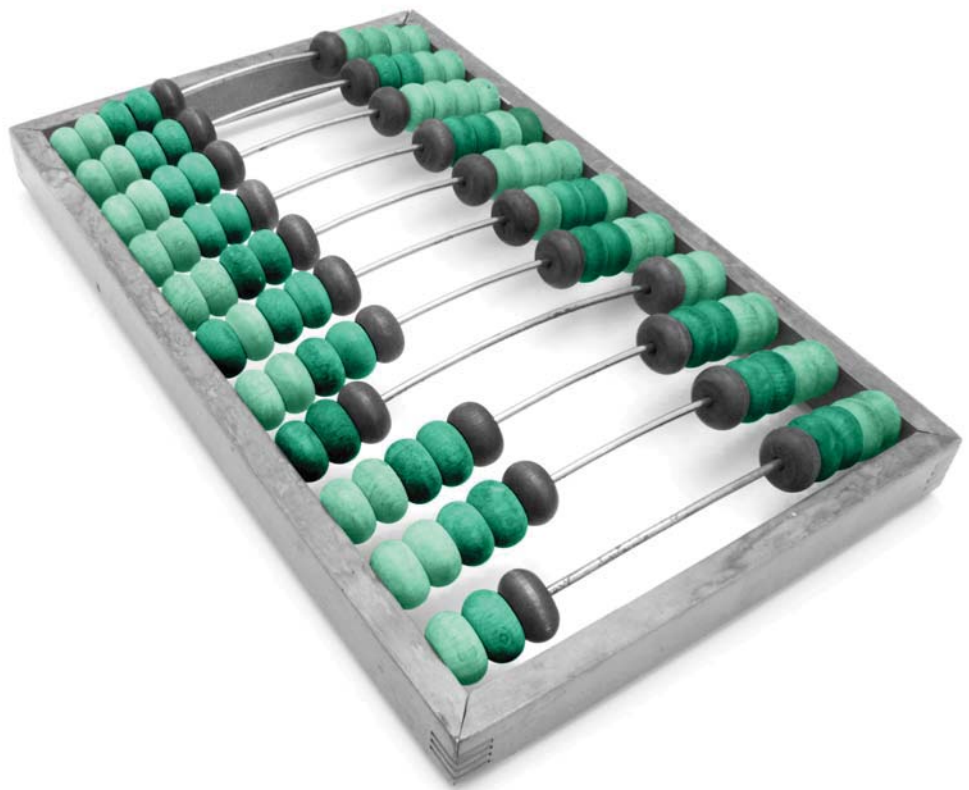


Faysal Asset Management

Islamic Savings Growth Fund

Financial Statements for the year ended June 30, 2014



Faysal Islamic Savings Growth Fund

Faysal Islamic Savings Growth Fund (FISGF) is an open-ended mutual fund. The units of FISGF are listed on the Karachi Stock Exchange and were initially offered to the public on 14 June 2010. FISGF seeks to provide investors maximum preservation of capital and a reasonable rate of return via investing in Shariah compliant money market and debt securities having good quality rating and liquidity.

CONTENTS

Fund Information	04
Mission Statement	05
Report of the Directors of the Management Company	06
Fund Manager's Report	09
Report of the Shariah Advisor	11
Independent Assurance Report to the Unit Holders of the Fund in respect of the Fund's Compliance with Shariah Rules & Principle.	13
Trustee Report to the Unit Holders	14
Review Report to the Unit Holders on the Statment of Compliance with the best practices of the code of corporate governance	15
Statement of Compliance with the best practices of the code of corporate governance	16
Independent Auditors' Report to the Unit Holders	18
Statment of assets and Liabilities	20
Income Statment	21
Distribution Statement	22
Cash Flow Statement	24
Statment of Movement in Unit Holders' Funds	25
Notes to the Financial Statements	27
Supplementary Non Financial Information	44

FUND INFORMATION

Management Company

Faysal Asset Management Limited

Board of Directors of the Management Company

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

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

Mr. Najm-Ul-Hassan

Audit Committee

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

Trustee to the Fund

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

Bankers to the fund

National Bank - Islamic Banking
Dubai Islamic Bank Pakistan Limited
Al-Baraka Bank Limited
Burj Bank Limited
UBL Ameen - Islamic Banking

Auditors

Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants

Legal Advisor

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

Registrar

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

MISSION STATEMENT

Faysal Islamic Savings Growth Fund seeks to provide maximum possible preservation of capital and a responsible Shariah compliant return to its units holder.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

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

SALE AND REDEMPTION OF UNITS

During the year, units worth Rupees 238.283 million were issued and units with a value of Rupees 399.276 million were redeemed.

UNIT HOLDERS

As of June 30, 2014, total unit outstanding were, 6,556,309 units with a value of Rs. 665.418 million were outstanding (period ended June 30, 2013: 7,654,170 units with a value of Rs. 784.980 million)

UNIT PRICES

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

	Offer Price	Redemption Price
Highest	103.35	103.35
Lowest	101.47	101.47
As of June 30, 2014	101.49	101.49

ECONOMIC OUTLOOK

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

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

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

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

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

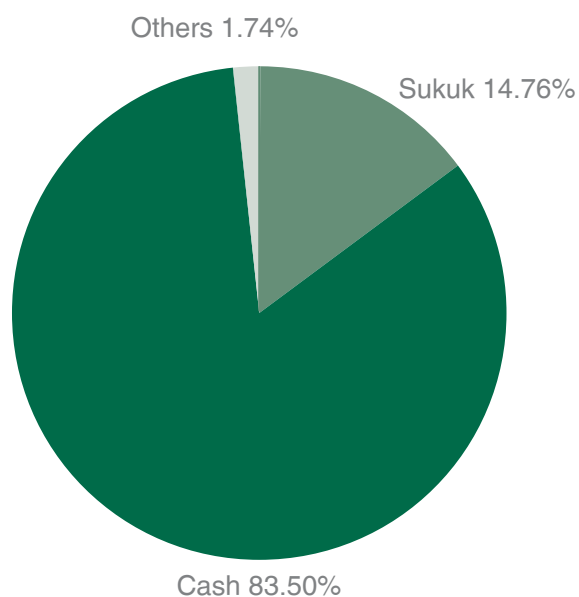
Having considered weak economic condition along with fragile external account, depreciating rupee, negligible foreign exchange reserves and rising inflation in early 1HFY14, SBP hiked discount rate twice in a year from 9-9.5% and 9.5-10% in Sept and Nov 2013 respectively. However, discount rate was kept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

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

PERFORMANCE

Faysal Islamic Saving Growth Fund generated a return of 7.65% over FY14 beating the benchmark by 73 bps. During the year, exposure to Ijarah Sukuk was curtailed and exposure was initiated towards high yielding Shariah compliant corporate sukuks to diversify portfolio. As per the envisaged investment strategy, FISGF shall increase exposure to high yielding corporate Sukuks to provide optimum risk adjusted returns without compromising on asset quality of the fund.

ASSET ALLOCATION



INCOME DISTRIBUTION

The Board of directors has not approved Final distribution as the income for year is already distributed via Interims distribution at the rate of 7.42% (i.e Rs. 7.42 per unit of par value of Rs.100 each).

MUTUAL FUND RATING

JCR-VIS has awarded the fund stability rating of "AA- (f)" for Faysal Islamic Savings Growth Fund (FISGF). This rating denotes High degree of stability in Net Asset Value. The credit rating also signifies the strength of the credit quality of financial instruments in the portfolio. It also denotes low portfolio risk, duration risk and interest rate risk.

CORPORATE GOVERNANCE

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

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

1. Statements under clause xvi of the Code:

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

There was no sale and repurchase of units of the Fund carried out by the directors, CEO, COO, CFO, Head of Internal Audit, Company Secretary, their spouses and minor children, and the Management Company.

PATTERN OF HOLDING

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

AUDITORS

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

ACKNOWLEDGEMENT

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

For and on behalf of the Board

Karachi: 30th September, 2014

Enamullah Khan
Chief Executive Officer

FUND MANAGER'S REPORT

Economic Outlook for FY14

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

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

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

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

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

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

Money Market Outlook FY14

Due to increased investor confidence, activity picked up substantially in long term bonds. Total amount accepted during FY14 was approximately PKR 2.037tn in PIBs via 12 auctions conducted by SBP where major concentration was focused towards 3Yr and 5Yr tenor bonds. This trend is expected to continue into FY15 with the latest auction attracting similar strong participation with the government raising PKR210bn against a target of PKR100bn. FY15 is expected to follow a similar trend; participation should remain skewed towards the longer tenor on the back of expectation of stable interest rates. During the year under review 23 T bill auctions were also held through which PKR 6.63tn was raised against the participation of PKR 7.24tn.

Recent policy of re-profiling government's short-term debt into long-term debt by offering long-term bonds at attractive spreads, above the inflation rate and short-term T-bill yields, has created an opportunity for the investors to earn higher real returns by investing in sovereign debt.

Due to substantial interest in long term bonds, the interbank money market remained relatively illiquid throughout the year. In FY14 SBP continued to intervene in the money market by Open Market Operations (OMO) and injected PKR 1.85tn at an average rate of 9.85%.

FUND MANAGER’S REPORT

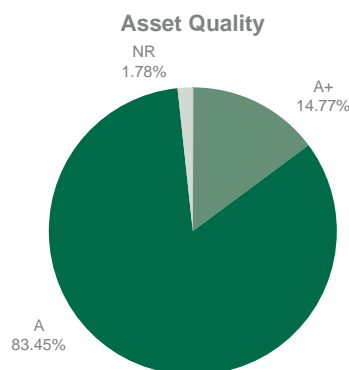
Owing to completion of 3G & 4G auction, initiation of privatization process and successful launch of dollar bond, government was able to raise country’s foreign exchange reserves during the last fiscal year and the country’s total FX reserves at the end of FY14 were approximately US\$ 14.0bn up by 26.95% YoY.

While a major portion of the funding raised was utilized for debt payments, FY15 is expected to remain positive as major repayments to IMF have already been made during FY14.

While food inflation remained on the higher side overall CPI remained close to the government’s target of 8.5% and we expected SBP’s monetary policy to take its lead from overall CPI figures which are expected to dip marginally over the first quarter of the fiscal and then pick up again for the remainder of the year as the full impact of subsidy removals in gas and power begin to take effect.

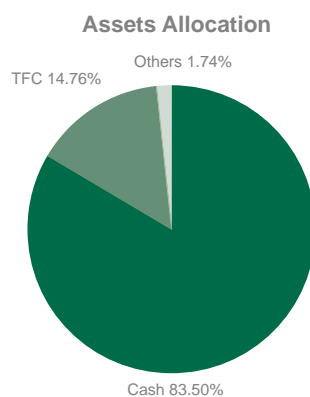
FUND INFORMATION

Fund Type	Open Ended
Category	Islamic Income Scheme
Stability Rating	AA - (f) (JCRVIS)
Risk Profile	Low
Launch Date	June 14, 2010
Custodian/Trustee	CDC
Auditor	Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants
Management Fee	1.50%
Front/Back end Load	Nil
Min Subscription	PKR 5000
Benchmark	Average 6M deposit rate of 3 Islamic Banks
Pricing Mechanism	Forward
Dealing Days	Monday-Friday
Cut-Off Timing	9am-5pm
AMC Rating	AM3+ (JCRVIS)
NAV per Unit (PKR)	101.49
Net Assets (PKR mn)	665.42
Leverage	Nil



FUND INFORMATION

	June 14	June 13
YTD	7.65	8.28
Benchmark (YTD)	9.92	7.30



FISGF

Faysal Islamic Savings Growth Fund generated a return of 7.65% over FY14 beating the benchmark by 73 bps. During the year, exposure to Ijarah Sukuk was curtailed and exposure was initiated towards high yielding Shariah compliant corporate sukuk to diversify portfolio. As per the envisaged investment strategy, FISGF shall increase exposure to high yielding corporate Sukuk to provide optimum risk adjusted returns without compromising on asset quality of the fund.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
 الْحَمْدُ لِلَّهِ رَبِّ الْعَالَمِينَ، وَالصَّلَاةُ وَالسَّلَامُ عَلَى خَاتَمِ النَّبِيِّينَ وَسَيِّدِ الْمُرْسَلِينَ،
 وَعَلَى آلِهِ وَأَصْحَابِهِ أَجْمَعِينَ. أَمَّا بَعْدُ

REPORT OF THE SHARIAH ADVISOR
 FAYSAL ISLAMIC SAVINGS GROTH FUND

Karachi
 June 30, 2014

By the blessing of ALLAH, the year ended 30 June, 2014 under analysis was the fourth year of operations of Faysal Islamic Savings Growth Fund (FISGF). We, as the Shariah Advisors 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 activities.

In the capability of Shariah Advisors, 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' 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:

- We have reviewed and approved the modes of investment of FISGF in light of the Shariah guidelines.
- All the provisions of the scheme and investment made on account of FISGF by FAML Fund Managers are Shariah Compliant and in accordance with the criteria established.
- On the basis of information provided by the management, all operations of FISGF for year ended 30 June 2014 have been in compliance with the Shariah Principles.

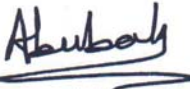




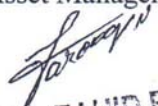
May Allah make us successful and accept efforts of the management company for developing of Islamic Finance System.

وصلی اللہ علی حبیبہ محمد صلی اللہ علیہ وسلم

Mufti Muhammad Abubaker
Shariah Advisor
Faysal Asset Management limited


Muhammad Abubaker Siddiq
Shariah Advisor
Faysal Asset Management Limited

Abdul Zahid Farooqi
Shariah Advisor
Faysal Asset Management limited


ABDUL ZAHID FAROOQI
Shariah Advisor
Faysal Asset Management Limited

Independent assurance report to the unit holders of the Fund in respect of the Fund's compliance with the Shariah rules and principles

1. 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 year ended 30 June 2014, 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 Faysal Asset Management Company Limited (the Management Company) 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 year ended 30 June 2014.

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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



TRUSTEE REPORT TO THE UNIT HOLDERS

FAYSAL ISLAMIC SAVINGS GROWTH FUND

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

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

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


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

Karachi: October 10, 2014



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

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

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

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

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

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

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

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

Chartered Accountants
Date: 30th September, 2014
Karachi

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

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

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

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

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

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

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

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

Karachi
Dated: 30th September, 2014

Enamullah Khan
Chief Executive Officer

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

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

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: 30th September, 2014

Karachi

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2014

	Note	June 30, 2014 ----- (Rupees) -----	June 30, 2013 -----
Assets			
Bank balances	7	562,598,207	405,353,572
Investments	8	99,482,129	374,468,441
Prepayments, deposits and other receivables	9	11,200,469	9,443,502
Preliminary expenses and floatation costs	10	528,380	1,079,530
Total assets		673,809,185	790,345,045
Liabilities			
Payable to the Management Company	11	961,873	1,137,854
Remuneration payable to the Trustee	12	92,381	109,715
Accrued and other liabilities	13	7,336,842	4,117,947
Total liabilities		8,391,096	5,365,516
Net assets		665,418,089	784,979,529
Unit holders' fund (as per the statement attached)		665,418,089	784,979,529
		----- (Number of units) -----	
Number of units in issue		6,556,309	7,654,170
		----- (Rupees) -----	
Net asset value per unit		101.49	102.56

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

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

Chief Executive Officer

Director

Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	June 30, 2014	June 30, 2013
Note	----- (Rupees) -----	
Income		
Profit earned on government securities and sukuk certificates classified as 'at fair value through profit or loss' - held-for-trading	21,287,115	34,659,501
Mark-up earned on commercial paper- classified as 'held-to-maturity'	5,312,406	10,271,238
Return on bank balances and term deposit receipts	33,698,311	21,185,347
Return on certificate of musharika - classified as 'held-to-maturity'	3,200,550	1,795,890
Other income	297,000	-
Net gain on investments:		
- Net capital gain on sale of investments classified as:		
- designated 'at fair value through profit or loss'	913,349	50,000
- 'at fair value through profit or loss'- held-for-trading	4,131,350	2,524,873
- Net unrealised gain / (loss) on revaluation of investments classified as:		
- designated 'at fair value through profit or loss'	-	(913,349)
- 'at fair value through profit or loss' - held-for-trading	482,129	-
8.5	<u>5,526,828</u>	<u>1,661,524</u>
Total income	69,322,210	69,573,500
Expenses		
Remuneration of the Management Company	10,383,230	10,246,773
Provision for indirect taxes and duties	1,927,128	92,915
Sales tax on management fee	1,661,317	1,654,351
Remuneration of the Trustee	1,175,169	1,161,320
Brokerage charges	68,200	256,500
Bank charges	48,197	25,086
Auditors' remuneration	473,950	405,000
SECP annual fee	520,957	512,335
Legal and professional charges	27,616	60,000
Fees and subscriptions	199,965	180,042
Settlement charges, federal excise duty and capital value tax	9,320	5,504
Amortisation of preliminary expenses and floatation costs	551,150	551,150
Printing charges and other expenses	253,372	257,064
Provision for Workers' Welfare Fund	1,024,552	1,182,883
13.4	<u>18,324,123</u>	<u>16,590,923</u>
Total expenses	18,324,123	16,590,923
Net income from operating activities	50,998,087	52,982,577
Element of (loss) / income and capital (losses) / gains included in prices of units sold less those in units redeemed - net	(795,024)	4,977,930
Net income for the year before taxation	50,203,063	57,960,507
Taxation	-	-
15	<u>50,203,063</u>	<u>57,960,507</u>
Net income for the year after taxation	50,203,063	57,960,507
Other comprehensive income for the year	-	-
Total comprehensive income for the year	50,203,063	57,960,507

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

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

Chief Executive Officer

Director

Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	-----
Undistributed income brought forward		
[includes unrealised loss on investments of Rs.913,349 (2012: unrealised gain of Rs.72,935)]	16,150,927	14,655,334
Final bonus distribution for the year ended June 30, 2013 @ Rs.1.20 (2012: Rs.2.00) per unit declared for distribution on July 05, 2013	(7,752,172)	(8,031,453)
Final cash dividend for the year ended June 30, 2013 @ Rs.1.20 (2012: Rs.2.00) per unit declared for distribution on July 05, 2013	(1,432,830)	(2,386,548)
Interim bonus distribution for the month of July 31, 2013 @ Re.0.45 (2012: Rs.Nil) per unit declared for distribution on August 01, 2013	(2,521,002)	-
Interim cash dividend for the month of July 31, 2013 @ Re.0.45 (2012: Rs.Nil) per unit declared for distribution on August 01, 2013	(537,311)	-
Interim bonus distribution for the month of August 31, 2013 @ Re.0.45 (2012: Rs.Nil) per unit declared for distribution on September 02, 2013	(2,628,697)	-
Interim cash dividend for the month of August 31, 2013 @ Re.0.45 (2012: Rs.Nil) per unit declared for distribution on September 02, 2013	(537,311)	-
Interim bonus distribution for the quarter ended September 30, 2013 @ Re.0.55 (2012: Rs.2.5) per unit declared for distribution on October 29, 2013	(3,202,078)	(11,499,628)
Interim cash dividend for the quarter ended September 30, 2013 @ Re.0.55 (2012: Rs.2.5) per unit declared for distribution on October 29, 2013	(656,714)	(2,985,062)
Interim bonus distribution for the month of October 31, 2013 @ Re.0.30 (2012: Rs.Nil) per unit declared for distribution on November 01, 2013	(1,756,013)	-
Interim cash dividend for the month of October 31, 2013 @ Re.0.30 (2012: Rs.Nil) per unit declared for distribution on November 01, 2013	(358,207)	-
Interim bonus distribution for the month of November 30, 2013 @ Re.0.50 (2012: Rs.Nil) per unit declared for distribution on December 02, 2013	(2,828,749)	-
Interim cash dividend for the month of November 30, 2013 @ Re.0.50 (2012: Rs.Nil) per unit declared for distribution on December 02, 2013	(597,012)	-
Interim bonus distribution for the quarter ended December 31, 2013 @ Re.0.80 (2012: Rs.1.75) per unit declared for distribution on February 24, 2014	(4,383,763)	(11,462,239)
Interim cash distribution for the quarter ended December 31, 2013 @ Re.0.80 (2012: Rs.1.75) per unit declared for distribution on February 24, 2014	(858,619)	(2,089,544)
Interim bonus distribution for the month of January 31, 2014 @ Re.0.45 (2013: Rs.Nil) per unit declared for distribution on February 03, 2014	(2,396,153)	-
Interim cash distribution for the month of January 31, 2014 @ Re.0.45 (2013: Rs.Nil) per unit declared for distribution on February 03, 2014	(483,311)	-
Balance c/f.	(16,779,015)	(23,799,140)

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
Balance b/f.	(16,779,015)	(23,799,140)
Interim bonus distribution for the month of February 28, 2014 @ Re.0.52 (2013: Rs.Nil) per unit declared for distribution on March 03, 2014	(2,862,740)	-
Interim cash distribution for the month of February 28, 2014 @ Re.0.52 (2013: Rs.Nil) per unit declared for distribution on March 03, 2014	(558,103)	-
Interim bonus distribution for the month of March 31, 2014 @ Re.0.60 (2013: Rs.Nil) per unit declared for distribution on April 02, 2014	(3,263,213)	-
Interim cash distribution for the month of March 31, 2014 @ Re.0.60 (2013: Rs.Nil) per unit declared for distribution on April 02, 2014	(625,965)	-
Interim bonus distribution for the quarter ended March 31, 2014 @ Re.0.25 (2013: Rs.1.85) per unit declared for distribution on April 28, 2014	(1,369,159)	(11,953,059)
Interim cash distribution for the quarter ended March 31, 2014 @ Re.0.25 (2013: Rs.1.85) per unit declared for distribution on April 28, 2014	(260,819)	(2,208,946)
Interim bonus distribution for the month of April 30, 2014 @ Re.0.90 (2013: Rs.Nil) per unit declared for distribution on May 05, 2014	(4,927,239)	-
Interim cash distribution for the month of April 30, 2014 @ Re.0.90 (2013: Rs.Nil) per unit declared for distribution on May 05, 2014	(938,947)	-
Interim bonus distribution for the month of May 31, 2014 @ Re.0.50 (2013: Re.0.50) per unit declared for distribution on June 02, 2014	(2,757,412)	(3,251,423)
Interim cash distribution for the month of May 31, 2014 @ Re.0.50 (2013: Re.0.50) per unit declared for distribution on June 02, 2014	(521,637)	(597,012)
Interim bonus distribution for the period ended June 27, 2014 @ Rs.1.15 (2013: Rs.Nil) per unit declared for distribution on June 27, 2014	(6,269,359)	-
Interim cash distribution for the period ended June 27, 2014 @ Rs.1.15 (2013: Rs.Nil) per unit declared for distribution on June 27, 2014	(1,199,766)	-
Net income for the year after taxation	50,203,063	57,960,507
Undistributed income carried forward	<u>7,869,689</u>	<u>16,150,927</u>
[includes unrealised gain on investments of Rs.482,129 (2013: unrealised loss on investments of Rs.913,349)]		

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

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

Chief Executive Officer

Director

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	June 30, 2014	June 30, 2013
Note	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	50,203,063	57,960,507
Adjustments for non-cash and other items:		
Net capital gain on sale of investments classified as:		
- designated 'at fair value through profit or loss'	(913,349)	(50,000)
- 'at fair value through profit or loss'- held-for-trading	(4,131,350)	(2,524,873)
Net unrealised gain / (loss) on revaluation of investments classified as:		
- designated 'at fair value through profit or loss'	-	913,349
- 'at fair value through profit or loss' - held-for-trading	(482,129)	-
Profit earned on government securities and sukuk certificates	(21,287,115)	(34,659,501)
Mark-up earned on commercial paper- sukuk certificate	(5,312,406)	(10,271,238)
Return on certificate of musharika	(3,200,550)	(1,795,890)
Return on bank balances and term deposit receipts	(33,698,311)	(21,185,347)
Other income	(297,000)	-
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed - net	795,024	(4,977,930)
Amortisation of preliminary expense and floatation costs	551,150	551,150
	(17,772,973)	(16,039,773)
Decrease in assets		
Prepayments, deposits and other receivables	(3,065,035)	(24,958)
Increase / (decrease) in liabilities		
Payable to the Management Company	(175,981)	(1,705,447)
Remuneration payable to the Trustee	(17,334)	36,177
Accrued and other liabilities	2,019,130	1,402,887
	1,825,815	(266,383)
	(19,012,193)	(16,331,114)
Proceeds from sale / redemption of investments	800,667,932	1,071,598,459
Payment made against purchase of investments	(511,049,000)	(1,239,129,000)
Profit received on government securities and sukuk certificates	24,555,153	42,527,727
Return received on bank balances and term deposit receipts	31,442,504	22,125,169
Net cash generated from / (used in) operating activities	326,604,396	(102,877,645)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received against issue of units	238,283,473	605,315,986
Payments made against redemption of units	(399,276,448)	(399,572,862)
Dividend paid	(8,366,786)	(10,267,112)
Net cash (used in) / generated from financing activities	(169,359,761)	195,476,012
Net increase in cash and cash equivalents during the year	157,244,635	76,267,253
Cash and cash equivalents at the beginning of the year	405,353,572	329,086,319
Cash and cash equivalents at the end of the year	562,598,207	405,353,572

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

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

Chief Executive Officer

Director

Director

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

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
Net asset value per unit at the beginning of the year	<u>102.56</u>	<u>103.00</u>
Net asset value per unit at the end of the year	<u>101.49</u>	<u>102.56</u>
Net assets at the beginning of the year	784,979,529	536,520,940
Amounts received on issue of units *	238,283,473	605,315,986
Amounts paid on redemption of units **	(399,276,448)	(399,572,862)
	(160,992,975)	205,743,124
Element of loss / (income) and capital losses / (gain) included in prices of units sold less those in units redeemed - net	795,024	(4,977,930)
Final cash dividend for the year ended June 30, 2013 @ Rs.1.20 (2012: Rs.2.00) per unit declared for distribution on July 05, 2013	(1,432,830)	(2,386,548)
Interim cash dividend for the month of July 31, 2013 @ Re.0.45 (2012: Rs.Nil) per unit declared for distribution on August 01, 2013	(537,311)	-
Interim cash dividend for the month of August 31, 2013 @ Re.0.45 (2012: Rs.Nil) per unit declared for distribution on September 02, 2013	(537,311)	-
Interim cash dividend for the quarter ended September 30, 2013 @ Re.0.55 (2012: Rs.2.5) per unit declared for distribution on October 29, 2013	(656,714)	(2,985,062)
Interim cash dividend for the month of October 31, 2013 @ Re.0.30 (2012: Rs.Nil) per unit declared for distribution on November 01, 2013	(358,207)	-
Interim cash dividend for the month of November 30, 2013 @ Re.0.50 (2012: Rs.Nil) per unit declared for distribution on December 02, 2013	(597,012)	-
Interim cash distribution for the quarter ended December 31, 2013 @ Re.0.80 (2012: Rs.1.75) per unit declared for distribution on February 24, 2014	(858,619)	(2,089,544)
Interim cash distribution for the month of January 31, 2014 @ Re.0.45 (2013: Rs.Nil) per unit declared for distribution on February 03, 2014	(483,311)	-
Interim cash distribution for the month of February 28, 2014 @ Re.0.52 (2013: Rs.Nil) per unit declared for distribution on March 03, 2014	(558,103)	-
Interim cash distribution for the month of March 31, 2014 @ Re.0.60 (2013: Rs.Nil) per unit declared for distribution on April 02, 2014	(625,965)	-
Interim cash distribution for the quarter ended March 31, 2014 @ Re.0.25 (2013: Rs.1.85) per unit declared for distribution on April 28, 2014	(260,819)	(2,208,946)
Interim cash distribution for the month of April 30, 2014 @ Re.0.90 (2013: Rs.Nil) per unit declared for distribution on May 05, 2014	(938,947)	-
Interim cash distribution for the month of May 31, 2014 @ Re.0.50 (2013: Re.0.50) per unit declared for distribution on June 02, 2014	(521,637)	(597,012)
Balance c/f.	616,414,792	727,019,022

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

	June 30, 2014 ----- (Rupees) -----	June 30, 2013 -----
Balance b/f.	616,414,792	727,019,022
Interim cash distribution for the period ended June 27, 2014 @ Rs.1.15 (2013: Rs.Nil) per unit declared for distribution on June 27, 2014	(1,199,766)	-
Net capital gain on sale of investments	5,044,699	2,574,873
Net unrealised gain / (loss) on revaluation of investments	482,129	(913,349)
Other net income for the year	44,676,235	56,298,983
Other comprehensive income for the year	-	-
Total comprehensive income for the year	50,203,063	57,960,507
Net assets at the end of the year	665,418,089	784,979,529
	----- (Number of units) -----	
* Number of units issued (including bonus units 480,199 issued during the year ended June 30, 2014 and 336,781 bonus units issued during the year ended June 30, 2013)	2,811,498	6,361,298
** Number of units redeemed	3,909,359	3,916,129

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

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

Chief Executive Officer

Director

Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

Faysal 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 04, 2009. It has been constituted under a Trust Deed, dated April 22, 2009, between Faysal Asset Management Limited (the Management Company), a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited (CDC) as the Trustee, also incorporated under the Companies Ordinance, 1984.

The Fund is a Shariah Compliant open ended Islamic income fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Karachi Stock Exchange Limited (KSE). The Fund was launched on June 14, 2010.

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

The Fund is categorised as a "Islamic Income Scheme" as per the Circular 07 of 2009 issued by Securities and Exchange Commission of Pakistan.

The JCR - VIS Credit Rating Company Limited (JCR - VIS) has assigned a " AA- (f)" fund ranking to Faysal Islamic Savings Growth Fund as of August 02, 2013.

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTES TO THE FINANCIAL STATEMENTS

4.1 New / Revised Standards, Interpretations and Amendments

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

IAS 19 – Employee Benefits – (Revised)

IFRS 7 – Financial Instruments: Disclosures – (Amendments)

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

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

IFAS 3 – Profit and Loss Sharing on Deposits

Improvements to Accounting Standards Issued by the IASB

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

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

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

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

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

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

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

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

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

4.3 Investments

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

At fair value through profit or loss

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

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

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

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

Held-to-maturity investments

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

Available-for-sale investments

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

Fair value of investments is determined as follows:

Listed shares

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

Debt securities

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

Government securities

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

NOTES TO THE FINANCIAL STATEMENTS

4.4 Derivatives

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

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

4.5 Provisions

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

4.6 Issue and redemption of units

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

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

4.7 Cash and cash equivalents

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

4.8 Revenue recognition

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

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 from Shariah Compliant debt securities, return on certificates of investment, placements under murabaha, musharikhah, mudarabah, ijara arrangements and return on bank balances are recognised on a time proportion basis using effective profit rate method.

4.9 Expenses

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

NOTES TO THE FINANCIAL STATEMENTS

4.10 Taxation

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

4.11 Net asset value (NAV) per unit

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

4.12 Distribution to unit holders

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

4.13 Preliminary expenses and floatation costs

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

4.14 Financial assets and financial liabilities

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

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

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

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

4.15 Impairment of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

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 holder's fund.

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

4.16 Offsetting of financial assets and liabilities

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

4.17 Zakat Payable

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.

5. ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

Standard, interpretation or amendment

IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
IAS 16 & 38 - Clarification of Acceptable Method of Depreciation and Amortization	January 01, 2016
IAS 16 & 41 - Agriculture: Bearer Plants	January 01, 2016
IAS 19 - Employee Contributions	July 01, 2014
IAS 32 - Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IAS 36 - Recoverable Amount for Non-Financial Assets – (Amendment)	January 01, 2014

Standard, interpretation or amendment

IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting - Amortization	January 01, 2014
IFRIC 21 - Levies	January 01, 2014

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

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

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

Standard

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

NOTES TO THE FINANCIAL STATEMENTS

		June 30, 2014	June 30, 2013
Note	----- (Rupees) -----		
7. BANK BALANCES			
Cash at bank - PLS saving accounts	7.1	<u>562,598,207</u>	<u>405,353,572</u>
		<u>562,598,207</u>	<u>405,353,572</u>
7.1 These carry mark-up ranging from 7.00% to 9.00% (June 30, 2013: 6.00% to 8.75%) per annum.			
8. INVESTMENTS			
At fair value through profit or loss - held-for-trading			
Sukuk Certificates	8.1	99,482,129	-
Designated 'at fair value through profit or loss'			
Government Securities	8.2	-	300,125,000
Held-to-Maturity			
Commercial paper - Sukuk certificates	8.3	-	74,343,441
Certificates of Musharika	8.4	-	-
		-	74,343,441
		<u>99,482,129</u>	<u>374,468,441</u>

NOTES TO THE FINANCIAL STATEMENTS

8.1 Sukuk Certificates - at fair value through profit or loss - held-for-trading

Name of investee company	Rate of return per annum	Number of Certificates				Balance as at June 30, 2014				Maturity	Carrying value as percentage of total investments	Carrying value as percentage of net assets
		As at July 01, 2013	Purchased during the year	Sold during the year	Redeemed during the year	As at June 30, 2014	Carrying Value	Market Value	Unrealised gain / (loss) on revaluation			
Sukuk Certificates												
WAPDA 3rd Sukuk	10.56%	-	21,600	21,600	-	-	-	-	-	-	-	-
KE Azam Sukuk III	12.81%	-	19,800	-	-	19,800	99,000,000	99,482,129	482,129	March, 2019	99.52%	14.88%
		-	41,400	21,600	-	19,800	99,000,000	99,482,129	482,129		99.52%	14.88%

8.1.1 Significant terms and conditions of Sukuk Certificates are as follows:

Name of security	Number of certificates held	Face value per certificate (Rupees)	Mark-up rate (per annum)	Maturity	Secured / unsecured	Rating
Sukuk Certificates - Listed						
KE Azam Sukuk III	19,800	5,000	2.75% + 3 months KIBOR	March, 2019	Secured	A+

8.2 Government Securities - designated 'at fair value through profit or loss'

Particulars	Yield per annum	Maturity	Face value				Balance as at June 30, 2014				Market value as percentage of total investments	Market value as percentage of net assets
			As at July 01, 2013	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2014	Carrying value	Market value	Unrealised gain / (loss) on revaluation		
----- (Rupees) -----												
GOP Ijara Sukuks												
GOP Ijara (April 30, 2012)	-	-	50,000,000	-	50,000,000	-	-	-	-	-	-	-
GOP Ijara (Sept 18, 2012)	-	-	200,000,000	-	200,000,000	-	-	-	-	-	-	-
GOP Ijara (Nov 15, 2010)	-	-	50,000,000	70,000,000	120,000,000	-	-	-	-	-	-	-
			300,000,000	70,000,000	370,000,000	-	-	-	-	-	-	-

8.3 Commercial papers - Sukuk Certificates (Secured) - held to maturity

Name of the investee company	Rate of return per annum	Face value			Balance as at June 30, 2014				Face value as percentage of total investments	Face value as percentage of net assets
		As at July 01, 2013	Purchased during the year	Matured during the year	As at June 30, 2014	Carrying value	Maturity	Rating		
----- (Rupees) -----										
Hub Power Company Limited	-	72,000,000	-	72,000,000	-	-	-	-	-	-
Lalpir Power Company Limited	-	-	95,000,000	95,000,000	-	-	-	-	-	-
		72,000,000	95,000,000	167,000,000	-	-	-	-	-	-

8.4 Certificates of Musharika - held to maturity

Name of the investee company	Rate of return per annum	Face value			Balance as at June 30, 2014				Face value as percentage of total investments	Face value as percentage of net assets
		As at July 01, 2013	Purchased during the year	Matured during the year	As at June 30, 2014	Carrying value	Maturity	Rating		
----- (Rupees) -----										
Meezan Bank Limited	-	-	70,000,000	70,000,000	-	-	-	-	-	-
Standard Chartered Modaraba	-	-	69,000,000	69,000,000	-	-	-	-	-	-
		-	139,000,000	139,000,000	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

	Note	June 30, 2014	June 30, 2013
		----- (Rupees) -----	-----
8.5 Net unrealised loss on revaluation of investments - designated 'at fair value through profit or loss'			
Market value of investments		99,482,129	300,125,000
Less: cost of investments		<u>(99,000,000)</u>	<u>(301,038,349)</u>
		482,129	(913,349)
Net unrealised (loss) / gain on investments at the beginning of the year		(913,349)	72,935
Realised on disposal during the year		913,349	(72,935)
		-	-
		<u>482,129</u>	<u>(913,349)</u>
9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES - considered good			
Prepayments		189,993	144,958
Security deposit - Central Depository Company of Pakistan Limited		100,000	100,000
Profit receivable on government securities		-	7,177,348
Profit receivable on Sukuk Certificates		3,613,473	-
Return receivable on bank balances and term deposits receipts		4,277,003	2,021,196
Receivable against sale of units		3,020,000	-
		<u>11,200,469</u>	<u>9,443,502</u>
10. PRELIMINARY EXPENSES AND FLOATATION COSTS			
Preliminary expenses and floatation costs	10.1	1,079,530	1,630,680
Amortisation during the year		<u>(551,150)</u>	<u>(551,150)</u>
		<u>528,380</u>	<u>1,079,530</u>
10.1 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.			
11. PAYABLE TO THE MANAGEMENT COMPANY			
Management fee payable	11.1	829,201	968,091
Sales tax on management fee payable		<u>132,672</u>	<u>169,763</u>
		<u>961,873</u>	<u>1,137,854</u>
11.1 The Management Company is entitled to a remuneration for services rendered to the Fund under the provisions of the NBFC Regulations during the first five years of a Fund's existence of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets. The Management Company has charged its remuneration at the rate of 1.5% per annum of the daily net asset value of the Fund (June 30, 2013: 1.5% per annum).			
12. REMUNERATION PAYABLE TO THE TRUSTEE		<u>92,381</u>	<u>109,715</u>

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

NOTES TO THE FINANCIAL STATEMENTS

	Note	June 30, 2014	June 30, 2013
		----- (Rupees) -----	
13. ACCRUED AND OTHER LIABILITIES			
SECP annual fee payable	13.1	520,957	512,334
Accrued liabilities		749,651	742,739
Dividend payable	13.2	1,199,765	-
Provision for Workers' Welfare Fund	13.3	3,795,940	2,769,959
Provision for indirect taxes and duties	13.4	1,070,529	92,915
		7,336,842	4,117,947

13.1 This represents annual fee payable to the SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay SECP annually an amount equal to 0.075% (June 30, 2013: 0.075%) per annum of the daily net asset value of the Fund.

13.2 This includes dividend payable amounting to Rs.977,500 (June 30, 2013: Rs.Nil) to Faysal Bank Limited (a related party).

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

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

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

As the matter relating to the levy of WWF is currently pending in the SHC, the Management Company, as a matter of prudence, has decided to retain and continue with the provision for WWF amounting to Rs.3.79 million (June 30, 2013: Rs.2.77 million) in these Financial Statements. Had the provision not been made, the net asset value per unit of the Fund would have been higher by Re.0.58 (0.57%) per unit (June 30, 2013: Rs.0.36 (0.35%) per unit).

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

NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
14. AUDITORS' REMUNERATION		
Audit fee	262,500	250,000
Review and other certifications	162,750	155,000
Others	27,438	-
	452,688	405,000
Sales tax	21,262	-
	473,950	405,000
15. TAXATION	-	-

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

16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

Transactions during the year

Faysal Asset Management Limited (Management Company)

Remuneration of Management Company	10,383,230	10,246,773
Sales tax on management fee	1,661,317	1,654,351
Preliminary expenses and floatation costs		
- paid during the period	-	2,183,340
FED paid during the period	718,722	-

Faysal Bank Limited (Group company / Associated Company)

Redemption of 150,000 units (2013: Nil units)	15,338,400	-
Cash dividend paid	7,897,600	8,600,000

Central Depository Company of Pakistan Limited - (Trustee of the Fund)

Remuneration of Trustee	1,175,169	1,161,320
Settlement charges	9,320	5,504

Units holders having 10% or more units

Farnaz Mustafa Khalid:

Redemption of Nil units (2013: 789,540 units)	-	81,006,767
Bonus issue of Nil units (2013: 33,940 units)	-	3,437,605

NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
Hamdard Lab. Waqf Pakistan Limited		
Bonus issue of 77,308 units (2013: Nil units)	7,883,481	-
Issue of 196,734 units (2013: Nil units)	20,000,000	-
Outstanding balances		
Faysal Asset Management Limited (Management Company)		
Remuneration payable to the management Company	829,201	968,091
Sales tax on management fee payable	132,672	169,763
Faysal Bank Limited (Group company / Associated Company)		
Units in issue 850,000 units (June 2013: 1,000,000 units)	86,266,500	102,555,800
Dividend payable	977,500	-
Central Depository Company of Pakistan Limited - (Trustee of the Fund)		
Remuneration payable to the Trustee	92,381	109,715
Security deposit	100,000	100,000
Units holders having 10% or more units		
HAMDARD Lab. Waqf Pak Ltd.		
Units in issue 995,958 units (2013: Nil units)	101,079,741	-

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

17.1 Market risk

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

(i) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. As of June 30, 2014, the Fund's exposure to the risk of changes in market profit rates relates primarily to bank balances, commercial papers and sukuks. The bank balances and commercial papers are subject to profit rates as declared by the respective banks on periodic basis. The sukuks are subject to floating profit rates and valued at MUFAP price. As at June 30, 2014, approximately 98.26% (June 30, 2013: 98.37%) of the Fund's financial assets are subject to profit rates.

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

Management of the Fund estimates that an increase of 100 basis points in the floating profit rate, with all other factors remaining constant, would increase the Fund's income and increase the net assets of the Fund by Rs.6.62 million (June 30, 2013: Rs.7.78 million) and a decrease of 100 basis points would result in a decrease the Fund's income and decrease the net assets of the Fund by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

NOTES TO THE FINANCIAL STATEMENTS

(ii) Foreign currency risk

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

(iii) Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The equity price risk exposure arises from the Fund's investment in equity securities. 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 holders' option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive documents.

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

June 30, 2014	Upto one month	More than one month and upto three	More than three months and upto one year	More than one year	Total
----- (Rupees) -----					
Financial liabilities					
Payable to the Management Company	961,873	-	-	-	961,873
Remuneration payable to the Trustee	92,381	-	-	-	92,381
Accrued and other liabilities	1,949,416	-	-	-	1,949,416
	3,003,670	-	-	-	3,003,670

June 30, 2013	Upto one month	More than one month and upto three months	More than three months and upto one year	More than one year	Total
----- (Rupees) -----					
Financial liabilities					
Payable to the Management Company	1,137,854	-	-	-	1,137,854
Remuneration payable to the Trustee	109,715	-	-	-	109,715
Accrued and other liabilities	742,739	-	-	-	742,739
	1,990,308	-	-	-	1,990,308

NOTES TO THE FINANCIAL STATEMENTS

17.3 Credit risk

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

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
Bank balances and term deposit receipts	562,598,207	405,353,572
Commercial papers	-	74,343,441
Investment in listed debt securities	99,482,129	-
Security deposit	100,000	100,000
Profit receivable on debt securities	3,613,473	-
Return receivable on bank balances	4,277,003	2,021,196
	<u>670,070,812</u>	<u>481,818,209</u>

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

	June 30, 2014	June 30, 2013
	----- (%) -----	
Rating category		
AA, AA-, AA+, AAA	0.07	99.99
A, A-, A+	99.92	0.01
Unrated	0.01	0.00
	<u>100.00</u>	<u>100.00</u>

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

	June 30, 2014	June 30, 2013
	% of assets exposed to credit risk	
Commercial banks	84.60	84.57
Chemicals	-	-
Electricity / energy	15.39	15.43
Others	0.01	-
	<u>100.00</u>	<u>100.00</u>

17.4 Unit Holders' Fund

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

17.5 Fair value hierarchy

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

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

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

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

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

	June 30, 2014			Total
	Level 1	Level 2	Level 3	
	(Rupees)			
Investments designated 'at fair value through profit or loss'				
Sukuk securities				
- Sukuks	-	99,482,129	-	99,482,129

	June 30, 2013			Total
	Level 1	Level 2	Level 3	
	(Rupees)			
Investments designated 'at fair value through profit or loss'				
Government securities				
- Ijara Sukuks	-	300,125,000	-	300,125,000

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

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities. 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.

NOTES TO THE FINANCIAL STATEMENTS

19. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

20. GENERAL

Figures are rounded off to the nearest rupee.

21. DATE OF AUTHORISATION FOR ISSUE

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

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

Chief Executive Officer

Director

Director

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

Annexure I

(i) PATTERN OF UNIT HOLDING

Category	No. of investors	Units held	%
Associated company	1	850,000	12.96
Insurance company	1	140,102	2.14
Retirement Funds	11	1,103,478	16.83
Individuals	316	2,776,705	42.35
Banks and DFIs	2	202,185	3.08
NBFCs	-	-	-
Other	4	1,483,839	22.63
	335	6,556,309	100.00

(ii) TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

Name	June 30, 2014 %
Elixir Securities Pakistan (Pvt) Limited	58.65%
Invest Capital Markets Limited	26.69%
C & M Management Limited	14.66%

Name	June 30, 2013 %
Elixir Securities Pakistan (Pvt) Limited	96.85%
KASB Securities Limited	3.15%

(iii) THE MEMBERS OF THE INVESTMENT COMMITTEE

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

Name	Qualification	Experience
Mr. Enamullah Khan	B. Eco , FSA, Accreditations	Over 22 years
Mr. Najm-Ul-Hassan	MBA, ACMA, CFA I	Over 19 years
Mr. Vasseh Ahmed	Master in Science	Over 6 years
Mr. Ayub Khuhro	BSC Economics, CFA I	Over 6 years
Syed Shahid Iqbal	B. COM	Over 24 years
Mr. Hassan Bin Nasir	MBA	Over 6 years
Mr. Muhammad Faraz Khan	MBA, M.A (Eco)	Over 8 years

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

(iv) PARTICULARS OF FUND MANAGERS

Name	Qualification	Other Collective Investment Schemes Managed
Mr. Hassan Bin Nasir	MBA	Faysal Income and Growth Fund

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

(v) PERFORMANCE TABLE

Net assets	665,418,089	784,979,529	536,520,940
Net asset value per unit	101.49	102.56	103.00
Offer price	101.49	102.56	103.00
Repurchase price per unit	101.49	102.56	103.00
Highest offer price per unit	103.35	104.01	105.18
Highest repurchase price per unit	103.35	104.01	105.18
Lowest offer price	101.47	101.19	100.93
Lowest repurchase price per unit	101.47	101.19	100.93
 Total return:	 7.65%	 8.08%	 10.90%
- capital growth	0.23%	0.28%	0.55%
- income distribution	7.42%	7.80%	10.35%
 Average annual return: (Launch date: June 14, 2010)			
- one year	7.65%	8.08%	10.90%
- two years	7.87%	9.49%	10.51%
- three years	8.88%	9.70%	10.31%
 Distribution per unit:			
- Interim distribution (Rs. per unit)	7.42%	6.60%	8.35%
- Final distribution (Rs. per unit)	-	1.20%	2.00%
	<u>7.42%</u>	<u>7.80%</u>	<u>10.35%</u>

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

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

(vi) MEETINGS OF THE BOARD OF DIRECTORS

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

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

* Resigned effective from September 24, 2013.

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

*** Resigned effective from April 02, 2014.

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

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

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

(vii) MEETINGS OF THE AUDIT COMMITTEE

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

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

(viii) MEETINGS OF THE BOARD HR COMMITTEE

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

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

(ix) RATING OF THE FUND AND THE MANAGEMENT COMPANY

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

Head Office
8th Floor, Tower A, Saima Trade Tower
I.I. Chundrigar Road, Karachi-Pakistan

Karachi
U 92 21 111329725
F 92 21 32277301

Lahore
T 92 42 35785558
F 92 42 35755196

Islamabad
T 92 51 2605721 / 23
F 92 51 2275252

faysalfunds.com
facebook.com/faysalasset
twitter.com/faysalasset