

**FAYSAL ASSET MANAGEMENT LIMITED**

**FAYSAL INCOME & GROWTH FUND  
(FIGF)**

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 Income & Growth Fund (FIGF)**, is pleased to present the un-audited accounts of FIGF for the quarter ended September 30, 2010.

### FINANCIAL HIGHLIGHTS

	Quarter Ended September 30, 2010	Quarter Ended September 30 2009
	Rupees in million	
Total Income	15.194	33.607
Operating Expenses	(3.700)	(4.137)
Profit Before Tax	11.494	29.470
Taxation	-	-
Profit After Tax	11.494	29.470
Earnings per Unit – Rs.	1.85	4.24

### MONEY MARKET REVIEW:

The State Bank of Pakistan, during the quarter under review, increased the discount rate by 50 bps each in July and September monetary policy to 13.50%. Money market during the quarter remained quite volatile and rates witnessed major fluctuations particularly due to the liquidity situation in the market. The SBP remained its focus on efficient and proactive liquidity management. To improve the liquidity management and reduce volatility in the inter-bank market, SBP effectively intervened periodically and addressed the liquidity situation in the market through OMOs for different tenors. SBP conducted various T-Bill auctions during the quarter. In the absence of corporate lending, banks showed significant interest in short term T-Bills, as they wanted to invest in AAA rated liquid financial instruments with attractive yields in the increasing interest rate scenario. The continued rise in the inflationary pressure will lead to further hike in interest rates going forward.

### FUND PERFORMANCE

Faysal Income & Growth Fund (FIGF) posted yield .0of 8.35% as compared to peer group average return of -2.73% during the period in review. On the asset allocation side, the portfolio comprises of 73.07% in bank deposits and money market placements, 14.00% in TFCs, 7.28% in commercial paper and 3.75% in equities and preference shares. Approximately 72.58% of the portfolio is invested in AA- or better rated instruments as at September 30, 2010. We intend to continue our investment strategy to lookout for opportunities with high return potential while maintaining our asset quality.

Main reasons for decline in the EPU as compared to same period of last year were 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, decline in income from bank deposits due to lower

interest rates as compared to quarter ended September 2009 and distribution equalization adjustment arising from net movement in units during the period.

Reference to the amendments in the workers welfare fund as disclosed in the Note 14 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 year ended June 30, 2009, June 30, 2010 and quarter ended September 30, 2010 amounting to Rs. 1,560,794, Rs. 1,231,256 and Rs. 229,866 respectively, has been made in these financial statements.

#### **FUND RATINGS:**

JCR-VIS maintained the fund stability rating of "A+ (f)" denoting high degree of stability in the fund. This is one of the highest fund stability rating assigned to any open-ended fixed income fund in the country.

#### **ACKNOWLEDGEMENT**

The Board of Directors of the Management Company thanks 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 and the unit holders for their confidence in the Management.

For and on behalf of the Board

Karachi: October 30, 2010

**Salman Haider Sheikh**  
Chief Executive Officer

## FAYSAL INCOME &amp; GROWTH FUND

INTERIM CONDENSED STATEMENT OF ASSETS AND LIABILITIES  
AS AT SEPTEMBER 30, 2010

	Note	September 30 2010 (Un-Audited) -----Rupees-----	June 30, 2010 (Audited)
<b>Assets</b>			
Bank balances	5	420,005,900	385,316,971
Dividend, deposits and other receivables	6	10,097,017	7,636,691
Investments	7	213,111,528	356,659,752
<b>Total assets</b>		<b>643,214,445</b>	<b>749,613,414</b>
<b>Liabilities</b>			
Payable to the Management Company		816,029	916,791
Remuneration payable to the Trustee		108,804	122,239
Accrued and other liabilities	8	1,361,256	1,601,097
<b>Total liabilities</b>		<b>2,286,089</b>	<b>2,640,126</b>
<b>Net assets</b>		<b>640,928,356</b>	<b>746,973,288</b>
<b>Unit holders' fund</b>		<b>640,928,356</b>	<b>746,973,289</b>
----- No. of Units -----			
<b>Number of Units in issue</b>		<b>6,195,912</b>	<b>7,174,009</b>
-----Rupees-----			
<b>Net asset value per unit</b>		<b>103.44</b>	<b>104.12</b>
<b>Contingencies and commitments</b>	10	-	-

The annexed notes form 1 to 14 form an integral part of these condensed interim financial statements.

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

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

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

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

## FAYSAL INCOME &amp; GROWTH FUND

INTERIM CONDENSED INCOME STATEMENT  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010(Un-Audited)

	September 30 2010	September 30 2009
Note	-----Rupees -----	
<b>Income</b>		
Profit earned on debt and government securities	6,742,516	11,955,679
Dividend income	-	2,862,108
Return on bank balances & Term Deposit Receipts	13,677,614	12,287,315
Net gain / (loss) on investments 'at fair value through profit or loss'		
- Net capital (loss) / gain on sale of investments	11,818	5,928,521
- Net Unrealised (loss) / gain on revaluation of investments	(2,332,527)	1,047,347
	(2,320,708)	6,975,868
<b>Element of (loss) and capital (losses) included in prices of units sold less those in units redeemed</b>	<b>(2,905,787)</b>	<b>(473,428)</b>
<b>Total Income</b>	<b>15,193,635</b>	<b>33,607,542</b>
<b>Expenses</b>		
Remuneration of the Management Company	2,721,415	2,741,528
Remuneration of the Trustee	362,855	365,537
Brokerage	122,537	500,072
Bank charges and guarantee commission	55,793	51,261
Auditors' remuneration	95,260	90,938
SECP annual fee	136,071	137,076
Legal and professional charges	25,525	15,123
Fees and subscriptions	48,383	77,808
Printing Charges	63,644	63,644
Settlement charges and capital value tax	68,860	94,334
<b>Total Expenses</b>	<b>3,700,342</b>	<b>4,137,321</b>
<b>Net income for the period before taxation</b>	<b>11,493,293</b>	<b>29,470,221</b>
<b>Taxation</b>	9 -	-
<b>Net income for the period after taxation</b>	<b>11,493,293</b>	<b>29,470,221</b>
Other comprehensive income for the period	-	-
<b>Total comprehensive income / (loss) for the period carried forward for distribution</b>	<b>11,493,293</b>	<b>29,470,221</b>

The annexed notes form 1 to 14 form an integral part of these condensed interim financial statements.

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

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Chief Executive Officer

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Feroz Rizvi  
Director

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Syed Majid Ali  
Director

## FAYSAL INCOME &amp; GROWTH FUND

INTERIM CONDENSED DISTRIBUTION STATEMENT  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (Un-Audited)

	September 30, 2010	September 30, 2009
	----- Rupees -----	
<b>Undistributed Income brought forward</b>	<b>29,572,287</b>	12,808,469
Final bonus distribution for the year ended June 30, 2010 @ Rs. 2.75 per unit, declared for distribution on July 7, 2010 (2009:Rs. 0.8 per unit, declared for distribution on July 06, 2009)	<b>(14,575,335)</b>	(4,182,159)
Final cash distribution for the year ended June 30, 2010 @ Rs. 2.75 per unit, declared for distribution on July 7, 2010 (2009:Rs. 0.8 per unit, declared for distribution on July 06, 2009)	<b>(5,153,190)</b>	(1,499,110)
Net Income for the year after taxation	<b>11,493,293</b>	29,470,221
<b>Undistributed Income carried forward</b>	<b><u>21,337,055</u></b>	<b><u>36,597,421</u></b>

The annexed notes form 1 to 14 form an integral part of these financial statements.

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

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

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**Feroz Rizvi**  
Director

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

## FAYSAL INCOME &amp; GROWTH FUND

INTERIM CONDENSED CASH FLOW STATEMENT  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (Un-Audited)

	September 30, 2010	September 30, 2009
Note	-----Rupees-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	11,493,293	29,470,221.00
<b>Adjustments for non-cash and other items:</b>		
Net capital loss / (gain) on sale of investment classified as 'financial asset at fair value through profit or loss'	(11,818)	(5,928,521.00)
Dividend income	-	(2,862,108.00)
Profit earned on debt and government securities	(6,742,516)	(11,955,679.00)
Return on bank balances and Term Deposit Receipts	(13,677,614)	(12,287,315.00)
Element of loss and capital losses included in prices of units sold less those in units redeemed	2,905,787	473,428.00
Provision against unlisted debt securities		
Unrealized loss on investment classified as 'financial asset at fair value through profit or loss' - held for trading	2,332,527	(1,047,347.00)
	<b>(3,700,342)</b>	<b>(4,137,321)</b>
<b>decrease in assets</b>		
Other receivables	-	1,127,331
<b>(decrease) in liabilities</b>		
Payable to the Management Company	(100,762)	2,555.00
Remuneration payable to the Trustee	(13,435)	(537.00)
Accrued and other liabilities	(239,841)	(669,383.00)
	<b>(354,038)</b>	<b>(667,365)</b>
	<b>(4,054,380)</b>	<b>(3,677,355)</b>
Sale / redemption of investments	216,121,236	115,151,903.00
Payment against purchase of investments	(73,216,879)	(275,207,924.00)
Dividend received	875,000	1,050,000.00
Profit received on debt securities	2,963,741	3,994,876.00
Return received on bank balances and Term Deposit Receipts	12,444,221	7,017,146.00
<b>Net cash inflow / (outflow) from operating activities</b>	<b>155,132,939</b>	<b>(151,671,354)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amounts received against issue of units	139,603	1,459,183.00
Payments made against redemption of units	(115,430,424)	(21,076,910.00)
Dividend paid	(5,153,190)	(1,499,110.00)
<b>Net cash outflows in financing activities</b>	<b>(120,444,012)</b>	<b>(21,116,837)</b>
Net decrease in cash and cash equivalents during the period	<b>34,688,928</b>	<b>(172,788,191)</b>
Cash and cash equivalents at the beginning of the period	<b>385,316,972</b>	472,622,928.00
Cash and cash equivalents at the end of the period	<b>420,005,900</b>	<b>299,834,737</b>

The annexed notes form 1 to 14 form an integral part of these condensed interim financial statements.

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

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

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

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

## FAYSAL INCOME &amp; GROWTH FUND

INTERIM CONDENSED STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (Un-Audited)

	September 30, 2010	September 30, 2009
Net asset value per unit at the beginning of the period	<u>104.12</u>	<u>101.80</u>
Net asset value per unit at the end of the period	<u>103.44</u>	<u>105.26</u>
<b>Net assets at the beginning of the quarter</b>	<b>746,973,288</b>	722,967,020
Amount received on issue of units *	<b>139,603</b>	1,459,183
Amount paid on redemption of units **	<b>(115,430,424)</b>	(21,076,910)
	<b>(115,290,821)</b>	(19,617,727)
Element of loss and capital losses included in prices of units sold less those in units redeemed	<b>2,905,787</b>	473,428
Final cash distribution for the year ended June 30, 2010 @ Rs. 2.75 per unit, declared for distribution on July 7, 2010 (2009:Rs. 0.8 per unit, declared for distribution on July 06, 2009)	<b>(5,153,190)</b>	(1,499,110)
Net income for the quarter after taxation	<b>11,493,293</b>	<b>29,470,221</b>
Other comprehensive income for the quarter	-	-
<b>Net assets as at the end of the quarter</b>	<b><u>640,928,356</u></b>	<b><u>731,793,832</u></b>

## ----- Number of units -----

\* Number of units issued (including 143,784 bonus units issued during the period ended September 30, 2010 and 41,408 bonus units issued during the period ended September 30, 2009)

	<u>145,144</u>	<u>55,486</u>
** Number of units redeemed	<u>1,123,241</u>	<u>205,107</u>

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

**Salman Haider Sheikh**  
Chief Executive Officer

**Feroz Rizvi**  
Director

**Syed Majid Ali**  
Director

FAYSAL INCOME & GROWTH FUND

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (Un-Audited)

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

- 1.1 Faysal Income & Growth 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 an unit trust scheme by the Securities and Exchange Commission of Pakistan (SECP) on June 24, 2005. It has been constituted under a Trust Deed, dated April 27, 2005 between Faysal Asset Management Limited, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited (CDC) as the Trustee, also incorporated under the Companies Ordinance, 1984.

During the period, the SECP vide its letter No SCD/NBFC II/DD/FAML/598/2010 dated July 28, 2010 required the Management Company to categorize the Fund as per the available categories in Circular 07 of 2009. Pursuant to this, the management company, with the approval of Board of Directors, has re-categorize the fund from 'income scheme' to 'Agressive Fixed Income scheme' and is in the process of amending the constitutive documents of the fund and alignment of portfolio accordingly. the fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the fund. The units are listed on the karachi Stock Exchange (Guarantee) Limited. The fund was launched on October 10, 2005.

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

**2. STATEMENT OF COMPLIANCE**

- 2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (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 condensed interim financial statements have been prepared in accordance with the International Accounting Standards (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 yer ended June 30, 2010.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparation of these interim condensed financial statements are the same as those applied in the preparation of the annual published financial statements of the fund for the year ended June 30, 2010.

	Note	September 30, 2010	June 30, 2010
		----- (Rupees) -----	
<b>5. BANK BALANCES AND TERM DEPOSIT RECEIPTS</b>			
Cash at bank - PLS saving accounts	5.1	<u>420,005,900</u>	<u>385,316,971</u>
		<u>420,005,900</u>	<u>385,316,971</u>

5.1 These carry mark-up ranging from 5% to 12.50% (June 30, 2010: 5% to 12.35%) per annum and include balance of Rs. 0.12 million (June 30, 2010: Rs. 0.135 million) held with faysal bank limited (a related party).

#### 6. DIVIDEND AND OTHER RECEIVABLES - considered good

Dividend income receivable		-	875,000
Mark-up receivable on debt securities		<b>2,778,589</b>	676,657
Security deposits		<b>2,600,000</b>	2,600,000
Return receivable on bank balances and term deposit receipts		<b>4,718,428</b>	3,485,034
		<u><b>10,097,017</b></u>	<u>7,636,691</u>

#### 7. INVESTMENTS

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

Listed equity securities	7.1	<b>3,220,495</b>	12,490,994
Preference shares	7.2	<b>20,909,869</b>	22,367,224
Listed debt securities	7.3	<b>3,868,208</b>	3,744,130
Unlisted debt securities	7.4	<b>86,190,005</b>	86,839,875
Government securities		-	180,695,200
		<u><b>114,188,577</b></u>	<u>306,137,423</u>

##### Held-to-maturity

Commercial papers	7.6	<b>46,850,485</b>	-
Certificate of investment	7.7	<b>52,072,466</b>	50,522,329
		<u><b>98,922,951</b></u>	<u>50,522,329</u>
		<u><b>213,111,528</b></u>	<u>356,659,752</u>

## FAYSAL INCOME &amp; GROWTH FUND

## 7.1 Listed equity securities\*

Name of the investee company	Number of shares					Market value as at September 30, 2010 (Rupees)	Investment as % of		
	As at July 01, 2010	Purchases during the quarter	Bonus shares received	Disposed off during the quarter	As at September 30, 2010		Net assets	Total investment	Investee company paid-up capital
* Ordinary share having a face value of Rs.10 each unless stated otherwise.									
<b>Fixed line telecommunication</b>									
Pakistan Telecommunication Company Limited	500,000	-	-	(500,000)	-	-	0.00%	0.00%	0.00%
<b>Banks</b>									
National Bank of Pakistan	-	50,000	-	(50,000)	-	-	0.00%	0.00%	-
The Bank of Khyber	950,000	-	-	-	950,000	3,220,495	0.50%	3.26%	0.19%
Bank Alfalah Limited	-	100,000	-	(100,000)	-	-	0.00%	0.00%	0.00%
United Bank Limited	-	50,000	-	(50,000)	-	-	0.00%	0.00%	0.00%
<b>Chemicals</b>									
Lotte Pakistan PTA Limited	-	100,460	-	(100,460)	-	-	0.00%	0.00%	-
<b>Construction and materials</b>									
D.G. Khan Cement Company Limited	-	100,000	-	(100,000)	-	-	0.00%	0.00%	-
<b>Personal Goods</b>									
Azgard Nine Limited	-	100,000	-	(100,000)	-	-	0.00%	0.00%	0.00%
Nishat Mills Limited	-	250,000	-	(250,000)	-	-	0.00%	0.00%	0.00%
Nishat Chunian Limited	-	100,000	-	(100,000)	-	-	0.00%	0.00%	0.00%
	1,450,000	850,460	-	(1,350,460)	950,000	3,220,495	0.48%	3.25%	0.18%

## 7.2 Preference shares

Name of the investee company	Number of shares					Market value as at September 30, 2010 (Rupees)	Investment as % of		
	As at July 01, 2010	Purchases during the Quarter	Bonus shares received	Disposed off during the Quarter	As at September 30, 2010		Net assets	Total investment	Investee company paid-up capital
* Ordinary share having a face value of Rs.10 each unless stated otherwise.									
<b>Industrial Transportation</b>									
Pakistan International Container Terminal Limited	2,112,108	-	-	-	2,112,108	20,909,869	3.26%	21.14%	1.66%
	2,112,108	-	-	-	2,112,108	20,909,869	3.26%	21.14%	1.66%

## 7.3 Listed debt securities\*

Name of the investee company	Number of certificates				Market value as at September 30, 2010 (Rupees)	Investment as % of		
	As at July 01, 2010	Purchases during the year	Fully redeemed during the year	Disposed off during the year		Net assets	Total investments	
* Term Finance Certificates (TFCs)								
<b>Fixed line telecommunication</b>								
Telecard Limited	2,020	-	-	-	2,020	3,868,208	0.60%	1.82%
	2,020	-	-	-	2,020	3,868,208	0.60%	1.82%

7.3.1 Investment in listed and unlisted debt securities shall be valued at the rates notified by the Mutual Fund Association of Pakistan (MUFAP).

## 7.4 Unlisted debt securities\*

\* Sukuk Certificates

<b>Construction and materials</b>								
Kohat Cement Limited	100,000	-	-	100,000	100,000	36,225,000	5.65%	17.00%
<b>Banks</b>								
Bank Alfalah Limited	10,000	-	-	10,000	10,000	49,965,005	7.80%	23.45%
	110,000	-	-	110,000	110,000	86,190,005	13.45%	40.44%

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

Name of security	Number of certificates	Face value per certificate (Rupees)	Mark-up rate (per annum)	Maturity	Secured / unsecured	Rating
<b>Listed Debt Securities</b>						
Telecard Limited	2,020	5,000	3.75% + 6 months KIBOR	Nov 2013	Secured	BBB
<b>Unlisted Debt Securities</b>						
Kohat Cement Limited	100,000	500	1.8% + 3 months KIBOR	Dec 2015	Secured	-
Bank Alfalah Limited	10,000	5,000	15% Fixed	Dec 2017	Un-Secured	AA-

## 7.6 Certificates of Investments (COIs) - un-secured

Note	September 30, 2010 (Rupees)	June 30, 2010 (Rupees)	Investment as % of		
			Net assets	Total investments	
Pak Libya Holding Company	7.6.1	52,072,466	50,522,329	8.12%	52.64%

7.6.1 Face value of COI is Rs. 50 million (June 30, 2010: 50 million) and carry mark-up 12.30% per annum (June 30, 2010: 12.30%) with maturity of six months.

## 7.7 Commercial Paper

Note	September 30, 2010 (Rupees)	June 30, 2010 (Rupees)	Investment as % of		
			Net assets	Total investments	
Engro Fertilizer Limited	7.7.1	46,850,485	-	7.31%	47.36%

7.7.1 Face Value of CP is Rs. 50 million (June 30, 2010: Nil) and carry yield to Maturity 14.02% per annum with maturity of 6 Month.

		September 30, 2010	June 30, 2010
<b>8. ACCRUED AND OTHER LIABILITIES</b>			
SECP annual fee payable	8.1	143,249	573,598
Accrued liabilities		<u>1,218,007</u>	<u>1,027,499</u>
		<u><u>1,361,256</u></u>	<u><u>1,601,097</u></u>

**8.1** This represents annual fee payable to the SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay SECP annually an amount equal to 0.075% of the net asset value of the Fund.

## 9. 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.

## 10. CONTINGENCIES AND COMMITMENT

**10.1** 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 years ended June 30, 2009, June 30, 2010 and period ended September 30, 2010 amounting to Rs.1,231,256 , Rs.1,560,794 and Rs. 229,866 respectively, has been made in these financial statements (see also note 12.2).

**10.2** There is no other commitment as at the period end.

## 11. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

	September 30, 2010	September 30, 2009
<b>11.1 Transactions during the period</b>		
<b>Faysal Asset Management Limited (Management Company)</b>		
Remuneration of Management Company	2,721,415	11,471,965
Sales load	724	163,881
<b>Faysal Asset Management Limited - Employees Provident Fund</b>		
Issue of units Nil bonus units (2009: 23 units)	-	2,299
<b>Faysal Asset Management Limited - Staff Gratuity Fund</b>		
Issue of units Nil bonus units (2009: 12 units)	-	1,235

	<b>September 30, 2010</b>	<b>September 30, 2009</b>
<b>Faysal Bank Limited (group company)</b>		
Cash dividend paid	5,153,190	1,499,110
Profit received on PLS saving accounts	5,846	34,476
<b>Faysal Bank Limited - Staff Provident Fund</b>		
Issue of 14,960 bonus units (2009: 4014 units)	1,516,494	405,370
<b>Faysal Bank Limited - Staff Gratuity Fund</b>		
Issue of 7,803 bonus units (2009: 2094 units)	790,065	211,458
<b>Central depository company of pakistan limited</b>		
Remuneration of the Trustee	362,855	365,537
Settlement charges	4,922	14,506
<b>11.2 Outstanding balances as at period end</b>	<b>September 30, 2010</b>	<b>June 30, 2010</b>
<b>Faysal Asset Management Limited (Management Company)</b>		
Remuneration of the Management Company	816,029	11,471,965
Sales load payable	724	163,881
<b>Faysal Bank Limited (group company)</b>		
Units in issue 1,873,887 units (2010: 1,873,887 units)	193,834,911	195,109,154
Balance in PLS saving account	119,642	135,308
<b>Faysal Bank Limited - Staff Provident Fund</b>		
Units in issue 566,413 units (2010: 551,453 units)	58,589,711	57,417,237
<b>Faysal Bank Limited - Staff Gratuity Fund</b>		
Units in issue 295,464 units (2010: 287,660 units)	30,562,771	29,951,161
<b>Central Depository Company of Pakistan Limited (Trustee of the Fund)</b>		
Remuneration of the Trustee payable	108,804	122,239
Settlement charges payable	-	2,626
Deposit	100,000	100,000

The transactions with connected persons are in the normal course of business on an arm's length basis, at contracted rates and terms determined in accordance with market rates.

## 12. SUBSEQUENT EVENT

- 12.1** 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.

**13. GENERAL**

Figures are rounded off to the nearest rupee.

**14. 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)**

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

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**Feroz Rizvi**  
Director

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