

**FAYSAL ASSET MANAGEMENT LIMITED**

**FAYSAL ASSET ALLOCATION FUND  
(FAAF)**

ACCOUNTS FOR THE QUARTER ENDED SEPTEMBER  
30, 2010

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of the Faysal Asset Management Limited, the management company of the **Faysal Asset Allocation Fund (FAAF)** (formerly AMZ Plus Stock Fund), is pleased to present the un-audited accounts of FAAF for the quarter ended September 30, 2010.

### FINANCIAL HIGHLIGHTS

	<b>Quarter Ended September 30, 2010</b>	<b>Quarter Ended September 30, 2009</b>
	Rupees in million	
Total Income	22.766	51.031
Operating Expenses	(3.273)	(2.707)
Profit Before Tax	19.503	48.324
Taxation	-	-
Profit After Tax	19.503	48.324
Earnings per Unit – Rs.	5.02	11.65

### MARKET REVIEW

The KSE-100 index started the quarter at 9,722 and closed at 10,013 up 3% on quarterly basis. On an YTD basis the stock market closed up 3%. The State Bank of Pakistan (SBP) continued with its tight monetary policy stance as the discount rate was increased by another 100 bps to 13.50% due to deterioration in macro balances and rising inflationary expectations. The SBP added that the recent catastrophic floods have serious implications for macroeconomic stability and growth prospects. It added that a tightening of the monetary policy was thus necessary due to government's inability to contain fiscal deficit and its inflationary borrowings from the SBP and the banking system. In addition to the Discount Rate the SBP also increased rates for Export refinance and Long term finance facilities. The reversal in the monetary policy stance kept local and foreign investors at bay. Although foreigners remained net buyers for the quarter however, the quantum reduced in comparison to the previous quarter as net buying reduced by 21.48%. According to the data provided by NCCPL, foreign investors bought shares worth PKR 21.31 Bn and sold shares worth PKR 12.26 Bn during the quarter thus resulting in net buying of PKR 9.06 Bn (USD 106.19 Mn). Corporate results revived the sentiments near the end of the quarter as investors entered the market and volumes picked up slightly. Further the Supreme Court's decision to adjourn NRO implementation case till 13th October provided a breather to market participants and encouraged them to take short term positions in the market to play the volatility. The PKR continued to depreciate against the USD and touched an all time low despite the fact that the Forex reserves are standing at an all time high.

The recent hike in interest rates was inline with our expectations. However, we believe that implementation of Reformed GST (RGST), one time flood relief tax, increase in electricity tariff rates and withdrawal of subsidies are likely to increase inflation. Thus further increase in interest rates cannot be ruled out. Hence we continue to favour high dividend yielding and defensive stocks.

## **FUND PERFORMANCE**

FAAF started the quarter at a NAV/unit of PKR 58.64 and closed at a NAV/unit of PKR 60.88, up 3.82% on quarterly basis. In comparison FAAF's benchmark gave a return of 3.12% for the quarter. Comparing FAAF to its peer group, FAAF outperformed the average return of the peer group on quarterly basis as the average return of asset allocation funds on quarterly basis was 2.47% while FAAF yielded a return of 3.82%.

Main reason for decline in the EPU as compared to same period of last year was due to decline in income from equity portfolio as the KSE 100 index surge by 3 percent only in 1st quarter FY 11 as compared to Increase of 30.5 percent in 1st quarter of FY-10.

Reference to the amendments in the workers welfare fund as disclosed in the Note 12 to the financial statements, during the period Ministry of Labour & Manpower issued a clarification dated July 08, 2010 & further clarified it through its additional clarification dated July 15, 2010 which clearly states that mutual funds are products being managed by Asset Management Companies (AMCs). AMCs only are liable to contribute towards WWF. However the income of mutual funds, the product being sold, is exempted under the law *ibid*. MUFAP, on behalf of its member AMCs, obtained a legal opinion to assess the implications of the advice issued by the Ministry of Labour and Manpower. The legal opinion, among other things, stated that mutual funds are not required to provide for contribution to WWF and earlier provisioning, if any, can be reversed and the advice also suggests that provisioning was neither required nor necessary. However, audit firms are not convinced even on the clarification issued by Ministry of Labour and Manpower and are of the opinion that until the decision will be finalized from Honourable court or FBR issues a clear notification, such liability should be provided by funds. Management of FAML decided not to provide WWF Liability upto the materiality level and upon breach of materiality level it will be booked in the books of fund.

Accordingly, no provision in respect of WWF for the period ended June 30, 2010 and September 30, 2010 amounting to Rs. 1,354,292 and Rs.390,076 respectively, has been made in these financial statements.

## **FUND RANKING**

JCR-VIS ranked FAAF as "5-Star" fund in the balanced equity category. This is the highest fund ranking of any open-ended balanced equity fund in the country.

## **ACKNOWLEDGEMENT**

The Board of Directors of the Management Company thanks the unit holders for their confidence in the Management, the Securities and Exchange Commission of Pakistan for its 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: October 30, 2010

**Salman Haider Sheikh**  
Chief Executive Officer

FAYSAL ASSET ALLOCATION FUND (FORMERLY: AMZ PLUS STOCK FUND)  
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES  
AS AT SEPTEMBER 30, 2010

	Note	September 30, 2010 ----- (Rupees) -----	June 30, 2010 -----
<b>Assets</b>			
Bank balances	5	148,497,944	162,436,585
Dividend, deposits and other receivables	6	5,129,559	9,615,427
Preliminary expenses and floatation costs	7	677,968	889,398
Investments	8	84,214,250	141,744,006
<b>Total assets</b>		<b>238,519,721</b>	<b>314,685,416</b>
<b>Liabilities</b>			
Payable to the Management Company		913,951	1,039,723
Remuneration payable to the Trustee		57,553	57,534
Accrued and other liabilities	9	863,176	8,078,936
<b>Total liabilities</b>		<b>1,834,680</b>	<b>9,176,193</b>
<b>Net assets</b>		<b>236,685,041</b>	<b>305,509,223</b>
<b>Unit holders' fund</b>		<b>236,685,041</b>	<b>305,509,223</b>
		----- Number of Units -----	
<b>Number of units in issue</b>		<b>3,887,768</b>	<b>4,148,743</b>
		----- (Rupees) -----	
<b>Net assets value per unit</b>		<b>60.88</b>	<b>73.64</b>
<b>Contingencies and commitments</b>	10		

The annexed notes from 1 to 15 form an integral part of these financial statements.

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

\_\_\_\_\_  
**Salman Haider Sheikh**  
Chief Executive Officer

\_\_\_\_\_  
**Feroz Rizvi**  
Director

\_\_\_\_\_  
**Syed Majid Ali**  
Director

FAYSAL ASSET ALLOCATION FUND (FORMERLY: AMZ PLUS STOCK FUND)  
CONDENSED INTERIM INCOME STATEMENT  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	Sep 30, 2010	Sep 30, 2009
Note	----- (Rupees) -----	
<b>Income</b>		
Profit earned on debt and Government securities	987,901	980,000
Dividend income	200,000	3,261,000
Return on bank balances	4,124,199	2,249,000
Reversal of provision against debt securities	7,067,210	-
Other income	100	15,000
Net gain / (loss) on investments 'at fair value through profit or loss'		
- Net capital gain / (loss) on sale of investments	2,921,253	1,525,000
- Net unrealised loss on revaluation of investments	(2,248,104)	43,001,000
	673,149	44,526,000
<b>Element of (loss) / income and capital (losses) / gains included in prices of units sold less those in units redeemed</b>	<b>9,723,863</b>	<b>-</b>
<b>Total income</b>	<b>22,776,422</b>	<b>51,031,000</b>
<b>Expenses</b>		
Remuneration of the Management Company	1,960,513	2,109,000
Remuneration of the Trustee	176,438	176,000
Brokerage charges	472,167	-
Bank charges	6,897	8,000
Auditors' remuneration	76,360	44,000
SECP annual fee	62,083	67,000
Legal and professional charges	26,150	10,000
Annual rating fee	37,812	30,000
Annual listing fee	7,544	7,544
Settlement charges, federal excise duty and capital value tax	158,762	30,500
Amortisation of preliminary expenses and floatation costs	211,430	212,000
Printing charges and other expenses	76,427	13,000
Provision against non performing assets	-	-
<b>Total expenses</b>	<b>3,272,583</b>	<b>2,707,044</b>
<b>Net income for the period before taxation</b>	<b>19,503,839</b>	<b>48,323,956</b>
<b>Taxation</b>	11 -	-
<b>Net income for the period after taxation</b>	<b>19,503,839</b>	<b>48,323,956</b>
Other comprehensive income for the period	-	-
<b>Total comprehensive income for the period</b>	<b>19,503,839</b>	<b>48,323,956</b>

The annexed notes from 1 to 15 form an integral part of these financial statements.

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

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**Salman Haider Sheikh**  
Chief Executive Officer

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**Feroz Rizvi**  
Director

\_\_\_\_\_  
**Syed Majid Ali**  
Director

FAYSAL ASSET ALLOCATION FUND (FORMERLY: AMZ PLUS STOCK FUND)  
CONDENSED INTERIM DISTRIBUTION STATEMENT  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	<b>September 30, 2010</b>	<b>September 30, 2009</b>
	----- (Rupees) -----	
<b>Undistributed loss brought forward</b>	<b>(118,423,015)</b>	(123,251,000)
Final bonus distribution for the year ended June 30, 2010 @ Rs. 15 per unit declared for distribution on July 07, 2010 ( 2009: Nil per unit)	<b>(14,645,567)</b>	-
Final dividend for the year ended June 30, 2010 @ Rs. 15 per unit declared for distribution on July 07, 2010 ( 2009: Nil per unit)	<b>(47,585,561)</b>	-
Net income for the period after taxation	<b>19,503,839</b>	48,323,956
<b>Undistributed loss carried forward</b>	<b><u>(161,150,304)</u></b>	<b><u>(74,927,044)</u></b>

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

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**Salman Haider Sheikh**  
Chief Executive Officer

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**Feroz Rizvi**  
Director

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**Syed Majid Ali**  
Director

FAYSAL ASSET ALLOCATION FUND (FORMERLY: AMZ PLUS STOCK FUND)  
INTERIM CONDENSED CASH FLOW STATEMENT  
FOR THE QUARTER ENDED JUNE 30, 2010

	September 30, 2010	September 30, 2009
Note	----- (Rupees) -----	-----
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income / (loss) for the period before taxation	19,503,839	48,323,956
<b>Adjustments for non-cash and other items:</b>		
Net capital (gain) / loss on sale of investments at fair value through income statement	(2,921,253)	(1,525,000)
Dividend income	(200,000)	(3,261,000)
Profit earned on debt and Government securities	(987,901)	(980,000)
Amortisation of preliminary expenses and floatation costs	211,430	212,000
Reversal of provision against debt securities	(7,067,210)	-
Return on bank balances	(4,124,199)	(2,249,000)
Accretion of NCCPL deposit discounting	-	15,000
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed	(9,723,863)	-
Unrealised loss on investments at fair value through income statement	2,248,104	(43,001,000)
	(3,061,053)	(2,465,044)
<b>Decrease in assets</b>		
Other receivables	(22,495)	(37,000)
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	(125,772)	106,839
Remuneration payable to the Trustee	(19)	(18)
Accrued and other liabilities	(2,306)	(121,870)
	(128,097)	(15,049)
	(3,211,645)	(2,517,093)
Proceeds from sale / redemption of investments	280,341,797	5,971,889
Payment against purchase of investments	(220,256,638)	(936,000)
Dividend received	1,750,000	3,172,313
Profit received on debt securities	2,212,183	1,420,248
Return received on bank balances	3,829,820	2,202,457
<b>Net cash from operating activities</b>	<b>64,665,517</b>	<b>9,313,814</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amounts received against issue of units	850,191	-
Payments made against redemption of units	(31,868,788)	-
Dividend paid- Final	(47,585,561)	-
<b>Net cash from / (used in) financing activities</b>	<b>(78,604,158)</b>	<b>-</b>
Net increase in cash and cash equivalents during the period	(13,938,641)	9,313,814
Cash and cash equivalents at the beginning of the period	162,436,585	18,550,297
Cash and cash equivalents at the end of the period	5 148,497,944	27,864,111

The annexed notes from 1 to 15 form an integral part of these financial statements.

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

\_\_\_\_\_  
**Salman Haider Sheikh**  
Chief Executive Officer

\_\_\_\_\_  
**Feroz Rizvi**  
Director

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**Syed Majid Ali**  
Director

FAYSAL ASSET ALLOCATION FUND (FORMERLY: AMZ PLUS STOCK FUND)  
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	September 30, 2010	September 30, 2009
	----- (Rupees) -----	
Net asset value per unit at the beginning of the period	<u>73.64</u>	<u>56.34</u>
Net asset value per unit at the end of the period	<u>60.88</u>	<u>68.72</u>
<b>Net assets at the beginning of the year</b>	<b>305,509,223</b>	231,217,884
Amount received on issue of units*	850,191	-
Amount paid on redemption of units**	(31,868,788)	-
	(31,018,597)	-
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed	(9,723,863)	-
Unrealised appreciation on revaluation of investments classified as 'available-for-sale' transferred to income statement as impairment loss	-	2,451,000
Final dividend for the year ended June 30, 2010 @ Rs. 15 per unit declared for distribution on July 07, 2010 ( 2009: Nil per unit)	(47,585,561)	-
Net income / (loss) for the year after taxation	19,503,839	48,323,956
Other comprehensive income / (loss) for the period	-	-
<b>Total comprehensive income / (loss) for the period</b>	<b>19,503,839</b>	48,323,956
<b>Net assets at the end of the year</b>	<u><b>236,685,041</b></u>	<u>281,992,840</u>
	----- Number of units -----	
* Number of units issued ( including 249,759 bonus units issued during the period ended September 30, 2010 and Nil units during the period ended September 30, 2009)	<u>263,623</u>	<u>-</u>
** Number of units redeemed	<u>524,592</u>	<u>-</u>

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

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**Salman Haider Sheikh**  
Chief Executive Officer

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**Feroz Rizvi**  
Director

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**Syed Majid Ali**  
Director



FAYSAL ASSET ALLOCATION FUND (FORMERLY: AMZ PLUS STOCK FUND)  
CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED JUNE 30, 2010

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Faysal Asset Allocation Fund (the 'Fund', formerly AMZ Plus Stock 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 as Management Company and CDC as Trustee of the Fund.
- 1.2** The SECP has approved the retirement of AMZ Asset Management and the appointment of Faysal Asset Management Limited (the Management Company) in its place as the Management Company of the Fund vide its letter No. SEC/NBFC-II/DD/FAML/2009/36 dated January 19, 2010. In addition to this, SECP has also authorized the Management Company to change the name of AMZ Plus Stock Fund to 'Faysal Asset Allocation Fund' and change its category from equity scheme to asset allocation scheme.
- 1.3** The Fund is an open-end scheme and was listed on the Lahore Stock Exchange on 5 March 2007. 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 the requirements of the Trust Deed, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), directives issued by the SECP and the approved accounting standards as applicable in Pakistan. 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. The disclosure made in these interim condensed financial statements have, however, been limited based on the requirements of the International Accounting Standard-34: "Interim Financial Reporting". They do not include all the information and disclosure as required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Fund for the year ended June 30, 2010.

## 3. BASIS OF MEASUREMENT

- 3.1** These condensed interim financial statements have been prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" as applicable in Pakistan.
- 3.2** These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the fund for the year ended June 30, 2010.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies adopted and methods of computation followed in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2010.

The fund does not have any items of income and expenses representing other comprehensive income, therefore, comprehensive income is equal to the net income / (loss) reported for all periods presented.

		September 30, 2010	June 30, 2010
		----- (Rupees) -----	
<b>5. BANK BALANCES</b>			
Cash at bank - PLS saving accounts	5.1	<u>148,497,944</u>	<u>162,436,585</u>
<p><b>5.1</b> These carry mark-up ranging from 5% to 12.5% (June 30, 2010: 5% to 11.65%) per annum and include balance of Rs.0.101 million (June 30, 2010: Rs. 0.108 million) held with Faysal Bank Limited (a related party).</p>			
<b>6. DIVIDEND, DEPOSITS AND OTHER RECEIVABLES - Considered good</b>			
		-	2,028,460
Receivable against sale of investments		<b>200,000</b>	1,750,000
Dividend receivable		<b>922,030</b>	2,146,312
Mark-up receivable on debt securities		<b>2,500,000</b>	2,500,000
Security deposits with National Clearing Company of Pakistan Limited		<b>1,485,034</b>	1,190,655
Return accrued on bank balances		<b>22,495</b>	-
Others		<b>5,129,559</b>	<u>9,615,427</u>
<b>7. PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
		<del>889,398</del>	1,728,223
Preliminary expenses and floatation costs		<b>(211,430)</b>	<b>(838,825)</b>
Amortisation during the year		<b>677,968</b>	<u>889,398</u>
<b>8. INVESTMENTS</b>			
<b>At fair value through income statement -</b>			
<b>Held for trading</b>			
Listed equity securities	8.1	<b>38,435,126</b>	94,507,474
<b>Designated 'at fair value through income statement'.</b>			
Listed debt securities	8.2	<b>24,042,991</b>	27,628,313
Unlisted debt securities	8.3	<b>21,736,133</b>	26,675,429
		-	(7,067,210)
Less: Provision against debt securities		<b>84,214,250</b>	141,744,006
<b>Held-to-maturity</b>			
Letter of placement	8.5	<b>30,443,836</b>	30,443,836
		<b>(30,443,836)</b>	<b>(30,443,836)</b>
Less: Provision against placement		-	-
		<b>84,214,250</b>	<u>141,744,006</u>

## 8.1 Listed equity securities\*

Name of the investee company	Note	Number of shares					Market value as at September 30, 2010 (Rupees)	Investment as % of		
		As at July 01, 2010	Purchased during the period	Bonus / Right shares received during the period	Disposed off during the period	As at September 30, 2010		Net assets	Total investments	Investee company paid-up capital
<b>Software and Computer Services</b>										
NETSOL Technologies Limited		442,800	-	-	-	442,800	7,877,412	3.33%	9.35%	0.57%
<b>Fixed Line Telecommunication</b>										
Pakistan Telecommunication Company Limited		1,000,000	-	-	1,000,000	-	-	-	-	-
<b>Oil &amp; Gas</b>										
Oil & Gas Development Company Limited		-	50,000	-	50,000	-	-	-	-	-
Mari Gas Company Limited		-	10,000	-	10,000	-	-	-	-	-
Pakistan Petroleum Limited		25,000	117,811	5,000	142,811	5,000	862,050	0.36%	1.02%	0.00%
Pakistan Oilfields Limited		50,000	111,000	-	161,000	-	-	-	-	-
Attock Petroleum Limited	8.1.1	32,000	8,000	-	-	40,000	13,622,400	5.76%	16.18%	0.07%
Pakistan State Oil Company Limited		-	74,898	-	74,898	-	-	-	-	-
<b>Electricity</b>										
Hub Power Company Limited		150,000	-	-	150,000	-	-	-	-	-
Nishat Power Limited		500,000	-	-	-	500,000	5,835,000	2.47%	6.93%	0.21%
<b>Banks</b>										
Allied Bank Limited		-	25,000	-	25,000	-	-	-	-	-
Bank Alfalah Limited		-	101,194	-	101,194	-	-	-	-	-
MCB Bank Limited		-	25,000	-	25,000	-	-	-	-	-
National Bank of Pakistan		-	300,000	-	300,000	-	-	-	-	-
NIB Bank Limited		1,000,000	-	-	-	1,000,000	2,660,000	1.12%	3.16%	0.02%
Samba Bank Limited		500,000	-	-	-	500,000	905,000	0.38%	1.07%	0.06%
<b>Non Life Insurance</b>										
Adamjee Insurance		-	75,000	-	75,000	-	-	-	-	-
<b>Financial Services</b>										
Arif Habib Securities		-	50,000	-	50,000	-	-	-	-	-
<b>Chemicals</b>										
ICI Pakistan		-	82,500	-	82,500	-	-	-	-	-
Engro Corporation Limited		-	50,000	-	50,000	-	-	-	-	-
Lotte Pakistan PTA		250,000	250,000	-	500,000	-	-	-	-	-
<b>Construction and Materials</b>										
Lucky Cement Limited		-	649,697	-	649,697	-	-	-	-	-
DG Khan Cement Limited		650,000	317,860	-	967,860	-	-	-	-	-
<b>Automobile and Parts</b>										
Indus Motor Company		-	10,000	-	10,000	-	-	-	-	-
<b>Personal Goods</b>										
Azgrd Nine Limited		-	300,000	-	300,000	-	-	-	-	-
Nishat (Chunian) Limited		546,771	200,000	-	331,767	415,004	6,673,264	2.82%	7.92%	0.25%
Nishat Mills Limited		25,000	325,000	-	350,000	-	-	-	-	-
		<u>5,171,571</u>	<u>3,132,960</u>	<u>5,000</u>	<u>5,406,727</u>	<u>2,902,804</u>	<u>38,435,126</u>	<u>16.24%</u>	<u>45.64%</u>	

8.1.1 The shares held at period end include 32,000 shares, pledged against the exposure margin and mark to market losses with the National Clearing Company of Pakistan Limited.

## 8.2 Listed Debt Securities\*

Name of the investee company	Note	Number of certificates				As at September 30, 2010	Market value as at September 30, 2010 (Rupees)	Investment as % of	
		As at July 01, 2010	Purchased during the period	Fully redeemed during the period	Disposed off during the period			Net assets	Total investment
<b>Financial Services</b>									
Trust Investment Bank Limited		7,000	-	-	-	7,000	24,042,991	10.16%	28.55%
		<u>7,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,000</u>	<u>24,042,991</u>	<u>10.16%</u>	<u>28.55%</u>

## 8.3 Unlisted Debt Securities\*

\* Sukuk Certificates

<b>Construction and Materials</b>									
Maple Leaf Cement Limited		5,800	-	-	-	5,800	21,736,133	9.18%	25.81%
		<u>5,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,800</u>	<u>21,736,133</u>	<u>9.18%</u>	<u>25.81%</u>
		<u>12,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,800</u>	<u>45,779,124</u>	<u>19.34%</u>	<u>54.36%</u>

## 8.4 Significant terms and conditions of Debt Securities are as follows:

Name of security	Number of certificates	Face value (Rupees)	Mark-up rate (per annum)	Maturity	Secured / unsecured	Rating
<b>Listed Debt Securities</b>						
Trust Investment Bank Limited	7,000	5,000	1.85% + 6 months KIBOR	July 2013	Secured	BBB
<b>Unlisted Debt Securities</b>						
Maple Leaf Cement Limited	5,800	5,000	1% + 3 months KIBOR	December 2018	Secured	-

- 8.5** On September 23, 2008, the Fund made an unsecured placement of Rs.30 million with First Dawood Investment Bank Limited (FDIBL) maturing on October 22, 2008. Owing to financial difficulties faced by FDIBL, the mark-up and the principal balance was rescheduled and was due to be paid on November 22, 2008. However, to date, FDIBL has failed to pay its outstanding dues. Hence, a provision of Rs.30.444 million (inclusive of mark-up of Rs.0.444 million) has been made against the same.

**8.6 Detail of non-compliant investments**

Name of non-compliant investment	Type of Investment	Value of Investment before provision	Provision held (if any)	Value of Investment after provision	% of net assets
First Dawood Investment Bank Limited	Letter of placement	30,443,836	(30,443,836)	-	0.00%
Trust Investment Bank Limited	Term finance certificate	24,042,991	-	24,042,991	10.16%
Maple Leaf Cement Limited	Term finance certificate	21,736,133	-	21,736,133	9.18%

Circular 7 of 2009 of SECP requires that the rating of any debt security in the portfolio of the Fund shall not be lower than investment grade.

**9. ACCRUED AND OTHER LIABILITIES**

		September 30, 2010	June 30, 2010
		----- (Rupees) -----	
Payable against purchase of investments		-	7,213,454
SECP annual fee payable	11.1	62,083	288,826
Accrued expenses		801,093	576,656
		<u>863,176</u>	<u>8,078,936</u>

- 9.1** This represents payable to SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay SECP at the rate of 0.095% (2009: 0.075%) per annum of the daily net assets of the Fund.

**10. CONTINGENCIES AND COMMITMENTS**

**10.1 Contingency**

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. The Mutual Funds Association of Pakistan (MUFAP), on behalf of its members, filed a constitutional petition in the Honourable High Court of Sindh (SHC) praying it to declare that the funds are not establishments and as a result are not liable to pay contribution to the Workers' Welfare Fund (WWF). The SHC has rejected the petition on technical grounds stating that MUFAP is not the aggrieved party in this case and required the aggrieved parties to approach the courts for the said petition. In response, another petition has been filed with the SHC by some of mutual funds through their Trustee.

However, due to the fact that (a) a final decision in this matter by the SHC is currently pending, and (b) the amount involved is not material to the financial statements of the Fund taken as a whole, no provision in respect of WWF for the year ended June 30, 2010 and period ended September 30, 2010 amounting to Rs.1,354,292 and Rs.390,076 respectively has been made in these financial statements (see also note 13.2).

**10.2 Commitments**

There were no commitments as at September 30, 2010.

**11. TAXATION**

The Fund is exempt from tax under clause 99 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed among its unit holders.

**12. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

Details of Transactions with connected persons and balances with them during the period are as follows:

12.1 Transactions during the period	September 30, 2010	September 30, 2009
	----- (Rupees) -----	
Faysal Asset Management Limited (Management Company)		
Remuneration of Management Company	1,960,513	-

<b>AMZ Asset Management Limited (former Management Company)</b>		
Remuneration of Management Company	-	2,109,000
<b>Faysal Bank Limited (group company)</b>		
Profit on PLS saving accounts	2,840	-
<b>Central Depository Company Of Pakistan Limited - (Trustee of the Fund)</b>		
Remuneration of trustee	176,438	176,000
Settlement charges	20,797	-
<b>12.2 Outstanding balances</b>	<b>September 30, 2010</b>	<b>June 30, 2010</b>
	----- (Rupees) -----	
<b>Faysal Asset Management Limited (Management Company)</b>		
Remuneration of the Management Company	913,951	1,039,723
<b>Central Depository Company of Pakistan Limited - (Trustee of the Fund)</b>		
Remuneration payable to trustee	57,553	57,534

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

**13. SUBSEQUENT EVENT**

**13.1** Pursuant to a decision taken by the Board of Directors of the Management Company in their meeting held on October 02, 2010, the provision for WWF is made in the financial statements of the Fund with effect from July 01, 2008 and, accordingly, adjusted in the NAV of the Fund as at October 02, 2010 and onwards on a daily basis.

**14. GENERAL**

Figures are rounded off to nearest rupee.

**15. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on October 30, 2010 by the Board of Directors of the Management Company.

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

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**Salman Haider Sheikh**  
Chief Executive Officer

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**Feroz Rizvi**  
Director

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**Syed Majid Ali**  
Director