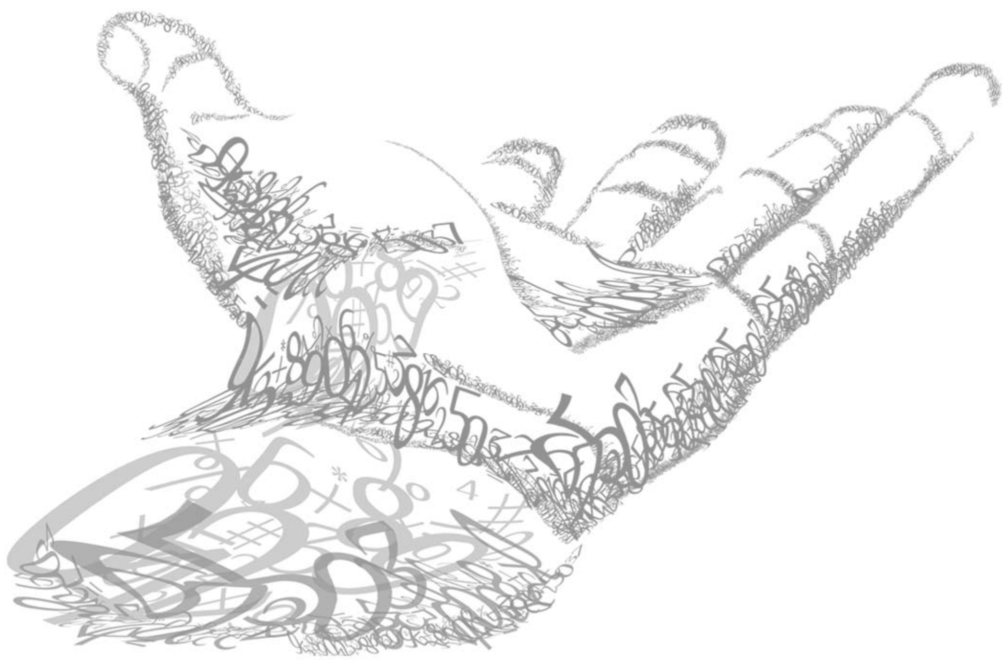
Accounts for the Year Ended
June 30, 2010

FAYSAL INCOME & GROWTH FUND



Faysal Income & Growth Fund

The prime objective of Faysal Income & Growth Fund (FIGF) is to provide superior long-term risk adjusted returns by investing in a diverse pool of fixed income securities, including money market instruments; in particular, the aim is to minimse interest rate risk through duration management and default risk through portfolio diversification. The Fund will employ prudent and disciplined investment management, and maximize the total investment return through systematic and informed security selection.

CONTENTS

FUND INFORMATION

Management Company
Faysal Asset Management Limited

Board of Directors of the Management Company
Mr. Mohammad Abdul Aleem, Chairman
Mr. Salman Haider Sheikh, Chief Executive Officer
Mr. Feroz Rizvi, Director
Syed Majid Ali Esq., Director
Mr. Zafar Ahmed Siddiqui, Director
Mr. Salman Ahmed Usmani, Director

CFO of the Management Company
Mr. Shahid Usman Ojha

Company Secretary of the Management Company
Mr. Raza Mohsin Qizilbash

Audit Committee
Mr. Feroz Rizvi, Chairman
Syed Majid Ali Esq., Member
Mr. Zafar Ahmed Siddiqui, Member

Trustee
Central Depository Company of Pakistan
CDC House, 99B, Block B, S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi.

Bankers to the fund
Altas Bank Limited
Bank Alfalah Limited
Faysal bank Limited
MCB Bank Limited
The Bank of Punjab
Silk Bank Limited
Habib Bank limited
Habib Metropolitan Bank Limited
NIB Bank Limited
United Bank Limited
My Bank Limited
KASB Bank Limited

Auditors
Ford Rhodes Sidat Hyder & Co.,
Chartered Accountants

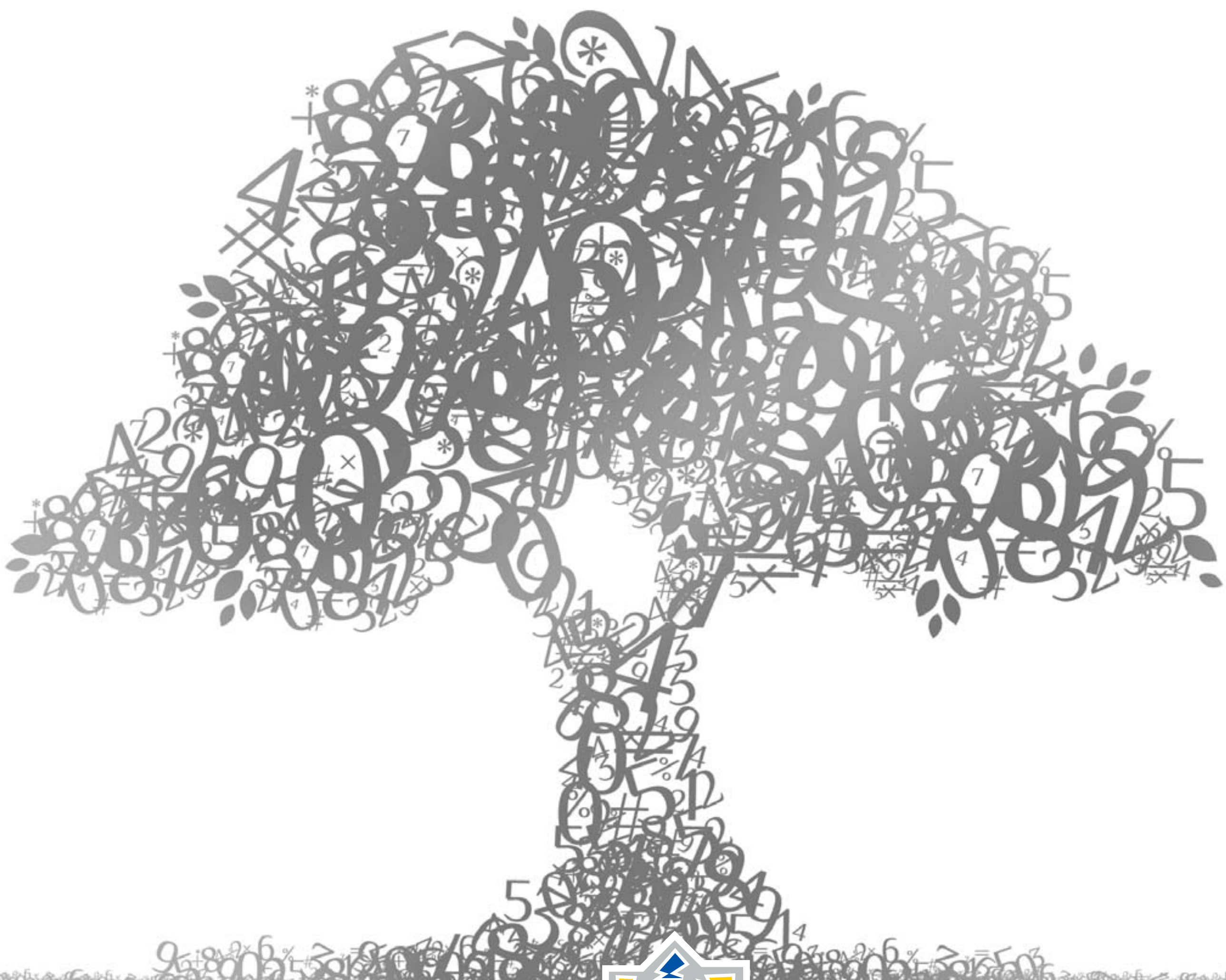
Legal Advisor
Mohsin Tayebaly & Co.
2nd Floor, Dime Centre,
BC-4 Block-9, KDA-5,
Clifton, Karachi.

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

Distributors
Altas Capital Markets (Pvt) Limited
Alfalah Securities (Pvt) Limited
Faysal Asset Management Limited
Faysal Bank Limited
Flow (Pvt) Limited
Foundation Securities (Pvt) Limited
IGI Investment Bank Limited
JS Global Capital Limited
Pak Oman Investment Bank Limited

MISSION STATEMENT

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



The Directors of the Faysal Asset Management Limited, the Management Company of Faysal Income & Growth Fund (FIGF), are pleased to present the 5th 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, 2010.

SALE AND REDEMPTION OF UNITS

During the year, units worth Rupees 438 million were issued and units with a value of Rupees 480 million were redeemed. The fund witnessed higher than usual redemptions during the current year due to the declining trend in the equity markets and equity linked products.

UNIT HOLDERS

As of June 30, 2010, total unit outstanding, were 7,174,009 units with a value of Rs. 747 million (June 30, 2009: 7,101,585 units with a value of Rs. 723 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, 2010 were as below:

	Offer Prices	Redemption Prices
Highest	107.91	106.84
Lowest	102.77	101.75
As of June 30, 2010	105.17	104.12

MONETARY POLICY

FY10 was a year of fragile recovery for economy of Pakistan. GDP growth rate of 4.1% was only achieved after growth rate of prior year was adjusted resulting in low base effect. Fueled by increases in price of food and oil, CPI remained in double digit for most of the year with an average of 11.78% for FY10 as compared to 20.8% in FY09. Major reason for comparatively low inflation in FY10 was its calculation from a higher base price of prior year and lower crude prices at the start of FY10. Sharp rise in inflation is expected during FY11 due to supply side constraints and rise in energy prices. In early FY10, SBP followed policy of monetary easing with gradual cut in discount rates from 14% in June 2009 to 12.5% in November 2009. SBP was forced to abandon monetary easing during later half of FY10 as Government breached IMF set borrowing from SBP target of PKR 1,130bn creating inflationary pressures in the economy. Persistent borrowing in early FY11 let to policy of monetary tightening by SBP and we expect this policy to continue unless funds needed for cost of rehabilitation of flood victims can be mobilized from international aid. Manufacturing activities in the country showed strong resilience to energy crisis, law and order situation with LSM increasing by 4.84% in FY10. We believe that this growth was fueled by double digit increase in automobile and engineering sectors, while textile sector posted negative growth. On the external front, trade deficit improved by 11% on YoY basis due to lower import bill and marginal increase in exports. Record remittances of USD 8.9bn were received in FY10, which played a significant role in reducing current account deficit to USD 3.9bn, 58% lower on YoY basis. Going forward trend of reduction in current account deficit is expected to reverse due to higher oil prices and low agricultural output.

Foreign reserves (FX) of the country increased to USD16bn from USD11.5bn in FY09, (21 weeks on import cover) which meant that rupee only depreciated 5% to close at 85.5/USD. However Ex-IMF financing, FX reserves remained flat since June-09. Global recession and poor law and order situation adversely affected foreign investment in the country with FDI decreasing by 40% on YoY basis. In FY11 foreign investors are likely to adopt a cautious approach and wait for security situation to improve before investing in Pakistan. To sum up, economy progressed on both growth and stability front in FY10 after fiscal and trade imbalances of the prior year. Due to re-emergence of fiscal balances and devastation caused by floods during start of FY11, macroeconomic stability achieved in early FY10 is likely to be lost. We believe that government must focus on increasing tax to GDP ratio and smooth implementation of reformed GST will be a crucial first step.

MONEY MARKET REVIEW

The money market remained quite volatile during FY 10 as evident by SBP's frequent moves to cut policy rate 2 times during the period from 14% in June 09 to 13% in August 09 and further cut of 50bps in November 09 to bring the Discount Rate at 12.50%. The T-Bill cut-off yield for 3 months was 11.30%, 11.38% for 6 months and 11.47% for 12 months as on July 15, 2009 as compared to 12.05%, 12.27% and 12.38% on June 16, 2010 respectively. Despite 150 bps cut in Discount rate during the period under review, the T-bill yield increased only by 50 bps because of heavy participation and interest from financial institution to take short term exposures while refraining from long term risks.

During the year, SBP continued to monitor market liquidity to reduce interest rate volatility as reflected by Open Market Operations. In line with current economic scenario, market consensus is of a further hike in the discount rate which has forced financial institutions for taking short term positions in money market.

We expect the money market to remain tight one side and expect SBP to intervene regularly on the other to keep the interest rates at optimum level with overnight rates hovering around 11.75% to 12.25%.

PERFORMANCE

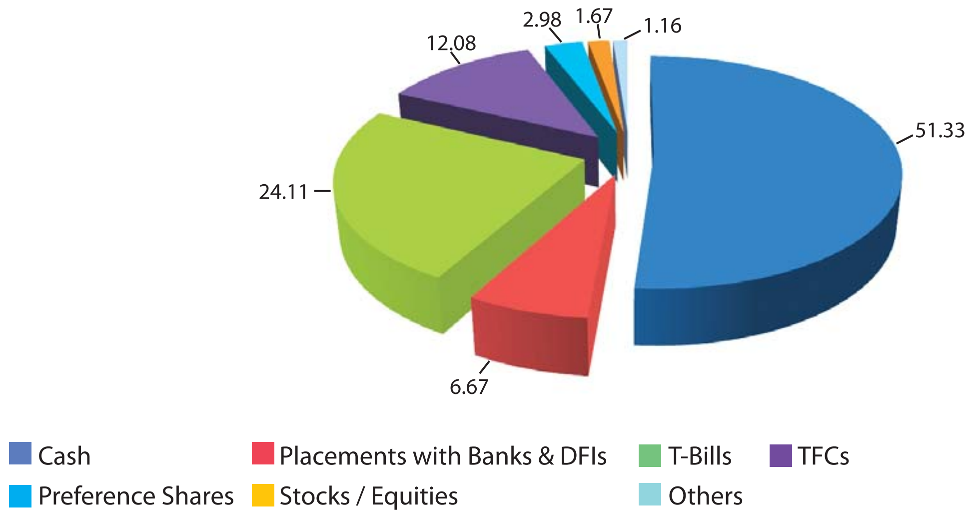
Faysal Income & Growth Fund (FIGF) performed exceptionally well during FY10. On a Year to Date (YTD) basis FIGF surpassed its peers by 5.01% having yielded 11.04% as compared to peer group average return of 6.03% YTD. FIGF started the year at NAV/unit of PKR 101.80 and closed the year at NAV/unit of PKR 104.12, after giving an aggregate payout of PKR 10.75 per unit to its valued investors during the year under review. On the asset allocation side, we had increased the portfolio in govt. securities and good quality TFC's during the year. As on June 30, 2010 our portfolio comprises of 58% in cash and money market instruments, 24.11% in T-Bills, 12.08% in TFC's, 4.65% in equities and preference shares. Approximately 89% of the portfolio is invested in AA- or better rated instruments. The strategy remains to look out for opportunities with high return potential while maintaining our asset quality.

Reference to the amendments in the workers welfare fund as disclosed in the Note 15 to the financial statements, subsequent to the year end Ministry of Labour & Manpower issued a clarification dated July 08, 2010 & further clarified it through its additional clarification dated July 15, 2010 which clearly states that mutual funds are products being managed by Asset Management Companies (AMCs). AMCs only are liable to contribute towards WWF. However the income of mutual funds, the product being sold, is exempted under the law ibid. MUFAP, on behalf of its member AMCs, obtained a legal opinion to assess the implications of the advice issued by the Ministry of Labour and Manpower. The legal opinion, among other things, stated that mutual funds are not required to provide for contribution to WWF and earlier provisioning, if any, can be reversed and the advice also suggests that provisioning was neither required nor necessary. However, audit firms are not convinced even on the clarification issued by Ministry of Labour and Manpower and are of the opinion that until the decision will be finalized from Honourable court or FBR issues a clear notification, such liability should be provided by funds. Management of FAML decided not to provide WWF Liability upto the materiality level and upon breach of materiality level it will be booked in the books of fund.

Accordingly, no provision in respect of WWF for the years ended June 30, 2009 and June 30, 2010 amounting to Rs.1,231,256 and Rs.1,560,794 respectively, has been made in these financial statements.

Asset Allocation

The Asset Allocation of the fund as on June 30, 2010 is as follows:



INCOME DISTRIBUTION

The Board of directors has approved fund distribution at the rate of 10.95% (Interim 8.20% and final 2.75%) (i.e Rs. 10.95 per unit of par value of Rs.100 each).

MUTUAL FUND RATING

JCR-VIS has maintained fund stability rating of "A+(f)" for Faysal Income & Growth Fund (FIGF). The fund stability rating is based on the investment policy and asset allocation mix of the portfolio. A+(f) denotes moderate degree of stability in Net Asset Value. It is one of the highest ratings assigned to fixed income or hybrid fixed income funds in the country by JCR-VIS.

MEETINGS OF THE DIRECTORS

The details relating to the meetings of directors are given as part of this Annual Report.

CORPORATE GOVERNANCE

1. A prescribed statement by the management along with the auditors' report thereon for the year ended June 30, 2010 forms part of this annual report.

2. Statements under clause xix of the Code:

   i. The financial Statements, prepared by the Management presents fairly the state of affairs of the Fund and result of its operations, cash flows and movement in unit holder's fund.
   ii. Proper books of accounts of the Fund have been maintained.
   iii. Appropriate accounting policies have been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

iv. International Accounting Standards have been followed in the preparation of financial statements without any material departure.
v. The system of internal control is sound in design and has been effectively implemented and monitored.
vi. There is no significant doubt upon Fund's ability to continue as going concern.
vii. There has been no material departure from the Best Practices of the Code of Corporate Governance, as detailed in the Listing Regulations.
viii. Outstanding statutory payments on account of taxes, if any, have fully disclosed in the accounts.
ix. The details of Board Meetings held and attended by the Directors forms part of this Annual Report.
x. The prescribed pattern of shareholding is given as part of this Annual Report.

There were no sales purchase of units of the fund was carried out during the year by the Directors, CEO, CFO and Company Secretary. The sale and repurchase of units of the Fund carried out by Management Company is as under:

Trades By:	Investment	Redemption
	---------------(No. of Units)-------------------	
Management Company	1,644,891	1,644,891

PATTERN OF HOLDING

The Pattern of Holding of FIGF is given as part of this Annual Report.

AUDITORS

The present auditors Messers Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retire and have completed five consecutive years as per the NBFC Regulations 2008 and, therefore are not eligible for re-appointment. The Board endorses the recommendation of the Audit Committee for appointment of Messers M. Yousuf Adil Saleem & Co., Chartered Accountants as the auditors for the financial year 2011.

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

Date: October 02, 2010
Karachi

Salman Haider Sheikh
Chief Executive Officer

Investment Objective

FIGF seeks to provide 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

Fund Information	
Fund Type	Open Ended
Category*	Income Fund
Stability Rating	A+(f) (JCRVIS)
Launch Date	10-Oct-05
Custodian/Trustee	Central Depository Company of Pakistan
Auditor	Ernst & Young Ford Rhodes Sidat Hyder
Benchmark	6 Month KIBOR
Pricing Mechanism	Forward
AMC Rating	AM2- (JCRVIS)
Registrar	Gangjees Registrar Services (Pvt.) Ltd.

* Categorization in process

Risk-quants	
Alpha	-0.014%
Skewness	0.1697
Sharpe	-0.5134
Sortino	-0.6682
Std. Dev	0.164%
Kurtosis	3.3160
VAR	0.270%

Fund Returns (% p.a)	
FY10 Return	11.04%
Since Inception	10.34%
Benchmark YTD Return	12.39%
Average Market YTD Return	6.03%

Economic Outlook

FY10 was a year of fragile recovery for economy of Pakistan. GDP growth rate of 4.1% was only achieved after growth rate of prior year was adjusted resulting in low base effect. Fueled by increases in price of food and oil, CPI remained in double digit for most of the year with an average of 11.78% for FY10 as compared to 20.8% in FY09. Major reason for comparatively low inflation in FY10 was its calculation from a higher base price of prior year and lower crude prices at the start of FY10. Sharp rise in inflation is expected during FY11 due to supply side constraints and rise in energy prices. In early FY10, SBP followed policy of monetary easing with gradual cut in discount rates from 14% in June 2009 to 12.5% in November 2009. SBP was forced to abandon monetary easing during later half of FY10 as Government breached IMF set borrowing from SBP target of PKR 1,130bn creating inflationary pressures in the economy. Persistent borrowing in early FY11 let to policy of monetary tightening by SBP and we expect this policy to continue unless funds needed for cost of rehabilitation of flood victims can be mobilized from international aid. Manufacturing activities in the country showed strong resilience to energy crisis, law and order situation with LSM increasing by 4.84% in FY10. We believe that this growth was fueled by double digit increase in automobile and engineering sectors, while textile sector posted negative growth. On the external front, trade deficit improved by 11% on YoY basis due to lower import bill and marginal increase in exports. Record remittances of USD 8.9bn were received in FY10, which played a significant role in reducing current account deficit to USD 3.9bn, 58% lower on YoY basis. Going forward trend of reduction in current account deficit is expected to reverse due to higher oil prices and low agricultural output.

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Money Market Outlook FY 10

The money market remained quite volatile during the FY 10 as evident by SBP's frequent moves to cut policy rate 2 times during the period from 14% in June 09 to 13% in August 09 and further cut of 50bps in November 09 to bring the Discount rate at 12.50%. The T-Bill cut-off yield for 3 months was 11.30%, 11.38% for 6 months and 11.47% for 12 months as on July 15, 2009 as compared to 12.05%, 12.27% and 12.38% on June 16, 2010 respectively. Despite 150 bps cut in Discount rate during the period under review, the T-bill yield increased only by 50 bps because of heavy participation and interest from financial institution to take short exposures while refraining from long term risks.

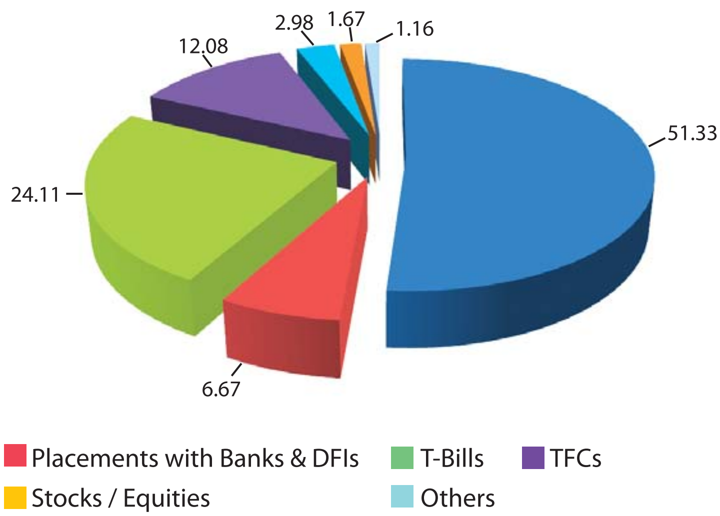
However, SBP continues to monitor the market liquidity and kept its focus on interest rate volatility as reflected active Open Market Operations during the period. Moreover, the view of majority of market participants and overall economic situation interest rates are likely to increase further. Thus, Financial Institutions will opt for investing in short term positions.

We expect the money market to remain tighter on one side, and expect the SBP to intervene regularly to keep the interest rates on optimum level with overnight rates hovering around 11.75% to 12.25% and repo rates for tenor aligned with similar duration T-Bill yields with +/- 5 bps.

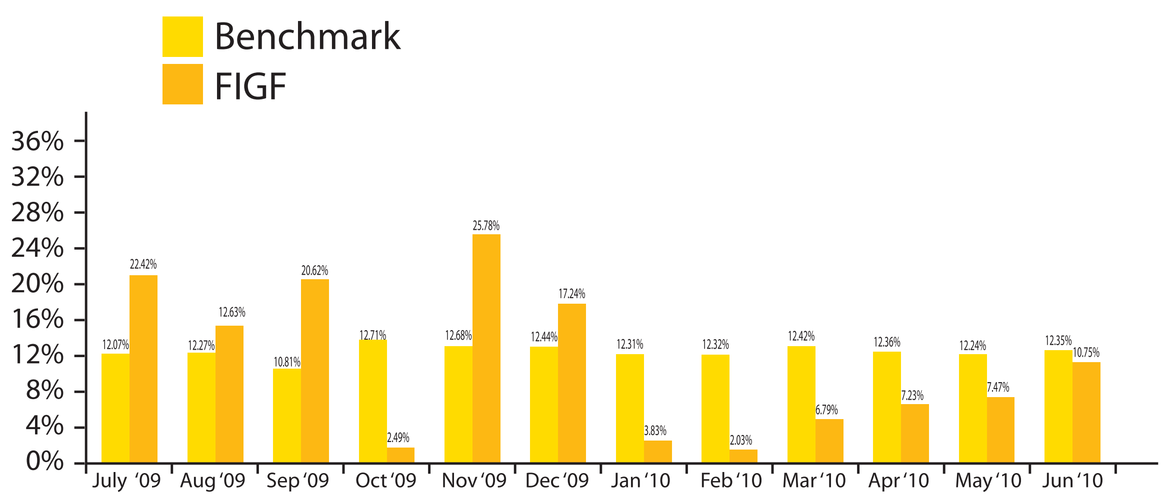
Performance Review

Faysal Income & Growth Fund (FIGF) performed significantly exceptional during the year. On a Year To Date (YTD) basis FIGF surpassed its peers by 5.01% having yielded 11.04% as compared to peer average return of 6.03% YTD. FIGF started the year at NAV/unit of PKR 101.80 and closed the year at NAV/unit of PKR 104.12, after giving an aggregate payout of PKR 10.75 per unit to its valued investors during the year under review. On the asset allocation side, we had increased the portfolio in govt. securities and good quality TFC's during the year. As on June 30, 2010 our portfolio comprises of 58% in cash and money market instruments, 24.11% in T-Bills, 12.08% in TFC's, 4.65% in equities and preference shares. Approximately 89% of the portfolio is invested in AA- or better rated instruments. The strategy remains to look out for opportunities with high return potential while maintaining our asset quality.

Asset Allocation (% of Total Assets)



FIGF Vs Benchmark



Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

The Faysal Income & Growth Fund (the Fund), an open-end fund was established under a trust deed dated April 27, 2005, executed between Faysal Asset Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2010 in accordance with the provisions of the following:

(i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;

(ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and

(iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi: October 28, 2010

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2010

This statement is being presented by the Board of Directors of Faysal Asset Management Limited (FAML), the Management Company of Faysal Islamic Savings Growth Fund (the Fund) to comply with the Code of Corporate Governance (the Code) contained in Regulation No.35 of Listing Regulations of the Karachi Stock Exchange 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 the 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 three 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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. There was no casual vacancy occurred during the period.

5. The Management Company has prepared a "Statement of Ethics and Business Practices" which is in the process of being signed by all the directors and employees of the Management Company for the current year.

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 Companies Ordinance 1984, NBFC (Establishment & Regulations) Rules, 2003, NBFCs and Notified Entities Regulations, 2008 and Memorandum and Articles of FAML.

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 three members, all of whom are non-executive directors including the chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Fund and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Management Company has outsourced its internal audit function to M. Yousuf Adil Saleem & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund and they (or their representatives) are involved in the internal audit function on a full time basis.

18. The statutory auditors of the Fund 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.

Date: October 02, 2010
Karachi

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 Faysal Asset Management Limited (the Management Company) of Faysal Income & Growth Fund (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited where the Fund is listed.

The responsibility for compliance with the Code 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange(Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2010.

Ernst & Young Ford Rhodes

Chartered Accountants

Date: October 02, 2010
Karachi

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 30 June 2010, and the related statements of income, distribution, cash flows and 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

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) 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

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2010 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, the NBFC Rules and the NBFC Regulations.

Ernst & Young Ford Rhodes

Chartered Accountants
Audit Engagement Partner: Shabbir Yunus

Date: October 02, 2010
Karachi

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2010

	Note	June 30, 2010	June 30, 2009
		(Rupees)	(Rupees)
Assets			
Bank balances	8	385,316,972	472,622,928
Dividend, deposits and other receivable	9	7,636,691	20,755,190
Investments	10	356,659,752	232,632,713
Total assets		749,613,415	726,010,831
Liabilities			
Payable to the Management Company	11	916,791	905,803
Remuneration payable to the Trustee	12	122,239	120,313
Accrued and other liabilities	13	1,601,096	2,017,695
Total liabilities		2,640,126	3,043,811
Net assets		746,973,289	722,967,020
Unit holders' fund		746,973,289	722,967,020
		No. of Units	No. of Units
Number of Units in issue		7,174,009	7,101,585
		(Rupees)	(Rupees)
Net asset value per unit		104.12	101.80
Contingencies and commitments	15		

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

For Faysal Asset Management Limited
(Management Company)

Salman Haider Sheikh
Chief Executive Officer

Feroz Rizvi
Director

Syed Majid Ali
Director

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2010

	Note	June 30, 2010	June 30, 2009
		(Rupees)	
Income			
Profit earned on debt and Government securities		31,289,158	22,878,439
Dividend income		4,287,108	598,600
Return on bank balances and term deposit receipts		57,703,945	157,907,714
Net gain / (loss) on investments at fair value through profit or loss			
- Net capital gain / (loss) on sale of investments		4,538,785	(6,762,121)
- Unrealised gain / (loss) on revaluation of investments	10.9	1,140,302	(52,460,137)
		5,679,087	(59,222,258)
Element of loss and capital losses included in prices of units sold less those in units redeemed		(4,556,355)	(35,769,274)
Total income		94,403,032	86,393,221
Expenses			
Remuneration of the Management Company	11.1	11,471,965	19,235,774
Remuneration of the Trustee	12	1,527,102	2,154,239
Brokerage charges		1,324,200	573,661
Bank charges and guarantee commission		173,410	524,662
Auditors' remuneration	14	387,437	417,421
SECP annual fee		566,420	1,150,658
Legal and professional charges		60,000	60,000
Annual rating fee		170,000	150,000
Annual listing fee		40,000	35,000
Settlement charges, federal excise duty and capital value tax		390,297	48,530
Printing and other expenses		252,500	480,468
Total Expenses		16,363,331	24,830,413
Net income for the year before taxation		78,039,612	61,562,808
Taxation	16	-	-
Net income for the year after taxation		78,039,612	61,562,808
Other comprehensive income for the year		-	-
Total comprehensive income for the year		78,039,612	61,562,808
Earnings per unit	17	10.88	8.67

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

For Faysal Asset Management Limited
(Management Company)

Salman Haider Sheikh
Chief Executive Officer

Feroz Rizvi
Director

Syed Majid Ali
Director

DISTRIBUTION STATEMENT

FOR THE YEAR ENDED JUNE 30, 2010

	Note	June 30, 2010	June 30, 2009
		(Rupees)	
Undistributed income brought forward [includes unrealised loss on investments of Rs.62,217,949 (2009: unrealised loss of Rs.9,757,812)]		**12,808,469**	76,317,370
Final bonus distribution for the year ended June 30, 2009 @ Rs.0.8 per unit, declared for distribution on July 06, 2009 (2008: Rs.3.34 per unit declared for distribution on July 05, 2008)		**(4,182,159)**	(68,060,350)
Final cash dividend for the year ended June 30, 2009 @ Rs. 0.8 per unit declared for distribution on July 06, 2009 (2008: Rs.3.34 per unit declared for distribution on July 05, 2008)		**(1,499,110)**	(6,358,091)
Interim bonus distribution for the quarter ended September 30, 2009 @ Rs.2.75 per unit, declared for distribution on October 22, 2009		**(13,494,638)**	-
Interim cash dividend for the quarter ended September 30, 2009 @ Rs.2.75 per unit, declared for distribution on October 22, 2009		**(5,153,190)**	-
Interim bonus distribution for the quarter ended December 31, 2009 @ Rs.3 per unit, declared for distribution on February 20, 2010 (2009: Rs.3.20 per unit declared for distribution on Feb 23, 2009)		**(15,504,551)**	(16,255,934)
Interim cash dividend for the quarter ended December 31, 2009 @ Rs.3 per unit, declared for distribution on February 20, 2010 (2009: Rs.3.20 per unit declared for distribution on Feb 23, 2009)		**(5,621,657)**	(6,091,584)
Interim bonus distribution for the quarter ended March 31, 2010 @ Rs.2.25 per unit, declared for distribution on April 24, 2010 (2009: Rs.4 per unit declared for distribution on April 23, 2009)		**(11,604,243)**	(20,810,200)
Interim cash dividend for the quarter ended March 31, 2010 @ Rs.2.25 per unit, declared for distribution on April 24, 2010 (2009: Rs.4 per unit declared for distribution on April 23, 2009)		**(4,216,246)**	(7,495,550)
Net Income for the year after taxation		**78,039,701**	61,562,808
Undistributed income carried forward [includes unrealised loss on investments of Rs.66,774,215 (2009: unrealised loss of Rs.62,217,949)]		**29,572,376**	12,808,469

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

For Faysal Asset Management Limited
(Management Company)

Salman Haider Sheikh	**Feroz Rizvi**	**Syed Majid Ali**
Chief Executive Officer	*Director*	*Director*

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010

	Note	June 30, 2010	June 30, 2009
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before taxation		78,039,612	61,562,808
Adjustments for non-cash and other items:			
Net capital (gain) / loss on sale of investment at fair value through profit or loss		(4,538,785)	6,762,121
Dividend income		(4,287,108)	(598,600)
Profit earned on debt and Government securities		(31,289,158)	(22,878,439)
Return on bank balances and term deposit receipts		(57,703,945)	(157,907,714)
Element of loss and capital losses included in prices of units sold less those in units redeemed		4,556,266	35,769,274
Unrealised (gain) / loss on investment at fair value through income statement - net		(1,140,302)	52,460,137
		(16,363,331)	(24,830,413)
Decrease / (increase) in assets			
Dividend, deposits and other receivables		16,799,576	(161,462)
Increase / (decrease) in liabilities			
Payable to the Management Company		10,988	(2,195,071)
Remuneration payable to the Trustee		1,926	(161,690)
Accrued and other liabilities		(416,599)	(1,436,900)
		(403,685)	(3,793,661)
		32,560	(28,785,536)
Proceeds from sale / redemption of investments		810,082,888	931,086,280
Payment against purchase of investments		(925,557,500)	(667,122,893)
Dividend received		3,712,108	1,218,175
Encashment of term deposit receipts		-	750,000,000
Profit received on debt and Government securities		28,733,941	7,466,359
Return received on bank balances and term deposit receipts		54,279,745	180,050,514
Net cash (used in) / from operating activities		(28,716,258)	1,173,912,899
CASH FLOWS FROM FINANCING ACTIVITIES			
Amounts received against issue of units		437,918,638	80,661,220
Payments made against redemption of units		(480,018,133)	(1,739,495,455)
Dividend paid		(16,490,203)	(19,945,225)
Net cash used in financing activities		(58,589,698)	(1,678,779,460)
Net decrease in cash and cash equivalents during the year		(87,305,956)	(504,866,561)
Cash and cash equivalents at the beginning of the year		472,622,928	977,489,489
Cash and cash equivalents at the end of the year	8	385,316,972	472,622,928

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

For Faysal Asset Management Limited
(Management Company)

Salman Haider Sheikh	**Feroz Rizvi**	**Syed Majid Ali**
Chief Executive Officer	*Director*	*Director*

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

	Note	June 30, 2010	June 30, 2009
		(Rupees)	
Net asset value per unit at the beginning of the year		**101.80**	103.43
Net asset value per unit at the end of the year		**104.12**	101.80
Net assets at the beginning of the year		**722,967,020**	2,304,414,398
Amount received on issue of units *		**437,918,638**	80,661,220
Amount paid on redemption of units **		**(480,018,133)**	(1,739,495,455)
		(42,099,495)	(1,658,834,235)
Element of loss and capital losses included in prices of units sold less those in units redeemed		**4,556,355**	35,769,274
Final cash dividend for the year ended June 30, 2009 @ Rs.0.8 per unit, declared for distribution on July 06, 2009 (2008: Rs.3.34 per unit)		**(1,499,110)**	(6,358,091)
Interim cash dividend for the quarter ended September 30, 2009 @ Rs.2.75 per unit, declared for distribution on October 22, 2009		**(5,153,190)**	-
Interim cash dividend for the quarter ended December 31, 2009 @ Rs.3 per unit declared for distribution on February 20, 2010 (2009: Rs.3.20 per unit)		**(5,621,657)**	(6,091,584)
Interim cash dividend for the quarter ended March 31, 2010 @ Rs.2.25 per unit, declared for distribution on April 24, 2010 (2009: Rs.4 per unit)		**(4,216,246)**	(7,495,550)
Net income for the year after taxation		**78,039,612**	61,562,808
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**78,039,612**	61,562,808
Net assets as at the end of the year		**746,973,289**	722,967,020
		Number of units	
* Number of units issued (including 435,880 bonus units issued during the year ended June 30, 2010 and 1,046,863 bonus units issued during the year ended June 30, 2009)		**4,598,363**	1,849,669
** Number of units redeemed		**4,525,939**	17,029,054

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

For Faysal Asset Management Limited
(Management Company)

Salman Haider Sheikh	**Feroz Rizvi**	**Syed Majid Ali**
Chief Executive Officer	*Director*	*Director*

FOR THE YEAR ENDED JUNE 30, 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 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 (KSE). 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. The SECP vide its letter No SCD/NBFC II/ DD/FAML/598/2010 dated July 28, 2010 required the Management Company to categorize the Fund as per the available categories in Circular 07 of 2009. Pursuant to this, the Management Company, with the approval of Board of Directors, has re-categorized the Fund from 'Income Scheme' to 'Aggressive Fixed Income Scheme' and is in the process of amending the constitutive documents of the Fund and alignment of portfolio accordingly.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the NBFC Rules, the Non Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the requirements of the said directives prevail.

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention, except for investments and derivatives which are accounted for as stated in notes 5.1 and 5.2 below.

3.2 The financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency.

4. ACCOUNTING STANDARDS AND INTERPRETATIONS THAT BECAME EFFECTIVE DURING THE YEAR

The Fund has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 2 - Share Based Payment – Amendments regarding Vesting Conditions and Cancellations (Amendment)

IFRS 3 - Business Combinations (Revised)

IFRS 7 - Financial Instruments: Disclosures (Amendments)

IFRS 8 - Operating Segments

IAS 1 - Presentation of Financial Statements (Revised)

IAS 23 - Borrowing Costs (Revised)

IAS 27 - Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity & Associate (Amendments)

IAS 27 - Consolidated and Separate Financial Statements (Amendment)

IAS 32 - Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)

IAS 39 - Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendments)

IFRIC 15 - Agreements for the Construction of Real Estate

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

IFRIC 17 - Distributions of Non-cash Assets to owners

IFRIC 18 - Transfers of Assets from Customers

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements except for the following:

IAS - 1 "Presentation of Financial Statements (Revised)"

The Fund has adopted IAS - 1 "Presentation of Financial Statements (Revised)" which became effective during the year. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity / unit holders' fund includes only details of transactions with owners, with non-owner changes in equity presented as a single line item in the statement of changes in equity / unit holders' fund. In addition, the standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Fund has elected to present one single statement.

IFRS 7 - "Financial Instruments: Disclosures (Amendments)"

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurement is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity management. The fair value measurement disclosures are presented in note 19.5 to the financial statements. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 19.2 to the financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Investments

The investments of the Fund, upon initial recognition, are classified as investment at fair value through profit or loss or available-for-sale investment, as appropriate.

All investments, are initially measured at fair value plus, in the case of investments not at fair value through profit or loss , transaction costs that are directly attributable to acquisition.

All regular way purchases / sales of investments that require delivery within the time frame established by the regulation of market convention are recognised on the trade date, i.e. the date on which the Fund commits to purchase / sell the investment. Regular way purchases / sales of investments require delivery of securities within the period generally established by the regulation or market convention such as "T+2".

At fair value through profit or loss
These include held-for-trading investments and such other investments that, upon initial recognition, are designated under this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the near term. After initial measurement, such investments are carried at fair value and gains or losses on revaluation are recognised in the income statement.

Held-to-maturity investments
Investment securities with fixed maturities and fixed or determinable payments are classified as 'held-to-maturity' investments when management has both the intention and ability to hold to maturity. After initial measurement, such investments are carried at amortised cost less any provision for impairment except in case of debt securities (listed but not regularly traded on a stock exchange) and Government securities, which are carried at fair value in accordance with the requirements of the NBFC Regulations.

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

Available-for-sale investments
Investments which are not classified in any of the preceding categories are classified as available-for-sale investments. After initial measurement, such investments are measured at fair value with unrealised gain or loss recognised directly in the unit holders' fund until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recognised in unit holders' fund is taken to the income statement. However, unquoted equity investments are carried at lower of investment price or break-up value in accordance with the requirements of the NBFC Regulations.

Fair value of investments is determined as follows:

Listed shares
These are valued on the basis of closing market prices quoted on the respective stock exchange.

Debt securities
The Fund's investment in debt securities is revalued at the rates quoted by Mutual Fund Association of Pakistan (MUFAP) in accordance with the SECP's Circular No. 1 of 2009 dated 06 January 2009, read with Regulation 66(b) of the NBFC Regulations

Government securities
These are valued by reference to the quotations obtained from the PKRV rate sheet on the Reuters page.

5.2 Derivatives

Derivative instruments held by the Fund generally comprise of futures contracts and options in the capital market. These are initially recognised 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 financial instruments are included in investments in the statements of assets and liabilities and the resultant gain or loss on the remeasurement of derivative financial instruments are included in the income statement currently.

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

5.3 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.

5.4 Impairment of financial assets

An assessment is made at each statement of assets and liabilities 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 unit holders' fund.

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.

5.5 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.

5.6 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.

5.7 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. Cash and cash equivalents are carried in the statement of assets and liabilities at cost.

5.8 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 is recognised in the income statement when the right to receive the dividend is established.

Gains or losses on sale of securities and unrealised gains or losses arising on revaluation of investments classified as 'financial assets at fair value through income statement' are included in the income statement in the period in which they arise.

Mark-up on Government securities, debt securities, return on certificates of investment, profit on clean placements, return on bank balances and term deposit receipts and income from reverse repurchase agreements are recognised on a time proportion basis using effective interest rate method.

5.9 Element of income / loss and capital gains / losses 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 equalisation account called “element of income / loss and capital gains / losses included in prices of units sold less those in units redeemed” is created.

The “element of income / loss and capital gains / losses included in prices of units sold less those in units redeemed” account is credited with the amount representing net income / loss and capital gains / losses 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 / loss and capital gains / losses included in prices of units sold less those in units redeemed” account is debited with the amount representing net income / loss and capital gains / losses accounted for in the last announced net asset value and included in the redemption price.

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

5.10 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. The Fund is exempt from taxation under Clause 99 of 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 excluding realised and unrealised capital gains for the year are distributed amongst the Fund unit holders. The Fund intends to avail this exemption for current and future periods. Accordingly, no provision is made for current and deferred taxation in these financial statements.

5.11 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.

5.12 Net Asset Value (NAV) 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.

5.13 Proposed dividend and transfer between reserves

Dividends declared and transfers between reserves, made subsequent to the statement of assets and liabilities 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.

5.14 Financial assets and financial liabilities

All financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

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

Financial liabilities carried in the statement of assets and liabilities include payable to Management Company, remuneration payable to the Trustee and accrued and other liabilities.

6. 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.

Judgements 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.

7. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations.

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS -24 Related Party Disclosures (Revised)	January 01, 2011
IAS- 32 Financial Instruments: Presentation - Classification of Right Issues (Amendment)	February 01, 2010
IFRS- 2 Share based payment - Amendments relating to Group Cash-settled Share-based payment transactions	January 01, 2010
IFRIC - 14 IAS - 19 - The limit on a defined benefit asset, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011
IFRIC- 19 Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Fund considers that the above standards and interpretations, are either not relevant or will not have any material impact on its financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after January 01, 2010. The Fund expects that such improvements to the standards will not have any significant effect on the Fund's financial statements in the period of initial application.

	Note	June 30, 2010	June 30, 2009
		------------- (Rupees)	-------------
8. BANK BALANCES			
Cash at bank - PLS saving accounts	8.1	385,316,972	472,622,928

8.1 These carry mark-up ranging from 5% to 12.35% (2009: 5% to 17.25%) per annum and include balance of Rs.0.135 million (2009: Rs.0.838 million) held with Faysal Bank Limited (a related party).

	Note	June 30, 2010	June 30, 2009
9. DIVIDEND, DEPOSITS AND OTHER RECEIVABLES - considered good			
Receivable against sale of investments at fair value through profit or loss		-	15,627,460
Receivable against redemption of TFCs		-	1,093,830
Dividend receivable		875,000	300,000
Mark-up receivable on debt securities		676,657	994,781
Security deposits			
- National Clearing Company of Pakistan Limited		2,500,000	2,500,000
- Central Depository Company of Pakistan Limited		100,000	100,000
		2,600,000	2,600,000
Return accrued on bank balances		3,485,034	60,834
Prepaid bank guarantee commission		-	78,285
		7,636,691	20,755,190
10. INVESTMENTS			
At fair value through profit or loss			
Held for trading			
Listed equity securities	10.1	12,490,995	27,826,015
Designated 'at fair value through profit or loss			
Listed preference shares	10.2	22,367,224	-
Listed debt securities	10.3	3,744,130	11,902,102
Unlisted debt securities	10.4	86,839,875	36,225,000
Government securities	10.6	180,695,199	156,679,596
		306,137,423	232,632,713
Held-to-maturity			
Certificate of investment	10.7	50,522,329	-
		356,659,752	232,632,713

10.1 Listed equity securities*

Name of the investee company	As at July 01, 2009	Purchased during the year	Disposed off during the year	As at June, 30, 2010	Market value as at june 30, 2010. (Rupees)	Net assets	Total Investments	Investee company paid-up capital
* Ordinary share having a face value of Rs.10 each unless stated otherwise.								
Financial Services								
Jahangir Siddiqui & Company Limited	-	600,000	(600,000)	-	-	-	-	-
Fixed Line Telecommunication								
Pakistan Telecommunication Company Limited	350,000	3,475,000	(3,325,000)	500,000	8,900,000	1.19%	2.50%	0.01%
Oil & Gas								
Oil & Gas Development Company Limited	50,000	-	(50,000)	-	-	-	-	-
Pakistan Petroleum Limited	-	25,000	(25,000)	-	-	-	-	-
Byco Petroleum Pakistan Limited	-	42,299	(42,299)	-	-	-	-	-
Banks								
National Bank of Pakistan	-	100,000	(100,000)	-	-	-	-	-
The Bank of Khyber	3,612,500	200,500	(2,863,000)	950,000	3,590,994	0.48%	1.01%	0.19%
Bank Alfalah Limited	325,000	825,000	(1,150,000)	-	-	-	-	-
MCB Bank Limited	-	50,000	(50,000)	-	-	-	-	-
JS Bank limited	-	550,000	(550,000)	-	-	-	-	-
Habib Bank Limited	-	900	(900)	-	-	-	-	-
United Bank Limited	100,000	-	(100,000)	-	-	-	-	-
Chemicals								
Fauji Fertilizer Bin Qasim Limited	-	500,000	(500,000)	-	-	-	-	-
Fauji Fertilizer Company Limited	-	100,000	(100,000)	-	-	-	-	-
Lotte Pakistan PTA Limited	-	950,000	(950,000)	-	-	-	-	-
Construction and materials								
D.G. Khan Cement Company Limited	-	550,000	(550,000)	-	-	-	-	-
Lucky Cement Limited	-	100,000	(100,000)	-	-	-	-	-
Personal Goods								
D. S. Industries Limited	146,000	154,000	(300,000)	-		-	-	-
Azgard Nine Limited	-	1,251,000	(1,251,000)	-	-	-	-	-
Nishat Mills Limited	-	500,000	(500,000)	-	-	-	-	-
Nishat (Chunian) Limited	-	156,525	(156,525)	-	-	-	-	-
Electricity								
Nishat Power Limited	-	150,000	(150,000)	-	-	-	-	-
	4,583,500	10,280,224	(13,413,724)	1,450,000	12,490,994	1.65%	3.49%	

10.2 Listed preference shares *

Name of the investee company	---------- Number of share / units ----------				Market value as at June 30 2010 (Rupees)	---------- Investment as % of ----------		
	As at July 01, 2009	Purchased during the year	Disposed off during the year	As at June 30 2010		Net Assets	Total Investment	Investee company paid-up capital
* Preference share having a face value of Rs.10 each unless stated otherwise.								
Industrial Transportation								
Pakistan International Container Terminal Limited	-	2,112,108	-	2,112,108	22,367,224	2.98%	6.27%	1.66%

10.3 Listed debt securities*

Name of the investee company	Number of certificates: As at July 01, 2009	Purchased during the year	Redeemed during the year	As at June 30 2010	Market value as at June 30 2010 (Rupees)	Investment as % of: Net Assets	Total Investment
*** Term Finance Certificates (TFCs)**							
Personal Goods							
Azgard Nine Limited	2,000	-	(2,000)	-	-	-	-
Fixed Line Telecommunication							
Telecard Limited	2,020	-	-	2,020	3,744,130	0.50%	1.05%
	4,020	-	(2,000)	2,020	3,744,130	0.50%	1.05%

10.4 Unlisted Debt Securities*

Name of the investee company	Notes	Number of certificates: As at July 01, 2009	Purchased during the year	redeemed during the year	Disposed off during the year	As at June 30 2010	Market value as at June 30 2010 (Rupees)	Investment as % of: Net assets	Total investment
* Sukuk Certificates									
Construction and materials									
Kohat Cement Limited		100,000	-	-	-	100,000	36,225,000	4.83%	10.16%
Banks									
Bank Alfalah Limited		-	10,000	-	-	10,000	50,614,875	6.75%	14.19%
		100,000	10,000	-	-	110,000	86,839,875	11.59%	24.35%

10.5 Significant terms and conditions of debt securities are as follows:

Name of the investee company	Number of certificates	Face value (Rupees)	Mark-up rate (per annum)	Matuarity	Secured / un-secured	Rating
Listed debt securities						
Telecard Limited	2,020	5,000	3.75% + 6 months KIBOR	November, 2013	Secured	BBB
Unlisted debt securities						
Kohat Cement Limited	100,000	500	1.8% + 3 months KIBOR	December, 2015	Secured	-
Bank Alfalah Limited	10,000	5,000	15% Fixed	December, 2017	Un-Secured	AA-

10.6 Government securities - Market Treasury Bills (MTBs)

These have face value of Rs.200 million (2009: Rs.175 million). The Fund's yield on these MTB's ranges from 12.19% to 12.22% per annum (2009: 12.13% to 12.14% per annum) maturing latest by May 19, 2011.

	Note	June 30, 2010 (Rupees)	June 30, 2009 (Rupees)	Investment as % of: Net Assets	Total Investment
10.7 Certificate of Investment (COI) - unsecured					
PakLibya Holding Company (Private) Limited	10.7.1	50,522,329	-	6.74%	14.17%

10.7.1 Face value of this COI is Rs. 50 million (2009: Rs.Nil) and it carries mark-up at the rate of 12.30% per annum (2009: Nil) maturing latest by November 30, 2011.

10.8 Detail of non-compliant investment

Name of non-compliant investment	Type of investment	Amount Rupees	% of Net assets	% of gross assets
Kohat Cement Limited	Term finance certificate	36,255,000	4.85	4.83

Circular 7 of 2009 of SECP requires that the rating of any debt security in the portfolio of the Fund shall not be lower than the investment grade. However, the above mentioned debt security is non-rated.

	Note	June 30, 2010	June 30, 2009
		------------- (Rupees) -------------	
10.9 Net unrealised gain / (loss) during the year in the value of investments at fair value through profit or loss			
Fair value of investments at fair value through profit or loss		**306,137,423**	232,632,713
Cost of investments at fair value through profit or loss		**(322,746,122)**	(282,122,745)
		(16,608,699)	(49,490,032)
Net unrealised loss in market value of investments at fair value through profit or loss at the beginning of the year		**49,490,032**	9,757,812
Realised on disposal during the year		**(31,741,031)**	(12,727,917)
		17,749,001	(2,970,105)
		1,140,302	(52,460,137)

11. PAYABLE TO THE MANAGEMENT COMPANY

	Note	June 30, 2010	June 30, 2009
Management fee payable	11.1	**916,791**	902,346
Sales load payable		-	3,457
		916,791	905,803

11.1 The Management Company is entitled to a remuneration for services rendered to the Fund under the provisions of the NBFC Regulations during the first five years of a Fund's existence of an amount not exceeding three per cent of the average annual net assets of the Fund and thereafter of an amount equal to two per cent of such assets. During the current year, the Management Company has claimed its remuneration at the rate of 1.5% (2009: 1.5%) of the average daily net assets of the Fund.

12. REMUNERATION PAYABLE TO THE TRUSTEE

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

13. ACCRUED AND OTHER LIABILITIES

	Note	June 30, 2010	June 30, 2009
SECP annual fee payable	13.1	**573,598**	1,150,658
Accrued liabilities		**1,027,498**	867,037
		1,601,096	2,017,695

13.1 This represents payable to the SECP in accordance with the NBFC Regulations, whereby the Fund is required to pay SECP annually an amount equal to 0.075% (2009: 0.075%) of the net asset value of the Fund.

14. AUDITORS' REMUNERATION

	June 30, 2010	June 30, 2009
Audit fee	**250,000**	211,600
Half yearly review fee	**66,125**	66,125
Code of Corporate Governance review fee	**33,063**	33,063
Other certifications	**28,750**	57,500
Out of pocket expenses	**9,499**	49,133
	387,437	417,421

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingency

Through the Finance Act, 2008, an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. The Mutual Funds Association of Pakistan (MUFAP), on behalf of its members, filed a constitutional petition in the Honourable High Court of Sindh (SHC) praying it to declare that the funds are not establishments and as a result are not liable to pay contribution to the Workers' Welfare Fund (WWF). The SHC has rejected the petition on technical grounds stating that MUFAP is not the aggrieved party in this case and required the aggrieved parties to approach the courts for the said petition. In response, another petition has been filed with the SHC by some of mutual funds through their Trustee.

However, due to the fact that (a) a final decision in this matter by the SHC is currently pending, and (b) the amount involved is not material to the financial statements of the Fund taken as a whole, no provision in respect of WWF for the years ended June 30, 2009 and June 30, 2010 amounting to Rs.1,231,256 and Rs.1,560,794 respectively, has been made in these financial statements (see also note 21.2).

15.2 Commitments

There were no commitments as at June 30, 2010.

16. 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.

17. EARNINGS PER UNIT

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

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

18. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

18.1 Transactions during the year

	June 30 2010	June 30 2009
	(Rupees)	
Faysal Asset Management Limited (Management Company)		
Remuneration of Management Company	**11,471,965**	19,235,774
Sales load	**163,881**	298,741
Issue of 1,644,891 units (2009: Nil units)	**175,000,000**	-
Redemption of units: 1,644,891 units (2009: Nil units)	**175,460,570**	-
Faysal Savings Growth Fund (common management)		
Purchase of preference shares of Pakistan International Container Terminal Limited	**19,008,972**	-
Faysal Asset Management Limited - Employees Provident Fund		
Issue of units 100 bonus units (2009: 281 units)	**10,263**	28,285
Redemption of units: 2,973 units (2009: Nil units)	**317,236**	-

	June 30 2010	June 30 2009
	----------------- (Rupees)	-----------------
Faysal Asset Management Limited - Staff Gratuity Fund		
Issue of units 54 bonus units (2009: 151 units)	**5,513**	15,194
Redemption of units: 1,597 units (2009: Nil units)	**170,413**	-
Faysal Bank Limited (group company)		
Cash dividend paid	**16,490,209**	19,750,773
Profit received on PLS saving accounts	**162,077**	-
Faysal Bank Limited - Staff Provident Fund		
Issue of 44,738 bonus units (2009: 49,515 units)	**4,597,134**	4,988,243
Faysal Bank Limited - Staff Gratuity Fund		
Issue of 23,338 bonus units (2009: 25,829 units)	**2,398,052**	2,602,070
AKD Securities (Private) Limited (major shareholder of the Management Company)		
Brokerage fee	**17,500**	-
Central Depository Company of Pakistan Limited (Trustee of the Fund)		
Remuneration of the Trustee	**1,527,102**	2,154,239
Settlement charges	**58,848**	27,547

18.2 Outstanding balances as at year end

	June 30 2010	June 30 2009
Faysal Asset Management Limited (Management Company)		
Remuneration of the Management Company	**916,791**	902,346
Sales load payable	**-**	3,457
Faysal Asset Management Limited - Employees Provident Fund		
Units in issue: Nil units (2009: 2,873 units)	**-**	292,494
Faysal Asset Management Limited - Staff Gratuity Fund		
Units in issue: Nil units (2009: 1,543 units)	**-**	157,122
Faysal Bank Limited (group company)		
Units in issue: 1,873,887 units (2009: 1,873,887 units)	**195,109,154**	190,761,735
Balance in PLS saving account	**135,308**	838,284
Faysal Bank Limited - Staff Provident Fund		
Units in issue: 551,453 units (2009: 506,713 units)	**57,417,237**	51,583,366
Faysal Bank Limited - Staff Gratuity Fund		
Units in issue: 287,660 units (2009: 264,322 units)	**29,951,161**	26,907,977
Central Depository Company of Pakistan Limited (Trustee of the Fund)		
Remuneration payable to the Trustee	**122,239**	120,313
Settlement charges payable	**2,626**	-
Deposit	**100,000**	100,000

The transactions with connected persons / related parties are in the normal course of business, at contracted rates.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the management company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the management company supervises the overall risk management approach within the Fund (also refer Annexure I to these financial statements which describes the risk management structure of the Fund). The Fund is exposed to market risk, credit risk and liquidity risk arising from the financial instruments it holds.

19.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instrument will fluctuate due to changes in the market interest rates. As of June 30, 2010, the Fund is exposed to such risk in respect of bank balances and investment in debt and Government securities. The bank balances are subject to interest rates as declared by the respective bank on periodic basis. The debt and Government securities are subject to floating / fixed interest rates but valued at MUFAP and PKRV rates respectively . Management of the Fund estimates that an increase of 100 basis points in the market rate, with all other factors remaining constant, would increase the Fund's income by Rs.3.3 millions and a decrease of 100 basis points would result in a decrease in the Fund's income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

2010	------- Exposed to yield / interest rate risk -------					
	Upto one month	More than one month and upto three months	More than three months and upto one year	More than one year	Not Exposed to yield / interest rate risk	Total
	---- (Rupees) ----					
Financial assets						
Bank balances	385,316,972	-	-	-	-	385,316,972
Dividend, deposits and other receivables	-	-	-	-	7,636,691	7,636,691
Investments	271,279,204	-	-	-	85,380,548	356,659,752
	656,596,176	-	-	-	93,017,239	749,613,415
Financial liabilities						
Payable to the Management Company	-	-	-	-	916,791	916,791
Remuneration payable to the Trustee	-	-	-	-	122,239	122,239
Accrued and other liabilities	-	-	-	-	1,027,498	1,027,498
	-	-	-	-	2,066,528	2,066,528
On statement of assets and liabilities gap	656,596,176	-	-	-	90,950,711	747,546,887

2009	--------- Exposed to yield / interest rate risk ---------					
	Upto one month	More than one month and upto three months	More than three months and upto one year	More than one year	Not Exposed to yield / interest rate risk	Total
	---- (Rupees) ----					
Financial assets						
Bank balances and term deposit receipts	472,622,928	-	-	-	-	472,622,928
Dividend, deposits and other receivables	-	-	-	-	20,676,905	20,676,905
Investments	204,806,698		-	-	27,826,015	232,632,713
	677,429,626	-	-	-	48,502,920	725,932,546
Financial liabilities						
Payable to the Management Company	-	-	-	-	905,803	905,803
Remuneration payable to the Trustee	-	-	-	-	120,313	120,313
Accrued and other liabilities	-	-	-	-	867,037	867,037
	-	-	-	-	1,893,153	1,893,153
On statement of assets and liabilities gap	677,429,626	-	-	-	46,609,767	724,039,393

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business in which the investment is made, change in business circumstances, its business sector, industry and / or the economy in general. Management of the Fund estimates that a 5% increase or decrease in the overall equity prices in the market with all other factors remaining constant would result in increase or decrease of Fund's net assets by Rs.1.743 million. However, in practice, the actual results may differ from the sensitivity analysis.

The Management Company manages the above market risks through diversification of investment portfolio and placing limits on individual and aggregate exposures in accordance with the internal risk management policies and regulations laid down by the SECP.

19.2 Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemption of its redeemable units on a regular basis. Units are redeemable at the unit holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive documents.

The table below summarizes the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date. However, for financial assets 'at fair value through income statement', the period in which those assets are assumed to mature is taken as the expected date on which these assets will be realised.

June 30, 2010	Upto one month	More than one month and upto three months	More than three months and upto one year	More than one year	Total
	(Rupees)				
Financial Assets					
Bank balances	385,316,972	-	-	-	385,316,972
Dividend, deposits and other receivables	4,360,034	15,363	661,294	2,600,000	7,636,691
Investments	306,137,423	-	50,522,329	-	356,659,752
	695,814,429	15,363	51,183,623	2,600,000	749,613,415
Financial Liabilities					
Payable to the Management Company	916,791	-	-	-	916,791
Remuneration payable to the Trustee	122,239	-	-	-	122,239
Accrued and other liabilities	394,225	633,274	-	-	1,027,499
	1,433,254	633,274	-	-	2,066,528
	694,381,175	(617,911)	51,183,623	2,600,000	747,546,887

June 30, 2009	Upto one month	More than one month and upto three months	More than three months and upto one year	More than one year	Total
	(Rupees)				
Financial Assets					
Bank balances and term deposit receipts	472,622,928	-	-	-	472,622,928
Dividend, deposits and other receivables	15,988,294	1,444,236	644,375	2,600,000	20,676,905
Investments	232,632,713	-	-	-	232,632,713
	721,243,935	1,444,236	644,375	2,600,000	725,932,546
Financial Liabilities					
Payable to the Management Company	905,803	-	-	-	905,803
Remuneration payable to the Trustee	120,313	-	-	-	120,313
Accrued and other liabilities	282,240	584,798	-	-	867,037
	1,308,356	584,798	-	-	1,893,153
	719,935,579	859,438	644,375	2,600,000	724,039,393

19.3 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge its obligation. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements. The table below analyses the Fund's maximum exposure to credit risk. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements at reporting date:

	June 30 2010	June 30 2009
	------------- (Rupees) -------------	
Bank balances and term deposit receipts	**385,316,972**	472,622,928
Receivable against sale of securities	**-**	15,627,460
Investment in debt securities	**90,584,005**	48,127,102
Certificate of investmentDividend receivable	**50,522,329**	-
Dividend receivable	**875,000**	300,000
Mark-up receivable on debt securities	**676,657**	994,781
Receivable against TFC's principal redemption	**-**	1,093,830
Return receivable on bank balances	**3,485,034**	60,834
	531,459,997	538,826,935

Investment of the Fund in debt securities is collateralised by creation of first charge in favour of the trustee of the issue over the fixed assets (including / excluding land and building as specified) of the issuer.

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. The table below analyzes the credit quality of Fund's exposure:

	June 30 2010	June 30, 2009
	------------------- % ---------------	
Rating category (also see note 10.4.1)		
AA+, AA, AA-	**92.44**	8.36
A+, A, A-	**-**	83.32
BBB+, BBB, BBB-	**0.72**	1.16
Unrated	**6.84**	7.16
	100.00	100.00

The table below analyses the Fund's concentration of credit risk by industrial distribution:

	June 30, 2010	June 30, 2009
	% of assets exposed to credit risk	
Financial services	**9.53**	-
Banks	**82.91**	88.00
Personal goods	**-**	1.00
Fixed line telecommunication	**0.72**	1.00
Construction and materials	**6.84**	7.00
Others	**-**	3.00
	100.00	100.00

19.4 Capital management

The capital of the Fund is represented by the net assets attributable to holders of redeemable Units. The capital structure depends on the issuance and redemption of units. The Fund's objective when managing unit holders' fund is to safeguard the Fund's ability to continue as a going concern in order to seek maximum preservation of unit holder's fund and an optimum rate of return by investing investment avenues having good credit rating and liquidity and to maintain a strong capital base to support the development of the investment activities of the Fund.

19.5 Fair value Hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 30 June 2010, the Fund held the following financial instruments measured at fair value:

	June 30, 2010		
	Level 1	Level 2	Level 3
	------------------- (Rupees) -------------------		
Investments at fair value through profit or loss			
Listed equity securities	12,490,995	-	-
Listed preference shares	22,367,224	-	-
Listed debt securities	-	3,744,130	-
Unlisted debt securities	-	86,839,875	-
Government securities	-	180,695,199	-
	34,858,219	271,279,204	-

	June 30, 2009		
	Level 1	Level 2	Level 3
	------------------- (Rupees) -------------------		
Investments at fair value through profit or loss			
Listed equity securities	27,826,015	-	-
Listed debt securities	-	11,902,102	-
Unlisted debt securities	-	36,225,000	-
Government securities	-	156,679,596	-
	27,826,015	204,806,698	-

During the year ended June 30, 2010 there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of level 3 fair value measurements.

20. 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 statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

21. NON-ADJUSTING EVENT AFTER THE STATEMENT OF ASSETS AND LIABILITIES DATE

21.1 The Board of Directors of the Management Company in their meeting held on July 07, 2010 have declared bonus issue at the rate of 2.75% (i.e. Rs.2.75 per unit). The financial statements of the Fund for the year ended June 30, 2010 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.

21.2 Pursuant to a decision taken by the Board of Directors of the Management Company in their meeting held on October 02, 2010, the provision for WWF is made in the financial statements of the Fund with effect from July 01, 2008 and, accordingly, adjusted in the NAV of the Fund as at October 02, 2010 and onwards on a daily basis.

22. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top brokers, members of the Investment Committee, fund manager, meetings of the Board of Directors of the Management Company and rating of the Fund and the Management Company has been disclosed in Annexure I to the financial statements.

23. GENERAL

Figures are rounded off to the nearest rupee.

24. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 02, 2010 by the Board of Directors of the Management Company.

For Faysal Asset Management Limited
(Management Company)

Salman Haider Sheikh	**Feroz Rizvi**	**Syed Majid Ali**
Chief Executive Officer	*Director*	*Director*

(i) PATTERN OF UNIT HOLDING

Category	No. of investors	Units held	%
Individuals	113	375,049	5.23
Associated companies and directors (including Close relatives)	3	2,713,000	37.82
Retirement funds	23	3,784,333	52.75
Public limited companies	1	29,808	0.42
Others	7	271,819	3.79
	147	7,174,009	100.00

(ii) TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

Name	%
BMA CAPITAL	22.43
Ismail Iqbal Securities Ltd.	16.46
Invisor Securities (Pvt) Ltd.	12.40
IGI Finex Securities Ltd.	11.17
Moonaco Securities (Pvt) Ltd.	8.87
Top Line Securities (Pvt) Ltd.	8.66
Alfalah Securities (Pvt) Ltd	8.59
Jahangir Siddiqui Capital Markets Ltd.	2.06
Taurus Securities Ltd.	1.89
Elixir Securities Private Ltd.	1.51

(iii) THE MEMBERS OF THE INVESTMENT COMMITTEE

Following are the members of the Investment Committee of the Fund:

Mr. Salman Haider Sheikh
Mr. Tahir Sohail
Mr. Shahid Usman Ojha
Mr.Asad Iqbal
Mr. Omar Ehtisham Anwar
Mr. Ayaz Mustafa Zuberi
Mr. Mansoor Bhugio
Mr. Qamar Abbas

Mr. Salman Haider Sheikh

Mr. Haider has over 12 years of international experience of asset management and investment banking. He has held various securities licenses including Series-7 (General Securities Representative) and Series-63 (Uniform Securities Agent Law) issued by the National Association of Securities Dealers (NASD) New York. He has also passed course examinations for Series-3 (Futures & Commodities) and Series-24 (General Securities Principal) and Life & Health Insurance licenses. He has participated in a six-month course on financial systems, risk management, analysis of financial products, marketing strategy and compliance at Wachovia Bank, USA.

Mr. Haider has managed large investment portfolios for both retail and institutional clients on the equity and fixed income side. Mr. Haider participated as a team member in venture capital / Private equity and investment banking transactions of over $1 billion. His work experience includes positions in the USA at Merrill Lynch, Janney Montgomery & Scott and Wachovia Bank. Mr. Haider holds a post-graduate certificate in "Executive Leadership" from Cornell University. He holds an MBA from Rutgers University with concentration in Finance. He holds Bachelors in Finance from the same institution.

Mr. Tahir Sohail
Mr. Tahir Sohail is a senior banker with over 22 years of broad base banking experience with leading multinational banks like Citibank and Deutsche Bank. He has worked in increasingly responsible positions within corporate, consumer and private banking businesses both within and outside Pakistan and was instrumental in implementing a credit scoring model for credit cards acquisition in Pakistan during his Citibank tenor. In Deutsche Bank, Tahir was actively involved in developing wealth management products at Asia Pacific regional level.

Mr. Shahid Usman Ojha
Mr. Shahid Usman Ojha has over 14 years of experience in Mutual Fund industry and Financial Institutions including organizations like Dawood Capital Management Limited, Pak Asian Fund Limited and Standard Chartered Bank Limited. Mr. Ojha is an associate member of Institute of Cost & Management Accountant of Pakistan and Pakistan Institute of Public Finance Accountants. He has also completed his Masters in Economics from University of Karachi. Mr. Ojha posses 5 years experience of working in the asset management industry in various capacities. In his last served job, Mr. Ojha worked in a similar position in Dawood Capital Management Limited where his core responsibilities included Financial Management and Reporting, Taxation, Finalization of Accounts and Budgeting.

Mr.Asad iqbal
Mr. Iqbal has worked on Wall Street from 1995 to 2002 in various capacities with the latest being Vice President in Equities for Goldman, Sachs & Co. At Goldman, he was responsible for book building for all Goldman lead equity and convertible equity offerings for their US clients. During this period, Mr. Iqbal worked on over 100 equity and convertible debt offerings including some of most prominent deals such as the Goldman Sachs and Accenture Initial Public Offerings and the AT&T secondary offering.

Prior to joining FAML, Mr. Iqbal was Managing Director of one of the prominent equity brokerage houses of the country and also served on the board of directors for the Karachi Stock Exchange (G) Ltd in 2009. As a member of the KSE board Mr. Iqbal served as the chairman of the New Products committee and was instrumental in the launch of the Bond Automated Trading System as well as the re-introduction of Cash Settled and Deliverable Futures. Mr. Iqbal also served on the boards of the National Commodity Exchange as well as JCR-VIS. Mr Iqbal holds a Bachelors of Science Degree from Carnegie Mellon University and also held Series 7 and Series 63 certifications from the NASD.

Mr. Omar Ehtisham Anwar
Mr. Omar Ehtisham Anwar has almost three years of experience in equity markets. He is a graduate of Lahore University of Management Sciences (LUMS) and holds a BSC (Honors) degree in Computer Science. Previously, Mr. Anwar was working for Alfalah Securities a subsidiary of Bank Alfalah in the Institutional Sales Group. His responsibilities included dealing with individual, institutional and foreign clients, guiding clients on their investment options by keeping abreast with market conditions, meeting market deadlines and risk assessment. He was also responsible for providing business and technical support and initiating new product ideas.

Mr. Ayaz Mustafa Zuberi
Mr. Ayaz Mustafa Zuberi has over twelve years of experience in financial sector. He was on the Board of Directors of three Securitization Companies in Pakistan. Mr. Zuberi was also the Chief Dealer in Treasury at ORIX Investment Bank Pakistan Limited and prior to joining FAML he was serving as Manager Islamic Funds at UBL Fund Managers Limited. Mr. Zuberi holds Masters in Business Administration from American University of Hawaii and also a Certified Fraud Examiner from ACFE, Austin, USA. He has also done one year Post Graduate Diploma in Islamic Banking and Finance from Centre for Islamic Economics (Darul-Uloom) Karachi.

Mr. Qamar Abbas
Mr. Abbas is currently Head of Research and Product Development at FAML. Mr. Abbas earned his MSc. in Finance from Cass Business School London and MSc. in Physics from University of Karachi. He has over eight years experience in fields of Capital Market Research, Investment Advisory and Product Development with over three years association with UBL Fund Managers as a Manager Research and Product Development. He played an instrumental role in launching of Fixed Income, Equity and Islamic Funds at UBL Fund Managers. Mr. Abbas started his career in 1997 with Eastern Capital Limited and has worked with other top tier brokerage houses since then before joining UBL Fund Managers. He also taught in a renowned business school of Karachi in both graduate and undergraduate programs.

(iv) PERFORMANCE TABLE

	June 30, 2010	June 30, 2009	June 30, 2008
	(Rupees)		
Net assets	746,973,288	722,967,020	2,304,414,398
Net asset value per unit	104.12	101.80	103.43
Offer price	105.17	102.82	104.47
Repurchase price per unit	104.12	101.80	103.43
Highest offer price per unit	107.91	105.83	109.24
Highest repurchase price per unit	106.84	104.78	108.15
Lowest offer price	102.77	101.13	101.41
Lowest repurchase price per unit	101.75	100.12	100.39
Total return:			
- capital growth	0.29%	8.90%	9.97%
- income distribution	10.75%	8.00%	10.00%
Average annual return:			
(Launch date: October 10, 2005)			
- one year	11.04%	8.90%	9.97%
- two years	9.97%	18.87%	22.73%
- three years	9.96%	31.63%	31.67%
Distribution per unit:			
- Interim distribution per unit	8.00%	7.20%	6.66%
- Final distribution per unit	2.75%	0.80%	3.34%
	10.75%	8.00%	10.00%

The Fund's past performance is not necessarily indicative of future performance. Therefore, the unit prices and investment returns may go down, as well as up.

(v) PARTICULARS OF FUND MANAGERS

Mr. Omar Ehtisham Anwar

Mr. Omar Ehtisham Anwar has almost three years of experience in equity markets. He is a graduate of Lahore University of Management Sciences (LUMS) and holds a BSC (Honours) degree in Computer Science. Previously, Mr. Anwar was working for Alfalah Securities a subsidiary of Bank Alfalah in the Institutional Sales Group. His responsibilities included dealing with individual, institutional and foreign clients, guiding clients on their investment options by keeping abreast with market conditions, meeting market deadlines and risk assessment. He was also responsible for providing business and technical support and initiating new product ideas.

Presently Mr. Omar is also looking after Equity area of Faysal Balanced Growth Fund and Faysal Income & Growth Fund.

Mr. Ayaz Mustafa Zuberi

Mr. Ayaz Mustafa Zuberi has over twelve years of experience in financial sector. He was on the Board of Directors of three Securitization Companies in Pakistan. Mr. Zuberi was also the Chief Dealer in Treasury at ORIX Investment Bank Pakistan Limited and prior to joining FAML he was serving as Manager Islamic Funds at UBL Fund Managers Limited. Mr. Zuberi holds Masters in Business Administration from American University of Hawaii and also a Certified Fraud Examiner from ACFE, Austin, USA. He has also done one year Post Graduate Diploma in Islamic Banking and Finance from Centre for Islamic Economics (Darul-Uloom) Karachi.

Presently Mr. Zuberi is looking after Fixed Income Investment area of all funds managed by Faysal Asset Management Limited.

(vi) MEETING OF THE DIRECTORS

Following is the analysis of the attendance in the meetings of the Board of Directors of the Management Company during the year:

Name of Directors	Meetings held on						
	Meetings Attended	Jul 06 2009	Sep 16 2009	Oct 22 2009	Feb 20 2010	Apr 24 2010	Jun 26 2010
Mr. Mohammad Abdul Aleem	6	1	1	1	1	1	1
Mr. Feroz Rizvi	5	1	1	1	-	1	1
Syed Majid Ali	6	1	1	1	1	1	1
Mr. Zafar Ahmed Siddiqui (Appointed w.e.f. 30-Jun-2009)	3	-	-	-	1	1	1
Mr. Salman Ahmed Usmani (Appointed w.e.f. 04-Nov-2009)	2	-	-	-	1	1	-
Mr. Salman Haider Sheikh	6	1	1	1	1	1	1

(vIi) RATING OF THE FUND AND THE MANAGEMENT COMPANY

The JCR - VIS Credit Rating Company Limited (JCR - VIS) has assigned a " A+(f) " fund rating to Faysal Income & Growth Fund.

JCR - VIS has awarded an " AM2- " Asset manager rating to the Management Company.