

FAYSAL ASSET MANAGEMENT LIMITED

**FAYSAL ISLAMIC SAVINGS GROWTH
FUND (FISGF)**

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 Islamic Savings Growth Fund (FISGF)**, is pleased to present the un-audited accounts of FISGF for the quarter ended September 30, 2010.

FINANCIAL HIGHLIGHTS

	Quarter Ended September 30, 2010
	Rupees in million
Total Income	6.592
Operating Expenses	(1.626)
Profit Before Tax	<u>4.966</u>
Taxation	-
Profit After Tax	<u><u>4.966</u></u>
Earnings per Unit – Rs.	<u><u>2.35</u></u>

MARKET REVIEW

The State Bank of Pakistan, during the quarter in 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

We are pleased to inform you that by the grace of Almighty Allah, Faysal Islamic Savings Growth Fund (FISGF) posted a return of 9.74% vs benchmark return of 8.86%, outperforming the benchmark by 0.88% for the period under review. FISGF has net assets of PKR 216.00 million as on September 30, 2010. However, on asset allocation side, the fund is highly liquid with our portfolio comprised 76.33% in cash at bank and 20.93% in short term placements with Financial Institutions as at September 30, 2010. FISGF started July at NAV/unit of PKR 100.03 (divided adjusted) and closed the quarter at NAV/unit of PKR 102.40. In anticipation of further increase in Discount Rate in the upcoming monetary policies, we have maintained the weighted average time to maturity of the fund to only 15 day as at September 30. We intend to continue our investment strategy to look out for Shariah Compliant opportunities with competitive return at acceptable risk levels.

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.25,136 and Rs.99,306 respectively, has been made in these financial statements.

FUND RATING

Rating of FISGF is in process.

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 ISLAMIC SAVINGS GROWTH FUND
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT SEPTEMBER 30, 2010

		September 30, 2010	June 30, 2010
	Note	----- (Rupees) ----- (Un-Audited)	----- (Audited)
Assets			
Bank balances	5	167,691,326	333,254,080
Deposits and receivables	6	2,957,566	2,589,647
Certificate of Investments	7	46,342,253	-
Preliminary expenses and floatation costs	8	2,595,570	2,735,834
Total assets		219,586,715	338,579,561
Liabilities			
Payable to the Management Company		3,075,412	3,007,748
Remuneration payable to the Trustee		57,533	29,812
Accrued and other liabilities	9	424,299	1,962,774
Total liabilities		3,557,244	5,000,334
Net assets		216,029,471	333,579,227
Unit holders' fund		216,029,471	333,579,227
		-----Number of Units-----	
Number of units in issue		2,109,718	3,323,224
		----- (Rupees) -----	
Net assets value per unit		102.40	100.38
Contingencies and commitments	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 ISLAMIC SAVINGS GROWTH FUND
CONDENSED INTERIM INCOME STATEMENT
FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

	Note	September 30, 2010 (Rupees)
Income		
Return on bank balances		7,756,127
Return on Certificate of Investments		342,252
Element of loss and capital losses included in prices of units sold less those in units redeemed		(1,506,580)
Total income		6,591,799
Expenses		
Remuneration of the Management Company		1,049,877
Remuneration of the Trustee		176,437
Bank charges		12,788
Auditors' remuneration		76,360
SECP annual fee		52,493
Legal and professional charges		26,541
Fees and Subscriptions		37,812
Amortisation of preliminary expenses and floatation costs		140,264
Printing and other expenses		53,916
Total Expenses		1,626,488
Net income for the period before taxation		4,965,311
Taxation	11	-
Net income for the period after taxation		4,965,311
Other comprehensive income for the period		-
Total comprehensive income for the period		4,965,311

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 ISLAMIC SAVINGS GROWTH FUND
CONDENSED INTERIM DISTRIBUTION STATEMENT
FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

	September 30, 2010 --- (Rupees) ---
Undistributed income brought forward	1,256,781
Final bonus distribution for the year ended June 30, 2010 @ Rs. 0.35 per unit declared for distribution on July 07, 2010.	(778,128)
Final cash dividend for the year ended June 30, 2010 @ Rs. 0.35 per unit declared for distribution on July 07, 2010.	(385,000)
Net income for the period	4,965,311
Undistributed income carried forward	5,058,964

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

**For Faysal Asset Management Limited
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Salman Haider Sheikh
Chief Executive Officer

Feroz Rizvi
Director

Syed Majid Ali
Director

FAYSAL ISLAMIC SAVINGS GROWTH FUND
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

	Note	September 30, 2010 --- (Rupees) ---
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation		4,965,311
Adjustments for non-cash and other items:		
Amortisation of preliminary expenses and floatation costs		140,264
Return on bank balances		(7,756,127)
Return on Certificate of Investments		(342,252)
Element of loss and capital losses included in prices of units sold less those in units redeemed		1,506,580
		(1,486,224)
(Increase)/ Decrease in assets		
Deposits and receivables		(100,000)
Increase / (Decrease) in liabilities		
Payable to the Management Company		67,664
Remuneration payable to the Trustee		27,721
Accrued and other liabilities		(1,538,475)
		(1,443,090)
Payments made against purchase of investment		(46,000,000)
Return received on bank balances		7,488,207
Net cash from operating activities		(41,541,107)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received against issue of units		32,812,010
Payments made against redemption of units		(156,448,657)
Dividend paid- Final		(385,000)
Net cash from financing activities		(124,021,647)
Net increase in cash and cash equivalents during the period		(165,562,754)
Cash and cash equivalents at the beginning of the period		333,254,080
Cash and cash equivalents at the end of the period	5	167,691,326

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

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Chief Executive Officer

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Director

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Director

FAYSAL ISLAMIC SAVINGS GROWTH FUND
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

	September 30, 2010 (Rupees)
Net asset value per unit at the beginning of the period	<u><u>100.38</u></u>
Net asset value per unit at the end of the period	<u><u>102.40</u></u>
Net assets at the beginning of the period	333,579,227
Amount received on issue of units *	32,812,010
Amount paid on redemption of units **	(156,448,657)
	(123,636,647)
Element of loss and capital losses included in prices of units sold less those in units redeemed	1,506,580
Final cash dividend for the year ended June 30, 2010 @ Rs. 0.35 per unit declared for distribution on July 07, 2010.	(385,000)
Net income for the period after taxation	4,965,311
Other comprehensive income for the period	-
Total comprehensive income for the period	4,965,311
Net assets at the end of the period	<u><u>216,029,471</u></u>
	Number of Units
* Number of units issued (including 7,779 bonus units issued during the period ended September 30, 2010)	<u><u>332,116</u></u>
** Number of units redeemed	<u><u>1,545,635</u></u>

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 ISLAMIC SAVINGS GROWTH FUND
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED JUNE 30, 2010 (UN-AUDITED)

1. LEGAL STATUS AND NATURE OF BUSINESS

Faysal Islamic Savings 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 a unit trust scheme by the Securities and Exchange Commission of Pakistan (SECP) on June 4, 2009. It has been constituted under a Trust Deed, dated April 22, 2009, between Faysal Asset Management Limited (the Management Company) and Central Depository Company of Pakistan Limited (CDC) as the Trustee.

The Fund is a Shariah Compliant open ended Islamic income scheme. The units are offered for public subscription on a continuous basis and are transferable and can be redeemed by surrendering them to the Fund. The Fund was launched on June 14, 2010.

The policy of the Fund is to invest in Shariah Compliant money market and debt securities having good credit quality rating and liquidity.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of the 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.

	Note	September 30, 2010 --- (Rupees) --- (Un-Audited)	June 30, 2010 (Audited)
5. BANK BALANCES			
Cash at bank - PLS saving accounts	5.1	<u>167,691,326</u>	<u>333,254,080</u>
5.1 These carry profit ranging from 5% to 11.2% per annum.			
6. DEPOSITS AND RECEIVABLES - considered good			
Security deposits		100,000	-
Return receivable on bank balances		<u>2,857,566</u>	<u>2,589,647</u>
		<u>2,957,566</u>	<u>2,589,647</u>
7. CERTIFICATE OF INVESTMENTS			
First Habaib Modaraba	7.1	<u>23,177,699</u>	-
First National Bank Modaraba	7.2	<u>23,164,554</u>	-
		<u>46,342,253</u>	-
7.1 It carries profit of 11.75% p.a and will mature on December 07, 2010.			
7.2 It carries profit of 11.87% p.a and will mature on December 09, 2010.			
8. PRELIMINARY EXPENSES AND FLOATATION COSTS			
Preliminary expenses and floatation costs	8.1	<u>2,735,834</u>	2,755,630
Amortisation during the period		<u>(140,264)</u>	(19,796)
		<u>2,595,570</u>	<u>2,735,834</u>
8.1 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 June 17, 2010.			
9. ACCRUED AND OTHER LIABILITIES			
Payable to Pre-IPO investors		-	1,807,478
SECP annual fee payable	9.1	<u>52,494</u>	11,105
Accrued expenses		<u>371,805</u>	144,191
		<u>424,299</u>	<u>1,962,774</u>
9.1 This represents 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.			
10. CONTINGENCIES AND COMMITMENTS			
10.1 Contingencies			
<p>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.</p> <p>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 period ended June 30, 2010 and Septemebr 30, 2010 amounting to Rs.25,136 and 99,306 respectively has been made in these financial statements (see also note 13.2).</p>			
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 period, as reduced by the capital gains whether realised or unrealised, is distributed among its unit holders.			

	September 30, 2010 (Rupees)	
12. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES		
Details of Transactions with connected persons and balances with them at the period end are as follows:		
12.1 Transactions during the period		
Faysal Asset Management Limited (Management Company) Remuneration of Management Company		1,049,877
Faysal Asset Management Limited (Management Company) Issue of 5,248 bonus units		525,000
Redemption of 989,413 units		100,000,000
Faysal Bank Limited (group company) Cash dividend paid		350,000
Central Depository Company of Pakistan Limited - (Trustee of the Fund) Remuneration of trustee		176,437
Directors and Officers of the Management Company		
Mr. Shahid Usman Ojha (Chief Financial Officer) Issue of 980 units		100,000
	September 30, 2010 ------(Rupees) ----- (Un-Audited)	June 30, 2010 ----- (Audited)
12.2 Outstanding balances		
Faysal Asset Management Limited (Management Company) Remuneration of the Management Company	289,782	222,118
Prilimentary expenses and floatation cost & Others	2,785,630	2,785,630
Units in issue 515,835 units (June 30, 2010: 1,500,000 units)	52,821,504	150,000,000
Faysal Bank Limited (group company) Units in issue 1,000,000 units (June 30, 2010 1,000,000 units)	102,400,000	100,000,000
Central Depository Company of Pakistan Limited- (Trustee of the Fund) Remuneration payable to trustee	57,533	29,812
Directors and Officers of the Management Company		
Mr. Shahid Usman Ojha (Chief Financial Officer) Units in issue 980 units (June 30, 2010: Nil units)	100,352	-

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 June 17, 2010 and, accordingly, adjusted in the NAV of the Fund as at October 02, 2010 and onwards on a daily basis.

14. GENERAL

14.1 Figures are rounded off to the 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)**

Salman Haider Sheikh
Chief Executive Officer

Feroz Rizvi
Director

Syed Majid Ali
Director