

Faysal Asset Allocation Fund

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

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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 Esq., Member
Mr. Zafar Ahmed Siddiqui, Member

Trustee

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

Bankers to the fund

NIB Bank Limited
Soneri Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
The Bank of Punjab
Askari Bank Limited

Auditors

Ford Rhodes Sidat Hyder & Co., Chartered Accountants

Legal Advisor

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

Registrar

JWAFFS Registrar Service (Pvt) Limited
Room # 505, 5th Floor, Kashif Centre,
Near Hotel Mehran, Main Shahra-e-Faisal,
Karachi.

Distributors

Faysal Asset Management Limited

MISSION STATEMENT

Faysal Asset Allocation Fund endeavours to provide investors with an opportunity to earn long-term capital appreciation optimizing through broad mix of asset classes encompassing equity, fixed income & money market instruments.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Directors of the Faysal Asset Management Limited, the Management Company of Faysal Asset Allocation Fund (FAAF), are pleased to present the Annual Report on the operations of FAAF along with the audited accounts, Reports of the Trustee and Auditors to the Unit Holders for the year ended June 30, 2012.

SALE AND REDEMPTION OF UNITS

During the year, units worth Rupees 45.022 million were issued and units with a value of Rupees 85.647 million were redeemed.

UNIT HOLDERS

As of June 30, 2012, 4,504,638 units with a value of Rs. 297 million were outstanding (June 30, 2011: 4,972,296 units with a value of Rs. 352 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, 2012 were as below:

	Offer Price	Redemption Price
Highest	73.56	71.41
Lowest	64.63	62.74
As of June 30, 2012	67.93	65.95

EQUITY MARKETS REVIEW

Pakistan's equity market proved to be one of the most dynamic and lucrative investment avenues across the global frontier markets over FY-2012, shaped primarily by noteworthy political and geopolitical proceedings. The key benchmark index, KSE-100, recorded a return of 10.45% YoY, succeeded only by Thailand's SET with a return of 12.54% YoY.

Although the first half of the fiscal year proved to be a dismal one as the benchmark index receded by 9.2%, the index still managed to outpace the MSCI Frontier Index that contracted by 14.3% over the same period. This contraction was primarily based on the growing bitterness between United States and its non-NATO ally Pakistan that had emanated from the incarceration of the alleged US operative Raymond Davis, the Salala-post airstrike incident which claimed the lives of 26 Pakistani soldiers and the subsequent blockade of the NATO ground lines of communication.

The second half remained significantly more robust, as the relaxation and incentives introduced under the Capital Gain Tax regime helped the market gain 21.6%. Comparatively, the MSCI Frontier Market Index contracted by 4.7% over January-June 2012. Foreign investment trend also fared relatively better over the second half, as FIPI recorded an outflow of USD 31.7mn against outflow of USD 157.4mn in the previous half.

Over the quarter ending June 2012, the equity market displayed mixed trends as certain political and geopolitical factors played their part in creating an oscillating momentum that saw the market form a peak and trough of +6.2% and -2.9%, respectively, and close the period with an insignificant +0.3%. The benchmark index gained support on account of Capital Gain Tax incentives over the better part of the quarter with the market gaining 6.2% till first week of May 2012. The MAY FACTOR soon assumed control of the benchmark and the market, true to expectations, corrected itself, erasing all gains by the end of the historically notorious month of May.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

Going forward, the market is expected to remain buoyed by expected inflows from the US-funded Coalition Support Fund, especially in light of recommencement of NATO ground lines of communication in June. That said, under present circumstances, the equity market is exposed more to threats on the economic side as high import bill, IMF repayments and downgraded sovereign rating all pose considerable risk to the macroeconomic and company-specific valuations at the bourse.

PERFORMANCE REVIEW

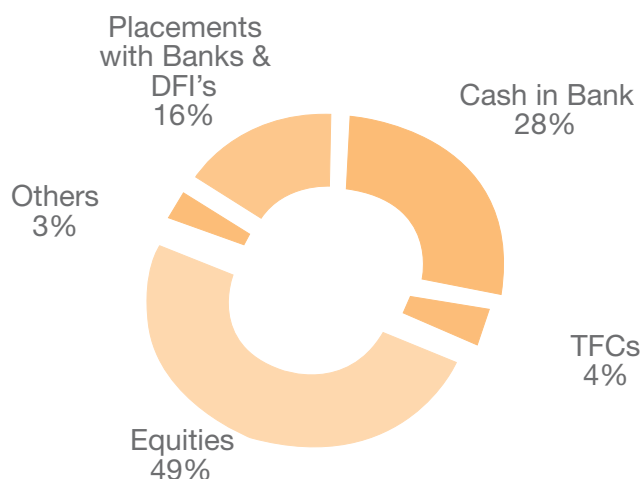
Although your fund ended the year with a net return of +5.05% on account of healthy activity on the equity bourse over 2HFY12, management decided to provide for a small portion of non-performing assets, bringing the net return down to -0.02%.

This measure taken at the end of the outgoing fiscal year will ensure that the fund remains clear of the adverse impact of non-performing assets over the upcoming year (i.e. FY13) and that the ever-looming threat of sudden gain-reversion is eliminated once and for all.

Going forward, the management intends to make optimal use of equity and debt instruments to take advantage of capital appreciation within equities and steady return provided by high-yielding debt instruments. The fund will continue to have a high turnover as opportunities will be capitalized on a timely basis on the back of fundamental and technical triggers. Your fund will continue this trigger-motivated investment philosophy for equities and aims to increase equity composition from the prevalent 47% in accordance with seasonally bullish patterns that have been identified via historical analysis.

ASSET ALLOCATION

Asset Allocation Jun-12 FAAF



INCOME DISTRIBUTION

The Board of directors has not approved any final distribution considering the loss for the year ended June 30, 2012.

MUTUAL FUND RATING

JCR-VIS has assigned three years fund performance ranking of "MFR 4- Star", "Good performance" to FAAF.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

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, 2012 forms part of this annual report.

1. Statements under clause xvi of the Code:

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

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

PATTERN OF HOLDING

The Pattern of Holding of FAAF as at June 30, 2012 is given as part of this Annual Report.

AUDITORS

The present auditors Messers Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retire and, being eligible, offer themselves for re-appointment. The Board endorses the recommendation of the Audit Committee for re-appointment of Messers Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as the auditors for the year ending June 30, 2013.

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: August 16, 2012

Enamullah Khan
Chief Executive Officer

FUND MANAGER'S REPORT

Economic Review

FY12 remained a challenging year for the economy as GDP growth slowed down and fiscal deficit widened amidst increase in trade deficit and current account deficit. GDP expanded by 3.7%, less than the target of 4.2%. This growth was primarily driven by the agricultural and services sectors as growth across the manufacturing sector remained subdued due to severe shortage of electricity and fuel. Pak Rupee depreciated by 9% during the year as the country's foreign exchange reserves depleted by USD 3bn to USD 15.2bn.

The headline Consumer Price Index (CPI) during FY12 consolidated at 11% Y/Y compared to 13.31%Y/Y in FY11. This met the market consensus and SBP target of 11%Y/Y. Descending international commodity prices excluding oil, and relatively better domestic crop production data helped ease up food price pressure, while high base effect from the previous year lend added support to price softening. Resultantly, the SBP slashed the policy rate by 200 bps to 12% over the course of the year.

Country's external side continued to face headwinds on the back of unfavorable trade terms. Prevailing uncertainty in European countries, non-materialization of 3G auction proceeds and Coalition Support Fund (CSF) - due to uneasy relation with US - resulted in lack of external funding. This along with country's foreign debt repayments - including USD ~900mn made to IMF during the FY12 - resulted in overall depletion in Foreign exchange reserve by USD 3.0bn. This exerted considerable pressure on Pakistani rupee, forcing it to breach the PKR 94 mark by June-end against the Greenback. In order to make up for external funding squeeze and fiscal deficit financing, the government's budgetary borrowing requirement stepped up substantially.

On the positive front, remittances registered a hefty increase of 17% Y/Y to reach USD ~13bn, primarily driven by channelized inflows through the banking sector under the Pakistan Remittance Initiative (PRI). Over the upcoming year, remittances are once again expected to bolster balance of payment in conjunction with a lower oil import bill on account of reduced crude oil prices. Support to the balance of payments is also expected to emanate from recommencement of Coalition Support Fund (CSF) after resumption of NATO ground lines of communication. In this regard, the US has also agreed to arrange another USD2.0bn to support Pakistan's balance of payment situation.

Money Market Review

Since July 2011, burgeoning fiscal deficit has kept the money market more volatile than what the Central Bank would have preferred. In the absence of external financial support, the money market was the only platform for the government to fill the widening gap between revenues and expenditure. Due to the heightened demand for funds by the government, yields across all the tenors remained at historically high levels – deviating significantly from its normality of fifty to sixty basis points above the discount rate. Throughout the outgoing fiscal year, State Bank intervened to stabilize money market yields through open market operation but gradually reduced the quantum of injections. Furthermore, downward surprises in the monthly inflation drove the yields on longer tenor down during preceding fiscal year. Considering the interest rate volatility and constant fluctuations in the yields, institutional investors remained inclined towards short-tenor instruments to enjoy liquidity, ward-off interest rate risk and time the entry and exit as per economic indicators. Going forward, relatively disciplined inflationary pressure may push yields down while increased reliance on domestic borrowing is expected to keep yields elevated till successful realization of external financial flows.

Equity Review

Pakistan's equity market proved to be one of the most dynamic and lucrative investment avenues across the global frontier markets over FY-2012, shaped primarily by noteworthy political and geopolitical proceedings. The key benchmark index, KSE-100, recorded a return of 10.45% YoY, succeeded only by Thailand's SET with a return of 12.54% YoY.

FUND MANAGER'S REPORT

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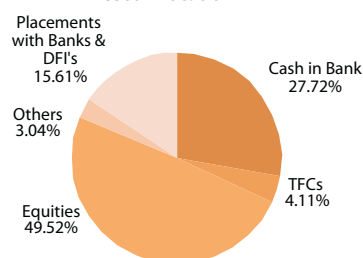
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Going forward, the market is expected to remain buoyed by expected inflows from the US-funded Coalition Support Fund, especially in light of recommencement of NATO ground lines of communication in June. That said, under present circumstances, the equity market is exposed more to threats on the economic side as high import bill, IMF repayments and downgraded sovereign rating all pose considerable risk to the macroeconomic and company-specific valuations at the bourse.

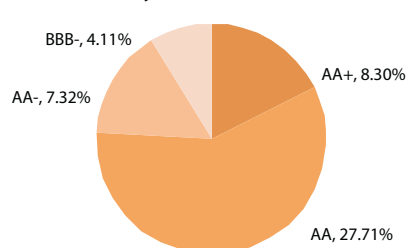
FUND INFORMATION

Fund Type	Open Ended
Category	Asset Allocation Scheme
Risk Profile	Moderate to High Risk
Net Assets (PKR mn)	297.08
NAV 30-Jun-2012	65.95
Pricing Mechanism	Forward
Trustee	CDC
Auditor	Ernst & Young Ford Rhodes Sidat Hyder
Management Fee	2%
Front End Load	3%
Back End Load	Nil
Launch Date	24-Jul-2006
Benchmark	KSE100 Index / 6M KIBOR
Asset Manager Rating	AM3+ (JCRVIS)
* weighted average of 6M KIBOR & percentage invested in equities	

Asset Allocation



Asset Quality (as % of Total Assets)



FUND INFORMATION

	FY12	FY11
Annual Return	-0.02	20.58
Benchmark	11.62	20.20

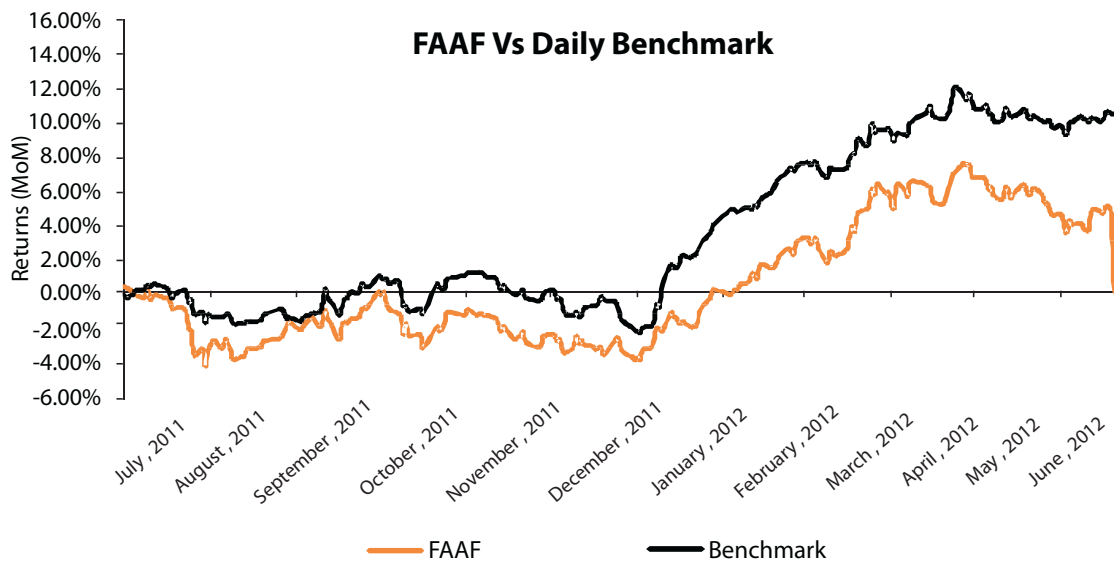
FUND MANAGER'S REPORT

FAAF Performance

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**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



ISO 27001 Certified

TRUSTEE REPORT TO THE UNIT HOLDERS

FAYSAL ASSET ALLOCATION 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 Asset Allocation 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, 2012 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 9, 2012

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 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 Asset Allocation Fund**, (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Lahore Stock Exchange (Guarantee) Limited where the Fund is listed.

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

As part of our audit of the 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 the Listing Regulation³⁵ notified by the Lahore Stock Exchange (Guarantee) Limited requires the company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transaction 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 requirements 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 procedures to determine whether the related party transactions were undertaken at arm's length prices 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 2012.

Chartered Accountants

Dated: 16 August 2012

Karachi

STATEMENT OF COMPLIANCE BY FAYSAL ASSET ALLOCATION 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 the Listing Regulations of Karachi Stock Exchange (Guarantee) 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 Asset Allocation 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, whose units are listed as a security on the Exchange, in the following manner:

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

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

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 this 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 one casual vacancy occurred on the Board on June 19, 2012, which was filled within 30 days thereof.
5. The 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 and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors have 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. 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. In order to apprise the directors on their duties and responsibilities and the requirements of the Code, the company has a policy to conduct formal orientations for directors. The Board did not arrange director training / education program required under the Code as all the directors meet the exemption criteria of minimum fourteen years of education and fifteen years of experience. The directors are conversant with the relevant laws applicable to the company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities.

STATEMENT OF COMPLIANCE BY FAYSAL ASSET ALLOCATION FUND WITH THE CODE OF CORPORATE GOVERNANCE

10. The Board approved the appointments of Chief Financial Officer (CFO) and Company Secretary including the remuneration and terms and conditions of employment.
11. The Directors' report relating to the Fund for the year ended June 30, 2012 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 acting 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 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 three 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 have been approved in the meeting of the Board 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 three members, of whom two are non-executive directors including the chairman of the Committee.
18. The Management Company has outsourced its internal audit function to KPMG Taseer Hadi & Co. Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
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 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 Fund's units, was determined and intimated to directors, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the the Code have been complied with.

For and on behalf of the Board

Karachi, August 16, 2012

Enamullah Khan
Chief Executive Officer

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Faysal Asset Allocation Fund** (the Fund), which comprise the statement of assets and liabilities as at 30 June 2012, and the related statement of income, distribution, cash flows and movement in unit holders' for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management 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 approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2012, 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 have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Chartered Accountants

Audit Engagement Partner: **Shabbir Yunus**
Dated: 16 August 2012
Karachi

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2012

		June 30, 2012	June 30, 2011
	Note	----- (Rupees) -----	
Assets			
Bank balances and term deposit receipts	7	105,477,033	199,982,341
Dividend, prepayments, deposits and other receivables	8	4,665,448	7,721,810
Preliminary expenses and floatation costs	9	-	50,573
Investments	10	187,822,389	143,611,242
Receivable against sale of investments		3,148,313	4,280,189
Total assets		301,113,183	355,646,155
Liabilities			
Payable to the Management Company	11	600,205	1,069,186
Remuneration payable to the Trustee	12	57,377	58,683
Accrued and other liabilities	13	3,372,136	2,938,661
Total liabilities		4,029,718	4,066,530
Net assets		297,083,465	351,579,625
Unit holders' fund (as per the statement attached)		297,083,465	351,579,625
		----- (Number of units) -----	
Number of units in issue		4,504,638	4,972,296
		----- (Rupees) -----	
Net asset value per unit		65.95	70.71
Contingencies and commitments	14		

The annexed notes from 1 to 24 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, 2012

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Income		
Profit earned on debt and government securities	10,996,415	6,244,457
Dividend income	7,577,398	7,336,506
Return on bank balances and term deposit receipts	13,567,840	14,915,465
Reversal of provision against non-performing assets	-	29,167,210
Net (loss) / gain on investments 'at fair value through profit or loss'		
- Net capital gain on sale of investments	9,225,547	24,526,763
- Net unrealised loss on revaluation of investments	(870,429)	(16,468,456)
- Provision against non-performing assets	(28,074,159)	-
	(19,719,041)	8,058,307
Total income	12,422,612	65,721,945
Expenses		
Remuneration of the Management Company	6,443,510	8,579,515
Sales tax on management fee	1,030,960	-
Remuneration of the Trustee	700,202	703,030
Brokerage charges	1,722,865	2,953,530
Bank charges	50,761	27,594
Auditors' remuneration	480,578	386,177
SECP annual fee	296,001	271,693
Legal and professional charges	60,000	101,124
Fees and subscription	60,480	105,000
Settlement charges, federal excise duty and capital value tax	574,728	839,052
Amortisation of preliminary expenses and floatation costs	50,573	838,825
Printing charges and other expenses	340,181	399,571
Provision for Workers' Welfare Fund	-	1,883,807
Total expenses	11,810,839	17,088,918
Net income from operating activities	611,773	48,633,027
Element of loss and capital losses included in prices of units sold less those in units redeemed	(642,837)	(22,686,797)
Net (loss) / income for the year before taxation	(31,064)	25,946,230
Taxation	-	-
Net (loss) / income for the year after taxation	(31,064)	25,946,230
Other comprehensive income for the year	-	-
Total comprehensive (loss) / income for the year	(31,064)	25,946,230

The annexed notes from 1 to 24 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, 2012	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Undistributed loss brought forward [includes unrealised loss on investments of Rs.18,692,061 (2011: unrealised loss of Rs.15,202,580)]	(154,707,913)	(118,423,015)
Final bonus distribution for the year ended June 30, 2011 @ Rs.4.75 per unit (2010: Rs.15 per unit declared for distribution on July 07, 2010) declared for distribution on July 09, 2011	(9,134,417)	(14,645,567)
Final cash dividend for the year ended June 30, 2011 @ Rs.4.75 per unit (2010: Rs.15 per unit declared for distribution on July 07, 2010) declared for distribution on July 09, 2011	(14,483,988)	(47,585,561)
Net (loss) / income for the year after taxation	(31,064)	25,946,230
Undistributed loss carried forward [includes unrealised loss on investments of Rs.13,844,080 (2011: unrealised loss of Rs.18,692,061)]	<u>(178,357,382)</u>	<u>(154,707,913)</u>

The annexed notes from 1 to 24 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, 2012

	June 30, 2012	June 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES	Note	(Rupees)
Net (loss) / income for the year before taxation		(31,064) 25,946,230
Adjustments for non-cash and other items:		
Net capital gain on sale of investments 'at fair value through profit or loss'		(9,225,547) (24,526,763)
Net unrealised loss on revaluation of investments 'at fair value through profit or loss'		870,429 16,468,456
Provision against non-performing assets		28,074,159 -
Profit earned on debt and government securities		(10,996,415) (6,244,458)
Dividend income		(7,577,398) (7,336,506)
Return on bank balances and term deposit receipts		(13,567,840) (14,915,465)
Reversal of provision against non-performing assets		- (29,167,210)
Element of loss and capital losses included in prices of units sold less those in units redeemed		642,837 22,686,797
Amortisation of preliminary expenses and floatation costs		50,573 838,825
		<u>(11,760,266)</u> <u>(16,250,094)</u>
Decrease / (increase) in assets		
Dividend, prepayments, deposits and other receivables		25,000 (25,000)
(Decrease) / increase in liabilities		
Payable to the Management Company		(468,981) 29,463
Remuneration payable to the Trustee		(1,306) 1,149
Accrued and other liabilities		433,475 2,073,179
		<u>(36,812)</u> <u>2,103,791</u>
		<u>(11,772,078)</u> <u>(14,171,303)</u>
Proceeds from sale / redemption of investments		1,317,016,390 1,831,094,055
Payment against purchase of investments		(1,379,606,922) (1,804,140,205)
Profit received on debt and government securities		13,003,803 4,224,507
Dividend received		7,662,398 8,821,506
Return received on bank balances and term deposit receipts		14,299,034 14,279,820
Net cash (used in) / generated from operating activities		<u>(39,397,375)</u> <u>40,108,380</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received against issue of units		45,022,903 126,503,460
Payments made against redemption of units		(85,646,848) (81,480,524)
Dividend paid		(14,483,988) (47,585,561)
Net cash used in financing activities		<u>(55,107,933)</u> <u>(2,562,625)</u>
Net (decrease) / increase in cash and cash equivalents during the year		(94,505,308) 37,545,756
Cash and cash equivalents at the beginning of the year		199,982,341 162,436,585
Cash and cash equivalents at the end of the year	7	<u>105,477,033</u> <u>199,982,341</u>

The annexed notes from 1 to 24 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, 2012

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Net asset value per unit at the beginning of the year	<u>70.71</u>	<u>73.64</u>
Net asset value per unit at the end of the year	<u>65.95</u>	<u>70.71</u>
Net assets at the beginning of the year	351,579,625	305,509,223
Amounts received on issue of units *	45,022,903	126,503,460
Amounts paid on redemption of units **	(85,646,848)	(81,480,524)
	(40,623,945)	45,022,936
Element of loss and capital losses included in prices of units sold less those in units redeemed	642,837	22,686,797
Final cash dividend for the year ended June 30, 2011 @ Rs.4.75 per unit (2010: Rs.15 per unit declared for distribution on July 07, 2010) declared for distribution on July 09, 2011	(14,483,988)	(47,585,561)
Net capital gain on sale of investments	9,225,547	24,526,763
Net unrealised loss on revaluation of investments	(870,429)	(16,468,456)
Net (loss) / income for the year	(8,386,182)	17,887,923
Other comprehensive income for the year	-	-
Total comprehensive (loss) / income for the year	(31,064)	25,946,230
Net assets at the end of the year	297,083,465	351,579,625
	----- (Number of units) -----	
* Number of units issued (including 138,484 bonus units issued during the year ended June 30, 2012 and 249,759 bonus units issued during the year ended June 30, 2011)	<u>835,388</u>	<u>2,038,454</u>
** Number of units redeemed	<u>1,303,046</u>	<u>1,214,901</u>

The annexed notes from 1 to 24 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, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

Faysal Asset Allocation Fund (the Fund) has been established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and has been authorised as a unit trust scheme by the Securities and Exchange Commission of Pakistan (SECP) on September 21, 2005. It has been constituted under a Trust Deed, dated January 31, 2006, between AMZ Asset Management Limited (former Management Company) and Central Depository Company of Pakistan Limited (CDC) as the Trustee till February 24, 2010 and thereafter between Faysal Asset Management Limited (the Management Company) and CDC as Trustee of the Fund.

The Fund is an open-end scheme and is listed on the Lahore Stock Exchange. Units are offered for public subscription on a continuous basis and the units are transferable and can be redeemed by surrendering them to the Fund. The policy of the Fund is to invest in a mix of equity securities, fixed income and money market instruments.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described in notes 4.1 and 4.2.

4.1 New and amended standards and interpretations

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

NOTES TO THE FINANCIAL STATEMENTS

- IFRS 7 – Financial Instruments: Disclosures (Amendment)
- IAS 24 – Related Party Disclosures (Revised)
- IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 – Financial Instruments: Disclosures - Clarification of disclosures

IAS 1 – Presentation of Financial Statements - Clarification of statement of changes in equity

IAS 34 – Interim Financial Reporting - Significant events and transactions

IFRIC 13 – Customer Loyalty Programmes - Fair value of award credits

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

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

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

During the year, the Fund has revised the method of computation of the Element. As per revised method, the Element is arrived at by comparing the unit prices with opening Ex - NAV at the beginning of the financial year. The Element so computed is recognised in the income statement except to the extent that the amount represented by unrealised appreciation / diminution arising on available for sale securities is included in distribution statement. Previously, the Fund used to calculate the Element by comparing unit prices with the face value of the units.

The revised methodology, in opinion of the management, would ensure that the continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. Since the element is an equalisation account between income for the period and undistributed income, the change did not have any impact on Net Asset Value (NAV) of the Fund. Had the methodology not been changed, the net loss for the year ended June 30, 2012 would have been higher by Rs.15.231 million.

4.3 Investments

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

At fair value through profit or loss

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

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

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

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

Held to maturity investments

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

Available-for-sale investments

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

Fair value of investments is determined as follows:

Listed shares

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

Debt securities

These are valued at the rates quoted by Mutual Funds Association of Pakistan (MUFAP) in accordance with the SECP's Circular No. 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 Derivatives

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

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

4.5 Securities under repurchase / resale agreements

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

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

4.6 Impairment of financial assets

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

Impairment is determined as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

4.7 Provisions

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

4.8 Issue and redemption of units

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

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

4.9 Cash and cash equivalents

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

4.10 Revenue recognition

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

4.11 Taxation

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

4.12 Offsetting of financial assets and liabilities

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

4.13 Net Asset Value (NAV) per unit

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

4.14 Distribution to unit holders

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

4.15 Preliminary expenses and floatation costs

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

4.16 Financial assets and financial liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

5. ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments : Disclosures – (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 1 Presentation of Financial Statements – Presentation of items of comprehensive income	July 01, 2012
IAS 12 Income Taxes (Amendment) - Recovery of Underlying Assets	January 01, 2012
IAS 19 Employee Benefits – (Amendment)	January 01, 2013
IAS 32 Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

	June 30, 2012	June 30, 2011
7. BANK BALANCES AND TERM DEPOSIT RECEIPTS	Note	(Rupees)
Cash at bank - PLS saving accounts	7.1	83,477,033
Term deposit receipts	7.2	22,000,000
		105,477,033
		199,982,341
		-
		199,982,341

7.1 These carry mark-up ranging from 6% to 11.75% (June 30, 2011: 5% to 13.25%) per annum and include balance of Rs.0.309 million (June 30, 2011: Rs.3.030 million) held with Faysal Bank Limited (a related party).

7.2 These have tenure of twenty nine days and carry mark-up @ 12.40% (June 30, 2011: Nil) per annum.

	June 30, 2012	June 30, 2011
8. DIVIDEND, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES - considered good	(Rupees)	(Rupees)
Dividend receivable	180,000	265,000
Prepayments	-	25,000
Security deposit with National Clearing Company of Pakistan Limited	2,500,000	2,500,000
Profit receivable on debt securities	890,342	3,105,510
Return receivable on bank balances and term deposit receipts	1,095,106	1,826,300
	4,665,448	7,721,810

NOTES TO THE FINANCIAL STATEMENTS

	Note	June 30, 2012	June 30, 2011
		----- (Rupees) -----	
9. PRELIMINARY EXPENSES AND FLOATATION COSTS			
Preliminary expenses and floatation costs		50,573	889,398
Amortisation during the year	9.1	<u>(50,573)</u>	<u>(838,825)</u>
		<u> -</u>	<u>50,573</u>

9.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund as incurred by the Management Company and are being amortised over a period of five years commencing from July 24, 2006.

10. INVESTMENTS

At fair value through profit or loss Held-for-trading

Listed equity securities	10.1	82,003,698	103,809,365
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Designated 'at fair value through profit or loss'

Listed equity securities	10.2	67,101,872	-
Listed debt securities	10.3	12,380,885	20,870,439
Unlisted debt securities	10.4	28,074,159	18,931,438
Less: Provision against debt securities	10.7	(28,074,159)	-
		-	18,931,438
		79,482,757	39,801,877
		161,486,455	143,611,242

Held to maturity

Commercial papers - sukuk certificates	10.5	26,335,934	-
		<u>187,822,389</u>	<u>143,611,242</u>

NOTES TO THE FINANCIAL STATEMENTS

10.1 Listed equity securities *- held-for-trading

Name of the investee company	Note	Number of shares -----					Market value as at June 30, 2012 (Rupees)	--- Investment as % of ---		
		As at July 01, 2011	Purchased during the period	Bonus / right shares received	Disposed off during the period	As at June 30, 2012		Net assets	Total Investments	Investee company paid-up capital
* Ordinary shares having a face value of Rs.10 each unless stated otherwise.										
Software and computer services										
NETSOL Technologies Limited		442,800	-	-	442,800	-	-	-	-	-
Oil and gas										
Attock Petroleum Limited		30,000	-	-	30,000	-	-	-	-	-
Attock Refinery Limited		-	85,000	-	85,000	-	-	-	-	-
National Refinery Limited		-	20,000	-	5,000	15,000	3,470,850	1.17%	1.85%	0.02%
Oil and Gas Development Co. Ltd		-	160,100	-	160,100	-	-	-	-	-
Pakistan Oilfields Limited		35,000	137,218	-	172,218	-	-	-	-	-
Pakistan Petroleum Limited		50,000	54,238	7,500	111,738	-	-	-	-	-
Pakistan State Oil Co. Ltd	10.1.1	100,000	25,000	-	75,000	50,000	11,792,000	3.97%	6.28%	0.03%
							15,262,850	5.14%	8.13%	0.05%
Electricity										
Japan Power Generation Limited		12,708,900	2,709,238	-	8,458,900	6,959,238	12,178,667	4.10%	6.48%	4.46%
Nishat Power Limited		108,771	50,000	-	158,771	-	-	-	-	-
							12,178,667	4.10%	6.48%	4.46%
Banks										
Bank AL Habib Limited		-	211,396	-	211,396	-	-	-	-	-
Bank Alfalah Limited		-	715,000	-	715,000	-	-	-	-	-
Habib Metropolitan Bank Limited		-	80,309	-	-	80,309	1,386,133	0.47%	0.74%	0.01%
MCB Bank Limited		-	105,000	-	105,000	-	-	-	-	-
National Bank of Pakistan		-	415,000	5,000	375,000	45,000	1,959,300	0.66%	1.04%	-
United Bank Limited		-	369,500	-	369,500	-	-	-	-	-
							3,345,433	1.13%	1.78%	0.01%
Chemicals										
Arif Habib corporation Limited		-	625,000	-	625,000	-	-	-	-	-
Dawood Hercules Corporation Limited		-	139,098	-	139,098	-	-	-	-	-
Dewan Salman Fibre Limited		-	2,601,009	-	1,490,243	1,110,766	1,821,656	0.61%	0.97%	0.30%
Engro Corporation Pakistan Limited		100,000	648,355	-	748,355	-	-	-	-	-
Fatima Fertilizer Company Limited		-	1,856,623	-	1,711,623	145,000	3,577,150	1.20%	1.90%	0.01%
Fauji Fertilizer Bin Qasim Limited		-	295,000	-	295,000	-	-	-	-	-
Fauji Fertilizer Company Limited		-	445,000	5,000	450,000	-	-	-	-	-
ICI Pakistan Limited	10.1.2	-	83,675	-	64,228	19,447	2,548,918	0.86%	1.36%	0.02%
Lotte Pakistan PTA Limited		-	675,000	-	615,000	60,000	421,800	0.14%	0.22%	-
							8,369,525	2.81%	4.45%	0.33%
Construction and materials										
AkzoNobel Pakistan Limited	10.1.2	-	9,779	-	-	9,779	1,281,755	0.43%	0.68%	0.02%
Lafarge Pakistan Cement Limited		-	1,764,036	-	964,036	800,000	3,456,000	1.16%	1.84%	0.06%
Lucky Cement Limited		-	272,389	-	272,389	-	-	-	-	-
							4,737,755	1.59%	2.52%	0.08%

NOTES TO THE FINANCIAL STATEMENTS

Name of the investee company	Note	----- Number of shares -----					Market value as at June 30, 2012 (Rupees)	--- Investment as % of ---		
		As at July 01, 2011	Purchased during the period	Bonus / right shares received	Disposed off during the period	As at June 30, 2012		Net assets	Total Investments	Investee company paid-up capital
Food producers										
Engro Foods Limited		-	278,070	-	274,891	3,179	204,887	0.07%	0.11%	-
							204,887	0.07%	0.11%	-
Multiutilities (gas and water)										
Sui Northern Gas Pipelines Limited		-	785,031	-	585,031	200,000	3,378,000	1.14%	1.80%	0.03%
							3,378,000	1.14%	1.80%	0.03%
Personal goods (textile)										
Nishat Mills Limited		-	430,000	-	430,000	-	-	-	-	-
							-	-	-	-
Engineering										
Millat Tractors Limited		-	54,836	-	3,937	50,899	24,576,582	8.27%	13.09%	0.14%
							24,576,582	8.27%	13.09%	0.14%
Non life insurance										
Adamjee Insurance Company Limited		-	102,104	-	102,104	-	-	-	-	-
TPL Direct Insurance Limited		-	29,813	-	29,813	-	-	-	-	-
							-	-	-	-
Fixed line telecommunication										
Pakistan Telecommunication Company Limited		-	1,693,454	-	1,693,454	-	-	-	-	-
							-	-	-	-
Technology hardware and equipment										
TPL Trakker Limited	10.1.3	-	995,000	-	-	995,000	9,950,000	3.35%	5.30%	3.32%
							9,950,000	3.35%	5.30%	3.32%
		13,575,471	18,920,271	17,500	21,969,625	10,543,617	82,003,698	27.60%	43.66%	8.42%

10.1.1 This investment includes securities with fair value aggregating to Rs.11.792 million (June 30, 2011: Rs.11.228 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.

10.1.2 The scheme of arrangement for reconstruction of ICI Pakistan Limited was executed on June 27, 2012 whereby the paints business and all assets, rights, liabilities and obligations pertaining thereto have been separated and vested into AkzoNobel Pakistan Limited. As a consequence of the transfer and vesting, AkzoNobel Pakistan Limited issued Ordinary shares of Rs.10 each and such allotment is made in proportion of 66.54:33.46 based on the net assets of the paints business with reference to the total net assets of ICI Pakistan Limited. Consequently the Fund's holding of 29,226 shares of ICI Pakistan Limited as on June 27, 2012 is reduced to 19,447 Ordinary shares of ICI Pakistan Limited and 9,779 Ordinary shares of AkzoNobel Pakistan Limited issued to the Fund.

10.1.3 This represents shares purchased through participation in initial public offer of TPL Trakker Limited through book building process of the Regulation 6(8) of Karachi Stock Exchange (Guarantee) Limited.

NOTES TO THE FINANCIAL STATEMENTS

10.2 Listed equity securities *- designated 'at fair value through profit or loss'

Name of the investee company	Note	----- Number of shares -----				Market value as at June 30, 2012 (Rupees)	--- Investment as % of ---		
		As at July 01, 2011	Purchased during the year	Bonus / right shares received	Disposed off during the period		As at June 30, 2012	Net assets	Total Investments
Oil and gas									
Oil & Gas Development Company Limited	-	82,648	-	82,648	-	-	-	-	-
Pakistan Oilfields Limited	-	13,000	-	13,000	-	-	-	-	-
Pakistan Petroleum Limited	-	39,368	-	39,368	-	-	-	-	-
Pakistan State Oil Company Limited	-	10,000	-	-	10,000	2,358,400	0.79%	1.26%	0.006%
						2,358,400	0.79%	1.26%	0.006%
Electricity									
The Hub Power Company Limited	-	800,000	-	800,000	-	-	-	-	-
Japan Power Generation Limited	-	100,000	-	-	100,000	175,000	0.06%	0.09%	0.064%
Kot Addu Power Company Limited	-	204,091	-	204,091	-	-	-	-	-
						175,000	0.06%	0.09%	0.064%
Banks									
Bank Alfalah Limited	-	265,000	-	65,000	200,000	3,420,000	1.15%	1.82%	0.015%
National Bank of Pakistan	-	206,000	-	206,000	-	-	-	-	-
						3,420,000	1.15%	1.82%	0.015%
Chemicals									
Engro Corporation Pakistan Limited	-	100,000	-	-	100,000	10,184,000	3.43%	5.42%	0.020%
Fatima Fertilizer Company Limited	-	100,000	-	50,000	50,000	1,233,500	0.42%	0.66%	0.003%
Fauji Fertilizer Bin Qasim Limited	-	150,000	-	150,000	-	-	-	-	-
Fauji Fertilizer Company Limited	-	42,974	-	42,974	-	-	-	-	-
Lotte Pakistan PTA Limited	-	500,000	-	-	500,000	3,515,000	1.18%	1.87%	0.033%
						14,932,500	5.03%	7.95%	0.055%
Construction and materials									
Lafarge Pakistan Cement Limited	-	900,000	-	-	900,000	3,888,000	1.31%	2.07%	0.069%
Lucky Cement Limited	-	75,000	-	75,000	-	-	-	-	-
						3,888,000	1.31%	2.07%	0.069%
Engineering									
Millat Tractors Limited	-	11,092	-	-	11,092	5,355,772	1.80%	2.85%	0.030%
						5,355,772	1.80%	2.85%	0.030%
Non Life Insurance									
TPL Direct Insurance Limited	-	125,000	-	-	125,000	1,485,000	0.50%	0.79%	0.272%
						1,485,000	0.50%	0.79%	0.272%
Technology hardware and equipment									
TPL Trakker Limited	10.1.3	2,000,000	-	-	2,000,000	20,000,000	6.73%	10.65%	6.667%
						20,000,000	6.73%	10.65%	6.667%
Personal goods (textile)									
Nishat Mills Limited	-	290,000	-	-	290,000	13,798,200	4.64%	7.35%	0.082%
						13,798,200	4.64%	7.35%	0.082%
Multiutilities (gas and water)									
Sui Northern Gas Pipelines Limited	-	100,000	-	-	100,000	1,689,000	0.57%	0.90%	0.017%
						1,689,000	0.57%	0.90%	0.017%
		6,114,173	-	1,728,081	4,386,092	67,101,872	22.58%	35.73%	7.278%

* Ordinary shares having a face value of Rs.10 each unless stated otherwise.

NOTES TO THE FINANCIAL STATEMENTS

10.3 Listed preference shares * - designated 'at fair value through profit or loss'

Name of the investee company	----- Number of shares -----					Market value as at June 30, 2012 (Rupees)	--- Investment as % of ---	
	As at July 01, 2011	Purchased during the year	Fully Redeemed during the year	Disposed off during the year	As at June 30, 2012		Net assets	Total Investments

* Term Finance Certificates (TFCs)

Financial services

Trust Investment Bank Limited	7,000	-	-	-	7,000	12,380,885	4.17%	6.59%
	7,000	-	-	-	7,000	12,380,885	4.17%	6.59%

10.4 Unlisted debt securities* - designated 'at fair value through profit or loss'

Name of the investee company	----- Number of shares -----					Market value as at June 30, 2012 (Rupees)	--- Investment as % of ---	
	As at July 01, 2011	Purchased during the year	Fully Redeemed during the year	Disposed off during the year	As at June 30, 2012		Net assets	Total Investments

* Sukuk Certificates

Construction and materials

Maple Leaf Cement Limited	5,800	-	-	-	5,800	26,984,159	9.08%	14.37%
Maple Leaf Cement Limited (additional units)	218	-	-	-	218	1,090,000	0.37%	0.58%
						28,074,159	9.45%	14.95%
Less: Provision against debt securities						(28,074,159)	-9.45%	-14.95%
	6,018	-	-	-	6,018	-	-	-
	13,018	-	-	-	13,018	12,380,885	4.17%	6.59%

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

Name of the investee company	Rate of return per annum	----- Face Value -----				Carrying value as at June 30, 2012 (Rupees)	Maturity	Rating	Face value as percentage of total investments	Face value as percentage of net assets
		As at July 01, 2011	Purchased during the year	Sold during the year	As at June 30, 2012					
Hub Power Company Limited	13.09%	-	25,000,000	-	25,000,000	26,335,934	August 03, 2012	AA+	13.31%	8.42%
		-	25,000,000	-	25,000,000	26,335,934			13.31%	8.42%

NOTES TO THE FINANCIAL STATEMENTS

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

Name of security	Note	Number of certificates	Face value (Rupees)	Mark-up rate (per annum)	Maturity	Secured / unsecured	Rating
Listed debt securities							
Trust Investment Bank Limited		7,000	5,000	6 months KIBOR +1.85%	July 2013	Secured	B
Unlisted debt securities							
Maple Leaf Cement Limited		5,800	5,000	3 months KIBOR + 1%	December 2018	Secured	D
Maple Leaf Cement Limited (additional units)	10.6.1	218	5,000	3 months KIBOR + 1%	March 2013	Secured	D

10.6.1 During the year Allied Bank Limited (investment agent) on behalf of unit holders executed the restructuring terms allowing the repayment in nine equal monthly installments with the final installment due on March 31, 2013.

10.7 Details of non-compliant investments with the investment criteria of assigned category

Name of non-compliant investments	Note	Type of investment	Value of investment before provision	Provision held (if any)	Value of investment after provision	--- Investment as % of ---	
						Net assets	Total investments
----- (Rupees) -----							
Maple Leaf Cement Limited	10.7.1, 10.7.2 & 10.7.3	Sukuk	26,984,159	(26,984,159)	-	-	-
Maple Leaf Cement Limited (additional units)	10.7.1 & 10.7.3	Sukuk	1,090,000	(1,090,000)	-	-	-
Trust Investment Bank Limited	10.7.3	TFCs	12,380,885	-	12,380,885	4.17%	6.59%
			40,455,044	(28,074,159)	12,380,885	4.17%	6.59%

10.7.1 This represents provision against the Unlisted Debt Securities (Sukuk) issued by Maple Leaf Cement Limited. During the period, the borrower was unable to make coupon payment due on September 02, 2011 and March 31, 2012 (Additional Units) due to the financial difficulties. The Fund has already suspended the accrual of mark-up and valued the security in accordance with the requirements of Circular No. 1 of 2009 issued by SECP (Valuation of Debt Securities).

10.7.2 Included herein is sum of Rs.11,483,193 (June 30, 2011: Rs.Nil) representing further provision made against above referred debt securities with effect from June 30, 2012, in addition to the minimum provision prescribed by above referred Circular in accordance with amended provisioning policy for additional provision against non performing exposures, which has been duly endorsed by the Board of Directors of the Management Company, as allowed by the SECP Circular No. 13 of 2009 dated May 04, 2009.

10.7.3 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 the investment grade. However, the ratings of above mentioned debt securities are lower than investment grade.

NOTES TO THE FINANCIAL STATEMENTS

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

Particulars	Face value				Balance as at June 30, 2012				Market Value as percentage of Investments	Market value as percentage of net assets
	As at July 01, 2011	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2012	Carrying Value	Market value	Appreciation / (diminution)		
	----- (Rupees) -----									
Market Treasury Bills - 6 Months	-	25,000,000	25,000,000	-	-	-	-	-	-	-
Market Treasury Bills - 1 Year	-	475,000,000	475,000,000	-	-	-	-	-	-	-
Pakistan Investment Bonds - 3 Years	-	50,000,000	50,000,000	-	-	-	-	-	-	-
Pakistan Investment Bonds - 5 Years	-	50,000,000	50,000,000	-	-	-	-	-	-	-
Pakistan Investment Bonds - 10 Years	-	50,000,000	50,000,000	-	-	-	-	-	-	-
	-	650,000,000	650,000,000	-	-	-	-	-	-	-

	Note	June 30, 2012	June 30, 2011
		----- (Rupees) -----	
11. PAYABLE TO THE MANAGEMENT COMPANY			
Management fee payable	11.1	511,137	879,718
Sales tax payable on management fee		81,782	-
Sales load payable		7,286	189,468
		<u>600,205</u>	<u>1,069,186</u>

11.1 The Management Company is entitled to a remuneration for services rendered to the Fund under the provisions of the NBFC Regulations during the first five years of a Fund's existence of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets. The Management Company has charged its remuneration till July 23, 2011 at the rate of 3% per annum of the daily net asset value of the Fund and onwards at 2% (June 30, 2011: 3%) per annum of the daily net asset value 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 asset value of the Fund.

	Note	June 30, 2012	June 30, 2011
		----- (Rupees) -----	
13. ACCRUED AND OTHER LIABILITIES			
SECP annual fee payable	13.1	296,001	271,693
Accrued liabilities		1,189,743	780,576
Zakat payable		2,586	2,586
Provision for Workers' Welfare Fund	13.2	1,883,806	1,883,806
		<u>3,372,136</u>	<u>2,938,661</u>

NOTES TO THE FINANCIAL STATEMENTS

- 13.1 This represents annual fee payable to the SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay SECP annually an amount equal to 0.095% (June 30, 2011: 0.095%) per annum of the daily net asset value of the Fund.
- 13.2 Through the Finance Act, 2008, an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, it is alleged that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs.0.5 million in a tax year have been brought within the scope of the WWF Ordinance thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

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

As the matter relating to levy of WWF is currently pending in the Court, the Management Company, as a matter of prudence, has decided to retain and continue with the provision for WWF amounting to Rs.1.884 million (June 30, 2011: Rs.1.884 million) in these financial statements. Had the provision not been made, the net asset value per unit of the Fund would be higher by Rs.0.418 (0.63%) per unit (June 30, 2011: Rs.0.379 per unit).

14. CONTINGENCIES AND COMMITMENTS

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

15. SALES TAX ON MANAGEMENT FEE

During the year, an amount of Rs.1.03 million (June 30, 2011: Rs.Nil) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
16. AUDITORS' REMUNERATION		
Audit fee	250,000	200,000
Review and other certifications	230,578	186,177
	<u>480,578</u>	<u>386,177</u>

17. TAXATION

The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. The Fund suffered loss during the current year. Accordingly, no provision for tax has been made in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
18. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES		
18.1 Transactions during the year		
Faysal Asset Management Limited (Management Company)		
Remuneration of the Management Company	6,443,510	8,579,515
Sales tax on management fee	1,030,960	-
Sales load	93,177	232,265
Issue of Nil units (2011: 1,038,698 units)	-	74,869,363
Bonus issue of 74,800 units (2011: Nil units)	4,933,816	-
Faysal Bank Limited (Group / Associated Company)		
Profit on PLS saving accounts	311,151	36,593
Participation in non competitive bid of government securities	299,910,000	48,575,000
Sale of Government Securities	-	48,677,750
Central Depository Company of Pakistan Limited (Trustee of the Fund)		
Remuneration of the Trustee	700,202	703,030
Settlement charges	58,794	102,843
AKD Securities (Private) Limited (Major shareholder of the Management Company)		
Brokerage fee	-	29,450
National Clearing Company of Pakistan Limited * (Common Directorship)		
Clearing charges	233,356	265,515
Dawood Hercules Corporation Limited - (Common Directorship)		
Purchase of 139,098 Ordinary shares (2011: Nil)	5,618,038	-
Sale of 139,098 Ordinary shares (2011: Nil)	5,876,188	-
Dividend on Ordinary shares held by the Fund (2011: Nil)	40,686	-
ICI Pakistan Limited - (Common Directorship)		
Purchase of 83,675 Ordinary shares (2011: 203,251)	11,501,259	27,558,854
Sale / Transfer of 64,228 Ordinary shares (2011: 203,251)	9,224,391	27,789,257
Dividend on Ordinary shares held by the Fund	148,500	249,012
AkzoNobel Pakistan Limited - (Common Directorship)		
Transfer of 9,779 Ordinary shares (2011: Nil)	1,281,755	-

NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Engro Foods Limited - (Common Directorship)		
Purchase of 278,070 Ordinary shares (2011: Nil)	11,287,678	-
Sale of 274,891 Ordinary shares (2011: Nil)	11,667,448	-
Engro Corporation Pakistan Limited - (Common Directorship) *		
Purchase 648,355 Ordinary shares (2011: 748,445)	71,550,510	147,128,920
Sale of 748,355 Ordinary shares (2011: 648,445)	88,756,001	128,278,812
Japan Power Generation Limited - (Common Directorship of Group Company)		
Purchase / transfer of 2,809,238 Ordinary shares (2011: 13,000,000)	7,015,937	22,100,000
Sale of 8,458,900 Ordinary shares (2011: 291,100)	6,050,392	423,392
Unit holders holding 10% or more units		
The Bank of Punjab		
Cash dividend paid	12,500,911	39,476,561
Government of NWFP GPI Fund		
Bonus issue of 32,480 units (2011: 91,871 units)	2,142,376	5,387,330

* During the year Mr. Aliuddin Ansair has resigned as a director of Faysal Asset Management Limited with effect from June 19, 2012. The transactions hereinabove represent the transactions upto the date of his resignation.

18.2 Outstanding balances

Faysal Asset Management Limited - (Management Company)		
Remuneration payable to the Management Company	511,137	879,718
Sales tax payable on management fee	81,782	-
Units in issue 1,113,498 units (June 30, 2011: 1,038,698 units)	73,435,825	73,446,336
Sales load payable	7,286	189,468
Faysal Bank Limited - (Group / Associated Company)		
Balance in PLS saving accounts	309,161	3,030,065
Profit receivable on PLS saving accounts	1,137	-
Central Depository Company of Pakistan Limited - (Trustee of the Fund)		
Remuneration payable to the Trustee	57,377	58,683
ICI Pakistan Limited - (Common Directorship)		
19,447 Ordinary shares held by the Fund (June 30, 2011: Nil shares)	2,548,918	-

NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
AkzoNobel Pakistan - (Common Directorship)		
9,779 Ordinary shares held by the Fund (June 30, 2011: Nil shares)	1,281,755	-
Engro Corporation Pakistan Limited - (Common Directorship) *		
Nil Ordinary shares held by the Fund (June 30, 2011: 100,000)	-	16,325,000
Engro Foods Limited - (Common Directorship)		
3,179 Ordinary shares held by the Fund (June 30, 2011: Nil shares)	204,887	-
Japan Power Generation Limited - (Common Directorship of Group Company)		
7,059,238 Ordinary shares held by the Fund (June 30, 2011: 12,708,900 shares)	12,353,667	16,140,303
Unit holders holding 10% or more units in issue		
The Bank of Punjab		
Units in issue 2,631,771 (June 30, 2011: 2,631,771 units)	173,566,792	186,092,527
Government of NWFP GPI Fund		
Units in issue 483,507 (June 30, 2011: 451,027 units)	31,887,495	31,892,119
National Clearing Company of Pakistan Limited * (Common Directorship)		
Security Deposits	-	2,500,000

* During the year Mr. Aliuddin Ansair has resigned as a director of Faysal Asset Management Limited with effect from June 19, 2012. The transactions hereinabove represent the transactions upto the date of his resignation. As a result, units in issue at year end have not been disclosed above.

The transactions with connected persons / related parties are undertaken at contracted rates.

19. 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.

NOTES TO THE FINANCIAL STATEMENTS

19.1 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, 2012, the Fund's exposure to the risk of changes in market interest rates relates primarily to bank balances, term deposit receipts, debt securities and sukuk certificates. The bank balances and term deposit receipts are subject to interest rates as declared by the respective banks on periodic basis. The debt securities and commercial paper are subject to floating interest rates. As at June 30, 2012, approximately 47.44% (June 30, 2011: 67.43%) of the Fund's financial assets are subject to interest rates.

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

Management of the Fund estimates that an increase of 100 basis points in the floating interest rate, with all other factors remaining constant, would decrease the Fund's loss and increase the net assets of the Fund by Rs.1.736 million (June 30, 2011: Rs.2.519 million) and a decrease of 100 basis points would result in a increase the Fund's loss and decrease the net assets of the Fund by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

(ii) Foreign currency risk

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

(iii) Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The equity price risk exposure arises from the Fund's investment in equity securities. 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.7.455 million (June 30, 2011: Rs.5.190 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 10.1 and 10.2 to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

19.2 Liquidity risk

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

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

June 30, 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	600,205	-	-	-	600,205
Remuneration payable to the Trustee	57,377	-	-	-	57,377
Accrued and other liabilities	1,189,743	-	-	-	1,189,743
	<u>1,847,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,847,325</u>

June 30, 2011	Upto one month	More than one month and upto three months	More than three months and upto one year	More than one year	Total
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----- (Rupees) -----

Financial liabilities

Payable to the Management Company	1,069,186	-	-	-	1,069,186
Remuneration payable to the Trustee	58,683	-	-	-	58,683
Accrued and other liabilities	780,576	-	-	-	780,576
	<u>1,908,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,908,445</u>

19.3 Credit risk

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

NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Bank balances and term deposit receipts	105,477,033	199,982,341
Dividend receivable	180,000	265,000
Security deposit	2,500,000	2,500,000
Profit receivable on debt securities	890,342	3,105,510
Return receivable on bank balances and term deposits receipts	1,095,106	1,826,300
Receivable against sale of investments	3,148,313	4,280,189
Investment in listed debt securities	12,380,885	39,801,877
Commercial papers - sukuk certificates	25,000,000	-
	<u>150,671,679</u>	<u>251,761,217</u>

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

	June 30, 2012	June 30, 2011
	----- % -----	
Rating category		
AAA, AAA-, AAA+	-	0.01
AA, AA-, AA+	87.55	80.17
A, A-, A+	-	0.01
BBB, BBB+, BBB-	-	8.94
BB, BB+, BB-, B	8.73	8.09
Unrated	3.72	2.78
	<u>100.00</u>	<u>100.00</u>

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

	June 30, 2012	June 30, 2011
	% of assets exposed to credit risk	
Banks	70.73	80.16
Other financial institutions	8.81	10.65
Construction and materials	-	8.09
Oil and gas	0.12	0.11
Electricity / energy	17.48	-
Others	3.75	0.99
	<u>100.89</u>	<u>100.00</u>

NOTES TO THE FINANCIAL STATEMENTS

19.4 Capital management

The capital of the Fund is represented by the net assets attributable to holders of redeemable units. The capital structure depends on the issuance and redemption of units. The Fund's objective when managing unit holders' fund is to safeguard the Fund's ability to continue as a going concern in order to seek maximum preservation of unit 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.

19.5 Fair value hierarchy

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

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

As at June 30, 2012, the Fund held the following financial instruments which were measured at fair value:

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Investments 'at fair value through profit or loss'				
Listed equity securities - held-for-trading	82,003,698	-	-	82,003,698
Designated at fair value through profit or loss				
- Listed equity securities	67,101,872	-	-	67,101,872
- Listed debt securities	-	12,380,885	-	12,380,885
	<u>149,105,570</u>	<u>12,380,885</u>	<u>-</u>	<u>161,486,455</u>

NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2011			
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Investments 'at fair value through profit or loss'				
Listed equity securities - held-for-trading	103,809,365	-	-	103,809,365
Designated at fair value through profit or loss				
- Listed debt securities	-	20,870,439	-	20,870,439
- Unlisted debt securities	-	-	18,931,438	18,931,438
	<u>103,809,365</u>	<u>20,870,439</u>	<u>18,931,438</u>	<u>143,611,242</u>

During the year ended June 30, 2012, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements except as follows:

	June 30, 2012 -- (Rupees) --
Opening balance	18,931,438
Transfer from level 2 to level 3	-
Add: Unrealised Loss charge in the previous year	11,121,589
Less: Total amortisation charge	(1,954,868)
Less: Redemption received during the current year	(24,000)
Provision against non-performing assets	<u>(28,074,159)</u>
Closing balance	<u>-</u>

In accordance with Circular No. 1 of 2009 issued by SECP, all traded debt securities are valued on the basis of their volume weighted average price during the last 15 days while thinly traded and non traded debt securities are valued using a valuation methodology devised by MUFAP which includes variables including yields on government securities, Karachi Inter Bank Offer Rates and credit ratings. As the valuation techniques use inputs from observable market data, these securities are classified as Level 2. Rates for non-performing securities, however, are not quoted by MUFAP and are valued using the provisioning criteria prescribed by the abovementioned Circular and are hence classified as Level 3.

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

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

21. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

22. CORRESPONDING FIGURES

22.1 Corresponding figures have been re-arranged and reclassified wherever necessary, for the purpose of comparison. Major reclassifications are as follows:

Statement	Components	Reclassification from	Reclassification to	Rupees
Statement of Assets and Liabilities	Receivable against sale of investments	Dividend, prepayments deposits and other receivables	Receivable against sale of investments	4,280,189

23. GENERAL

Figures are rounded off to the nearest rupee.

24. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 16, 2012 by the Board of Directors of the Management Company.

For Faysal Asset Management Limited
(Management Company)

Chief Executive Officer

Director

Director

**SUPPLEMENTARY NON FINANCIAL INFORMATION
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	%
Individuals	61	163,280	3.63
Associated company	1	1,113,498	24.72
Retirement funds	4	588,123	13.05
Banks and DFIs	1	2,631,771	58.43
Others	2	7,966	0.17
	69	4,504,638	100.00

(ii) TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

Name	%
Next Capital Limited	15.00%
Fortune Securities Limited	14.69%
Elixir Securities Limited	14.50%
Invest Capital Securities Limited	13.09%
BMA Capital Management Limited	8.52%
KASB Securities Limited	7.14%
Global Securities Pvt Limited	5.84%
IGI Finex Securities Limited	5.57%
AKD Securities Limited	4.34%
Foundation Securities Pvt Limited	3.94%

(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 20 years.
Mr. Mansoor Khalil	MBA	19 years.
Mr. Najam UI Hassan	MBA, ACMA, CFA I	Over 17 years.
Mr. Vasseh Ahmed	Master in Science	Over 4 years.
Mr. Ayub Khuhro	BSC Economics, CFA I	over 4 years.
Mr. Syed Shahid Iqbal	B. COM	Over 22 years.
Mr. Imran Altaf	MBA, CFA II	over 4 years.

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(iv) PARTICULARS OF FUND MANAGERS

Name	Qualification	Experience	Other Collective Schemes		
Vasseh Ahmed	MSc in Management	Over 4 Years	Faysal Balanced Growth Fund Fund		
			June 30, 2012	June 30, 2011	June 30, 2010
			----- (Rupees) -----		

(v) PERFORMANCE TABLE

Net assets	297,083,463	351,579,625	305,509,223
Net asset value per unit	<u>65.95</u>	<u>70.71</u>	<u>73.64</u>
Offer price	<u>67.93</u>	<u>72.83</u>	<u>75.85</u>
Repurchase price per unit	<u>65.95</u>	<u>70.71</u>	<u>73.64</u>
Highest offer price per unit	<u>73.56</u>	<u>76.30</u>	<u>82.99</u>
Highest repurchase price per unit	<u>71.41</u>	<u>74.08</u>	<u>80.57</u>
Lowest offer price	<u>64.63</u>	<u>60.03</u>	<u>63.60</u>
Lowest repurchase price per unit	<u>62.74</u>	<u>58.28</u>	<u>61.75</u>
Total return:	-0.02%	20.58%	30.70%
- capital growth	-0.02%	15.83%	4.08%
- income distribution	0.00%	4.75%	26.62%
Average annual return: (Launch date: July 24, 2006)			
- one year	-0.02%	20.58%	30.70%
- two years	10.28%	25.64%	-3.80%
- three years	17.09%	4.32%	-11.23%
Distribution per unit:			
- Interim distribution per unit	0.00%	0.00%	0.00%
- Final distribution per unit	<u>0.00%</u>	<u>4.75%</u>	<u>15.00%</u>
	<u>0.00%</u>	<u>4.75%</u>	<u>15.00%</u>

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

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(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 09 2011	Sep 24 2011	Oct 28 2011	Jan 17 2012	Feb 11 2012	Apr 21 2012	Jun 19 2012
Mr. Mohammad Abdul Aleem, Chairman	7	1	1	1	1	1	1	1
Mr. Feroz Rizvi, Director	6	0	1	1	1	1	1	1
Syed Majid Ali, Director	7	1	1	1	1	1	1	1
Mr. Zafar Ahmed Siddiqui, Director	5	1	1	0	1	1	1	0
Mr Syed Ibadur Rahman Chishti, Director	6	1	1	0	1	1	1	1
Mr. Aliuddin Ansari, Director	2	0	1	1	0	0	0	0
Mr. Enamullah Khan, Chief Executive Officer (appointed - January 2012)	4	0	0	0	1	1	1	1
Mr. Salman Haider Sheikh, Ex-Chief Executive Officer (resigned - January 2012)	3	1	1	1	0	0	0	0

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(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							
		Jul 09 2011	Sep 23 2011	Oct 21 2011	Jan 17 2012	Feb 10 2012	Apr 3 2012	Apr 21 2012	May 16 2012
Mr. Feroz Rizvi, Director	7	0	1	1	1	1	1	1	1
Syed Majid Ali, Director	8	1	1	1	1	1	1	1	1
Mr. Zafar Ahmed Siddiqui, Director	7	1	1	1	1	1	0	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	
		Jul 08 2011	Feb 11 2012
Mr. Zafar Ahmed Siddiqui, Chairman	2	1	1
Syed Majid Ali, Member	2	1	1
Mr. Enamullah Khan, Chief Executive Officer (appointed - January 2012)	1	0	1
Mr. Salman Haider Sheikh, Ex-Chief Executive Officer (resigned - January 2012)	1	1	0

(IX) RATING OF THE FUND AND THE MANAGEMENT COMPANY

The JCR - VIS Credit Rating Company Limited (JCR - VIS) has assigned a " MFR 4-Star" fund rating to Faysal Asset Allocation Fund.

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