt securities having good credit quality rating and liquidity.

## **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 Regulations, 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** These financial statements are presented in Pak Rupees which is the Fund's functional and presentation currency.

## **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **4.1 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:

#### 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.

## 4.2 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.

## 4.3 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.

#### 4.4 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.

#### 4.5 Provisions

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

#### 4.6 Issue and redemption of units

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

#### 4.7 Cash and cash equivalents

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





#### 4.8 Revenue recognition

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

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

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

Profit on Shariah Compliant debt securities, return on certificates of investment, profit on clean placements, profit from bank deposits and profit on any other securities and instruments that may be permitted by the SECP and Shariah Council are recognised on a time proportion basis using effective interest rate method.

#### 4.9 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 and 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.

#### 4.10 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates, if any. The Fund is exempt from taxation under clause 99 of Part I of the 2nd Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income excluding realised and unrealised capital gains for the period are distributed amongst the Fund's 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.

#### 4.11 Offsetting of financial assets and liabilities

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

#### 4.12 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 period end.

#### 4.13 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.



#### **4.14 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred till the close of the Initial Public Offering (IPO) period. These costs are to be amortised over a period not exceeding sixty months commencing from June 17, 2010.

#### **4.15 Financial assets and financial liabilities**

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

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

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

### **5. ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect 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 in the financial statements.

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

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

<b>Standard or Interpretation</b>	<b>Effective date (accounting periods beginning on or after)</b>
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 --- (Rupees) ---
<b>7. BANK BALANCES</b>		
Cash at bank - PLS saving accounts	7.1	<u>333,254,080</u>
7.1 These carry mark-up ranging from 5% to 11.2% per annum.		
<b>8. PRELIMINARY EXPENSES AND FLOATATION COSTS</b>		
Preliminary expenses and floatation costs	8.1	2,755,630
Amortisation during the period	8.1	<u>(19,796)</u>
		<u>2,735,834</u>
8.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund as incurred by the Management Company and are being amortised over a period of five years commencing from June 17, 2010.		
<b>9. PAYABLE TO THE MANAGEMENT COMPANY</b>		
Management fee payable	9.1	222,118
Preliminary expenses and floatation costs		2,755,630
Others		30,000
		<u>3,007,748</u>
9.1 The Management Company is entitled to a remuneration for services rendered to the Fund under 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 period, the Management Company has claimed its remuneration at the rate of 1.5 % of the average annual net assets.		
<b>10. REMUNERATION PAYABLE TO THE TRUSTEE</b>		
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.		
<b>11. ACCRUED AND OTHER LIABILITIES</b>		
Payable to Pre-IPO investors		1,807,478
SECP annual fee payable	11.1	11,105
Accrued expenses		144,191
		<u>1,962,774</u>



**11.1** 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 0.075% of the net asset value of the Fund.

**12. CONTINGENCIES AND COMMITMENTS**

**12.1 Contingencies**

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, due to the fact that (a) a final decision in this matter by the SHC is currently pending, and (b) the amount involved is not material to the financial statements of the Fund taken as a whole, no provision in respect of WWF for the period ended June 30, 2010 amounting to Rs.25,136 has been made in these financial statements (see also note 19.2).

**12.2 Commitments**

There were no commitments as at June 30, 2010.

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

**13. AUDITORS' REMUNERATION**

Audit fee	<b>100,000</b>
Other certifications	<b>20,852</b>
	<b><u>120,852</u></b>

**14. 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 period, as reduced by the capital gains whether realised or unrealised, is distributed among its unit holders.

**15. EARNINGS PER UNIT**

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

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

**16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

Details of Transactions with connected persons and balances with them at the period end are as follows:





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

**16.1 Transactions during the period**

<b>Faysal Asset Management Limited (Management Company)</b> Remuneration of Management Company	<b>222,118</b>
<b>Faysal Asset Management Limited (Management Company)</b> Issue of 1,500,000 units	<b>150,000,000</b>
<b>Faysal Bank Limited (group company)</b> Issue of 1,000,000 units	<b>100,000,000</b>
<b>Central Depository Company of Pakistan Limited - (Trustee of the Fund)</b> Remuneration of trustee	<b>29,812</b>

**16.2 Outstanding balances**

<b>Faysal Asset Management Limited (Management Company)</b> Remuneration of the Management Company Units in issue 1,500,000 units	<b>222,118 150,000,000</b>
<b>Faysal Bank Limited (group company)</b> Units in issue 1,000,000 units	<b>100,000,000</b>
<b>Central Depository Company of Pakistan Limited- (Trustee of the Fund)</b> Remuneration payable to trustee	<b>29,812</b>

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

**17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

**17.1 Market risk**

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

**(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. The bank balances are subject to interest rates as declared by the respective bank on periodic basis. Management of the Fund estimates that an increase of 100 basis points in the market rates, with all other factors remaining constant, would increase the Fund's income by Rs.3.33 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 interest rate risk -----				Not exposed to yield / interest rate risk	Total
	upto one month	More than one month and upto three months	More than and three months upto one year	More than one year		

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

Financial assets						
Bank balances	333,254,080	-	-	-	-	333,254,080
Return receivable on bank balances	-	-	-	-	2,589,647	2,589,647
	333,254,080	-	-	-	2,589,647	335,843,727

Financial liabilities

Payable to the

Management Company	-	-	-	-	3,007,748	3,007,748
Remuneration payable to the Trustee	-	-	-	-	29,812	29,812
Accrued and other liabilities	-	-	-	-	1,951,669	1,951,669
	-	-	-	-	4,989,229	4,989,229

On statement of assets and liabilities gap	333,254,080	-	-	-	(2,399,582)	330,854,498
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(ii) **Foreign Currency Risk**

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

(iii) **Equity price risk**

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The Fund does not have any equity instrument and it is not exposed to such risk.

**17.2 Liquidity risk**

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

The table below summarizes the maturity profile of the Fund's financial instruments. 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 income statement', 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 up to three months	More than three months and up to year	More than one year	Total
(Rupees)					
<b>Assets</b>					
Bank balances	333,254,080	-	-	-	333,254,080
Return receivable on bank balances	2,589,647	-	-	-	2,589,647
	<u>335,843,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>335,843,727</u>
<b>Liabilities</b>					
Payable to the Management Company	222,118	30,000	-	2,755,630	3,007,748
Remuneration payable to the Trustee	29,812	-	-	-	29,812
Accrued and other liabilities	1,807,478	144,191	-	-	1,951,669
	<u>2,059,408</u>	<u>174,191</u>	<u>-</u>	<u>2,755,630</u>	<u>4,989,229</u>
<b>Net assets</b>	<u>333,784,319</u>	<u>(174,191)</u>	<u>-</u>	<u>(2,755,630)</u>	<u>330,854,498</u>

**17.3 Credit risk**

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

	<b>June 30, 2010</b>
	<b>--- (Rupees) ---</b>
Bank balances	<b>333,254,080</b>
Return receivable on bank balance	<b>2,589,647</b>
	<b><u>335,843,727</u></b>

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:

	<b>June 30, 2010</b>
	<b>---- % ----</b>
Rating category	
AA, AA-, AA+	<b>30%</b>
A, A-, A+	<b>70%</b>
	<b><u>100%</u></b>

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

	<b>June 30, 2010</b>
	<b>% of assets exposed to credit risk</b>
Banks	<b><u>100%</u></b>





#### 17.4 Capital management

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

#### 17.5 Fair value Hierarchy

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

- |          |   |
|----------|---|
| Level 1: | quoted prices in active markets for identical assets.   |
| Level 2: | other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. |
| Level 3: | techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.            |

As at June 30, 2010, the Fund has no financial instruments measured at fair value.

### 18. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

**19.1** 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 Rs.0.35 per unit. The financial statements of the Fund for the period 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 period end.

**19.2** 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 June 17, 2010 and, accordingly, adjusted in the NAV of the Fund as at October 02, 2010 and onwards on a daily basis.

**19.3** Zakat payment is the responsibility of each unit holder. Nevertheless, the Fund follows the provisions of Zakat and Ushr Ordinance, 1980. Units held by individual resident Pakistani shareholders are subject to Zakat @ 2.5% of the par value of the unit under the said Ordinance, except those exempted from Zakat. Zakat is deducted at source from dividend or from redemption proceeds, if units are redeemed during the Zakat year before the payment of Zakat.

### 20. SUPPLEMENTARY NON FINANCIAL INFORMATION

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





## 21. GENERAL

21.1 Being the first accounting period of the Fund, there are no corresponding figures to report.

21.2 Figures are rounded off to the nearest rupee.

## 22. 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	%
Public limited companies	1	100,000	3.01
Individuals	35	473,224	14.24
Associated companies and directors (including Close relatives)	2	2,500,000	75.23
Others	1	250,000	7.52
	<u>39</u>	<u>3,323,224</u>	<u>100.00</u>

**(ii) 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 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.

**(iii) PERFORMANCE TABLE**

**June 30, 2010  
(Rupees)**

Net assets	333,579,227
Net asset value per unit	100.38
Offer price	100.38
Repurchase price per unit	100.38
Highest offer price per unit	100.38
Highest repurchase price per unit	100.38
Lowest offer price	100.00
Lowest repurchase price per unit	100.00
Total return:	
- capital growth	7.89 %
- income distribution	92.10 %





**June 30, 2010  
(Rupees)**

Average annual return:  
(Launch date: May 07, 2007)

- one year

8.48 %

Distribution per unit:

- Interim distribution per unit

0.00 %

- Final distribution per unit

0.35 %

0.35 %

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.

**(iv) 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.





**(v) 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 Rating of Faysal Islamic Savings Growth Fund is in process.

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

