

Faysal Income & Growth Fund

The prime objective of Faysal Income & Growth Fund (FIGF) is to provide superior long-term risk adjusted returns by investing in a diverse pool of fixed income securities, including money market instruments; in particular, the aim is to minimise interest rate risk through duration management and default risk through portfolio diversification. The Fund will employ prudent and disciplined investment management, and maximize the total investment return through systematic and informed security selection.

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FUND INFORMATION

Management Company

Faysal Asset Management Limited

Board of Directors of the Management Company

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

CFO and Company Secretary of the Management Company

Mr. Najm-ul-Hassan

Audit Committee

Mr. Feroz Rizvi, Chairman
Syed Maid Ali, Member
Mr. Zafar Ahmed Siddiqui, Member
Mr. Razi-Ur-Rahman 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

Askari Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
NIB Bank Limited
The Bank of Punjab
Habib Bank Limited
Soneri Bank Limited
Habib Metropolitan Bank Ltd.

Auditors

Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants

Legal Advisor

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

Registrar

Technology Trade (Pvt) Limited
Dagja House, 214-C, Block-2,
P.E.C.H.S., Karachi.

MISSION STATEMENT

Faysal Income & Growth Fund seeks to provide its risk-averse investors an opportunity to earn a consistent market based income with a conservative risk profile while maintaining security of principal as its prime objective.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Directors of the Faysal Asset Management Limited, the Management Company of **Faysal Income & Growth Fund** (FIGF), are pleased to present the 8th Annual Report on the operations of FIGF along with the audited accounts, Reports of the Trustee and Auditors to the Unit Holders for the year ended June 30, 2013.

SALE AND REDEMPTION OF UNITS

During the year, units worth Rupees 248.326 million were issued and units with a value of Rupees 247.959 million were redeemed.

UNIT HOLDERS

As of June 30, 2013, total unit outstanding were 5,340,208 with a value of Rs. 566 million (June 30, 2012: 4,953,327 units with a value of Rs. 531 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, 2013 were as below:

	Offer Price	Redemption Price
Highest	107.66	107.66
Lowest	104.96	104.14
As of June 30, 2013	105.92	105.92

Economic Outlook

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

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

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

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

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

MONEY MARKET REVIEW:

Monetary policy gained substantial momentum over FY13 at the behest of the State Bank of Pakistan, easing up by 300bps to low of 9%. Liquidity variation, rising fiscal deficit and widening government borrowing increased volatility in the money market and resulted in numerous opportunities to capitalize on falling interest rate risk.

In the absence of any external budgetary support, the Government resorted to domestic financing avenues to bridge the fiscal deficit - in turn driving up growth in broad money (M2). On account of higher fiscal borrowing and curtailment of liquidity injections, bond yields remained around 150bps to 200bps above the discount rate over the course of year.

During FY13, the SBP held 26 T-bill auctions and realized PKR 5.5tn with weighted average yield ranging from 9.64% to 9.80% across different maturities. The central bank continued to intervene in the money market to stabilize yields through Open Market Operations (OMO); however, it continued to reduce OMO injections to discourage liquidity redeployment in T-bills and encourage private credit off-take. Along with reduction in size, OMO cutoff rates surged over each successive injection, leading to a decline in risk-free spreads that were often targeted by commercial banks and subject to much criticism.

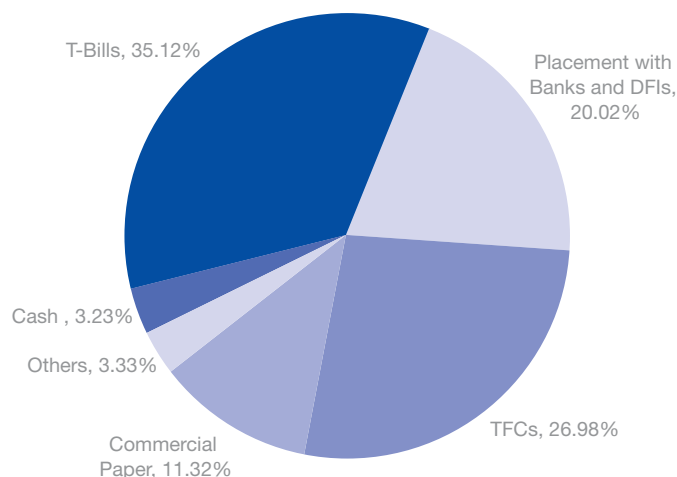
Over latter half of the year, heightened interest rate volatility in the secondary market caused institutional investors to remain inclined towards shorter-tenor instruments and protect themselves against signs of reversing interest rate risk.

Going forward, higher inflationary readings may elevate longer tenor yields, possibly pushing real returns lower. The upcoming EFF agreement with the IMF could add to monetary tightening pressures, resulting in a reversal of the key policy rate over the first quarter of the new fiscal year.

PERFORMANCE

During FY13, Faysal Income and Growth Fund achieved highest credit rating (A+) amongst its peers owing to focus on high asset quality. Portfolio return for the period clocked in at 9.50%, falling short of the benchmark by 42bps. Exposure in shorter tenor Government Securities was reduced over the year and funds were deployed in high yielding corporate instruments. Fund Management foresees the same high yield trail for the upcoming fiscal year, where high-yielding high quality corporate instruments shall be targeted. In line with expectations concerning monetary direction, fund management shall aim to reduce interest rate risk by investing in floating rate instruments and limiting trading in PIBs to opportunistic trading windows only.

ASSET ALLOCATION



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

INCOME DISTRIBUTION

The Board of directors has approved fund distribution at the rate of 8.50% (Interim 7.50% and final 1.00%) (i.e Rs. 8.50 per unit of par value of Rs.100 each).

MUTUAL FUND RATING

JCR-VIS has assigned fund stability rating of "A+(f)" for Faysal Income & Growth Fund (FIGF). A+(f) denotes moderate degree of stability in Net Asset Value.

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, 2013 forms part of this annual report.

1. Statements under clause xvi of the Code:

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

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 Holding as at June 30, 2013 of FIGF is given as part of this Annual Report.

AUDITORS

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

ACKNOWLEDGEMENT

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

For and on behalf of the Board

FUND MANAGER'S REPORT

Economic Review

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Money Market Review

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FUND MANAGER’S REPORT

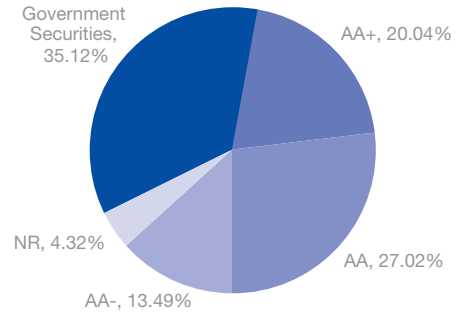
FUND INFORMATION

Fund Information	
Fund Type	Open Ended
Category	Aggressive Income Fund
Risk Profile	Medium
Net Assets (PKR mn)	565.62
NAV per Unit (PKR)	105.92
Pricing Mechanism	Forward
Custodian/Trustee	CDC
Auditor	Ernst & Young Ford Rhodes Sidat Hyder
Management Fee	1.50%
Front/Back end Load	Nil
Launch Date	October 10, 2005
Benchmark	90% 1 Yr KIBOR and 10% average of most recent published 3month deposit rates of top 3 scheduled Commercial Bank by deposit size
Stability Rating	A+(f) (JCRVIS)
AMC Rating	AM3+ (JCRVIS)

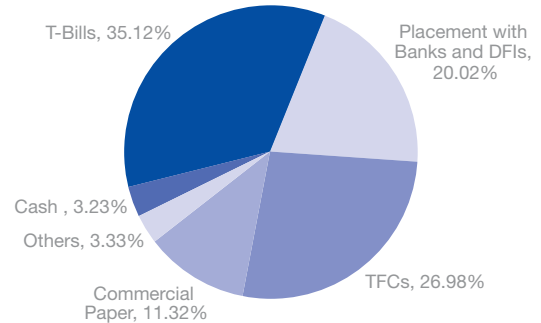
FUND RETURNS

	FY13	FY12
Annual Return	9.50	13.55
Benchmark	9.92	12.24

Asset Quality



Asset Allocation



FIGF Performance

During FY13, Faysal Income and Growth Fund achieved highest credit rating (A+) amongst its peers owing to focus on high asset quality. Portfolio return for the period clocked in at 9.50%, falling short of the benchmark by 42bps. Exposure in shorter tenor Government Securities was reduced over the year and funds were deployed in high yielding corporate instruments. Fund Management foresees the same high yield trail for the upcoming fiscal year, where high-yielding high quality corporate instruments shall be targeted. In line with expectations concerning monetary direction, fund management shall aim to reduce interest rate risk by investing in floating rate instruments and limiting trading in PIBs to opportunistic trading windows only.

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

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

**TRUSTEE REPORT TO THE UNIT HOLDERS****FAYSAL INCOME & 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 Income & 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, 2013 in accordance with the provisions of the following:

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


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

Karachi: October 08, 2013

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Faysal Asset Management Limited (the Management Company) of **Faysal Income & 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 (xiii a) 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 2013.

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

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

Chartered Accountants

Date: September 24, 2013

Karachi

STATEMENT OF COMPLIANCE BY FAYSAL INCOME & GROWTH FUND WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35 of Listing Regulations of 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 Income & 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:

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

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

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

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

STATEMENT OF COMPLIANCE BY FAYSAL INCOME & GROWTH FUND WITH THE CODE OF CORPORATE GOVERNANCE

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

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

For and on behalf of the Board

Karachi
Dated: September 24, 2013

Enamullah Khan
Chief Executive Officer

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

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

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Other matter

The financial statements of the Fund for the year ended 30 June 2012 were audited by another firm of Chartered Accountants whose report dated 12 September 2012 expressed an unmodified opinion thereon.

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: September 24, 2013
Karachi

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2013

	Note	June 30, 2013	June 30, 2012
		----- (Rupees) -----	
Assets			
Bank balances and term deposit receipts	7	83,766,116	117,173,710
Investments	8	473,914,442	386,215,737
Dividend, deposits and other receivables	9	16,834,050	34,472,671
Total assets		574,514,608	537,862,118
Liabilities			
Payable to the Management Company	10	1,042,693	888,559
Remuneration payable to the Trustee	11	93,142	73,169
Accrued and other liabilities	12	7,761,766	6,361,178
Total liabilities		8,897,601	7,322,906
Net assets		565,617,007	530,539,212
Unit holders' fund (as per statement attached)		565,617,007	530,539,212
		----- (Number of units) -----	
Number of units in issue		5,340,208	4,953,327
Contingencies and commitments	13	----- (Rupees) -----	
Net assets value per unit		105.92	107.11

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

For Faysal Asset Management Limited
(Management Company)

Chief Executive Officer

Director

Director

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2013

	Note	June 30, 2013	June 30, 2012
Income		-----	(Rupees) -----
Profit earned on debt and government securities		42,306,731	49,172,557
Return on clean placement, commercial paper and certificate of investments		13,956,612	6,711,633
Dividend income		231,820	3,911,975
Return on bank balances and term deposit receipts		6,690,028	13,953,454
Net gain on investments classified as 'at fair value through profit or loss'			
- Net capital gain / (loss) on sale of investments		3,489,991	(780,528)
- Net unrealised gain on revaluation of investments	8.9	3,352,321	12,412,195
- Provision against non-performing assets		-	(2,445,631)
		<u>6,842,312</u>	<u>9,186,036</u>
Total income		70,027,503	82,935,655
Expenses			
Remuneration of the Management Company		9,195,622	8,234,233
Federal excise duty on management fee	10.2	77,273	-
Sales tax on management fee		1,483,669	1,317,476
Remuneration of the Trustee		1,042,211	933,216
Brokerage charges		251,641	74,641
Bank charges		109,189	75,943
Auditors' remuneration	14	490,000	463,892
SECP annual fee		452,586	404,579
Legal and professional charges		60,000	60,000
Fees and subscription		240,000	230,000
Settlement charges, federal excise duty and capital value tax		242,713	196,887
Printing charges and other expenses		290,536	261,733
Provision for Workers' Welfare Fund		1,137,963	1,371,128
Total expenses		15,073,403	13,623,728
Net income from operating activities		54,954,100	69,311,927
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		806,099	(2,126,643)
Net income for the year before taxation		55,760,199	67,185,284
Taxation	15	-	-
Net income for the year after taxation		55,760,199	67,185,284
Other comprehensive income for the year		-	-
Total comprehensive income for the year		55,760,199	67,185,284

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

For Faysal Asset Management Limited
(Management Company)

Chief Executive Officer

Director

Director

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2013

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
Undistributed income brought forward [includes unrealised loss on investments of Rs.3,497,242 (2011: unrealised loss of Rs.13,968,886)]	36,815,085	25,712,767
Final bonus distribution for the year ended June 30, 2012 @ Rs.3.3 per unit (2011: Rs.2.5 per unit declared for distribution on July 09, 2011) declared for distribution on July 05, 2012	(10,162,152)	(9,761,113)
Final cash dividend for the year ended June 30, 2012 @ Rs.3.3 per unit (2011: Rs.2.5 per unit declared for distribution on July 09, 2011) declared for distribution on July 05, 2012	(6,183,828)	(4,684,718)
Interim bonus distribution for quarter ended September 30, 2012 @ Rs.2.30 per unit (2011: Rs.3.00 per unit declared for distribution on October 28, 2011) declared for distribution on October 20, 2012	(7,452,849)	(11,933,160)
Interim cash dividend for quarter ended September 30, 2012 @ Rs.2.30 per unit (2011: Rs.3.00 per unit declared for distribution on October 28, 2011) declared for distribution on October 20, 2012	(4,309,941)	(5,621,662)
Interim bonus distribution for quarter ended December 31, 2012 @ Rs.2.40 per unit (2011: Rs.3.20 per unit declared for distribution on February 11, 2012) declared for distribution on January 30, 2013	(10,671,634)	(8,881,694)
Interim cash dividend for quarter ended December 31, 2012 @ Rs.2.40 per unit (2011: Rs.3.20 per unit declared for distribution on February 11, 2012) declared for distribution on January 30, 2013	(4,497,330)	(5,996,440)
Interim bonus distribution for quarter ended March 31, 2013 @ Rs.2.20 per unit (2012: Rs.3.20 per unit declared for distribution on April 21, 2012) declared for distribution on April 19, 2013	(9,564,019)	(5,456,404)
Interim cash dividend for quarter ended March 31, 2013 @ Rs.2.20 per unit (2012: Rs.3.20 per unit declared for distribution on April 21, 2012) declared for distribution on April 19, 2013	(4,122,553)	(3,747,775)
Interim bonus distribution for the month of May 31, 2013 @ Rs.0.60 per unit (2012: Rs.Nil) declared for distribution on June 04, 2013	(2,750,633)	-
Interim cash dividend for the month of May 31, 2013 @ Rs.0.60 per unit (2012: Rs.Nil) declared for distribution on June 04, 2013	(1,129,521)	-
Net income for the year after taxation	55,760,199	67,185,284
Undistributed income carried forward [includes unrealised loss on investments of Rs.44,928 (2012: unrealised loss of Rs.3,497,242)]	31,730,824	36,815,085

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

For Faysal Asset Management Limited
(Management Company)

Chief Executive Officer

Director

Director

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

	June 30, 2013	June 30, 2012
Note	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	55,760,199	67,185,284
Adjustments for non-cash and other items:		
Net capital (gain) / loss on sale of investments classified as 'at fair value through profit or loss'	(3,489,991)	780,528
Net unrealised gain on revaluation of investments classified as 'at fair value through profit or loss'	(3,352,321)	(12,412,195)
Dividend income	(231,820)	(3,911,975)
Profit earned on debt and government securities	(56,263,343)	(55,884,190)
Return on bank balances and term deposit receipts	(6,690,028)	(13,953,454)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(806,099)	2,126,643
Provision against debt securities	-	2,445,631
	<u>(15,073,403)</u>	<u>(13,623,728)</u>
Decrease / (increase) in assets		
Dividend, deposits and other receivables	20,268,604	(20,273,604)
Increase / (decrease) in liabilities		
Payable to the Management Company	154,134	(8,375)
Remuneration payable to the Trustee	19,973	(16,331)
Accrued and other liabilities	1,400,588	974,022
	<u>1,574,695</u>	<u>949,316</u>
	6,769,896	(32,948,016)
Proceeds from sale / redemption of investments	3,702,506,874	1,230,186,434
Payments made against purchase of investments	(3,785,758,562)	(1,184,014,885)
Dividend received	2,036,687	2,107,108
Profit received on debt and government securities	54,087,406	48,500,301
Return received on bank balances and term deposit receipts	6,826,410	14,216,442
Net cash (used in) / generated from operating activities	(13,531,289)	78,047,384
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received against issue of units	248,325,908	119,606,820
Payments made against redemption of units	(247,959,040)	(241,875,094)
Dividend paid	(20,243,173)	(20,050,595)
Net cash used in financing activities	(19,876,305)	(142,318,869)
Net decrease in cash and cash equivalents during the year	(33,407,594)	(64,271,485)
Cash and cash equivalents at the beginning of the year	117,173,710	181,445,195
Cash and cash equivalents as at the end of the year	7 <u>83,766,116</u>	<u>117,173,710</u>

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

For Faysal Asset Management Limited
(Management Company)

Chief Executive Officer

Director

Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS FUND

FOR THE YEAR ENDED JUNE 30, 2013

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
Net asset value per unit at the beginning of the year	<u>107.11</u>	<u>104.45</u>
Net asset value per unit at the end of the year	<u>105.92</u>	<u>107.11</u>
Net assets at beginning of the year	530,539,212	603,546,154
Amount received on issue of units *	248,325,908	119,606,820
Amount paid or redemption of units **	(247,959,040)	(241,875,094)
	366,868	(122,268,274)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(806,099)	2,126,643
Final cash dividend for the year ended June 30, 2012 @ Rs.3.3 per unit (2011: Rs.2.5 per unit declared for distribution on July 09, 2011) declared for distribution on July 05, 2012	(6,183,828)	(4,684,718)
Interim cash dividend for quarter ended September 30, 2012 @ Rs.2.30 per unit (2011: Rs.3.00 per unit declared for distribution on October 28, 2011) declared for distribution on October 20, 2012	(4,309,941)	(5,621,662)
Interim cash dividend for quarter ended December 31, 2012 @ Rs.2.40 per unit (2011: Rs.3.20 per unit declared for distribution on February 11, 2012) declared for distribution on January 30, 2013	(4,497,330)	(5,996,440)
Interim cash dividend for quarter ended March 31, 2013 @ Rs.2.20 per unit (2012: Rs.3.20 per unit declared for distribution on April 21, 2012) declared for distribution on April 19, 2013	(4,122,553)	(3,747,775)
Interim cash dividend for the month of May 31, 2013 @ Rs.0.60 per unit (2012: Rs.Nil) declared for distribution on June 04, 2013	(1,129,521)	-
Net capital gain / (loss) on sale of investments	3,489,991	(780,528)
Net unrealised gain on revaluation of investments	3,352,321	12,412,195
Other net income for the year	48,917,887	55,553,617
Other comprehensive income for the year	-	-
Total comprehensive income for the year	55,760,199	67,185,284
Net assets at the end of the year	565,617,007	530,539,212
	----- (Number of units) -----	
* Number of units issued (including 387,475 bonus units issued during the year ended June 30, 2013 and 348,162 bonus units issued during the year ended June 30, 2012)	<u>2,726,010</u>	<u>1,476,445</u>
** Number of units redeemed	<u>2,339,130</u>	<u>2,301,450</u>

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

For Faysal Asset Management Limited
(Management Company)

Chief Executive Officer

Director

Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

Faysal Income & Growth Fund (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and was authorised as a unit trust scheme by the Securities and Exchange Commission of Pakistan (SECP) on June 24, 2005. It was constituted under a Trust Deed dated April 27, 2005 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 a company incorporated under the Companies Ordinance, 1984. The Fund was launched on October 10, 2005.

The Fund is an open ended Aggressive fixed income scheme and offers units for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The units are listed on the Karachi Stock Exchange Limited.

The objective of the Fund is to provide investors optimal yield through diversified portfolio consisting of both long-term fixed instruments as well as short term money market instruments.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTES TO THE FINANCIAL STATEMENTS

4.1 New and amended standards and interpretations

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

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

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

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

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

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

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

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

4.3 Investments

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Held to maturity investments

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

Available-for-sale investments

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

Fair value of investments is determined as follows:

Listed shares

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

Debt securities

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

Government securities

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

NOTES TO THE FINANCIAL STATEMENTS

4.4 Derivatives

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

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

4.5 Securities under repurchase / resale agreements

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

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

4.6 Impairment of financial assets

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

Impairment is determined as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

4.7 Provisions

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

4.8 Issue and redemption of units

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

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

4.9 Cash and cash equivalents

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

4.10 Revenue recognition

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

4.11 Taxation

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

4.12 Offsetting of financial assets and liabilities

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

4.13 Net Asset Value (NAV) per unit

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

4.14 Distribution to unit holders

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

4.15 Preliminary expenses and floatation costs

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

4.16 Financial assets and financial liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

5. ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

	Note	June 30, 2013	June 30, 2012
		----- (Rupees) -----	
7. BANK BALANCES AND TERM DEPOSIT RECEIPTS			
Cash at bank - PLS saving accounts	7.1	18,766,116	69,173,710
Term deposit receipts	7.2	65,000,000	48,000,000
		<u>83,766,116</u>	<u>117,173,710</u>

7.1 These carry mark-up ranging from 6.00% to 9.25% (2012: 6% to 11.75%) per annum and include balance of Rs.1.184 million (2012: Rs.2.997 million) held with Faysal Bank Limited, a related party.

7.2 These carry mark-up of 9.90% (2012: 12.40%) per annum having maturity on July 03, 2013.

8. INVESTMENTS

At fair value through profit or loss

Designated 'at fair value through profit or loss'

Debt securities	8.1	154,995,782	37,119,315
Government securities	8.3	201,764,810	160,821,580
		356,760,592	197,940,895

Held to maturity

Certificates of investment	8.4	50,038,220	100,451,374
Commercial papers - sukuk certificates	8.5	67,115,630	76,037,530
Sukuk certificates	8.6	-	11,785,938
		<u>117,153,850</u>	<u>188,274,842</u>
		<u>473,914,442</u>	<u>386,215,737</u>

NOTES TO THE FINANCIAL STATEMENTS

8.1 Debt securities - designated 'at fair value through profit or loss'

Name of the investee company	----- Number of certificates -----					Market value as at June 30, 2013 (Rupees)	Market value as percentage of total investments	Market value as percentage of net assets	Market value as percentage of size of issue
	As at July 01, 2012	Purchased during the year	Redeemed during the year	Disposed off during the year	As at June 30, 2013				
Term Finance Certificates (TFCs) - listed									
Fixed line telecommunication									
Telecard Limited	2,020	-	-	2,020	-	-	-	-	-
Banks									
Bank Alfalah Limited - V	-	10,000	-	-	10,000	50,783,350	10.72%	8.98%	1.02%
Bank Al Habib Limited - III	-	4,400	-	130	4,270	21,536,497	4.54%	3.81%	1.44%
Term Finance Certificates (TFCs) - unlisted									
Banks									
Askari Bank Limited	25	-	-	-	25	26,625,665	5.62%	4.71%	2.66%
Bank Alfalah Limited - IV	-	5,000	-	5,000	-	-	-	-	-
United Bank Limited - IV	-	10,000	-	-	10,000	50,366,116	10.63%	8.90%	0.84%
Sukuk certificates									
Construction and materials									
Kohat Cement Limited	10,000	-	-	-	10,000	5,684,154	1.20%	1.00%	0.75%
	12,045	29,400	-	7,150	34,295	154,995,782	32.71%	27.40%	6.71%

8.2 Significant terms and conditions of debt securities are as follows:

Name of security	Number of certificates	Face value (Rupees)	Mark-up rate (per annum)	Maturity	Secured / unsecured	Rating
Term Finance Certificates (TFCs) - listed						
Bank Al Habib Limited - III	4,270	4,988	1.95% + 6 months KIBOR	February, 2015	Unsecured	AA-
Bank Alfalah Limited - V	10,000	5,000	1.25% + 6 months KIBOR	February, 2021	Unsecured	AA-
Term Finance Certificates (TFCs) - unlisted						
United Bank Limited - IV	10,000	4,990	1.35% + 6 months KIBOR	August, 2013	Unsecured	AA-
Askari Bank Limited	25	997,800	1.75% + 6 months KIBOR	December, 2021	Unsecured	AA-
Sukuk certificates						
Kohat Cement Limited	10,000	5,000	1.5% + 3 months KIBOR	September, 2016	Secured	Non-rated

NOTES TO THE FINANCIAL STATEMENTS

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

Name of Security	Yield per annum	----- Face value -----					----- Balance as at June 30, 2013 -----			Market value as percentage of total investments	Market value as percentage of net assets
		As at July 01, 2012	Purchased during the year	Matured during the year	Sold during the year	As at June 30, 2013	Carrying Value	Market value	Unrealised gain / (loss) on revaluation		
----- (Rupees) -----											
Market treasury bills											
Market treasury bills - 3 months	9.46%	40,000,000	780,000,000	245,000,000	475,000,000	100,000,000	99,391,429	99,407,800	16,371	20.98%	17.58%
Market treasury bills - 6 months	9.34%	-	1,023,935,000	410,000,000	563,935,000	50,000,000	48,166,209	48,231,950	65,741	10.18%	8.53%
Market treasury bills - 1 year	9.21%	25,000,000	967,000,000	63,000,000	874,000,000	55,000,000	54,129,929	54,125,060	(4,869)	11.43%	9.57%
		65,000,000	2,770,935,000	718,000,000	1,912,935,000	205,000,000	201,687,566	201,764,810	77,244	42.59%	35.68%
Pakistani Investment Bonds											
Pakistan Investment Bonds - 10 years		-	50,000,000	375,000,000	425,000,000	-	-	-	-	-	-
			50,000,000	375,000,000	425,000,000	-	-	-	-	-	-
GoP Ijara Sukuk											
Government of Pakistan Ijara Sukuk - 3 years		-	50,000,000	125,000,000	175,000,000	-	-	-	-	-	-
			50,000,000	125,000,000	175,000,000	-	-	-	-	-	-
		165,000,000	3,270,935,000	2,512,935,000	205,000,000	201,687,566	201,764,810	77,244	42.59%	35.68%	

8.4 Certificates of investment - held to maturity

Name of the investee company	Rate of return per annum	----- Face value -----				Carrying value as at June 30, 2013	Maturity date	Rating	Face value as percentage of total investments	Face value as percentage of net assets
		As at July 01, 2012	Purchased during the year	Matured during the year	As at June 30, 2012					
----- (Rupees) -----										
Pak Brunei Investment Company Limited	9.30%	50,000,000	100,000,000	100,000,000	50,000,000	50,038,220	September 30, 2013	AA	10.55%	8.84%
PAIR Investment Company Limited	-	49,000,000	215,000,000	264,000,000	-	-	-	-	-	-
		99,000,000	315,000,000	364,000,000	50,000,000	50,038,220			10.55%	8.84%

8.5 Commercial papers - Sukuk certificates (secured) - held to maturity

Name of Investee Company	Rate of return per annum	----- Face value -----				Carrying value as at June 30, 2013	Maturity	Rating	Face value as percentage of total investments	Face value as percentage of net assets	Face value as percentage of size of issue
		As at July 01, 2012	Purchased during the year	Matured during the year	As at June 30, 2013						
----- (Rupees) -----											
Hub Power Company Limited	10.80%	50,000,000	115,000,000	100,000,000	65,000,000	67,115,630	July 12, 2013	AA+	13.72%	11.49%	3.25%
Tameer Micro Finance Bank Limited	-	23,320,085	-	23,320,085	-	-	-	-	-	-	
		73,320,085	115,000,000	123,320,085	65,000,000	67,115,630			13.72%	11.49%	3.25%

NOTES TO THE FINANCIAL STATEMENTS

8.6 Sukuk certificates - held to maturity

Name of the Investee Company	----- Number of certificates -----				Carrying value as at June 30, 2013	Maturity	Rating	Face value as percentage of total investments	Face value as percentage of net assets	Face value as percentage of size of issue
	As at July 01, 2012	Purchased during the year	Disposed / redeemed during the year	As at June 30, 2013						
----- (Rupees) -----										
Engro Fertilizer Company Limited	11,785,938	-	11,785,938	-	-	-	-	-	-	-
	11,785,938	-	11,785,938	-	-	-	-	-	-	-

8.7 Details of non-compliant investments with the investment limit specified by Regulation 55 of the NBFC Regulations

Name of non-compliant investment	Note	Type of investment	Value of investment	Limit of Investment in a single company as a percentage of net assets	Investment as at year end as a percentage of	
					Net assets	Gross assets
----- (Rupees) -----						
Hub Power Company Limited	8.7.1	CP Sukuk	65,000,000	10%	11.49%	11.31%

8.7.1 The above exposure is in excess of the limit prescribed by the NBFC Regulations and disclosure for breach of exposure limit is made as required by the circular no 16 of 2010 dated July 07, 2010 by SECP. Exposure limit exceeded the prescribed limit of 10% due to reduction of fund size as on June 30, 2013. However, the NBFC Regulations allow three months time period to regularize these exposures.

8.8 Details of non-compliant investments with the investment limit specified by Regulation 55 of the NBFC Regulations

Non-compliant investment	Note	Type of investment	Value of investment	Limit of Investment as a percentage of net assets	Investment as at year end as a percentage of	
					Net assets	Gross assets
----- (Rupees) -----						
Banks	8.8.1	TFC / Sukuk	149,311,648	25%	26.40%	25.99%

8.8.1 The above exposure is in excess of the sector limit prescribed by the NBFC Regulations and disclosure for breach of exposure limit is made as required by the circular no 16 of 2010 dated July 07, 2010 by SECP. Exposure limit exceeded the prescribed limit of 25% due to reduction of fund size as on June 30, 2013. However, the NBFC Regulations allow three months time period to regularize these exposures.

NOTES TO THE FINANCIAL STATEMENTS

	Note	June 30, 2013	June 30, 2012
		----- (Rupees) -----	
8.9 Net unrealised gain on revaluation of investments - designated 'at fair value through profit or loss'			
Market value of investments		356,760,592	197,940,895
Cost of investments		(356,805,520)	(201,438,137)
		(44,928)	(3,497,242)
Net unrealised loss / gain on investments at the beginning of the year		(3,497,242)	13,968,886
Realised on disposal during the year		6,894,491	1,940,551
		3,397,249	15,909,437
		3,352,321	12,412,195
9. DIVIDEND, DEPOSITS AND OTHER RECEIVABLES			
Dividend receivable		-	1,804,867
Security deposits			
- National Clearing Company of Pakistan Limited		2,500,000	2,500,000
- Central Depository Company of Pakistan Limited		100,000	100,000
		2,600,000	2,600,000
Profit receivable on debt securities		13,636,085	9,064,853
Return receivable on bank balances and term deposit receipts		592,965	729,347
Receivable against sale of units		-	127,534
Receivable against redemption of preference shares		5,000	20,146,070
		16,834,050	34,472,671
10. PAYABLE TO THE MANAGEMENT COMPANY			
Management fee payable	10.1	821,597	645,579
Sales tax on management fee payable		143,823	103,291
Federal excise duty payable on management fee	10.2	77,273	-
Sales load payable		-	139,689
		1,042,693	888,559

10.1 The Management Company is entitled to a remuneration for services rendered to the Fund under the provisions of the NBFC Regulations during the first five years of a Fund's existence of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets. The Management Company has charged its remuneration at 1.5% (June 30, 2012: 1.5%) per annum of the daily net asset value of the Fund.

NOTES TO THE FINANCIAL STATEMENTS

10.2 During the current year, an amount of Rs.0.077 million (June 30, 2012: Rs.Nil) was charged on account of Federal excise duty on management fee levied through Finance Bill 2013 with effect from June 13, 2013.

11. REMUNERATION PAYABLE TO THE TRUSTEE

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

	Note	June 30, 2013	June 30, 2012
----- (Rupees) -----			
12. ACCRUED AND OTHER LIABILITIES			
SECP annual fee payable	12.1	459,765	411,758
Accrued liabilities		874,468	659,850
Provision for Workers' Welfare Fund	12.2	6,427,533	5,289,570
		<u>7,761,766</u>	<u>6,361,178</u>

12.1 This represents annual fee payable to the SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay SECP annually an amount equal to 0.075% (June 30, 2012: 0.075%) per annum of the daily net asset value of the Fund.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

As the matter relating to levy of WWF is currently pending in the SHC, the Management Company, as a matter of prudence, has decided to retain and continue with the provision for WWF amounting to Rs.6.427 million (June 30, 2012: Rs.5.289 million) in these financial statements. Had the provision not been made, the net asset value per unit of the Fund would have been higher by Rs.1.204 (1.136%) per unit (June 30, 2012: Rs.1.068 (0.997%) per unit).

13. CONTINGENCIES AND COMMITMENTS

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

	Note	June 30, 2013	June 30, 2012
		----- (Rupees) -----	
14. AUDITORS' REMUNERATION			
Audit fee		300,000	275,000
Review and other certifications		<u>190,000</u>	<u>188,892</u>
		<u>490,000</u>	<u>463,892</u>

15. TAXATION

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

16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

NOTES TO THE FINANCIAL STATEMENTS

- 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:

	June 30, 2013	June 30, 2012
Transactions during the year	----- (Rupees) -----	
Faysal Asset Management Limited (Management Company)		
Remuneration for the Management Company	9,195,622	8,234,233
Sales tax on management fee	1,483,669	1,317,476
Federal excise duty on management fee	77,273	-
Sales load	-	346,670
Faysal Asset Management Limited - Staff Provident Fund		
Issue of 15,272 units (2012: Nil units)	1,630,000	-
Bonus issue of 1,118 units (2012: Nil units)	117,476	-
Faysal Asset Management Limited - Staff Gratuity Fund		
Issue of 4,685 units (2012: Nil units)	500,000	-
Bonus issue of 343 units (2012: Nil units)	36,035	-
Faysal Bank Limited (Group / Associated Company)		
Cash dividend paid	20,237,984	20,050,595
Redemption of 1,209,420 units (2012: Nil units)	128,000,000	-
Purchase of government securities	-	459,461,513
Profit on PLS saving accounts	736,779	249,234
Bank charges paid	33,344	3,750
Faysal Bank Limited - Staff Provident Fund		
Bonus issue of Nil units (2012: 32,697 units)	-	3,361,422
Redemption of Nil units (2012: 635,798 units)	-	66,014,921
Faysal Bank Limited - Staff Gratuity Fund		
Bonus issue of Nil units (2012: 17,056 units)	-	1,753,453
Redemption of Nil units (2012: 331,658 units)	-	34,436,062
Central Depository Company of Pakistan Limited - (Trustee of the Fund)		
Remuneration of the Trustee	1,042,211	933,216
Settlement charges	-	6,111

NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
Unit holder holding 10% or more units		
National Refinery Limited - Executive Staff Post Retirement Medical Fund		
Bonus issue of 88,474 units (2012: 139,280 units)	9,265,639	14,402,643
Redemption of Nil units (2012: 944,032 units)	-	100,000,000
Outstanding balances		
Faysal Asset Management Limited (Management Company)		
Remuneration payable to the Management Company	821,597	645,579
Federal excise duty payable on management fee	77,273	-
Sales load payable	-	139,689
Sales tax on management fee payable	143,823	103,291
Faysal Bank Limited (Group / Associated Company)		
Balance in PLS savings account	1,184,449	2,996,878
Units in issue 664,467 units (2012: 1,873,887 units)	70,378,132	200,712,037
Profit receivable on PLS savings account	270	-
Faysal Asset Management Limited - Staff Provident Fund		
Units in issue 16,390 units (2012: Nil units)	1,735,974	-
Faysal Asset Management Limited - Staff Gratuity Fund		
Units in issue 5,028 units (2012: Nil units)	532,549	-
Faysal Money Market Fund (Common Management)		
Receivable against conversion of units	-	127,534
Central Depository Company of Pakistan Limited - (Trustee of the Fund)		
Remuneration payable to the Trustee	93,142	73,169
Security deposit	100,000	100,000
Unit holder holding 10% or more units		
National Refinery Limited - Executive Staff Post Retirement Medical Fund		
Units in issue 913,065 units (2012 : 824,591 units)	96,708,762	88,321,942

NOTES TO THE FINANCIAL STATEMENTS

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 setup to be performed based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund (also refer Annexure I to these financial statements which describes the risk management structure of the Fund). The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

17.1 Market risk

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

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of June 30, 2013, the Fund's exposure to the risk of changes in market interest rates relates primarily to bank balances, term deposit receipts, certificates of investment, commercial papers, debt securities and government securities. The bank balances, certificates of investment and commercial papers, term deposit receipts and debt securities are subject to rates as declared by the respective banks / institutions on periodic basis. The government securities are subject to fixed interest rates and valued by reference to the quotations obtained from Reuters page. As at June 30, 2013, approximately 96.83% (June 30, 2012: 92.83%) of the Fund's financial assets are subject to interest rates.

Management of the Fund estimates that an increase of 100 basis points in the floating interest rate, with all other factors remaining constant, would increase the Fund's income and increase in the net assets of the Fund by Rs.3.51 million (June 30, 2012: Rs.0.046 million) and a decrease of 100 basis points would result in a decrease in the Fund's income and decrease in the net assets of the Fund by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

Management of the Fund estimates that an increase of 100 basis points in the fixed interest rate, with all other factors remaining constant, would decrease the Fund's income and decrease in the net assets of the Fund by Rs.2.05 million (June 30, 2012: Rs.2.65 million) and a decrease of 100 basis points would result in an increase the Fund's income and increase 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, 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	1,042,693	-	-	-	1,042,693
Remuneration payable to the Trustee	93,142	-	-	-	93,142
Accrued and other liabilities	874,468	-	-	-	874,468
	<u>2,010,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,010,303</u>

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012	Upto one month	More than one month and upto three months	More than three months and upto one year	More than one year	Total
----- (Rupees) -----					
Financial liabilities					
Payable to the Management Company	888,559	-	-	-	888,559
Remuneration payable to the Trustee	73,169	-	-	-	73,169
Accrued and other liabilities	659,850	-	-	-	659,850
	<u>1,621,578</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,621,578</u>

17.3 Credit risk

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

	June 30, 2013	June 30, 2012
----- (Rupees) -----		
Bank balances and term deposit receipts	83,766,116	117,173,710
Term finance certificates and sukuk certificates	154,995,782	37,119,315
Certificates of investment	50,038,220	100,451,374
Profit receivable on debt securities	13,636,085	9,064,853
Commercial papers	67,115,630	76,037,530
Sukuk certificates	-	11,785,938
Security deposits	2,600,000	2,600,000
Dividend, deposits and other receivables	597,965	22,807,818
	<u>372,749,798</u>	<u>377,040,538</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 Fund's exposure:

The analysis below summarizes the credit rating quality of the Fund's financial assets as at June 30, 2013:

NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2013	June 30, 2012
	----- % -----	
Rating category		
AA+, AA, AA-	95.82	79.81
A+, A, A-	0.01	15.36
Unrated	4.17	4.83
	<u>100.00</u>	<u>100.00</u>

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

	June 30, 2013	June 30, 2012
	<u>% of assets exposed to credit risk</u>	
Commercial banks	64.40	38.65
Financial services	14.12	33.29
Electricity	18.01	14.16
Chemicals	-	3.17
Construction and Materials	3.47	4.87
Industrial transportation	-	5.86
	<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.

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.

NOTES TO THE FINANCIAL STATEMENTS

17.5 Fair value hierarchy

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

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

As at June 30, 2013, the Fund held the following financial instruments measured at fair value:

	June 30, 2013			
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Investments designated 'at fair value through profit or loss'				-
Term finance certificates - unlisted	-	149,311,628	-	149,311,628
Sukuk certificates	-	5,684,154	-	5,684,154
Government securities				
- Market treasury bills	-	201,764,810	-	201,764,810
	<u>-</u>	<u>356,760,592</u>	<u>-</u>	<u>356,760,592</u>

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Investments designated 'at fair value through profit or loss'				-
Term finance certificates - listed	-	25,794,315	-	25,794,315
Sukuk certificates	-	11,325,000	-	11,325,000
Government securities				
- Market treasury bills	-	160,821,580	-	160,821,580
	<u>-</u>	<u>197,940,895</u>	<u>-</u>	<u>197,940,895</u>

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

NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2013
	-- (Rupees) --
Opening balance	-
Cost of investment	3,706,689
Less: Amount received from sale of investment	(481,992)
Less: Capital loss on sale of investment	<u>(3,224,697)</u>
Closing balance	<u>-</u>

In accordance with Circular No. 33 of 2012 issued by SECP, all traded debt securities are valued on the basis of their volume weighted average price during the last 15 days while thinly traded and non traded debt securities are valued using a valuation methodology devised by MUFAP which includes variables including yields on government securities, Karachi Inter Bank Offer Rates and credit ratings. As the valuation techniques use inputs from observable market data, these securities are classified as Level 2. Rates for non-performing securities, however, are not quoted by MUFAP and are valued using the provisioning criteria prescribed by the abovementioned Circular and are hence classified as Level 3.

Hence, default on installment amounts by investee companies results in transfer into Level 3 while subsequent classification of a defaulting security as performing will result in transfer from Level 3 to Level 2.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

19. SUBSEQUENT EVENT

The Board of Directors of the Management Company in their meeting held on July 05, 2013 have declared a payout at the rate of 1.00% i.e. Rs.1.00 per unit (June 30, 2012: 3.3% i.e. Rs.3.3 per unit). The financial statements of the Fund for the year ended June 30, 2013 do not include the effect of the payout which will be accounted for in the financial statements of the Fund subsequent to the year end.

NOTES TO THE FINANCIAL STATEMENTS

20. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

21. GENERAL

Figures have been rounded off to the nearest rupee.

22. DATE OF AUTHORISATION FOR ISSUE

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

For Faysal Asset Management Limited
(Management Company)

Chief Executive Officer

Director

Director

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

(i) PATTERN OF UNIT HOLDING

Category	Number of unit holders	Number of units held	Percentage of total investment
1 Individuals	251	2,266,879	42.45%
2 Associated companies and directors	1	664,467	12.44%
3 Retirement funds	16	1,868,167	34.98%
4 Public limited companies	-	-	-
5 Others	10	540,694	10.12%
	<u>278</u>	<u>5,340,208</u>	<u>100%</u>

(ii) TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

List of brokers by percentage of commission paid during the year ended June 30, 2013

S. No.	Particulars	Percentage
1	Invest Capital Securities (Pvt) Limited	41.36
2	Jahangir Siddiqui Capital Markets Limited	16.71
3	Icon Securities (Pvt) Limited	12.64
4	C & M Management Limited	9.31
5	Global Securities Pakistan Limited	8.63
6	Elixir Securities (Pvt) Limited	6.21
7	Invest One Market Limited	3.67
8	KASB Securities Limited	0.81
9	Invest & Finance Limited	0.53
10	Alfalah Securities (Pvt) Limited	0.13

(iii) MEMBERS OF THE INVESTMENT COMMITTEE

The following are the members of the Investment Committee of the Fund:

Name	Qualification	Experience
Mr. Enam Ullah Khan	B. Eco , FSA, Accreditations	Over 21 years
Mr. Najm UI Hassan	MBA, ACMA, CFA I	Over 18 years
Mr. Vasseh Ahmed	Master in Science	Over 5 years
Mr. Ayub Khuhro	BSC Economics, CFA I	over 5 years
Syed Shahid Iqbal	B. COM	Over 23 years experience
Mr. Imran Altaf	MBA, CFA III	Over 5 years of experience
Mr. Faraz Khan	MBA	Over 7 years of experience
Mr. Muhammad Asif Tahir (Non- voting member)	ACCA	Over 6 years of experience

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	Experience	Other Collective Investment Schemes
Imran Altaf	MBA, CFA Level III	Over 5 Years	Faysal Islamic Savings and Growth Fund

(v) MEETINGS OF THE BOARD OF DIRECTORS

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

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

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

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 AUDIT COMMITTEE

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

Name of Directors	Meetings Attended	Meetings held on				
		Aug 15 2012	Oct 19 2012	Jan 29 2013	Apr 8 2013	Apr 17 2013
Mr. Feroz Rizvi, Director	4	1	0	1	1	1
Syed Majid Ali, Director	5	1	1	1	1	1
Mr. Zafar Ahmed Siddiqui, Director	4	1	1	1	0	1
Mr. Razi ur Rehman, Director	3	0	0	1	1	1

(vii) MEETINGS OF THE BOARD HR COMMITTEE

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

Name of Directors	Meetings Attended	Meetings held on			
		Nov 19 2012	Feb 13 2013	May 3 2013	Jun 7 2013
Mr. Zafar Ahmed Siddiqui, Chairman	3	1	1	1	0
Syed Majid Ali	3	0	1	1	1
Mr. Razi ur Rahman Khan	4	1	1	1	1
Mr. Enamullah Khan	4	1	1	1	1

(viii) RATING OF THE FUND AND THE MANAGEMENT COMPANY

The JCR - VIS Credit Rating Company Limited (JCR - VIS) has assigned a " A(f) " fund rating to Faysal Income & Growth Fund.

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

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

	June 30, 2013	June 30, 2012	June 30, 2011
	-----	(Rupees)	-----
(ix) PERFORMANCE TABLE			
Net assets	<u>565,617,007</u>	<u>530,539,212</u>	<u>603,546,154</u>
Net asset value per unit	<u>105.92</u>	<u>107.11</u>	<u>104.45</u>
Offer price	<u>105.92</u>	<u>108.19</u>	<u>105.50</u>
Repurchase price per unit	<u>105.92</u>	<u>107.11</u>	<u>104.45</u>
Highest offer price per unit	<u>107.66</u>	<u>108.49</u>	<u>107.43</u>
Highest repurchase price per unit	<u>107.66</u>	<u>107.41</u>	<u>106.36</u>
Lowest offer price	<u>104.96</u>	<u>103.42</u>	<u>101.91</u>
Lowest repurchase price per unit	<u>104.14</u>	<u>102.39</u>	<u>100.90</u>
Total return:	9.26%	13.51%	9.74%
- capital growth	0.76%	2.01%	0.74%
- income distribution	8.50%	11.50%	9.00%
Average annual return: (Launch date: May 12, 2007)			
- one year	8.50%	13.51%	9.71%
- two years	10.00%	11.61%	10.38%
- three years	9.67%	11.42%	10.24%
Distribution per unit:			
- Interim distribution per unit	7.50%	8.20%	6.50%
- Final distribution per unit	<u>1.00%</u>	<u>3.30%</u>	<u>2.50%</u>
	<u>8.50%</u>	<u>11.50%</u>	<u>9.00%</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.

(x) WEIGHTED AVERAGE MATURITY (DAYS)

	June 30, 2013	June 30, 2012	June 30, 2011
Weighted average maturity	<u>475</u>	<u>566</u>	<u>133</u>