

### **Faysal Balanced Growth Fund**

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



## CONTENTS

Fund Information	04
Mission Statement	05
Report of the Directors of the Management Company	06
Fund Manager's Report	09
Trustee Report to the Unit Holders	11
Review Report to the Unit Holders on Statement of Compliance with the best practices of the code of corporate governance	12
Statement of Compliance with the best practices of the code of corporate governance	13
Independent Auditors' Report to the Unit Holders	15
Statement of Assets and Liabilities	16
Income Statement	17
Distribution Statement	18
Statement of Cash Flow	19
Statement of Movement in Unit Holders' Funds	20
Notes to the Financial Statements	21
Supplementary Non Financial Information	48

## FUND INFORMATION

### Management Company

Faysal Asset Management Limited

### Board of Directors of the Management Company

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

### CFO and Company Secretary of the Management Company

Mr. Najm-ul-Hassan

### Audit Committee

Mr. Feroz Rizvi, Chairman  
Syed Majid Ali, Member  
Mr. Zafar Ahmed Siddiqui, Member  
Mr. Razi-Ur-Rehman Khan, Member

### Trustee to the Fund

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

### Bankers to the fund

Askari Bank Limited  
Bank Alfalah Limited  
Faysal Bank Limited  
NIB Bank Limited

### Auditors

M. Yousuf Adil Saleem & Co., Chartered Accountants

### Legal Advisor

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

### Registrar

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

## **MISSION STATEMENT**

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

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Directors of the Faysal Asset Management Limited, the Management Company of **Faysal Balanced Growth Fund** (FBGF), are pleased to present the 10th Annual Report on the operations of FBGF along with the audited accounts, Reports of the Trustee and Auditors to the Unit Holders for the year ended June 30, 2013.

### SALE AND REDEMPTION OF UNITS

During the year, units worth Rupees 1.365 million were issued and units with a value of Rupees 135.779 million were redeemed.

### UNIT HOLDERS

As of June 30, 2013, 1,511,929 units with a value of Rs. 108 million were outstanding (June 30, 2012: 3,513,135 units with a value of Rs. 210 million).

### UNIT PRICES

Unit prices are being announced on a daily basis based on the NAV of the underlying portfolio. The highest and lowest offer/redemption prices during the year as well as the prices prevailing as of June 30, 2013 were as below:

	Offer Price	Redemption Price
Highest	72.92	72.92
Lowest	61.53	60.17
As of June 30, 2013	71.23	71.23

### EQUITY MARKETS REVIEW

Pakistan's equity market saw another productive year as the benchmark index retained its position as the most lucrative investment avenue across the frontier and regional market. The primary benchmark index yielded 52% YoY, outpacing major frontier markets. The benchmark index climbed steadily throughout the first half of fiscal year, generating 22.5% on account of monetary easing. In the wake of decelerating inflation, the Central Bank slashed the key policy rate by 250bps over the first half, bringing the key policy rate down to a single digit. The aggressive easing stance resonated in corporate fundamentals and valuations, making them highly attractive across the board. Resultantly, investor confidence strengthened and sentiments turned bullish.

The second half was considerably more composed, as market direction was dominated primarily by political landscape and developments. Nevertheless, market confidence recovered as political clarity improved over election results. With the smooth transition of power, PML (N) won a sweeping majority in general elections. The index broke record high levels as the pro-business center promoted bullish sentiments, registering a return of 24.3% over the latter half.

The outgoing year also saw developments on the corporate front, where the index heavy weight Unilever opted for delisting at the local bourse. Major movement was witnessed in the Pharma and Cement sector, which registered returns of 132% and 112%, respectively over the outgoing fiscal year.

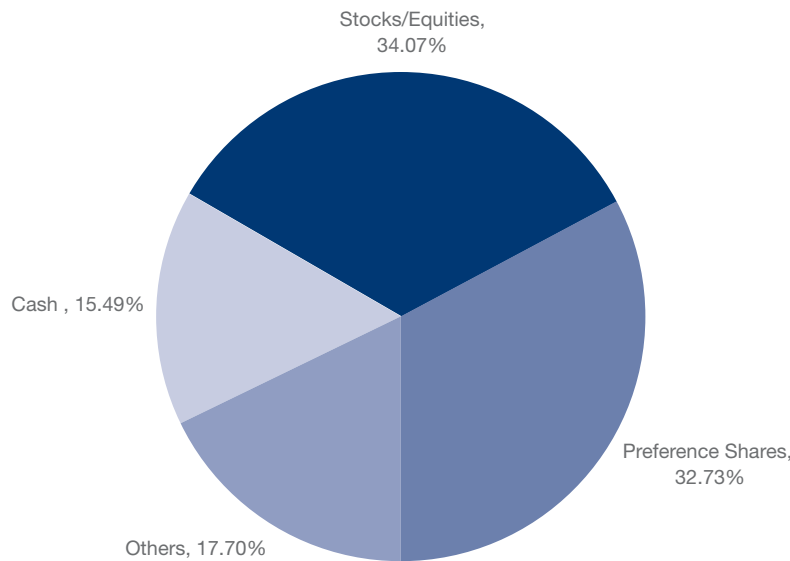
Going forward, the market is expected to remain buoyed by expected support from Extended Loan Facility (EFF) of the International Monetary Fund, especially in light of stressed reserves and non-materialization of Coalition Support Funds. That said, the equity market is currently exposed to economic reservations, particularly deteriorating foreign reserves, depreciating Pak Rupee and widening balance of payment deficit.

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

### PERFORMANCE REVIEW

Your fund yielded a robust return of 19.15% over the outgoing fiscal year on the back of proactive investment philosophy, strong corporate earnings growth and a well-balanced exposure to equities and fixed income. Equity exposure was regulated in line with monetary easing, increasing political clarity and the eventual election results. Nonetheless exposure to equities was proactively reduced in the final month from 59% to 34%, to stave off systematic losses. Resultantly the fund was able to post a positive return in June as opposed overall contraction of 3.7% by the broader index. With a low downside beta and high upside beta, your fund is appropriately composed and well positioned for the next year.

### ASSET ALLOCATION



### INCOME DISTRIBUTION

The Board of directors has approved final distribution at the rate of 10.85% (i.e Rs. 10.85 per unit of par value of Rs.100 each).

### MUTUAL FUND RATING

JCR-VIS has assigned fund performance ranking of "MFR 1- Star" "3 years ranking", to FBGF.

### CORPORATE GOVERNANCE

A prescribed under clause xli of the Code of Corporate Governance 2012 Statement of Compliance with the Code of Corporate Governance along with the auditors' report thereon for the year ended June 30, 2013 forms part of this annual report.

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

### 1. Statements under clause xvi of the Code:

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

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

### PATTERN OF HOLDING

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

### AUDITORS

The present auditors M/s Yousuf Adil Saleem & Co., Chartered Accountants stand retired. The Board endorses the recommendation of the Audit Committee for appointment of M/s Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants as the auditors for the year ending June 30, 2014.

### ACKNOWLEDGEMENT

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

For and on behalf of the Board

Karachi: September 24, 2013

**Enamullah Khan**  
Chief Executive Officer



## FUND MANAGER'S REPORT

### Economic Review

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

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

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

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

### Equity Review

Pakistan's equity market saw another productive year as the benchmark index retained its position as the most lucrative investment avenue across the frontier and regional market. The primary benchmark index yielded 52% YoY, outpacing major frontier markets. The benchmark index climbed steadily throughout the first half of fiscal year, generating 22.5% on account of monetary easing. In the wake of decelerating inflation, the Central Bank slashed the key policy rate by 250bps over the first half, bringing the key policy rate down to a single digit. The aggressive easing stance resonated in corporate fundamentals and valuations, making them highly attractive across the board. Resultantly, investor confidence strengthened and sentiments turned bullish.

The second half was considerably more composed, as market direction was dominated primarily by political landscape and developments. Nevertheless, market confidence recovered as political clarity improved over election results. With the smooth transition of power, PML (N) won a sweeping majority in general elections. The index broke record high levels as the pro-business center promoted bullish sentiments, registering a return of 24.3% over the latter half.

The outgoing year also saw developments on the corporate front, where the index heavy weight Unilever opted for delisting at the local bourse. Major movement was witnessed in the Pharma and Cement sector, which registered returns of 132% and 112%, respectively over the outgoing fiscal year.

Going forward, the market is expected to remain buoyed by expected support from Extended Loan Facility (EFF) of the International Monetary Fund, especially in light of stressed reserves and non-materialization of Coalition Support Funds. That said, the equity market is currently exposed to economic reservations, particularly deteriorating foreign reserves, depreciating Pak Rupee and widening balance of payment deficit.

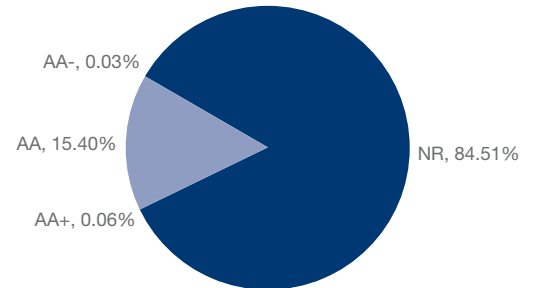
## FUND MANAGER'S REPORT

### FUND INFORMATION

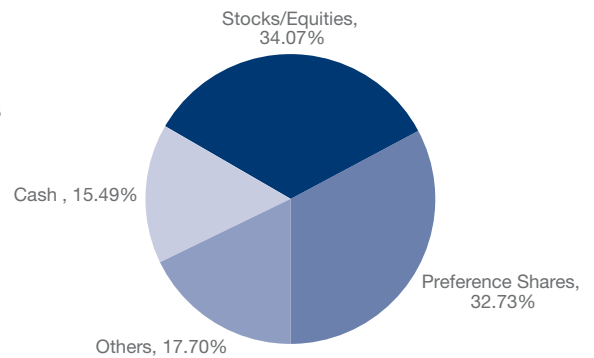
Fund Type	Open Ended
Category	Balanced Scheme
Risk Profile	Moderate
Net Assets (PKR mn)	107.76
NAV per Unit (PKR)	71.27
Pricing Mechanism	Forward
Custodian/Trustee	CDC
Auditor	M.Yousuf Adil Saleem & Co.
Management Fee	2.00%
Front/Back end Load	Nil
Launch Date	April 19, 2004
Benchmark	KSE100 Index / 6M KIBOR
AMC Rating	AM3+ (JCRVIS)

\*Weighted average of 6M KIBOR & percentage invested in Equities

### Asset Quality



### Asset Allocation



### FUND INFORMATION

	FY13	FY12
Annual Return	19.22	-4.69
Benchmark	30.7	11.59

### FBGF Performance

Your fund yielded a robust return of 19.15% over the outgoing fiscal year on the back of proactive investment philosophy, strong corporate earnings growth and a well-balanced exposure to equities and fixed income. Equity exposure was regulated in line with monetary easing, increasing political clarity and the eventual election results. Nonetheless exposure to equities was proactively reduced in the final month from 59% to 34%, to stave off systematic losses. Resultantly the fund was able to post a positive return in June as opposed overall contraction of 3.7% by the broader index. With a low downside beta and high upside beta, your fund is appropriately composed and well positioned for the next year.

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

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

**TRUSTEE REPORT TO THE UNIT HOLDERS****FAYSAL BALANCED 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 Balanced Growth Fund (the Fund) are of the opinion that Faysal Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2013 in accordance with the provisions of the following:

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

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

Karachi: October 08, 2013

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

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2013.

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

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

**Chartered Accountants**

**Date: September 24, 2013**

**Karachi**

## STATEMENT OF COMPLIANCE BY FAYSAL BALANCED GROWTH FUND WITH THE CODE OF CORPORATE GOVERNANCE

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

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

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

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

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

## STATEMENT OF COMPLIANCE BY FAYSAL BALANCED GROWTH FUND WITH THE CODE OF CORPORATE GOVERNANCE

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

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

For and on behalf of the Board

Karachi  
Dated: September 24, 2013

**Enamullah Khan**  
Chief Executive Officer



## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **Faysal Balanced Growth Fund** (the Fund), which comprise the statement of assets and liabilities as at 30 June 2013, and the related income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement 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 misstatement.

An audit involves performing procedures to 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 Fund'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 Fund'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 financial position of the Fund as at 30 June 2013, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements of the Fund for the year ended June 30, 2013 have been prepared, in all material respects, 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.

### Other Matter

The financial statements of the Fund for the year ended June 30, 2012 were audited by another firm of Chartered Accountants who vide their audit report dated August 16, 2012 issued an unqualified opinion on those financial statements.

Chartered Accountants

Engagement Partner: **Mushtaq Ali Hirani**  
Date: September 24, 2013  
Karachi

## STATEMENT OF ASSETS AND LIABILITIES

**AS AT JUNE 30, 2013**

		<b>June 30, 2013</b>	June 30, 2012
	<b>Note</b>	----- (Rupees) -----	
<b>ASSETS</b>			
Bank balances	7	18,030,899	16,351,685
Investments	8	76,514,550	169,704,476
Dividends, deposits and other receivables	9	16,689,407	26,648,953
Receivable from the Management Company	10	3,230,314	3,230,314
<b>Total assets</b>		<b>114,465,170</b>	215,935,428
<b>LIABILITIES</b>			
Payable to the Management Company	11	376,669	425,827
Remuneration payable to the Trustee	12	57,534	57,377
Accrued and other liabilities	13	6,336,660	5,427,589
<b>Total liabilities</b>		<b>6,770,863</b>	5,910,793
<b>NET ASSETS</b>		<b>107,694,307</b>	210,024,635
Unit holders' fund (as per the statement attached)		<b>107,694,307</b>	210,024,635
Contingencies and commitments	14		
		----- (Number of units) -----	
<b>Number of units in issue</b>		<b>1,511,929</b>	3,513,135
		----- (Rupees) -----	
<b>NET ASSET VALUE PER UNIT</b>		<b>71.23</b>	59.78

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

*Chief Executive Officer*

*Director*

*Director*



## INCOME STATEMENT

**FOR THE YEAR ENDED JUNE 30, 2013**

	Note	June 30, 2013	June 30, 2012
<b>INCOME</b>		----- (Rupees) -----	-----
Profit earned on debt and government securities		1,974,834	3,306,348
Dividend income		3,025,749	9,741,001
Return on bank balances		3,924,137	5,786,392
Net gain / (loss) on investments at fair value through profit or loss:			
Capital gain on sale of investments - net		34,704,951	7,899,716
Unrealized loss on revaluation of investments	8.8	(2,893,802)	(4,808,036)
Provision against non-performing assets	8.5.1	-	(24,225,927)
		<u>31,811,149</u>	<u>(21,134,247)</u>
<b>Total income</b>		<b>40,735,869</b>	<b>(2,300,506)</b>
<b>EXPENSES</b>			
Remuneration of Management Company		3,753,101	5,270,106
Sales tax on management fee	15	606,479	843,510
Federal Excise Duty on management fee	16	27,229	-
Remuneration of the Trustee	12	699,999	698,533
Brokerage charges		1,383,513	1,289,772
Auditors' remuneration	17	512,617	538,932
SECP annual fee		157,827	222,371
Legal and professional charges		60,000	60,000
Fee and subscription		190,000	175,000
Settlement charges, federal excise duty and capital value tax		508,504	468,280
Printing and other expenses		354,748	261,691
Bank charges		44,178	28,176
Provision for workers welfare fund	13.2	353,098	-
<b>Total expenses</b>		<b>8,651,293</b>	<b>9,856,371</b>
<b>Net income / (loss) from operating activities</b>		<b>32,084,576</b>	<b>(12,156,877)</b>
<b>Element of (loss) / income and capital (losses) / gains included in the prices of units sold less those in units redeemed</b>		<b>(14,782,786)</b>	<b>1,825,101</b>
<b>Net income / (loss) for the year before taxation</b>		<b>17,301,790</b>	<b>(10,331,776)</b>
Taxation	18	-	-
<b>Net income / (loss) for the year after taxation</b>		<b>17,301,790</b>	<b>(10,331,776)</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income / (loss) for the year</b>		<b>17,301,790</b>	<b>(10,331,776)</b>
Earnings per unit	4.13	-	-

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

*Chief Executive Officer*

*Director*

*Director*

## DISTRIBUTION STATEMENT

### FOR THE YEAR ENDED JUNE 30, 2013

	<b>June 30, 2013</b>	<b>June 30, 2012</b>
	----- (Rupees) -----	
<b>Undistributed loss brought forward</b> [includes unrealized loss on investments of Rs.6,922,966 (2012: unrealized loss on investments of Rs.54,380,933)]	<b>(196,114,091)</b>	(138,187,249)
Final bonus distribution for the year ended June 30, 2012 @ Nil per unit (2011: Rs.9.55 per unit)	-	(30,456,252)
Final cash dividend for the year ended June 30, 2012 @ Nil per unit (2011: Rs.9.55 per unit)	-	(17,138,814)
Net income / (loss) for the year after taxation	<b>17,301,790</b>	(10,331,776)
<b>Undistributed loss carried forward</b> [includes unrealized loss on investments of Rs.2,893,802 (2012: unrealized loss of Rs.6,922,966)]	<u><b>(178,812,301)</b></u>	<u>(196,114,091)</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

*Chief Executive Officer*

*Director*

*Director*

## STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Note</b>	<b>June 30, 2013</b>	<b>June 30, 2012</b>
		-----	-----
		(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income / (loss) for the year before taxation		17,301,790	(10,331,776)
<b>Adjustments for non-cash and other items:</b>			
Capital gain on sale of investments - net		(34,704,951)	(7,899,716)
Unrealized loss on revaluation of investments		2,893,802	4,808,036
Profit earned on debt and government securities		(1,974,834)	(3,306,348)
Dividend income		(3,025,749)	(9,741,001)
Return on bank balances		(3,924,137)	(5,786,392)
Provision against non-performing assets		-	24,225,927
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed		<u>14,782,786</u>	<u>(1,825,101)</u>
		<u>(8,651,293)</u>	<u>(9,856,371)</u>
<b>Decrease / (increase) in assets</b>			-
Dividends, deposits and other receivables		7,571,410	(19,907,500)
<b>(Decrease) / increase in liabilities</b>			
Payable to the Management Company		(49,158)	(192,164)
Remuneration payable to the Trustee		157	(3,514)
Accrued and other liabilities		<u>909,071</u>	<u>(122,549)</u>
		<u>860,070</u>	<u>(318,227)</u>
		<u>(219,813)</u>	<u>(30,082,098)</u>
Proceeds from sale / redemption of investments		758,413,717	795,820,956
Payment against purchase of investments		(633,412,642)	(731,040,426)
Profit received on debt and government securities		2,305,061	2,891,098
Dividend received		4,944,243	8,087,507
Return received on bank balances		<u>4,063,552</u>	<u>6,398,291</u>
<b>Net cash generated from operating activities</b>		<u>136,094,118</u>	<u>52,075,328</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amounts received against issuance of units		1,365,000	1,336,022
Payments made against redemption of units		(135,779,904)	(122,206,133)
Dividend paid		-	(17,138,814)
<b>Net cash used in financing activities</b>		<u>(134,414,904)</u>	<u>(138,008,925)</u>
Net increase/(decrease) in cash and cash equivalents during the year		1,679,214	(85,933,597)
Cash and cash equivalents at beginning of the year		<u>16,351,685</u>	<u>102,285,282</u>
<b>Cash and cash equivalents at end of the year</b>	7	<u><u>18,030,899</u></u>	<u><u>16,351,685</u></u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

*Chief Executive Officer*

*Director*

*Director*

## STATEMENT OF MOVEMENT IN UNIT HOLDERS FUND

**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>June 30, 2013</b>	<b>June 30, 2012</b>
	----- (Rupees) -----	
Net asset value per unit at beginning of the year	<u>59.78</u>	<u>72.27</u>
Net asset value per unit at end of the year	<u>71.23</u>	<u>59.78</u>
<b>Net assets at beginning of the year</b>	<b>210,024,635</b>	360,190,437
Amounts received on issue of units *	<b>1,365,000</b>	1,336,022
Amounts paid on redemption of units **	<b>(135,779,904)</b>	(122,206,133)
	<b>(134,414,904)</b>	(120,870,111)
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed	<b>14,782,786</b>	(1,825,101)
Final cash dividend for the year ended June 30, 2012 @ Rs. Nil per unit (2011: Rs.9.55 per unit)	-	(17,138,814)
Net income / (loss) for the year after taxation	<b>17,301,790</b>	(10,331,776)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	<b>17,301,790</b>	(10,331,776)
<b>Net assets at end of the year</b>	<b>107,694,307</b>	210,024,635
	----- (Number of units) -----	
* Number of units issued (including nil bonus units issued during the year ended June 30, 2013 and 485,591 bonus units issued during the year ended June 30, 2012)	<u>20,307</u>	<u>506,798</u>
** Number of units redeemed	<u>2,021,513</u>	<u>1,977,440</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

*Chief Executive Officer*

*Director*

*Director*

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2013**

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

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

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

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

The JCR-VIS Credit Rating Company Limited (JCR-VIS) has assigned a "MFR 1-Star" "3 years" fund rating to Faysal Balanced Growth Fund as of June 30, 2012 and has awarded an "AM3+" asset manager rating to the Management Company as of May 18, 2012.

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

2.1 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 shall prevail.

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

3.1 These financial statements have been prepared under the historical cost convention, except for investments which are measured at fair value.

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

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

##### **4.1 New and amended standards and interpretations**

The following amendments are effective for the year ended June 30, 2013. The adoption of this amendment does not have any significant impact on the Fund's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

- IAS 1 - Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income Effective from accounting period beginning on or after July 01, 2012

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

An equalization account called the "Element of income / (loss) and capital gains / (losses) included in prices of units sold 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 recognized in the income statement except to the extent that the amount represented by unrealized appreciation / diminution arising on available for sale securities is included in distribution statement.

### 4.3 Investments

The investments of the Fund, upon initial recognition, are classified as investment at fair value through profit or loss, held to maturity, loans and receivable or available-for-sale 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 recognized on the trade date, i.e. the date on which the Fund commits to purchase / sell the investment. Regular way purchases / sales of investments require delivery of securities within the period generally established by the regulation or market convention such as "T+2".

At fair value through profit or loss

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

- Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held-for-trading.
- Investment is designated at fair value through profit or loss upon initial recognition if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases or it includes 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 recognized at fair value, being the cost of the consideration given.

## NOTES TO THE FINANCIAL STATEMENTS

After initial measurement, investment designated at fair value through profit or loss are carried at fair value and the gains or losses on revaluation are recognized 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 amortized cost less any provision for impairment except in case of debt securities (listed but not regularly traded on a stock exchange) and government securities, which are carried at fair value in accordance with the requirements of the NBFC Regulations.

### Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund's loans and receivables comprise of bank balances, dividend, deposits and other receivables and receivables from the Management Company. These are subsequently be measured at amortized cost.

### 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 unrealized gain or loss recognized directly in the unit holders' fund until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recognized 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. 1 of 2009 dated January 06, 2009, 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 Securities under repurchase / resale agreements

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

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

### 4.5 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 recognized in the income statement.

#### Impairment is determined as follows:

- (a) for assets carried at amortized cost, impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.
- (b) for assets carried at fair value, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in other comprehensive income is reclassified from other comprehensive income and recognized in the income statement. Reversal of impairment loss is recorded as increases in cumulative changes in fair value through unit holders' fund.
- (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.

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.



## NOTES TO THE FINANCIAL STATEMENTS

### 4.6 Provisions

Provisions are recognized 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 prevailing 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. Issue of units is recorded on acceptance of application for sale.

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

### 4.8 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.

### 4.9 Revenue recognition

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

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

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

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

### 4.10 Taxation

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

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of part IV of the Second Schedule to the Income Tax Ordinance, 2001.

## NOTES TO THE FINANCIAL STATEMENTS

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilized tax losses to the extent that it is no longer probable that the related tax benefit will be realized. However, the Fund has not recognized any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realized or Unrealized, to its unit holders every year.

### 4.11 Offsetting of financial assets and liabilities

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

### 4.12 Net Asset Value (NAV) per unit

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

### 4.13 Earnings per unit

Earnings per unit (EPU) has not been disclosed as in the opinion of the management determination of weighted average units for calculating EPU is not practicable.

### 4.14 Distribution to unit holders

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

### 4.15 Financial assets and financial liabilities

All financial assets and financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to receive cash flows related to the asset have been expired, realized or transferred and the Fund has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income statement currently.

Financial assets carried in the statement of assets and liabilities include bank balances, investments, dividends, deposits and other receivables and receivable from the Management Company.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised by the management in application of accounting policies principally relate to classification and valuation of investment (refer notes 4.3) and impairment of financial assets (refer note 4.5) in the financial assets.

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

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements.

<b>Standard, interpretation or amendment</b>	<b>Effective date (accounting periods beginning on or after)</b>
IAS 1      Presentation of Financial Statements – Clarification of requirements for comparative information	January 01, 2013
<b>Standard, interpretation or amendment</b>	<b>Effective date (accounting periods beginning on or after)</b>
IAS 32      Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	January 01, 2013
Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 01, 2014
IAS 34      Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	January 01, 2013
IFRS 7      Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	January 01, 2013

## NOTES TO THE FINANCIAL STATEMENTS

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1 –	First Time Adoption of International Financial Reporting Standards
IFRS 9 –	Financial Instruments: Classification and Measurement
IFRS 10 –	Consolidated Financial Statements
IFRS 11 –	Joint Arrangements
IFRS 12 –	Disclosure of Interests in Other Entities
IFRS 13 –	Fair Value Measurement
IAS 27 (Revised 2011) –	Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
IAS 28 (Revised 2011) –	Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

	Note	June 30, 2013	June 30, 2012
		----- (Rupees) -----	
<b>7. BANK BALANCES</b>			
Cash at bank - PLS saving accounts	7.1	<u>18,030,899</u>	<u>16,351,685</u>
7.1 These carry mark-up ranging from 6% to 9.25% (June 30, 2012: 6% to 11.75%) per annum and include balance of Rs. 505,695 (June 30, 2012: Rs.148,218) held with Faysal Bank Limited (a related party).			

	Note	June 30, 2013	June 30, 2012
		----- (Rupees) -----	
<b>8. INVESTMENTS</b>			
<b>At fair value through profit or loss</b>			
<b>Held-for-trading</b>			
Listed equity securities	8.1	<u>28,212,850</u>	57,836,521
Participation term certificates	8.2	<u>2,252,500</u>	-
		<u>30,465,350</u>	57,836,521
<b>Designated 'at fair value through profit or loss'</b>			
Listed preference shares	8.3	<u>37,490,000</u>	37,490,000
Listed equity securities	8.4	<u>8,559,200</u>	43,480,800
Listed debt securities	8.5	-	9,828,378
Government securities	8.6	-	-
		<u>46,049,200</u>	90,799,178
<b>Held to maturity</b>			
Commercial Papers - sukuk certificates	8.7	-	21,068,777
		<u>76,514,550</u>	<u>169,704,476</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 8.1 Listed equity securities \*- held-for-trading

Name of the investee company	Note	----- Number of shares -----				Market value as at June 30, 2013 (Rupees)	--- Investment as % of ---		
		As at July 01, 2012	Purchased during the year	Bonus / right shares received	Disposed off during the year		As at June 30, 2013	Net assets	Total Investments

Ordinary shares having face value of Rs.10 each

#### Construction and materials

Akzo Nobel Pakistan Limited		14,573	53,300	-	51,573	16,300	980,119	0.91	1.28	0.04
D.G.Khan Cement Company Limited		-	200,000	-	200,000	-	-	-	-	-
Fauji Cement Company Limited		-	1,500,000	-	1,500,000	-	-	-	-	-
Fecto Cement		-	50,000	-	50,000	-	-	-	-	-
Kohat Cement Company Limited		-	10,000	-	10,000	-	-	-	-	-
Lafarge Pakistan Cement Limited		300,000	527,000	-	827,000	-	-	-	-	-
							980,119	0.91	1.28	0.04

#### Financial Services

Jahangir Siddiqui & Co. Limited		-	100,000	-	100,000	-	-	-	-	-
---------------------------------	--	---	---------	---	---------	---	---	---	---	---

#### Banks

Habib Bank Limited		-	10,000	-	10,000	-	-	-	-	-
Habib Metropolitan Bank Limited		75,000	-	-	75,000	-	-	-	-	-
The Bank of Punjab		-	1,150,000	-	499,000	651,000	8,293,740	7.70	10.84	0.12
MCB Bank Limited		-	75,000	-	75,000	-	-	-	-	-
National Bank of Pakistan		-	50,000	-	50,000	-	-	-	-	-
							8,293,740	7.70	10.84	0.12

#### Chemicals

Arif Habib Corporation Limited		-	357,000	250	357,250	-	-	-	-	-
Dawood Hercules Corporation Limited		20,000	17,500	-	37,500	-	-	-	-	-
Engro Corporation Limited		-	315,000	-	315,000	-	-	-	-	-
Engro Polymer & Chemicals Limited		-	5,000	-	5,000	-	-	-	-	-
Fatima Fertilizer Company Limited		95,000	1,062,000	-	1,157,000	-	-	-	-	-
Fauji Fertilizer Company Limited		40,000	92,900	-	132,900	-	-	-	-	-
ICI Pakistan Limited	8.1.1 & 8.9	28,980	156,900	-	74,608	111,272	18,518,999	17.20	24.20	0.12
Dewan Salman Fibre Limited		-	1,700,000	1,700,000	-	-	-	-	-	-
Lotte Pakistan PTA Limited		70,000	930,000	-	1,000,000	-	-	-	-	-
							18,518,999	17.20	24.20	0.12

#### Non-life insurance

Adamjee Insurance Company Limited		-	55,000	-	55,000	-	-	-	-	-
-----------------------------------	--	---	--------	---	--------	---	---	---	---	---

#### Food producer

Engro Foods Limited		-	253,500	-	253,500	-	-	-	-	-
---------------------	--	---	---------	---	---------	---	---	---	---	---

#### Oil and gas

Byco Petroleum Pakistan Limited		-	775,000	-	775,000	-	-	-	-	-
Oil & Gas Development Company Limited		-	318,700	-	318,700	-	-	-	-	-
Pakistan Oilfields Limited		-	72,400	-	72,400	-	-	-	-	-
Pakistan Petroleum Limited		-	150,000	-	150,000	-	-	-	-	-
National Refinery Limited		-	300	-	300	-	-	-	-	-
Shell (Pakistan) Limited		-	10,000	-	10,000	-	-	-	-	-
Pakistan State Oil Company Limited		45,000	50,000	10,000	105,000	-	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

Name of the investee company	Note	----- Number of shares -----				Market value as at June 30, 2013 (Rupees)	--- Investment as % of ---		
		As at July 01, 2012	Purchased during the year	Bonus / right shares received	Disposed off during the year		As at June 30, 2013	Net assets	Total Investments
<b>Electricity</b>									
Karachi Electric Supply Corporation Limited		-	550,000	-	550,000	-	-	-	-
Nishat (Chunian) Power Limited		-	150,000	-	150,000	-	-	-	-
Pakgen Power Limited		-	450,000	-	450,000	-	-	-	-
The Hub Power Company Limited		-	443,000	-	443,000	-	-	-	-
<b>Fixed line telecommunication</b>									
Pakistan Telecommunication Company Limited		-	2,500,000	-	2,500,000	-	-	-	-
Telecard Limited		-	250,000	-	250,000	-	-	-	-
<b>Mutiutilities (gas and water)</b>									
Sui Northern Gas Pipelines Limited		248,000	106,000	3,500	357,500	-	-	-	-
<b>Personal goods</b>									
Azgard Nine Limited		-	125,000	-	125,000	-	-	-	-
Nishat (Chunian) Limited		-	10,000	-	10,000	-	-	-	-
Nishat Mills Limited		-	45,000	-	45,000	-	-	-	-
<b>Industrial metals and mining</b>									
International Industries Limited		-	50,000	-	50,000	-	-	-	-
<b>Engineering</b>									
Millat Tractors Limited		45,186	15,800	-	60,186	800	419,992	0.00	0.55
<b>Technology hardware and equipment</b>									
Trakker Pakistan Limited		498,000	-	-	498,000	-	-	-	-
<b>General industrials</b>									
Packages Limited		-	5,000	-	5,000	-	-	-	-
						<b>28,212,850</b>			

**8.1.1** It includes 60,000 shares having market value of Rs. 9.986 million (June 30, 2012: 45,000 shares of Pakistan State Oil Limited having market value of Rs. 10.612 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 (SECP).

## NOTES TO THE FINANCIAL STATEMENTS

### 8.2 Participation Term Certificates

Name of the investee company	----- Number of shares -----				Market value as at June 30, 2013 (Rupees)	--- Investment as % of ---	
	As at July 01, 2012	Addition during the year	Disposed off during the year	As at June 30, 2013		Net assets	Total Investments
<b>Personal goods (Textile)</b> Treet Corporation Limited	-	542,000	492,000	50,000	<b>2,252,500</b>	2.09	2.94

8.2.1 This represents the Fund's investment in listed and secured Participation Term Certificates (PTCs) issued by the Treet Corporation Pakistan Limited. These PTCs were issued to the existing shareholders of the company through Renounced Offer letter (ROL) and the ROLs are tradable in the market. The Fund acquired the ROLs from open market on September 14, 2012. The tenure of these PTCs is 07 years and face value of each certificate is Rs.30. The terms of the instrument are such that 3.5% of the total principal amount be redeemed in cash till November 2019 as per the repayment plan whereas the remaining 96.5% shall mandatorily be converted into ordinary shares at the pre-agreed price of Rs.59.14 per share for 2013 to 2018 and Rs.51.38 per share for 2019. The instrument carries the minimum profit of Rs. 4.14 per PTC per annum in cash and the contingent profit payment subject to the condition that the profit of the company exceeds the pre-specified limit. The cash redemption and profit payment will start from November 2013.

### 8.3 Listed preference shares

Name of the investee company	Note	----- Number of shares -----				As at June 30, 2013	Market value as at June 30, 2013 (Rupees)	--- Investment as % of ---	
		As at July 01, 2012	Purchased during the year	Redeemed during the year	Disposed off during the year			Net assets	Total Investments
Preference shares having face value of Rs.10 each									
<b>Household goods</b>									
Pak Elektron Limited	8.3.1 & 8.9	3,749,000	-	-	-	3,749,000	<b>37,490,000</b>	34.81	49.00

8.3.1 The Fund has an investment in cumulative Class A Preference Shares (preference shares) of Pak Elektron Limited (PEL) since 2004. These preference shares are listed on Lahore Stock Exchange. As per the terms of the issue, PEL has an option to redeem in cash the principal amount of preference shares i.e. Rs 10 per share alongwith all accumulated unpaid dividends. This option can be exercised by PEL till the expiry of sixty days from the maturity date of the preference shares i.e. December 02, 2013. After the expiry of the said period, there would be mandatory conversion of entire holding of preference shares alongwith all accumulated unpaid dividends into ordinary shares of PEL by giving a 30 days' notice to the issuer. The conversion shall be at the spot price as reported by the Karachi Stock Exchange on 91st calendar day after maturity date of preference shares.

The Fund regularly received dividend on these preference shares till December 2009 at the rate of 9.5%. From 2010 onwards, no dividend has been declared by the Board of Directors of PEL and accordingly the Fund, on a prudent basis, does not accrue any dividend income on these preference shares. The amount of this cumulative dividend as at June 30, 2013 aggregated to Rs 12.46 million. The management is of the view that dividend income will be recorded once the Board of Directors of PEL will declare dividend or at the time of redemption or mandatory conversion of these preference shares as mentioned above."

## NOTES TO THE FINANCIAL STATEMENTS

Further, in response to the clarification sought by the Management Company through letter dated February 07, 2012, the SECP in its letter SCD/AMCW/FBGF/68/2012 dated March 09, 2012 has advised the Management Company to treat the above instrument as debt or equity instrument as per the recommendation of Audit Committee. The Audit Committee, after consultation with the internal auditors of the Fund, in its meeting held on April 21, 2012 has decided to treat the instrument as debt security.

### 8.4 Listed equity securities

Name of the investee company	----- Number of shares -----				As at June 30, 2013	Market value as at June 30, 2013 (Rupees)	Net assets	--- Investment as % of ---	
	As at July 01, 2012	Purchased during the year	Bonus / right shares received	Disposed off during the year				Total Investments	Investee company paid-up capital
Ordinary shares having face value of Rs.10 each									
<b>Construction and materials</b>									
Lafarge Pakistan Cement Limited	650,000	-	-	650,000	-	-	-	-	-
<b>Bank</b>									
Bank Alfalah Limited	100,000	-	-	100,000	-	-	-	-	-
<b>Chemicals</b>									
Fatima Fertilizer Company Limited	100,000	-	-	100,000	-	-	-	-	-
Lotte Pakistan PTA Limited	200,000	-	-	200,000	-	-	-	-	-
<b>Non-life insurance</b>									
TPL Direct Insurance Limited	125,000	-	-	125,000	-	-	-	-	-
<b>Electricity</b>									
Kot Addu Power Company Limited	160,000	-	-	160,000	-	-	-	-	-
<b>Personal goods</b>									
Nishat Mills Limited	190,000	-	-	190,000	-	-	-	-	-
<b>Multiutilities (gas and water)</b>									
Sui Northern Gas Pipelines Limited	140,000	-	14,000	154,000	-	-	-	-	-
<b>Technology hardware and equipment</b>									
Trakker Pakistan Limited	1,500,000	-	-	460,000	1,040,000	8,559,200	7.95	11.19	0.48
						8,559,200			



## NOTES TO THE FINANCIAL STATEMENTS

### 8.5 Listed debt securities

Name of the investee company	Note	Number of shares				As at June 30, 2013	Market value as at June 30, 2013 (Rupees)	--- Investment as % of ---	
		As at July 01, 2012	Purchased during the year	Redeemed during the year	Disposed off during the year			Net assets	Total Investments
Term Finance Certificates (TFCs)									
<b>Bank</b>									
United Bank Limited (1st issue)		6,000	-	6,000	-	-	-	-	-
<b>Fixed line telecommunication</b>									
Telecard Limited	8.5.1	20,010	-	-	20,010	-	-	-	-

8.5.1 These TFCs having cost of Rs. 36.729 million have been fully provided till last year ended June 30, 2012. During the current year, these TFCs were sold for Rs. 4.775 million which is recorded as capital gain during the year.

### 8.6 Government Securities

Name of the security	Face Value				As at June 30, 2013	Carrying value as at June 30, 2013 (Rupees)	--- Face Value as % of ---		
	As at July 01, 2012	Purchased during the year	Disposed off during the year	Matured during the year			Net assets	Total investments	
Market Treasury Bills - 1 year	-	10,000,000	10,000,000	-	-	-	-	-	
Market Treasury Bills - 3 Months	-	135,000,000	135,000,000	-	-	-	-	-	

### 8.7 Commercial papers - Sukuk certificates (secured)

Name of the investee company	Rate of return per annum	Face Value					Carrying value as at June 30, 2013 (Rupees)	Maturity	Rating	--- Face Value as % of ---	
		As at July 01, 2012	Purchased during the year	Matured during the year	Disposed off during the year	As at June 30, 2013				Net assets	Total investments
Hub Power Company Limited - Sukuk	13.09%	20,000,000	-	20,000,000	-	-	-	August 03, 2012	AA+	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 8.8 Net unrealized loss on revaluation of investment at Fair Value Through Profit or Loss

	June 30, 2013	June 30, 2013
Note	----- (Rupees) -----	
Market value of investments	<b>76,514,550</b>	148,635,699
Cost of investments	<b>(79,408,352)</b>	(155,558,665)
	<b>(2,893,802)</b>	(6,922,966)
Net unrealized loss on investments at fair value through profit or loss at beginning of the year	<b>6,922,966</b>	46,290,486
Realized on disposal during the year	<b>(6,922,966)</b>	(44,175,556)
	-	2,114,930
	<b>(2,893,802)</b>	(4,808,036)

### 8.9 Details of non-compliant investments

Name of the investee company	Note	Type of investment	Required rating	Rating of instrument	Value before provision	Provision held (if any)	Value of investment after provision	% of net assets	% of gross assets
Pak Elektron Limited	8.3 & 8.9.1	Preference shares	A-	Withdrawn	37,490,000	-	37,490,000	34.81	32.75
ICI Pakistan Limited	8.1 & 8.9.2	Ordinary Shares	-	-	18,518,999	-	18,518,999	17.20	16.18
Pak Elektron Limited [Household Goods (Sector)]	8.2 & 8.9.3	Preference shares	-	-	37,490,000	-	37,490,000	34.81	32.75

**8.9.1** Circular No. 7 of 2009 issued by the SECP requires that the rating of any debt security in the portfolio shall not be lower than A-. However, the rating of above mentioned security has been withdrawn. The SECP vide its letter no. SCD/AMCW/FBGF/457/2013 dated March 29, 2013 has granted extension up to June 30, 2013 to regularize the exposure. On June 21, 2013, the Management Company has applied for further extension of six months to regularise the said exposure.

**8.9.2** The exposure limit exceeded the prescribed limit of 10% due to reduction in the Fund size. However, the NBFC Regulations allow three months time period to regularize this exposure.

**8.9.3** The exposure limit of Household sector exceeded the prescribed limit of 25% of total net assets as required under NBFC Regulations. However, the NBFC Regulations allow three months time period to regularize this exposure.

## NOTES TO THE FINANCIAL STATEMENTS

		June 30, 2013	June 30, 2012
Note	-----	(Rupees) -----	
<b>9. DIVIDEND, DEPOSITS AND OTHER RECEIVABLES</b>			
<b>- Considered good</b>			
Dividend receivable		-	1,918,494
Security deposits			
- National Clearing Company of Pakistan Limited		<b>2,500,000</b>	2,500,000
- Central Depository Company of Pakistan Limited		<b>107,500</b>	107,500
		<b>2,607,500</b>	2,607,500
Receivable against sale of investment		<b>12,398,048</b>	-
Income tax refundable	9.1	<b>1,674,452</b>	1,736,410
Profit receivable on bank balances		<b>9,407</b>	148,822
Receivable against redemption of preference shares - Pakistan International Containers Terminal Limited	9.2	-	19,907,500
Profit receivable on debt securities		-	330,227
		<b>16,689,407</b>	26,648,953

**9.1** This represents tax withheld till September 30, 2004 under Section 233(A) of the Income Tax Ordinance, 2001. This amount has been claimed as refundable in the return of income for the year ended June 30, 2005 and efforts are being made through the tax advisor of the Fund to recover the same.

**9.2** This amount has been fully redeemed in cash on July 2012.

### 10. RECEIVABLE FROM THE MANAGEMENT COMPANY

In the matter involving the levy of Workers' Welfare Fund (WWF) on mutual funds (as fully explained in note 13.2), the Fund, as a matter of abundant caution, has created a provision for WWF since July 2008. Further, in order to compensate the unit holders of the Fund, the Board of Directors of the Management Company in their meeting held on October 02, 2010 decided to reduce their management fee for the year ended June 30, 2010 by Rs.3,230,314 i.e. the amount of provision for WWF as on June 30, 2010. Accordingly, this amount has been recorded as receivable from the Management Company and will be settled by the Management Company only upon payment of WWF to the relevant authorities otherwise it will be reversed in case decision regarding the applicability of WWF on Collective Investment Schemes is in favour of the Fund.

## NOTES TO THE FINANCIAL STATEMENTS

		June 30, 2013	June 30, 2012
Note	----- (Rupees) -----		
<b>11. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Management fees	11.1	296,087	366,143
Sales tax on management fees		53,353	58,581
Federal Excise Duty on management fees		27,229	-
Sales load	11.2	-	1,103
		376,669	425,827

**11.1** The Management Company is entitled to a remuneration for services rendered to the Fund under the provisions of the NBFC Regulations during the first five years of a Fund's existence of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two per cent of such assets. The Management Company has charged its remuneration at the rate of 2% (June 30, 2012: 2%) per annum of the daily net asset value of the Fund.

**11.2** With effect from August 30, 2012, the Management Company has discontinued its practice for charging sales load on issuance of units of the Fund.

### 12. REMUNERATION PAYABLE TO THE TRUSTEE

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

		June 30, 2013	June 30, 2012
Note	----- (Rupees) -----		
<b>13. ACCRUED AND OTHER LIABILITIES</b>			
SECP annual fee	13.1	159,515	224,059
Accrued liabilities		1,516,589	896,097
Provision for Workers' Welfare Fund	13.2	4,660,556	4,307,433
		6,336,660	5,427,589

**13.1** This represents fee payable to the SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay annually an amount equal to 0.085% (June 30, 2012: 0.085%) per annum of the daily net asset value of the Fund.

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

## NOTES TO THE FINANCIAL STATEMENTS

In August 2011, Single Judge of the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down.

During the year, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

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

As the matter relating to levy of WWF on CISs is currently pending in the High Court of Sindh, the Management Company has decided to retain and continue with the provision for WWF amounting to Rs 4,660,556 in its books of account. If the same were not made, the NAV per unit / return would have been higher by Re 0.95 per unit (1.33%).

### 14. CONTINGENCIES AND COMMITTEMENTS

There were no contingencies and commitments outstanding as at June 30, 2013 and June 30, 2012.

### 15. SALES TAX ON MANAGEMENT FEE

During the previous year, the Provincial Government has levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from July 01, 2011.

### 16. FEDERAL EXCISE DUTY ON MANAGEMENT FEE

During the current year, the Federal Government, through Finance Bill 2013, has levied Federal Excise Duty at the rate of 16% on the remuneration of the Management Company which is effective from June 13, 2013.

### 17. AUDITORS' REMUNERATION

	<b>June 30, 2013</b>	June 30, 2012
	----- (Rupees) -----	
Audit fee	<b>330,000</b>	330,000
Review and other certifications	<b>182,617</b>	208,932
	<u><b>512,617</b></u>	<u>538,932</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 18. TAXATION

The Fund's income is exempt from income tax as per Clause (99) of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realized or unrealized is distributed amongst the unit holders. The Fund has not recorded tax liability in respect of income relating to the current year as the Management Company intends to distribute more than 90 percent of the Fund's accounting income for the year as reduced by capital gains (whether realized or unrealized) to its unit holders.

### 19. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, Faysal Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel and other associated undertaking.

Remuneration to the Management Company and Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed of the Fund. All other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

Detail of transactions with connected persons during the year and balances with them at year end are as follows:

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
<b>19.1 Transactions during the year</b>		
<b>Faysal Asset Management Limited (Management Company)</b>		
Remuneration of the Management Company	3,753,101	5,270,106
Sales tax on management fee	606,479	843,510
Federal Excise Duty on management fee	27,229	-
Sales load	-	30,808
<b>Faysal Bank Limited (Group / Associated Company)</b>		
Cash dividend paid	-	12,513,288
Profit on PLS saving accounts	171,408	60,191
Participation in non competitive bid of government securities	-	200,000,000
Redemption of 1,188,352 units (2012: Nil units)	83,419,989	-
<b>Faysal Bank Limited - Staff Provident Fund</b>		
Bonus Issue of Nil units (2012: 125,246 units)	-	7,855,405
Redemption of Nil units (2012: 947,802 units)	-	58,308,726
<b>Faysal Bank Limited - Staff Gratuity Fund</b>		
Bonus Issue of Nil units (2012: 44,535 units)	-	2,793,214
Redemption of Nil units (2012: 337,018 units)	-	20,733,338

## NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
<b>Central Depository Company of Pakistan Limited</b>		
<b>(Trustee of the Fund)</b>		
Remuneration of the Trustee	699,999	698,533
Settlement charges	28,052	35,637
<b>National Clearing Company of Pakistan Limited *</b>		
<b>(Common Directorship)</b>		
Clearing charges	-	221,902
<b>ICI Pakistan Limited **</b>		
<b>(Common Directorship)</b>		
Transfer of Nil ordinary shares (2012: 14,573)	-	1,962,677
Dividend on ordinary shares held by the Fund	-	132,000
<b>Akzo Nobel Pakistan Limited **</b>		
<b>(Common Directorship)</b>		
Transfer of Nil ordinary shares (2012: 14,573)	-	1,962,677
<b>Engro Foods Limited *</b>		
<b>(Common Directorship)</b>		
Purchase of Nil ordinary shares (2012: 100,000)	-	3,947,013
Sale of Nil ordinary shares (2012: 100,000)	-	4,177,699
<b>Engro Corporation Limited *</b>		
<b>(Common Directorship)</b>		
Purchase of Nil ordinary shares (2012: 467,600)	-	55,888,290
Sale of Nil ordinary shares (2012: 578,100)	-	71,592,401
Bonus Issue of Nil ordinary shares (June 30, 2012: 10,500)	-	1,183,477
Dividend on ordinary shares held by the Fund	-	70,000
<b>Dawood Hercules Corporation Limited</b>		
<b>(Common Directorship)</b>		
Purchase of Nil ordinary shares (2012: 32,881)	-	1,353,066
Sale of Nil ordinary shares (2012: 12,881)	-	543,953
Dividend on ordinary shares held by the Fund	-	31,000
<b>Unit holder holding 10% or more of the units in issue</b>		
<b>Pakistan Machine Tool Factory (Private) Limited</b>		
<b>- Employees Provident Fund</b>		
Cash dividend	-	3,503,641
Redemption of 366,873 Units (2012: Nil Units)	22,647,095	-

## NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
<b>19.2 Outstanding balances</b>		
<b>Faysal Asset Management Limited (Management Company)</b>		
Receivable from the Management Company	3,230,314	3,230,314
Remuneration payable to the Management Company	296,087	366,143
Sales tax payable on management fee	53,353	58,581
FED payable on management fee	27,229	-
Sales load payable	-	1,103
<b>Faysal Bank Limited (Group / Associated Company)</b>		
Units in issue 121,940 units (June 30, 2012: 1,310,292 units)	8,685,757	78,329,256
Balance in PLS saving account	505,695	148,218
<b>Dawood Hercules Corporation Limited - (Common Directorship)</b>		
Nil Ordinary share held by the Fund (June 30, 2012: 20,000 shares)	-	660,200
<b>ICI Pakistan Limited - (Common Directorship)**</b>		
Nil Ordinary share held by the Fund (June 30, 2012: 28,980 shares)	-	3,798,408
<b>Akzo Nobel Pakistan Limited - (Common Directorship)**</b>		
Nil Ordinary share held by the Fund (June 30, 2012: 14,573 shares)	-	1,910,083
<b>Central Depository Company of Pakistan Limited (Trustee of the Fund)</b>		
Remuneration payable to the Trustee	57,534	57,377
Security deposit	107,500	107,500
<b>National Clearing Company of Pakistan Limited * (Common Directorship)</b>		
Security deposit	-	2,500,000
<b>Unit holder holding 10% or more of the units in issue</b>		
<b>Novartis Pharma (Pakistan) Limited - Employees Gratuity Fund</b>		
Units in issue 273,765 units (June 30, 2012: 273,765 units)	19,500,209	16,366,406
<b>Pakistan Machine Tool Factory (Private) Limited - Employees Provident Fund</b>		
Units in issue Nil units (June 30, 2012: 366,873 units)	-	21,931,668

\* Mr. Aliuddin Ansari has resigned as a director of Faysal Asset Management Limited with effect from June 19, 2012.

\*\* Mr. Feroz Rizvi has resigned as a director of ICI Pakistan Limited and Akzo Nobel Pakistan Limited with effect from December 27, 2012.

The transactions mentioned above represent the transactions upto the date of their resignations.



## NOTES TO THE FINANCIAL STATEMENTS

### 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

#### 20.1 Market risk

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

##### (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of June 30, 2013, the Fund's exposure to the risk of changes in market interest rates relates primarily to bank balances. The bank balances are subject to interest rates as declared by the respective banks on periodic basis.

##### a) Sensitivity analysis of variable rate instruments

As at June 30, 2013, the Fund does not hold any variable interest based investment except balances with bank in deposit account exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2013, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 0.180 million (2012: Rs. 0.738 million).

##### b) Sensitivity analysis of fixed rate instruments

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

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS

### (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 value of investments may fluctuate due to change in business cycles affecting the business of the company in which the investment is made, change in business circumstances of the company, its business sector, industry and / or the economy in general. Management of the Fund estimates that a 5% increase or decrease in the overall equity prices in the market with all other factors remaining constant would result in increase or decrease of Fund's net assets by Rs.1.951 million (June 30, 2012: Rs.5.066 million). However, in practice, the actual results may differ from the sensitivity analysis.

The Management Company manages the above market risks through diversification of investment portfolio and placing limits on individual and aggregate exposures in accordance with the internal risk management policies and regulations laid down by the SECP.

The analysis of Funds concentration on equity price risk is disclosed in note 8.1 and 8.4 to these financial statements.

### 20.2 Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the unit 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 summarizes the maturity profile of the Fund's financial liabilities based on contractual undiscounted payments.

June 30, 2013	Upto one month	More than one month and upto three months	More than three months and upto one year	More than one year	Total
---------------	----------------	---	--	--------------------	-------

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

#### Financial liabilities

Payable to the Management Company	376,669	-	-	-	376,669
Remuneration payable to the Trustee	57,534	-	-	-	57,534
Accrued and other liabilities	1,516,589	-	-	-	1,516,589
	<u>1,950,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,950,792</u>

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012	Upto one month	More than one month and upto three months	More than three months and upto one year	More than one year	Total
---------------	-------------------	--	---	-----------------------	-------

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

### Financial liabilities

Payable to the Management Company	425,827	-	-	-	425,827
Remuneration payable to the Trustee	57,377	-	-	-	57,377
Accrued and other liabilities	896,097	-	-	-	896,097
	<u>1,379,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,379,301</u>

The Fund has sufficient liquidity in the form of bank balances and liquid investments to pay off these liabilities.

### 20.3 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge its obligation. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements. The table below analyses the Fund's maximum exposure to credit risk. None of these assets are impaired nor past due. The maximum exposure is shown below, before the effect of mitigation through the use of collateral agreements at reporting date:

	June 30, 2013	June 30, 2012
	----- (Rupees) -----	
Bank balances	18,030,899	16,351,685
Dividend receivable	-	1,918,494
Security deposit	2,607,500	2,607,500
Profit receivable on debt securities	-	330,227
Receivable against redemption of preference shares	-	19,907,500
Return receivable on bank balances	9,407	148,822
Investment in debt securities and preference shares	<u>37,490,000</u>	<u>68,387,155</u>
	<u>58,137,806</u>	<u>109,651,384</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2013	June 30, 2012
	----- (Percentage) -----	
<b>Rating category</b>		
AA+, AA, AA-	33.65	24.44
A+,A,A-	-	39.00
Unrated	66.35	2.38
D	-	34.18
	<u>100.00</u>	<u>100.00</u>

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

	June 30, 2013	June 30, 2012
	----- (Percentage of assets exposed to credit risk) -----	
Household goods	62.20	34.19
Banks	29.92	24.31
Personal goods	3.74	-
Industrial transportation	-	19.78
Chemicals	-	19.21
Others	4.14	2.51
	<u>100.00</u>	<u>100.00</u>

### 20.4 Financial instruments by category

	Loans and Receivables	At fair value through profit or loss	Total
	----- (Rupees) -----		
<b>June 30, 2013</b>			
<b>Assets</b>			
Bank balances	18,030,899	-	18,030,899
Investments	-	76,514,550	76,514,550
Dividends, deposits and other receivables	15,014,955	-	15,014,955
Receivable from the Management Company	3,230,314	-	3,230,314
	<u>36,276,168</u>	<u>76,514,550</u>	<u>112,790,718</u>
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- (Rupees) -----		
<b>Liabilities</b>			
Payable to the Management Company	-	376,669	376,669
Remuneration payable to the Trustee	-	57,534	57,534
Accrued and other liabilities	-	1,516,589	1,516,589
	<u>-</u>	<u>1,950,792</u>	<u>1,950,792</u>

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012	Loans and Receivables	Held to maturity	At fair value through profit or loss	Total
	----- (Rupees) -----			
<b>Assets</b>				
Bank balances	16,351,685	-	-	16,351,685
Investments	-	21,068,777	148,635,699	169,704,476
Dividends, deposits and other receivables	24,912,543	-	-	24,912,543
Receivable from the Management Company	3,230,314	-	-	3,230,314
	<u>44,494,542</u>	<u>21,068,777</u>	<u>148,635,699</u>	<u>214,199,018</u>

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- (Rupees) -----		
<b>Liabilities</b>			
Payable to the Management Company	-	425,827	425,827
Remuneration payable to the Trustee	-	57,377	57,377
Accrued and other liabilities	-	896,097	896,097
	<u>-</u>	<u>1,379,301</u>	<u>1,379,301</u>

### 21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

#### 21.1 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.

## NOTES TO THE FINANCIAL STATEMENTS

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

	June 30, 2013			Total
	Level 1	Level 2	Level 3	
	----- (Rupees) -----			
Participation term certificate	2,252,500	-	-	2,252,500
Listed equity securities - held-for-trading	28,212,850	-	-	28,212,850
Designated 'at fair value through profit or loss'				
- Listed equity securities	8,559,200	-	-	8,559,200
- Listed preference shares	37,490,000	-	-	37,490,000
	<u>76,514,550</u>	<u>-</u>	<u>-</u>	<u>76,514,550</u>
	June 30, 2012			Total
	Level 1	Level 2	Level 3	
	----- (Rupees) -----			
Listed equity securities - held-for-trading	57,836,521	-	-	57,836,521
Designated 'at fair value through profit or loss'				
- Listed equity securities	43,480,800	-	-	43,480,800
- Listed preference shares	37,490,000	-	-	37,490,000
- Listed debt securities	-	9,828,378	-	9,828,378
	<u>138,807,321</u>	<u>9,828,378</u>	<u>-</u>	<u>148,635,699</u>

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

## 22 Capital management

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

## NOTES TO THE FINANCIAL STATEMENTS

### 23. SUBSEQUENT EVENT

The Board of Directors of the Management Company in their meeting held on July 5, 2013 have declared a payout at the rate of 10.85% i.e. Rs. 10.85 per unit (June 30, 2012: Nil). The financial statements of the Fund for the year ended June 30, 2013 do not include the effect of the payout which will be accounted for in the financial statements of the Fund subsequent to the year end.

### 24. SUPPLYMENTARY NON FINANCIAL INFORMATION

The information regarding pattern of unit holding, top ten brokers, members of the Investment Committee, performance table, fund manager and 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 these financial statements.

### 25. DATE OF AUTHORIZATION FOR ISSUE

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

### 26. GENERAL

Figures are rounded off to the nearest Rupee unless otherwise stated.

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

*Chief Executive Officer*

*Director*

*Director*

**SUPPLEMENTARY NON FINANCIAL INFORMATION  
AS REQUIRED UNDER RULES 6(D), (F), (G), (H), (I) AND (J)  
OF THE 5TH SCHEDULE TO THE NON BANKING FINANCE COMPANIES  
AND NOTIFIED ENTITIES REGULATIONS, 2008**

**(i) PATTERN OF UNIT HOLDING**

Category	No. of investors	Units held	%
Associated company	1	121,940	8.07
Insurance company	1	9,857	0.65
Retirement Funds	11	916,421	60.61
Individuals	162	436,329	28.86
Banks and DFIs	-	-	
NBFCs	-	-	
Other	1	27,376	1.81
	176	1,511,923	100.00

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

Name	June 30, 2013 %
MS Maniar Financials (Private) Limited	14.75
Elixir Securities Pakistan (Private) Limited	12.97
Adam Securities (Private) Limited	12.31
Shajar Capital Pakistan (Private) Limited	9.42
Next Capital(Private) Limited	8.99
Continental Capital Management Limited	8.46
Fortune Securities (Private) Limited	6.63
JS Global Capital	4.89
Top Line Securities (Private) Limited	4.29
KASB Securities Limited	4.14

Name	June 30, 2012 %
BMA Capital Management Limited	14.39
Invest Capital Securities	12.25
Elixir Securities Pakistan (Private) Limited	10.56
KASB Securities Limited	7.98
Top Line Securities (Private) Limited	7.96
Fortune Securities (Private) Limited	7.24
Next Capital (Private) Limited	6.91
Burj Capital Pakistan (Private) Limited	6.89
Global Securities Pakistan Limited	6.03
IGI Finex Securities Limited	5.68



## SUPPLEMENTARY NON FINANCIAL INFORMATION AS REQUIRED UNDER RULES 6(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:

Name	Qualification	Experience
Mr. Enam Ullah Khan	B. Eco , FSA, Accreditations	Over 21 years
Mr. Najm UI Hassan	MBA, ACMA, CFA I	Over 18 years
Mr. Vasseh Ahmed	Master in Science	Over 5 years
Mr. Ayub Khuhro	BSC Economics, CFA I	Over 5 years
Mr. Muhammad Raheel	B.Sc. in Science	Over 10 years
Mr. Faraz Khan	MBA	Over 7 years
Mr. Muhammad Asif Tahir (Non- voting member)	ACCA	Over 6 years

### (iv) PARTICULARS OF FUND MANAGERS

Name	Qualification	Other Collective Investment Schemes Managed		
Mr. Muhammad Raheel	B.Sc. in Science	Faysal Asset Allocation Fund		
		June 30, 2013	June 30, 2012	June 30, 2011
		----- (Rupees) -----		

### (v) PERFORMANCE TABLE

Net assets	107,694,307	210,024,635	360,190,437
Net asset value per unit	71.23	59.78	72.27
Offer price	71.23	61.13	73.90
Repurchase price per unit	71.23	59.78	72.27
Highest offer price per unit	72.92	67.95	81.92
Highest repurchase price per unit	72.92	66.45	80.11
Lowest offer price	61.53	59.60	67.49
Lowest repurchase price per unit	60.17	58.28	66.00
Total return:	19.15%	-4.69%	9.98%
- capital growth	8.30%	-4.69%	0.43%
- income distribution	10.85%	-	9.55%
Average annual return: (Launch date: April 19, 2004)			
- one year	19.15%	-4.69%	9.98%
- two years	7.23%	2.65%	15.99%
- three years	8.15%	9.09%	2.66%
Distribution per unit:			
- Interim distribution (Rs. per unit)	-	-	-
- Final distribution (Rs. per unit)	10.85%	-	9.55
	<u>10.85%</u>	<u>-</u>	<u>9.55</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 AS REQUIRED UNDER RULES 6(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 2012	Jul 16 2012	Oct 20 2012	Oct 24 2012	Dec 30 2012	Jan 22 2013	Jan 30 2013	Mar 15 2013	Apr 19 2013	Apr 27 2013
Mr. Mohammad Abdul Aleem, Chairman	10	1	1	1	1	1	1	1	1	1	1
Mr. Feroz Rizvi, Director	8	1	1	0	0	1	1	1	1	1	1
Syed Majid Ali, Director	10	1	1	1	1	1	1	1	1	1	1
Mr. Zafar Ahmed Siddiqui, Director	8	0	1	1	0	1	1	1	1	1	1
Syed Ibad ur Rahman Chishti, Director *	2	1	1	0	0	0	0	0	0	0	0
Mr. Razi ur Rahman, Director	9	1	1	1	1	1	0	1	1	1	1
Mr. Enamullah Khan, Chief Executive Officer	10	1	1	1	1	1	1	1	1	1	1

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

**SUPPLEMENTARY NON FINANCIAL INFORMATION  
AS REQUIRED UNDER RULES 6(D), (F), (G), (H), (I) AND (J)  
OF THE 5TH SCHEDULE TO THE NON BANKING FINANCE COMPANIES  
AND NOTIFIED ENTITIES REGULATIONS, 2008**

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

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

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

**(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			
		Nov 19 2012	Feb 13 2013	May 3 2013	Jun 7 2013
Mr. Zafar Ahmed Siddiqui, Chairman	3	1	1	1	0
Syed Majid Ali	3	0	1	1	1
Mr. Razi ur Rahman Khan	4	1	1	1	1
Mr. Enamullah Khan	4	1	1	1	1

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

The JCR-VIS Credit Rating Company Limited (JCR-VIS) has assigned a "MFR 1-Star" fund rating to Faysal Balanced Growth Fund as of June 30, 2012 and has awarded an "AM3+" asset manager rating to the Management Company as of May 18, 2012.