

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
8th Floor, Karachi Stock Exchange Building,
Stock Exchange Road, Karachi-74000

Bankers to the Fund
Faysal Bank Limited
Muslim Commercial Bank Limited
Atlas Bank Limited
Bank Alfalah Limited
Metropolitan Bank Limited

Auditors
Ford Rhodes Sidat Hyder & Co., Chartered Accountants

Legal Advisor
Bawany and Partners
404, 4th Floor
Beaumont Plaza
Beaumont Road
Karachi.

Registrars
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
My Bank Limited
Flow(Private) Limited
First International Investment Bank Limited

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MISSION STATEMENT

FIGF seeks to provide its risk-averse investors
an opportunity to earn a consistent market
based income with conservative risk profile
while maintaining security of principal
as its prime objective

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Directors of the Faysal Asset Management Limited, the Management Company of Faysal Income & Growth Fund, are pleased to present the First Annual Report on the operations of FIGF along with the audited accounts, Reports of the Trustee and Auditors to the Unit Holders for the financial year ended June 30, 2006. FIGF was launched on October 10, 2005; accordingly the profit and loss account reflects the results of operations for the period from October 10, 2005 to June 30, 2006 and no comparative data for the last year has been published.

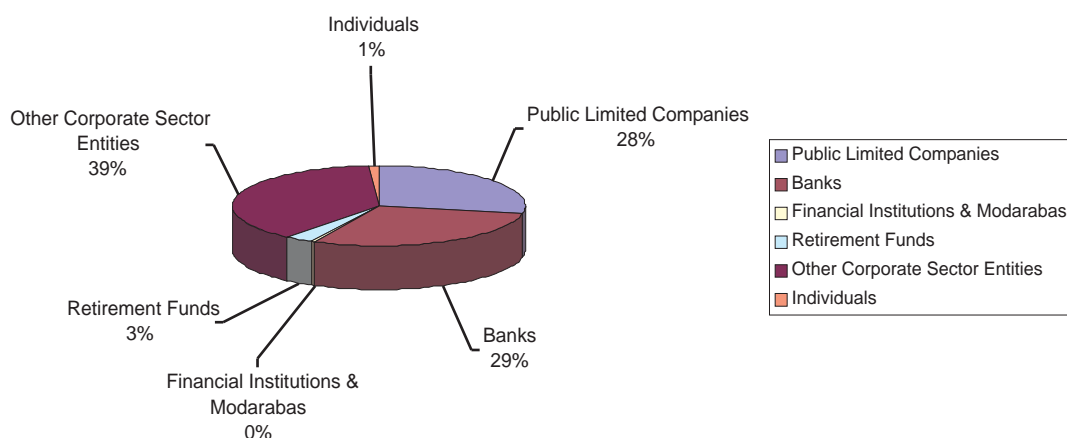
SALE AND REDEMPTION OF UNITS

During the period, units worth Rupees 1,448.34 million were issued and units with a value of Rupees 4.72 million were redeemed.

UNIT HOLDERS

As of June 30, 2006, 14,214,836 units with a value of Rs. 1,501 million were outstanding.

Classification of Unit Holders



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 period as well as the prices prevailing as of June 30, 2006 were as below:

	Offer Prices	Redemption Prices
Highest	107.41	106.35
Lowest	101	100
As of June 30, 2006	106.65	105.59

FUND PERFORMANCE & OBJECTIVE

Faysal Income & Growth Fund (FIGF) is an open-ended fund was launched on October 10, 2005 and presently stands at total value of Rs. 1.501 Billion.

The fund has a strategy to make secured investments with optimum yield. Accordingly, the fund maintains major exposure in Government securities or placement of funds with financial institutions.

Alhamd-O-Lillah, the fund performed well and achieved an annualized yield of 7.73% p.a as of June 30th, 2006 for its investors as tabulated below:

Fund Launch Date	October 10, 2005
Offer Price at Launch Date	100.00
Redemption Price on June 30th, 2006	105.59
No. of Days since inception	263
Annualized yield	7.73% p.a.

The management complied with the investment clause of the Offering Document which entails that at least 90 percent of the net assets be invested in fixed income securities and up to a maximum of 10 per cent of the net assets be invested in equities. However, clause 6.2.5 of the Trust Deed states that if the fund invests in equity securities, than at least 50 per cent of the net assets be invested in listed securities or the securities for which an application for listing has been approved by a stock exchange. The Management and the Trustee had agreed that to execute a supplemental trust deed to bring the Trust Deed in line with the investment clause of the offering document. The Securities and Exchange Commission of Pakistan has approved the execution of the supplemental trust deed vide its letter SEC/NBFC/AD/719/2006 dated October 9, 2006.

INVESTMENT STRATEGY

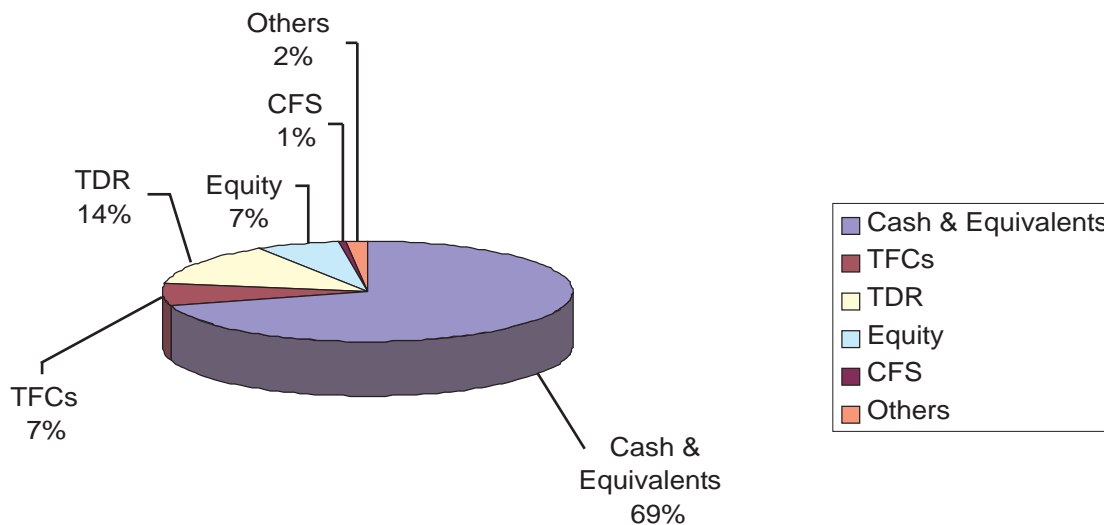
Being an Income Fund, the fund's emphasis is on managing interest rate risk and duration risk by keeping a short to medium-term investment portfolio.

ASSET ALLOCATION

Due to rising international oil prices, we are witnessing an increasing inflationary pressure in the economy. The State Bank of Pakistan is closely monitoring economic data to keep this inflationary pressure in check. Accordingly, market is anticipating a rise in interest rates in near future and in our view there might be a better opportunity for investment in Government Securities during the next quarter. The liquidity required for the investment in Government securities is presently held by the fund with various A-rated financial institutions.

The Asset Allocation of the fund as on June 30, 2006 is as follows:

Asset Allocation



MARKET OVERVIEW

Overall the State Bank of Pakistan continued to maintain its tight monetary policy stance. As before, the market was kept tight via OMOs and not the interest rate hike. The notable event during the quarter was the PIB Auction, which rejuvenated the dormant PIB market and drove the yield upwards, and then normalized the yield to a certain extent.

After the wait of almost two years, The Government of Pakistan conducted a PIB Auction in which it sold Rs. 10.16 Billion worth of PIBs against the total participation of Rs. 16 billion. The PIBs were issued at a discount as per market expectations. The coupon rates for the 3-year, 5-year and 10-year PIB were 9.10%, 9.30% and 9.60% respectively but the PIBs ultimately issued at the cut-offs of 9.45%, 9.67% and 9.87% respectively. The total size of the 3-year PIB was 2.9 billion, the 5-year PIB 4.01 Billion and 10-year PIB 3.2 Billion. The secondary market remained volatile during this period and market has witnessed an upward movement in the yields of PIBs.

Despite increasing inflationary pressure & tight monetary policy SBP maintained the cut-off yield on 12 month at 8.79%. However, the cut-off yields of 3 & 6 months T-Bills increased to 8.32%, 8.44% respectively during the last quarter of this fiscal year.

The primary market remains non-liquid and we are witnessing low buying interest in any new TFC issue. The arrangers and advisors are facing difficulties in placing new corporate papers with institutions as Bank deposits are offering reasonable returns and they are liquid as well. The market is also witnessing negligible activity in the secondary market of TFC's.

FUTURE OUTLOOK

Market participants are still positive about the rise in benchmark rates due to key economic indicators during the first quarter of next fiscal year. This change in benchmark rates will impact the Long-term interest rates.

Rising oil prices and inflation are still a concern for fixed-income investment managers of the country and market is expecting the continuation of current fiscal policy by the central bank.

MUTUAL FUND RATING

JCR-VIS assigned a fund stability rating of "A+" to Faysal Income & Growth Fund (FIGF). The fund stability rating is based on the investment policy of FIGF by way of which the fund will be largely invested in government paper or short-term placements and thus would be able to maintain its strong portfolio credit quality and minimize portfolio duration risk.

MEETINGS OF THE DIRECTORS

Mr. Mohammad Khan Hoti and Mr. Ajaz Rahim resigned as director w.e.f. January 26, 2006 and May 5, 2006 respectively. Mr. Muhammad Iqbal and Mr. Shahid Waqar Mehmood were co-opted by Board as director w.e.f. January 26, 2006 and May 5, 2006 respectively in place of Mr. Mohammad Khan Hoti and Mr. Ajaz Rahim. Mr. Ahsan Raza Durrani resigned as chief executive w.e.f. May 1, 2006 and Mr. Salman Haider Sheikh was appointed as chief executive w.e.f. May 1, 2006. All appointments of directors and chief executive officer were upon approval from SECP.

S. No.	Name	Designation	Meetings		
			Total	Attended	Leave Granted
1.	Mr. Farook Bengali	Chairman	4	3	1
2.	Mr. Ahsan Raza Durrani	Chief Executive Officer	4	4	-
3.	Mr. Hassan Mohamed Mahmood	Director	4	4	-
4.	Mr. Mohammad Khan Hoti	Director (resigned on Jan 26, 2006)	2	2	-
5.	Mr. Ajaz Rahim	Director	4	4	-
6.	Mr. Feroz Rizvi	Director	4	3	1
7.	Mr. Iqbal Alimohamed	Director	4	3	1
8.	Mr. Aqeel Karim Dhedhi	Director	4	2	2
9.	Mr. Mohammad Iqbal	Director (co-opted w.e.f. Jan 26, 2006)	1	1	-

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' review report thereon for the year ended June 30, 2006 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 unitholder'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.

There were no 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.

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



Salman Haider Sheikh
Chief Executive Officer

Karachi: October 9, 2006

DETAIL OF PATTERN OF HOLDING (UNITS)
AS AT JUNE 30, 2006

	Number of Unit Holders	Units Hold
Associated Companies		
Faysal Bank Limited	1	2,500,000.00
Public Limited Companies	2	4,039,314.13
Banks	3	1,600,000.00
Financial Institutions and Modarbas	1	25,000.00
Retirement Funds	10	496,830.84
Other Corporate Sector Entities	3	5,413,022.11
Individuals	75	140,668.87
	<hr/>	<hr/>
TOTAL	95	14,214,836.00
	<hr/> <hr/>	<hr/> <hr/>

REPORT OF THE TRUSTEE FAYSAL INCOME AND GROWTH FUND

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

The Faysal Income and Growth Fund, an open-end fund was established under a trust deed executed between Faysal Asset Management Limited as the Asset Management Company and Central Depository Company of Pakistan Limited as the Trustee on April 27, 2005. The Scheme was authorized by Securities and Exchange Commission of Pakistan (SECP) on June 24, 2005.

In our opinion, Faysal Asset Management Limited, the Management Company of Faysal Income and Growth Fund has in all material respects managed Faysal Income and Growth Fund during the period from October 10, 2005 to June 30, 2006 in accordance with the provisions of the Trust Deed (and the modifications authorized by the SECP from time to time) and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

For the purpose of information, the attention of the unit holders is drawn towards:

- a) the Auditors' Report where in it is specified that Term Finance Certificates have been valued on the basis of discounted cash flow method as allowed by International Accounting Standard-39 instead of the closing rate quoted on stock exchange in accordance with Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.
- b) requirement of clause 6.2.5 of the Trust Deed which states that "Where Investment of the Fund Property is made in equity securities, not less than 50% of the Fund Property shall be invested in the listed securities or in securities for the listing of which an application has been approved by a stock exchange." However, the Management Company following the investment Objective as mentioned in the offering Document has invested 6.46% of the Fund property in listed equity securities and 7.13% of the Fund property in listed debt securities as reflected from Note 7 to the financial statements for the year ended June 30, 2006. Subsequent to the year end the Management Company has taken up this issue with the SECP for the amendment of the trust deed to bring it in line with the Investment Objective as mentioned in the Offering Document. The said amendment has been approved by SECP vide their letter SEC/NBFC/AD/719/2006 dated October 9, 2006.

Date: October 13, 2006
Karachi

Mohammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2006

This statement is being presented by the Board of Directors of Faysal Asset Management Limited (FAML the company), the management company of Faysal Income & 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. Two casual vacancies occurred during the year in the Board due to the resignation of Mr. Muhammad Khan Hoti and Mr. Ajaz Rahim. The casual vacancies were duly filled by the co-option of Mr. Muhammad Iqbal and Mr. Shahid Waqar Mahmood by the Board with the approval of Securities and Exchange Commission of Pakistan.
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 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.
11. The financial statements of the Fund were duly endorsed by CEO and CFO of the Management Company before approval of the Board.
12. The Directors, CEO do not hold any interest in the units of the fund other than that disclosed in the pattern of the share holdings (units).

13. The Fund has complied with all the corporate and financial reporting requirements of the Code.
14. 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.
15. The meetings of the audit committee were held at least once every quarter prior to approval of the financial statements of the Fund as required by the Code.
16. The Management Company has outsourced its internal audit function to M. Yousuf Adil Saleem & Co., Chartered Accountants.
17. 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 shares of the Company 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.
18. 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.
19. We confirm that all other material principles contained in the Code have been complied with and the Secretarial Compliance Certificate would be filled along with the annual return of the Company.

Karachi
July 15, 2006



Salman Haider Sheikh
Chief Executive Officer

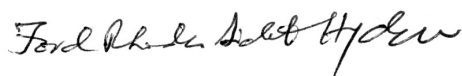
AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the annexed statement of assets and liabilities of FAYSAL INCOME & GROWTH FUND as at June 30, 2006 and the related income statement, distribution statement, statement of movement in unit holders' funds and cash flow statement, together with the notes forming part thereof, for the period then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the management company to establish and maintain a system of internal control and prepare and present the above said statements in conformity with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and approved accounting standards as applicable in Pakistan. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, we report that:

- (a) As more fully explained in note 4.1 and 7.3 to the financial statements, the Fund has valued its investment in Term Finance Certificates (TFCs) on the basis of discounted cash flow method as allowed by International Accounting Standard 39; "Recognition and Measurement". Had the Fund valued its investments in TFCs as marked to market on the basis of rates quoted on the stock exchange as per the requirements of the Non-Banking Finance Companies (Established and Regulation) Rules, 2003, the carrying value of investments and net income for the period would have been higher by Rs. 10,261,942/-. In addition, as the Net Asset Value (NAV) of the Fund was not determined strictly in accordance with NBFC Rules, it would have been different and consequently the number of units sold / redeemed during the period as well as the element of income and capital gains in the price of units sold less those in units redeemed as recorded by the Fund would also have been different. The effects of such differences on the aforementioned 'element' have not been quantified as the same is considered impracticable by the management;
- (b) In our opinion, proper books of account have been kept by the Management Company in respect of Faysal Income & Growth Fund as required by the Trust Deed and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003; and
- (c) Except for the effects of the matter stated in (a) above, in our opinion and to the best of our information and according to the explanations given to us, the statement of assets and liabilities, income statement, distribution statement, statement of movement in unit holders' funds and cash flow statement, together with the notes forming part thereof, have been prepared in accordance with the relevant provisions of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and approved accounting standards as applicable in Pakistan and present a true and fair view of the state of Fund's affairs as at June 30, 2006 and of the income, changes in undistributed income, changes in unit holders' funds and cash flows for the period then ended.



KARACHI: July 15, 2006

CHARTERED ACCOUNTANTS

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2006

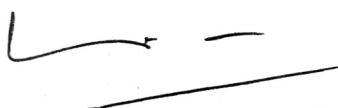
	Note	June 30, 2006 Rupees
Assets		
Bank balances	5	1,236,514,471
Receivables	6	71,733,338
Investments	7	203,891,797
Total assets		1,512,139,606
Liabilities		
Remuneration payable to the Management Company	8	583,975
Remuneration payable to the Trustee	9	204,942
Creditors, accrued and other liabilities	10	10,396,125
Total liabilities		11,185,042
Net assets		1,500,954,564
Unit holders' funds (as per statement attached)		1,500,954,564
Number of units in issue		14,214,836
Net asset value per unit		105.59

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

For Faysal Asset Management Limited
(Management Company)



Salman Haider Sheikh
Chief Executive Officer



Iqbal Alimohamed
Director



Mohammad Iqbal
Director

INCOME STATEMENT FOR THE PERIOD ENDED JUNE 30, 2006

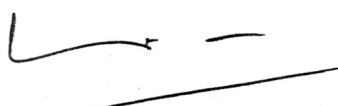
	Note	For the period from October 10, 2005 to June 30, 2006 Rupees
Income		
Net gain on sale of investments at fair value through profit or loss - Held for trading		9,833,284
Income from reverse repurchase transactions of listed securities		8,804,630
Profit earned on Term Finance Certificates		8,947,356
Dividend income		2,851,500
Return on bank balances		69,895,820
Element of income and capital gains in prices of units sold less those in units redeemed		22,141,309
		122,473,899
Unrealized (loss) from holding and dealing in listed securities	7.5	(31,381,191)
		91,092,708
Expenses		
Remuneration of the Management Company	8	4,050,468
Remuneration of the Trustee	9	1,533,127
Brokerage and settlement charges		2,373,742
Bank charges		5,611
Auditors' remuneration	11	231,200
Legal and professional charges		17,500
SECP annual fee	10.1	810,092
Fees and subscription		100,000
Amortization of preliminary expenses and floatation costs		2,500,000
		11,621,740
Net income for the period		79,470,968
Earnings per unit at the close of the period	4.13	5.59

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

For Faysal Asset Management Limited
(Management Company)



Salman Haider Sheikh
Chief Executive Officer



Iqbal Alimohamed
Director



Mohammad Iqbal
Director

DISTRIBUTION STATEMENT FOR THE PERIOD ENDED JUNE 30, 2006

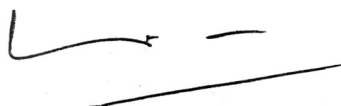
	For the period from October 10, 2005 to June 30, 2006
	Rupees
Net income for the period	79,470,968
Undistributed income carried forward	<u>79,470,968</u>

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

For Faysal Asset Management Limited
(Management Company)



Salman Haider Sheikh
Chief Executive Officer



Iqbal Alimohamed
Director



Mohammad Iqbal
Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE PERIOD ENDED JUNE 30, 2006

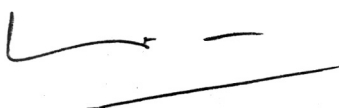
	For the period from October 10, 2005 to June 30, 2006
	Rupees
Amounts received on issue of 14,259,716 Units	1,448,344,133
Amounts paid on redemption of 44,879 Units	(4,719,228)
	1,443,624,905
Element of income and capital gains in prices of units sold less those in units redeemed	(22,141,309)
Net income for the period	79,470,968
Net assets as at the end of the period	1,500,954,564
Net assets as at the end of the period consist of:	
Capital account	1,421,483,596
Undistributed income carried forward	79,470,968
	1,500,954,564

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

For Faysal Asset Management Limited
(Management Company)



Salman Haider Sheikh
Chief Executive Officer



Iqbal Alimohamed
Director



Mohammad Iqbal
Director

CASH FLOW STATEMENT FOR THE PERIOD ENDED JUNE 30, 2006

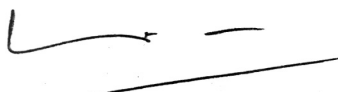
	Note	For the period from October 10, 2005 to June 30, 2006
		Rupees
Cash Flow from Operating Activities		
Net income		79,470,968
Adjustments		
Net gain on sale of investments at fair value through profit or loss - Held for trading		(9,833,284)
Unrealized loss from dealing and holding in listed securities		31,381,191
Element of income and capital gains in prices of units sold less those in units redeemed		(22,141,309)
Amortization of preliminary expenses and floatation costs		2,500,000
		81,377,566
(Increase) in Assets		
Receivables		(71,733,338)
Increase in Liabilities		
Remuneration payable to the Management Company		583,975
Remuneration payable to the Trustee		204,942
Creditors, accrued and other liabilities		10,396,125
		11,185,042
		20,829,270
Proceeds from sale of investments		455,757,427
Payments against purchase of investments		(681,197,131)
Preliminary expenses and floatation costs incurred		(2,500,000)
Net cash (outflow) from operating activities		(227,939,704)
Cash Flow from Financing Activities		
Net receipts against sale of units		1,448,344,133
Payments made against redemption of units		(4,719,228)
Net cash inflow from financing activities		1,443,624,905
Net increase in balance with banks during the period		1,236,514,471
Balance with banks at the beginning of the period		-
Balance with banks at the end of the period	5	1,236,514,471

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

For Faysal Asset Management Limited
(Management Company)



Salman Haider Sheikh
Chief Executive Officer



Iqbal Alimohamed
Director



Mohammad Iqbal
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 10, 2005 TO JUNE 30, 2006

1. LEGAL STATUS AND NATURE OF BUSINESS

Faysal Income & Growth Fund (the Fund) has been established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and has been authorized as a unit trust scheme by the Securities and Exchange Commission of Pakistan (SECP) on October 10, 2005. It has been constituted under a Trust Deed, dated April 27, 2005, between Faysal Asset Management Limited, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited (CDC) as the Trustee, also incorporated under the Companies Ordinance, 1984.

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

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Trust Deed and the NBFC Rules. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Trust Deed, the NBFC Rules, or directives issued by the SECP differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules and the said directives take precedence except for the valuation of term finance certificates as stated in Note 4.1 and 7.3 to the financial statements.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for the measurement at fair value of held-for-trading investment securities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Investments and other financial assets

Financial assets within the scope of IAS-39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Fund determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date the Fund commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or market convention such as 'T+3'.

Investments and financial assets of the Fund are categorized as follows:

The fair value of investments that are actively traded in organised financial market is determined by reference to 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 instruments, which is substantially the same; discounted cash flow analysis and option pricing models

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss that are classified as held for trading or upon initial recognition they are designated by the entity as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognized in income.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when 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. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognized or impaired, as well as 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 income when the loans and receivables are derecognised or impaired, as well as 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. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Basis of valuation of Term Finance Certificates (TFCs)

The Fund's policy is to value both listed and unlisted TFCs on the basis of discounted cash flow method, where as according to NBFC Rules, listed TFCs should be valued at Stock Exchange quoted market prices at the close of business on balance sheet date and unlisted TFCs at their investment price. The management is of the view that listed TFCs are neither actively traded on the Stock Exchange to reflect the prevailing interest rates adjustment in the money market nor their quoted prices are adjusted for the redemptions. In order to adopt a policy that is fair to all investors, the management determines the fair value of TFCs using the discounted cash flow method as it reflects fair measurement of such investment as allowed by IAS - 39.

4.2 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 in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.

Transactions of sale under repurchase (repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be 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.

4.3 Derivatives

Derivative instruments held by the Fund generally comprise of futures contracts in the capital market. These are initially recognised at cost and are subsequently remeasured at their 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 other assets and derivatives with negative market values (unrealised losses) are included in other 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 Impairment of financial assets

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 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.

4.5 Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that the outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

4.6 Issue and redemption of units

Units issued are recorded at the offer price prevalent on the day the units are issued. The offer price represents the net asset value of units at the end of the day plus the allowable sales load. The sales load is payable to the Management Company as processing fee. Issue of units is recorded on acceptance of application from investor.

Units redeemed are recorded at the redemption price, prevalent on the day the units are redeemed. The redemption price represents the net asset value at the end of the day. Redemption of units is recorded on acceptance of application for redemption.

4.7 Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and short-term deposits with an original maturity of three months or less.

4.8 Revenue recognition

Gain or loss on sale of marketable and government securities is accounted for in the year in which it arises.

Dividend income is recorded when the right to receive payment is established.

Gains/(losses) arising on the revaluation of derivatives to the fair value are taken to the income statement as stated in note 4.3 to the financial statements.

Mark-up on government securities, term finance certificates, return on certificates of investment, profit on clean placements and return on bank balances are recognized on a time proportion basis.

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

To prevent the dilution of per unit income and distribution of income already paid out on redemption, as dividend, an equalization account called "element of income and capital gains in prices of units sold less those in units redeemed" is created.

The "element of income and capital gains in prices of units sold less those in units redeemed" account is credited with the amount representing net income and capital gains accounted for in the last announced net asset value and included in the sale proceeds of units. Upon redemption of units, the "element of income and capital gains in prices of units sold less those in units redeemed" account is debited with the amount representing net income and capital gains accounted for in the last announced net asset value and included in the redemption price.

The net "element of income and capital gains in prices of units sold less those in units redeemed" during an accounting period is transferred to the income statement.

4.10 Taxation

The income of the Fund is exempt from taxation under clause 99 of the Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income of the year, as reduced by capital gains, whether realized or unrealized, is distributed amongst the unit holders. Accordingly, no provision for current and deferred taxation has been made in the financial statements as the Fund intends to avail the tax exemption every year.

4.11 Offsetting of financial assets and liabilities

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

4.12 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 outstanding at the period / year end.

4.13 Earnings per unit

Earnings per unit is calculated by dividing the net income for the period by the number of units outstanding as at the end of the period.

Earnings per unit (EPU) based on cumulative weighted average for the whole year has not been disclosed as in the opinion of the management determination of such EPU is not practicable.

4.14 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the Fund. These costs were initially decided by the Fund to be amortized over a period not exceeding sixty months. However, in April the Fund decided to charge the remaining balance to the income statement as the Fund does not foresee any economic benefit from the deferment of these preliminary expenses and floatation costs. This has resulted in additional charge for the period amounting to Rs. 2,125,000 which is considered immaterial by the management.

	Note	June 30, 2 0 0 6 Rupees
5. BANK BALANCES		
Cash at Bank - PLS Savings Account	5.1	1,036,514,471
Term Deposit Receipts	5.2	200,000,000
		<u>1,236,514,471</u>
<p>5.1 These carry mark-up rates ranging from 3.00% to 11.00% per annum.</p> <p>5.2 This carry mark-up rate 11.25% per annum having maturity up to three months.</p>		
6. RECEIVABLES - considered good		
Against sale of investments at fair value through profit or loss - Held for trading		48,392,500
In respect of reverse repurchase transactions of listed securities		11,060,075
Dividend receivable		1,650,000
Mark-up receivable on term finance certificates		1,624,767
Income receivable on money market transaction		103,197
Prepaid settlement charges		95,119
Return receivable on bank balances		8,807,680
		<u>71,733,338</u>

	Note	June 30, 2006 Rupees
7. INVESTMENTS		
At fair value through profit or loss - Held for trading		
Listed equity securities	7.1	96,913,500
Listed debt securities	7.2	106,978,297
		<u>203,891,797</u>

	Acquired during the period	Bonus / right shares received during the period	Disposed during the period	As at June 30, 2006	Market value (Rupees)	% of net assets
	← No. of holdings →					
7.1 Listed equity securities*						
* Ordinary share have a face value of Rs. 10/- each						
Technology and Communication						
Pakistan Telecommunication Company Limited	1,446,500	-	(8550,000)	550,000	22,330,000	1.49%
Callmate Telips Telecom Limited	30,000	-	(30,000)	-	-	0.00%
Oil & Gas Exploration Companies						
Pakistan Petroleum Limited	308,500	-	(308,500)	-	-	0.00%
Pakistan Oilfields Limited	383,700	-	(251,200)	132,500	44,361,000	2.96%
Oil and Gas Development Company Limited	250,000	-	(150,000)	100,000	13,675,000	0.91%
Commercial Banks						
Bank of Punjab	94,428	-	(94,428)	-	-	0.00%
MCB Bank Limited	50,000	-	(50,000)	-	-	0.00%
National Bank of Pakistan	170,000	-	(100,000)	70,000	15,085,000	1.01%
PICIC Commercial Bank	10,000	-	(10,000)	-	-	0.00%
Power Generation and Distribution						
Kot Addu Power Company	4,000	-	(4,000)	-	-	0.00%
Oil & Gas Marketing Companies						
Pakistan State Oil Company Limited	50,000	-	(50,000)	-	-	0.00%
Fertilizers						
Fauji Fertilizer Company	200,000	-	(200,000)	-	-	0.00%
Fauji Fertilizer Bin Qasim Limited	150,000	-	(100,000)	50,000	1,462,500	0.10%
Engro Chemical Pakistan Limited	100,000	-	(100,000)	-	-	0.00%
Cements						
D G Khan Cement	50,000	-	(50,000)	-	-	0.00%
Lucky Cement Limited	115,000	-	(115,000)	-	-	0.00%
Textile Composites						
Nishat Mills Limited	125,000	-	(125,000)	-	-	0.00%
	<u>3,537,128</u>	<u>-</u>	<u>(2,634,628)</u>	<u>902,500</u>	<u>96,913,500</u>	<u>6.46%</u>

	Acquired during the period	Bonus / right shares received during the period	Disposed during the period	As at June 30, 2006	Market value (Rupees)	% of net assets
	← No. of holdings →					
7.2 Listed debt securities *						
* These TFC's have a face value of Rs. 5,000/- each.						
Oil and Gas Exploration Companies						
Chanda Oil and Gas Securitization Company Limited	15,448	-	-	15,448	70,461,421	4.69%
Naimat Basal Oil and gas Securitization Company Ltd.	4,000	-	-	4,000	16,526,576	1.10%
Textile Composite						
Azgard Nine Limited	7,000	-	(5,000)	2,000	9,992,380	0.67%
Technology and Communication						
Telecard Limited	2,000	-	-	2,000	9,997,920	0.67%
	<u>28,448</u>	<u>-</u>	<u>(5,000)</u>	<u>23,448</u>	<u>106,978,297</u>	<u>7.13%</u>

- 7.3 As stated in note 4.1 listed TFCs have been valued based on discounted cash flow method as allowed by IAS-39. However, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 require listed securities to be valued on the basis of the closing price of the Stock Exchange on which the same are listed. Had these been valued on the basis required by the NBFC Rules, the net income for the period and net assets as at June 30, 2006 would have been higher by Rs. 10,261,942/-.

The impact of the above on the "element of income and capital gains in prices of units sold less those of units redeemed" paid or received is not quantifiable and is considered immaterial as difference between the closing Stock Exchange price and discounted cash flow for term finance certificates form less than 0.70 percent of the net asset value at the period end.

- 7.4 Significant terms and conditions of TFCs are as follows:

Name of Security	Number of Certificates	Face Value (Rs.)	Mark-up Rate (Per annum)	Maturity	Secured / Unsecured	Rating
Chanda Oil & Gas Securitization Company Limited	15,448	5,000	3.25% + 3 months KIBOR	Feb, 2012	Unsecured	A
Naimat Basal Oil & Gas Securitization Company Limited	4,000	5,000	2.5% + 6 months KIBOR	April, 2010	Secured	A
Telecard Limited	2,000	5,000	3.75% + 6 months KIBOR	May, 2011	Secured	A
Azgard Nine Limited	2,000	5,000	2.4% + 6 months KIBOR	Sep, 2012	Unsecured	A+

- 7.5 Net unrealized (loss) during the period from holding and dealing in listed securities

	June 30, 2006 Rupees
Market value of marketable securities at fair value through profit or loss - Held for trading	203,891,797
Less: Cost of marketable securities at fair value through profit or loss - Held for trading	235,272,988
	<u>(31,381,191)</u>

8. REMUNERATION PAYABLE TO THE MANAGEMENT COMPANY

The Management Company is entitled to a remuneration for services rendered to the Fund under the provisions of the NBFC Rules, 2003 during the first five years of a fund's existence, of an amount not exceeding three per cent of the average annual net assets of the Fund and thereafter of an amount equal to two per cent of such assets.

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	June 30, 2006 Rupees
10. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Against purchase of investment at fair value through profit or loss - Held for trading		9,407,540
Sales load payable		3,518
SECP annual fee payable	10.1	810,092
Accrued expenses		174,975
		10,396,125

10.1 SECP annual fee payable

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

	For the period from October 10, 2005 to June 30, 2006 Rupees
11. AUDITORS' REMUNERATION	
Audit fee	125,000
Other certification and services	50,000
Review of statement of compliance with Code of Corporate Governance	25,000
Out of pocket expenses	31,200
	231,200

12. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Faysal Asset Management Limited being the Management Company, Faysal Bank Limited, AKD Securities (Private) Limited and Islamic Investment Company of the Gulf (Bahamas) Limited.

Faysal Asset Management Limited Remuneration of the Management Company	4,050,468
Sales load	978,826
Faysal Bank Limited	
Issue of units	250,000,000
Profit on PLS Savings Account	3,991,758
Profit on Term deposit receipts	6,809,590

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

13. Interest Rate Sensitivity Position

13.1 The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2006 can be determined from the following:

	----- 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	1,236,514,471	-	-	-	1,236,514,471
Receivables	11,060,075	-	-	60,673,263	71,733,338
Investments	106,978,297	-	-	96,913,500	203,891,797
	<u>1,354,552,843</u>	<u>-</u>	<u>-</u>	<u>157,586,763</u>	<u>1,512,139,606</u>
Financial Liabilities					
Remuneration payable to the Management Company	-	-	-	583,975	583,975
Remuneration payable to the Trustee	-	-	-	204,942	204,942
Creditors, accrued and other liabilities	-	-	-	10,396,125	10,396,125
	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,185,042</u>	<u>11,185,042</u>
On-balance sheet gap	<u>1,354,552,843</u>	<u>-</u>	<u>-</u>	<u>146,401,721</u>	<u>1,500,954,564</u>

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

	Percentage 2006
Bank balances	3.00% - 11.25%
Receivable	13.00%
Term Finance Certificates	11.98% - 13.41%

14. Maturities of Assets and Liabilities

	June 30, 2006			Total
	Upto three months	More than three months and upto one year	More than one year	
----- Amount in Rupees -----				
Assets				
Bank Balances	1,236,514,471	-	-	1,236,514,471
Receivables	71,733,338	-	-	71,733,338
Investments	203,891,797	-	-	203,891,797
	<u>1,512,139,606</u>	<u>-</u>	<u>-</u>	<u>1,512,139,606</u>
Liabilities				
Remuneration payable to the Management Company	583,975	-	-	583,975
Remuneration payable to the Trustee	204,942	-	-	204,942
Creditors, accrued and other liabilities	10,396,125	-	-	10,396,125
	<u>11,185,042</u>	<u>-</u>	<u>-</u>	<u>11,185,042</u>
Net Assets	<u><u>1,500,954,564</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>1,500,954,564</u></u>

15. FINANCIAL RISK MANAGEMENT POLICIES

15.1 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. 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.

15.2 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 rate risk arises from mismatches of financial assets and 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.

15.3 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 all obligations / commitments of the Fund are short term in nature and all assets of the Fund are easily realizable / convertible into cash on the Stock Exchanges and over-the-counter market.

15.4 Credit risk

Credit risk arising from the inability of the counter parties to meet the terms of the Fund's financial instrument contracts are 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 obtaining adequate collateral and by following strict credit evaluation criteria laid down by the management.

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.

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

	2006 Rupees
17. PERFORMANCE TABLE	
Highest offer price / unit	107.41
Lowest redemption price / unit	100.00

18. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by Board of Directors of Management Company on July 15, 2006.

19. DIVIDEND

The Board of Directors in their meeting held on July 15, 2006 approved the issue of bonus units @ 5.5% of the face value of Rs.100/- per unit (i.e. Rs.5.5/- per unit) for the period ended June 30, 2006, amounting to Rs.78,181,598/-. The Institute of Chartered Accountants of Pakistan vide Circular No. 6 dated June 19, 2006 made the requirement of International Accounting Standard 10 "Events after the Balance Sheet Date" mandatory for every entity. International Accounting Standard 10, requires that dividend declared (including stock dividend) to be treated as a non-adjusting event. Accordingly, these financial statements do not include the effect of the aforementioned appropriation as this will be incorporated in the year in which it was declared.

20. GENERAL

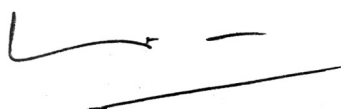
20.1 Being the first accounting period of the Fund, there are no comparative figures to report.

20.2 Figures have been rounded off to the nearest rupee.

For Faysal Asset Management Limited
(Management Company)



Salman Haider Sheikh
Chief Executive Officer



Iqbal Alimohamed
Director



Mohammad Iqbal
Director

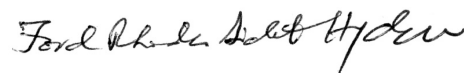
REVIEW REPORT TO THE UNIT HOLDERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

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) in respect of Faysal Income & Growth Fund (the Fund) to comply with the Listing Regulation No. 37 of the 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. 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 of Corporate Governance.

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 Fund's compliance, in all material respects, with the Best Practices contained in the Code of Corporate Governance, for the period ended June 30, 2006.



KARACHI: July 15, 2006

CHARTERED ACCOUNTANTS

