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FUND INFORMATION

Management Company
Faysal Asset Management Limited

Board of Directors of the Management Company
Mr. Farook Bengali, Chairman
Mr. Ahsan Raza Durani, Chief Executive Officer
Mr. Hassan M. Ohammed Mahmood, Director
Mr. M. Ohammed Khan Hoti, Director
Mr. A. Jazirahin, Director
Mr. Feroz Rizvi, Director
Mr. Iqbal Alim Ohammed, Director
Mr. Aqeeb Karim Dhedhi, Director

CEO of the Management Company
Mr. M. Ohammed Shakeel Musani

Company Secretary of the Management Company
Mr. M. Siddique Memon

Audit Committee
Mr. Iqbal Alim Ohammed, Chairman
Mr. M. Ohammed Khan Hoti, Member
Mr. A. Jazirahin, 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

Auditors
Ford Rhodes Sidani & Co., Chartered Accountants

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

Registrars
Ganges Registrar Services (Pvt) Limited
Room #506, 5th Floor, Clifton Center,
Kehkashan Clifton - Karachi

Distributors

Faysal Asset Management Limited
Faysal Bank Limited
AKD Securities Private Limited
PIC Commercial Bank Limited
Invest Capital & Securities
My Bank Limited

MISSION STATEMENT

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



REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Directors of the Faysal Asset Management Limited, the Management Company of Faysal Balanced Growth Fund, are pleased to present the Second Annual Report on the affairs of FBGF along with the audited accounts, Reports of the Trustee and Auditor to the Unit Holders for the financial year ended June 30, 2005.

SALE AND REDEMPTION OF FUNITS

During the year, units worth Rupees 65.99 million were issued and units worth a value of Rupees 570.11 million were redeemed.

Unit Holders

As of June 30, 2005, total units outstanding has reduced by 23.16% whereas the value of net assets reduced by only 11.86% and stood at 15,600,587 units worth a value of Rs. 1,761 million (June 30, 2004: 20,302,136 units worth a value of Rs. 1,998 million).

Unit Prices

Unit prices are being announced on a daily basis based on the NAV of the underlying portfolio. The highest and lowest offer/redemption prices during the year as well as the prices prevailing as of June 30, 2005 were as below:

	Offer Prices	Redemption Prices
Highest	131.88	129.17
Lowest	99.52	97.47
As of June 30, 2005	115.27	112.90

INVESTING ACTIVITIES

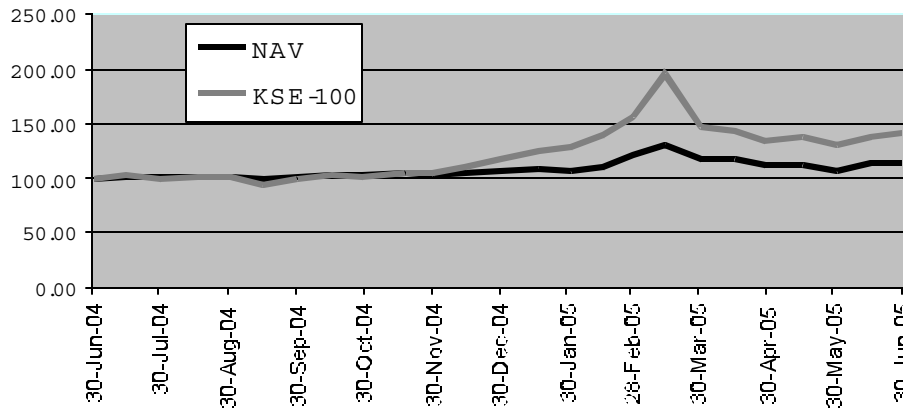
The Fund has increased its exposure in listed equity and debt securities while limiting its exposure on carry over transactions by the year-end. In view of the rise in international prices and major privatization prospects, the Fund has increased its exposure in Oil and Gas sector and Telecom sector besides diversifying its investment in other sectors. The fund also increased its investment in listed and rated TFC offering lucrative constant returns.

PERFORMANCE

FBGF, by the grace of Almighty Allah, has performed well as the Fund has appreciated by 14.70% during the first full year of operations compared to the 10% target.

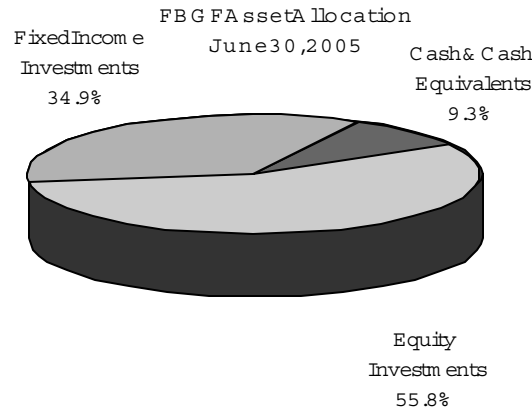
As of June 30, 2005, total net asset of the Fund amounted to PKR 1,761 million and the NAV per unit was PKR 112.90. During the year, the KSE 100 index remained volatile until December 2004 but gradually increased to touch its all time peak of 10,303.13 in March 2005. During this period, the market was marred by over-speculation, "national exuberance", and high volatility. During the year, the NAV of FBGF also increased gradually and conservatively and touched its peak of Rs. 129.17. Thereafter, the market crashed and closed at 7,450.12 on June 30, 2005, which shows a decline of over 27.7% from its peak level. However, the Fund has reduced by 12.6% and its NAV stood at 112.90 on June 30, 2005. This shows that the Fund was well protected from the equity market volatility due to strategic allocation in equity investments. As

such, keeping in view the balanced nature of the fund, it has performed conservatively in line with the KSE-100 index during the period under review.

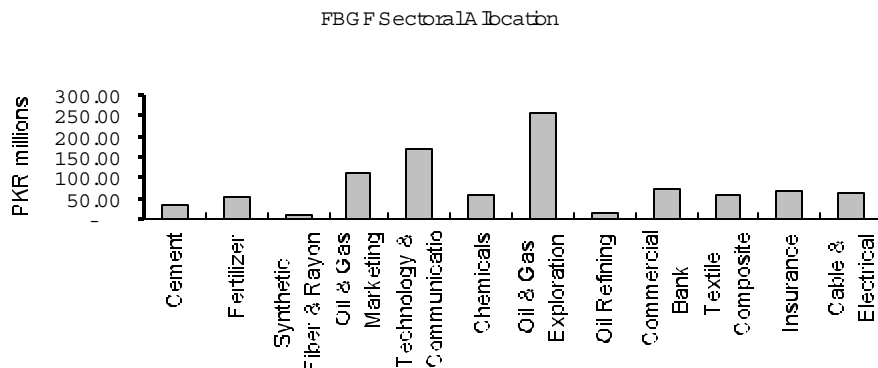


Asset Allocation

As of June 30, 2005, the Fund was invested up to 55.8% in equities, 34.9% in fixed income investments while the remaining funds were mainly placed in short-term deposits. The present allocation is based on the view that equity valuations are fully priced in the short-term and this allocation will be increased if the share prices undergo another major correction or there is any further improvement in macroeconomic and/or corporate fundamentals.



The Fund's investment in equity markets as of June 30, 2005 stood at PKR 983.2 million. The Fund has taken a positive view on the Oil & Gas Exploration, Technology & Communications, Commercial Banking, Insurance and Oil & Gas Marketing sectors.



Income and Return on Units

During the year ended June 30, 2005, the NAV of the fund has increased from Rs.98.43 to Rs.112.90. Thus posting an overall yield to its investors of over 14.70%. The fund has posted a Net Profit after Tax of Rs.233.2 million. This mainly includes a net capital gain of Rs.175.72 million.

Income Distribution

The Board has approved bonus dividend at Rs.12.5 per unit @ 12.5%. The book closure for the entitlement was from July 1, 2005 to July 12, 2005 (both days inclusive).

Valuation of TFCs

During the year, the management decided to value its investment in Term Finance Certificates (TFCs) at its fair value determined on the basis of discounted cash flow method in line with IAS-39 instead of valuing it in accordance with NBFC Rules, 2003 which require the valuation based on Stock Exchange quoted market price. The management has made this change as TFCs are not actively traded on stock exchange and it believes that the discounted cash flow basis reflects a more realistic measurement of this investment. Consequently, in view of the recent hike in interest rates and as more fully explained in the Note 4.1 and 5.4 of the financial statement, the net income of the fund for the year and the net asset value of the fund as at June 30, 2005 have reduced by Rs.13.44 million. Accordingly, the net asset value of each unit has reduced by Rs.0.86 per unit.

Mutual Fund Rating

Since, the fund has completed its first year of operations, the management plans to obtain rating for its management company and the fund during 2005-2006.

Meetings of the Directors

Mr. M oham m adA liuddin Ansari's resignation as director was accepted w.e.f. October 2, 2004. Mr. Aqeel Karim Dhedhi was co-opted by Board as director w.e.f. October 2, 2004 in place of Mr. M oham m adA liuddin Ansari who has resigned.

S. No.	Name	Designation	Meetings		
			Total	Attended	Leave Granted
1.	Mr. Farok Bengali	Chairman	4	3	1
2.	Mr. Ahsan Raza Durani	Chief Executive Officer	4	4	-
3.	Mr. Hassan M oham m adM ahm ood	Director	4	4	-
4.	Mr. M oham m adKhan Hoti	Director	4	4	-
5.	Mr. Ajaz Rahim	Director	4	4	-
6.	Mr. Feroz Rizvi	Director	4	4	-
7.	Mr. Iqbal Im oham m ed	Director	4	3	1
8.	Mr. M oham m adA liuddin Ansari	Director	1	-	1
9.	Mr. Aqeel Karim Dhedhi	Director	3	2	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, 2005 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 results of operations, cash flow and management in the holder's fund.
 - ii. Proper books of account 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 a 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 form part of this Annual Report.
 - x. The prescribed pattern of shareholding is given as part of this Annual Report.

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

Trades By:	Investment ----- (No. of Units) -----	Redemption
Directors:		
Mr. Iqbal Ali Khan	-	500,000
Ex-CFO		
Mr. Salim Jamal	-	502

PATTERN OF HOLDING

The pattern of fund holders represents a very well diversified blend of investors. Public Limited Companies hold 1.79% units, Banks hold 42.48%, 25.52% is held by the retirement funds, 8.97% by Financial Institutions, 9.54% by individuals and 11.70% by Insurance, other corporates and non-profit organizations. Detailed pattern is also annexed.

FUTURE OUTLOOK

The KSE-100 Index in FY 05 has witnessed one of the most bullish phases in Pakistan stock market history followed by one of the worst crash in history. During the period under review, the KSE-100 Index rose 2,169.16 points (up 41.08%) to close FY 05 at 7,450.12 points. During 3Q FY 05 the KSE-100 Index recorded an all-time high of 10,303.13 points, but a sharp correction in the latter half of March 05 resulted in the market shredding 2,532.8 points (down 24.5%) within two weeks. 4Q FY 05 has seen the KSE-100 index consolidate and settle within the 7000-7500 points range.



With the March '05 settlement crises behind us, and CO T phasing out on schedule, the KSE Management and SECP continue to remain in a deadlocked over some key exposures and margin issues pertaining to brokers. The much anticipated increase in CVT in FY 05/06 Budget did not materialize, sending positive vibes across the market. This year's market stimulus budget was timely followed by the successful privatization of the state-owned PTC L, a landmark event in the history of the country, fetching the Government, USD 2.6 billion (\$1.96/share). With "margin financing" products in the offering and the privatization process picking up, the loss of confidence in the market is expected to be restored. In the short term, we expect that the market will remain rangebound until final phase out of CO T with successful replacement of margin financing, and political and economic stability in the post-local body election scenario. In the long run, we remain bullish on the market and are confident that policy initiatives by the present government will yield tangible results in the form of higher economic growth and improved investment environment, which should help attract foreign direct and portfolio investment.

Auditors

The Audit Committee meeting held on July 12, 2005, recommended the re-appointment of Messrs Ford Rhodes Slatkinder & Co. Chartered Accountants, as auditors of FBGF for the Financial Year 2005-2006. The Board of Directors approved the appointment.

Acknowledgement

The Board of Directors of the Management Company is thankful to our investors for the confidence on the Management, the Securities and Exchange Commission of Pakistan and the Management of Karachi Stock Exchange for the invaluable support, assistance and guidance. The Board also thanks the employees of the Management Company and the Trustee for their dedication and hard work.

(For and on behalf of the Board)

Karachi July 12, 2005

Ahsan Raza Durani
Chief Executive Officer

DETAILS OF PATTERN OF HOLDING (UNITS)
 AS AT JUNE 30, 2005

	Units Held
Associated Companies	
Faysal Bank Limited	2,000,000
AKD Securities (Pvt.) Limited	600,000
Directors and CEO	
Chief Executive Officer:	
Mr. Ahsan Raza Durani	1,000
Directors:	
Mr. Mohammad Khan Hoti	996
Mr. Ajaz Rahim	1,005
Mr. Feroz Rizvi	10,000
Public Limited Companies	280,000
Banks	4,626,813
Financial Institution and Moudarabas	1,693,411
Retirement Funds	3,980,847
Insurance Companies	210,045
Other Corporate Sector entities	721,818
Individuals	1,474,652

REPORT OF THE TRUSTEE FAYSAL BALANCED GROW TH FUND

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

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

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

In our opinion, Faysal Asset Management Limited, the Management Company of Faysal Balanced Growth Fund has in all material respects managed Faysal Balanced Growth Fund during the period June 04, 2005 to June 30, 2005 in accordance with the provisions of the Trust Deed (and the modifications authorized by the Securities and Exchange Commission of Pakistan from time to time) and the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

For the purpose of information, the attention of the unit holders is drawn towards the point (a) of Auditors' Report to the Unit Holders where in it is specified that during the period July 01, 2004 to May 11, 2005, the TFCs were valued based on the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. However, effective May 12, 2005, the Fund has valued its TFCs on the basis of discounted cash flow method as allowed by IAS 39.

Date: July 12, 2005
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, 2005

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

FAM L, 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 taxpayers and none of them has defaulted in payment of any bank or banking company, ADFI or NBFIR, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. No casual vacancy occurred during the year in the Board.
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 particular significant policies is 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 FAMA and NBFCA 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 shareholdings (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 Saaleem & 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, the 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 the 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.

Karachi
July 5, 2005

Ahsan Raza Durran
Chief Executive Officer

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 Balanced 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 system 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, 2005.

KARACHI: July 12, 2005

Ford Rhodes Sidat Hyder & Co.
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the annexed statement of assets and liabilities of FAYSAL BALANCED GROW TH FUND as at June 30, 2005 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 year 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. A audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. A 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 notes 4.1 and 5.4 to the financial statements, during the period July 01, 2004 to May 11, 2005 Term Finance Certificates (TFCs) were valued in accordance with the requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). However, effective May 12, 2005 the Fund has valued its TFCs on the basis of discounted cash flow method. Had the Fund valued its investments in accordance with the NBFC Rules subsequent to May 11, 2005 the Net Income of the Fund for the year and the Net Asset Value of the Fund as at June 30, 2005 would have been higher by Rs. 13,444,203/-. Consequently the number of units sold/redeemed during the period as well as the element of income and capital gains/(losses) 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.

Except for the effects of the matter stated in paragraph (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, 2005 and of the transactions of the Fund for the year then ended.

KARACHI: July 12, 2005

Ford Rhodes Siddiqui & Co.
CHARTERED ACCOUNTANTS



STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2005

	Note	2005 Rupees	2004 Rupees
Assets			
Investments	5	1,597,523,641	482,224,800
Advance against purchase of Term Finance Certificates		-	147,500,000
Receivables	6	31,780,917	1,259,661,454
Preliminary expenses and flotation costs	7	1,954,796	2,454,795
Bank balances	8	232,210,681	114,734,050
Total assets		1,863,470,035	2,006,575,099
Liabilities			
Remuneration payable to the Management Company	9	3,249,229	3,714,774
Remuneration payable to the Trustee	10	226,646	247,282
Creditors, accrued and other liabilities	11	98,639,517	4,316,624
Total liabilities		102,115,392	8,278,680
Commitments	12		
Net assets		1,761,354,643	1,998,296,419
Unit holders funds (as per statement attached)		1,761,354,643	1,998,296,419
Number of units in issue		15,600,587	20,302,136
Net asset value per unit		112.90	98.43

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

For Faysal Asset Management Limited
(Management Company)

Ahsan Raza Durani
Chief Executive Officer

Ajaz Rahim
Director

Mohammad Khan Hoti
Director

For Central Depository Company of Pakistan Limited
(Trustee)

Mohammad Hanif Jhakura
Chief Executive

INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2005

	Note	For the year ended June 30, 2005 Rupees	For the period from April 7, 2004 to June 30, 2004 Rupees
Income			
Net gain/(loss) on sale of held-for-trading investments		327,809,407	(14,095,186)
Income from reverse repurchase transactions of listed securities		83,456,880	19,388,882
Profit earned on Term Finance Certificates		33,771,565	98,022
Dividend income		37,425,900	4,999,200
Return on bank balances		2,442,670	2,962,270
Element of income and capital (loss)/gains in prices of units sold less those in units redeemed		(33,915,953)	195,152
		450,990,469	13,548,340
Unrealized loss on held-for-trading investments		(152,090,893)	(28,921,444)
		298,899,576	(15,373,104)
Expenses			
Remuneration of the Management Company	9	42,885,730	9,102,109
Remuneration of the Trustee	10	2,906,001	604,624
Brokerage and settlement charges		20,391,059	2,911,401
Bank charges		36,370	9,600
Auditors remuneration	13	308,000	150,000
SEC Annual fee	11.1	1,905,947	404,517
Listing fee		33,000	37,000
Amortization of preliminary expenses and flotation costs		499,999	45,205
		68,966,106	13,264,456
Net profit/(loss) for the year before taxation		229,933,470	(28,637,560)
Provision for taxation - current	14	3,279,651	(3,279,651)
Net profit/(loss) for the year after taxation		233,213,121	(31,917,211)
Net profit/(loss) per Unit		14.95	(1.57)

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

For Faysal Asset Management Limited
(Management Company)

Ahsan Raza Durani
Chief Executive Officer

Ajiz Rahim
Director

Mohammad Khan Hoti
Director

For Central Depository Company of Pakistan Limited
(Trustee)

Mohammad Hanif Shakura
Chief Executive

DISTRIBUTION STATEMENT
 FOR THE YEAR ENDED JUNE 30, 2005

	For the year ended June 30, 2005 Rupees	For the period from April 7, 2004 to June 30, 2004 Rupees
Undistributed loss brought forward	(31,917,211)	-
Net income/(loss) for the year	233,213,121	(31,917,211)
Final distribution @ Rs.12.5 per unit transferred to reserve for issue of bonus units Declared for distribution on July 12, 2005	(195,007,337)	-
Accumulated profit/(loss) carried forward	6,288,572	(31,917,211)

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

For Faysal Asset Management Limited
(Management Company)

Ahsan Raza Dunani
Chief Executive Officer

Ajiz Rahim
Director

Mohammad Khan Hoti
Director

For Central Depository Company of Pakistan Limited
(Trustee)

Mohammad Hanif Shakura
Chief Executive

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	For the year ended June 30, 2005	For the period from April 7, 2004 to June 30, 2004 Rupees
Net assets at the beginning of the year	1,998,296,419	-
Amounts received on issue of 594,969 Units (2004: 20,910,674 Units)	66,041,475	2,090,663,715
Amounts paid on redemption of 5,296,518 Units (2004: 608,538 Units)	(570,112,325)	(60,254,933)
	(504,070,850)	2,030,408,782
Element of income and capital gains in prices of units sold less those in units redeemed	33,915,953	(195,152)
Net profit/(loss) for the year	233,213,121	(31,917,211)
Net assets as at the end of the year	<u>1,761,354,643</u>	<u>1,998,296,419</u>
Net assets as at the end of the year consist of:		
Capital account	1,560,058,733	2,030,213,630
Reserve for issue of 1,942,304 (2004: Nil) bonus units	195,007,337	-
Accumulated profit/(loss)	6,288,572	(31,917,211)
	<u>1,761,354,643</u>	<u>1,998,296,419</u>

The annexed notes form an integral part of these financial statements

For Faysal Asset Management Limited
(Management Company)

Ahsan Raza Durani
Chief Executive Officer

Ajaz Rahn
Director

Mohammad Khan Hoti
Director

For Central Depository Company of Pakistan Limited
(Trustee)

Mohammad Hanif Shakura
Chief Executive

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2005

	Note	For the year ended June 30, 2005 Rupees	For the period from April 7, 2004 to June 30, 2004 Rupees
Cash Flow from Operating Activities			
Net income		229,933,470	(28,637,560)
Adjustments for:			
Net gain on sale of Held for trading investments		(327,809,407)	14,095,186
Element of income and capital gains included in prices of units sold less those in units redeemed		33,915,953	(195,152)
Securities and derivative financial instruments - net			
Unrealized loss on Held for trading investments		152,090,893	28,921,444
Amortization of preliminary expenses and flotation costs		499,999	45,205
		<u>88,630,908</u>	<u>14,229,123</u>
(Increase)/Decrease in Assets			
Receivables (excluding advance taxation)		1,161,656,833	(1,180,594,584)
Other assets		147,500,000	(150,000,000)
		<u>1,309,156,833</u>	<u>(1,330,594,584)</u>
Increase/(Decrease) in Current Liabilities			
Remuneration paid to the Management Company		(465,545)	3,714,774
Remuneration paid to the Trustee		(20,636)	247,282
Creditors, accrued and other liabilities (excluding taxation)		2,490,591	1,036,973
		<u>2,004,410</u>	<u>4,999,029</u>
Sale of investments		10,900,420,056	309,254,428
Purchase of investment		(11,676,805,583)	(913,562,728)
Advance tax paid		(1,859,143)	-
		<u>621,547,481</u>	<u>(1,915,674,732)</u>
Cash Flow from Financing Activities			
Amounts received on issue of Units		66,041,475	2,090,663,715
Payment against redemption of Units		(570,112,325)	(60,254,933)
Net receipts/(payments) made against sale/(redemption) of units		<u>(504,070,850)</u>	<u>2,030,408,782</u>
Net increase in balance with banks during the year		117,476,631	114,734,050
Bank balances at the beginning of the year		114,734,050	-
Bank balances at the end of the year	8	<u><u>232,210,681</u></u>	<u><u>114,734,050</u></u>

The annexed notes form an integral part of these financial statements

For Faysal Asset Management Limited
(Management Company)

Ahsan Raza Durani
Chief Executive Officer

Ajaz Rahim
Director

Mohammad Khan Hoti
Director

For Central Depository Company of Pakistan Limited
(Trustee)

Mohammad Hanif Hakura
Chief Executive

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

1. LEGAL STATUS AND NATURE OF BUSINESS

Faysal Balanced 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 February 18, 2004. It has been constituted under a Trust Deed, dated January 29, 2004, between Faysal Asset Management Limited, a company incorporated under the Companies Ordinance, 1984 and Muslim Commercial Financial Services (Private) Limited (MCFSL) as the Trustee, also incorporated under the Companies Ordinance, 1984 and a wholly owned subsidiary of Muslim Commercial Bank Limited till June 04, 2005 and thereafter between Faysal Asset Management Limited, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited (CDC) as the Trustee.

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

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

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with 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 5.4 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

Investments which are acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin are classified as held-for-trading. Investments that are not held to maturity and not held for trading are classified as available for sale. Investments with fixed maturity where management has both the intent and ability to hold to maturity, are classified as held-to-maturity.

All investments are initially recognized at cost, being the fair value of the consideration given including acquisition charges associated with the investment.

After initial recognition, investments which are reclassified as held-for-trading and available-for-sale are remeasured at fair value. Gains or losses on investments held-for-trading are recognized in income. Gains or losses on available-for-sale investments are recognized in the unitholders' funds until the investment is sold or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in unitholders' funds is included in income. Investments classified as held-to-maturity are stated at amortized cost.

For investment in government securities, fair value is determined by reference to quotations obtained from Reuters. For investments in marketable equity securities, fair value is determined by reference to Stock Exchange quoted market prices at the close of business on balance sheet date.

Until May 11, 2005 the Fund's policy was to value listed TFCs at a fair value determined by reference to Stock Exchange quoted market prices at the close of business on balance sheet date and unlisted TFCs at the investment price as required by the NBFC Rules. With effect from May 12, 2005, the management has changed the above accounting policy with respect to valuation of TFCs which are now valued on the basis of discounted cash flow method. The management has made this change as TFCs are not actively traded on the Stock Exchange to reflect the prevailing interest rates and adjustments in the one-year market or the quoted prices are adjusted for the redemptions. In order to adopt a policy that is fair to all investors the management has determined the fair value of both listed and unlisted TFCs using the discounted cash flow method as it reflects fair measurement of such investments as allowed by IAS-39. As the Fund has acquired TFCs during the year there is no financial impact to the above change on opening balance of retained earnings. The financial impact of the change in accounting policy for the current year has been disclosed in note 5.4.

4.2 Securities under purchase/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 receivables. 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 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.

4.4 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 shareholders' right to receive payments is established.

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.

4.5 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, a dividend and 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 year is transferred to the income statement.

4.6 Taxation

Provision for current taxation is based on taxable income at the prevailing rates of tax. The income of the Fund is exempt from taxation under clause 99 of the Part I of the 2nd 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 among the unit holders.

4.7 Tradedate accounting

All regular way purchases/sales of investments are recognized on the tradedate, i.e., the date the Fund commits to purchase / sell the investments. Regular way purchases or sales of investments require delivery of securities within three days after the transaction date as required by Stock Exchange regulations.

4.8 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and then 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.

4.9 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.

4.10 Earnings per unit

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

4.11 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the Fund. These costs are being amortized over a period of six months.

	Note	2005 Rupees	2004 Rupees
5. INVESTMENTS			
Held-for-trading			
Listed equity securities	5.1	983,217,844	482,224,800
Listed debt securities	5.2	512,341,208	-
		<u>1,495,559,052</u>	<u>482,224,800</u>
Unlisted debt securities	5.3	101,964,589	-
		<u>1,597,523,641</u>	<u>482,224,800</u>

	No. of shares at the beginning of the year	Acquired during the year	Bonus/right shares received during the year	Disposed during the year	No. of shares at the end of the year	Market value (Rupees)	% of net assets
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5.1 Listed equity securities*

* Ordinary share having a face value of Rs.10/- each unless stated otherwise.

Cement

DG Khan Cement Limited	293,000	5,735,500	11,000	(6,039,500)	-	-	0.00%
Fauji Cement Company Limited	-	1,690,000	-	(1,040,000)	650,000	8,320,000	0.47%
Kohat Cement Limited	69,500	16,200	-	(85,700)	-	-	0.00%
Pioneer Cement Limited	-	25,000	-	(25,000)	-	-	0.00%
Chehat Cement Limited	-	2,500	-	(2,500)	-	-	0.00%
Lucky Cement Limited	-	1,238,000	-	(770,000)	468,000	21,294,000	1.21%
Maple Leaf Cement Limited	-	300,000	-	-	300,000	6,540,000	0.37%

Insurance Companies

Adamjee Insurance Company Limited	-	1,000,000	-	-	1,000,000	66,750,000	3.79%
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Commercial Banks

Bank of Punjab Limited	-	810,000	-	(810,000)	-	-	0.00%
National Bank of Pakistan	-	2,102,300	30,000	(2,132,300)	-	-	0.00%
Muslim Commercial Bank	-	2,175,000	50,000	(1,825,000)	400,000	31,720,000	1.80%
Union Bank Limited	-	300,000	-	(100,000)	200,000	7,900,000	0.45%
Askari Commercial Bank Limited	-	1,188,600	20,000	(1,088,600)	120,000	9,360,000	0.53%
Bank Al-Falah Limited	-	500,000	-	(4,900)	495,100	20,175,325	1.15%
NDLC - FIC Bank	-	200,000	-	-	200,000	4,600,000	0.26%
Pakistan Industrial Credit & Investment Corporation	-	25,000	-	(25,000)	-	-	0.00%

Oil & Gas Marketing Companies

Shell Pakistan Limited	35,000	3,500	-	(8,500)	-	-	0.00%
Pakistan State Oil Company Limited	504,000	7,671,600	-	(7,922,600)	253,000	97,658,000	5.54%
Su North Gas Pipelines Company Limited	-	4,404,900	-	(4,304,700)	100,200	6,142,260	0.35%
Su South Gas Company Limited	-	775,000	-	(475,000)	300,000	6,945,000	0.39%

	No. of shares at the beginning of the year	Acquired during the year	Bonus/right shares received during the year	Disposed during the year	No. of shares at the end of the year	Market value (Rupees)	% of net assets
Transport							
Pakistan International Airlines	-	100,000	-	(100,000)	-	-	0.00%
Chemicals							
ICP Pakistan Limited	-	3,596,400	-	(2,228,400)	768,000	59,520,000	3.38%
Pakistan PTA Limited	-	8,865,000	-	(8,865,000)	-	-	0.00%
Oil & Gas Exploration Companies							
Pakistan Oil Fields Limited	-	4,690,800	-	(4,595,600)	95,200	26,789,280	1.52%
Oil and Gas Development Company Limited	-	15,959,000	-	(15,511,300)	447,700	47,142,810	2.68%
Pakistan Petroleum Limited	-	6,471,300	-	(5,621,300)	850,000	182,835,000	10.38%
Fertilizer							
Fauji Fertilizer Company Limited	530,000	1,751,900	92,670	(2,374,570)	-	-	0.00%
Fauji Fertilizer Bin Qasim Limited	-	2,586,500	-	(2,086,500)	500,000	13,450,000	0.76%
Engro Chemicals Pakistan Limited	-	946,900	-	(597,400)	349,500	40,279,875	2.29%
Synthetic and Rayon							
Dewan Salm an Fibres Limited	400,000	950,750	36,750	(687,500)	700,000	11,795,000	0.67%
Dewan Farooq Spinning Mills Limited	-	1,500,000	-	-	1,500,000	13,200,000	0.75%
Technology and Communication							
Pakistan Telecommunication Company Limited	2,824,000	21,034,500	-	(21,953,500)	1,905,000	125,634,750	7.13%
Callmate Telecom Limited	-	593,000	-	(1,000)	592,000	23,088,000	1.31%
TeCard Limited	-	1,593,500	-	-	1,593,500	19,361,025	1.10%
Textile							
Kohinoor Textile Mills Limited	539,000	361,000	29,640	(921,070)	8,570	325,660	0.02%
Nagina Cotton Mills Limited	54,500	16,500	-	-	71,000	1,846,000	0.10%
Azgard Nishat Limited	-	1,207,000	-	(72,000)	1,135,000	36,320,000	2.06%
Nishat Mills Limited	-	334,000	-	(334,000)	-	-	0.00%
Nishat (Chunian) Limited	-	94,400	-	(0,000)	84,400	8,026,440	0.46%
Power Generation & Distribution							
Hub Power Company Limited	3,000,000	3,375,000	-	(6,375,000)	-	-	0.00%
Refineries							
Natona Refinery Limited	-	307,800	-	(255,500)	52,300	16,542,490	0.94%
Attack Refinery Limited	-	40,000	-	(40,000)	-	-	0.00%
Modaraba							
First Habib Modaraba	-	422,500	1,500	-	424,000	3,392,000	0.19%
Close-Ended Mutual Fund							
PIIC Growth Fund	-	1,250,000	-	(1,250,000)	-	-	0.00%
Paper & Board							
Packages Limited	-	38,320	-	(26,100)	12,220	1,710,800	0.10%
Cable & Electric Goods							
Pak Electron Limited	-	732,000	47,310	(416,600)	362,710	14,472,129	0.82%
Pak Electron Limited - Preference shares	-	5,000,000	-	-	5,000,000	50,000,000	2.84%
Investment Banks/Co/Securities							
First Dawood Investment Bank Limited	-	5,000	-	-	5,000	82,000	0.00%
	<u>8,249,000</u>	<u>113,986,170</u>	<u>318,870</u>	<u>(101,611,640)</u>	<u>20,942,400</u>	<u>983,217,844</u>	<u>55.82%</u>

	No. of holding at the beginning of the year	Acquired during the year	Bonus/right shares received during the year	Disposed during the year	No. of holdings at the end of the year	Market value (Rupees)	% of net assets
	No. of holdings						

5.2 Listed debt securities

Commercial Banks							
United Bank Limited (1 st issue)	-	25,000	-	-	25,000	118,772,350	6.74%
United Bank Limited (2 nd issue)	-	5,000	-	-	5,000	24,365,080	1.38%
Leasing Companies							
Trust Leasing Company Limited	-	4,500	-	-	4,500	19,654,020	1.12%
Investment Companies							
Jahangh Siddiqui & Company Limited	-	7,650	-	-	7,650	35,566,519	2.02%
Technology and Communication							
Telecard	-	20,000	-	-	20,000	100,149,917	5.69%
Oil & Gas Exploration Companies							
Chanda Oil & Gas Securitization Company Ltd.	-	30,000	-	(2,000)	28,000	139,584,430	7.92%
Namata Basa Oil & Gas Securitization Company Ltd.	-	15,000	-	-	15,000	74,248,892	4.22%
	-	107,150	-	(2,000)	105,150	512,341,208	29.09%

5.3 Unlisted debt securities

Transport and Communication							
Spell Telecom	-	102	-	-	102	101,964,589	5.79%
	-	102	-	-	102	101,964,589	5.79%

5.4 As stated in note 4.1 TFCs, both listed and unlisted, are 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 and unlisted to be valued at the investment price. Had these been valued on the basis required by the NBFC Rules, then the net income for the year and net asset as of the balance sheet date would have been higher by Rs. 13,444,203/-.

Further, the net asset value of the Fund during the last quarter may also have been lower or higher based on the prevailing stock exchange rates and as such there may be differences in the element of income and capital gains in prices of units sold less those of units redeemed accordingly. The impact of the method used by the Fund 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 0.77% of the net asset value at the year end.

5.5 Significant terms and conditions of FFCs are as follows:

Name of Security	Number of Certificates	Face Value (Rs.)	Mark-up Rate (Per annum)	Maturity	Secured/Unsecured	Rating
United Bank Limited (1st issue)	25,000	5,000	8.45%	August, 2012	Unsecured	A
United Bank Limited (2nd issue)	5,000	5,000	9.49%	March, 2013	Unsecured	A
Trust Leasing Company Limited	4,500	4,500	3% + 6 months KIBOR	July, 2009	Secured	AA-
Jahangir Siddiqui & Company Limited	7,650	5,000	8.29%	Dec, 2009	Unsecured	AA+
Chanda Oil & Gas Securitization Company Limited	30,000	5,000	3.25% + 3 months KIBOR	Feb, 2012	Secured	A
Naimat Basa Oil & Gas Securitization Company Limited	15,000	4,950	2.5% + 6 months KIBOR	April, 2010	Secured	A
Spell Telecom	102	1,000,000	3.5% + 6 months KIBOR	Oct, 2005	Secured	A
TeleCard	20,000	5,000	3.75% + 6 months KIBOR	May, 2011	Secured	A
			Note	2005 Rupees	2004 Rupees	

5.6 Cost of the held-for-trading investments as at June 30, 2005 1,749,752,659 511,146,244

5.7 Net unrealized (loss)/gain during the year in the value of investments classified as Held-for-trading

Market value of marketable securities classified as Held for trading	1,597,523,641	482,224,800
Less: Cost of marketable securities classified as Held for trading	<u>1,749,752,659</u>	<u>511,146,244</u>
	(152,229,018)	(28,921,444)

Net unrealized gain/(loss) in market value of securities classified as Held for trading at the beginning of the year	28,921,444	-
Less: Realized on disposal during the year	28,783,319	-
	138,125	-
	<u>(152,090,893)</u>	<u>(28,921,444)</u>

6. RECEIVABLES - considered good		
Against sale of held-for-trading investments - net in respect of reverse repurchase transactions of listed equity securities	6.1	1,175,765,955
Other receivables		
Mark-up receivable on Term Finance Certificates		14,540,076
Dividend receivable		3,992,270
Advanced tax	6.2	1,859,143
Income receivable on money market transactions		564,453
Return receivable on bank balances		311,388
Prepaid settlement charges		94,018
		<u>31,780,917</u>
		<u>1,259,661,454</u>

6.1 The market value of listed equity securities held in respect of these aggregates to Rs. Nil (2004: Rs. 1,215,200,305).

6.2 This represents tax withheld till September 30, 2004 under the newly inserted Section 233(A) of the Income Tax Ordinance, 2001 through Finance Act, 2004. This amount will be claimed as refundable in the return of income for the year ending June 30, 2005.

	2005	2004
	Rupees	Rupees
7. PRELIMINARY EXPENSES AND FLOATATION COSTS		
Preliminary expenses and floatation costs incurred	2,454,795	2,500,000
Less: Amortization during the year	<u>499,999</u>	<u>45,205</u>
Balance as at June 30, 2005	<u><u>1,954,796</u></u>	<u><u>2,454,795</u></u>

8. BANK BALANCES - local currency

Indeposita accounts	<u><u>232,210,681</u></u>	<u><u>114,734,050</u></u>
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9. REMUNERATION PAYABLE TO THE MANAGEMENT COMPANY

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

10. 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 tariffs specified therein, based on the daily net assets value of the fund.

		2005	2004
	Note	Rupees	Rupees
11. CREDITORS ACCRUED AND OTHER LIABILITIES			
Against purchase of the held-for-trading investment-net		95,111,954	-
Sales bad payable		791,269	146,648
SEC P annual fee payable	11.1	2,310,463	404,517
Accrued expenses		425,831	150,000
Settlement charges payable		-	335,808
Provision for taxation		<u>-</u>	<u>3,279,651</u>
		<u><u>98,639,517</u></u>	<u><u>4,316,624</u></u>

11.1 SEC P annual fee payable

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

	2005 Rupees	2004 Rupees
12. COMMENTS		
Carry over transactions (including transactions to be rolled over) entered into by the Fund in respect of which the purchase transaction has not been settled as at June 30	<u>-</u>	<u>2,463,021,625</u>
	For the year ended June 30, 2005 Rupees	For the period from April 7, 2004 to June 30, 2004 Rupees
13. AUDITORS REMUNERATION		
Audit fee	200,000	125,000
Other certification and services	75,000	-
Review of statement of compliance with Code of Corporate Governance	<u>33,000</u>	<u>25,000</u>
	<u>308,000</u>	<u>150,000</u>
14. TAXATION		
In view of accounting loss for the period ended June 30, 2004, no distribution had been made by the Fund. Accordingly, on prudence basis, provision for current taxation of Rs. 3,279,651/- was made in the accounts for the period then ended. This said provision of Rs. 3,279,651/- has been reversed during the current year on the basis of clarification issued by Central Board of Revenue vide circular dated letter No. 1 (11) E & IC / 2002 dated December 04, 2004.		
No provision for current year taxation has been made in the financial statements in view of the exemption under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its income excluding realized and unrealized capital gains for the year is distributed among the unit holders.		
15. TRANSACTIONS WITH CONNECTED PERSONS		
Connected persons include Faysal Asset Management Limited being the management company, Faysal Bank Limited and Aqeel Karim Dhedhi Securities (Private) Limited.		
	2005 Rupees	2004 Rupees
Faysal Asset Management Limited		
Remuneration of Management Company	42,885,730	9,102,109
Sales bad	984,973	104,848
Faysal Bank Limited		
Issue of funds	-	2,000,000 Units
Profit on deposit account	2,305,831	2,953,187
Aqeel Karim Dhedhi Securities (Pvt.) Limited		
Brokerage fee	2,825,785	125,750
Purchase of marketable securities	2,353,881,336	120,152,750
Sale of marketable securities	1,476,762,890	12,412,200
Profit on money market transactions	3,800,827	7,043,753
Listed equity securities purchased under resale commitment	12,515,861,485	24,974,335,140
Listed equity securities purchased under resale commitment	12,518,597,972	24,653,153,369
Issue of funds	-	1,000,000 Units
Redemption of funds	-	400,000 Units

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

16.1 The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2005 can be determined from the following:

	Exposed to Interest Rate Risk			Not exposed to Interest Rate Risk	Total
	Up to three months	More than three months and up to one year	More than one year		
	Amount in Rupees				
On-balance sheet financial instruments					
Financial Assets					
Investments	614,305,797	-	-	983,217,844	1,597,523,641
Receivables	-	-	-	31,780,917	31,780,917
Bank Balances	232,210,681	-	-	-	232,210,681
	<u>846,516,478</u>	<u>-</u>	<u>-</u>	<u>1,014,998,761</u>	<u>1,861,515,239</u>
Financial Liabilities					
Remuneration payable to the Management Company	-	-	-	3,249,229	3,249,229
Remuneration payable to the Trustee	-	-	-	226,646	226,646
Creditors, accrued and other liabilities				98,639,517	98,639,517
				<u>102,115,392</u>	<u>102,115,392</u>
On-balance sheet gap	<u>846,516,478</u>	<u>-</u>	<u>-</u>	<u>912,883,369</u>	<u>1,759,399,847</u>

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

	Percentage	
	2005	2004
Term Finance Certificates	8.29% - 12.85%	6% - 10%
Bank balances	0.5% - 7.25%	1% - 3%

In addition, during the year the Fund also charged mark-up on reverse repurchase transactions of listed equity securities ranging between 5.50% to 11.87% (2004: 5.50% to 11%). The balance in this account is nil at the year end.

17. MATURITIES OF ASSETS AND LIABILITIES

	June 30, 2005			
	Upto three months	More than three months and upto one year	More than one year	Total
Amount in Rupees				
Assets				
Investments	1,597,523,641	-	-	1,597,523,641
Receivables	31,780,917	-	-	31,780,917
Preliminary expenses and fabrication cost	125,000	375,000	1,454,796	1,954,796
Bank Balances	232,210,681	-	-	232,210,681
	<u>1,861,640,239</u>	<u>375,000</u>	<u>1,454,796</u>	<u>1,863,470,035</u>
Liabilities				
Remuneration payable to the Management Company	3,249,229	-	-	3,249,229
Remuneration payable to the Trustee	226,646	-	-	226,646
Creditors, accrued and other liabilities	98,639,517	-	-	98,639,517
	<u>102,115,392</u>	<u>-</u>	<u>-</u>	<u>102,115,392</u>
Net Assets	<u><u>1,759,524,847</u></u>	<u><u>375,000</u></u>	<u><u>1,454,796</u></u>	<u><u>1,761,354,643</u></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 Company and regulations laid down by the Securities and Exchange Commission of Pakistan.

18.2 Yield / interest rate risk

Yield risk is the risk of decline in earnings due to adverse movement in 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 appositions 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 Exchange and over-the-counter market.

18.4 Credit risk

Credit risk arising from the inability of the counterparties to meet the terms of the Funds financial instrument contracts is generally limited to the amounts, if any, by which the counterparty obligations exceed the obligations of the Fund. The Funds policy is to enter into financial instrument contracts by following internal guidelines duly approved by the Investment Committee such as approving counterparties, 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 counterparties whose aggregate credit exposure is significant in relation to the Funds total credit exposure. The Funds portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit worthy counterparties 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 arms 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 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.

	2005	2004
	Rupees	Rupees
20. PERFORMANCE TABLE		
Highest offer price / unit	131.88	101.92
Lowest redemption price / unit	97.47	97.81

21. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by Board of Directors of Management Company on July 12, 2005.

22. GENERAL

22.1 Corresponding figures have been reclassified, where necessary. There were no material reclassifications.

22.2 Figures are rounded off to the nearest rupee.

For Faysal Asset Management Limited
(Management Company)

Ahsan Raza Durani
Chief Executive Officer

Ajaz Rahim
Director

Mohammad Khan Hoti
Director

For Central Depository Company of Pakistan Limited
(Trustee)

Mohammad Hanif Shakura
Chief Executive