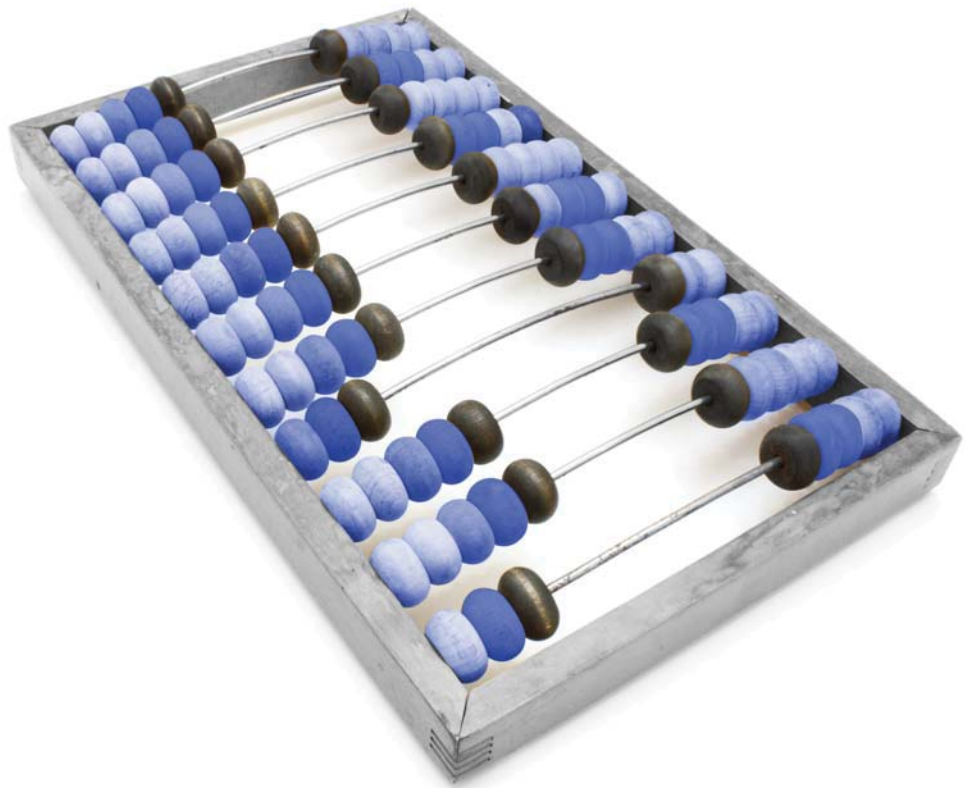


# Faysal Asset Management

## Income & Growth Fund

Financial Statements for the year ended June 30, 2014



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

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

Mr. Najm-Ul-Hassan

### Audit Committee

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

### Trustee to the Fund

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

### Bankers to the fund

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

### Auditors

Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants

### Legal Advisor

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

### Registrar

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

## **MISSION STATEMENT**

Faysal 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 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, 2014.

### SALE AND REDEMPTION OF UNITS

During the year, units worth Rupees 116.689 million were issued and units with a value of Rupees 258.221 million were redeemed.

### UNIT HOLDERS

As of June 30, 2014, total unit outstanding were 4,385,382 with a value of Rs. 460.121 million (June 30, 2013: 5,340,208 units with a value of Rs. 565.617 million).

### UNIT PRICES

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

	Offer Price	Redemption Price
Highest	108.01	108.01
Lowest	104.92	104.92
As of June 30, 2014	104.92	104.92

### Economic Outlook

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

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

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

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

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

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

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

### MONEY MARKET REVIEW:

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

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

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

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

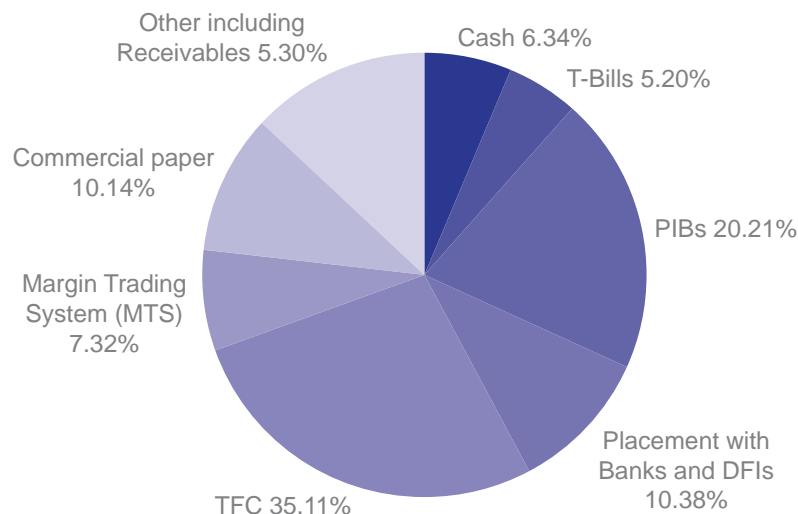
While a major portion of the funding raised was utilized for debt payments, FY15 is expected to remain positive as major repayments to IMF have already been made during FY14.

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

### PERFORMANCE

The fund closed FY14 with an annual return of 8.82% and secured the highest credit rating (A+) in its peer group. Based on improving economic indicators and flattening yield curve, exposure was increased towards PIBs in the second half of fiscal year to enhance yields without incurring additional risk. The fund also initiated investment in Margin Trading System to further support the return of the fund. Going forward, the fund is adequately aligned to capitalize on lower inflation reading and provide a superior risk-adjusted return.

### ASSET ALLOCATION



## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

### INCOME DISTRIBUTION

The Board of directors has not approved Final distribution as the income for year is already distributed via Interims distribution at the rate of 8.98% (i.e Rs. 8.98 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, 2014 forms part of this annual report.

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

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

### PATTERN OF HOLDING

The Pattern of unit holding as at June 30, 2014 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, 2015.

### ACKNOWLEDGEMENT

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

For and on behalf of the Board



## FUND MANAGER'S REPORT

### Economic Outlook for FY14

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

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

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

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

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

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

### Money Market Outlook FY14

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

## FUND MANAGER’S REPORT

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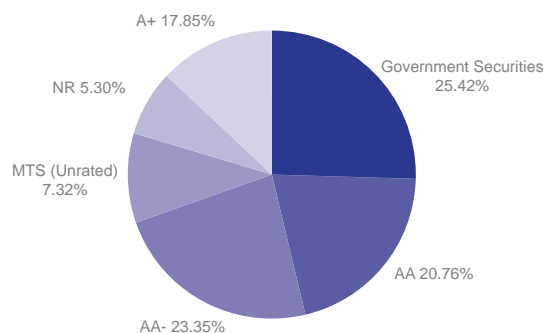
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### FUND INFORMATION

Fund Type	Open Ended
Category	Aggressive Income Fund
Stability Rating	A+(f) (JCRVIS)
Risk Profile	Medium
Launch Date	October 10, 2005
Custodian/Trustee	CDC
Auditor	Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants
Management Fee	1.50%
Front/Back end Load	Nil
Min Subscription	PKR. 5,000
Benchmark	90% 1 Yr KIBOR and 10% average of most recent published 3month deposit rates of top 3 scheduled Commercial Bank by deposit size
Pricing Mechanism	Forward
Dealing Days	Monday-Friday
Cut-Off Timing	9am-5pm
AMC Rating	AM3+ (JCRVIS)
NAV per Unit (PKR)	104.92
Net Assets (PKR mn)	460.12
Leverage	Nil

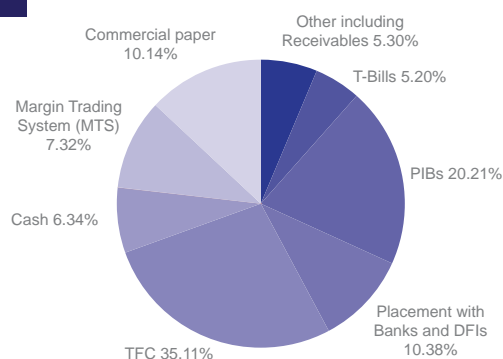
Asset Quality



### FUND INFORMATION

	June 14	June 13
YTD	8.82	9.50
Benchmark (YTD)	9.87	9.92

Assets Allocation



### FIGF

The fund closed FY14 with an annual return of 8.82% and secured the highest credit rating (A+) in its peer group. Based on improving economic indicators and flattening yield curve, exposure was increased towards PIBs in the second half of fiscal year to enhance yields without incurring additional risk. The fund also initiated investment in Margin Trading System to further support the return of the fund. Going forward, the fund is adequately aligned to capitalize on lower inflation reading and provide a superior risk-adjusted return.

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

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

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

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

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

Karachi: October 10, 2014

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

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

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

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

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

Chartered Accountants  
Date: 30th September, 2014  
Karachi

## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FAYSAL INCOME & GROWTH FUND

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35 of Listing Regulations of Karachi Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance. The Board of Directors (the Board) of Faysal Asset Management Limited (the Management Company), an unlisted public company, manages the affairs of **Faysal 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. Osman Khan
Non-Executive Director	Mr. Nauman Ansari Syed Majid Ali Mr. Razi-Ur-Rahman Khan Syed Ibad-Ur-Rehman Chishti
Executive Director	Mr. Enamullah Khan (CEO)

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

2. The directors have confirmed that none of them are serving as a director in more than seven listed companies, including the Management Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
4. Casual vacancy occurring on the board on 27 November 2013 and 21 April 2014 respectively were filled up by the directors within ninety days, however the board is in process to fill the casual vacancy occurred on 27 June 2014.
5. The Management Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, an overall corporate strategy and significant policies for the Fund. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment, determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other executive and non-executive directors 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 the year ending June 30, 2015.
10. The Directors' report relating to the Fund for the year ended June 30, 2014 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Fund were duly endorsed by the CEO and CFO of the Management Company before approval of the Board.

## **STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE FAYSAL INCOME & GROWTH FUND**

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

Karachi  
Dated: 30th September, 2014

**Enamullah Khan**  
Chief Executive Officer



## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

### *REPORT ON THE FINANCIAL STATEMENTS*

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

### *Management's responsibility for the financial statements*

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

### *Auditors' responsibility*

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

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

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

### *Opinion*

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

## **INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS**

### ***REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS***

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

#### **Chartered Accountants**

**Audit Engagement Partner:** Shabbir Yunus

**Date:** 30th September, 2014

**Karachi**



## STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2014

	Note	June 30, 2014	June 30, 2013
		----- (Rupees) -----	
<b>ASSETS</b>			
Bank balances and term deposit receipts	7	79,204,733	83,766,116
Investments	8	333,495,044	473,914,442
Receivable against Margin Trading System (MTS)		34,569,171	-
Prepayments, deposits and other receivables	9	24,722,589	16,834,050
<b>Total assets</b>		<b>471,991,537</b>	<b>574,514,608</b>
<b>LIABILITIES</b>			
Payable to the Management Company	10	664,932	965,420
Remuneration payable to the Trustee	11	64,600	93,142
Accrued and other liabilities	12	11,141,215	7,839,039
<b>Total liabilities</b>		<b>11,870,747</b>	<b>8,897,601</b>
<b>Net assets</b>		<b>460,120,790</b>	<b>565,617,007</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>460,120,790</b>	<b>565,617,007</b>
<b>Commitments</b>	13		
		----- (Number of units) -----	
<b>Number of units in issue</b>		<b>4,385,382</b>	<b>5,340,208</b>
		----- (Rupees) -----	
<b>Net assets value per unit</b>		<b>104.92</b>	<b>105.92</b>

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

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

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

## INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	June 30, 2014	June 30, 2013
Note	----- (Rupees) -----	
<b>Income</b>		
Profit earned on debt and government securities classified as:		
- Designated 'at fair value through profit or loss'	31,159,726	42,306,731
- 'At fair value through profit or loss'- held-for-trading	2,277,487	-
Return on clean placement, commercial paper and certificates of investment- classified as 'held to maturity'	6,082,917	13,956,612
Income from Margin Trading System (MTS)	2,461,716	-
Dividend income - designated 'at fair value through profit or loss'	-	231,820
Return on bank balances and term deposit receipts	9,749,692	6,690,028
Other income	355,600	-
Net gain on investments		
- Net capital gain on sale of investments classified as:		
- designated 'at fair value through profit or loss'	2,933,360	2,842,873
- 'at fair value through profit or loss' - held-for-trading	1,469,660	-
- held to maturity	-	647,118
- Net unrealised (loss) / gain on revaluation of investments- designated 'at fair value through profit or loss'	(254,036)	3,352,321
8.9	4,148,984	6,842,312
	56,236,122	70,027,503
<b>Total income</b>		
<b>Expenses</b>		
Remuneration of the Management Company	7,491,716	9,195,622
Provision for indirect taxes and duties	1,390,462	77,273
Sales tax on management fee	1,198,675	1,483,669
Remuneration of the Trustee	849,070	1,042,211
Brokerage charges	135,395	251,641
Bank charges	79,052	109,189
Auditors' remuneration	568,759	490,000
SECP annual fee	374,625	452,586
Legal and professional charges	27,780	60,000
Fees and subscription	269,273	240,000
Settlement charges, federal excise duty and capital value tax	517,414	242,713
Printing charges and other expenses	296,329	290,536
Provision for Workers' Welfare Fund	837,614	1,137,963
12.4	14,036,164	15,073,403
14	568,759	490,000
12.1	374,625	452,586
12.3	837,614	1,137,963
	14,036,164	15,073,403
<b>Net income from operating activities</b>	<b>42,199,958</b>	<b>54,954,100</b>
<b>Element of (loss) / income and capital (losses) / gains included in prices of units sold less those in units redeemed - net</b>	<b>(1,157,022)</b>	<b>806,099</b>
<b>Net income for the year before taxation</b>	<b>41,042,936</b>	<b>55,760,199</b>
Taxation	-	-
15	-	-
<b>Net income for the year after taxation</b>	<b>41,042,936</b>	<b>55,760,199</b>
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>41,042,936</b>	<b>55,760,199</b>

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

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

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

## DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
<b>Undistributed income brought forward</b>	<b>31,730,824</b>	36,815,085
[includes unrealised loss on investments of Rs.44,928 (2012: unrealised loss of Rs.3,497,242)]		
Final bonus distribution for the year ended June 30, 2013 @ Rs.1.0 (June 30, 2012: Rs.3.3) per unit declared for distribution on July 05, 2013	<b>(4,667,091)</b>	(10,162,152)
Final cash distribution for the year ended June 30, 2013 @ Rs.1.0 (June 30, 2012: Rs.3.3) per unit declared for distribution on July 05, 2013	<b>(672,863)</b>	(6,183,828)
Interim bonus distribution for the month of July 2013 @ Re.0.40 (2012: Rs.Nil) per unit declared for distribution on August 01, 2013	<b>(1,851,117)</b>	-
Interim cash distribution for the month of July 2013 @ Re.0.40 (2012: Rs.Nil) per unit declared for distribution on August 01, 2013	<b>(269,246)</b>	-
Interim bonus distribution for the month of August 2013 @ Re.0.35 (2012: Rs.Nil) per unit declared for distribution on September 02, 2013	<b>(1,442,351)</b>	-
Interim cash distribution for the month of August 2013 @ Re.0.35 (2012: Rs.Nil) per unit declared for distribution on September 02, 2013	<b>(235,591)</b>	-
Interim bonus distribution for the quarter ended September 30, 2013 @ Re.0.80 (2012: Rs.2.30) per unit declared for distribution on October 29, 2013	<b>(3,188,054)</b>	(7,452,849)
Interim cash distribution for the quarter ended September 30, 2013 @ Re.0.80 (2012: Rs.2.30) per unit declared for distribution on October 29, 2013	<b>(493,520)</b>	(4,309,941)
Interim bonus distribution for the month of October 31, 2013 @ Re.0.45 (2012: Rs.Nil) per unit declared for distribution on November 01, 2013	<b>(1,800,833)</b>	-
Interim cash distribution for the month of October 31, 2013 @ Re.0.45 (2012: Rs.Nil) per unit declared for distribution on November 01, 2013	<b>(277,605)</b>	-
Interim bonus distribution for the month of November 30, 2013 @ Re.0.55 (2012: Rs.Nil) per unit declared for distribution on December 02, 2013	<b>(2,172,674)</b>	-
Interim cash distribution for the month of November 30, 2013 @ Re.0.55 (2012: Rs.Nil) per unit declared for distribution on December 02, 2013	<b>(339,295)</b>	-
Interim bonus distribution for the quarter ended December 31, 2013 @ Re.0.80 (2012: Rs.2.40) per unit declared for distribution on February 24, 2014	<b>(3,080,894)</b>	(10,671,634)
Interim cash distribution for the quarter ended December 31, 2013 @ Re.0.80 (2012: Rs.2.40) per unit declared for distribution on February 24, 2014	<b>(478,529)</b>	(4,497,330)
Interim bonus distribution for the month of January 31, 2014 @ Re.0.55 (2013: Rs.Nil) per unit declared for distribution on February 03, 2014	<b>(2,133,177)</b>	-
Interim cash distribution for the month of January 31, 2014 @ Re.0.55 (2013: Rs.Nil) per unit declared for distribution on February 03, 2014	<b>(328,988)</b>	-
<b>Balance c/f.</b>	<b>8,298,996</b>	(6,462,649)

## DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
<b>Balance b/f.</b>	<b>8,298,996</b>	(6,462,649)
Interim bonus distribution for the month of February 28, 2014 @ Re.0.48 (2013: Rs.Nil) per unit declared for distribution on March 03, 2014	<b>(1,873,774)</b>	-
Interim cash distribution for the month of February 28, 2014 @ Re.0.48 (2013: Rs.Nil) per unit declared for distribution on March 03, 2014	<b>(287,117)</b>	-
Interim bonus distribution for the month of March 31, 2014 @ Rs.1.45 (2013: Rs.Nil) per unit declared for distribution on April 02, 2014	<b>(5,918,844)</b>	-
Interim cash distribution for the month of March 31, 2014 @ Rs.1.45 (2013: Rs.Nil) per unit declared for distribution on April 02, 2014	<b>(867,333)</b>	-
Interim bonus distribution for the quarter ended March 31, 2014 @ Re.0.20 (2013: Rs.2.20 ) per unit declared for distribution on April 28, 2014	<b>(817,711)</b>	(9,564,019)
Interim cash distribution for the quarter ended March 31, 2014 @ Re.0.20 (2013: Rs.2.20 ) per unit declared for distribution on April 28, 2014	<b>(121,505)</b>	(4,122,553)
Interim bonus distribution for the month of April 30, 2014 @ Re.0.65 (2013: Rs. Nil) per unit declared for distribution on May 05, 2014	<b>(2,645,788)</b>	-
Interim cash distribution for the month of April 30, 2014 @ Re.0.65 (2013: Rs.Nil) per unit declared for distribution on May 05, 2014	<b>(394,892)</b>	-
Interim bonus distribution for the month of May 31, 2014 @ Re.0.30 (2013: Re.0.60) per unit declared for distribution on June 02, 2014	<b>(1,188,853)</b>	(2,750,633)
Interim cash distribution for the month of May 31, 2014 @ Re.0.30 (2013: Re.0.60) per unit declared for distribution on June 02, 2014	<b>(181,718)</b>	(1,129,521)
Interim bonus distribution for the period ended June 27, 2014 @ Rs.2.00 (2013: Rs.Nil) per unit declared for distribution on June 27, 2014	<b>(7,414,018)</b>	-
Interim cash distribution for the period ended June 27, 2014 @ Rs.2.00 (2013: Rs.Nil) per unit declared for distribution on June 27, 2014	<b>(1,215,053)</b>	-
Net income for the year after taxation	<b>41,042,936</b>	55,760,199
<b>Undistributed income carried forward</b> [includes unrealised gain on investments of Rs.1,138,355 (2013: unrealised loss on investments of Rs.44,928)]	<b><u>26,415,326</u></b>	<b><u>31,730,824</u></b>

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

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

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

Note	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	41,042,936	55,760,199
<b>Adjustments for non-cash and other items:</b>		
Net capital gain on sale of investments classified as:		
- designated 'at fair value through profit or loss'	(2,933,360)	(2,842,873)
- 'at fair value through profit or loss'- held-for-trading	(1,469,660)	-
- held to maturity	-	(647,118)
Net unrealised gain / (loss) on revaluation of investments - designated 'at fair value through profit or loss'	254,036	(3,352,321)
Dividend income - designated 'at fair value through profit or loss'	-	(231,820)
Profit earned on debt and government securities classified as:		
- designated 'at fair value through profit or loss'	(31,159,726)	(42,306,731)
- 'at fair value through profit or loss'- held-for-trading	(2,277,487)	-
Return on clean placement, commercial paper and certificates of investment - classified as 'held to maturity'	(6,082,917)	(13,956,612)
Income from Margin Trading System (MTS)	(2,461,716)	-
Other income	(355,600)	-
Return on bank balances and term deposit receipts	(9,749,692)	(6,690,028)
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed - net	1,157,022	(806,099)
	<u>(14,036,164)</u>	<u>(15,073,403)</u>
<b>(Increase) / decrease in assets</b>		
Prepayments, deposits and other receivables	<u>1,557,283</u>	<u>20,268,604</u>
	1,557,283	20,268,604
<b>Increase in liabilities</b>		
Payable to the Management Company	<u>(300,488)</u>	<u>154,134</u>
Remuneration payable to the Trustee	<u>(28,542)</u>	<u>19,973</u>
Accrued and other liabilities	<u>2,087,123</u>	<u>1,400,588</u>
	<u>1,758,093</u>	<u>1,574,695</u>
	(10,720,788)	6,769,896
Proceed from sale / redemption of investments	1,554,607,818	3,702,506,874
Payments made against purchase of investments	(1,414,352,393)	(3,785,758,562)
Payments made against Margin Trading System (MTS)	(34,569,171)	
Dividend received	-	2,036,687
Profit received on debt and government securities	37,125,969	54,087,406
Income received on Margin Trading System (MTS)	2,148,668	-
Return received on bank balances and term deposit receipts	7,679,636	6,826,410
<b>Net cash generated from / (used in) operating activities</b>	<u>141,919,739</u>	<u>(13,531,289)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received against issue of units	<u>116,688,556</u>	<u>248,325,908</u>
Payments made against redemption of units	<u>(258,221,476)</u>	<u>(247,959,040)</u>
Dividend paid	<u>(4,948,202)</u>	<u>(20,243,173)</u>
<b>Net cash used in financing activities</b>	<u>(146,481,122)</u>	<u>(19,876,305)</u>
<b>Net decrease in cash and cash equivalents during the year</b>	<u>(4,561,383)</u>	<u>(33,407,594)</u>
Cash and cash equivalents at the beginning of the year	83,766,116	117,173,710
<b>Cash and cash equivalents as at the end of the year</b>	<u>79,204,733</u>	<u>83,766,116</u>

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

For Faysal Asset Management Limited  
(Management Company)

Chief Executive Officer

Director

Director

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

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
Net asset value per unit at beginning of the year	<u>105.92</u>	<u>107.11</u>
Net asset value per unit at end of the year	<u>104.92</u>	<u>105.92</u>
<b>Net assets at beginning of the year</b>	<b>565,617,007</b>	<b>530,539,212</b>
Amount received on issue of units *	<b>116,688,556</b>	<b>248,325,908</b>
Amount paid on redemption of units **	<b>(258,221,476)</b>	<b>(247,959,040)</b>
	<b>(141,532,920)</b>	<b>366,868</b>
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed - net	<b>1,157,022</b>	<b>(806,099)</b>
Final cash distribution for the year ended June 30, 2013 @ Rs.1.0 (June 30, 2012: Rs.3.3) per unit declared for distribution on July 05, 2013	<b>(672,863)</b>	<b>(6,183,828)</b>
Interim cash distribution for the month of July 2013 @ Re.0.40 (2012: Rs.Nil) per unit declared for distribution on August 01, 2013	<b>(269,246)</b>	<b>-</b>
Interim cash distribution for the month of August 2013 @ Re.0.35 (2012: Rs.Nil) per unit declared for distribution on September 02, 2013	<b>(235,591)</b>	<b>-</b>
Interim cash distribution for the quarter ended September 30, 2013 @ Re.0.80 (2012: Rs.2.30) per unit declared for distribution on October 29, 2013	<b>(493,520)</b>	<b>(4,309,941)</b>
Interim cash distribution for the month of October 31, 2013 @ Re.0.45 (2012: Rs.Nil) per unit declared for distribution on November 01, 2013	<b>(277,605)</b>	<b>-</b>
Interim cash distribution for the month of November 30, 2013 @ Re.0.55 (2012: Rs.Nil) per unit declared for distribution on December 02, 2013	<b>(339,295)</b>	<b>-</b>
Interim cash distribution for the quarter ended December 31, 2013 @ Re.0.80 (2012: Rs.2.40) per unit declared for distribution on February 24, 2014	<b>(478,529)</b>	<b>(4,497,330)</b>
Interim cash distribution for the month of January 31, 2014 @ Re.0.55 (2013: Rs.Nil) per unit declared for distribution on February 03, 2014	<b>(328,988)</b>	<b>-</b>
Interim cash distribution for the month of February 28, 2014 @ Re.0.48 (2013: Rs.Nil) per unit declared for distribution on March 03, 2014	<b>(287,117)</b>	<b>-</b>
Interim cash distribution for the month of March 31, 2014 @ Rs.1.45 (2013: Rs.Nil) per unit declared for distribution on April 02, 2014	<b>(867,333)</b>	<b>-</b>
Interim cash distribution for the quarter ended March 31, 2014 @ Re.0.20 (2013: Rs.2.20) per unit declared for distribution on April 28, 2014	<b>(121,505)</b>	<b>(4,122,553)</b>
Interim cash distribution for the month of April 30, 2014 @ Re.0.65 (2013: Rs.Nil) per unit declared for distribution on May 05, 2014	<b>(394,892)</b>	<b>-</b>
Interim cash distribution for the month of May 31, 2014 @ Re.0.30 (2013: Re.0.60) per unit declared for distribution on June 02, 2014	<b>(181,718)</b>	<b>(1,129,521)</b>
Interim cash distribution for the period ended June 27, 2014 @ Rs.2.00 (2013: Rs.Nil) per unit declared for distribution on June 27, 2014	<b>(1,215,053)</b>	<b>-</b>
Net capital gain on sale of investments	<b>4,403,020</b>	<b>3,489,991</b>
Net unrealised (loss) / gain on revaluation of investments	<b>(254,036)</b>	<b>3,352,321</b>
Other net income for the year	<b>36,893,952</b>	<b>48,917,887</b>
Other comprehensive income for the year	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>41,042,936</b>	<b>55,760,199</b>
<b>Net assets at the end of the year</b>	<b>460,120,790</b>	<b>565,617,007</b>
	----- Number of units -----	
* Number of units issued (including 410,664 bonus units issued during the year ended June 30, 2014 and 387,475 bonus units issued during the year ended June 30, 2013)	<b>1,483,471</b>	<b>2,726,010</b>
** Number of units redeemed	<b>2,438,297</b>	<b>2,339,130</b>

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

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

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

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

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

Faysal 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 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.

The Fund is categorised as a "aggressive income Scheme" as per the circular 07 of 2009 issued by Securities and Exchange Commission of Pakistan.

The JCR - VIS Credit Rating Company Limited (JCR - VIS) has assigned a "A+(f)" fund rating to Faysal Income & Growth Fund as of August 02, 2013.

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

### **2. STATEMENT OF COMPLIANCE**

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

### **3. BASIS OF MEASUREMENT**

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

### 4.1 New / Revised Standards, Interpretations and Amendments

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

IAS 19 – Employee Benefits – (Revised)

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

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

#### Improvements to Accounting Standards Issued by the IASB

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

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

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

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

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

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

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

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

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

### 4.3 Investments

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

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

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".



## NOTES TO THE FINANCIAL STATEMENTS

### At fair value through profit or loss

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

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

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

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

### Held to maturity investments

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

### Available-for-sale investments

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

Fair value of investments is determined as follows:

#### Listed shares

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

#### Debt securities

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

#### Government securities

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

## NOTES TO THE FINANCIAL STATEMENTS

### 4.4 Derivatives

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

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

### 4.5 Securities under repurchase / resale agreements

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

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

### 4.6 Provisions

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

### 4.7 Issue and redemption of units

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 4.8 Cash and cash equivalents

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

### 4.10 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 income from reverse repurchase agreements and income from margin trading system (MTS) are recognised on a time proportion basis using effective interest rate method.

### 4.11 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 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.

### 4.13 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.

### 4.14 Preliminary expenses and flotation costs

Preliminary expenses and flotation 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.

### 4.15 Financial assets and financial liabilities

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

## NOTES TO THE FINANCIAL STATEMENTS

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.

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.

### Impairment of financial assets

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

Impairment is determined as follows:

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

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

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

### 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.

#### 4.16 Receivable against Margin Trading System (MTS)

Transactions for purchase of marketable securities under Margin Trading System (MTS) are entered into at contracted rates for specified period of time. Securities purchased under the MTS are not recognised in the Statement of Assets and Liabilities. The amount paid under such agreement is recognised as "Receivable against Margin Trading System (MTS)". Profit is recognised on accrual basis using the effective interest rate method. Cash releases are adjusted against the receivable as reduction in the amount of receivable. The maximum maturity of a MTS contract is 60 calendar days and 25% of the exposure is released automatically at the expiry of every 15th calendar day.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. ACCOUNTING ESTIMATES AND JUDGMENTS

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

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in note 4.3 and 4.15 to the financial statements.

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

#### Standard, interpretation or amendment

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

#### Standard, interpretation or amendment

IAS 36 - Recoverable Amount for Non-Financial Assets – (Amendment)	January 01, 2014
IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting - Amortization	January 01, 2014
IFRIC 21 - Levies	January 01, 2014

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### Standard

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

	Note	June 30, 2014 ----- (Rupees) -----	June 30, 2013 -----
<b>7. BANK BALANCES AND TERM DEPOSIT RECEIPTS</b>			
Cash at bank - PLS savings accounts	7.1	<b>30,204,733</b>	18,766,116
Term deposit receipts	7.2	<b>49,000,000</b>	65,000,000
		<b><u>79,204,733</u></b>	<b><u>83,766,116</u></b>

**7.1** These carry mark-up ranging between 7.00% and 9.55% (June 30, 2013: 6.00% to 9.25%) per annum and include a balance of Rs.0.29 million (June 30, 2013: Rs.1.18 million) held with Faysal Bank Limited (a related party).

**7.2** This carries mark-up at the rate of 10.15% (June 30, 2013: 9.90%) per annum having maturity on July 08, 2014.

### 8. INVESTMENTS

#### At fair value through profit or loss -

##### Designated 'at fair value through profit or loss'

Debt securities	8.1	<b>165,678,955</b>	154,995,782
Government securities	8.2	<b>119,975,196</b>	201,764,810
		<b>285,654,151</b>	356,760,592

##### Held-for-trading

Debt securities - sukuk certificate	8.7	-	-
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##### Held to maturity

Certificates of Investment	8.3	-	50,038,220
Commercial papers - Sukuk certificates	8.4	<b>47,840,893</b>	67,115,630
Letters of placement	8.5	-	-
Certificate of Musharika	8.6	-	-
		<b>47,840,893</b>	117,153,850
		<b><u>333,495,044</u></b>	<b><u>473,914,442</u></b>

## 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				Balance as at June 30, 2014			Market value as percentage of total investments	Market value as percentage of net assets	Market value as percentage of size of issue	
	As at July 01, 2013	Purchased during the year	Redeemed during the year	Disposed off during the year	As at June 30, 2014	Carrying value	Market value				Unrealized gain / (loss) on revaluation
----- (Rupees) -----											
<b>Term Finance Certificates (TFCs) - Listed</b>											
<b>Banks</b>											
Bank Alfalah Limited - V	10,000	-	-	6,700	3,300	16,493,400	16,711,855	218,455	5.01%	3.63%	0.33%
Bank Al Habib Limited - II	4,270	-	-	150	4,120	20,647,146	20,611,527	(35,619)	6.18%	4.48%	1.37%
United Bank Limited - IV	10,000	-	-	10,000	-	-	-	-	-	-	-
NIB -II	-	7,400	-	-	7,400	37,000,000	37,000,000	-	11.09%	8.04%	0.74%
<b>Electricity</b>											
KE Azam Sukuk III	-	9,400	-	-	9,400	47,000,000	47,228,890	228,890	14.16%	10.26%	3.15%
<b>Un-listed</b>											
<b>Banks</b>											
Askari Bank Limited	25	17	-	-	42	42,871,307	44,126,683	1,255,376	13.23%	9.59%	4.41%
<b>Chemicals</b>											
Engro Fertilizer Ltd - PRP I	-	10,000	-	10,000	-	-	-	-	-	-	-
<b>Sukuk Certificates - unlisted</b>											
Kohat Cement Limited	10,000	-	10,000	-	-	-	-	-	-	-	-
	34,295	26,817	10,000	26,850	24,262	164,011,853	165,678,955	1,667,102	49.68%	36.01%	10.00%

#### 8.1.1 Significant terms and conditions of debt securities are as follows:

Name of security	Number of certificates held	Face value per certificate (Rupees)	Mark-up rate (per annum)	Maturity	Secured / unsecured	Rating
<b>Term Finance certificates - Listed</b>						
Bank Alfalah Limited - V	3,300	4,998	1.25% + 6 months KIBOR	February 2021	Unsecured	AA-
KE Azam Sukuk III	9,400	5,000	2.75% + 3 months KIBOR	March 2019	Secured	A+
NIB -II	7,400	5,000	1.15% plus 6 months KIBOR	June 2022	Un Secured	A+
<b>Term Finance certificates - Unlisted</b>						
Askari Bank Limited	42	999,000	1.75% + 6 months KIBOR	December 2021	Unsecured	AA-
<b>Sukuk Certificates - Unlisted</b>						
Kohat Cement Limited	-	58	2.5% + 3 months KIBOR	September 2016	Secured	Non-rated

## NOTES TO THE FINANCIAL STATEMENTS

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

Name of security	Note	----- face value -----				Balance as at June 30, 2014			Maturity	Market value as percentage of total investments	Market value as percentage of net assets
		As at July 01, 2013	Purchased during the year	Disposed / matured during the year	As at June 30, 2014	Carrying value	Market value	Unrealized gain / (loss) on revaluation			
<b>Market Treasury Bills</b>											
Market treasury bills - 3 months	8.2.1	100,000,000	335,000,000	410,000,000	25,000,000	24,565,813	24,564,975	(838)	September, 2014	7.37%	5.34%
Market treasury bills - 6 months		50,000,000	75,000,000	125,000,000	-	-	-	-	-	-	-
Market treasury bills - 1 year		55,000,000	100,000,000	155,000,000	-	-	-	-	-	-	-
		<u>205,000,000</u>	<u>510,000,000</u>	<u>690,000,000</u>	<u>25,000,000</u>	<u>24,565,813</u>	<u>24,564,975</u>	<u>(838)</u>		<u>7.37%</u>	<u>5.34%</u>
<b>Pakistan Investment Bonds</b>											
Pakistan Investment Bonds - 03 years		-	250,000,000	250,000,000	-	-	-	-	-	-	-
Pakistan Investment Bonds - 10 years		-	200,000,000	100,000,000	100,000,000	95,938,130	95,410,221	(527,909)	July, 2022	28.61%	20.74%
		-	450,000,000	350,000,000	100,000,000	95,938,130	95,410,221	(527,909)		28.61%	20.74%
		<u>205,000,000</u>	<u>960,000,000</u>	<u>1,040,000,000</u>	<u>125,000,000</u>	<u>120,503,943</u>	<u>119,975,196</u>	<u>(528,747)</u>			

8.2.1 This investment includes securities with face value aggregating to Rs.25 million which have been pledged with National Clearing Company of Pakistan Limited as security against settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

### 8.3 Certificates of investment - held to maturity

Name of the investee company	Rate of return	----- face value -----				As at June 30, 2014	Carrying value as at June 30, 2014	Maturity	--- Face value as % of ---	
		As at July 01, 2013	Purchased during the period	Sales during the period	Matured during the period				Net assets	Total investments
Pak Brunei Investment Company Limited	-	50,000,000	-	-	50,000,000	-	-	-	-	-
		<u>50,000,000</u>	<u>-</u>	<u>-</u>	<u>50,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Rupees)

### 8.4 Commercial Papers - Sukuk certificates (secured) - held to maturity

Name of Investee company	Rate of return range	----- face value -----					Carrying value as at June 30, 2014	Maturity	Face value as percentage of total investments	Face value as percentage of net assets
		As at July 01, 2013	Purchases during the period	Sales during the period	Matured during the period	As at June 30, 2014				
Hub Power Company Limited	-	65,000,000	-	-	65,000,000	-	-	-	-	-
Lalpir Power Limited	-	-	45,000,000	-	45,000,000	-	-	-	-	-
PAIR Investment Company Limited	11.92%	-	50,000,000	-	-	50,000,000	47,840,893	-	14.99%	10.87%
		<u>65,000,000</u>	<u>95,000,000</u>	<u>-</u>	<u>110,000,000</u>	<u>50,000,000</u>	<u>47,840,893</u>		<u>14.99%</u>	<u>10.87%</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 8.5 Letters of Placement - held to maturity

Name of Investee company	Rate of return range	face value					Carrying value as at June 30, 2014	Maturity	Face value as percentage of total investments	Face value as percentage of net assets
		As at July 01, 2013	Purchases during the period	Sales during the period	Matured during the period	As at June 30, 2014				
PAIR Investment Company Limited	-	-	80,000,000	-	80,000,000	-	-	-	-	
Pak Oman Investment Company Limited	-	-	45,000,000	-	45,000,000	-	-	-	-	
		-	125,000,000	-	125,000,000	-	-	-	-	

### 8.6 Certificate of Musharika - held to maturity

Name of Investee company	Rate of return range	Face value					Carrying value as at June 30, 2014	Maturity	Face value as percentage of total investments	Face value as percentage of net assets
		As at July 01, 2013	Purchases during the period	Sales during the period	Matured during the period	As at June 30, 2014				
Meezan Bank Limited	-	-	45,000,000	-	45,000,000	-	-	-	-	
		-	45,000,000	-	45,000,000	-	-	-	-	

### 8.7 Debt securities - at fair value through profit or loss - held-for-trading

Name of the investee company	Number of certificates					Balance as at June 30, 2014			Market value as percentage of total
	As at July 01, 2013	Purchased during the period	Redeemed during the period	Disposed off during the period	As at June 30, 2014	Carrying value	Market value	Unrealized gain / (loss) on revaluation	
WAPDA 3rd Sukuk	-	9,800	-	9,800	-	-	-	-	-
	-	9,800	-	9,800	-	-	-	-	-

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

### 8.8 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 as a percentage of net assets	Investment as at year end as a percentage of	
					Net assets	assets
PAIR Investment Company Limited	8.8.1	CP Sukuk	50,000,000	10%	10.87%	10.59%
KE Azam Sukuk III	8.8.1	Sukuk	47,228,890	10%	10.26%	10.01%
Banks (sector)	8.8.1	TFC / Sukuk	118,450,065	25%	25.74%	25.10%

**8.8.1** The above exposure is in excess of the limits 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 limits exceeded the prescribed limits due to reduction of fund size as on June 30, 2014. However, the NBFC Regulations allow three months time period to regularize these exposures.

## NOTES TO THE FINANCIAL STATEMENTS

	Note	June 30, 2014	June 30, 2013
		----- (Rupees) -----	
<b>8.9 Net unrealised gain on revaluation of investments - designated 'at fair value through profit or loss'</b>			
Market value of investments		285,654,151	356,760,592
Less: cost of investments		<u>(284,515,796)</u>	<u>(356,805,520)</u>
		1,138,355	(44,928)
Net unrealised loss on investments at the beginning of the year		44,928	(3,497,242)
Realised on disposal during the year		<u>(1,437,319)</u>	6,894,491
		<u>(1,392,391)</u>	3,397,249
		<u>(254,036)</u>	<u>3,352,321</u>
<b>9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES - Considered good</b>			
Prepayments		169,316	-
Security deposits:			
- National Clearing Company of Pakistan Limited		250,000	2,500,000
- Central Depository Company of Pakistan Limited		100,000	100,000
		350,000	2,600,000
Profit receivable on debt securities		20,698,803	13,636,085
Return receivable on bank balances and Term Deposit Receipts	9.1	2,663,021	592,965
Receivable against redemption of debt securities		8,400	5,000
Income receivable on Margin Trading System (MTS)		313,048	-
Receivable against issue of units		520,001	-
		<u>24,722,589</u>	<u>16,834,050</u>
<b>9.1</b>	This includes return receivable amounting Rs.3,767 (June 30, 2013: Rs.270) on balance held with Faysal Bank Limited (a related party).		
<b>10. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Management fee payable	10.1	573,217	821,597
Sales tax payable on Management fee		91,715	143,823
		<u>664,932</u>	<u>965,420</u>
<b>10.1</b>	The Management Company is entitled to a remuneration for services rendered to the Fund under the provisions of the NBFC Regulations during the first five years of a Fund's existence of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two per cent of such assets. The Management Company has charged its remuneration at the rate of 1.5% per annum of the daily net asset value of the Fund (June 30, 2013: 1.5% per annum).		
<b>11. REMUNERATION PAYABLE TO THE TRUSTEE</b>		<u>64,600</u>	<u>93,142</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

		June 30, 2014	June 30, 2013
<b>12. ACCRUED AND OTHER LIABILITIES</b>	<b>Note</b>	----- (Rupees) -----	
SECP annual fee payable	12.1	374,625	459,765
Accrued expenses		954,032	874,468
Payable on account of redemption of units		559,559	-
Dividend payable	12.2	1,215,053	-
Provision for Workers' Welfare Fund	12.3	7,265,144	6,427,533
Provision for indirect taxes and duties	12.4	772,802	77,273
		<u>11,141,215</u>	<u>7,839,039</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, 2013: 0.075%) per annum of the daily net asset value of the Fund.

**12.2** This includes dividend payable amounting to Rs.1,179,024 (June 30, 2013: Rs.Nil) to Faysal Bank Limited (a related party).

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

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

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

As the matter relating to the levy of WWF is currently pending in the SHC, the Management Company, as a matter of prudence, has decided to retain and continue with the provision for WWF amounting to Rs.7.265 million (June 30, 2013: Rs.6.43 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.1.66 (1.58%) per unit (June 30, 2013: Rs.1.20 (1.14%) per unit).

**12.4** As per the requirements of the Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the services of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy

## NOTES TO THE FINANCIAL STATEMENTS

of FED results in double taxation, does not appear to be the spirit of the law. The matter has been collectively taken up by the Management Company jointly with other Asset Management Companies and Central Depository Company of Pakistan Limited on behalf of schemes through a constitutional petition filed in the Honourable Sindh High Court (SHC) during September 2013 which is pending adjudication. However, the SHC has issued a stay order against the recovery of FED. The Fund, as a matter of abundant caution, has charged FED and sales tax on service thereon in its financial statements with effect from June 13, 2013.

	June 30, 2014	June 30, 2013
Note	----- (Rupees) -----	
<b>13. COMMITMENTS</b>		
<b>13.1 Commitments</b>		
Margin Trading System (MTS) transactions entered into by the Fund which have not been settled as at June 30, 2014		
Purchase transactions	<u>9,997,632</u>	-
Sale transactions	<u>5,907,865</u>	-
<b>14. AUDITORS' REMUNERATION</b>		
Audit fee	315,000	300,000
Review and other certifications	199,500	190,000
Other	28,534	-
	<u>543,034</u>	490,000
Sales tax	25,725	-
	<u>568,759</u>	490,000
<b>15. TAXATION</b>	<u>-</u>	<u>-</u>

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

### 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.

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

## NOTES TO THE FINANCIAL STATEMENTS

**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, 2014	June 30, 2013
	----- (Rupees) -----	
<b>Transactions during the year</b>		
<b>Faysal Asset Management Limited (Management Company)</b>		
Remuneration of Management Company	7,491,716	9,195,622
Sales tax on management fee	1,198,675	1,483,669
<b>Faysal Asset Management Limited - Employees Provident Fund</b>		
Issue of Nil units (2013: 15,272 units)	-	1,630,000
Redemption of 2,379 units (2013: Nil)	250,000	-
Bonus issue of 1,415 units (2013: 1,118 units)	149,526	117,476
<b>Faysal Asset Management Limited - Staff Gratuity Fund</b>		
Issue of Nil units (2013: 4,685 units)	-	500,000
Bonus issue of 495 units (2013: 343 units)	52,356	36,035
<b>Faysal Bank Limited (Group / Associated Company)</b>		
Cash dividend paid	6,048,235	20,237,984
Redemption of 74,955 units (2013: 1,209,420 units)	7,923,680	128,000,000
Profit on PLS saving accounts	118,993	736,779
Bank Charges	2,560	33,344
<b>Central Depository Company of Pakistan Limited (Trustee of the Fund)</b>		
Remuneration of the Trustee	849,070	1,042,211
Settlement charges	45,514	-
<b>Unit Holder Holding 10% or more units</b>		
<b>National Refinery Executive Staff Post Retirement Medical Fund</b>		
Bonus issue of 89,979 units (2013: 88,474 units)	9,508,427	9,265,639
<b>Outstanding balances as at year end</b>		
<b>Faysal Asset Management Limited (Management Company)</b>		
Remuneration payable to the Management Company	573,217	821,597
Sales tax on management fee payable	91,715	143,823
<b>Faysal Asset Management Limited - Employees Provident Fund</b>		
Units in issue: 15,426 units (2013: 16,390 units)	1,618,478	1,735,974

## NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2014	June 30, 2013
	----- (Rupees) -----	
<b>Faysal Asset Management Limited - Staff Gratuity Fund</b>		
Units in issue: 5,523 units (2013: 5,028 units)	579,472	532,549
<b>Faysal Bank Limited (Group Company / Associated Company)</b>		
Units in issue 589,512 units (2013: 664,467 units)	61,851,644	70,378,132
Balance in PLS saving account	295,171	1,184,449
Profit Receivable on PLS savings account	3,767	270
Dividend payable	1,179,024	-
<b>Central Depository Company of Pakistan Limited (Trustee of the Fund)</b>		
Remuneration payable to the Trustee	64,600	93,142
Security deposit	100,000	100,000
<b>(Unit Holder Holding 10% or more units)</b>		
<b>National Refinery Limited - Executive Staff Post Retirement Medical Fund</b>		
Units in issue 1,003,043 units (2013: 913,065 units)	105,239,306	96,708,762

### 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, 2014, 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

## NOTES TO THE FINANCIAL STATEMENTS

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, 2014, approximately 94.76% (June 30, 2013: 96.83%) 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.1.96 million (June 30, 2013: Rs.3.51 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.4.64 million (June 30, 2013: Rs.2.05 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.

### (ii) Foreign currency risk

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

### (iii) Equity price risk

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

## 17.2 Liquidity risk

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

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

June 30, 2014	Upto one month	More than one month and upto three months	More than three months and upto one year	More than one year	Total
----- (Rupees) -----					
<b>Financial liabilities</b>					
Payable to the Management Company	664,932	-	-	-	664,932
Remuneration payable to the Trustee	64,600	-	-	-	64,600
Accrued and other liabilities	2,728,644	-	-	-	2,728,644
	<b>3,458,176</b>	-	-	-	<b>3,458,176</b>

## NOTES TO THE FINANCIAL STATEMENTS

		More than one month and upto three months	More than three months and upto one year	More than one year	Total
June 30, 2013	Upto one month				
----- (Rupees) -----					
<b>Financial liabilities</b>					
Payable to the Management Company	965,420	-	-	-	965,420
Remuneration payable to the Trustee	93,142	-	-	-	93,142
Accrued and other liabilities	874,468	-	-	-	874,468
	<u>1,933,030</u>	-	-	-	<u>1,933,030</u>
----- (Rupees) -----					

### 17.3 Credit risk

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

	June 30, 2014	June 30, 2013
----- (Rupees) -----		
Bank balances and term deposit receipts	<b>79,204,733</b>	83,766,116
Term finance certificates and sukuk certificates	<b>165,678,955</b>	154,995,782
Certificates of investment	-	50,038,220
Profit receivable on debt securities	<b>20,698,803</b>	13,636,085
Commercial papers	<b>47,840,893</b>	67,115,630
Security deposits	<b>350,000</b>	2,600,000
Dividend, deposits and other receivables	<b>3,504,470</b>	597,965
	<u><b>317,277,854</b></u>	<u>372,749,798</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, 2014:

	June 30, 2014	June 30, 2013
----- % -----		
<b>Rating category</b>		
AA+, AA, AA-	<b>92.25</b>	95.82
A+, A, A-	<b>0.01</b>	0.01
Unrated	<b>7.74</b>	4.17
	<u><b>100.00</b></u>	<u>100.00</u>



## NOTES TO THE FINANCIAL STATEMENTS

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

	<b>June 30, 2014</b>	<b>June 30, 2013</b>
	<b>% of assets exposed to credit risk</b>	
Commercial banks	<b>62.30</b>	64.40
Financial services	<b>15.08</b>	14.12
Electricity	<b>14.89</b>	18.01
Construction and Materials	-	3.47
Others	<b>7.74</b>	-
	<b>100.00</b>	100.00

### 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.

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

### 17.5 Fair value hierarchy

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014			
Level 1	Level 2	Level 3	Total
(Rupees)			
<b>Investments designated 'at fair value through profit or loss'</b>			
Term finance certificates	-	118,450,065	-
Sukuk certificates	-	47,228,890	-
Government securities -			
Market treasury bills	-	24,564,975	-
Pakistan Investment bonds	-	95,410,221	-

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

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

### 18. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 20. GENERAL

Figures have been rounded off to the nearest rupee.

### 21. DATE OF AUTHORISATION FOR ISSUE

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

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

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**Chief Executive Officer**

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**Director**

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**Director**

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

**Annexure I**

**(i) PATTERN OF UNIT HOLDING**

Category	No. of investors	Units held	%
Associated company	1	589,512	13.44
Insurance company	-	-	-
Retirement Funds	16	1,002,542	22.86
Individuals	181	1,233,069	28.12
Banks and DFIs	-	-	-
NBFCs	-	-	-
Other	9	1,560,257	35.58
	<u>207</u>	<u>4,385,381</u>	<u>100.00</u>

**(ii) TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID**

Name	June 30, 2014 %
Invest Capital Securities (Pvt.) Limited	54.56%
Elixir Securities (Pvt.) Limited	18.63%
Jahangir Siddiqui Capital Markets Limited	15.45%
Invest & Finance Limited	8.99%
KASB Securities Limited	1.27%
Invest One Market Limited	0.48%
BMA Capital Limited	0.38%
Global Securities Pakistan Limited	0.24%
	June 30, 2013 %
Invest Capital Securities (Pvt) Limited	41.36
Jahangir Siddiqui Capital Markets Limited	16.71
Icon Securities (Pvt) Limited	12.64
C & M Management Limited	9.31
Global Securities Pakistan Limited	8.63
Elixir Securities (Pvt) Limited	6.21
Invest One Market Limited	3.67
KASB Securities Limited	0.81
Invest & Finance Limited	0.53
Alfalah Securities (Pvt) Limited	0.13

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

**(iii) THE MEMBERS OF THE INVESTMENT COMMITTEE**

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

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

**(iv) PARTICULARS OF FUND MANAGERS**

<b>Name</b>	<b>Qualification</b>	<b>Other Collective Investment Schemes Managed</b>
Mr. Hassan Bin Nasir	MBA	Faysal Islamic Savings Growth Fund

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

**(v) PERFORMANCE TABLE**

Net assets	460,120,790	565,617,007	530,539,212
Net asset value per unit	104.92	105.92	107.11
Offer price	104.92	105.92	108.19
Repurchase price per unit	104.92	105.92	107.11
Highest offer price per unit	108.01	107.66	108.49
Highest repurchase price per unit	108.01	107.66	107.41
Lowest offer price	104.92	104.96	103.42
Lowest repurchase price per unit	104.92	104.14	102.39
Total return:	8.82%	9.26%	13.51%
- capital growth	-0.16%	0.76%	2.01%
- income distribution	8.98%	8.50%	11.50%
Average annual return: (Launch date: April 19, 2004)			
- one year	8.82%	9.26%	13.51%
- two years	9.04%	11.39%	11.61%
- three years	10.53%	10.83%	11.61%
Distribution per unit:			
- Interim distribution (Rs. per unit)	8.98%	7.50%	8.20%
- Final distribution (Rs. per unit)	-	1.00%	3.30%
	<u>8.98%</u>	<u>8.50%</u>	<u>11.50%</u>

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

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

**(vi) MEETINGS OF THE BOARD OF DIRECTORS**

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

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

\* Resigned effective from September 24, 2013.

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

\*\*\* Resigned effective from April 02, 2014.

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

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

**(vii) MEETINGS OF THE AUDIT COMMITTEE**

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

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

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

**(viii) MEETINGS OF THE BOARD HR COMMITTEE**

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

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

**(ix) RATING OF THE FUND AND THE MANAGEMENT COMPANY**

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

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