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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
Atlas Bank Limited
Bank Alfalah Limited
Metropolitan Bank Limited
The Bank of Punjab Limited
Saudi Pak Commercial Bank Limited
NIB Bank Limited

Auditor

Ford Rhodes Sidat Hyder & 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
Flow (Private) Limited
IGI Investment Bank Limited
Atlas Capital Markets (Pvt) Limited
Foundation Securities (Pvt) Limited

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

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

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

Management's responsibility for the financial statements

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.

Auditors' 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, 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, 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

As discussed in note 7.4 to the financial statements, the Fund has a policy to value its investments in Term Finance Certificates (TFCs) on discounted cash flow method as allowed by International Accounting Standard 39 "Financial Instruments: Recognition and Measurement." Had the Fund valued its investments in listed TFCs on the basis of closing rates listed on the stock exchange and unlisted TFCs at their investment price, as required by the NBFC Rules, the carrying value of investments and net assets value of the Fund at the end of the year and net income for the year would have been lower by Rs. 1,332,390 (2006: Rs. 15,178) after adjusting for redemption. In addition, if the Net Asset Value (NAV) of the Fund was determined strictly in accordance with the NBFC Rules, the number of units sold / redeemed during the year as well as the element of income and capital gain in the price of units sold less those in units redeemed as recorded by the Fund would not have been the same. The effects of above have not been quantified as it is considered impracticable by the Management Company.

In our opinion, except for the effects on financial statements of the matter referred to in the preceding paragraph, 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 year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed and the NBFC Rules, except for the matter stated in the opinion paragraph above.

Faisal Ahmad Qureshi

CHARTERED ACCOUNTANTS

KARACHI
August 13, 2007

REPORT OF THE DIRECTORS' OF THE MANAGEMENT COMPANY

The Directors of the Faysal Asset Management Limited, the Management Company of Faysal Income & Growth Fund (FIGF), are pleased to present the Second 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, 2007. FIGF was launched on October 10, 2005; accordingly comparative data for the last year reflects the results of operations for the period from October 10, 2005 to June 30, 2006.

SALE AND REDEMPTION OF UNITS

During the period, units worth Rupees 3,669.93 million were issued and units with a value of Rupees 2,803.32 million were redeemed.

UNIT HOLDERS

As of June 30, 2007, total unit outstanding were increased by 59.18% and the value of net assets increased by 70.13%. As of June 30, 2007, 22,627,369 units with a value of Rs. 2,554 million were outstanding (June 30, 2006: 14,214,836 units with a value of Rs. 1,501 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 period as well as the prices prevailing as of June 30, 2007 were as below:

	Offer Prices	Redemption Prices
Highest	113.96	112.82
Lowest	101.47	100.47
As of June 30, 2007	113.99	112.85

PERFORMANCE

Faysal Income & Growth Fund (FIGF), by the grace of Almighty Allah, performed well with the highest yield among all fixed income funds in Pakistan. FIGF posted an annualized yield of 12.76% for the year while the average fixed income funds posted a yield of 10.33%. The benchmark six month KIBOR was at 10.03% as on June 30, 2007. FIGF clearly outperformed its competition and benchmark by over 2.4% during the year. 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. The emphasis was also given to the credit quality of the financial instruments in the asset allocation to provide stable long-term returns while minimizing risk.

FIGF is an open-ended income fund with total assets under management of Rs. 2,554 Million. This growth of over 70% reflects the confidence of investors in the prudent investment approach by the fund's management.

The Fund's performance posting an annualized yield of 12.76% p.a. as of June 30, 2007 for its investors is tabulated below:

Fund Launch Date	October 10, 2005
Net asset value per unit on July 1, 2006	Rs. 100.09
Net asset value per unit on June 30, 2007	Rs. 112.86
Annualized yield	12.76% p.a.

MARKET OVERVIEW & FUTURE OUTLOOK

On the economic front, the real GDP growth remained strong and surpassed the annual growth target of 7 percent for FY07. The growth was broad-based, with strong contributions from agriculture, manufacturing and the services sectors.

On the money market front, excessive liquidity was seen floating in the banking system in FY06-07 mainly because of huge foreign exchange inflows and record remittances. Despite huge liquidity in the banking system, credit off-take remained much lower than last year and was 25 percent less than the target set for 2006-07. The private sector consumed Rs. 291 billion between July and June 23, 2007. The credit flow to the private sector due to high borrowing costs was 17 per cent less than the previous year. The main borrower, textile sector, limited its requirement which is partially reflected from the slow export growth of the biggest manufacturing sector of the country. This change brought a negative impact to our export and this chain reaction resulted in uneven balance of trade and payment.

Government borrowed Rs. 217 billion from the Central Bank during 2006-2007 including Rs. 36 billion through PIBs. The provincial governments also borrowed from the Central Bank to retire expensive commercial banks' debt. The cumulative borrowing of all the four provinces from the Central Bank totaled Rs. 29 billion. Starting FY08 the ministry of finance will start imposing a cap on the government borrowing from the Central Bank. These borrowing limits will enable SBP to tackle inflation more effectively.

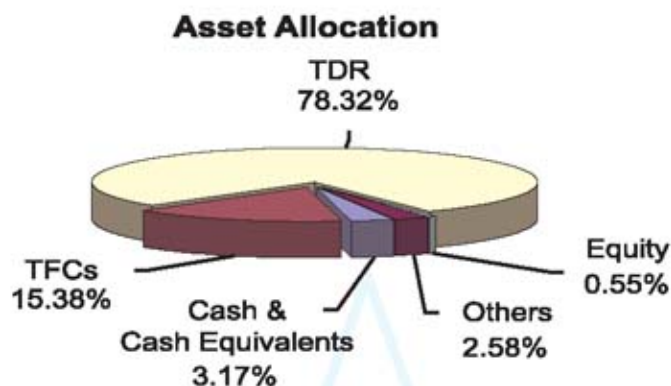
The recent economic indicators suggest that despite the economic growth momentum remaining intact, the headline CPI inflation has remained high mainly due to continuing pressures on food inflation. We believe that The State Bank of Pakistan will continue its tight monetary policy to counter inflationary pressures and to strike a balance between sustaining strong economic growth and low and stable inflation.

Rising trend of commodity prices in the international market, higher demand for furnace oil by the thermal power plants, higher oil import bill due to increase in oil prices and anticipated increase in the import of power generating machinery may put upward pressures on the import bill. However, the growth momentum of the economy will remain intact. Sustained efforts and vigilance is needed to address existing and new emerging challenges of macroeconomic environment. Inflationary pressures have to be further contained. Similarly, long-run health of the economy requires a lower sustainable current account deficit, concurrent with a rise in the domestic savings rate and a gradual reduction in the fiscal deficit. A graduated increase in the tax-to-GDP ratio is also required to finance the development spending required to raise the long-term growth potential of the economy.

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 with a proactive approach to keep this inflationary pressure in check. 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, 2007 is as follows:



INCOME DISTRIBUTION

The Board has approved fund distribution of Bonus Units at the rate of 12.75% (i.e Rs. 12.75 per unit).

MUTUAL FUND RATING

JCR-VIS has maintained fund stability rating of "A+" for Faysal Income & Growth Fund (FIGF). This is one of the highest stability ratings among the fixed income funds in Pakistan. 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. The fund has a low-risk asset allocation model approach minimizing interest rate risk.

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	-

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.

CORPORATE GOVERNANCE

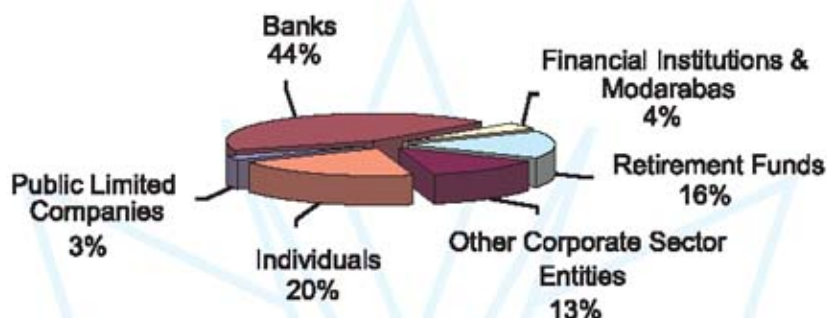
1. The management company has implemented the requirements of the Code of Corporate Governance last year. A prescribed statement by the management along with the auditors' report thereon for the year ended June 30, 2007 forms part of this annual report.
2. Statements under clause xix of the Code:
 - 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 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.

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

Traded By:	Investment	Redemption
	----- (No. of Units) -----	
Mr. Farook Bengali (Chairman/Director)	55,235	23,128
Mr. Mohammad Iqbal (Director)	1,813	-
Mr. Salman Haider Sheikh (CEO)	895	-

PATTERN OF HOLDING

Classification of Unit Holders



AUDITORS

The present auditors Messers Ford Rhodes Sidat Hyder & 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 Ford Rhodes Sidat Hyder & 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

Salman Haider Sheikh
Chief Executive Officer

Karachi: August 13, 2007

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

	Number of Unit Holders	Units Held
Associated Companies		
Faysal Bank Limited	1	2,637,376
Faysal Bank Limited-Staff Provident Fund	1	380,573
Faysal Asset Management Limited-Staff Provident Fund	1	2,158
Faysal Asset Management Limited-Staff Gratuity Fund	1	1,159
Directors		
Mr. Farook Bengali	1	32,107
Mr. Muhammad Iqbal	1	1,813
Chief Executive Officer		
Mr. Salman Haider Sheikh	1	895
Public Limited Companies		
Banks	6	656,891
Financial Institutions and Modarabas	6	7,222,789
Retirement Funds	2	914,789
Insurance Companies	29	3,211,614
Other Corporate Sector Entities	1	141,349
Individuals	9	2,838,828
	168	4,585,028
Total	228	22,627,369

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 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. 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 has 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 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

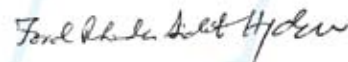
REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the Best Practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of the Management Company of the Faysal Income & Growth Fund (the Fund) to comply with the Listing Regulation No. 37(Chapter XI) 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 of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Management Company's compliance with the provisions of the Code in respect of the Fund 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 does not appropriately reflect the status of the Management Company's compliance, in all material respects, with the Best Practices contained in the Code in respect of the Fund for the period ended June 30, 2007.



Faisal Khan

KARACHI: August 13, 2007

CHARTERED ACCOUNTANTS

REPORT OF THE TRUSTEE FAYSAL INCOME & GROWTH FUND

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

Faysal Income & 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 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 Asset Management Company of Faysal Income & Growth Fund has in all material respects managed Faysal Income & 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 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 ASSETS AND LIABILITIES
AS AT JUNE 30, 2007**

	Note	June 30, 2007	June 30, 2006
		Rupees	
Assets			
Bank balances and Term Deposit Receipts	5	2,080,845,481	1,236,514,471
Dividend and other receivables	6	51,299,102	71,738,219
Investments	7	432,026,379	203,891,797
Total assets		2,564,170,962	1,512,144,487
Liabilities			
Remuneration payable to the Management Company	8	1,957,799	583,975
Remuneration payable to the Trustee	9	277,972	204,942
Accrued and other liabilities	10	8,309,050	10,401,006
Total liabilities		10,544,821	11,189,923
Net assets		2,553,626,141	1,500,954,564
Unit holders' fund		2,553,626,141	1,500,954,564
Number of units in issue		22,627,369	14,214,836
Net asset value per unit		112.86	105.59

The annexed notes from 1 to 24 form an integral part of these financial statements.

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



Salman Halder Shelkh
Chief Executive Officer



Iqbal Allmohamed
Director



Mohammad Iqbal
Director

**INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007**

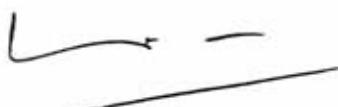
	Note	June 30, 2007	For the period from October 10, 2005 to June 30, 2006
		Rupees	
Income			
Net capital gain on sale of investments at fair value through profit or loss - Held for trading		19,413,245	9,833,284
Income from reverse repurchase transactions of listed securities		30,686	8,804,630
Profit earned on Term Finance Certificates		27,783,081	8,947,356
Dividend income		4,938,375	2,851,500
Return on bank balances, Term Deposit Receipts and musharika certificate		147,862,272	69,895,820
Element of income and capital gains included in prices of units sold less those in units redeemed		103,538,864	22,141,309
		303,366,523	122,473,899
Unrealized gain / (loss) on investments at fair value through profit or loss	7.6	868,249	(31,381,191)
		304,234,772	91,092,708
Expenses			
Remuneration of the Management Company	8	8,838,718	4,050,468
Remuneration of the Trustee	9	2,571,963	1,533,127
Brokerage, capital value tax and settlement charges		1,112,894	2,373,742
Bank charges		17,464	5,611
Auditors' remuneration	11	267,278	231,200
SECP annual fee		1,571,963	810,092
Legal and professional charges		119,610	17,500
Fees and subscription		135,000	100,000
Amortization of preliminary expenses and floatation costs		-	2,500,000
		14,634,890	11,621,740
Net income for the year before taxation		289,599,882	79,470,968
Taxation	12	-	-
Net Income for the year after taxation		289,599,882	79,470,968
Earnings per unit at the close of the year	13	12.80	5.59

The annexed notes from 1 to 24 form an integral part of these financial statements.

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



Salman Halder Shelkh
Chief Executive Officer



Iqbal Allmohamed
Director



Mohammad Iqbal
Director

**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007**

	Rupees
Net Income after taxation for the period ended June 30, 2006	79,470,968
Undistributed Income brought forward - June 30, 2006	79,470,968
Final distribution for the period ended June 30, 2006 @ Rs 5.5 per unit declared for distribution on July 15, 2006	(78,181,598)
Net Income after taxation for the year ended June 30, 2007	289,599,882
Undistributed Income carried forward - June 30, 2007	290,889,252

The annexed notes from 1 to 24 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' FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	June 30, 2007	For the period from October 10, 2005 to June 30, 2006
	Rupees -----	
Net assets at the beginning of the year	1,500,954,564	-
Amount received on issue of units *	3,669,928,623	1,448,344,133
Amount paid on redemption of units **	(2,803,318,064)	(4,719,228)
	866,610,559	1,443,624,905
Element of income and capital gains included in prices of units sold less those in units redeemed	(103,538,864)	(22,141,309)
Net income for the year after taxation	289,599,882	79,470,968
Net assets as at the end of the year	2,553,626,141	1,500,954,564
Net assets as at the end of the year consist of:		
Capital account	2,262,736,889	1,421,483,596
Undistributed income carried forward	290,889,252	79,470,968
	2,553,626,141	1,500,954,564
	----- Number of units -----	
* Number of units issued (including 781,113 bonus units issued during the year ended June 30, 2007 and 'Nil' bonus units issued during the period ended June 30, 2006)	34,034,159	14,259,716
** Number of units redeemed	25,599,457	44,879

The annexed notes from 1 to 24 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 YEAR ENDED JUNE 30, 2007**

	Note	June 30, 2007	For the period from October 10, 2005 to June 30, 2006
		----- Rupees -----	
Cash Flows from Operating Activities			
Net income for the year before taxation		289,599,882	79,470,968
Adjustments for non-cash and other items			
Profit earned on Term Finance Certificates (TFCs)		(27,783,081)	(8,947,356)
Return on bank balances, Term Deposit Receipts (TDRs) and musharika certificate		(147,662,272)	(69,895,820)
Dividend income		(4,938,375)	(2,851,500)
Net capital gain on sale of investments at fair value through profit or loss - Held for trading		(19,413,245)	(9,833,284)
Element of Income and capital gains included in prices of units sold less those in units redeemed		(103,538,864)	(22,141,309)
Unrealized (gain) / loss on investments at fair value through profit or loss		(868,249)	31,381,191
Amortization of preliminary expenses and floatation costs		-	2,500,000
		<u>(14,604,204)</u>	<u>(317,110)</u>
Decrease / (increase) in assets			
Dividend and other receivables		53,402,022	(59,655,772)
Increase / (decrease) in liabilities			
Remuneration payable to the Management Company		1,373,824	583,975
Remuneration payable to the Trustee		73,030	204,942
Accrued and other liabilities		(2,091,956)	10,401,006
		<u>(645,102)</u>	<u>11,189,923</u>
		38,152,716	(48,782,959)
Proceeds from sale of investments / redemptions		1,023,072,147	455,757,427
Payments against purchase of investments		(1,230,773,748)	(681,197,131)
Investment in TDRs		(2,000,000,000)	-
Profit received on TFCs		22,749,583	7,322,589
Return received on bank balances, TDRs and musharika certificate		117,931,398	61,088,140
Dividend received		6,588,375	1,201,500
Preliminary expenses and floatation costs incurred		-	(2,500,000)
Net cash used in operating activities		<u>(2,022,279,549)</u>	<u>(207,110,434)</u>
Cash Flows from Financing Activities			
Net receipts against sale of units		3,669,928,623	1,448,344,133
Payments made against redemption of units		(2,803,318,064)	(4,719,228)
Net cash generated from financing activities		<u>866,610,559</u>	<u>1,443,624,905</u>
Net increase in cash and cash equivalents during the year		<u>(1,155,668,990)</u>	<u>1,236,514,471</u>
Cash and cash equivalents at the beginning of the year		1,236,514,471	-
Cash and cash equivalents at the end of the year	14	<u>80,845,481</u>	<u>1,236,514,471</u>

The annexed notes from 1 to 24 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 YEAR ENDED JUNE 30, 2007

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 authorised as a unit trust scheme by the Securities and Exchange Commission of Pakistan (SECP) on June 24, 2005. It has been constituted under a Trust Deed, dated April 27, 2005 between Faysal Asset Management Limited (the Management Company), 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 (Guarantee) Limited. The Fund was launched on October 10, 2005.

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

2. STATEMENT OF COMPLIANCE

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), 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 Companies Ordinance, 1984. Wherever, the requirements of the NBFC Rules or directives issued by the SECP differ with the requirements of these standards, the requirements of the NBFC Rules or the said directives have been followed except for the valuation of Term Finance Certificates classified at fair value through profit or loss as stated in note 7.4 to the financial statements.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for investments classified as 'investments at fair value through profit or loss - held for trading' and 'available for sale investments' which are carried at fair value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Investments and other financial assets

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 or 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 organised financial market is determined by reference to quoted market bid prices at the close of business on the balance sheet date. 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 and financial assets of the Fund are categorized as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss.

Investments that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading.

Financial assets may be designated at initial recognition as at fair value through profit or loss if:

- (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or
- (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

These investments are initially recognised at fair value and the transaction cost associated with the investments are taken directly to income statement.

Subsequent to the initial recognition, these financial assets are carried in the statement of assets and liabilities at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the income statement in the period in which they arise.

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.

4.2 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 statement of assets and liabilities. 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, Financial Instruments: Recognition and Measurement, consequently hedge accounting is not used by the Fund.

4.3 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.

4.4 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 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.

4.6 Issue and redemption of units

Units issued are recorded at the offer price prevalent on the day the investment form complete in all respects is received. 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 redemption form complete in all respects is accepted. 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 cash equivalents 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 on equity securities are 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 government securities, Term Finance Certificates, return on certificates of investment, profit on clean placements, return on bank balances and income from reverse repurchase agreements are recognized on a time proportion basis.

4.9 Element of income and capital gains included 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 included in prices of units sold less those in units redeemed" is created.

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

4.10 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.

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 year end.

4.13 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.

4.14 Financial assets and financial liabilities

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

Financial liabilities carried in the statement of assets and liabilities include remuneration payable to the 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 Accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in the relevant accounting policies / notes to the financial statements.

4.16 Accounting standards not yet effective

The following amendment to existing accounting standards applicable to the Fund is effective for the Fund's accounting periods beginning on or after January 01, 2007 or later periods:

- IAS 1 - Presentation of Financial Statements - Capital Disclosures

In addition to above, a new series of standards called "International Financial Reporting Standards (IFRSs)" have been introduced and seven IFRSs have been issued by the International Accounting Standard Board under the series. Out of these following four IFRSs have been adopted by the Institute of Chartered Accountants of Pakistan and have also been notified by SECP, which are effective for accounting periods beginning on or after December 06, 2006 except for IFRS-3 which is effective for business combination for which agreement date is on or after December 06, 2006.

- (i) IFRS-2 "Share-Based Payment"
- (ii) IFRS-3 "Business Combinations"
- (iii) IFRS-5 "Non Current Assets Held for Sale and Discontinued Operations"
- (iv) IFRS-6 "Exploration for and Evaluation of Mineral Resources"

The management of the Fund is of the view that above pronouncements are either not relevant to the Fund's operations or are not expected to have significant effect on the Fund's financial statements.

	Note	June 30, 2007	June 30, 2006
		-----Rupees-----	
5. BANK BALANCES AND TERM DEPOSIT RECEIPTS			
Cash at Banks - PLS Saving Accounts	5.1	80,845,481	1,036,514,471
Term Deposit Receipts (TDRs)	5.2	2,000,000,000	200,000,000
		<u>2,080,845,481</u>	<u>1,236,514,471</u>
5.1	These carry mark-up ranging from 3.00% to 12.15% (2006 : 3.00% to 11.00%) per annum.		
5.2	These comprise six months and one year TDRs (2006 : three months) carrying mark-up at the rate of 11.35% and 11.25% (2006 : 11.25%) per annum, respectively.		
6. DIVIDEND AND OTHER RECEIVABLES - considered good			
Against sale of investments		6,153,750	48,392,500
Mark-up receivable on Term Finance Certificates		6,658,285	1,624,767
Security deposit		100,000	100,000
Return receivable on bank balances and Term Deposit Receipts		38,387,067	8,807,680
In respect of reverse repurchase transactions of listed securities - net		-	11,060,075
Income receivable on money market transactions		-	103,197
Dividend receivable		-	1,650,000
		<u>51,299,102</u>	<u>71,738,219</u>
7. INVESTMENTS			
At fair value through profit or loss			
Listed equity securities-held for trading	7.1	14,135,000	96,913,500
Listed debt securities-held for trading	7.2	90,922,923	106,978,297
Unlisted debt securities-designated at fair value through profit and loss	7.3	301,816,969	-
		<u>406,874,892</u>	<u>203,891,797</u>
Held-to-maturity			
Musharika certificate	7.7	25,151,487	-
		<u>432,026,379</u>	<u>203,891,797</u>

As at

Name of the investee company	Number of shares / certificates				As at June 30, 2007	Market value as at June 30, 2007 (Rupees)	Percentage to net assets
	As at July 1, 2006	Purchases during the year	Bonus shares received	Disposals during the year			
7.1 Listed equity securities*							
* Ordinary shares having a face value of Rs. 10/- each unless stated otherwise.							
Technology and Communication							
Pakistan Telecommunication Company Ltd	550,000	325,500	-	(875,500)	-	-	0.00%
Oil & Gas Exploration Companies							
Pakistan Petroleum Ltd	-	425,000	-	(425,000)	-	-	0.00%
Pakistan Oilfields Ltd	132,500	40,000	-	(172,500)	-	-	0.00%
Oil & Gas Development Company Ltd	100,000	399,810	-	(499,810)	-	-	0.00%
Commercial Banks							
MCB Bank Ltd	-	100,000	-	(100,000)	-	-	0.00%
National Bank of Pakistan	70,000	2,209,500	94,500	(2,374,000)	-	-	0.00%
Azadi Commercial Bank Ltd	-	100,000	-	(100,000)	-	-	0.00%
Bank of Khyber	-	400,000	-	(300,000)	100,000	1,850,000	0.08%
Bank Afghania Ltd	-	113,500	-	(113,500)	-	-	0.00%
JS Bank Ltd	-	300,000	-	-	300,000	5,775,000	0.23%
PICIC Commercial Bank Ltd	-	100,000	-	(100,000)	-	-	0.00%
Investment Banks							
PICIC Bank	-	38,500	-	(38,500)	-	-	0.00%
Insurance							
Adamjee Insurance	-	100,000	-	(100,000)	-	-	0.00%
Power Generation and Distribution							
Hub Power Company	-	795,000	-	(745,000)	50,000	1,835,000	0.07%
Oil & Gas Marketing Companies							
Pakistan State Oil	-	25,000	-	(25,000)	-	-	0.00%
Sui Southern Gas Company	-	54,000	-	(54,000)	-	-	0.00%
Fertilizers							
Fauji Fertilizer Bin Qasim Ltd	50,000	1,703,500	-	(1,628,500)	125,000	4,875,000	0.19%
Cement							
D G Khan Cement	-	150,000	-	(150,000)	-	-	0.00%
Lucky Cement	-	28,500	-	(28,500)	-	-	0.00%
Textile Composites							
Azgard Nine Ltd	-	100,000	-	(100,000)	-	-	0.00%
	<u>902,500</u>	<u>7,507,810</u>	<u>94,500</u>	<u>(7,929,810)</u>	<u>575,000</u>	<u>14,135,000</u>	<u>0.55%</u>
7.2 Listed debt securities*							
* These TFCs have face value of Rs.5,000/- each.							
Oil & Gas Exploration Companies							
Chanda Oil & Gas Securitization Company	15,448	-	-	-	15,448	61,341,018	2.40%
Naimat Basal Oil & Gas Securitisation Co. Ltd.	4,000	-	-	-	4,000	12,215,348	0.48%
Textile Composite							
Azgard - Nine Ltd	2,000	-	-	-	2,000	10,002,875	0.39%
Technology and Communication							
Telecard Ltd	2,000	20	-	-	2,020	7,363,688	0.29%
	<u>23,448</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>23,468</u>	<u>90,922,923</u>	<u>3.56%</u>
7.3 Un Listed debt securities							
Textile Composite							
Azgard - Nine Ltd (PPTFC) having a face value of Rs. 5,000 each	-	20,000	-	-	20,000	100,021,540	3.92%
Azgard - Nine Ltd (PPTFC) having a face value of Rs. 45,499,989	-	1	-	-	1	46,059,815	1.80%
Azgard - Nine Ltd (PPTFC) having a face value of Rs. 45,521,439	-	1	-	-	1	45,710,199	1.79%
Cement							
Three Star Cement (Pvt) Ltd having a face value of Rs. 100,000	-	1,100	-	-	1,100	110,025,415	4.31%
	-	<u>21,102</u>	<u>-</u>	<u>-</u>	<u>21,102</u>	<u>301,816,969</u>	<u>11.82%</u>

7.4 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 Instruments: Recognition and Measurement'. However, the NBFC Rules, 2003 require listed securities to be revalued on the basis of closing price of the Stock Exchange on which the same are listed and unlisted securities valued at their investment price or their breakup value as per last audited accounts whichever is later. 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. 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 listed TFCs been valued at the rates quoted on the printed copy of the stock exchange quotation and unlisted TFCs at their investment price, the carrying value of investment and the net income for the year would have been lower by Rs. 1,332,390 (2006: Rs. 15,178) after adjusting for redemption and higher by Rs. 25,108,970 (2006: Rs. 10,261,942) without adjustment for redemption. In addition, if the Net Asset Value (NAV) of the Fund was determined

strictly in accordance with the NBFC Rules, the NAV of the Fund and consequently the number of units sold / redeemed during the year as well as the element of income and capital gain included in the price of units sold less those in units redeemed as recorded by the Fund would not have been the same. These effects have not been quantified, as it was not practical to do so

7.5 Significant terms and conditions of debt securities (Term Finance Certificates) are as follows:

<u>Name of Security</u>	<u>Certificates</u>	<u>Face Number of (Rs.)</u>	<u>Markup Value (per annum)</u>	<u>Rate Maturity</u>	<u>Secured / un-secured</u>	<u>Rating</u>
Listed Debt Securities						
Chanda Oil & Gas Securitization Company Limited	15,448	5,000	3.25% + 3 months KIBOR	Feb, 2012	Un-Secured	A
Naimat Basal Oil & Gas Securitization Company Limited	4,000	5,000	2.5% + 6 months KIBOR	April, 2010	Secured	A +
Telecard Limited	2,020	5,000	3.75% + 6 months KIBOR	May, 2011	Secured	A
Azgard Nine	2,000	5,000	2.4% + 6 months KIBOR	Sep, 2012	Un-Secured	A +
Un Listed Debt Securities						
Azgard - Nine Ltd (PPTFC)	20,000	5,000	3% + 6 months KIBOR	Aug, 2007	Secured	A
Azgard - Nine Ltd (PPTFC)	1	45,521,439	3% + 9 months KIBOR	March, 2008	Un-Secured	A 1
Azgard - Nine Ltd (PPTFC)	1	45,499,989	3% + 9 months KIBOR	Feb, 2008	Un-Secured	A 1
Three Star Cement (Pvt) Ltd	1,100	100,000	2.5% + 6 months KIBOR	May, 2008	Secured	A +

June 30, 2007 **June 30, 2006**

-----Rupees-----

7.6 Unrealized gain / (loss) on investments at fair value through profit or loss

Market value of investments at fair value through profit or loss – Held for trading
Less: Cost of investments at fair value through profit or loss – Held for trading

406,874,892	203,891,797
(405,738,858)	(235,272,988)
1,136,034	(31,381,191)

Net unrealized gain / (loss) on investments at fair value through profit or loss – Held for trading - at the beginning of the year
Less: Realised on disposal during the year

31,381,191	-
(31,648,976)	-
(267,785)	-
868,249	(31,381,191)

7.7 Musharika Certificate

First Punjab Modaraba - Principal
Accrued return

7.7.1

25,000,000	-
151,487	-
25,151,487	-
0.98%	0.00%

7.7.1 The certificate carries mark-up at the rate of 11.64% per annum and will mature on December 12, 2007.

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 percent of the average annual net assets value (NAV) of the Fund and thereafter of an amount equal to two percent of such assets. During the current year, upto May, 2007, the Management Company has claimed its remuneration at the rate of 0.5 percent and for the month of June, 2007 at the rate of 1 percent of the average annual net assets 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 (NAV) of the Fund.

	Note	June 30, 2007	June 30, 2006
		Rupees	
10. ACCRUED AND OTHER LIABILITIES			
Against purchase of investment		3,980,794	9,407,540
Sales load payable		2,544,403	3,518
SECP annual fee payable	10.1	1,571,963	810,092
Accrued expenses		208,340	174,975
Others		3,550	4,881
		<u>8,309,050</u>	<u>10,401,006</u>
10.1	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 one percent of the average annual net assets of the Fund.		
			For the period from October 10, 2005 to June 30, 2006
		June 30, 2007	
		Rupees	

11. AUDITORS' REMUNERATION

Audit fee	160,000	125,000
Other certification and services	50,000	50,000
Review of statement of compliance with Code of Corporate Governance	25,000	25,000
Out of pocket expenses	32,278	31,200
	<u>267,278</u>	<u>231,200</u>

12. TAXATION

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

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 for the whole year has not been disclosed as in the opinion of the management, determination of such is not practicable.

14. CASH AND CASH EQUIVALENTS

	June 30, 2007	June 30, 2006
	----- Rupees -----	
Cash at banks - PLS Saving Accounts	80,845,481	1,036,514,471
Term Deposit Receipts	-	200,000,000
	<u>80,845,481</u>	<u>1,236,514,471</u>

15. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include Faysal Asset Management Limited being the Management Company, Faysal Bank Limited, My Bank Limited, AKD Securities (Pvt.) Limited, Islamic Investment Company of the Gulf (Bahamas) Limited, CDC - Trustee Faysal Balanced Growth Fund and CDC - Trustee Faysal Savings Growth Fund.

	June 30, 2007	For the period from October 10, 2005 to June 30, 2006
	----- Rupees -----	
15.1 Transactions during the year		
Faysal Asset Management Limited		
Remuneration of the Management Company	8,838,718	4,050,468
Sales Load	6,644,786	978,826
Faysal Bank Limited		
Profit on PLS saving account	204,187	3,991,758
Profit on Term Deposit Receipts	-	6,809,590
Issue of units - 137,376 (2006: 2,500,000)	13,750,000	250,000,000
My Bank Limited		
Issue of units - 13,543,094 (2006: nil)	1,500,000,000	-
Redemption of units - 10,883,991 (2006: nil)	1,211,547,677	-
15.2 Outstanding balances as at year end		
Faysal Asset Management Limited		
Remuneration of the Management Company	1,957,799	583,975
Sales load payable	2,544,403	3,518
Faysal Bank Limited		
Balance in PLS saving account	6,055,000	647,664
Profit on PLS saving account	-	22,851
Profit on Term Deposit Receipts	-	-
Units - 2,637,376 (2006: 2,500,000)	297,627,882	263,975,000
My Bank Limited		
Units - 2,659,103 (2006: nil)	302,547,600	-

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

16. INTEREST RATE SENSITIVITY POSITION

The Fund's financial assets and financial liabilities that are exposed to interest rate risk are as follows:

June 30, 2007				
Interest rate	Upto three months	More than three months and upto one year	More than one year	Total
-----Rupees-----				
On-balance sheet financial instruments				
Financial Assets				
Bank balances and Term Deposit Receipts	3.00% - 12.15%	80,845,481	2,000,000,000	-
Investments - debt securities	11.64% - 14.31%	392,739,892	25,000,000	-
		<u>473,585,373</u>	<u>2,025,000,000</u>	<u>2,498,585,373</u>

June 30, 2006				
Interest rate	Upto three months	More than three months and upto one year	More than one year	Total
-----Rupees-----				
On-balance sheet financial instruments				
Financial Assets				
Bank balances and Term Deposit Receipts	3.00% - 11.25%	1,236,514,471	-	1,236,514,471
Dividend and other receivables	13.00%	11,060,075	-	11,060,075
Investments - debt securities	11.25% - 13.41%	106,978,297	-	106,978,297
		<u>1,354,552,843</u>	<u>-</u>	<u>1,354,552,843</u>

17. MATURITIES OF ASSETS AND LIABILITIES

June 30, 2007				
	Upto three months	More than three months and upto one year	More than one year	Total
-----Rupees-----				
Assets				
Bank balances and Term Deposit Receipts	80,845,481	2,000,000,000	-	2,080,845,481
Dividend and other receivables	51,299,102	-	-	51,299,102
Investments	406,874,892	25,151,487	-	432,026,379
	<u>539,019,475</u>	<u>2,025,151,487</u>	<u>-</u>	<u>2,564,170,962</u>
Liabilities				
Remuneration payable to the Management Company	1,957,799	-	-	1,957,799
Remuneration payable to the Trustee	277,972	-	-	277,972
Accrued and other liabilities	8,309,050	-	-	8,309,050
	<u>10,544,821</u>	<u>-</u>	<u>-</u>	<u>10,544,821</u>
Net Assets	<u>528,474,654</u>	<u>2,025,151,487</u>	<u>-</u>	<u>2,553,626,141</u>

June 30, 2006

	Upto three months	More than three months and upto one year	More than one year	Total
----- Rupees -----				
Assets				
Bank balances and Term Deposit Receipts	1,236,514,471	-	-	1,236,514,471
Dividend and other receivables	71,738,219	-	-	71,738,219
Investments	203,891,797	-	-	203,891,797
	<u>1,512,144,487</u>	<u>-</u>	<u>-</u>	<u>1,512,144,487</u>
Liabilities				
Remuneration payable to the Management Company	583,975	-	-	583,975
Remuneration payable to the Trustee	204,942	-	-	204,942
Accrued and other liabilities	10,401,006	-	-	10,401,006
	<u>11,189,923</u>	<u>-</u>	<u>-</u>	<u>11,189,923</u>
Net Assets	<u>1,500,954,564</u>	<u>-</u>	<u>-</u>	<u>1,500,954,564</u>

18. FINANCIAL RISK MANAGEMENT POLICIES

18.1 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 SECP.

18.2 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.

18.3 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.

18.4 Credit risk

Credit risk arising from the inability of the counter parties to meet the terms of the Fund's financial instrument contracts 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 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.

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 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.

20. PERFORMANCE TABLE

	June 30, 2007	For the period from October 10, 2005 to June 30, 2006
	----- Rupees -----	
Highest offer price per unit	113.98	107.41
Lowest redemption price per unit	100.47	100.00

21. DATE OF AUTHORIZATION FOR ISSUE

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

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 approved a bonus issue at the rate of 12.75% (i.e Rs. 12.75 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. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. There were no major reclassifications.

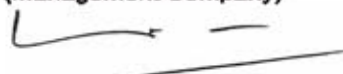
24. GENERAL

Figures have been rounded off to the nearest rupee.



Salman Haider Shelkh
Chief Executive Officer

For Faysal Asset Management Limited
(Management Company)



Iqbal Allmohamed
Director



Mohammad Iqbal
Director