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FUND INFORMATION

Management Company

Faysal Asset Management Limited

Board of Directors of the Management Company

Mr. Farook Bengali, Chairman
Mr. Salman Haider Sheikh, Chief Executive Officer
Mr. Hassan Mohamed Mahmood, Director
Mr. Mohammad Iqbal, Director
Mr. Shahid Waqar Mahmood, Director
Mr. Feroz Rizvi, Director
Mr. Iqbal Alimohamed, Director
Mr. Aqeel Karim Dhedhi, Director

CFO of the Management Company

Mr. Muhammad Shakeel Musani

Company Secretary of the Management Company

Mr. M. Siddique Memon

Audit Committee

Mr. Iqbal Alimohamed, Chairman
Mr. Mohammad Iqbal, Member
Mr. Shahid Waqar Mahmood, Member
Mr. Feroz Rizvi, Member

Trustee

Central Depository Company of Pakistan Limited
Suit #, M 13,16, Mezzanine Floor, Progressive Plaza,
Beaumont Road, Near PIDC House, Karachi.

Bankers to the Fund

Faysal Bank Limited
MCB Bank Limited
Bank Alfalah Limited
Habib Metropolitan Bank Limited
Atlas Bank Limited
The Bank of Punjab Limited
Saudi Pak Commercial Bank Limited

Auditors

A.F. Ferguson & Co., Chartered Accountants

Legal Advisor

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

Registrar

Gangjees Registrar Services (Pvt) Limited
Room # 506, 5th Floor, Clifton Centre,
Kehkashan Clifton - Karachi.

Distributors

Faysal Asset Management Limited
Faysal Bank Limited
AKD Securities (Private) Limited
PICIC Commercial Bank Limited
Invest Capital & Securities (Private) Limited
Mybank Limited
Flow (Private) Limited
Atlas Capital Markets (Pvt) Limited
IGI Investment Bank Limited



MISSION STATEMENT

FBGF endeavors to provide investors with an opportunity to earn income and long-term capital appreciation by investing in a large pool of funds representing equity / non equity investments in a broad range of sectors and financial instruments.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Directors of the Faysal Asset Management Limited, the Management Company of Faysal Balanced Growth Fund (FBGF), are pleased to present the Fourth Annual Report on the operations of FBGF along with the audited accounts, Reports of the Trustee and Auditors to the Unit Holders for the financial year ended June 30, 2007.

SALE AND REDEMPTION OF UNITS

During the year, units worth Rupees 413.24 million were issued and units with a value of Rupees 1,227.86 million were redeemed. The heavy redemption pressure was faced due to the expiration of the two-year restriction on the seed capital as well as long-term investors looking to book profits as the return since inception remained between 47.54% and 68.70% during the period of July 1, 2006 to June 30, 2007. The major inflows throughout the industry were seen in the income funds during this fiscal year due to the volatility of the equity markets.

UNIT HOLDERS

As of June 30, 2007, the value of net assets was reduced by 33.62%. As of June 30, 2007, 8,860,217 units with a value of Rs. 1,076 million were outstanding (June 30, 2006: 15,259,614 units with a value of Rs. 1,621 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, 2007 were as below:

	Offer Prices	Redemption Prices
Highest	124.35	121.60
Lowest	99.56	97.37
As of June 30, 2007	124.23	121.48

PERFORMANCE

FBGF, by the grace of Almighty Allah, has performed well as the fund has appreciated by 21.16% during the full year of operations. The fund has posted a net profit of Rs. 186.44 million. The fund posted net capital gains of Rs. 200.64 million including both realized and unrealized gains.

As of June 30, 2006 total net assets of the fund amounted to PKR 1,076.41 million and the NAV per unit was PKR 121.60. KSE 100 Index started the year at 9,989.41 level and ended on June 30, 2007 at 13,772.46 resulting in almost 37.8% annual gain. The highest level touched during the fiscal year was around 13,806. FBGF also exhibited growth along with the market as per its equity exposure. The Board of Directors of Faysal Asset Management Limited declared 18% final dividend as bonus units from distributable profits of Faysal Balanced Growth Fund after its full year results.

We witnessed a dull performance during the first half of the fiscal year with less than 1% positive movement of the KSE-100 index. The second half of the year showed a different trend with the KSE-100 index growing by almost 37%. This performance was driven by the financial sector showing growth of over 42%. All other major sectors under performed the index during the year. FBGF performed in line with its annual average equity exposure of approximately 56% yielding a return of 21.16% for the year. The return since inception on reinvestment basis reached 68.70% providing investors 21.49% on an annualized basis. This is in coherence with the strategy of providing long-term stable returns to investors utilizing value investment approach while mitigating risk.

FUTURE OUTLOOK

The outgoing fiscal year was a very promising year for the local equity markets. Equity markets showed superb performance during FY07 with the KSE-100 index posting a return of 37.8%. The major contributor to this rally was the banking sector where higher profitability due to the consumer boom and merger and acquisition activities kept the investors interest alive throughout the year. We saw an increased interest from foreign banks to re-enter the Pakistani financial sector with a long-term acquisition model approach.

On the international front almost all the international equity markets posted high growth numbers reaching all time high levels. Dow Jones index reached levels of 13,400 while other European and Asian markets followed the bullish trend reaching highest levels. This phenomenon added to the portfolio allocation of the emerging market funds globally impacting emerging economies positively, including Pakistan. Majority of the Asian markets witnessed large investment inflows, which was also true in the case of Pakistan with almost \$1 billion investment in our equity markets.

Federal Budget 07-08 proved to be investor friendly as capital gains tax exemption on equities was extended for another year. The government increased NSS rates to curtail the liquidity from the money market. Governor State Bank of Pakistan also emphasized on the continuation of tight monetary policy in the near future. Two major tasks in front of the government now, are to control inflationary pressure along with the rising trade deficit while sustaining the current GDP growth levels.

While the economy has performed well, political uncertainties are likely to remain prominent for the near future. Rising inflation, growing trade and fiscal deficits also pose challenges in the coming times. The new Petroleum Policy 2007 is expected shortly and we believe that the cap of USD 36 on wellhead prices will be increased to USD 45 which bodes well for E&P sector over the long term. E&P sector under performed during this fiscal year and currently possesses investment value for long-term investors. Financial sector will remain in focus for the next fiscal year as well due to further M&A possibilities. The introduction of new tax on commercial banks imposing capital gains tax of 35% on investments of less than one year and 10% tax on investments of more than one year period can also be challenging during the 2nd quarter of next fiscal year. Given all these factors, we continue to remain cautiously bullish on the market with market weight stance on high dividend yielding stocks in order to provide stable long-term returns to our investors.

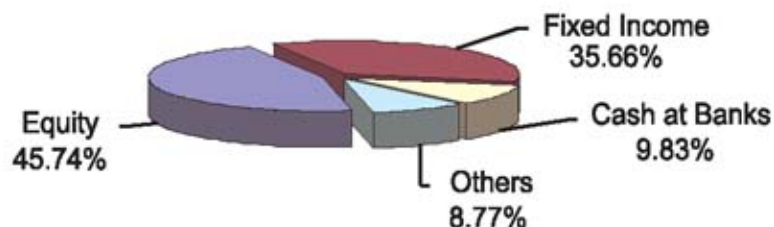
AUDITORS' QUALIFICATION

The auditors have qualified their report on valuation of Term Finance Certificates (TFCs). The NBFC Rules, 2003 require that listed security should be valued on the basis of closing price of the Stock Exchange on which the same is listed and the unlisted security should be valued at the lower of cost or break up value. The management is of the view that TFCs quoted on stock exchange are neither actively traded in the exchange nor the quotes available are indicative of fair value of the underlying security. The management is of the view that in an open-end Fund where units are continuously issued and redeemed on NAV based prices, it is essential to evaluate the portfolio of the Fund on fair market value so as to ensure that the NAV based price is fair to existing, incoming and exiting unit holders. The market prices of the securities held in the portfolio of the Fund are changing continuously. In the event the management was to use the historical cost of the securities, the NAV would not reflect the fair value and cause arbitrage in favour of some investors against the interests of the others. Accordingly, TFCs have been valued based on discounted cash flow method as allowed by IAS 39 'Financial Instrument Recognition and Measurement'. The management believes that the accounting policy adopted that protects the interests of all the unit holders by ensuring correct reflection of daily net assets value of the Fund.

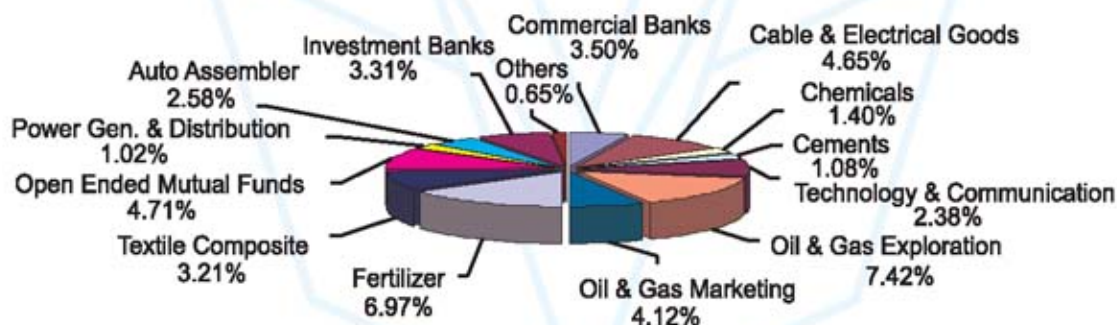
ASSET ALLOCATION

As of June 30, 2007, the fund was invested 47% in equities compared to 70.9% at the end of last year. This level is maintained due to the recent sharp rise in the equity market index. We feel that the equity market can go through a correction to further consolidate before moving further. The fund was invested 35.64% in fixed income with the remaining 16.41% in cash deposits.

Asset Allocation



Sector Wise Allocation



INCOME DISTRIBUTION

The Board has approved fund distribution of Bonus Units at the rate of 18% (i.e Rs. 18 per unit).

MUTUAL FUND RATING

JCR-VIS has assigned fund performance rating of "MFR-3 Star" to FBGF. The fund stability rating is based on the performance of FBGF related to other balanced and equity funds available in the market.

MEETINGS OF THE DIRECTORS

S.No.	Name	Designation	Meetings		
			Total	Attended	Leave Granted
1.	Mr. Farook Bengali	Chairman	4	4	-
2.	Mr. Salman Haider Sheikh	Chief Executive Officer	4	4	-
3.	Mr. Hassan Mohamed Mahmood	Director	4	3	1
4.	Mr. Feroz Rizvi	Director	4	4	-
5.	Mr. Iqbal Alimohamed	Director	4	3	1
6.	Mr. Aqeel Karim Dhedhi	Director	4	2	2
7.	Mr. Mohammad Iqbal	Director	4	4	-
8.	Mr. Shahid Waqar Mahmood	Director	4	4	-

CORPORATE GOVERNANCE

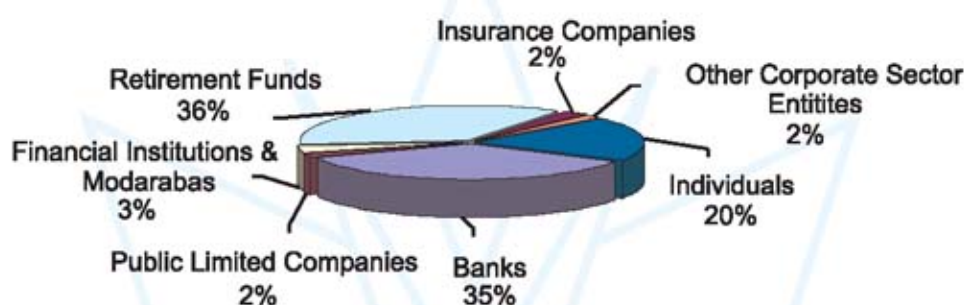
1. The management company has implemented the requirements of the Code of Corporate Governance last year. A prescribed statement by the management along with the auditors' report thereon for the year ended June 30, 2007 forms part of this annual report.
2. Statements under clause xix of the Code:
 - i. The financial Statements, prepared by the Management presents fairly the state of affairs of the Fund and result of its operations, cash flows and movement in unit holder's fund.
 - ii. Proper books of accounts of the Fund have been maintained.
 - iii. Appropriate accounting policies have been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
 - iv. International Accounting Standards have been followed in the preparation of financial statements without any material departure.
 - v. The system of internal control is sound in design and has been effectively implemented and monitored.
 - vi. There is no significant doubt upon Fund's ability to continue as going concern.
 - vii. There has been no material departure from the Best Practices of the Code of Corporate Governance, as detailed in the Listing Regulations.
 - viii. Outstanding statutory payments on account of taxes, if any, have fully disclosed in the accounts.
 - ix. The details of Board Meetings held and attended by the directors forms part of this Annual Report.
 - x. The prescribed pattern of shareholding is given as part of this Annual Report.

The sale and repurchase of units of the Fund carried out by the Directors, CEO, CFO, Company Secretary of the Management Company including their spouse and minor children are as under:

Traded By:	Investment	Redemption
	----- (No. of Units) -----	
Mr. Feroz Rizvi (Director)	-	13,887
Mr. Shahid Waqar Mehmood (Director)	-	3,388
Mr. Salman Haider Sheikh (CEO)	-	194

PATTERN OF HOLDING

Classification of Unit Holders



AUDITORS

The present auditors Messers A.F. Ferguson & Co., 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 A.F. Ferguson & Co., Chartered Accountants as the auditors for the financial year 2008.

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 13, 2007

Salman Haider Sheikh
Chief Executive Officer



DETAIL OF PATTERN OF HOLDING (UNITS) AS AT JUNE 30, 2007

	Number of Unit Holders	Units Held
Associated Companies		
Faysal Bank Limited	1	1,310,292
Directors and CEO		
Director		
Mr. Mohammad Iqbal	1	1,606
Chief Executive Officer		
Salman Haider Sheikh		NIL
Public Limited Companies		
Banks	6	1,808,167
Financial Institutions and Modarabas	2	257,741
Retirement Funds	53	3,193,565
Insurance Companies	4	213,306
Other Corporate Sector Entities	6	151,589
Individuals	534	1,764,250
Total	609	8,860,217

REPORT OF THE TRUSTEE FAYSAL BALANCED GROWTH FUND

Report of the Trustee pursuant to Rule 76(h) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

Faysal Balanced Growth Fund, an open-end fund was established under a trust deed executed between Faysal Asset Management Limited as the Asset Management Company and Muslim Commercial Financial Services (Private) Limited as Trustee on January 29, 2004. The Scheme was authorized by Securities and Exchange Commission of Pakistan (SECP) on February 18, 2004.

As per the Agreement of Change of Trustee dated June 1, 2005 and Deed of Change of Trustee dated June 4, 2005, Muslim Commercial Financial Services (Private) Limited retired as the Trustee and Central Depository Company of Pakistan Limited was appointed as the Trustee of Faysal Balanced Growth Fund.

In our opinion, Faysal Asset Management Limited, the Asset Management Company of Faysal Balanced Growth Fund has in all material respects managed Faysal Balanced Growth Fund during the year ended June 30, 2007 in accordance with the provisions of the Trust Deed (and the modifications authorized by the SECP from time to time) and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

For the purpose of information, the attention of the unit holders is drawn towards the Auditors' Report to the Unit Holders wherein they have specified that Term Finance Certificates have not been valued in accordance with Non Banking Finance Companies (Establishment and Regulation) Rules, 2003.

Karachi: September 14, 2007

Mohammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2007

This statement is being presented by the Board of Directors of Faysal Asset Management Limited (FAML the company), the management company of **Faysal Balanced Growth Fund** (the Fund) to comply with the Code of Corporate Governance contained in Regulation No.37 of Listing Regulations of Karachi Stock Exchange, Regulation for the purpose of establishing a framework of good governance, whereby listed company is managed in compliance with the Best Practices of the Code of Corporate Governance.

FAML, the Management Company is not listed and hence, the Code is not applicable to it. However, the Fund, being listed on Karachi Stock Exchange, comes under the ambit of the Code. The fund being a unit trust scheme does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund.

The Management Company has applied the principles contained in the code in the following manner:

1. The management company encourages representation of independent non-executive directors. At present the Board includes two independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the resident Directors of the Management Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. No casual vacancy occurred in the Board till June 30, 2007 and till signing of this statement.
5. The Management Company has prepared a "**Statement of Ethics and Business Practices**" which has been signed by all the Directors and employees of the Management Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with the dates on which they 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 have been taken by the Board. There is no other executive director of the company besides the CEO.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter during the period. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated to all concerned.
9. The Directors of the Faysal Asset Management Limited are professionally qualified persons with rich experience in financial sector and are well aware of their duties and responsibilities under Memorandum and Articles of FAML and NBFC Rules, 2003.
10. The Board has approved the appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors' report for this period 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 CEO and CFO of the Management Company before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the units of the fund other than that disclosed in the pattern of the share holdings (units).

14. The Fund has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of four members, all of whom are non-executive directors including the Chairman of the Committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Management Company has outsourced its internal audit function to M. Yousuf Adil Saleem & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund and they (or their representatives) are involved in the internal audit function on a full time basis.
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, 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 International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. 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.
20. We confirm that all other material principles contained in the Code have been complied with and the Secretarial Compliance Certificate would be filed along with the annual return of the Company during the next accounting year.

Karachi: August 13, 2007

Salman Haider Sheikh
Chief Executive Officer

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 prepared by the Board of Directors of Faysal Asset Management Limited (the Management Company) of the **Faysal Balanced Growth Fund** to comply with the Listing Regulation No. 37(Chapter XI) of the Listing Regulation of Karachi Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the Best Practices contained in the Code of Corporate Governance as applicable to the Fund for the period ended June 30, 2007.

KARACHI: August 13, 2007

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **Faysal Balanced Growth Fund**, which comprise the statement of assets and liabilities as at June 30, 2007, and the related income statement, distribution statement, cash flow statement and statement of movement in unit holders' funds for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's 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 judgement, 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 Company, 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

- (a) As discussed in note 7.5 to the financial statements, the investment of the Fund in Term Finance Certificates (TFCs) have been revalued based on discounted cash flow method as allow by IAS 39 'Financial Instrument Recognition and Measurement'. The NBFC Rules, 2003, however, require that listed securities should be revalued on the basis of closing price of the Stock Exchange on which the same is listed. Had the TFCs been valued at the closing rates of the stock exchange (after adjusting for redemptions), the net income for the year would have been lower by Rs 26.608 million and the investments carried on the statement of assets and liabilities would also have been lower by the same amount. In addition, the Net Asset Value (NAV) calculation of the Fund and consequently the number of units issued/redeemed during the year as well as the element of income / (loss) and capital gains / (losses) included in units sold less those in units repurchased recorded by the Fund would also have been different. These effects have not been quantified as it was not practical to do so.

In our opinion, except for the matters referred to in paragraph (a) above the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2007 and of its financial performance, cash flows and transactions for the period then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, except for the effects of the matters referred to in paragraph (a) above, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

**STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2007**

	Note	June 30, 2007	June 30, 2006
		-----Rupees-----	
Assets			
Bank balances	5	105,769,453	27,676,508
Dividend and other receivables	6	117,711,952	28,647,063
Investments - net	7	875,921,917	1,591,506,641
Total assets		1,099,403,322	1,647,830,212
Liabilities			
Remuneration payable to the Management Company	8	2,222,830	3,004,781
Remuneration payable to the Trustee	9	180,984	215,737
Accrued and other liabilities	10	20,584,953	23,136,094
Total liabilities		22,988,767	26,356,612
Net assets		1,076,414,555	1,621,473,600
Unit holders' funds		1,076,414,555	1,621,473,600
		-----Number of units-----	
Number of units in issue		8,860,217	15,259,604
		-----Rupees-----	
Net asset value per unit		121.49	106.26

The annexed notes 1 to 23 form an integral part of these financial statements.

For Faysal Asset Management Limited
(Management Company)

Salman Haider Sheikh
Chief Executive Officer

Iqbal Alimohammed
Director

Mohammad Iqbal
Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2007

	Note	June 30, 2007	June 30, 2006
		-----Rupees-----	
Income			
Net capital gain on sale of investment classified as 'financial assets at fair value through profit or loss' - held for trading		175,077,192	641,009,854
Income from reverse repurchase transactions of listed securities		-	1,811,143
Mark-up earned on Term Finance Certificates		48,416,240	56,831,433
Dividend income		42,281,818	40,182,620
Return on bank balances		21,857,934	26,944,000
Element of income and capital gains included in prices of units sold less those in units redeemed		(83,120,306)	(58,823,689)
Other Income		-	200,000
		204,512,878	708,155,361
Unrealized gain - letter of rights		7,126,614	-
Unrealized gain / (loss) on investment classified as 'financial asset at fair value through profit or loss' - held for trading	7.4	18,439,011	(242,515,008)
Total income		230,078,503	465,640,353
Expenses			
Remuneration of the Management Company		33,250,678	44,474,611
Remuneration of the Trustee		2,477,809	2,976,636
Brokerage, capital value tax and settlement charges		5,883,366	7,474,982
Bank charges		14,068	120,647
Auditors' remuneration		303,542	315,378
SECP annual fee		1,477,809	1,976,652
Legal and professional charges		99,000	126,500
Fees and subscriptions		135,000	323,504
Amortization of preliminary expenses and floatation costs		-	1,954,796
Total expenses		43,641,272	59,743,706
Net income for the year before taxation		186,437,231	405,896,647
Taxation	12	-	-
Net income for the year after taxation		186,437,231	405,896,647
		-----Rupees-----	
Earnings per unit at the close of the year	13	21.04	26.60

The annexed notes 1 to 23 form an integral part of these financial statements.

For Faysal Asset Management Limited
(Management Company)

Salman Haider Sheikh
Chief Executive Officer

Iqbal Alimohammed
Director

Mohammad Iqbal
Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2007

	Rupees
Undistributed income brought forward as at June 30, 2005	201,295,910
Final bonus distribution for the year ended June 30, 2005 @ Rs 12.5 per unit (Declared for distribution on July 12, 2005.)	(195,007,337)
Interim bonus distribution for the year ended June 30, 2006 @ Rs 20 per unit (Declared for distribution on February 18, 2006.)	(316,672,053)
Net income after taxation for the year ended June 30, 2006	405,896,647
Undistributed income carried forward as at June 30, 2006	95,513,167
Final bonus distribution for the year ended June 30, 2006 @ Rs 6 per unit (Declared for distribution on July 15, 2006.)	(91,557,623)
Net income after taxation for the year ended June 30, 2007	186,437,231
Undistributed income carried forward as at June 30, 2007.	190,392,775

The annexed notes 1 to 23 form an integral part of these financial statements.

For Faysal Asset Management Limited
(Management Company)

Salman Haider Sheikh
Chief Executive Officer

Iqbal Alimohammed
Director

Mohammad Iqbal
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2007

Note	June 30, 2007	June 30, 2006
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before taxation	186,437,231	405,896,647
Adjustments for non-cash and other items:		
Net capital gain on sale of investment classified as 'financial asset at fair value through profit or loss' - held for trading	(175,077,192)	(641,009,854)
Dividend income	(42,281,818)	(40,182,620)
Mark-up earned on Term Finance Certificates	(48,416,240)	(56,831,433)
Return on bank balances	(21,857,934)	(26,944,000)
Element of income and capital gains included in prices of units sold less those in units redeemed	83,120,306	58,823,689
Unrealized gain - letter of rights	(7,126,614)	-
Unrealized (gain) / loss on investment classified as 'financial asset at fair value through profit or loss' - held for trading	(18,439,011)	242,515,008
Amortization of preliminary expenses and floatation costs	-	1,954,796
	<u>(43,641,272)</u>	<u>(55,777,767)</u>
(Increase) / decrease in assets		
Receivables	(91,530,824)	5,621,581
Increase / (decrease) in liabilities		
Remuneration payable to the Management Company	(781,951)	(244,448)
Remuneration payable to the Trustee	(34,753)	(10,909)
Accrued and other liabilities	(2,551,141)	(75,503,423)
	<u>(3,367,845)</u>	<u>(75,758,780)</u>
	<u>(138,539,941)</u>	<u>(125,914,966)</u>
Sale of investments	3,737,204,151	4,360,561,029
Purchase of investments	(2,828,103,224)	(3,956,049,183)
Dividend received	53,524,742	31,937,390
Mark-up received on Term Finance Certificates	49,242,816	62,546,504
Return received on bank balances	19,380,983	26,863,699
Advance tax refund	-	122,733
	<u>1,031,249,468</u>	<u>525,982,172</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received against issue of units	412,250,766	310,957,610
Payments made against redemption of units	(1,226,867,348)	(915,558,989)
	<u>(814,616,582)</u>	<u>(604,601,379)</u>
Net increase in cash and cash equivalents during the year	<u>78,092,945</u>	<u>(204,534,173)</u>
Cash and cash equivalents at the beginning of the year	<u>27,676,508</u>	<u>232,210,681</u>
Cash and cash equivalents at the end of the year	<u>105,769,453</u>	<u>27,676,508</u>

The annexed notes 1 to 23 form an integral part of these financial statements.

For Faysal Asset Management Limited
(Management Company)

Salman Haider Sheikh
Chief Executive Officer

Iqbal Alimohammed
Director

Mohammad Iqbal
Director

**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	June 30, 2007	June 30, 2006
	-----Rupees-----	
Net assets at the beginning of the year	1,621,473,600	1,761,354,643
Amount received on issue of units *	412,250,766	310,957,610
Amount paid on redemption of units **	(1,226,867,348)	(915,558,989)
	(814,616,582)	(604,601,379)
Element of income and capital gains included in prices of units sold less those in units redeemed	83,120,306	58,823,689
Net income after taxation for the year	186,437,231	405,896,647
Net assets as at the end of the year	1,076,414,555	1,621,473,600
Net assets as at the end of the year consist of:		
Capital account	886,021,780	1,525,960,433
Undistributed income carried forward	190,392,775	95,513,167
	1,076,414,555	1,621,473,600
	-----Number of units-----	
* Number of units issued (including 913,202 bonus units issued during the year ended June 30, 2007 and 1,942,304 units issued during the year ended June 30, 2006)	4,656,352	7,058,920
** Number of units redeemed	11,055,738	7,399,203

The annexed notes 1 to 23 form an integral part of these financial statements.

For Faysal Asset Management Limited
(Management Company)

Salman Haider Sheikh
Chief Executive Officer

Iqbal Alimohammed
Director

Mohammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

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 requirements of the Trust Deed, directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as are notified under the provisions of the Ordinance. Wherever, the requirements of the NBFC Rules, the requirements of the Trust Deed, or directives issued by SECP differ with the requirements of these standards, the requirements of the NBFC Rules, the Trust Deed or the said directives have been followed except for the valuation of term finance certificates classified as fair value through profit or loss as stated in note 4.2 and 7.5 to the financial statements.

2.1 Standards, interpretations and amendments to published approved accounting standards that are not yet effective.

The following standards, amendments and interpretations of approved accounting standards, that are effective for accounting periods beginning on or after July 01, 2007 are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than increased disclosures in certain cases:

IAS 1 - Presentation of financial statements - amendments relating to capital disclosures	effective from accounting period beginning on or after January 1, 2007
IFRS 2 - Share based payment	effective from accounting period beginning on or after January 1, 2007
IFRS 3 - Business combinations	effective from accounting period beginning on or after January 1, 2007
IFRS 5 - Non-current assets held for sale and discontinued operations	effective from accounting period beginning on or after January 1, 2007
IFRS 6 - Exploration for and evaluation of mineral resources	effective from accounting period beginning on or after January 1, 2007
IFRIC 10 - Interim financial reporting and impairment	effective for accounting period beginning on or after November 1, 2006
IFRIC 11 - Group and treasury share transactions	effective for accounting period beginning on or after March 1, 2007
IFRIC 12 - Services concession arrangements	effective for accounting period beginning on or after January 1, 2007

3 BASIS OF MEASUREMENT

- 3.1 These financial statements have been prepared under the historical cost convention except for investments classified as 'financial assets at fair value through profit or loss - held for trading' and 'available for sale investments' which are carried at fair value.
- 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 principal accounting policies adopted in the preparation of financial statements are set out below:

4.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and short-term deposits with an original maturity of three months or less. Cash and cash equivalents are carried in the balance sheet at cost.

4.2 Investments

The management company determines the appropriate classification of the Fund's investments in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of purchase and re-evaluates this classification on a regular basis.

All regular way purchases and sales of securities that require delivery within the time frame established by regulation of market convention are recognized at the trade date. Trade date is the date on which the Fund commits to purchase or sell the assets. Regular way purchases and sales are purchases or sales of investments that require delivery of assets within the period generally established by regulation or market convention such as "T+3".

The fair value of investments that are actively traded in an organised financial market is determined by reference to the quoted market bid prices at the close of business on the balance sheet. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis and option pricing models. The fair value of Term Finance Certificates is determined using discounted cash flow method.

Investments of the Fund are categorized as follows:

Financial assets at fair value through profit or loss

Investments that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category. These investments are initially recognised at fair value and the transaction cost associated with the investments is taken directly to income statement. Derivatives are also classified as held for trading in the 'Financial asset at fair value through profit or loss' category, unless they are designated as effective hedging instruments. Subsequent to the initial recognition, these investments are carried on the statement of assets and liabilities at fair value. Net gains and losses arising on changes in fair values of these investments are taken to the income statement in the period in which they arise.

Held-to-maturity investments

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Fund has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. These investments are initially recognised at fair value and subsequently carried at amortised cost. Gains and losses on these investments are recognised in the income statement when the investments are derecognized or impaired or through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired or through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. These are initially recognised at fair value and subsequently to initial recognition these are measured at fair value. The gains or losses arising due to the movement in the fair value are transferred to a separate account until the investment is derecognised.

4.3 Derivatives

Derivative financial instruments held by the Fund generally comprise of futures contracts in the capital market. These are initially recognized at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value. The fair value of futures contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the futures contract. Derivatives with positive market values (unrealised gains) are included in assets and derivatives with negative market values (unrealised losses) are included in liabilities in the balance sheet. The resultant gains and losses are included in the income currently.

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

4.4 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repos) are not recognized in the statement of assets and liabilities. Amounts paid under these agreements are included as 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 recognized in the statement of assets and liabilities and are measured in accordance with accounting policies for investment securities. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement.

4.5 Dividend and other receivables

Dividend and other receivables are carried at original invoice amount less an estimate for doubtful balances which is determined based on review of outstanding amounts and previous repayment pattern. Balances considered doubtful and irrecoverable are written off when identified.

4.6 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.

4.7 Accrued and other liabilities

Accrued and other liabilities are recognised initially at fair value and subsequently carried at amortized cost.

4.8 Impairment

An assessment is made at each balance sheet 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 determined 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.

For available for sale equity investments reversal of impairment losses are recorded as increases in cumulative changes in fair value through equity.

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.

4.9 Issue and redemption of units

Units issued are recorded at the offer price prevalent on the day when the investment forms complete in all respects are received. The offer price represents the Net Asset Value per unit as of the close of the business day plus the allowable sales load. The sales load is payable to the Management Company as processing fee. Issue of unit is recorded upon acceptance of application from the investor.

Units redeemed are recorded at the redemption price prevalent on the day when the redemption forms complete in all respects are received. The redemption price represents the Net Asset Value per unit as of the close of the business day. Redemption of units is recorded on acceptance of application for redemption.

4.10 Proposed dividend and transfer between reserves

Dividends declared and transfers between reserves, except those required by law, made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

4.11 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates, if any.

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

4.12 Revenue recognition

- Dividend income on equity securities is recognised in the income statement when the right to receive the dividend is established.
- Gains or losses on sales of securities and unrealised gains or losses arising on revaluation of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Mark-up on term finance certificates and profit on bank deposits is recognised on an accrual basis.

4.13 Element of income and capital gains included in prices of units sold less those in units redeemed

An equalization account called "element of income and capital gains included in prices of units sold less those in units redeemed" is created in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

The Fund records the net "element of income and capital gains included in prices of units sold less those in units redeemed" during an accounting period in the income statement.

4.14 Financial assets and financial liabilities

Financial assets carried on the statement of assets and liabilities include bank balances, dividend and other receivables and investments.

Financial liabilities carried on the statement of assets and liabilities include remuneration payable to management company, remuneration payable to the trustee and accrued and other liabilities.

At the time of initial recognition, all financial assets and financial liabilities are measured at fair value. The particular recognition methods adopted for subsequent remeasurement of significant financial assets and financial liabilities are disclosed in the individual policy statements associated with each item.

4.15 Offsetting financial instruments

Financial assets and liabilities are 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 amounts and there is an intention to settle on the net basis, or realise an asset and settle liability simultaneously.

4.16 Net Asset Value 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 circulating at the year end.

	Note	June 30, 2007 Rupees	June 30, 2006 Rupees
5 BANK BALANCES			
Current accounts		8,953	-
Saving accounts		105,760,500	27,676,508
		<u>105,769,453</u>	<u>27,676,508</u>
6 DIVIDEND AND OTHER RECEIVABLES - considered good			
Receivable against sale of investments classified as 'financial asset at fair value through profit or loss - held for trading'		95,906,115	5,350,000
Unrealised gain - letter of rights		7,126,614	-
Dividend income receivable		994,576	12,237,500
Mark-up receivable on Term Finance Certificates		7,998,429	8,825,005
Security deposits		1,000,000	-
Return receivable on bank balances		2,868,640	391,689
Advance tax	6.1	1,736,410	1,736,410
Prepaid settlement charges		81,168	106,459
		<u>117,711,952</u>	<u>28,647,063</u>

6.1 This represents tax withheld till September 30, 2004 under Section 233 (A) of the Income Tax Ordinance, 2001. This amount has been claimed as refundable in the return of income tax for the year ended June 30, 2005.

	Note	2007 Rupees	2006 Rupees
7 INVESTMENTS - NET			
Financial assets at fair value through profit or loss - held for trading			
Listed equity securities	7.1	492,326,450	1,151,058,141
Listed debt securities	7.2	383,595,467	440,448,500
		<u>875,921,917</u>	<u>1,591,506,641</u>

7.1 Listed equity securities

Name of the Investee company	Number of shares				As at June 30, 2007	Market value as at June 30, 2007 (Rupees)	Percentage of net assets
	As at July 1, 2006	Purchased during the year	Bonus/Right shares received	Disposed of during the year			
Unless stated otherwise, the holding are in ordinary shares / certificates of Rs. 10 each.							
Cement							
DG Khan Cement Limited	494,875	2,484,700	147,658	3,027,232	100,001	11,850,117	1.08%
Fauji Cement Company Limited	-	450,000	-	450,000	-	-	-
Lucky Cement Limited	-	102,700	-	102,700	-	-	-
Maple Leaf Cement Limited	850,000	25,000	-	875,000	-	-	-
Al Abbas Cement	-	115,000	-	115,000	-	-	-
Kohat Cement	-	25,000	-	25,000	-	-	-
Dewan Cement Limited	-	125,000	-	125,000	-	-	-
						<u>11,850,117</u>	<u>1.08%</u>
Insurance Companies							
Adamjee Insurance Company Limited	-	912,000	-	912,000	-	-	-
EFU General Insurance Company	-	55,000	-	55,000	-	-	-
Commercial Banks							
Askari Commercial Bank Limited	150,000	925,000	-	1,075,000	-	-	-
Bank Al Falah Limited	665,812	150,020	-	815,832	-	-	-
Crescent Commercial Bank Limited	-	100,000	-	-	100,000	2,245,000	0.21%
MCB Bank Limited	200,000	150,000	-	350,000	-	-	-
National Bank of Pakistan	804,400	2,132,500	27,000	2,963,900	-	-	-
NIB Bank Limited	116,734	-	-	-	116,734	2,451,414	0.23%
JS Bank Limited	-	610,000	-	-	610,000	11,742,500	1.09%
Saudi Pak Commercial Bank Limited	-	1,897,000	-	1,897,000	-	-	-
Standard Chartered Bank Limited	-	50,000	-	-	50,000	2,647,500	0.25%
Bank Al Habib Limited	-	100,000	-	100,000	-	-	-
Bank of Khyber	-	300,000	-	-	300,000	4,950,000	0.46%
Bank of Punjab	-	1,050,000	219,375	1,269,375	-	-	-
BankIslami Pakistan Limited	-	130,000	-	130,000	-	-	-
						<u>24,036,414</u>	<u>2.23%</u>
Oil & Gas Marketing Companies							
Attock Petroleum Limited	5,000	65,000	-	40,000	30,000	15,040,500	1.40%
Pakistan State Oil Company Ltd	100,000	572,300	-	617,300	55,000	21,529,750	2.00%
Sui Southern Gas Company	700,000	-	-	400,000	300,000	7,740,000	0.72%
						<u>44,310,250</u>	<u>4.12%</u>
Chemicals							
ICI Pakistan Limited	188,200	127,200	-	205,400	90,000	15,039,000	1.40%
						<u>15,039,000</u>	<u>1.40%</u>
Oil & Gas Exploration Companies							
Oil & Gas Development Company	950,000	2,157,288	-	2,660,000	447,288	53,585,102	4.98%
Pak Oilfields Limited	450,000	300,000	-	750,000	-	-	-
Pakistan Petroleum Limited	500,000	1,365,000	-	1,765,000	100,000	26,245,000	2.44%
						<u>79,830,102</u>	<u>7.42%</u>
Fertilizer							
ENGRO Chemicals	-	210,000	-	210,000	-	-	-
Fauji Fertilizer Bin Qasim Limited	1,473,500	3,750,000	-	3,300,000	1,923,500	75,016,500	6.97%
Fauji Fertilizer Company Limited	-	100,000	-	100,000	-	-	-
						<u>75,016,500</u>	<u>6.97%</u>
Synthetic and Rayon							
Dewan Salman Fibers Limited	900,000	400,000	-	1,300,000	-	-	-
Open-End Mutual Funds							
Faysal Savings Growth Fund	-	500,000	-	-	500,000	50,685,000	4.71%
						<u>50,685,000</u>	<u>4.71%</u>
Technology and Communication							
Pakistan Telecommunication Company Limited	3,200,000	2,225,500	-	4,975,500	450,000	25,650,000	2.38%
WorldCall Telecom Limited	-	849,000	-	849,000	-	-	-
TRG Pakistan	-	1,000,000	-	1,000,000	-	-	-
NETSOL Technologies Limited	-	55,000	-	55,000	-	-	-
						<u>25,650,000</u>	<u>2.38%</u>
Textile Composites							
Artistic Denim Mills Limited	11,500	77,400	46,000	58,500	76,400	5,309,800	0.49%
Azgard Nine Limited	-	214,000	-	214,000	-	-	-
Nagina Cotton Mills Limited	71,000	1,000	-	-	72,000	1,119,600	0.10%
Nishat Chunian Limited	-	1,300,300	-	618,300	682,000	28,064,300	2.61%
Nishat Mills Limited	1,116,000	190,000	15,000	1,321,000	-	-	-
						<u>34,493,700</u>	<u>3.20%</u>

Name of the Investee company	Number of shares				As at June 30, 2007	Market value as at June 30, 2007 (Rupees)	Percentage of net assets
	As at July 1, 2006	Purchased during the year	Bonus/Right shares received	Disposed of during the year			
Automobile Assembler							
Hinopak Motors	-	2,000	-	-	2,000	726,000	0.07%
Indus Motors Company Pakistan Limited	-	50,000	-	-	50,000	15,275,000	1.42%
Pak Suzuki Motor Company Limited	-	30,000	-	-	30,000	11,760,000	1.09%
						<u>27,761,000</u>	<u>2.58%</u>
Modaraba							
First Habib Modaraba	424,000	-	-	424,000	-	-	-
						<u>-</u>	<u>-</u>
Paper & Board Packages Limited							
Packages Limited	13,420	2,000	351	8,400	7,371	2,351,717	0.22%
						<u>2,351,717</u>	<u>0.22%</u>
Cable & Electric Goods							
Pak Electron Limited	-	37,000	-	37,000	-	-	-
						<u>-</u>	<u>-</u>
Investment Banks/Co/Securities							
Pakistan Industrial Credit and Investment Corporation	-	500,000	-	215,000	285,000	23,398,500	2.17%
Arif Habib Securities Limited	-	105,000	70,000	70,000	105,000	12,243,000	1.14%
						<u>35,641,500</u>	<u>3.31%</u>
Textile Spinning							
Dewan Farooq Spinning Mills Limited	510,000	-	-	198,000	312,000	2,792,400	0.26%
Eilcot Spinning Mills Limited	-	14,200	-	-	14,200	362,100	0.03%
						<u>3,154,500</u>	<u>0.29%</u>
Glass & Ceramics							
Tariq Glass Industries	12,000	-	600	12,600	-	-	-
						<u>-</u>	<u>-</u>
Close-End Mutual Funds							
PICIC Growth Fund	-	100,000	-	50,000	50,000	1,690,000	0.16%
						<u>1,690,000</u>	<u>0.16%</u>
Power Generation & Distribution							
Hub Power Company Limited	-	704,500	-	404,500	300,000	11,010,000	1.02%
						<u>11,010,000</u>	<u>1.02%</u>
Sugar & Allied Industries							
Shakarganj Mills Limited	-	100,000	-	100,000	-	-	-
						<u>-</u>	<u>-</u>
Miscellaneous							
Tri Pack Films Limited	140,000	60,000	-	200,000	-	-	-
						<u>-</u>	<u>-</u>
	<u>14,026,441</u>	<u>29,052,808</u>	<u>525,984</u>	<u>36,448,539</u>	<u>7,158,494</u>	<u>442,319,800</u>	<u>41.09%</u>
Preference shares having a face value of Rs. 10/- each unless stated otherwise.							
Cable & Electric Goods							
Pak Electron Limited	5,000,000	-	-	-	5,000,000	50,000,000	4.65%
						<u>50,000,000</u>	<u>4.65%</u>
Textile Composite							
Azgard Nine Limited	-	1,000	-	-	1,000	8,850	-
						<u>5,000,000</u>	<u>4.65%</u>
	<u>5,000,000</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>5,001,000</u>	<u>50,008,850</u>	<u>4.65%</u>
Total listed equity shares	19,026,441	29,053,808	525,984	36,448,539	12,159,494	492,328,450	45.74%
7.2 Listed debt securities							
Commercial Banks							
United Bank Limited (1st issue)	25,000	-	-	-	25,000	115,137,272	10.70%
United Bank Limited (2nd issue)	5,000	-	-	-	5,000	23,339,851	2.17%
Investment Companies							
Jahangir Siddiqui & Company Limited	7,850	-	-	-	7,850	36,013,981	3.35%
Oil & Gas Exploration Companies							
Chanda Oil & Gas Securitization Company	20,000	-	-	-	20,000	79,415,801	7.38%
Nalmat Basal Oil & Gas Securitization Company	15,000	-	-	-	15,000	45,807,802	4.26%
Leasing Companies							
Trust Leasing Company Limited	4,500	-	-	-	4,500	10,936,709	1.02%
Technology and Communication							
Tele Card	20,000	10	-	-	20,010	72,944,251	6.78%
						<u>97,150</u>	<u>10</u>
Total listed debt securities	97,150	10	-	-	97,160	383,595,467	35.66%

7.3 Significant terms and conditions of TFCs are as follows:

Name of Security	Number of Certificate	Face Value (Rs.)	Markup Rate (per annum)	Maturity	Secured/ un-secured	Rating
United Bank Limited (1st issue)	25,000	5,000	8.45%	August, 2012	Unsecured	A
United Bank Limited (2nd issue)	5,000	5,000	9.49%	March, 2013	Unsecured	A
Trust Leasing Company Limited	4,500	5,000	3% + 6 month KIBOR	July, 2009	Secured	AA-
Jahangir Siddiqui & Company Ltd	7,650	5,000	8.29%	December, 2009	Secured	AA+
Chanda Oil & Gas Securitization Co	20,000	5,000	3.25% + 3 month KIBOR	February, 2012	Unsecured	A
Naimat Basal Oil & Gas Securitization Company	15,000	5,000	2.50% + 6 month KIBOR	April, 2010	Secured	A
Tele Card	20,010	5,000	3.75% + 6 month KIBOR	May, 2011	Secured	A

7.4 Net unrealised gain / (loss) during the year in the value of investments classified as 'financial assets at fair value through profit or loss' - held for trading.

	2007 Rupees	2006 Rupees
Fair value of investments classified as financial assets at fair value through profit or loss - held for trading	875,921,917	1,591,506,641
Less : cost of investments classified as financial assets at fair value through profit or loss - held for trading	877,719,440	1,854,071,980
	(1,797,523)	(262,565,339)
Net unrealised gain in market value of investments classified as 'financial assets at fair value through profit or loss- held for trading' at the beginning of the year	262,565,339	150,778,750
Less: realised on disposal during the year	242,328,805	130,728,419
	20,236,534	20,050,331
	18,439,011	(242,515,008)

7.5 The investments of the Fund in Term Finance Certificates (TFCs) have been revalued based on discounted cash flow method as allowed by IAS 39 'Financial Instrument Recognition and Measurement'. However, the NBFC Rules, 2003 require that listed securities to be revalued on the basis of closing price of the Stock Exchange on which the same is listed. The management is of the view that in an open-end Fund where units are continuously issued and redeemed on NAV based prices, it is essential to evaluate the portfolio of the Fund on fair market value so as to ensure that the NAV based price is fair to existing, incoming and exiting unit holders. The market prices of the securities held in the portfolio of the Fund are changing continuously. However, the trade of these securities are not reflected in the values quoted on the stock exchange and the stock exchange values are consequently not updated. Accordingly the management is of the view that the values quoted on the stock exchange do not represent the fair values of these securities. In case the values quoted on the stock exchange are to be used, the NAV would not reflect the fair value and cause arbitrage in favour of some investors against the interests of the others. Thus the management follows an accounting policy that protects the interests of all the unit holders and this policy is in accordance with the IAS-39.

Had the TFCs been valued at the rates quoted on the printed copy of the stock exchange quotation, the carrying value of investment and the net income for the year would have been lower by Rs. 26.608 million. Further, the Net Asset Value (NAV) of the Fund during the year would have been different and consequently the number of units issued / redeemed during the year as well as the element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units repurchased during the year recorded by the Fund would also have been different. These effects have not been quantified, as it was not practical to do so.

8 REMUNERATION PAYABLE TO THE MANAGEMENT COMPANY

Under the provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, 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 of the Fund. In the current year, the fee of the management company has been charged at the rate of 2.25 percent of the average annual net asset of the Fund.

9 REMUNERATION PAYABLE TO THE TRUSTEE

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

	Note	2007 Rupees	2006 Rupees
10 ACCRUED AND OTHER LIABILITIES			
Against purchase of investments classified as 'financial assets at fair value through profit or loss - held for trading'		18,409,273	20,053,756
Sales load payable		135,182	571,984
SECP annual fee payable	10.1	1,477,809	1,976,654
Accrued expenses		556,298	437,165
Zakat payable		6,391	96,535
		<u>20,584,953</u>	<u>23,136,094</u>

10.1 SECP annual fee payable

This represents annual fee payable to the SECP in accordance with Rule 79 of the NBFC Rules, 2003, whereby the Fund is required to pay SECP annually an amount equal to one tenth of 1% of the average net assets of the Fund.

11 AUDITORS' REMUNERATION

Audit fee		200,000	200,000
Half yearly review fee		50,000	50,000
Fee for the review of statement of compliance of code of corporate governance		25,000	25,000
Out of pocket expenses		28,542	40,378
		<u>303,542</u>	<u>315,378</u>

12 TAXATION

The income of the Fund for the year is exempt from tax under clause 99 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001, as the Fund has distributed more than 90% of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, among units holders.

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

13 EARNINGS PER UNIT

Earnings per unit (EPU) is calculated by dividing the net income after tax for the year by the number of units outstanding as at the end of the year.

EPU based on cumulative weighted average units for the whole year has not been disclosed as in the opinion of the management determination of such for calculating EPU is not practicable.

		2007 Rupees	2006 Rupees
14 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES			
14.1 During the year			
Faysal Asset Management Limited			
Remuneration of Management Company		33,250,678	44,474,610
Sales Load		2,016,118	6,434,469
Faysal Savings Growth Fund			
Purchase of units [Number of units 2007 : 500,000 ; 2006 : Nil]		50,000,000	-
Faysal Bank Limited			
Issue of bonus units [Number of units 2007:119,689 ; 2006: 651,616]		-	-
Redemption of units [Number of units 2007: 809,397; 2006: 620,586]		96,350,596	78,119,445
Profit on deposits		13,119	4,790,868

	2007 Rupees	2006 Rupees
AKD Securities (Private) Limited		
Brokerage fee	321,838	529,233
Purchase of marketable securities	242,708,800	26,737,500
Sale of marketable securities	221,749,117	285,883,975
Issue of units [Number of units 2007 : Nil ; 2006 : 186,176]	-	20,994,024
Redemption of units [Number of units 2007 : Nil ; 2006 : 786,176]	-	97,612,413
14.2 Outstanding balances as at year end		
Faysal Asset Management Limited		
Remuneration of Management Company	2,222,830	3,004,781
Sales Load	135,182	571,984
Faysal Savings Growth Fund		
Units in issue [Number of units 2007 : 500,000 ; 2006 : Nil]	50,685,000	-
Faysal Bank Limited		
Units in issue [Number of units 2007 : 1,310,292 ; 2006 : 2,000,000]	159,185,417	212,518,438
Profit receivable on deposits	-	15,371
Balance in Savings account	1,140,095	9,749,716
AKD Securities (Private) Limited		
Payable against purchase of marketable securities	11,746,775	-
Receivable against sale of marketable securities	21,550,000	-
Accrued brokerage expense	65,000	-

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates .

15 INTEREST RATE SENSITIVITY POSITION

15.1 The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2007 can be determined from the following:

	June 30, 2007				
	Exposed to interest rate risk			Not exposed to interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
Amount in Rupees					
On-balance sheet financial instruments					
Financial assets					
Bank balances	105,769,453	-	-	-	105,769,453
Dividend and receivables	-	-	-	115,894,374	115,894,374
Investments	383,595,467	-	-	492,326,450	875,921,917
	489,364,920	-	-	608,220,824	1,097,585,744
Financial liabilities					
Remuneration payable to the Management Company	-	-	-	2,222,830	2,222,830
Remuneration payable to the Trustee	-	-	-	180,984	180,984
Accrued and other liabilities	-	-	-	20,584,953	20,584,953
	-	-	-	22,988,767	22,988,767
On-balance sheet gap	489,364,920	-	-	585,232,057	1,074,596,977
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-
Total sensitivity gap	489,364,920	-	-		
Cumulative sensitivity gap	489,364,920	-	-		

June 30, 2006

Exposed to interest rate risk				
Upto three months	More than three months and upto one year	More than one year	Not exposed to interest rate risk	Total
----- Amount in Rupees -----				
On-balance sheet financial instruments				
Financial assets				
Bank balances	27,676,508	-	-	27,676,508
Dividend and receivables	-	-	26,804,194	26,804,194
Investments	440,448,500	-	1,151,058,141	1,591,506,641
	468,125,008	-	1,177,862,335	1,645,987,343
Financial liabilities				
Remuneration payable to the Management Company	-	-	3,004,781	3,004,781
Remuneration payable to the Trustee	-	-	215,737	215,737
Accrued and other liabilities	-	-	23,136,094	23,136,094
	-	-	26,356,612	26,356,612
On-balance sheet gap	468,125,008	-	1,151,505,723	1,619,630,731
Off-balance sheet financial instruments				
	-	-	-	-
Off-balance sheet gap	-	-	-	-
Total sensitivity gap	468,125,008	-	-	-
Cumulative sensitivity gap	468,125,008	-	-	-

15.2 The rates of return on financial assets are as follows:

	Percentage 2007	Percentage 2006
Term Finance Certificates	8.29% - 14.31%	8.29% - 13.41%
Bank balances	2.25% - 12.10%	2.25% - 9%

16. MATURITIES OF ASSETS & LIABILITIES

June 30, 2007

	Upto three months	More than three months and upto one year	More than one year	Total
----- Amount in Rupees -----				
Assets				
Bank balances	105,769,453	-	-	105,769,453
Dividend and receivables	117,711,952	-	-	117,711,952
Investments - net	875,921,917	-	-	875,921,917
	1,099,403,322	-	-	1,099,403,322
Liabilities				
Remuneration payable to the Management Company	2,222,830	-	-	2,222,830
Remuneration payable to the Trustee	180,984	-	-	180,984
Accrued and other liabilities	20,584,953	-	-	20,584,953
	22,988,767	-	-	22,988,767
Net assets	1,076,414,555	-	-	1,076,414,555

June 30, 2006

	Upto three months	More than three months and upto one year	More than one year	Total
Amount In Rupees				
Assets				
Bank balances	27,676,508	-	-	27,676,508
Dividend and receivables	28,647,063	-	-	28,647,063
Investments - net	1,591,506,641	-	-	1,591,506,641
	1,647,830,212	-	-	1,647,830,212
Liabilities				
Remuneration payable to the Management Company	3,004,781	-	-	3,004,781
Remuneration payable to the Trustee	215,737	-	-	215,737
Accrued and other liabilities	23,136,094	-	-	23,136,094
	26,356,612	-	-	26,356,612
Net assets	1,621,473,600	-	-	1,621,473,600

17. FINANCIAL RISK MANAGEMENT POLICIES

The Fund primarily invests in listed equity and various debt securities. These investments are subject to various nature of risks. These risks emanate from various factors that include, but not limited to the following:

17.1 Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices of securities. The Management Company manages market risk by monitoring exposure on marketable securities by following the internal guidelines of the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

17.2 Yield / Interest rate risk

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest / mark-up rate risk arises from mismatches in the amount of interest / mark-up based financial assets, liabilities and off-balance sheet financial instruments that mature or reprice in a given period. The Management Company manages these mismatches through risk management strategies where significant changes in gap positions can be adjusted.

The Fund is not materially exposed to yield / interest rate risk as there are no interest bearing financial liabilities giving rise to mismatches of financial assets and financial liabilities.

17.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitment associated with financial instruments. The Management Company manages liquidity risk by following internal guidelines of the Investment Committee such as monitoring maturities of financial assets and financial liabilities and investing in highly liquid financial assets.

The Fund is not materially exposed to liquidity risk as significant obligations / commitments of the Fund are short term in nature and significant assets of the Fund are easily realizable / convertible into cash on the Stock Exchanges and over-the-counter market

17.4 Credit risk

Credit risk arising from the inability of the counter parties to meet the terms of the Fund's financial instrument contracts. It is generally limited to the amounts, if any, by which the counter party obligations exceed the obligations of the Fund. The Fund's policy is to enter into financial instrument contracts by following internal guidelines duly approved by the Investment Committee such as approving counter parties, approving credit limits and by following strict credit evaluation criteria laid down by the management company.

Concentration of credit risk exist when changes in economic or industry factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse creditworthy counter parties thereby mitigating any significant concentrations of credit risk.

18. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the approved accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires management company to exercise judgment in application of its accounting policies. The estimates and associated assumptions are based on management company experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies relate to classification and valuation of investments as disclosed in notes 4.2 and 7 of the financial statements.

19. 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.

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 actively tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The fair value of listed term finance certificates have been determined based on discounted cash flows. 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.

20. PERFORMANCE TABLE

	2007	2006	2005
	----- Rupees -----		
Net assets	1,076,414,555	1,621,473,600	1,761,354,643
Net asset value per unit	121.49	106.26	112.90
Highest offer price per unit	124.34	147.41	131.88
Lowest redemption price per unit	97.37	95.42	97.47

21. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 13, 2007 by the Board of Directors of the Management Company.

22. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the management company in their meeting held on July 07, 2007 have declared a bonus issue at the rate of 18% (i.e Rs. 18 per unit) . The financial statements of the Fund for the year ended June 30, 2007 do not include the effect of the bonus issue which will be accounted for in the financial statements of the Fund subsequent to the year end.



23. GENERAL

- 23.1 Figures are rounded off to the nearest rupee
- 23.2 Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison.

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

Salman Haider Sheikh
Chief Executive Officer

Iqbal Alimohammed
Director

Mohammad Iqbal
Director



The Financial statements of the fund for the year ended June 30, 2006 were audited by another firm of Chartered Accountants who had also expressed a qualified opinion thereon in respect of the aforementioned matter vide their report dated July 15, 2006.

Chartered Accountants

Karachi:
Dated: August 13, 2007





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