

IGI Income Fund

Financial Statements
for the year ended
30 June 2011

IGI Income Fund
Statement of Assets and Liabilities
As at 30 June 2011

	<i>Note</i>	2011	2010
Assets			
Bank balances	4	69,355,569	385,846,626
Investments	5	658,557,536	1,658,828,884
Receivable under reverse repurchase transactions	6	99,041,648	505,811,993
Deferred formation cost	7	561,781	1,282,656
Security deposits	8	2,600,000	2,600,000
Other receivables	9	4,170,899	15,743,326
Total assets		834,287,433	2,570,113,485
Liabilities			
Amount payable on redemption of units		-	120,449,624
Payable to the Management Company	10	1,337,680	2,953,100
Remuneration payable to the Trustee	11	160,829	316,718
Annual fee payable to Securities and Exchange Commission of Pakistan	12	1,311,114	1,858,367
Accrued and other liabilities	13	1,374,189	8,099,064
Total liabilities		4,183,812	133,676,873
Contingency	14		
Net assets attributable to unit holders	<i>Rupees</i>	830,103,621	2,436,436,612
Unit holders' fund (as per statement attached)	<i>Rupees</i>	830,103,621	2,436,436,612
Number of units in issue	<i>Number</i>	7,986,029	22,968,763
Net assets value per unit	<i>Rupees</i>	103.94	106.08

The annexed notes from 1 to 22 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI Income Fund

Income Statement

For the year ended 30 June 2011

	Note	2011	2010
Income			
Financial income	15	220,636,777	301,676,987
Net Capital losses on sale of investments classified as 'at fair value through profit or loss- held for trading'		(3,111,306)	(1,021,683)
Net unrealised diminution appreciation in fair value of investments classified as 'at fair value through profit or loss - held for trading'		(59,502)	(8,014,775)
Provision for non performing term finance certificate classified as held for trading and interest accrued thereon	16	(8,381,800)	(7,974,874)
Reversal / (provision) for impairment in valuation of investments classified as 'held to maturity'		-	22,267,468
Element of losses and capital losses included in prices of units sold less those in units redeemed - net		(46,792,300)	(23,778,937)
Total income		162,291,869	283,154,186
Expenses			
Remuneration to the Management Company	10	21,851,914	30,972,898
Remuneration to the Trustee	11	2,571,204	3,477,934
Annual fee to the Securities and Exchange Commission of Pakistan	12	1,311,114	1,858,367
Brokerage expense and capital value tax		813,665	594,879
Bank and settlement charges		139,818	42,163
Amortisation of deferred formation cost		720,875	720,875
Auditors' remuneration		401,550	373,000
National Clearing Company of Pakistan Limited charges		180,000	135,000
CDS transaction fee		6,112	7,715
Annual listing fee		40,000	30,000
Printing charges		88,760	82,061
Credit rating fee		-	210,000
Stability rating fee		200,000	200,000
Legal and professional charges		25,000	-
Workers' Welfare Fund	14	(7,321,275)	7,321,275
Total expenses		21,028,737	46,026,167
Net income for the year	<i>Rupees</i>	141,263,132	237,128,019

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For IGI Funds Limited
(Management Company)**

Chief Executive

Director

IGI Income Fund
Statement of Comprehensive Income
For the year ended 30 June 2011

	2011	2010
Net income for the year	141,263,132	237,128,019
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<i>Rupees</i> <u>141,263,132</u>	<u>237,128,019</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI Income Fund
Statement of Cash Flows
For the year ended 30 June 2011

	<i>Note</i>	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		141,263,132	237,128,019
Adjustments for:			
Net Capital losses on sale of investments classified as 'at fair value through profit or loss- held for trading'		3,111,306	1,021,683
Net unrealised diminution appreciation in fair value of investments classified as 'at fair value through profit or loss- held for trading'		59,502	8,014,775
Provision for non performing term finance certificate classified as held for trading and interest accrued thereon		8,381,800	7,974,874
Reversal / (provision) for impairment in valuation of investments classified as 'held to maturity'		-	(22,267,468)
Amortisation of deferred formation cost		720,875	720,875
Element of losses and capital loss included in prices of units sold less those in units redeemed - net		46,792,300	23,778,937
		200,328,915	256,371,695
Change in:			
Investments - net		90,676,294	(180,580,150)
Markup / return receivable		11,572,427	3,463,994
Other receivable		-	76,840
Payable to the Management Company		(1,615,420)	550,447
Remuneration payable to the Trustee		(155,889)	42,305
Annual fee payable to Securities and Exchange Commission of Pakistan		(547,253)	15,048
Accrued and other liabilities		(6,724,875)	7,648,240
Net cash from operating activities		293,534,199	87,588,419
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions paid		(32,638,618)	(44,337,956)
Amounts received on issue of units		2,143,404,142	6,820,180,147
Payment against redemption of units		(4,025,603,571)	(6,534,395,258)
Net cash (used in) / from financing activities		(1,914,838,047)	241,446,933
Net (decrease) / increase in cash and cash equivalents during the year		(1,621,303,848)	329,035,352
Cash and cash equivalents at beginning of the year		2,069,991,302	1,740,955,950
Cash and cash equivalents at end of the year	<i>Rupees 17</i>	448,687,454	2,069,991,302

The annexed notes from 1 to 22 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI Income Fund
Distribution Statement
For the year ended 30 June 2011

	2011	2010
Undistributed income brought forward at the beginning of the year		
- Realized gains	155,550,326	146,399,800
- Unrealized gains	<u>(15,989,649)</u>	<u>(21,527,121)</u>
	139,560,677	124,872,679
Total comprehensive income for the year	141,263,132	237,128,019
Distributions made during the year		
Final distribution of cash dividend @ Rs.5.7615 unit for every 100 units held, approved on: 2 July 2010 (2009: @ 6.2932 unit for every 100 units held, approved on 2 July 2009)	(13,589,961)	(29,669,137)
Final distribution of bonus @ 5.7434 units for every 100 units held, for the year ended 30 June 2010, approved on 2 July 2010 (30 June 2009: 6.281)	(118,744,566)	(91,457,618)
Interim distribution of bonus @ 2.850 units for every 100 units held, approved on: 1 October 2010 (2009: Nil)	(49,567,749)	-
Interim distribution of cash dividend @ 2.8591 units for every 100 units held, approved on: 1 October 2010 (2009: Nil)	(6,545,310)	-
Interim distribution of bonus @ 2.1086 units for every 100 units held, approved on: 29 December 2010 (2009: @ 4.9579 units for every 100 units held, approved on 3 January 2010)	(22,469,810)	(86,644,447)
Interim distribution of cash dividend @ 2.1246 units for every 100 units held, approved on: 29 December 2010 (2009: @ Rs 4.9854 per unit, approved on 3 January 2010)	(5,023,511)	(14,668,819)
Interim distribution of bonus @ 2.0340 units for every 100 units held, approved on: 28 March 2011 (2010: Nil)	(25,902,214)	-
Interim distribution of cash dividend @ 2.3267 units for every 100 units held, approved on: 28 March 2010 (2009: Nil)	(7,479,836)	-
Total distributions during the year	(249,322,957)	(222,440,021)
Undistributed income carried forward	<i>Rupees</i> <u>31,500,852</u>	<u>139,560,677</u>
Undistributed income brought forward at end of the year		
- Realized gains	39,942,154	155,550,326
- Unrealized losses	(8,441,302)	(15,989,649)
	<i>Rupees</i> <u>31,500,852</u>	<u>139,560,677</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI Income Fund

Statement of Movement in Unit Holders' Fund

For the year ended 30 June 2011

	2011	2010
Net assets at beginning of the year	2,436,436,612	2,049,597,054
Amount realized / unrealized on issuance of 21,100,738 units (2010: 65,948,045 units)	2,143,404,142	6,820,180,147
Issuance of 2,157,324 bonus units in respect of final and interim distribution (2010: 1,774,527 units)	216,684,339	178,102,065
Amount paid / payable on redemption of 38,240,797 units (2010 : 64,001,056 units)	<u>(3,905,153,947)</u>	<u>(6,649,909,589)</u>
	891,371,146	2,397,969,677
Element of income and capital gains included in prices of units sold less those in units redeemed - net	46,792,300	23,778,937
Total comprehensive income for the year before capital gains- realised and unrealised and provision for impairment	152,815,740	231,871,883
Net Capital losses on sale of investments classified as 'at fair value through profit or loss- held for trading'	(3,098,812)	(1,021,683)
Provision for non performing term finance certificate classified as held for trading and interest accrued thereon	(8,381,800)	(7,974,874)
Reversal / (provision) for impairment in valuation of investments classified as 'held to maturity'	-	22,267,468
Net unrealised diminution appreciation in fair value of investments classified as 'at fair value through profit or loss - held for trading'	(71,996)	(8,014,775)
Total comprehensive income for the year	141,263,132	237,128,019
<i>Distributions made during the year</i>		
Final distribution of bonus units	(118,744,566)	(91,457,618)
Final distribution of cash dividend	(13,589,961)	(29,669,137)
Interim distribution of bonus units	(97,939,773)	(86,644,447)
Interim distribution of cash dividend	(19,048,657)	(14,668,819)
	(249,322,957)	(222,440,021)
Total Comprehensive income less distributions for the year	(108,059,825)	14,687,998
Net assets at end of the year	Rupees <u>830,103,621</u>	<u>2,436,436,612</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For IGI Funds Limited
(Management Company)**

Chief Executive

Director

IGI Income Fund

Notes to the Financial Statements

For the year ended 30 June 2011

1 LEGAL STATUS AND NATURE OF BUSINESS

IGI Income Fund (the Fund) has been constituted under Trust Deed dated 18 December 2006 between IGI Funds Limited (IGIFL) as Management Company, incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited (CDC) as the Trustee incorporated under the Companies Ordinance, 1984. The Fund has been established under the Rules of business applicable to open end mutual fund of the Non-Banking Finance Companies. The Fund is an open end mutual fund listed on Lahore Stock Exchange.

The Fund invests primarily in fixed-rate securities and other avenues of investment, which include corporate debt securities, certificates of investments, certificates of musharika, commercial papers, term deposit receipts, spread transactions, reverse repurchase agreements and transactions under continuous funding system. The Fund is categorised as an Income Scheme and is subject to the guidelines prescribed by SECP.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, requirements of Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008. In case the requirements differ, the provisions and directive of the Companies Ordinance 1984, the requirements of Trust deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that investments classified as "at fair value through profit and loss account - held for trading" which are stated at their fair values.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Fund's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupees, except otherwise stated.

2.4 Accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, 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 results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

2.4.1 *Classification and valuation of investments*

For detail please refer note 3.1

2.4.2 *Impairment of investment*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. This objective evidence of impairment of fixed income securities is determined in accordance with provisioning criteria / policy for non performing exposures approved by the Board of Directors of the Management Company in accordance with the requirements of Annexure II of SECP Circular no. 13 of 2009 dated 4 May 2009. As per provisioning policy the Investment Committee of the Management Company shall continuously review the provisioning status of all fixed income securities held by Fund, to assess whether there is change in circumstances which warrant additional provision and accordingly shall determine whether additional provision is required or not along with rationale and appropriate grounds and recommend it to Board of Directors for their approval.

2.4.3 Workers welfare fund liability (refer note 14)

2.4.4 Other assets

Judgment is involved in assessing the realisability of the assets balances.

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

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below:

- IAS 24 Related Party Disclosures (revised 2009) – (effective for annual periods beginning on or after 1 January 2011). The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Fund’s financial statements.
- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2011). These amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity’s exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.
- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011) These amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.

Apart from above certain other standards, amendments to published standards and interpretations of accounting standards became effective for accounting periods beginning on or after 1 January 2011, however, they do not affect the Fund's financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the periods presented in these financial statements.

3.1 Investments

The Fund classifies its investments in the following categories:

- **Fair value through profit or loss - held for trading**

Investments which are acquired principally for the purposes of selling in the near term and are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking are classified as held for trading. These includes term finance certificates and treasury bills.

These investments are initially recognised at fair value, being the cost of the consideration given. The transaction costs associated with the investments classified as 'at fair value through profit or loss' are charged off to the income statement.

After initial recognition, above investments are remeasured at fair value determined with reference to the year-end quoted rates. Gains or losses on re-measurement of these investments are recognised in income statement.

- **Held to maturity**

Investments with fixed or determinable maturity where management has both the positive intent and ability to hold till maturity are classified as held-to-maturity. These investments are measured initially at its fair value plus transaction cost that are directly attributable to these investments and are stated at amortised cost. Subsequent to initial measurements, held to maturity investments are measured at amortised cost. Provision for impairment in value, if any, is taken to income. Premiums and discounts on investments are amortised using the effective interest rate method and taken to income statement from investments.

Basis of valuation

Fair value of the investments in Federal Government securities comprising Treasury Bills is determined by reference to the quotation obtained from the PKRV rate sheet on the Reuters page.

The fair value of term finance certificates is determined on the basis of rates notified by the Mutual Funds Association of Pakistan (MUFAP) as at the period end.

All regular way of purchases and sales of investments are recognised on trade date i.e. the date the Fund commits to purchase / sell the investments.

Income accrued on treasury bills are included in the carrying value of investments.

Date of Recognition

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the investments.

Derecognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risk and rewards of ownership.

3.2 Derivative Financial Instruments

Derivative instruments that are held by the Fund primarily comprise of futures contracts in the capital market and are classified in held for trading investments, subcategory under investment 'at fair value through profit or loss'. These are measured at initially and of each subsequent measurement at their fair values which is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the futures contract. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses are included in the income currently. All derivatives in a net receivables positions (positive fair values) and reported as financial asset held for trading. All derivatives in a net payable position (negative fair values) are reported as financial liabilities held for trading.

3.3 Securities under repurchase / resale agreements (including those purchased / sold under Continuous Funding System)

Transactions of purchase under resale (reverse-repo) of marketable and government securities, including the securities purchased under continuous funding system, 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 recognised in the statement of assets and liabilities. Amounts paid under these agreements are included in receivable in respect of reverse repurchase transactions / against continuous funding system. 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 recognised 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 financial liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement. All reverse repo / continuous funding system transactions are accounted for on the settlement date.

3.4 Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a investments classified as 'held to maturity and are measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

3.5 Unit holders' fund

Unit holders' fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

3.6 Issue and redemption of units

Units are allocated at the offer price prevalent on the day on which applications for the purchase of units are received (however units are issued on the realisation of funds). The offer price represents the net assets value of units at the end of the day.

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

3.7 Net asset value per unit

The net assets 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 in issue.

3.8 Revenue recognition

- Gains / losses arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised gains / losses arising on revaluation of investments classified as financial assets at fair value through profit or loss are included in the income statement in the period in which they arise.
- Interest income from reverse repurchase transactions and continuous funding system lending arrangements, returns on certificates of investment, placements, certificates of musharika, term deposits and investments in debt securities are recognised at rate of return implicit in the instrument on a time proportionate basis.
- Return on bank balances are recognised at effective profit rates based on a time proportion basis.
- Dividend income is recognised in income statement on the date that the Fund's right to receive payment is established.

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

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

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

The net "element of income and capital gains included in prices of units sold less those in units redeemed" during an accounting year is recognised in the income statement.

3.10 Taxation

Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 provides exemption from tax to any income derived by a Mutual Fund, if not less than ninety percent of its accounting income of a year as reduced by capital gains whether realize or unrealized is distributed among the unit holders. The management company has distributed a sufficient accounting income of Fund (including final distributions subsequent to reporting date refer note 20) for the year ended 30 June 2011 which meets the requirement of above stated clause. Accordingly no tax provision has been made in these financial statements for the year ended 30 June 2011.

3.11 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument and derecognized when the Fund loses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to Income Statement directly.

3.12 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 recognised amount and the Fund intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.13 Provision

A provision is recognised in the balance sheet when the Fund has a legal or constructive obligation as result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are regularly reviewed and are adjusted to reflect the current best estimate.

3.14 Deferred formation cost

Expenses incurred on the formation of the Fund have been recognised as deferred formation cost. Deferred formation cost is amortised over a period of five years starting from 4 December 2009 (the date of the end of initial period of the Fund) as stated in the Trust Deed of the Fund approved by the Securities and Exchange Commission of Pakistan.

3.15 Cash and cash equivalents

Cash and cash equivalent comprise of bank balances and those investments which are readily convertible to known amount of cash subject to an insignificant risk of significant changes of values and have maturities of less than three months from the date of acquisition.

3.16 Distributions

Distributions declared including the bonus units are recorded in the period in which they are approved. Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, requires that the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / losses to the unit holders. The Management Company has distributed a sufficient accounting income of the Fund (including final distributions declared subsequent to reporting date refer note 20) for the year ended 30 June 2011 in order to comply with the above stated regulation.

3.17 Other assets

Other assets are stated at cost less impairment losses, if any.

3.18 Liabilities

All expenses including management fee and trustee fee are recognised in the Income Statement as and when incurred.

4 BANK BALANCES - local currency

This represents balance in deposit accounts with banks and carry profit rates ranging from 5.00% to 11.60% (2010: 5.00% to 11.60%) per annum. As at 30 June 2011, bank balances amounted to Rs. 69.35 million (2010: 385.85 million) represents 8.36% (2010: 15.83%) of the net assets.

5 INVESTMENTS

2011 2010

Financial asset at fair value through profit or loss - held for trading

Term finance certificates	5.1	38,532,251	127,657,216
Treasury bills	5.2	500,737,457	500,737,457
		<u>539,269,708</u>	<u>628,394,673</u>

Held to maturity

Certificates of musharika		-	22,143,446
Certificates of deposit	5.3	119,287,828	108,553,789
Term deposits		-	972,866,233
		<u>119,287,828</u>	<u>1,103,563,468</u>

Rupees 658,557,536 1,731,958,141

5.1 Term finance certificates

Name of the investee company	Profit / mark-up rate	As at 30 June 2010	Additions during the year	Sold during the year	As at 30 June 2011	Cost as at 30 June 2011	Market value as at 30 June 2011 (net off provision)	% of net assets on the basis of market value	% of total investment on the basis of market value
		------(Number of Certificates)-----				------(Rupees)-----		------(%)-----	
Quoted investments									
Commercial banks									
Askari Bank Limited	15.76%	-	-	-	-	-	-	-	-
NIB Bank Limited	13.54%	10,000	-	10,000	-	-	-	0.00%	0.00%
United Bank Limited - IV	13.14%	10,000	10,000	20,000	-	-	-	0.00%	0.00%
United Bank Limited - II	9.49%	-	11,900	11,900	-	-	-	0.00%	0.00%
						-	-		
Unquoted investments									
Commercial banks									
Bank AlFalah Limited - IV (refer note 5.1.1)	15.00%	-	97,200	94,200	3,000	14,722,328	14,723,501	1.77%	2.24%
Miscellaneous									
Bunnys Limited (refer note 5.4)	14.91%	4,022	-	-	4,022	20,110,000	15,082,500	1.82%	2.29%
Vision Developers Private Limited (refer note 5.4)	14.91%	2,327	-	-	2,327	11,635,000	8,726,250	1.05%	1.33%
Pak Hy Oils Limited (refer note 16)	14.64%	3,000	-	-	3,000	15,000,000	-	0.00%	0.00%
						<u>46,745,000</u>	<u>23,808,750</u>		
						<u>61,467,328</u>	<u>38,532,251</u>		
Provision for impairment against term finance certificates					16		<u>15,000,000</u>		

5.1.1 The instrument is fixed rate TFC @ 15% with maturity date in December 2017. The instrument will be structured to redeem 0.260% of principal, semi annually in the first 78 month and remaining principal of 33.247% each of the issue amount respectively starting from 84th month.

5.1.2 The salient features of above Term Finance Certificates are as follows:

Name of the investee company	Secured / Unsecured	Mark-up Kibor plus basis points	Receivable	Principle redemption	Maturity date
Unquoted investments					
Miscellaneous					
Bunnys Limited	Secured	6 months + 250	Semi annually	0.1% in the first 2.5 years and remaining 99.90% in five equal semi annual installments in the next three years.	November 2013
Pak Hy Oils Limited	Secured	6 months + 225	Semi annually	0.1% in the first 2.5 years and remaining 99.90% in five equal semi annual installments in the next three years.	December 2013
Vision Developers (Private) Limited	Secured	6 months + 250	Semi annually	0.1% in the first 2.5 years and remaining 99.90% in five equal semi annual installments in the next three years.	November 2013

5.2 Treasury Bills

	As at 1 July 2010	Purchased during the year	Sold / matured during the period	Balance as at 30 June 2011	Carrying amount as at 30 June 2011	Market value as at 30 June 2011	% of net assets on the basis of market value	% of total investment on the basis of market value
	----- (No. of Certificates) -----			----- (Rupees) -----		----- (%age) -----		
Treasure bills face value - face value of Rs. 100 each issued on								
Maturity upto 3 months	4,500,000	-	48,090,000	2,090,000	213,818,800	213,796,591	26%	32%
Maturity upto 6 months	-	30,290,000	27,430,000	2,860,000	264,894,490	264,864,416	32%	40%
Maturity upto 12 months	-	16,000,000	15,750,000	250,000	22,084,842	22,076,450	3%	3%
	<u>4,500,000</u>	<u>46,290,000</u>	<u>91,270,000</u>	<u>5,200,000</u>	<u>500,798,132</u>	<u>500,737,457</u>		

Treasury bills will mature between 14 July 2011 and 14 June 2012.

5.3 Certificates of Deposit - unsecured

		2011	2010
IGI Investment Bank Limited	5.3.1	119,287,828	108,553,789
	Rupees	<u>119,287,828</u>	<u>108,553,789</u>

5.3.1 These certificates carry mark-up rate of 13.75% to 14.50% (June 2010: 12.20% to 14.50%) and will mature on 11 August 2011 and 27 January 2017 (June 2010: 5 July 2010 and 27 January 2017). Investment in certificate of deposits of IGI investment Bank Limited represent 18% of total investment on the basis of carrying amount and 14% of net assets on the basis of carrying amount.

5.4 Upto 30 June 2010, Term Finance Certificates (TFC) of Bunnys Limited and Vision Developers (Private) Limited amounting to Rs. 20.110 million and Rs. 11.635 million had been stated at market value as per rates quoted by MUFAP and accordingly these were carried at Rs. 15.082 million and 8.726 million respectively. On 15 June 2011, these investments were categorized as non-performing by MUFAP based on default on payment of interest and principal falling due in May 2011. Since then no rates are being quoted by MUFAP. The existing provisions in respect of Vision Developers (Private) Limited and Bunnys Limited, which were recorded as result of decline in market value (discounted price) till 14 June 2011 are sufficient to cover the provisions requirements of Circular 1 of 2009 and the provisioning policy of the Fund.

5.5 Circular no. 7 of 2009 dated 6 March 2009 issued by SECP required vide circular no. 16 dated 7 July 2010 that rating of any security in the portfolio shall not be lower than investment grade. However, as of 30 June 2011 ratings of the following term finance certificates were below investment grade:

Name of non compliant investment	Value of investment before provision	Provision held if any	Value of investment after provisioning	% of gross assets	% of net assets
- Bunnys Limited	20,110,000	(5,027,500)	15,082,500	1.81%	1.82%
- Pak Hy Oils Limited	15,000,000	(15,000,000)	-	0.00%	0.00%
- Vision Developers Private Limited	11,635,000	(2,908,750)	8,726,250	1.05%	1.05%

6 RECEIVABLE UNDER REVERSE REPURCHASE TRANSACTION

Repurchase agreement lendings to:

- Silk Bank Limited		-	304,647,612
- IGI Investment Bank Limited	6.1	<u>99,041,648</u>	<u>201,164,381</u>
	Rupees	<u>99,041,648</u>	<u>505,811,993</u>

6.1 This represents an amount of Rs 89.2 million lent by the Fund to IGI Investment Bank at the mark up rate of 12.60% against the collateral of 25,000 units of Term Finance Certificates each of Bank Al-Habib Limited and United Bank Limited with coupon rates of 15.15% and 13.14% having maturity dates of 15 June 2017 and 14 February 2018 with settlement date of lending on 14 July 2010.

7 DEFERRED FORMATION COST	2011	2010
Unamortised Cost	1,282,656	2,003,531
Amortised to the income statement during the period	(720,875)	(720,875)
Balance as at 30 June	<i>Rupees</i> <u>561,781</u>	<u>1,282,656</u>

This represents expenses incurred on the formation of the Fund. The offering document of the Fund, approved by the Securities and Exchange Commission of Pakistan, permits the deferral of the cost over a period not exceeding five years. Accordingly the said expenses are being amortised over a period of five years effective from 15 April 2007, i.e. after the close of initial period of the Fund.

8 SECURITY DEPOSITS

National Clearing Company of Pakistan Limited	2,500,000	2,500,000
Central Depository Company of Pakistan Limited	100,000	100,000
	<i>Rupees</i> <u>2,600,000</u>	<u>2,600,000</u>

9 OTHER RECEIVABLES - considered good

Mark-up / return receivable on:

- bank balances	1,262,215	9,366,652
- term finance certificates	4,265,358	7,733,348

Provision against accrued interest on TFC	<i>5.4 & 16</i> (1,356,674)	(1,356,674)
	<i>Rupees</i> <u>4,170,899</u>	<u>15,743,326</u>

10 PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable to the Management Company	1,337,680	2,931,433
Printing charges payable	-	21,667
	<i>Rupees</i> <u>1,337,680</u>	<u>2,953,100</u>

The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding three percent per annum of the average daily net assets of the Fund during first five years of the Fund's existence and thereafter an amount equal to two percent per annum of such assets of the Fund. Currently, the Management Fee is charged @ 1.25% of the average daily net assets of the Fund.

11 REMUNERATION PAYABLE TO THE TRUSTEE

Upto 31 December 2010, the trustee was entitled to a monthly remuneration for services rendered to the Fund under the provision of the Trust Deed, calculated at the rate 0.2% per annum on amount upto Rs. 1 billion of the daily average net assets of the Fund or Rs. 0.7 million, whichever is higher, and Rs. 2 million plus 0.1% per annum of net assets exceeding Rs. 1 billion when daily average net assets of the Fund exceeds Rs. 1 billion.

From 1 January 2011, the trustee is entitled to a monthly remuneration for services rendered to the Fund under the provision of the letter reference CDC/T&C-S II/DH/1633/2010 by the trustee, calculated at the rate 0.17% per annum on amount upto Rs. 1 billion of the daily average net assets of the Fund or Rs. 0.6 million, whichever is higher, and Rs. 1.7 million plus 0.085% per annum of net assets exceeding Rs. 1 billion when daily average net assets of the Fund exceeds Rs. 1 billion.

12 ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Regulation 62 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, effective from 21 November 2008, whereby the Fund is required to pay SECP an amount equal to 0.075% of the average daily net assets of the Fund. During the prior year ended 30 June 2009, the annual fee payable to SECP was recorded at the rate of one tenth of 1% of average daily net assets of the Fund up to 21 November 2008 under Regulation 71 of the Non-Banking Finance Companies and Notified Entities Regulations, 2007.

13 ACCRUED AND OTHER LIABILITIES	2011	2010
Auditors' remuneration	240,000	340,000
Brokerage payable	120,089	62,789
Printing charges payable	50,000	50,000
NCCPL charges	15,000	15,000
Credit rating fee	110,000	110,000
Stability fee	200,000	200,000
Withholding tax payable	639,100	-
Workers' welfare fund	<i>14</i>	7,321,275
	<i>Rupees</i>	8,099,064
	<u>1,374,189</u>	<u>8,099,064</u>

14 WORKERS' WELFARE FUND

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. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. A petition has been filed with the Honourable High Court of Sindh by some of the Collective Investment Schemes through their Trustees on the ground that the CIS (mutual funds) are not establishments and as a result not liable to pay contribution to WWF.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated 8 July 2010 issued advice and clarifications which stated that WWF Ordinance 1971 does Establishment Ordinance, 1969 is not applicable to any public listed company and any organized financial institutions including Mutual Funds because they are ruled and governed by separate laws. Further, in a subsequent letter dated 15 July 2010 the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated 6 October 2010 to the Members (Domestic Operation) North and South FBR. In the letter reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office for two mutual funds for payment of levy under WWF has been withdrawn. However, there have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds and that MUFAP has requested Member Policy Direct Taxes for withdrawal of such show cause notices issued to such mutual funds. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter 4 January 2011 has cancelled ab-initio clarificatory letter dated 6 October 2010 on applicability of WWF on mutual funds. On 14

December 2010, the Ministry filed its response to the constitutional petition pending in the Court. As per the legal counsel who is handling the case, there is contradiction between the above earlier letter and clarification of the Ministry and the response filed by the Ministry before Honourable High Court of Sindh.

In view of the above stated matters, the Management Company is of the view that notwithstanding the show cause notices issued to a number of mutual funds, WWF is not applicable to the Funds and there have been favourable developments supporting Mutual Fund's point of view hence provision in respect of WWF made upto 2 August 2010 amounted to Rs. 7.744 million (including provision upto 30 June 2010 of Rs. 7.321 million) has been reversed and the provision for the period from 3 August 2010 to 30 June 2011 amounting to Rs. 2.255 million has not been made.

15 FINANCIAL INCOME	2011	2010
Financial income on;		
Financial asset at fair value through profit and loss- held for trading		
- Term finance certificates	21,418,825	13,374,229
- Treasury bills	78,267,930	24,712,644
	99,686,755	38,086,873
Held to maturity		
- Commercial papers	6,552,440	-
- Certificates of investments	-	810,183
- Certificates of deposit	19,496,148	24,100,760
- Certificates of musharika	845,545	5,954,227
- Letter of placements	4,246,135	2,599,419
- Term deposits	30,802,825	110,268,087
	61,943,093	143,732,676
Income under reverse repurchase transaction	25,022,480	26,402,904
Others		
- Bank deposits	33,796,949	93,401,859
- Others	187,500	52,675
	220,636,777	301,676,987
	<i>Rupees</i>	

16 PROVISION FOR NON PERFORMING TERM FINANCE CERTIFICATE CLASSIFIED AS HELD FOR TRADING AND INTEREST ACCURED THEREON

This represents term finance certificates of Pak-Hy Oils Limited amounting to Rs. 15 million against which provision of Rs. 8.382 million (30 June 2010: 6.618 million) has been made in accordance with the provision policy of the Fund.

17 CASH AND CASH EQUIVALENTS

Bank balances	69,355,569	385,846,626
Certificate of deposits maturing within 3 months	66,493,646	55,514,750
Term deposit receipts maturing within 3 months	-	972,866,233
Treasury Bill with maturity within 3 months	213,796,591	149,951,700
Receivable under reverse repurchase transaction	99,041,648	505,811,993
	448,687,454	2,069,991,302
	<i>Rupees</i>	

18 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties include IGI Funds Limited being the Management Company, Central Depository Company of Pakistan Limited being the trustee, IGI Investment Bank Limited being the holding company of the Management Company, IGI Finex Securities Limited being the subsidiary of the IGI Investment Bank Limited and IGI Insurance Limited being the holding company of the IGI Investment Bank Limited and Packages Limited being the holding company of IGI Insurance Limited, Tri Pack Films Limited, Tetra Pak Pakistan Limited being the associates of IGI Insurance Limited and Key Management personnel. Transactions with these related parties involve issue and redemption of units and issue of bonus shares.

Remuneration payable to the Management Company and the Trustee are determined in accordance with the provisions of Non - Banking Finance Companies and Notified Entities Regulations, 2008, and the Trust Deed. Investment in Certificate of Deposit of IGI Investment Bank Limited was made at interest rates prevailing in the market. Security deposit are placed with CDC under normal terms of the business. Issue and redemption of units and other transactions are in normal course of business.

Transactions and balances with related parties other than those disclosed elsewhere are as follows:

18.1 Unit Holders' Fund

	2011										
	As at 1 July 2010	Issued for cash	Bonus	Redeemed	As at 30 June 2011	As at 1 July 2010	Issued for cash	Bonus	Redeemed	As at 30 June 2011	Net asset value as at 30 June 2011
	----- Units -----					----- (Rupees) -----					
Associated Companies / Undertakings											
IGI Investment Bank Limited	1,886,792	3,770,152	145,669	5,802,613	-	214,535,751	385,000,000	14,612,793	586,210,044	27,938,500	-
IGI Investment Bank Limited Group Provident Fund	4,792	19,868	419	25,079	-	705,047	2,000,000	42,093	2,539,338	705,047	-
IGI Insurance Limited	960,743	242,303	88,111	1,291,157	-	100,000,000	25,000,000	8,843,835	130,703,723	3,140,112	-
IGI Finex Securities Limited - Staff Provident Fund	990	-	87	1,077	-	100,000	-	8,695	110,606	(1,911)	-
Packages Limited	-	4,439,195	-	4,439,195	-	-	450,000,000	-	254,370,901	-	-
Packages Limited - Employees Gratuity Fund	558,187	-	48,881	607,068	-	56,815,001	-	4,903,572	61,938,935	(220,362)	-
Packages Limited - Employees Provident Fund	427,996	-	37,481	465,477	-	43,362,642	-	3,759,864	47,603,002	(480,496)	-
Packages Limited - Staff Pension Fund	665,071	-	133,401	798,472	-	105,210,000	-	5,842,524	81,796,044	29,256,480	-
IGI Funds Limited - Management Company	771,060	376,282	103,484	502,432	748,394	79,925,166	38,581,758	10,401,606	51,450,000	77,458,530	77,791,410
IGI Funds Limited - Staff Provident Fund	5,239	-	578	5,817	-	529,904	-	58,122	597,438	(9,412)	-
Other Related Parties											
Transactions with employees	3,507	5,781	413	9,701	-	372,158	583,687	41,507	980,303	17,049	-
Tri Pack Films Limited - Employees Gratuity Fund	-	24,591	1,098	-	25,689	-	2,500,000	110,672	-	2,610,672	2,670,217
Tri Pack Films Limited - Employees Provident Fund	24,068	-	3,276	-	27,344	2,553,173	-	267,666	-	2,820,839	2,842,240
Key Management Personnel											
Syed Babar Ali - Group Chairman	818,970	-	71,719	890,689	-	85,517,452	-	7,194,504	90,417,496	2,294,460	-
	2010										
	As at 1 July 2009	Issued for cash	Bonus	Redeemed	As at 30 June 2010	As at 1 July 2009	Issued for cash	Bonus	Redeemed	As at 30 June 2010	Net asset value as at 30 June 2010
	----- Units -----					----- (Rupees) -----					
Associated Companies / Undertakings											
IGI Investment Bank Limited	1,878,111	17,169,882	212,118	17,373,319	1,886,792	200,000,000	1,770,610,445	21,286,339	1,777,361,033	214,535,751	200,150,929
IGI Investment Bank Limited Group Provident Fund	47,149	81,266	3,201	126,824	4,792	5,020,915	8,281,796	320,760	12,918,424	705,047	508,289
IGI Insurance Limited	-	960,743	-	-	960,743	-	100,000,000	-	-	100,000,000	101,915,670
IGI Finex Securities Limited	1,175,595	-	73,842	1,249,437	-	120,000,000	-	7,398,253	130,791,060	(3,392,807)	24
IGI Finex Securities Limited - Staff Provident Fund	-	990	-	990	-	-	100,000	-	-	100,000	104,999
Packages Limited - Employees Gratuity Fund	500,389	-	57,798	558,187	51,014,613	-	5,800,388	-	56,815,001	59,212,534	-
Packages Limited - Employees Provident Fund	383,679	-	44,317	427,996	38,915,136	-	4,447,506	-	43,362,642	45,401,798	-
Packages Limited - Staff Pension Fund	596,206	-	68,865	665,071	98,298,936	-	6,911,064	-	105,210,000	70,550,746	-
IGI Funds Limited - Management Company	884,315	675,321	94,257	882,833	771,060	91,802,490	70,364,935	9,457,741	91,700,000	79,925,166	81,794,125
IGI Funds Limited - Staff Provident Fund	5,347	-	618	726	5,239	542,926	-	61,978	75,000	529,904	555,683
Other Related Parties											
Transactions with employees	1,214	28,429	602	26,738	3,507	1,083,242	2,934,915	60,496	2,958,621	1,120,032	372,158
Treet Corporation Limited	47,286	-	5,462	52,748	-	5,000,000	-	548,125	5,330,672	217,453	-
Treet Corporation Limited - Employees Gratuity Fund	28,008	-	3,235	31,243	-	2,852,645	-	324,663	3,157,441	19,867	-
Treet Corporation Limited - Employees Superannuation Fund	37,739	-	4,359	42,098	-	3,852,645	-	437,456	4,254,386	35,715	5
Tri Pack Films Limited - Employees Gratuity Fund	10,788	-	678	11,466	-	1,097,175	-	67,892	1,189,339	(24,272)	-
Tri Pack Films Limited - Employees Provident Fund	21,576	-	2,492	-	24,068	2,194,351	-	250,105	-	2,444,456	2,553,173
Key Management Personnel											
Syed Babar Ali - Group Chairman	474,428	289,743	54,799	-	818,970	50,000,000	30,000,000	5,517,452	-	85,517,452	86,876,427

18.2 Other transactions

2011

2010

Associated Companies / Undertakings

IGI Funds Limited

Management fees	Rupees	21,851,914	30,972,898
Printing charges	Rupees	48,700	43,334
NCCPL charges	Rupees	-	3,000
Others	Rupees	225,000	-

IGI Investment Bank Limited

Interest income from Certificate of Deposit placed	Rupees	19,496,148	23,202,183
Placement in Certificate of deposits	Rupees	545,000,000	1,780,000,000
Certificate of deposits matured	Rupees	535,000,000	1,875,000,000
Investment in reverse repurchase transaction	Rupees	301,576,275	872,304,078
Reverse repurchase transaction matured	Rupees	414,414,065	674,317,596
Income under reverse repurchase transaction	Rupees	22,152,398	5,301,187
Term Finance Certificates - Purchased	Rupees	191,980,589	656,793,860
Term Finance Certificates - Sold	Rupees	208,291,852	490,818,253
Tresury Bills - purchased	Rupees	49,949,200	-

IGI Money Market Fund

Treasury Bills - purchased		480,952,910	-
Treasury Bills - sold		298,144,364	-

IGI Aggressive Income Fund

Term Finance Certificates - sold		39,846,658	-
Treasury Bill - sold		10,810,602	-

Other Related Parties

IGI Finex Securities

Brokerage charges	Rupees	141,633	127,533
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First International Investment Bank Group Provident Fund

Treasury Bills - sold		4,864,850	-
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Central Depository Company of Pakistan Limited

Trustee fee	Rupees	2,571,204	3,477,934
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18.3 Other balances

Associated Companies / Undertakings

IGI Funds Limited

Management fee and other payable	Rupees	1,337,680	2,953,100
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IGI Investment Bank Limited

Certificates of Deposit	Rupees	119,287,828	108,553,789
Receivable under reverse repurchase transaction		99,041,648	-

Other Related Parties

IGI Finex Securities

Brokerage charges payable	Rupees	5,301	45,234
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Central Depository Company of Pakistan Limited

Trustee fee payable	Rupees	160,829	316,718
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19 FINANCIAL RISK MANAGEMENT

Introduction and overview

The Fund has exposure to following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Risk management framework

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 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.

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The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed by Board of Directors and audit committee regularly to reflect changes in market conditions and the Fund's activities.

The Fund primarily invests in a portfolio of money market investments such as investment-grade debt securities, secured privately placed instruments, spread transactions, continuous funding system transactions and investments in other money market instruments (including the clean placements). Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to credit risk, liquidity risk, market risk and operational risk.

The management of the risks as stated above is carried out by the Investment Committee (IC) under policies approved by the Board of Directors of the Management Company. The IC is constituted and approved by the Board of Directors of the Management Company. Investment committee is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with limits prescribed in the Non Banking Finance Companies and Notified Entities Regulations, 2008, offering document of the Fund in addition to Fund's internal risk management policies.

19.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. The Fund is exposed to credit risk on cash and cash equivalents, investments, interest receivable on bank deposits and receivable against sale of investments. There is a possibility of default by participants and of failure of the financial markets, the depositories, the settlements or clearing system etc.

Management of credit risk

The Fund's policy is to enter into financial contracts with reputable counterparties in accordance with the internal risk management policies and investment guidelines approved by the Board of Directors. The IC closely monitors the creditworthiness of the Fund's counterparties (e.g., issuer of the instruments, brokers, banks, etc.) by reviewing their credit ratings, financial statements and press releases on a regular basis. In addition the credit risk is also minimized due to the fact that the Fund only invests in the high quality financial assets, majority of which have been rated by a reputable rating agency. All transactions in debt securities are settled / paid upon delivery. The risk of default in such transactions is considered minimal, as delivery of securities is guaranteed by reputable brokers or the transactions are carried with counter parties of high reputation. Further, bank accounts are held only with reputable banks. In respect of reverse repurchase transactions, the Fund receives collateral. It is the Fund's policy to closely monitor the counter party's credit worthiness as well as the fair value of the collateral held and upon unfavorable change, will seek to terminate the agreement or obtain additional collateral.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	<u>Carrying amount</u>	
	2011	2010
Bank balances	69,355,569	385,846,626
Investments		
- At fair value through profit and loss account - held for trading	38,532,910	38,532,910
- Held to maturity investments	119,287,828	1,103,563,468
	157,820,738	1,142,096,378
Receivable under reverse repurchase transaction	99,041,648	505,811,993
Security deposits	2,600,000	2,600,000
Other receivables - bank & TFC profit	4,170,899	15,743,326
	Rupees 332,988,854	2,052,098,323

Security deposits represent deposits held with CDC and NCCPL for trading purposes

Credit quality of bank balances

Details of credit rating of bank balances (including markup / return receivable thereon) as at 30 June 2011 are as follows:

Name of Bank	Rating	2011 %	2010 %
Allied bank Limited	A1+/AA	0.10%	0.0000%
Bank Alfalah Limited	A1+/AA	0.52%	73.8110%
Bank Al-Habib Limited	A1+/AA+	0.01%	26.0660%
The Bank of Punjab	A1+/AA-	0.03%	0.0190%
J S Bank Limited	A1/A	0.02%	0.0430%
MCB Bank Limited	A1+/AA+	0.00%	0.0000%
NIB Bank Limited	A1+/AA-	0.02%	0.0570%
Bank of Khyber	A2/A-	99.29%	0.0010%
Standard Chartered Bank (Pakistan) Limited	A1+/AAA	0.01%	0.0030%
		100.000%	100.000%

Investment in government securities i.e. Treasury bills are not exposed to credit risks.

Credit quality of held for trading investments - Investments

Credit risk arising on debt securities alongwith profit receivable is mitigated by investing primarily in investment-grade rated instruments published by MUFAP (and as determined by Pakistan Credit Rating Agency or JCR-VIS). The Fund is required to follow the guidelines / restrictions imposed in its offering document and SECP in respect of minimum ratings prior to any investment, etc.

The tables below analyses the Fund's Investments in term finance certificates (including markup / return receivable thereon) on the basis of long term rating given to the instruments by the credit rating agencies:

	2011		2010	
	Amount of credit exposure (Rupees)	% of HFT Investments	Amount of credit exposure (Rupees)	% of HFT Investments
AA+/AA/AA-	-	0%	47,496,972	37%
A+/A/A-	14,723,501	38%	47,969,694	38%
Non investment grade	23,808,750	62%	32,190,550	25%
	38,532,251	100%	127,657,216	100%

Past Due and Impairment

HFT investment of the fund in TFCs of Pak Hy Oils Mills, Bunnys Limited and Vision Developers (Private) Limited were past due and impaired by an amount of Rs 11.250 million at 30 June 2011 (30 June 2010: Rs. 6.618 million).

Credit quality of held to maturity investments

The table below analyses the Fund's Investments in Held to Maturity (HTM) investments on the basis of short term rating given to the issuer by the credit rating agencies.

	2011		2010	
	Amount of credit exposure (Rupees)	% of HTM Investments	Amount of credit exposure (Rupees)	% of HTM Investments
<i>HTM investment neither past due nor impaired</i>				
A1 / A1+	119,287,828	100	872,106,771	79.00
A2	-	-	209,313,251	19.00
	119,287,828	100	1,081,420,022	98.00
<i>HTM investment whose terms have been renegotiated*</i>				
A3	-	-	22,143,446	2.00
	119,287,828	100	1,103,563,468	100

* HTM investments which terms have been renegotiated during the year ended 30 June 2009 comprise of Certificate of Musharika of BBR Guardian Modaraba amounting to Rs. 22.1434 million (refer Note 5.3.2) were outstanding as at 30 June 2010.

Credit quality of receivables under reverse repurchase transaction

The table below analyses the Fund's receivable under reverse repurchase transaction on the basis of short term rating given to the issuer by the credit rating agencies.

	2011	
	Amount of credit exposure (Rupees)	% of HTM Investments
A1	99,041,648	100.00
	99,041,648	100.00

Concentration of the credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups 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.

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

19.2 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The liquidity risk is managed by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

Management of liquidity risk

The Fund's policy is to manage this risk by investing in deposit accounts, short term money market placements or in investments that are traded in an active market and can be readily disposed. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with repayment within 90 days of such borrowings.

Maturity analysis for financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

	2011			
	Carrying amount and contractual cash flows	Up to 8 days	8 days to one months	later than one month and not later than three months
------(Rupees)-----				
<i>Non-derivative liabilities</i>				
Amount payable on redemption of units	-	-	-	-
Payable to the Management Company	1,337,680	-	(1,337,680)	-
Remuneration payable to the Trustee	160,829	-	-	(160,829)
Annual fee payable to Securities and Exchange Commission of Pakistan	1,311,114	-	-	(1,311,114)
Accrued and other liabilities	1,374,189	-	(120,089)	(1,254,100)
	4,183,812	-	(1,457,769)	(2,726,043)

	2010			
	Carrying amount and contractual cash flows	Up to 8 days	8 days to one months	later than one month and not later than three months
------(Rupees)-----				
<i>Non-derivative liabilities</i>				
Amount payable on redemption of units	120,449,624	(120,449,624)	-	-
Payable to the Management Company	2,953,100	-	(2,953,100)	-
Remuneration payable to the Trustee	316,718	-	(316,718)	-
Annual fee payable to Securities and Exchange Commission of Pakistan	1,858,367	-	-	(1,858,367)
Accrued and other liabilities	777,789	-	(62,789)	(715,000)
	126,355,598	(120,449,624)	(3,332,607)	(2,573,367)
	126,355,598	(120,449,624)	(3,332,607)	(2,573,367)

Above financial liabilities do not carry any mark-up.

The Fund is exposed to cash redemptions of its units on a regular basis. As at 30 June 2011, 7,986,029 units were in issue amounting to Rs. 830.104 million. Units are redeemable at the 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 document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

As per offering document, the Fund is allowed to withhold daily redemption request in excess of ten percent of the units in issue and such requests are be treated as redemption request qualifying for being processed on the next business day. Such procedure is continued until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund may also suspend the redemption of the units if the redemption request exceed 10% of unit in issue with prior approval of the trustees and notification to SECP .

19.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk (equity price risk). The Fund is exposed to interest rate risk only.

Management of market risks

The risk is managed by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board of Directors and regulations laid down by SECP.

Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial instruments and future cash flows.

Majority of the interest rate exposure arises on investment in debt securities, reverse repurchase agreements, clean placements and profit and loss sharing bank balances. Most of the Fund's interest bearing investments comprise of those classified as Held to Maturity and bank accounts which carry fixed interest rates. Currently most of these exposure in fixed rate instruments is in Treasury Bills and Reverse Repurchase Agreements, However to enhance the earning potential of the Fund, the Fund also invests in variable rate instruments such as Term Finance Certificates (TFC) as most of the TFCs currently available are indexed to KIBOR. The interest rate environment is monitored on a regular basis and the portfolio mix of fixed and floating rate securities is altered. The Fund's investment in fixed interest rate securities expose Fund to fair value interest rate risk and investments in variable interest rate securities expose fund to cash flow interest rate risk.

At year end, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

Fixed rate instruments		2011	2010
Financial assets	<i>Rupees</i>	<u>803,146,003</u>	<u>1,917,018,294</u>
Variable rate instruments			
Financial assets	<i>Rupees</i>	<u>23,808,750</u>	<u>127,657,216</u>

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by MUFAP is expected to change over time. Accordingly, the actual trading results may differ from the below sensitivity analysis and the difference could be material.

Fair value sensitivity analysis for fixed rate instruments

Fixed rate instruments Treasury bills, certificate of deposits, bank balances and reverse repurchase agreements classified as at fair value through profit or loss amounted to Rs. 803.146 million. In case of 100 basis points (bp) increase / decrease in current yield (determine by market forces) on Government Securities on year end, the net assets attributable to unit holders of the Fund and net income for the year would have been lower / higher by Rs. 1.347 million (30 June 2010: 1.63). This analysis assumes that all other variables remain constant. The analysis for year ended 30 June 2009 is performed on the same basis.

Cash flow sensitivity analysis for variable rate instruments

Variable rate investment Term Finance Certificates classified as held for trading amounted to Rs. 23.809 million (2010: Rs. 127.657 million) carry floating interest rate that expose the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR at year end, the net assets attributable to unit holders of the Fund and net income for the year would have been higher / lower by Rs. 180,546 (30 June 2010: Rs. 50,644) of rated TFCs and Rs 16,493 (30 June 2010: Nil) of non rated TFCs. This analysis assumes that all other variables remain constant. The analysis for year ended 30 June 2010 is performed on the same basis.

19.4 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally acceptable standards/levels of investment management behaviour. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors. The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities; documentation of controls and procedures;
- compliance with regulatory and other legal requirements; requirements for the reconciliation and monitoring of transactions;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified; contingency plans;
- ethical and business standards; risk mitigation, including insurance where this is effective.

19.5 Unit Holders' Fund risk management

The Fund is an open end collective investment scheme. The unit holders' fund of the open end schemes is represented by net assets attributable to unit holders. The risk in case of open end scheme is the risk that the amount of net assets attributable to unit holders can change significantly on daily basis as the Fund is subject to daily issuance and redemption of Units at the discretion of the unit holders and occurrence of the unexpected losses in investment portfolio which may causes adverse effects on the Fund's continuation as going concern.

The Fund's objective when managing net assets attributable to unit holders is to safe guard the Funds ability to continue as going concern so that it can continue to provide optimum returns to its unit holders and to ensure reasonable safety of Unit Holders' Fund. In order to maintain or adjust the capital structure, the Fund policy is to perform the following:

- Monitors the level of daily issuance and redemptions relative to liquid assets;
- Redeem and issue unit in accordance with the constitutive documents of the Fund, which include the ability to restrict redemptions as allowed under rules and regulations; and
- Monitor portfolio allocations and return on net assets and where required make necessary adjustments in portfolio allocations in light of changes in market conditions.

The Fund Manager / IC members and the Chief Executive of the Management Company critically monitor capital of the Fund on the basis of the value of net assets attributable to the unit holders and track the movement of "Assets under Management" as well returns earned on the net assets to maintain investors confidence and achieve future growth in business. Further the Board of Directors is updated about the Fund yield and movement of NAV and total size at the end of each quarter.

In accordance with the NBFC Regulations, the Fund is required to distribute at least ninety percent of its income from sources other than capital gain as reduced by such expenses as are chargeable to the Fund. (Refer note 3.15).

The Fund is not exposed to externally impose minimum capital maintenance requirements.

19.6 Fair value of financial instruments

The Fund's accounting policy on fair value measurements is disclosed in note 3.1.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities. There are no items to report under this level.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The Fund has no items to report in this level.
- Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 2	Level 3	Total
	----- (Rupees) -----		
As at 30 June 2011			
<i>At fair value through profit and loss account - held for trading</i>			
- Term finance certificates	<u>14,723,501</u>	<u>23,808,750</u>	<u>38,532,251</u>
- Treasury bills	<u>500,737,457</u>	<u>-</u>	<u>500,737,457</u>

As at 30 June 2010	Level 2	Level 3	Total
	------(Rupees)-----		
<i>At fair value through profit and loss account - held for trading</i>			
- Term finance certificates	119,275,416	8,381,800	127,657,216
- Treasury Bills	<u>427,608,200</u>	<u>-</u>	<u>427,608,200</u>

The carrying amounts of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy:

	30 June 2011
Balance as at 01 July 2010	8,381,800
Provision made during the year	15,426,950
Balance as at 30 June 2011	<i>Rupees</i> <u>23,808,750</u>

20 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company have approved distributions of 3.3679 units (2010: Rs. 5.7434 units) for every 100 units (Growth units) held and Rs 3.3867 (2010: Rs. 5.7615) per unit (Income units) for the year ended 30 June 2011 amounting to Rs. 27.046 million (2010: Rs. 132.334 million) in total, in their meeting held on 05 July 2010. These financial statements do not reflect these distributions and that will be accounted for subsequent to the year end.

21 SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern of the fund, top ten brokers of the Fund, members of the Investment Committee, fund manager, meetings of the Board of Directors, credit rating of the Fund and the Management Company of the fund as required under Schedule V of Non Banking Finance Companies and Notified Entities Regulations, 2008 has been disclosed in Annexure I to the financial statements.

22 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by Board of Directors of the Management Company on **23 August 2011**.

**For IGI Funds Limited
(Management Company)**

Chief Executive

Director

**SUPPLEMENTARY NON FINANCIAL INFORMATION
AS REQUIRED UNDER SECTION 6(D), (F), (G), (H), (I), AND (J)
OF THE FIFTH SCHEDULE TO THE
NON BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008**

(i) UNIT HOLDING PATTERN OF THE FUND

Category	As at 30 June 2011			
	Number of unit holders	Number of units held	Amount Rupees	% of total
Individuals	106	908,646	94,448,738	11.38%
Associated Co./ Directors	0	-	-	0.00%
Insurance Co.	2	1,065,512	110,754,055	13.34%
Banks/ DFIs	4	1,012,910	105,286,449	12.68%
NBFC/ NBFI	2	751,594	78,124,018	9.41%
Retirement & Other Funds	12	2,354,488	244,735,986	29.48%
Others	7	1,892,879	196,754,374	23.70%
	133	7,986,029	830,103,620	100%

Category	As at 30 June 2010			
	Number of unit holders	Number of units held	Amount Rupees	% of total
Individuals	168	2,694,346	285,805,731	11.73%
Associated Co./ Directors	10	5,304,940	562,727,286	23.10%
Insurance Co.	6	2,551,387	270,641,193	11.11%
Banks/ DFIs	9	2,355,554	249,867,975	10.26%
NBFC/ NBFI/ DFIs	1	3,200	339,444	0.01%
Retirement & Other Funds	6	927,300	98,364,337	4.04%
Others	19	9,132,036	968,690,646	39.76%
	219	22,968,763	2,436,436,612	100%

(ii) LIST OF TOP BROKERS BY PERCENT OF THE COMMISSION PAID

Name of broker	Percentage of commission paid	
	2011	2010
IGI Finex Securities Ltd	22.82%	23.36%
Invisor Securities (Pvt) Ltd	-	20.90%
Alfalah Securities Private Limited	11.80%	18.18%
Global Securities Pakistan Ltd	5.85%	16.30%
First Capital Securities Corporation Ltd	-	11.06%
Ellixir Securities Pakistan Limited	-	4.64%
JS Global Capital Ltd	-	4.62%
BMA Capital Management	15.08%	0.94%
KASB Securities	11.26%	-
Invest & Finance Securities	12.10%	-
Icon Securities	10.55%	-

(iii) PARTICULARS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

- Maheen Rahman - CEO
- Muddasir Ahmed Shaikh - CIO
- Syed Muhammad Zeeshan - CFO
- Saifullah Kazmi

Maheen Rahman – CEO

Maheen Rahman has over nine years of experience in the financial services industry. Prior to joining IGI Funds she was Head of Business Development at IGI Securities the brokerage arm of IGI Financial Services. She has also served as Head of Research for BMA Capital Management where she spearheaded the research effort to provide sound and in depth investment advice across all capital markets to a wide range of corporate and institutional clients.

Ms Rahman has also worked with Merrill Lynch in their Investment Banking Group and was a key team member for several high profile international transactions that spanned the Asia Pacific region and North America. She has also worked with ABN Amro Bank in Corporate Finance and M&A Advisory and was involved in a series of equity raising and IPO activity across south-east Asia.

Ms Rahman holds a Bachelors of Science degree from LUMS and a Masters in Finance and Economics from Warwick Business School in the UK. She also holds a Series 7 qualification from the New York Stock Exchange.

Syed Muhammad Zeeshan -CFO

Mr. Zeeshan currently holds position of Chief Financial Officer (CFO) and has been associated with IGI Funds Limited for more than four years. Prior to joining IGI Funds Limited, he has also worked at senior positions in finance and accounts of National Investment Trust Limited (the largest open-end mutual fund in Pakistan owned by Federal Government), UBL Fund Managers Limited and Atlas Assets Management Limited. His total professional experience in mutual fund industry is more than nine years.

He has also served at Ford, Rhodes, Sidat, Hyder & Co. Chartered Accountants, for more than five years conducting audits of various financial institutions, mutual funds and multinational corporations.

Mr. Zeeshan is a qualified Cost and Management Accountant (ACMA) from Institute of Cost and Management Accountants of Pakistan (ICMAP) and is also CA (Finalist) from Institute of Chartered Accountants of Pakistan (ICAP).

Muddasir Ahmed Shaikh -CIO

Mr. Muddasir has more than five years of experience in Investment Management & Equity Research. During his career, he has served a number of public and private institutions of repute. Prior to joining IGI Funds Limited, he has been associated with Atlas Asset Management Limited, National Investment Trust Limited, and JS Investments Limited (Formerly JS Abamco Ltd.). Mr. Muddasir holds a Masters degree in Business Administration from Institute of Business Administration, Karachi.

Saifullah Kazmi

Mr. Kazmi has three years worth of banking experience, the chunk of which was spent in maintaining a Capital Market portfolio. His previous placement was Dealer-Capital Markets for Faysal Bank Limited, where he was involved in all investment decisions and processes. Mr. Kazmi is a recent return from the United Kingdom, where he received his BA (Honors) Business Management from the Kingston University, Surrey.

(iv) DIRECTOR MEETING ATTENDANCE

Name of Director	Designation	Meetings			
		Total	Attended	Leave Granted	Meeting not attended
Mr. Javed Hamid	Chairman	6	6	-	-
Mr. Khalid Yacob	Director	6	5	1	32nd
Mr. Ahmed Alman Aslam	Director	6	5	1	31st
Mr. Abid Naqvi	Director	6	6	-	-
Syed Javed Hassan	Director, Ex- CEO	6	6	-	-
Syed Abdul Wahab Mehdi	Director	1	-	1	28th
Ms. Maheen Rahman	CEO	6	6	-	-
Asif Saad	Director	5	4	1	31st

Syed Abdul Wahab Mehdi resigned as member Board of Directors of the Management Company on July 14, 2010 and Mr. Asif Saad was appointed as Member Board of Directors of the Management Company the same day.

Securities and Exchange Commission of Pakistan (SECP) approved both changes on August 24, 2010.

Dates of the meetings of the Board of Directors

Twenty eight meeting	July 2, 2010
Twenty nine meeting	Aug 24, 2010
Thirtieth meeting	Oct 25, 2010
Thirty first meeting	Feb 9, 2011
Thirty second meeting	Mar 25, 2011
Thirty third meeting	Apr 25, 2011

(V) FUND AND ASSET MANAGER RATING

PACRA has awarded asset manager rating of an "AM2-" to IGI Funds Limited in its report dated February 2010. The rating reflects the company's experienced and qualified management team, a structured and strong fund management function, and demonstrated support of the sponsoring Group. The rating also factors in a growing realization on part of the management to institute a strong in-house risk management, compliance and control platform, translating into an improved relative standing amongst peers.

JCR-VIS has awarded normal rating of A+ (f)" to IGI Income Fund based on performance review vide its report dated 29 December 2010.

IGI Stock Fund

Financial Statements
for the year ended
30 June 2011

IGI Stock Fund
Statement of Assets and Liabilities
As at 30 June 2011

	<i>Note</i>	2011	2010
ASSETS			
Bank balances	4	10,039,681	4,076,938
Investments	5	272,734,085	422,276,803
Dividend receivable		463,085	613,500
Deferred formation cost	6	527,982	786,767
Deposits	7	2,600,000	6,300,000
Interest income and other receivable		44,442,214	272,873
Total assets		330,807,047	434,326,881
LIABILITIES			
Amount payable on redemption of units		46,267,904	-
Payable to the Management Company	8	928,843	2,146,462
Remuneration payable to the Trustee	9	57,662	76,521
Annual fee payable to Securities and Exchange Commission of Pakistan	10	341,519	434,335
Accrued and other liabilities	11	822,493	4,587,643
Total liabilities		48,418,421	7,244,961
Contingency	12		
Net assets attributable to unit holders	<i>Rupees</i>	282,388,626	427,081,920
Unit holders' fund (as per statement attached)	<i>Rupees</i>	282,388,626	427,081,920
Number of units in issue	<i>Number</i>	2,144,008	3,148,343
Net assets value per unit	<i>Rupees</i>	131.71	135.65

The annexed notes 1 to 17 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI Stock Fund

Income Statement

For the year ended 30 June 2011

	Note	2011	2010
Income			
Capital gain on sale of equity securities - net		61,072,618	69,640,707
Interest income on bank and other deposits		3,948,668	4,524,764
Dividend income on equity securities		22,883,479	23,733,104
Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss - held for trading'		13,673,472	(7,172,867)
Element of (loss) / income and capital gains / (losses) included in prices of units sold less those in units redeemed - net		(26,483,970)	27,816,876
Total Income		75,094,267	118,542,584
Expenses			
Remuneration to the Management Company		7,189,879	9,143,946
Remuneration to the Trustee		751,976	932,452
Annual fee to the Securities and Exchange Commission of Pakistan		341,519	434,335
Legal and professional charges		305,000	-
Brokerage expense and other charges		3,880,782	5,448,386
Amortization of deferred formation cost		258,785	258,785
Auditors' remuneration		402,600	363,000
National Clearing Company of Pakistan Limited Charges		260,744	281,156
CDS transaction fee		58,946	79,603
Annual listing fee		40,000	20,000
Printing charges		88,760	82,061
Bank and settlement charges		34,151	27,923
Credit rating fee		121,000	210,000
Workers' Welfare Fund	12	(3,260,282)	3,260,282
Total expenses		10,473,860	20,541,929
Net income for the year	<i>Rupees</i>	64,620,407	98,000,655

The annexed notes 1 to 17 form an integral part of these financial statements.

**For IGI Funds Limited
(Management Company)**

Chief Executive

Director

IGI Stock Fund
Statement of Comprehensive Income
For the year ended 30 June 2011

	2011	2010
Net income for the year	64,620,407	98,000,655
Other comprehensive income during the year	-	-
Total comprehensive income for the year	<i>Rupees</i> <u>64,620,407</u>	<u>98,000,655</u>

The annexed notes 1 to 17 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI Stock Fund
Cash Flow Statement
For the year ended 30 June 2011

CASH FLOWS FROM OPERATING ACTIVITIES	2011	2010
Net income for the year	64,620,407	98,000,655
Adjustments for:		
Amortization of deferred formation cost	258,785	258,785
Capital gains on sale of equity securities - net	(61,072,618)	(69,640,707)
Net unrealised (appreciation) / diminution in fair value of investments classified as 'at fair value through profit or loss - held for trading'	(13,673,472)	7,172,867
Element of loss / (income) and capital (gains) / losses included in prices of units sold less those in units redeemed - net	26,483,970	(27,816,876)
	16,617,072	7,974,724
Change in:		
Investments - net	224,288,808	(137,520,441)
Deferred formation cost	-	-
Dividend receivables	150,415	517,728
Deposits	3,700,000	-
Interest income and other receivable	(44,169,341)	55,122
Payable to the Management Company	(1,217,619)	450,235
Amount payable on redemption of units	46,267,904	-
Remuneration payable to the Trustee	(18,859)	18,981
Annual fee payable to the Securities & Exchange Commission of Pakistan	(92,816)	273,912
Accrued and other liabilities	(3,765,150)	(8,478,586)
Net cash from / (used in) operating activities	241,760,414	(136,708,325)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	918,174,798	2,099,465,005
Dividend paid	(8,674,250)	(6,348,579)
Payment against redemption of units	(1,145,298,219)	(1,986,426,776)
Net cash (used in) / from financing activities	(235,797,671)	106,689,650
Net increase / (decrease) in cash and cash equivalents during the year	5,962,743	(30,018,675)
Cash and cash equivalents at beginning of the year	4,076,938	34,095,613
Cash and cash equivalents at end of the year	10,039,681	4,076,938

Rupees

The annexed notes 1 to 17 form an integral part of these financial statements.

**For IGI Funds Limited
(Management Company)**

Chief Executive

Director

IGI Stock Fund
Distribution Statement
For the year ended 30 June 2011

	2011	2010
Undistributed income brought forward at the beginning of the year		
- Realized gains	119,420,348	48,986,624
- Unrealized gains	<u>(7,172,867)</u>	<u>12,777,303</u>
	112,247,481	61,763,927
 Total comprehensive income for the year	 64,620,407	 98,000,655
 Distributions made during the year		
Final distribution of cash dividend @ Rs. 34.5833 per unit for the year ended 30 June 2010, approved on 2 July 2010 [2009: Rs.25.3111 per unit approved on 2 July 2009]	(8,674,250)	(6,348,579)
Final distribution of bonus units @ 34.2173 units for every 100 units held, for the year ended 30 June 2010, approved on 2 July 2010, [2009: Rs.23.5268 units for every 100 units held, approved on 2 July 2009]	(100,205,841)	(41,168,522)
	(108,880,091)	(47,517,101)
Undistributed income carried forward	<i>Rupees</i> <u>67,987,797</u>	<u>112,247,481</u>
 Undistributed income carried forward at end of the year		
- Realized gains	54,314,325	119,420,348
- Unrealized gains / (losses)	<u>13,673,472</u>	<u>(7,172,867)</u>
	<i>Rupees</i> <u>67,987,797</u>	<u>112,247,481</u>

The annexed notes 1 to 17 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI Stock Fund

Statement of Movement in Unit Holders' Fund

For the year ended 30 June 2011

	2011	2010
Net assets at beginning of the year	427,081,920	249,487,172
Amount realized on issuance of 7,818,366 units (30 June 2010: 15,228,372 units)	918,174,798	2,099,465,005
Amount realized on issuance Bonus Units of 991,454 units (30 June 2010: 382,678 units)	100,205,841	41,168,522
Amount paid on redemption of 9,814,154 units (30 June 2010: 14,340,030 units)	(1,145,298,219)	(1,985,705,457)
	300,164,340	404,415,242
Element of loss / (income) and capital (gains) / losses included in prices of units sold less those in units redeemed - net	26,483,970	(27,816,876)
Capital gain on sale of equity securities - net	61,072,618	69,640,707
Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss - held for trading'	13,673,472	(7,172,867)
Other net (loss) / income for the year	(10,125,683)	35,532,815
Total comprehensive income for the year	64,620,407	98,000,655
<u>Distribution</u>		
Final Distribution of Cash Dividend	(8,674,250)	(6,348,579)
Final Distribution of Bonus Units	(100,205,841)	(41,168,522)
Net income for the year less distribution	(108,880,091)	(47,517,101)
Net assets at end of the year	Rupees 282,388,626	427,081,920

The annexed notes 1 to 17 form an integral part of these financial statements.

**For IGI Funds Limited
(Management Company)**

Chief Executive

Director

IGI Stock Fund

Notes to the Financial Statements

For the year ended 30 June 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

IGI Stock Fund ("the Fund") has been constituted under Trust Deed dated 10 June 2008 between IGI Funds Limited (IGIFL) as Management Company, incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited (CDC) as Trustee incorporated under the Companies Ordinance, 1984. The Fund has been established under the Rules of business applicable to open end mutual fund of the Non-Banking Finance Companies.

The Fund received initial subscription up to 30 June 2008. The units of the Fund were initially offered on single day i.e. 15 July 2008, thereafter Fund offers and redeems units at applicable offer and redemption prices respectively. The Fund is an open end fund listed on Lahore Stock Exchange.

The Fund seeks to generate long term capital appreciation and income, from a portfolio that is substantially constituted of equity and equity related securities. The Fund may also invest a certain portion of its corpus in debt and money market securities in order to meet liquidity requirements from time to time. The fund is categorized as an equity scheme and is subject to the guidelines prescribed by SECP.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, requirements of Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008. In case, the requirements differ, the provisions and directives of the Companies Ordinance 1984, the requirements of the Trust deed and Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that investments classified as "at fair value through profit and loss account - held for trading" which are stated at their fair values.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is also the functional currency of the Fund and rounded off to the nearest Rupees.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, 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 results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

2.4.1 Classification and valuation of investments (refer note to 3.1 & 5)

2.4.2 Workers welfare fund liability (refer note 12)

2.4.3 Other assets

Judgment is involved in assessing the realisability of the assets balances.

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

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below:

- IAS 24 Related Party Disclosures (revised 2009) – (effective for annual periods beginning on or after 1 January 2011). The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Fund’s financial statements.
- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2011). These amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity’s exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.

- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011) These amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.

Apart from above certain other standards, amendments to published standards and interpretations of accounting standards became effective for accounting periods beginning on or after 1 January 2011, however, they do not affect the Fund's financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the periods presented in these financial statements.

3.1 Investments

The Fund classifies its investments as:

Fair value through profit or loss - held for trading

Investments which are acquired principally for the purposes of selling in the near term and are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking are classified as held for trading. These include investment in listed equity securities.

These investments are initially recognised at fair value, being the cost of the consideration given. The transaction costs associated with the investments classified as 'at fair value through profit or loss' are charged off to the income statement. Subsequent to initial measurement, held for trading investments are measured at fair value. The resultant gains / losses are included in income statement.

Basis of valuation of investments

Marketable Equity Securities

These investments in equity securities are remeasured at fair value determined with reference to the year-end rates quoted on the Karachi Stock Exchange (Guarantee) Limited. Gains or losses on re-measurement of these investments are recognised in income statement.

Trade date accounting

All regular way purchases and sales of investments are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Fund. Regular way purchases or sales of investment require delivery of securities within two days after transaction date as required by stock exchange regulations.

3.2 Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in income statement.

3.3 Unit holders' fund

Unit holders' fund representing the units issued by the Fund is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

3.4 Issue and redemption of units

Units are allocated at the offer price prevalent on the day on which applications for the purchase of units are received (however units are issued on the realisation of funds). The offer price represents the net assets value of units at the end of the day plus the allowable front end load and any provision for duties and charges and transaction cost, if applicable. The front end load is payable to the Management Company. As per Offering Document of the Fund the Management Company is entitled to a maximum front end load of 5% of the Net Asset Value per unit prevailing on the subscription date. Currently the front end load is being charged at 2.5% of NAV per unit.

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

3.5 Net asset value per unit

The net assets 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 in issue.

3.6 Revenue recognition

- Gains / losses on sale of investments securities is accounted for in the income statement in the period in which it arises.
- Unrealised gains / losses on revaluation of investments classified as financial assets at fair value through profit or loss is accounted for in the Income Statement in the period in which it arises.
- Return on bank balances are recognised at effective profit rates based on a time proportion basis.
- Dividend income is recognised when the right to receive the dividend is established.

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

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

The net "element of income and capital gains included in prices of units sold less those in units redeemed" during an accounting year is recognised in the Income Statement.

3.8 Taxation

Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 provides exemption from tax to any income derived by a Mutual Fund, if not less than ninety percent of its accounting income of a year as reduced by capital gains whether realized or unrealized is distributed among the unit holders. The management company has distributed a sufficient accounting income of Fund (including final distributions subsequent to reporting date refer note 15) for the year ended 30 June 2011 which meets the requirement of above stated clause. Accordingly no tax provision has been made in these financial statements for the year ended 30 June 2011.

3.9 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument and derecognized when the Fund loses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to Income Statement directly.

3.10 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 recognised amount and the Fund intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.11 Provision

A provision is recognised in the statement of assets and liabilities when the Fund has a legal or constructive obligation as result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are regularly reviewed amount. and adjusted to reflect the current best estimate.

3.12 Deferred formation cost

Expenses incurred on the formation of the Fund have been recognised as deferred formation cost. Deferred formation cost is amortised over a period of five years starting from 15 July 2008 (the date of the end of initial period of the Fund) as stated in the Trust Deed of the Fund approved by the Securities and Exchange Commission of Pakistan. These expenses were paid for by the management company and have been reimbursed to them by the fund.

3.13 Cash and cash equivalents

Cash and cash equivalent comprise of bank balances and those investments which are readily convertible to known amount of cash subject to an insignificant risk of significant changes of values and have maturities of less than three months from the date of acquisition.

3.14 Distributions

Distributions declared including the bonus units are recorded in the period in which they are approved. Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, requires that the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / losses to the unit holders. The Management Company has distributed a sufficient accounting income of the Fund (including final distributions declared subsequent to reporting date refer note 15) for the year ended 30 June 2011 in order to comply with the above stated regulation.

3.15 Other assets

Other assets are stated at cost less impairment losses, if any.

3.16 Liabilities

All expenses including management fee and trustee fee are recognised in the Income Statement as and when incurred.

4 BANK BALANCE - Local Currency

This represents balances in deposit accounts with banks and carry interest rates ranging from 5% to 12.2% (30 June 2010: 5% to 11%).

5 INVESTMENTS

This represents Fund's investment in quoted equity securities and are classified as "Financial assets at fair value through profit and loss - held for trading".

5.1 Equity Securities - quoted

Name of security	As at 1 July 2010	Purchases/ bonus shares received during the period	Sold during the period	As at 30 June 2011	Cost as at 30 June 2011	Market value (carrying value after revaluation) as at 30 June 2011)	Percentage of net assets on the basis of market value	Percentage of total investments on the basis of market value	Percentage of issued capital of the issuer
	----- (Shares) -----			----- (Rupees) -----		----- (percentage) -----			
<u>Commercial Bank</u>									
MCB Bank Limited	191,000	559,346	636,561	113,785	23,056,614	22,677,351	8.03%	8.31%	0.027%
National Bank of Pakistan Limited	585,000	927,750	1,173,819	338,931	18,234,007	17,088,901	6.05%	6.27%	0.010%
United Bank Limited	664,000	975,500	1,276,902	362,598	22,389,791	22,448,442	7.95%	8.23%	0.018%
Allied Bank Limited	-	750,000	750,000	-	-	-	-	-	-
<u>Cement</u>									
Lucky Cement Limited	-	906,914	906,914	-	-	-	-	-	-
<u>Insurance</u>									
IGI Insurance Limited	-	26,148	26,148	-	-	-	-	-	-
<u>Refinery</u>									
Attock Refinery Limited	-	190,295	190,295	-	-	-	-	-	-
National Refinery Limited	-	227,813	171,813	56,000	20,201,061	19,726,560	6.99%	7.23%	0.247%
<u>Textile Composite</u>									
Nishat Mills Limited	-	100,000	100,000	-	-	-	-	-	-
<u>Power Generation & Distribution</u>									
Kot Addu Power Company Limited	939,751	915,949	1,190,751	664,949	28,584,700	28,333,477	10.03%	10.39%	0.032%
Hub Power Company Limited	1,191,901	978,000	1,346,924	822,977	29,321,473	30,861,638	10.93%	11.32%	0.027%
Nishat Power Limited	-	2,959,000	2,959,000	-	-	-	-	-	-
Nishat Chunian Power Limited	-	1,024,256	191,000	833,256	12,659,016	11,432,272	4.05%	4.19%	0.031%
<u>Oil & Gas Marketing Companies</u>									
Attock Petroleum Limited	-	461,674	461,674	-	-	-	-	-	-
Pakistan State Oil Company Limited	128,000	436,500	564,500	-	-	-	-	-	-
<u>Oil & Gas Exploration Companies</u>									
Oil & Gas Development Company Limited	250,600	750,298	867,898	133,000	20,538,406	20,347,670	7.21%	7.46%	0.005%
Pakistan Oilfields Limited	160,000	315,000	396,400	78,600	23,815,486	28,218,186	9.99%	10.35%	0.119%
Pakistan Petroleum Limited	185,000	539,200	662,533	61,667	12,722,374	12,769,386	4.52%	4.68%	0.011%
<u>Fertilizer</u>									
Engro Corporation Pakistan Limited	213,000	517,668	730,668	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	150,000	18,000	132,000	5,679,957	5,563,800	1.97%	2.04%	0.006%
Fauji Fertilizer Company Limited	372,129	424,882	573,600	223,411	23,716,946	33,589,844	11.89%	12.32%	0.040%
<u>Technology & Communication</u>									
Pakistan Telecommunication Limited	1,215,000	82,000	1,297,000	-	-	-	-	-	-
<u>Chemical</u>									
ICI Pakistan Limited	-	489,500	489,500	-	-	-	-	-	-
Lotte Pakistan PTA Limited	-	2,190,000	2,190,000	-	-	-	-	-	-
<u>Automobile Assemblers</u>									
Indus Motor Company Limited	-	160,793	160,793	-	-	-	-	-	-
<u>Industrial Engineering</u>									
Millat Tractors	-	62,402	29,701	32,701	18,140,782	19,676,558	6.97%	7.21%	0.538%
	6,095,381	17,120,888	19,362,394	3,853,875	259,060,613	272,734,085			

5.1.1 Following Shares were pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against margin:

	2011 (Number of shares)	2010
Engro Corporation Pakistan Limited	-	100,000
Fauji Fertilizer Company Limited	125,000	150,000
Hub Power Company Limited	600,000	800,000
Kot Addu Power Company Limited	300,000	-
United bank Limited	100,000	-
	1,125,000	1,050,000

6 DEFERRED FORMATION COST	2011	2010
Unamortised cost at the beginning of the year	786,767	1,045,552
Addition during the year	-	-
Amortised to the income statement during the year	(258,785)	(258,785)
Unamortised cost at the end of the year	<i>Rupees</i> 527,982	786,767

- 6.1** This represents expenses incurred on the formation of the Fund. The offering document of the Fund, approved by the Securities and Exchange Commission of Pakistan, permits the deferral of the cost over a period not exceeding five years. Accordingly the said expenses are being amortised over a period of five years effective from 16 July 2008, i.e. after the close of initial period of the Fund.

7 DEPOSITS

Margin deposit with NCCPL against exposure demand and mark to market losses	-	3,700,000
Security deposits placed with:		
- NCCPL	2,500,000	2,500,000
- Central Depository Company of Pakistan Limited	100,000	100,000
	<i>Rupees</i> 2,600,000	6,300,000

8 PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable to the Management Company	<i>8.1</i> 538,779	764,082
Formation cost payable	-	1,293,702
Front end load payable	390,064	67,011
Printing Charges payable	-	21,667
	<i>Rupees</i> 928,843	2,146,462

- 8.1** The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding three percent per annum of the average daily net assets of the Fund during first five years of the Fund's existence and thereafter an amount equal to two percent per annum of such assets of the Fund. Currently, the Management Fee is charged @ 2% of the average daily net assets of the Fund.

9 REMUNERATION PAYABLE TO THE TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed, calculated at the rate of Rs 0.7 million or 0.20% per annum of the daily average net assets of the Fund whichever is higher and Rs. 2 million plus 0.10% p.a. of NAV exceeding Rs. 1,000 million when daily average net assets of the Fund exceeds Rs. 1 billion.

10 ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Rule 62 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008. Effective from 21 November 2008, whereby the Fund is required to pay SECP an amount equal to 0.095% of the average daily net assets of the Fund.

11 ACCRUED AND OTHER LIABILITIES	2011	2010
Payable to NCCPL on settlement of securities purchased	23,012	-
Auditors' remuneration	240,000	340,000
Brokerage payable	319,661	689,714
Credit Rating Fees Payable	131,000	110,000
Workers' Welfare Fund Payable	-	3,260,282
Others liabilities	58,820	187,647
Printing Charges payable	50,000	-
	<i>Rupees</i> 822,493	4,587,643

12 CONTINGENCY - WORKERS' WELFARE FUND

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. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. A petition has been filed with the Honourable High Court of Sindh by some of the Collective Investment Schemes through their Trustees on the ground that the CIS (mutual funds) are not establishments and as a result not liable to pay contribution to WWF.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated 8 July 2010 issued advice and clarifications which stated that WWF Ordinance 1971 does Establishment Ordinance, 1969 is not applicable to any public listed company and any organized financial institutions including Mutual Funds because they are ruled and governed by separate laws. Further, in a subsequent letter dated 15 July 2010 the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated 6 October 2010 to the Members (Domestic Operation) North and South FBR. In the letter reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office for two mutual funds for payment of levy under WWF has been withdrawn. However, there have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds and that MUFAP has requested Member Policy Direct Taxes for withdrawal of such show cause notices issued to such mutual funds. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter 4 January 2011 has cancelled ab-initio clarificatory letter dated 6 October 2010 on applicability of WWF on mutual funds. On 14 December 2010, the Ministry filed its response to the constitutional petition pending in the Court. As per the legal counsel who is handling the case, there is contradiction between the above earlier letter and clarification of the Ministry and the response filed by the Ministry before Honourable High Court of Sindh.

In view of the above stated matters, the Management Company is of the view that notwithstanding the show cause notices issued to a number of mutual funds, WWF is not applicable to the Funds and there have been favourable developments supporting Mutual Fund's point of view hence provision in respect of WWF made upto 2 August 2010 amounted to Rs. 3.934 million (including provision upto 30 June 2010 of Rs. 3.260 million) has been reversed and the provision for the period from 3 August 2010 to 30 June 2011 amounting to Rs. 0.553 million has not been made.

13 TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS

Related parties include IGI Funds Limited being the Management Company, Central Depository Company of Pakistan Limited being the trustee, IGI Investment Bank Limited being the holding company of the Management Company, IGI Finex Securities Limited being the subsidiary of the IGI Investment Bank Limited and IGI Insurance Limited being the holding company of the IGI Investment Bank Limited and Packages Limited being the holding company of IGI Insurance Limited, Tri Pack Films Limited, Tetra Pak Pakistan Limited being the associates of IGI Insurance Limited and Key Management personnel. Transactions with these related parties involve issue and redemption of units and issue of bonus shares.

Remuneration payable to the Management Company and the Trustee are determined in accordance with the provisions of Non - Banking Finance Companies and Notified Entities Regulations, 2008, and the Trust Deed. Front end load is charged to unit holder and is payable to the Management Company according to provisions of the offering document of the Fund. Security deposit are placed with CDC under normal terms of the business. Issue and redemption of units and other transactions are in normal course of business. Transactions and balances with related parties other than those disclosed elsewhere are as follows:

13.1 Unit Holders' Fund

2011											
As at 1 July 2010	Issued for cash	Bonus	Redeemed	As at 30 June 2011	As at 1 July 2010	Issued for cash	Bonus	Redeemed	As at 30 June 2011	Net asset value as at 30 June 2011	
Units					(Rupees)						
Associated Companies / Undertakings											
IGI Investment Bank Limited	1,777,262	5,379,963	608,132	7,765,357	-	648,653,281	643,312,044	61,463,604	886,197,803	467,231,126	-
IGI Insurance Limited	181,291	-	62,033	243,324	-	21,253,656	-	6,269,634	30,841,269	(3,317,979)	-
Packages Limited - Employees Provident Fund	61,764	486,556	21,134	82,898	486,556	6,265,555	58,390,267	2,135,998	9,578,839	57,212,981	64,084,543
Packages Limited - Management Staff Pension Fund	69,290	563,380	23,709	-	656,379	10,244,034	67,609,783	2,396,293	-	80,250,110	86,452,214
Packages Limited - Employees Gratuity fund	69,764	221,938	23,871	-	315,573	10,243,670	26,634,157	2,412,676	-	39,290,503	41,564,351
Other Related Parties											
Transactions with employees	706	21,283	235	22,102	122	149,111	2,492,854	23,759	2,561,250	104,474	16,081
Key Management Personnel											
Syed Babar Ali - Group Chairman	621,930	-	212,808	834,738	-	62,743,480	-	21,508,385	58,073,152	26,178,713	-

2010											
As at 1 July 2010	Issued for cash	Bonus	Redeemed	As at 30 June 2010	As at 1 July 2010	Issued for cash	Bonus	Redeemed	As at 30 June 2010	Net asset value as at 30 June 2010	
Units					(Rupees)						
Associated Companies / Undertakings											
IGI Investment Bank Limited	876,223	14,274,510	206,155	13,579,626	1,777,262	86,903,451	2,016,158,322	22,178,161	1,476,586,653	648,653,281	241,085,590
IGI Insurance Limited	76,764	181,291	18,060	94,824	181,291	4,859,428	25,610,187	1,942,972	11,158,931	21,253,656	24,592,124
IGI Finex Securities Limited	-	869,301	-	869,301	-	-	119,423,167	-	122,990,903	-	-
Packages Limited - Employees Provident Fund	50,000	-	11,764	-	61,764	5,000,000	-	1,265,555	-	6,265,555	8,378,287
IGI Investment Bank Limited - Group Provident Fund	3,057	10,997	720	14,774	-	400,000	1,536,585	77,386	2,106,154	-	-
Packages Limited - Management Staff Pension Fund	-	69,290	-	-	69,290	-	10,244,034	-	-	10,244,034	9,399,189
Packages Limited - Employees Gratuity Fund	-	69,764	-	-	69,764	-	10,243,670	-	-	10,243,670	9,463,487
Other Related Parties											
Transactions with employees	575	11,068	-	10,937	706	74,825	1,703,112	-	1,628,826	149,111	95,769
Key Management Personnel											
Syed Babar Ali - Group Chairman	503,474	-	118,456	-	621,930	50,000,000	-	12,743,480	-	62,743,480	84,364,805

13.2 Other transactions

Associated Companies / Undertakings

IGI Funds Limited - Management Company

	2011	2010
Management fee	7,189,879	9,143,946
Front end load	2,097,956	37,095
Printing charges	48,700	43,334
Legal and professional charges	305,000	-
Formation cost paid	1,293,702	-

Other Related Parties

IGI Finex Securities Limited

Brokerage / Commission	1,143,708	776,172
Federal excise duty / capital value tax	182,993	124,188

Central Depository Company of Pakistan Limited

Trustee fee	751,976	932,452
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13.3 Other balances

Associated Companies / Undertakings

IGI Funds Limited - Management Company

Remuneration payable to the Management Company	538,779	764,082
Formation cost payable	-	1,293,702
Front end load payable	390,064	67,011
Printing Charges payable	-	21,667

IGI Finex Securities Limited

Brokerage / Commission	8,676	95,724
Federal excise duty / capital value tax	9,195	23,124

Other Related Parties

Central Depository Company of Pakistan Limited

Trustee fee payable	57,662	76,521
Security deposit placed	100,000	100,000

14 RISK MANAGEMENT

Introduction and overview

The Fund has exposure to following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Risk management framework

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.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed by Board of Directors and audit committee regularly to reflect changes in market conditions and the Fund's activities.

The management of the risks as stated above are determined by the Investment Committee (IC) under policies and procedures approved by the Board. IC is constituted by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, Rules, and Constitutive Documents of the Fund in addition to the Fund's internal risk management policies.

14.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. In the Fund's case, it arises principally from bank balances, deposits, dividend receivables and interest income and other receivables.

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Board of Directors. In addition, credit risk is also minimized due to the fact that the fund invests only in high quality financial assets or place deposits with reputed financial institutions, majority of which have been rated by a reputable rating agency. All transactions in listed equity securities are settled / paid for upon delivery. The risk of default in such transactions is considered minimal, as delivery of securities is guaranteed by the stock exchange. The Fund does not expect to incur material credit losses on its financial assets. Further, bank accounts are held only with reputable banks.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	Carrying amount	
	2011	2010
Bank Balances	10,039,681	4,076,938
Dividend receivables	463,085	613,500
Deposits	2,600,000	6,300,000
Interest income and other receivable	44,442,214	272,873
	Rupees 57,544,980	11,263,311

Bank Balances are kept with and interest is receivable from a commercial banks with long term credit rating of AA and short term credit rating of A1+ respectively as at 30 June 2011 and as at 30 June 2010 as per credit rating issued by Pakistan Credit Rating Agency Limited (PACRA). Dividend and interest income receivable were received subsequent to the year end. Deposits represents margin deposit with NCCPL and security deposit with NCCPL and CDC respectively maintained for trading purposes.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Concentration of credit risk is determined with references to the individual counter parties as well as industry segment of the counter party as defined by stock exchange. As at 30 June 2011 Fund's exposure to credit risk in respect of bank balances kept with and interest receivables from commercial banks amounted to Rs. 10.099 million (2010: Rs. Rs.4.267 million) out of total credit risk exposure of the Fund. Rest of the credit risk exposure represent relating to corporate sector.

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

Past due or impaired financial assets

None of the financial assets are considered to be past due or impaired as at 30 June 2011 and 30 June 2010.

14.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in listed equity securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements. The present settlement system for listed equity securities is a T+2 system, which means that proceeds from sales (to pay off redemptions) of holdings will be received on the second day after the sale, while redemptions of units have to be paid within a period of six days from the date of the redemption request.

The Fund has ability to borrow, with prior approval of trustee, for meeting redemption. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment with in 90 days of such borrowings. No such borrowings have arisen during the year.

Maturity analysis for financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

	30 June 2011			
	Contractual Cash flows and carrying amount	Up to 8 days	8 days to one months	later than one month and not later than three months
<i>Non-derivative liabilities</i>	------(Rupees)-----			
Payable to unit holders	46,267,904	(46,267,904)	-	-
Payable to the Management Company	928,843	-	(928,843)	-
Remuneration payable to the Trustee	57,662	-	(57,662)	-
Annual fee payable to Securities and Exchange Commission of Pakistan	341,519	-	-	(341,519)
Accrued and other liabilities	822,493	-	(523,673)	(298,820)
	48,418,421	(46,267,904)	(1,510,178)	(640,339)

	30 June 2010			
	Contractual Cash flows and carrying amount	Up to 8 days	8 days to one months	later than one month and not later than three months
<i>Non-derivative liabilities</i>	------(Rupees)-----			
Payable to unit holders	-	-	-	-
Payable to the Management Company	2,146,462	-	(2,146,462)	-
Remuneration payable to the Trustee	76,521	-	(76,521)	-
Annual fee payable to Securities and Exchange Commission of Pakistan	434,335	-	-	(434,335)
Accrued and other liabilities	1,327,361	-	(799,714)	(527,647)
	3,984,679	-	(3,022,697)	(961,982)

Above financial liabilities do not carry any mark-up.

The Fund is exposed to cash redemptions of its units on a regular basis. As at 30 June 2011; 2,144,008 units were in issue amounting to Rs. 282.389 million. Units are redeemable at the 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 document and guidelines laid down SECP. As per offering document, the Fund is allowed to withhold daily redemption request in excess of ten percent of the units in issue and such requests are be treated as redemption request qualifying for being processed on the next business day. Such procedure is continued until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund may also suspend the redemption of the units if the redemption request exceed 10% of units in issue with prior approval of the trustees and notification to SECP.

14.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk (equity price risk). However the Fund is not exposed to currency risk.

Management of market risks

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by IC of Management Company and regulations laid down by the SECP.

Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial instrument and future cash flows. The Fund does not have any financial assets or liabilities with floating interest rate that expose it to interest rate risk in respect of future cash flows. The Fund does not have any financial instrument with fixed interest rates except fixed interest rate deposit accounts with certain banks amounting to Rs. 10.040 million (2010: Rs. 4.077 million). However, the Fund does not account for any fixed rate financial assets and liabilities at fair value through profit and loss or as available for sale financial instruments, therefore any change in interest rates at the reporting date would not affect Income Statement and Net Assets of the Fund.

Equity price risk

Equity price risk is the risk of changes in the fair value of equity securities as the result of changes in the levels of KSE-100 Index and the value of individual shares. The equity price risk exposure arises from the Fund's investments in equity securities. This arises from investments held by the Fund for which prices in the future are uncertain. The Fund policy is to manage price risk through diversification and selection of securities within specified limits set by internal risk management guidelines, which are prepared in line with Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The Fund manages those risk by limiting exposure to any single investee company to the extent of 10% of issued capital of that investee company and the net assets of the Fund with overall limit of 30% to a single industry sector of the net assets of the Fund (the limit set by NBFC regulations). The Fund also manages its exposure to price risk by reviewing portfolio allocation as frequently as necessary and at least once a quarter from the aspect of allocation within industry and individual stock within that allocation.

A summary analysis of investments by industry sector, the percentage in relation to Fund's own net assets, total investment and the issued capital of the investee company and their fair values as at 30 June 2011 are stated in note 5.1.

The analysis of sensitivity of the Fund's net assets attributable to unit holders to equity price movements at year end is based on the assumption that KSE-100 index increased by 5% and decreased by 5%, with all other variables held constant and that the fair value of the Fund's portfolio of equity securities moved according to their historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE - 100 index, having regard to the expected volatility of index of over next year. The historical correlation of the Fund's equity portfolio with the index is based on the average correlation of movement in price of individual security to movement in index over a period of at least past three years.

The following table illustrates the sensitivity of the profit for the year and the unit holders' fund to an increase or decrease of 5% in the fair values of the Fund's equity securities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Funds' equity securities at each Statement of Assets and Liabilities date, with all other variables held constant.

	2011	2010
Income statement	<i>Rupees</i> <u>13,147,348</u>	<u>22,415,000</u>
Unit holders' fund	<i>Rupees</i> <u>13,147,348</u>	<u>22,415,000</u>

14.4 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally acceptable standards/levels of investment management behaviour. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors. The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities; documentation of controls and procedures;
- compliance with regulatory and other legal requirements; requirements for the reconciliation and monitoring of transactions;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified; contingency plans;
- ethical and business standards; risk mitigation, including insurance where this is effective.
- documentation of controls and procedures;

14.5 Unit Holders' Fund risk management

The Fund is an open end collective investment scheme. The unit holders' fund of the open end schemes is represented by net assets attributable to unit holders. The risk in case of open end scheme is the risk that the amount of net assets attributable to unit holders can change significantly on daily basis as the Fund is subject to daily issuance and redemption of Units at the discretion of the unit holders and occurrence of the unexpected losses in investment portfolio which may cause adverse effects on the Fund's continuation as going concern.

The Fund's objective when managing net assets attributable to unit holders is to safe guard the Funds ability to continue as going concern so that it can continue to provide optimum returns to its unit holders and to ensure reasonable safety of Unit Holders' Fund. In order to maintain or adjust the unit holder fund structure, the Fund policy is to perform the following:

- Monitors the level of daily issuance and redemptions relative to liquid assets;
- Redeem and issue unit in accordance with the constitutive documents of the Fund, which include the ability to restrict redemptions as allowed under rules and regulations; and
- Monitor portfolio allocations and return on net assets and where required make necessary adjustments in portfolio allocations in light of changes in market conditions.

The Fund Manager / Investment Committee members and the Chief Executive of the management company critically monitor capital of the Fund on the basis of the value of net assets attributable to the unit holders and track the movement of "Assets under Management" as well returns earned on the net assets to maintain investors confidence and achieve future growth in business. Further the Board of Directors is updated about the Fund yield and movement of NAV and total size at the end of each quarter.

In accordance with the NBFC Regulations, the Fund is required to distribute at least ninety percent of its income from sources other than capital gain as reduced by such expenses as are chargeable to the Fund. (Refer note 3.14)

The Fund is not exposed to externally impose minimum capital maintenance requirements.

14.6 Fair value of financial instruments

The Fund's accounting policy on fair value measurements is disclosed in note 3.1.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities. Investment of the Fund carried at fair value are categorised in this level. All investments of the fund are categorized under this level. Refer note 5.1.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The Fund has no items to report in this level.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Fund has no items to report in this level.

The carrying amounts of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

15 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company have approved distribution of 22.9360 (2010: 34.2173) units per every 100 units (Growth units) held and Rs. 24.5731 (2010: Rs 34.5833) per unit (Income units) for the year ended 30 June 2011 amounting to Rs. 52.68 million (2010: Rs. 108.88 million) in total, in their meeting held on 05 July 2011. These financial statements do not reflect these distribution and that will be accounted for subsequent to the year end.

16 SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern of the fund, top ten brokers of the Fund, members of the Investment Committee, fund manager, meetings of the Board of Directors, credit rating of the Fund and the Management Company of the fund as required under Schedule V of Non Banking Finance Companies and Notified Entities Regulations, 2008 has been disclosed in Annexure I to the financial statements.

17 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by Board of Directors of the Management Company on **23 August 2011**.

**For IGI Funds Limited
(Management Company)**

Chief Executive

Director

**SUPPLEMENTARY NON FINANCIAL INFORMATION
AS REQUIRED UNDER SECTION 6(D), (F), (G), (H), (I), AND (J)
OF THE FIFTH SCHEDULE TO THE
NON BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008**

(i) UNIT HOLDING PATTERN OF THE FUND

Category	As at 30 June 2011			
	Number of unit holders	Number of units held	Amount Rupees	% of total
Individuals	26	301,918	39,765,750	14.082%
Associated Co./ Directors	-	-	-	-
Insurance Co.	-	-	-	-
Banks/ DFIs	-	-	-	-
NBFC/ NBFI	2	190,828	25,134,018	8.901%
Retirement & Other Funds	3	1,458,509	192,101,311	68.027%
Others	1	192,753	25,387,547	8.990%
	32	2,144,008	282,388,626	100.0%

Category	As at 30 June 2010			
	Number of unit holders	Number of units held	Amount Rupees	% of total
Individuals	31	738,115	100,127,420	23.445%
Associated Co./ Directors	5	2,159,372	292,925,114	68.588%
Banks/ DFIs	1	250,822	34,024,720	7.967%
Retirement & Other Funds	1	34	4,668	0.001%
	38	3,148,343	427,081,920	100.0%

(ii) LIST OF TOP BROKERS BY PERCENT OF THE COMMISSION PAID

Name of broker	Percentage of commission paid	
	2011	2010
IGI Finex Securities Limited	33.00%	16.52%
BMA Capital Management Limited	5.00%	14.50%
AKD Securities Limited	14.00%	11.92%
AL-Habib Capital Markets Limited	8.00%	9.15%
Concordia Securities (Private) Limited	6.00%	7.38%
Invest Capital Investment Bank Limited	4.00%	7.19%
Elixir Securities Pakistan (Private) Limited	11.00%	6.98%
Taurus Securities Limited	8.00%	6.32%
JS Global Capital Limited	0.12%	5.43%
Standard Capital Securities (Private) Limited	0.12%	3.45%
Multiline Securities (Private) Limited	1%	-

(iii) PARTICULARS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

- Maheen Rahman - CEO
- Syed Muhammad Zeeshan - CFO
- Muddasir Ahmed Shaikh - CIO
- Saifullah Kazmi - Fund manager of IGI Stock Fund

Maheen Rahman – CEO

Maheen Rahman has over nine years of experience in the financial services industry. Prior to joining IGI Funds she was Head of Business Development at IGI Securities the brokerage arm of IGI Financial Services. She has also served as Head of Research for BMA Capital Management where she spearheaded the research effort to provide sound and in depth investment advice across all capital markets to a wide range of corporate and institutional clients. Ms Rahman has also worked with Merrill Lynch in their Investment Banking Group and was a key team member for several high profile international transactions that spanned the Asia Pacific region and North America. She has also worked with ABN Amro Bank in Corporate Finance and M&A Advisory and was involved in a series of equity raising and IPO activity across south-east Asia. Ms Rahman holds a Bachelors of Science degree from LUMS Warwick Business School in the UK. She also holds a Series 7 qualification from the New York Stock Exchange.

Syed Muhammad Zeeshan -CFO

Mr. Zeeshan currently holds position of Chief Financial Officer (CFO) and has been associated with IGI Funds Limited for more than four years. Prior to joining IGI Funds Limited, he has also worked at senior positions in finance and accounts of National Investment Trust Limited (the largest open-end mutual funds in Pakistan owned by Federal Government), UBL Fund Managers Limited and Atlas Assets Management Limited . His total professional experience in mutual fund industry is more than nine years. He has also served at Ford Rhodes Sidat Hyder & Co. Chartered Accountants, for more than 5 years conducting audits of various financial institutions, mutual funds and multinational corporations. Mr. Zeeshan is a qualified Cost and Management Accountant (ACMA) from Institute of Cost and Management Accountants of Pakistan (ICMAP) and is also CA(Finalist) from Institute of Chartered Accountants of Pakistan (ICAP).

Muddasir Ahmed Shaikh -CIO

Mr. Muddasir has more than five years of experience in Investment Management & Equity Research. During his career, he has served number of public and private institutions of repute. Prior to joining IGI Funds Limited, he had been associated with Atlas Asset Management Limited, National Investment Trust Limited, and JS Investments Limited (Formerly JS ABAMCO Ltd.). Mr. Muddasir holds a Masters degree in Business Administration from Institute of Business Administration, Karachi.

Saifullah Kazmi

Mr. Kazmi has 3 years worth of banking experience, the chunk of which was spent in maintaining a Capital Market Portfolio. His previous placement was Dealer-Capital Markets for Faysal Bank Limited, where he was involved in all investment decisions and processes. Mr. Kazmi is a recent return from United Kingdom, where he received his BA (Honors) Business Management from the Kinston University, Surrey.

(iv) **DIRECTOR MEETING ATTENDANCE**

Name of Director	Designation	Meetings			
		Total	Attended	Leave Granted	Meeting not attended
Mr. Javed Hamid	Chairman	6	6	-	-
Mr. Khalid Yacob	Director	6	5	1	32nd
Mr. Ahmed Alman Aslam	Director	6	5	1	31st
Mr. Abid Naqvi	Director, Ex-CEO	6	6	-	-
Syed Javed Hassan	Director	6	6	-	-
Syed Abdul Wahab Mehdi	Director	1	-	1	28th
Asif Saad	Director	5	4	1	31st
Ms. Maheen Rahman	Chief Executive Officer	6	6	-	-

Syed Abdul Wahab Mehdi resigned as member Board of Directors of the Management Company on 14 July 2010 and Mr. Asif Saad was appointed as Member Board of Directors of the Management Company on the same day.

Securities and Exchange Commission of Pakistan (SECP) approved the changes on 24 August 2010

Dates of the meetings of the Board of Directors

Twenty-eight meeting	July 2, 2010
Twenty-ninth meeting	Aug 24, 2010
Thirtieth meeting	Oct 25, 2010
Thirty-one meeting	Feb 9, 2011
Thirty-second meeting	Mar 25, 2011
Thirty-third meeting	Apr 25, 2011

(V) **FUND AND ASSET MANAGER RATING**

JCR-VIS has awarded asset manager rating of an "AM2-" to IGI Funds Limited in its report dated February 2011. The rating reflects the company's experienced and qualified management team, a structured and strong fund management function, and demonstrated support of the sponsoring Group. The rating also factors in a growing realization on part of the management to institute a strong in-house risk management, compliance and control platform, translating into an improved relative standing amongst peers.

PACRA has awarded normal rating of "4 star" to IGI Stock Fund based on the performance review for the year ended 30 June 2010 vide its report dated 17 September 2010.

IGI Islamic Income Fund

Financial Statements
for the year ended
30 June 2011

IGI Islamic Income Fund
Statement of Assets and Liabilities
As at 30 June 2011

Assets	<i>Note</i>	2011	2010
Bank balances	4	240,900,620	110,179,030
Investments	5	425,672,847	281,767,807
Deferred formation cost	6	1,465,202	1,863,984
Income receivable	7	15,696,675	8,819,760
Total assets		683,735,344	402,630,581
Liabilities			
Amount payable on redemption of units		449,002	36,870
Payable to the Management Company	8	2,024,464	2,630,657
Remuneration payable to the Trustee	9	81,043	65,380
Annual fee payable to Securities and Exchange Commission of Pakistan	10	345,858	166,433
Accrued and other liabilities	11	360,700	714,510
Total liabilities		3,261,067	3,613,850
Contingency	12		
Net assets attributable to unit holders	<i>Rupees</i>	680,474,277	399,016,731
Unit holders' fund (as per statement attached)	<i>Rupees</i>	680,474,277	399,016,731
Number of units in issue	<i>Numbers</i>	6,575,506	3,793,919
Net assets value per unit	<i>Rupees</i>	103.49	105.17

The annexed notes from 1 to 18 form an integral part of these financial statements.

**For IGI Funds Limited
(Management Company)**

Chief Executive

Director

IGI Islamic Income Fund

Income Statement

For the year ended 30 June 2011

	<i>Note</i>	2011	For the period from 16 September 2009 to 30 June 2010
Income			
Profit on bank and other deposits		32,913,535	24,080,666
Income on Government of Pakistan Ijara Sukuk		21,396,828	587,335
Unrealized loss on remeasurement of held for trading investment to fair value		(567,903)	-
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed - net		5,066,778	(12,705)
Total income		58,809,238	24,655,296
Expenses			
Remuneration to the Management Company		6,917,168	3,328,686
Remuneration to the Trustee		849,876	446,388
Annual fee to the Securities and Exchange Commission of Pakistan		345,858	166,433
Brokerage expense		31,700	4,000
Bank charges		9,277	5,917
Amortization of deferred formation cost		398,782	273,372
Auditors' remuneration		287,400	210,000
Annual listing fee		30,000	95,000
Credit rating fee		200,000	100,000
Printing charges		90,060	-
Workers' Welfare Fund	<i>12</i>	(400,510)	400,510
Total expenses		8,759,611	5,030,306
Net income for the year / period	<i>Rupees</i>	50,049,627	19,624,990

19,612,285.00

The annexed notes from 1 to 18 form an integral part of these financial statements.

**For IGI Funds Limited
(Management Company)**

Chief Executive

Director

IGI Islamic Income Fund
Statement of Comprehensive Income
For the year ended 30 June 2011

	2011	For the period from 16 September 2009 to 30 June 2010
Net income for the year / period	50,049,627	19,624,990
Other comprehensive income during the year / period	-	-
Total comprehensive income for the year / period	<i>Rupees</i> <u><u>50,049,627</u></u>	<u><u>19,624,990</u></u>

The annexed notes from 1 to 18 form an integral part of these financial statements.

**For IGI Funds Limited
(Management Company)**

Chief Executive

Director

IGI Islamic Income Fund

Cash Flow Statement

For the year ended 30 June 2011

	<i>Note</i>	2011	For the period from 16 September 2009 to 30 June 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year / period		50,049,627	19,624,990
Adjustments for:			
Amortization of deferred formation cost		398,782	273,372
Unrealized loss on remeasurement of held for trading investment to fair value		567,903	-
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed - net		(5,066,778)	12,705
		45,949,534	19,911,067
Change in:			
Investments - net		(323,765,750)	(102,475,000)
Deferred formation cost		-	(2,137,356)
Income receivable		(6,876,915)	(8,819,760)
Payable to the Management Company		(606,193)	2,630,657
Remuneration payable to the Trustee		15,663	65,380
Amount payable on redemption of units		412,132	-
Annual fee payable to Securities and Exchange Commission of Pakistan		179,425	166,433
Accrued and other liabilities		(353,810)	714,510
		(330,995,448)	(109,855,136)
Net cash used in operating activities		(285,045,914)	(89,944,069)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of units		554,655,659	839,369,027
Dividend distribution		(871,203)	-
Payment against redemption of units		(317,309,759)	(459,953,121)
Net cash flow from financing activities		236,474,697	379,415,906
Net (decrease) / increase in cash and cash equivalent during the year / period		(48,571,217)	289,471,837
Cash and cash equivalents at beginning of the year / period		289,471,837	-
Cash and cash equivalents at end of the year / period	<i>Rupees</i>	240,900,620	289,471,837

The annexed notes from 1 to 18 form an integral part of these financial statements.

**For IGI Funds Limited
(Management Company)**

Chief Executive

Director

IGI Islamic Income Fund
Distribution Statement
For the year ended 30 June 2011

	2011	For the period from 16 September 2009 to 30 June 2010
Undistributed income brought forward at the beginning of the year / period	19,624,990	-
Total comprehensive income for the year / period	50,049,627	19,624,990
Distributions for the year		
Final distribution of bonus @ 5.0098 for every 100 units held, for the year ended 30 June 2010, approved on 2 July 2010	(19,036,369)	-
Interim distribution of bonus @ 2.2703 units for every 100 units held approved on 01 October 2010	(9,912,406)	-
Interim distribution of bonus @ 2.0606 units for every 100 units held approved on 29 December 2010	(8,114,012)	-
Interim distribution of bonus @ 2.1774 units for every 100 units held approved on 28 March 2011	(8,817,148)	-
Interim distribution of cash dividend @ Rs. 2.1926 per unit approved on 28 March 2011	(871,203)	-
	(46,751,138)	-
	22,923,479	19,624,990
Undistributed income carried forward at end of the year / period		
- Realized gains	23,491,382	19,624,990
- Unrealized loss	(567,903)	-
	22,923,479	19,624,990

Rupees

The annexed notes from 1 to 18 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI Islamic Income Fund
Statement of Movement in Unit Holders' Fund
For the year ended 30 June 2011

	2011	For the period from 16 September 2009 to 30 June 2010
Net assets at beginning of the year / period	399,016,731	-
Amount realized on issuance of 5,433,015 units (2010 : 8,302,487 units)	554,206,657	839,369,027
Amount paid / payable on redemption of 3,108,661 units (2010 : 4,508,568 units)	(316,860,757)	(459,989,991)
Amount realized on issuance of Bonus Units of 4,849,938 units	45,879,935	-
	682,242,566	379,379,036
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed - net	(5,066,778)	12,705
Unrealized loss on remeasurement of held for trading investment to fair value	(567,903)	-
Other net income for the year / period	50,617,530	19,624,990
Total comprehensive income for the year / period	50,049,627	19,624,990
Final distribution of bonus units	(19,036,369)	-
Interim distribution of bonus units	(26,843,566)	-
Interim distribution of cash dividend	(871,203)	-
	(46,751,138)	-
	3,298,489	19,624,990
Net assets at end of the year / period	680,474,277	399,016,731

Rupees

The annexed notes from 1 to 18 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI Islamic Income Fund

Notes to the Financial Statements

For the year ended 30 June 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

IGI Islamic Income Fund ("the Fund") has been constituted under Trust Deed dated 3 July 2008, between IGI Funds Limited (IGIFL) as Management Company, incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited (CDC) as the Trustee incorporated under the Companies Ordinance, 1984.

The Trust deed was subsequently amended through first supplemental trust deed executed on 23 September 2008. Subsequently, the SECP required the Management Company to make certain amendments in the Trust deed to bring it in line with Non Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) and accordingly, the Trust deed was amended through second supplemented trust deed executed on 16 September 2009.

The Fund has been established under the rules of business applicable to open end mutual Funds. Fund is an open end Islamic mutual Fund listed on Lahore Stock Exchange. The Fund offers units for public subscription on continuous basis. These can be redeemed by surrendering them to the Fund at the option of the unit holder, except for the units issued to core investors which are not redeemable for a period of two years from the date of initial public offer.

The scheme seek to provide good total return through a combination of current income and long term capital appreciation, consistent with reasonable investment risk in a shariah compliant manner. The Fund invests in shariah compliant deposits, profit bearing accounts, certificate of investments, Musharika and Morabaha arrangements and debt securities. The fund primarily is categorized as a Shariah Compliant (Islamic) Scheme and is subject to guidelines prescribed by SECP.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. BASIS OF PREPARATION

The transactions undertaken by the Fund are in accordance with the process prescribed under the Shariah guidelines issued by the Shariah Advisor.

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, requirements of Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008. In case, the requirements differ, the provisions and directives of the Companies Ordinance 1984, the requirements of the Trust deed and Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except that investments classified as "at fair value through profit and loss account - held for trading" which are stated at their fair values.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is also the functional currency of the Fund and rounded off to the nearest Rupees.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, 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 results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

2.4.1 *Classification and valuation of investments*

For detail please refer note 3.1 to these financial statements.

2.4.2 Workers welfare fund liability (refer note 12)

2.4.3 *Other assets*

Judgment is involved in assessing the realisability of the assets balances.

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

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below:

- IAS 24 Related Party Disclosures (revised 2009) – (effective for annual periods beginning on or after 1 January 2011). The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Fund's financial statements.
- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2011). These amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.
- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011) These amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.

Apart from above certain other standards, amendments to published standards and interpretations of accounting standards became effective for accounting periods beginning on or after 1 January 2011, however, they do not affect the Fund's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied.

3.1 Investments

The Fund classifies its investments in the following categories:

- **Fair value through profit or loss - held for trading**

Investments which are acquired principally for the purposes of selling in the near term and are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking are classified as held for trading. These include investment in sukuk bonds.

These investments are initially recognised at fair value, being the cost of the consideration given. The transaction costs associated with the investments classified as 'at fair value through profit or loss' are charged off to the income statement. Subsequent to initial measurement, held for trading investments are measured at fair value. The resultant gains/losses are included in Income Statement.

- **Held to maturity**

Investments with fixed or determinable maturity where management has both the positive intent and ability to hold till maturity are classified as held-to-maturity. These investments are measured initially at its fair value plus transaction cost that are directly attributable to these investments and are stated at amortised cost. Subsequent to initial measurements, held to maturity investments are measured at amortised cost. Provision for impairment in value, if any, is taken to income. Premiums and discounts on investments are amortised using the effective interest rate method and taken to income or expense from investments.

Basis of valuation

Fiar value of the investments in Federal Government securities comprising Treasury Bills is determined by reference to the quotation obtained from the PKRV rate sheet on the Reuters page.

The fair value of sukuk certificates is detemined on the basis of rates notifies by the Mutual Funds Association of Pakistan (MUFAP) as at the period end.

All regular way of purchases and sales of investments are recognised on trade date i.e. the date the Fund commits to purchase / sell the investments.

Date of Recognition

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the investments.

Derecognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risk and rewards of ownership.

3.2 Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a investments classified as 'held to maturity and are measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

3.3 Unit holders' fund

Unit holders' fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

3.4 Issue and redemption of units

Units are allocated at the offer price prevalent on the day on which applications for the purchase of units are received (however units are issued on the realisation of funds). The offer price represents the net assets value of units at the end of the day.

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

3.5 Net asset value per unit

The net assets 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 in issue.

3.6 Revenue recognition

Profit / income on bank and other deposits and sukuk bonds are recognised at rate of return implicit in the deposits / instrument on a time proportionate basis.

3.7 Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed - net

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

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

The net "element of income and capital gains included in prices of units sold less those in units redeemed" during an accounting period is recognised in the Income Statement.

3.8 Taxation

Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 provides exemption from tax to any income derived by a Mutual Fund, if not less than ninety percent of its accounting income of a year as reduced by capital gains whether realized or unrealized is distributed among the unit holders. The management company has distributed a sufficient accounting income of Fund (including final distributions subsequent to reporting date refer note 16) for the year ended 30 June 2011 which meets the requirement of above stated clause. Accordingly no tax provision has been made in these financial statements for the year ended 30 June 2011.

3.9 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument and derecognized when the Fund loses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to Income Statement directly.

3.10 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 recognised amount and the Fund intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.11 Provision

A provision is recognised in the balance sheet when the Fund has a legal or constructive obligation as result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are regularly reviewed and are adjusted to reflect the current best estimate.

3.12 Deferred formation cost

Expenses incurred on the formation of the Fund have been recognised as deferred formation cost. Deferred formation cost is amortised over a period of five years starting from 4 December 2009 (the date of the end of initial period of the Fund) as stated in the Trust Deed of the Fund approved by the Securities and Exchange Commission of Pakistan.

3.13 Cash and cash equivalents

Cash and cash equivalent comprise of bank balances and those investments which are readily convertible to known amount of cash subject to an insignificant risk of significant changes of values and have maturities of less than three months from the date of acquisition.

3.14 Distributions

Distributions declared including the bonus units are recorded in the period in which they are approved. Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, requires that the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / losses to the unit holders. The Management Company has distributed a sufficient accounting income of the Fund (including final distributions declared subsequent to reporting date refer note 16) for the year ended 30 June 2011 in order to comply with the above stated regulation.

3.15 Other assets

Other assets are stated at cost less impairment losses, if any.

3.16 Liabilities

All expenses including management fee and trustee fee are recognised in the Income Statement as and when incurred.

4. BANK BALANCES - Local Currency

This represents balances in deposit accounts with banks and carry profit rates ranging from 5% to 12% (2010 : 9% to 10.50%). As at 30 June 2011, bank balances amounted to Rs. 241million (2010 : Rs. 110.179 million) representing 35.4% (2009 : 27.61%) of the net assets.

5. INVESTMENTS		2011	2010
Financial asset at fair value through profit and loss - held for trading			
- Government of Pakistan Ijarah Sukuk Bonds	5.1	425,672,847	102,475,000
Held to maturity			
- Term deposits receipts of Bank Alfalah Limited	5.2	-	179,292,807
	<i>Rupees</i>	<u>425,672,847</u>	<u>281,767,807</u>

5.1 These carry income rate ranging from 12.25% to 13.675% (2010 : 12.25%) with maturity ranging from Sep 2012 to May 2014. This represents 63% (2010 : 25.68%) of net assets on the basis of carrying amount.

5.2 Term deposit receipts carried profit rates from 11.35% to 11.50% per annum and have matured in the month of July 2010. Term deposits represented 44.93% of net assets on the basis of carrying amount at 30 June 2010.

6. DEFERRED FORMATION COST	2011	2010
Formation cost incurred	1,863,984	2,137,356
Amortised to the income statement during the period	(398,782)	(273,372)
Unamortised cost at the end of the year / period	1,465,202	1,863,984

Rupees

6.1 This represents expenses incurred on the formation of the Fund. The offering document of the Fund, approved by the Securities and Exchange Commission of Pakistan, permits the deferral of the cost over a period not exceeding five years. Accordingly the said expenses are being amortised over a period of five years effective from 4 December 2009, i.e. after the close of initial period of the Fund.

7. INCOME RECEIVABLE

Income / Profit receivable on:

- bank balances	1,510,753	5,262,220
- Government of Pakistan Ijarah Sukuk Bonds	14,185,922	3,557,540
	15,696,675	8,819,760

Rupees

8. PAYABLE TO MANAGEMENT COMPANY

Remuneration payable to the Management Company	715,058	493,301
Formation cost payable	-	2,137,356
Sales load payable	1,309,406	-
	2,024,464	2,630,657

Rupees

8.1 The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding three percent per annum of the average daily net assets of the Fund during first five years of the Fund's existence and thereafter an amount equal to two percent per annum of such assets of the Fund. Currently, the Management Fee is charged @ 1.5% of the average daily net assets of the Fund.

9. REMUNERATION PAYABLE TO THE TRUSTEE

Upto 31 December 2010, the Trustee was entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed, calculated at the rate 0.2% per annum on amount upto Rs. 1 billion of the daily average net assets of the Fund or Rs. 0.7 million, whichever is higher, and Rs. 2 million plus 0.1% per annum of NAV exceeding Rs. 1 billion when daily average net assets of the Fund exceeds Rs. 1 billion.

From 1 January 2011, the Trustee is entitled to a monthly remuneration for services rendered to the Fund under provisions of the letter reference CDC/T&DH/1633/2010 dated 18 December 2010 by the trustee, calculated at the rate 0.17% per annum on amount upto Rs. 1 billion of the daily average net assets of the Fund or Rs. 0.6 million, whichever is higher, and Rs. 1.7 million plus 0.085% per annum of NAV exceeding Rs. 1 billion when daily average net assets of the Fund exceeds Rs. 1 billion.

10. ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Regulation 62 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, at the rate of 0.075% of the average daily net assets of the Fund.

11. ACCRUED AND OTHER LIABILITIES	2011	2010
Credit rating fee payable	100,000	100,000
Auditors' remuneration	200,000	210,000
Brokerage payable	10,700	4,000
Workers' Welfare Fund Payable	<i>12</i> -	400,510
Printing charges	50,000	-
	<i>Rupees</i> <u>360,700</u>	<u>714,510</u>

12. CONTINGENCY - WORKERS' WELFARE FUND

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. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. A petition has been filed with the Honourable High Court of Sindh by some of the Collective Investment Schemes through their Trustees on the ground that the CIS (mutual funds) are not establishments and as a result not liable to pay contribution to WWF.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated 8 July 2010 issued advice and clarifications which stated that WWF Ordinance 1971 does Establishment Ordinance, 1969 is not applicable to any public listed company and any organized financial institutions including Mutual Funds because they are ruled and governed by separate laws. Further, in a subsequent letter dated 15 July 2010 the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated 6 October 2010 to the Members (Domestic Operation) North and South FBR. In the letter reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office for two mutual funds for payment of levy under WWF has been withdrawn. However, there have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of

mutual funds and that MUFAP has requested Member Policy Direct Taxes for withdrawal of such show cause notices issued to such mutual funds. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter 4 January 2011 has cancelled ab-initio clarificatory letter dated 6 October 2010 on applicability of WWF on mutual funds. On 14 December 2010, the Ministry filed its response to the constitutional petition pending in the Court. As per the legal counsel who is handling the case, there is contradiction between the above earlier letter and clarification of the Ministry and the response filed by the Ministry before Honourable High Court of Sindh.

In view of the above stated matters, the Management Company is of the view that notwithstanding the show cause notices issued to a number of mutual funds, WWF is not applicable to the Funds and there have been favourable developments supporting Mutual Fund's point of view hence provision in respect of WWF made upto 2 August 2010 amounted to Rs. 0.476 million (including provision upto 30 June 2010 of Rs. 0.401 million) has been reversed and the provision for the period from 3 August 2010 to 30 June 2011 amounting to Rs. 0.917 million has not been made.

13. CASH AND CASH EQUIVALENTS	2011	2010
Bank balances	240,900,620	110,179,030
Term deposits receipts maturing within three months	-	179,292,807
	<i>Rupees</i> <u>240,900,620</u>	<u>289,471,837</u>
NON SHARIAH COMPLIANT INCOME		

According to the instructions of the Shariah Advisor if any income is earned by the fund from the investments whereby a portion of income of such investees has been derived from prohibited sources, such proportion of income of the Fund should be donated to charitable purposes. However during the year ended 30 June 2011, no such income is earned.

14. TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS

Related parties include IGI Funds Limited being the Management Company, Central Depository Company of Pakistan Limited being the trustee, IGI Investment Bank Limited being the holding company of the Management Company, IGI Finex Securities Limited being the subsidiary of the IGI Investment Bank Limited and IGI Insurance Limited being the holding company of the IGI Investment Bank Limited and Packages Limited being the holding company of IGI Insurance Limited, Tri Pack Films Limited, Tetra Pak Pakistan Limited being the associates of IGI Insurance Limited and Key Management personnel. Transactions with these related parties involve issue and redemption of units and issue of bonus shares.

Remuneration payable to the Management Company and the Trustee are determined in accordance with the provisions of Non - Banking Finance Companies and Notified Entities Regulations, 2008, and the Trust Deed. Front end load is charged to unit holder and is payable to the Management Company according to provisions of the offering document of the fund. Issue and redemption of units and other transactions are in normal course of business. Transactions and balances with related parties other than those disclosed elsewhere are as follows:

14.1 Unit Holders' Fund

	For the year ended 30 June 2011										
	As at 1 July 2010	Issued for cash / conversion in / transfer in	Bonus	Redeemed / conversion out / transfer out	As at 30 June 2011	As at 01 July 2010	Issued for cash / conversion in / transfer in	Bonus	Redeemed / conversion out / transfer out	As at 30 June 2011	Net asset value as at 30 June 2011
	Units					Rupees					
Associated Companies / Undertakings											
IGI Investment Bank Limited	500,000	848,508	49,482	831,255	566,735	52,585,000	86,622,182	4,963,745	84,647,996	59,522,931	58,651,510
IGI Insurance Limited	-	533,522	10,994	544,516	-	-	54,269,852	1,104,977	54,123,949	1,250,880	-
IGI Funds Limited - Staff Provident Fund	5,340	-	513	5,853	-	561,608	-	51,437	599,149	13,896	-
IGI Funds Limited - Management Company	-	237,354	-	237,354	-	-	24,200,000	-	24,290,842	(90,842)	-
Transactions with employees	4,204	13,146	366	14,094	3,622	442,135	1,341,440	36,689	1,429,481	390,783	374,786
Key Management Personnel											
Syed Babar Ali - Group Chairman	401,631	-	29,696	431,327	-	42,239,532	-	2,975,135	43,661,546	1,553,121	-

	For the period from 16 September 2009 to 30 June 2010										
	As at 16 September 2009	Issued for cash / conversion in / transfer in	Bonus	Redeemed / conversion out / transfer out	As at 30 June 2010	As at 16 September 2009	Issued for cash / conversion in / transfer in	Bonus	Redeemed / conversion out / transfer out	As at 30 June 2010	Net asset value as at 30 June 2010
	Units					Rupees					
Associated Companies / Undertakings											
IGI Investment Bank Limited	-	1,014,176	-	514,176	500,000	-	101,417,617	-	51,535,878	49,881,739	52,585,000
IGI Insurance Limited	-	251,021	-	251,021	-	-	25,102,055	-	25,189,912	(87,857)	-
IGI Funds Limited - Staff Provident Fund	-	5,340	-	-	5,340	-	555,446	-	-	555,446	561,608
IGI Funds Limited - Management Company	-	499,500	-	499,500	-	-	50,000,000	-	50,064,935	(64,935)	-
Transactions with employees	-	13,242	-	9,038	4,204	-	1,352,227	-	917,587	434,640	442,135
Key Management Personnel											
Syed Babar Ali - Group Chairman	-	401,631	-	-	401,631	-	40,163,138	-	-	40,163,138	42,239,532
Syed Javed Hassan	-	6,000	-	6,000	-	-	600,000	-	606,837	(6,837)	-

14.2 Other transactions

Associated Companies / Undertakings**IGI Funds Limited - Management Company**

Management fee		6,917,168	3,328,686
Front end load		1,319,878	2,972
Printing charges paid		-	21,666
Listing fee paid		-	95,000
Stability rating fee paid		200,000	-
Formation cost paid		2,137,356	-

Other Related Parties

Central Depository Company of Pakistan Limited - Trustee fee

849,876 446,388

14.3 Other Balances

Associated Companies / Undertakings**IGI Funds Limited - Management Company**

Formation cost payable		-	2,137,356
Management fee payable		715,058	490,329
Front end load payable		1,309,406	2,972

Other Related Parties

Central Depository Company of Pakistan Limited - Trustee fee payable

81,043 65,380

15. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Fund has exposure to following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Risk management framework

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 based on limits established by the Management Company, Fund's constitutive documents, regulations and directives of the SECP and guidelines given by Shariah Advisor. 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.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed by Board of Directors and Audit Committee regularly to reflect changes in market conditions and the Fund's activities.

All activities of the fund are undertaken in accordance with Islamic Shariah as per guidelines given by the Shariah advisor. For this purpose Bank Islami Limited is appointed as Shariah Advisor to the Fund as required under the Regulation 37(6) of NBFC Regulations.

The primary objective of the Fund is to provide investors with halal and regular income by investing in shariah compliant income products. The Scheme is a purely shariah based unit trust which shall make investment only in designated authorised shariah compliant investments and shall thus offer shariah compliant returns to the investors in the units of the scheme. Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to credit risk, liquidity risk, market risk and operational risk.

The management of risks as stated above is carried out by the Investment Committee (IC) under policies approved by the Board of Directors of the Management Company and guidelines issued by shariah advisor. The IC is constituted and approved by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with limits prescribed in the NBFC Regulations, offering document of the Fund and shariah advisor's guidelines in addition to Fund's internal risk management policies.

15.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. The Fund is also exposed to credit risk on bank balances, investments, deposits and income receivables.

Management of credit risk

The Fund's policy is to enter into financial contracts with reputable counterparties in accordance with the internal risk management policies, guidelines issued by Shariah Advisor and investment guidelines approved by the Board of Directors. The IC closely monitors the creditworthiness of the Fund's counterparties (e.g., issuer of the instruments, banks, etc.) by reviewing their credit ratings, financial statements and press releases on a regular basis. In addition the credit risk is also minimized due to the fact that the Fund only invests in the high quality financial assets, majority of which have been rated by a reputable rating agency. All transactions in debt securities are settled / paid upon delivery. The risk of default in such transactions is considered minimal, as delivery of securities is guaranteed by reputable brokers or the transactions are carried with counter parties of high reputation. Further, bank accounts are held only with reputable banks. The credit risk of the Fund mainly arises from its bank balances.

Exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at 30 June 2011 is the carrying amount of the financial assets as set out below:

	2011	2010
Bank balances	240,900,620	110,179,030
Held to maturity investments - Term Deposits	-	179,292,807
Held for trading Investment - Government of Pakistan Ijarah Sukuk Bonds (GOP Ijara)	425,672,847	102,475,000
Income Receivables	15,696,675	8,819,760
	Rupees 682,270,142	400,766,597

Credit Quality of Bank deposits and Held for trading investments

Investment in GOP Ijarah sukuk bonds (including income / profit receivable thereon) do not expose the Fund to credit risk as the counter party is the Government of Pakistan. Income / profit receivable on bank deposits was received subsequent to the year end. The analysis below summarises the credit quality of the banks with which Fund has balances.

	Rating	2011	2010
		%	%
- Al-Baraka Islamic Bank	A2/A	0.038	38.002
- Dubai Islamic Bank (Pakistan) Limited	A-1/A	0.005	0.004
- Bank Alfalah Limited	A1+/AA	0.004	61.992
- Bank Al-Habib Limited	A1+/AA+	0.002	0.002
- Bank of Khyber	A2/A-	58.438	0.000
- MCB Bank Limited	A1+/AA+	41.513	0.000

Past due or impaired financial assets

None of the investments of the fund were past due or impaired at 30 June 2011.

Concentration of the credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Concentration of credit risk is determined with references to the individual counter parties. As at 30 June 2011, Fund's exposure to credit risk in respect of the assets other than investment in GOP Ijarah sukuk bonds amounted to Rs. 242.411 million (2010 : 298.327 million), which represented balances with commercial banks and profit thereon.

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

15.2 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The liquidity risk is maintained by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

Management of liquidity risk

The Fund's policy is to manage this risk by investing in shariah compliant income products and by keeping adequate assets as cash and cash equivalents. Further the Fund may also invests in assets that are tradable and can be disposed. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements.

The Fund has ability to borrow, with prior approval of trustee, for meeting redemption. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

Maturity analysis for financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

	2011			
	Carrying amount and contractual cash flows	upto 8 days	8 days to one months	More than one month and not later than three months
<i>Non-derivative liabilities</i> -----(Rupees)-----				
Amount payable on redemption of units	449,002	(449,002)		
Payable to the Management Company	2,024,464	(2,024,464)		-
Remuneration payable to the Trustee	81,043	(81,043)		
Annual fee payable to Securities and Exchange Commission of Pakistan	345,858			(345,858)
Accrued and other liabilities	360,700			(360,700)
	3,261,067	(2,554,509)	-	(706,558)

	2010			
	Carrying amount and contractual cash flows	upto 8 days	8 days to one months	More than one month and not later than three months
<i>Non-derivative liabilities</i> -----(Rupees)-----				
Amount payable on redemption of units	36,870	(36,870)		
Payable to the Management Company	2,630,657	(493,301)		(2,137,356)
Remuneration payable to the Trustee	65,380	(65,380)		
Annual fee payable to Securities and Exchange Commission of Pakistan	166,433			(166,433)
Accrued and other liabilities	314,000			(314,000)
	3,176,470	(558,681)	-	(2,617,789)

Above financial liabilities do not carry any mark-up.

The Fund is exposed to cash redemptions of its units on a regular basis. As at 30 June 2011, 6,575,506 units were in issue amounting to Rs. 680.474 millions. Units are redeemable at the 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 document and guidelines laid down by SECP.

As per offering document, the Fund is allowed to withhold daily redemption request in excess of ten percent of the units in issue and such requests are be treated as redemption request qualifying for being processed on the next business day. Such procedure is continued until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund may also suspend the redemption of the units if the redemption request exceed 10% of unit in issue with prior approval of the trustees and notification to SECP.

15.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, profit rate risk and other price risk (equity price risk). The Fund is exposed to profit rate risk only.

Management of market risks

Market risk is managed by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board of Directors and regulations laid down by SECP and guidelines issued by Shariah advisor.

Profit rate risk

Profit rate risk arises from the possibility that changes in prevailing level of profit rates will affect future cash flows or the fair values of financial instruments.

Majority of the profit rate risk exposure arises on deposits with Islamic banks and GOP Ijarah sukuk bonds amounting to Rs. 240.901 million and Rs. 425.673 million respectively which carry variable profit rates.

The Management Company monitors the profit rates of investment portfolio on a regular basis and alters the portfolio mix to manage the profitability of the portfolio. The composition of the Fund's investment portfolio is expected to change over time.

Cash flow sensitivity analysis for variable rate instruments

Fund investment in GOP Ijara Sukuk amounting to Rs. 425.67 million (2010: Rs. 102.47 million) carry floating interest rate that expose the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in KIBOR at year end, the net assets attributable to unit holders of the Fund and net income for the year would have been higher / lower by Rs. 0.812 million (30 June 2010: 0.050 million). This analysis assumes that all other variables remain constant. The analysis for year ended 30 June 2010 is performed on the same basis.

15.4 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally acceptable standards/levels of investment management behaviour. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors. The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities; documentation of controls and procedures;
- compliance with regulatory and other legal requirements; requirements for the reconciliation and monitoring of transactions;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified; contingency plans;
- ethical and business standards; risk mitigation, including insurance where this is effective.

15.5 Unit Holders' Fund risk management

The Fund is an open end collective investment scheme. The unit holders' fund of the open end schemes is represented by net assets attributable to unit holders. The risk in case of open end scheme is the risk that the amount of net assets attributable to unit holders can change significantly on daily basis as the Fund is subject to daily issuance and redemption of Units at the discretion of the unit holders and occurrence of the unexpected losses in investment portfolio which may cause adverse effects on the Fund's continuation as going concern.

The Fund's objective when managing net assets attributable to unit holders is to safe guard the Funds ability to continue as going concern so that it can continue to provide optimum returns to its unit holders and to ensure reasonable safety of Unit Holders' Fund. In order to maintain or adjust the unit holder fund structure, the Fund policy is to perform the following:

- Monitors the level of daily issuance and redemptions relative to liquid assets;
- Redeem and issue unit in accordance with the constitutive documents of the Fund, which include the ability to restrict redemptions as allowed under rules and regulations; and
- Monitor portfolio allocations and return on net assets and where required make necessary adjustments in portfolio allocations in light of changes in market conditions.

The Fund Manager / IC members and the Chief Executive of the Management Company critically monitor capital of the Fund on the basis of the value of net assets attributable to the unit holders and track the movement of "Assets under Management" as well returns earned on the net assets to maintain investors confidence and achieve future growth in business. Further the Board of Directors is updated about the Fund yield and movement of NAV and total size at the end of each quarter.

In accordance with the NBFC Regulations, the Fund is required to distribute at least ninety percent of its income from sources other than capital gain as reduced by such expenses as are chargeable to the Fund. (Refer note 3.14)

The Fund is not exposed to externally impose minimum capital maintenance requirements.

15.6 Fair value of financial instruments

The Fund's accounting policy on fair value measurements is disclosed in note 3.1.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities. The Fund has no items to report in this level.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). Investment of the Fund carried at fair value are categorised in this level.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Fund has no items to report in this

As at 30 June 2011, all the investments were categorised in level 2.

16. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company have approved distributions of 3.2477 units (2010 : 5.0098 units) per unit for every 100 units held and Rs. 3.2552 per unit (2010 : Rs 5.0176) for the year ended June 2011, amounting to Rs. 21.404 million (2010:19.036 million) in total, in their meeting held on 05 July 2011. These financial statements do not reflect this distributions and that will be accounted for subsequent to the year end.

17. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern of the fund, top ten brokers of the Fund, members of the Investment Committee, fund manager, meetings of the Board of Directors, credit rating of the Fund and the Management Company of the fund as required under Schedule V of Non Banking Finance Companies and Notified Entities Regulations, 2008 has been disclosed in Annexure I to the financial statements.

18. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by Board of Directors of the Management Company on **23 August 2011**.

**For IGI Funds Limited
(Management Company)**

Chief Executive

Director

**SUPPLEMENTARY NON FINANCIAL INFORMATION
AS REQUIRED UNDER SECTION 6(D), (F), (G), (H), (I), AND (J)
OF THE FIFTH SCHEDULE TO THE
NON BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008**

(i) UNIT HOLDING PATTERN OF THE FUND

Category	As at 30 June 2011			
	Number of unit holders	Number of units held	Amount Rupees	% of total
Individuals	27	2,104,224	217,758,218	32.00%
Associated Companies / Directors	1	566,736	58,649,370	8.62%
Insurance Companies	4	148,506	15,368,332	2.26%
Banks/ Financial institutions	2	1,619,595	167,605,801	24.63%
Retirement and Other Funds	3	1,532,060	158,547,110	23.30%
Others	2	604,384	62,545,447	9.19%
	39	6,575,506	680,474,277	100%

Category	As at 30 June 2010			
	Number of unit holders	Number of units held	Investment amount	% of total
Individuals	23	742,534	78,094,273	19.57%
Associated Companies	2	505,340	53,148,006	13.32%
Banks/ Financial Institution	2	1,391,135	146,309,427	36.67%
Insurance Companies	4	117,040	12,309,427	3.08%
Retirement and other Funds	3	29,313	3,082,919	0.77%
Others	7	1,008,557	106,072,679	26.58%
	41	3,793,919	399,016,731	100%

(ii) LIST OF TOP BROKERS BY PERCENT OF THE COMMISSION PAID

Name of broker	Percentage of commission	
	2011	2010
IGI Finex Securities	2%	-
ICON Securities	28%	-
BMA Capital Management	-	100%
Al-Falah Security Pvt Ltd	38%	-
Elixir Securities	32%	-
	100%	100%

(iii) PARTICULARS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

- Maheen Rahman - CEO
- Muddasir Shaikh - CIO
- Syed Muhammad Zeeshan - CFO
- Syed Saifullah Kazmi - Fund manager

Maheen Rahman - CEO

Maheen Rahman has over nine years of experience in the financial services industry. Prior to joining IGI Funds she was Head of Business Development at IGI Securities the brokerage arm of IGI Financial Services. She has also served as Head of Research for BMA Capital Management where she spearheaded the research effort to provide sound and in depth investment advice across all capital markets to a wide range of corporate and institutional clients. Ms Rahman has also worked with Merrill Lynch in their Investment Banking Group and was a key team member for several high profile international transactions that spanned the Asia Pacific region and North America. She has also worked with ABN Amro Bank in Corporate Finance and M&A Advisory and was involved in a series of equity raising and IPO activity across south-east Asia. Ms Rahman holds a Bachelors of Science degree from LUMS Warwick Business School in the UK. She also holds a Series 7 qualification from the New York Stock Exchange.

Muddasir Shaikh - CIO

Mr. Muddasir has more than five years of experience in Investment Management & Equity Research. During his career, he has served number of public and private institutions of repute. Prior to joining IGI Funds Limited, he had been associated with Atlas Asset Management Limited, National Investment Trust Limited, and JS Investments Limited (Formerly JS ABAMCO Ltd.). Mr. Muddasir holds a Masters degree in Business Administration from Institute of Business Administration, Karachi.

Syed Muhammad Zeeshan - CFO

Mr. Zeeshan currently holds position of Chief Financial Officer (CFO) and has been associated with IGI Funds Limited for more than four years. Prior to joining IGI Funds Limited, he has also worked at senior positions in finance and accounts of National Investment Trust Limited (the largest open-end mutual funds in Pakistan owned by Federal Government), UBL Fund Managers Limited and Atlas Assets Management Limited . His total professional experience in mutual fund industry is more than nine years. He has also served at Ford Rhodes Sidat Hyder & Co. Chartered Accountants, for more than 5 years conducting audits of various financial institutions, mutual funds and multinational corporations. Mr. Zeeshan is a qualified Cost and Management Accountant (ACMA) from Institute of Cost and Management Accountants of Pakistan (ICMAP) and is also CA(Finalist) from Institute of Chartered Accountants of Pakistan (ICAP).

Syed Saifullah Kazmi - Fund manager

Mr. Kazmi has 3 years worth of banking experience, the chunk of which was spent in maintaining a Capital Market Portfolio. His previous placement was Dealer-Capital Markets for Faysal Bank Limited, where he was involved in all investment decisions and processes. Mr. Kazmi is a recent return from United Kingdom, where he received his BA (Honors) Business Management from the Kinston University, Surrey.

(iv) **DIRECTOR MEETING ATTENDANCE**

Name of Director	Designation	Meetings			
		Total	Attended	Leave Granted	Meeting not attended
Mr. Javed Hamid	Chairman	6	6	-	-
Mr. Khalid Yacob	Director	6	5	1	32nd
Mr. Ahmed Alman Aslam	Director	6	5	1	31st
Mr. Abid Naqvi	Director, Ex-CEO	6	6	-	-
Syed Javed Hassan	Director	6	6	-	-
Syed Abdul Wahab Mehdi	Director	1	-	1	28th
Asif Saad	Director	5	4	1	31st
Ms. Maheen Rahman	Chief Executive Officer	6	6	-	-

Syed Abdul Wahab Mehdi resigned as member Board of Directors of the Management Company on 14 July 2010 and Mr. Asif Saad was appointed as Member Board of Directors of the Management Company on the same day.

Securities and Exchange Commission of Pakistan (SECP) approved the changes on 24 August 2010

Dates of the meetings of the Board of Directors

Twenty-eight meeting	July 2, 2010
Twenty-ninth meeting	Aug 24, 2010
Thirtieth meeting	Oct 25, 2010
Thirty-one meeting	Feb 9, 2011
Thirty-second meeting	Mar 25, 2011
Thirty-third meeting	Apr 25, 2011

(V) **FUND AND ASSET MANAGER RATING**

JCR-VIS has awarded asset manager rating of an "AM2-" to IGI Funds Limited in its report dated February 2011. The rating reflects the company's experienced and qualified management team, a structured and strong fund management function, and demonstrated support of the sponsoring Group. The rating also factors in a growing realization on part of the management to institute a strong in-house risk management, compliance and control platform, translating into an improved relative standing amongst peers.

PACRA has awarded normal rating of "A+ (f)" to IGI Islamic Income Fund based on the performance review for the year ended 30 June 2010 vide its report dated 25 February 2011.

IGI Money Market Fund

Financial Statements
for the year ended
30 June 2011

IGI Money Market Fund
Statement of Assets and Liabilities
As at 30 June 2011

ASSETS	<i>Note</i>	2011	2010
Bank balances	4	189,593,270	378,799,546
Investments	5	2,312,254,450	435,802,350
Deferred formation cost	6	1,515,129	1,903,854
Interest receivable on bank deposits		1,589,192	5,912,095
Receivable against sale of investments		195,261,800	-
Other assets		-	91,285
Total assets		2,700,213,841	822,509,130
LIABILITIES			
Amount payable on redemption of units		1,631,400	3,145,354
Payable to the Management Company	7	1,603,328	2,457,873
Remuneration payable to the Trustee	8	237,572	159,189
Annual fee payable to Securities and Exchange Commission of Pakistan	9	1,275,939	60,344
Accrued and other liabilities	10	786,411	194,174
Total liabilities		5,534,650	6,016,934
Contingency	11		
Net assets attributable to unit holders	<i>Rupees</i>	2,694,679,191	816,492,196
Unit holders' fund (as per statement attached)	<i>Rupees</i>	2,694,679,191	816,492,196
Number of units in issue	<i>Numbers</i>	26,482,588	8,084,512
Net assets value per unit	<i>Rupees</i>	101.75	100.99

The annexed notes from 1 to 18 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI Money Market Fund

Income Statement

For the year ended 30 June 2011

	<i>Note</i>	2011	For the period from 28 May 2010 to 30 June 2010
Income			
Financial income	12	215,097,005	9,732,143
Capital loss on sale of investments - net		(1,804,289)	-
Net unrealised diminution in fair value of investments classified as 'at fair value through profit or loss- held for trading'	5	(304,267)	(127,504)
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed - net		7,443,202	(626,445)
Total income		220,431,651	8,978,194
Expenses			
Remuneration to the Management Company		13,770,038	483,790
Remuneration to the Trustee		2,467,526	159,189
Annual fee to the Securities and Exchange Commission of Pakistan		1,272,461	60,344
Brokerage expense		626,987	650
Bank charges		59,193	3,489
Amortization of deferred formation cost		388,725	36,302
Auditors' remuneration		173,750	30,000
Credit rating fee		150,000	-
Annual listing fee		91,285	3,715
Legal and professional		60,000	-
Printing charges		138,760	-
Workers' Welfare Fund	11	(159,860)	159,860
Total expenses		19,038,865	937,339
Net income for the year / period	<i>Rupees</i>	201,392,786	8,040,855

The annexed notes from 1 to 18 form an integral part of these financial statements.

**For IGI Funds Limited
(Management Company)**

Chief Executive

Director

IGI Money Market Fund
Statement of Comprehensive Income
For the year ended 30 June 2011

	2011	For the period from 28 May 2010 to 30 June 2010
Net income for the year / period	201,392,786	8,040,855
Other comprehensive income	-	-
Total comprehensive income for the year / period	<i>Rupees</i> <u><u>201,392,786</u></u>	<u><u>8,040,855</u></u>

The annexed notes from 1 to 18 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI Money Market Fund
Cash Flow Statement
For the year ended 30 June 2011

CASH FLOWS FROM OPERATING ACTIVITIES	<i>Note</i>	2011	For the period from 28 May 2010 to 30 June 2010
Net income for the year / period		201,392,786	8,040,855
Adjustments for:			
Amortization of deferred formation cost		388,725	36,302
Net unrealised diminution in fair value of investments classified as 'at fair value through profit or loss - held for trading'		304,267	127,504
Capital loss on sale of investments - net		1,804,289	-
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed - net		(7,443,202)	626,445
		196,446,865	8,831,106
Change in:			
Investments - net		(131,494,556)	(142,703,575)
Deferred formation cost		-	(1,940,156)
Interest receivable on bank deposits		4,322,903	(5,912,095)
Receivable against sale of investments		(195,261,800)	-
Other assets		91,285	(91,285)
Amount payable on redemption of units		(1,513,954)	3,145,354
Payable to the Management Company		(854,545)	2,457,873
Remuneration payable to the Trustee		78,383	159,189
Annual fee to the Securities & Exchange Commission of Pakistan		1,215,595	60,344
Accrued and other liabilities		592,237	194,174
		(322,824,452)	(144,630,177)
Net cash (used in) operating activities		(126,377,587)	(135,799,071)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of units		6,032,162,542	1,741,370,744
Payment against redemption of units		(4,329,814,665)	(933,545,848)
Distributions paid		(18,110,466)	-
Net cash from financing activities		1,684,237,411	807,824,896
Cash and cash equivalents at beginning of the year		672,025,825	-
Cash and cash equivalents at end of the year / period	<i>Rupees 13</i>	2,229,885,649	672,025,825

The annexed notes from 1 to 18 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI Money Market Fund
Distribution Statement
For the year ended 30 June 2011

For the period
from
28 May 2010 to
30 June 2010

	2011	
Undistributed income carried forward	8,040,855	-
Total comprehensive income for the year / period	201,392,786	8,040,855

Distributions during the year

Final distribution of cash dividend @ Rs.0.9648 per unit for the year ended 30 June 2010, approved on 24 August 2010	(482,200)	-
Final distribution of bonus @ 0.9645 units for every 100 units held, for the year ended 30 June 2010, approved on 24 August 2010	(7,317,537) (7,799,737)	- -
Interim distribution of cash dividend @ Rs.2.4008 per unit approved on 01 October 2010	(1,200,400)	-
Interim distribution of bonus @ 2.3941 units for every 100 units held approved on 01 October 2010	(23,126,113)	-
Interim distribution of cash dividend @ Rs.2.5176 per unit approved on 29 December 2010	(1,258,800)	-
Interim distribution of bonus @ 2.5046 units for every 100 units held approved on 29 December 2010	(28,518,447)	-
Interim distribution of cash dividend @ Rs. 2.8032 per unit approved on 28 March 2011	(8,917,872)	-
Interim distribution of bonus @ 2.7857 units for every 100 units held approved on 28 March 2011	(46,467,025)	-
Interim distribution of cash dividend @ Rs. 1.0258 per unit approved on 28 April 2011	(3,263,708)	-
Interim distribution of bonus @ 1.0188 units for every 100 units held approved on 28 April 2011	(19,457,012)	-
Interim distribution of cash dividend @ Rs. 0.9391 per unit approved on 29 May 2011	(2,987,486)	-
Interim distribution of bonus @ Rs. 0.9325 units for every 100 units held approved on 29 May 2011	(20,015,823)	-
	(163,012,423)	-

Undistributed income carried forward	<i>Rupees</i> 46,421,218	8,040,855
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Undistributed income carried forward at end of the year / period

- Realized gains	46,425,485	8,168,359
- Unrealized loss	(304,267)	(127,504)
	<i>Rupees</i> 46,121,218	8,040,855

The annexed notes from 1 to 18 form an integral part of these financial statements.

**For IGI Funds Limited
(Management Company)**

Chief Executive

Director

IGI Money Market Fund
Statement of Movement in Unit Holders' Fund
For the year ended 30 June 2011

	2011	For the period from 28 May 2010 to 30 June 2010
	(Rupees)	
Net assets at beginning of the year / period	816,492,196	-
Amount realized on issuance of 59,547,064 units (30 June 2010: 17,351,177 units)	6,032,162,542	1,741,370,744
Amount paid / payable on redemption of 42,590,246 units (30 June 2010: 9,266,665)	(4,329,814,665)	(933,545,848)
Amount realized on issuance of Bonus Units of 1,441,258 units	<u>144,901,957</u>	-
	2,663,742,030	<u>807,824,896</u>
Element of (income) / loss and capital (gains) / losses included in prices of units sold less those in units redeemed - net	(7,443,202)	626,445
Capital loss on sale of investments - net	(1,804,289)	-
Net unrealised diminution in fair value of investments classified as 'at fair value through profit or loss- held for trading'	(304,267)	(127,504)
Other net income for the year / period	203,501,342	8,168,359
Total comprehensive income for the year / period	201,392,786	8,040,855
<i>Distributions made during the year</i>		
Final distribution of bonus units	(7,317,537)	-
Final distribution of cash dividend	(482,200)	-
Interim distribution of bonus units	(137,584,420)	-
Interim distribution of cash dividend	(17,628,266)	-
	<u>(163,012,423)</u>	-
	38,380,363	8,040,855
Net assets at end of the year / period	<u><u>2,694,679,191</u></u>	<u><u>816,492,196</u></u>

The annexed notes from 1 to 18 form an integral part of these financial statements.

**For IGI Funds Limited
(Management Company)**

Chief Executive

Director

IGI Money Market Fund

Notes to the Financial Statements

For the year ended 30 June 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

IGI Money Market Fund ("the Fund") was constituted under Trust Deed dated 04 March 2010, between IGI Funds Limited (IGIFL) as Management Company, incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust deed was registered with Sub-Registrar on 4 March 2010.

The Fund was registered by the Securities and Exchange Commission of Pakistan (SECP) as a notified entity under Regulation 44 of the Non Banking finance Companies and Notified Entities Regulations, 2008 "NBFC Regulations" vide its letter No. NBFC-II/AD/IGI/MMF/218 dated 18 March 2010 and Offering Document was approved by SECP under Regulation 54 of the NBFC Regulations, vide its letter No. NBFC-II/JE/IGI/MMF/354 dated 3 May 2010. The core investment amounting to Rs. 100 million of the Fund was received from IGI Investment Bank Limited on 12 April 2010. The Fund was initially offered for public subscription from 25 May to 27 May 2010 (IPO period).

The Fund is an open end mutual fund and is listed on Lahore Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The Fund primarily invests in Government Securities, Certificates of Investment, Certificates of Deposits, Certificates of Musharika, Term Deposit Receipts, Commercial Papers, reverse repo, etc. The Fund primarily is categorised as an Money Market Scheme and is subject to guidelines prescribed by SECP.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, requirements of Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008. In case, the requirements differ, the provisions and directive of the Companies Ordinance 1984, the requirements of the Trust deed and Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that investments classified as "at fair value through profit and loss account - held for trading" which are stated at their fair values.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is also the functional currency of the Fund and rounded off to the nearest Rupees.

2.4. Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, 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 results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

2.4.1 *Classification and valuation of investments*

For detail please refer note 15.6 to these financial statements.

2.4.2 *Workers welfare fund liability*

For detail please refer note 13 to these financial statements.

2.4.3 *Impairment of investment*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. This objective evidence of impairment of fixed income securities is determined in accordance with provisioning criteria / policy for non performing exposures approved by the Board of Directors of the Management Company in accordance with the requirements of Annexure II of SECP Circular no. 13 of 2009 dated 4 May 2009. As per provisioning policy the Investment Committee of the Management Company shall continuously review the provisioning status of all fixed income securities held by Fund, to assess whether there is change in circumstances which warrant additional provision and accordingly shall determine whether additional provision is required or not along with rationale and appropriate grounds and recommend it to Board of Directors for their approval.

2.4.4 *Other assets*

Judgment is involved in assessing the reliability of the assets balances.

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

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below:

- IAS 24 Related Party Disclosures (revised 2009) – (effective for annual periods beginning on or after 1 January 2011). The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Fund’s financial statements.
- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2011). These amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity’s exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.
- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011) These amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.

Apart from above certain other standards, amendments to published standards and interpretations of accounting standards became effective for accounting periods beginning on or after 1 January 2011, however, they do not affect the Fund's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the periods presented in these financial statements.

3.1 Investments

The Fund classifies its investments in the following categories:

- **Fair value through profit or loss - held for trading**

Investments which are acquired principally for the purposes of selling in the near term and are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking are classified as held for trading. These include investment in treasury bills.

These investments are initially recognised at fair value, being the cost of the consideration given. The transaction costs associated with the investments classified as 'at fair value through profit or loss' are charged off to the income statement. Subsequent to initial measurement, held for trading investments are measured at fair value. The resultant gain/losses are included in Income Statement.

- **Held to maturity**

Investments with fixed or determinable maturity where management has both the positive intent and ability to hold till maturity are classified as held-to-maturity. These investments are measured initially at its fair value plus transaction cost that are directly attributable to these investments and are stated at amortized cost. Subsequent to initial measurements, held to maturity investments are measured at amortized cost. Provision for impairment in value, if any, is taken to income. Premiums and discounts on investments are amortized using the effective interest rate method and taken to income or expense from investments.

Basis of valuation of investments

Investment stated at fair value

Government security - treasury bills

The investment of the Fund in government securities are valued at their fair values (determined by reference to the quotations obtained from the PKRV rate sheet on the Reuters page), based on the remaining tenor of the security.

Held to maturity investments

Held to maturity investments are valued initially at their fair value plus any transactions cost.

Date of Recognition

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the investments.

Income recognition on treasury bills

Income accrued on treasury bills are included in the original carrying value of investments.

Derecognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risk and rewards of ownership.

3.1.1 Derivative Financial Instruments

Derivative instruments that are held by the Fund primarily comprise of futures contracts in the capital market and are classified in held for trading investments, subcategory under investment 'at fair value through profit or loss'. These are measured at initially and of each subsequent measurement at their fair values which is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the futures contract. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses are included in the income currently. All derivatives in a net receivables positions (positive fair values) and reported as financial asset held for trading. All derivatives in a net payable position (negative fair values) are reported as financial liabilities held for trading.

3.2 Securities under repurchase / resale agreements (including those purchased / sold under Continuous Funding System)

Transactions of purchase under resale (reverse-repo) of marketable and government securities, including the securities purchased under continuous funding system, 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 recognised in the statement of assets and liabilities. Amounts paid under these agreements are included in receivable in respect of reverse repurchase transactions / against continuous funding system. 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 recognised 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 financial liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement. All reverse repo / continuous funding system transactions are accounted for on the settlement date.

3.3 Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a investments classified as 'held to maturity and are measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

3.4 Unit holders' fund

Unit holders' fund representing the units issued by the Fund is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

3.5 Issue and redemption of units

Units are allocated at the offer price prevalent on the day on which applications for the purchase of units are received (however units are issued on the realization of funds). The offer price represents the net assets value of units at the end of the day.

Units redeemed are recorded at the redemption price prevalent on the day on which the units are redeemed. The redemption price represents the net assets value at the end of the day. Redemption of units is recorded on acceptance of application for redemption. As per Offering Document of the Fund no back end load is being charged by the Management Company.

3.6 Net asset value per unit

The net assets 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 in issue.

3.7 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the income on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets held for trading are included in the income statement in the period in which they arise.
- Income on Government securities, reverse repurchase arrangements, certificates of investment, certificates of deposits, term deposit receipts, commercial paper, placements and bank deposits are recognised in the income statement at rate of return implicit in the instrument on a time proportionate basis.

3.8 Element of income and capital gains included in prices of units sold less those in units redeemed - net

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

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

The net "element of income and capital gains included in prices of units sold less those in units redeemed" during an accounting period is recognised in the Income Statement.

3.9 Taxation

Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 provides exemption from tax to any income derived by a Mutual Fund, if not less than ninety percent of its accounting income of a year as reduced by capital gains whether realized or unrealized is distributed among the unit holders. The management company has distributed a sufficient accounting income of Fund (including final distributions subsequent to reporting date refer note 16) for the year ended 30 June 2011 which meets the requirement of above stated clause. Accordingly no tax provision has been made in these financial statements for the year ended 30 June 2011.

3.10 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument and derecognised when the Fund loses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the Statement directly.

3.11 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 recognised amount and the Fund intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.12 Provision

A provision is recognised in the balance sheet when the Fund has a legal or constructive obligation as result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are regularly reviewed and are adjusted to reflect the current best estimate.

3.13 Deferred formation cost

Expenses incurred on the formation of the Fund have been recognised as deferred formation cost. Deferred formation cost is amortised over a period of five years starting from 28 May 2010 (the date of the end of initial period of the Fund) as stated in the Trust Deed of the Fund approved by the SECP.

3.14 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and those investments which are readily convertible to known amount of cash subject to an insignificant risk of significant changes of values and have maturities of less than three months from the date of acquisition.

3.15 Distributions

Distributions declared including the bonus units are recorded in the period in which they are approved. Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, requires that the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / losses to the unit holders. The Management Company has distributed a sufficient accounting income of the Fund (including final distributions declared subsequent to reporting date refer note 16) for the year ended 30 June 2011 in order to comply with the above stated regulation.

3.16 Other assets

Other assets are stated at cost less impairment losses, if any.

3.17 Accrued and Liabilities

All expenses including management fee and trustee fee are recognised in the Income Statement as and when incurred.

4. BANK BALANCES - Local Currency

This represents balances in deposit accounts with banks and carry interest rates ranging from 5% to 11.50% (June 2010: 9% to 10.5%).

5. INVESTMENTS

2011
2010
(Rupees)

Financial asset at fair value through profit and loss- held for trading

Investment in treasury Bills	5.1	2,093,286,195	435,929,854
Less: Net unrealised diminution in fair value		(304,267)	(127,504)
		<u>2,092,981,928</u>	<u>435,802,350</u>

Held to maturity

Certificates of Investments	5.2	219,272,522	-
	Rupees	<u>2,312,254,450</u>	<u>435,802,350</u>

5.1 Treasury Bills

	As at 1 July 2010	Purchased during the year	Sold / matured during the period	Balance as at 30 June 2011	Carrying amount as at 30 June 2011	Market value as at 30 June 2011	% of net assets on the basis of market value	% of total investment on the basis of market value
Note	------(Number of Certificates)-----			------(Rupees)-----		------(%age)-----		

Treasury bills - face value of Rs. 100 each having

Maturity upto 3 months	5.1.1	3,000,000	131,024,000	117,604,000	16,420,000	1,615,406,221	1,615,167,593	59.94%	69.85%
Maturity upto 6 months	5.1.2	1,500,000	33,020,000	29,530,000	4,990,000	477,879,973	477,814,334	17.73%	20.66%
Maturity upto 1 year	5.1.3	-	17,830,000	17,830,000	-	-	-		
		<u>4,500,000</u>	<u>181,874,000</u>	<u>164,964,000</u>	<u>21,410,000</u>	<u>2,093,286,194</u>	<u>2,092,981,927</u>		

5.1.1 These represents Market Treasury Bills having face value of Rs. 1,642 million (30 June 2010: Rs. 300 million) and carrying purchase yield ranging between 12.05% to 13.49% per annum (30 June 2010: 12.06% to 12.10%). These Market Treasury Bills have maturity upto 8 September 2011 (30 June 2010: 9 September 2010)

5.1.2 These represents Market Treasury Bills having face value of Rs. 499 million (30 June 2010: Rs. 150 million) and carrying purchase yield ranging between 12.16% to 13.67% per annum (30 June 2010: 12.16%). These Market Treasury Bills have maturity upto 15 December 2011 (30 June 2010: 2 December 2010).

5.1.3 These represents Market Treasury Bills having maturity upto one year and carrying purchase yield ranging between 11.97% to 13.24% per annum.

5.2 These certificates carry mark-up rate of 13.25% and will mature on 6 August 2011 and 9 August 2011. Investment in Certificates of Investments of Pak Oman Investment Company Limited and Pak Brunei Investment Company Limited represents 9.48% of total investment on the basis of carrying amount and 9.00% of net assets on the basis of carrying amount.

6. DEFERRED FORMATION COST

Unamortised Cost		1,903,854	1,940,156
Amortised to the income statement during the period		(388,725)	(36,302)
Unamortised cost at the end of the period	Rupees	<u>1,515,129</u>	<u>1,903,854</u>

This represents expenses incurred on the formation of the Fund. The offering document of the Fund, approved by the Securities and Exchange Commission of Pakistan, permits the deferral of the cost over a period not exceeding five years. Accordingly the said expenses are being amortised over a period of five years effective from 28 May 2010, i.e. after the end of initial period of the Fund.

7. PAYABLE TO MANAGEMENT COMPANY

Remuneration payable to the Management Company	7.1	1,578,328	422,717
Formation cost payable		-	1,940,156
Other payables		25,000	95,000
	Rupees	<u>1,603,328</u>	<u>2,457,873</u>

7.1 The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding three percent per annum of the average daily net assets of the Fund during first five years of the Fund's existence and thereafter an amount equal to two percent per annum of such assets of the Fund. The Management Fee for the year ended 30 June 2011 is charged @ 0.8% of the average daily net assets of the Fund plus workers' welfare fund (WWF) charged for the period ended 30 June 2010 and reversed during the year as last year management participation fee was reduced by the same amount due to charging of WWF.

8. REMUNERATION PAYABLE TO THE TRUSTEE

Upto 31 December 2010, the Trustee was entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed, calculated at the rate 0.2% per annum on amount upto Rs. 1 billion of the daily average net assets of the Fund or Rs. 0.7 million, whichever is higher, and Rs. 2 million plus 0.1% per annum of NAV exceeding Rs. 1 billion when daily average net assets of the Fund exceeds Rs. 1 billion.

From 1 January 2011, the Trustee is entitled to a monthly remuneration for services rendered to the Fund under provisions of the letter reference CDC/T&DH/1633/2010 dated 18 December 2010 by the trustee, calculated at the rate 0.17% per annum on amount upto Rs. 1 billion of the daily average net assets of the Fund or Rs. 0.6 million, whichever is higher, and Rs. 1.7 million plus 0.085% per annum of NAV exceeding Rs. 1 billion when daily average net assets of the Fund exceeds Rs. 1 billion.

9. ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Rule 62 of the NBFC Regulations, 2008, whereby the Fund is required to pay SECP an amount at the rate of 0.075% of the average daily net assets of the Fund.

10. ACCRUED AND OTHER LIABILITIES

Withholding tax payable		197,569	3,664
Auditors' remuneration		120,000	30,000
Unearned income		211,751	-
Brokerage payable		172,091	650
Legal fees payable		35,000	-
Printing charges payable		50,000	-
Workers' Welfare Fund Payable		-	159,860
	Rupees	<u>786,411</u>	<u>194,174</u>

11. CONTINGENCY - WORKERS' WELFARE FUND

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. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. A petition has been filed with the Honourable High Court of Sindh by some of the Collective Investment Schemes through their Trustees on the ground that the CIS (mutual funds) are not establishments and as a result not liable to pay contribution to WWF.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated 8 July 2010 issued advice and clarifications which stated that WWF Ordinance 1971 does Establishment Ordinance, 1969 is not applicable to any public listed company and any organized financial institutions including Mutual Funds because they are ruled and governed by separate laws. Further, in a subsequent letter dated 15 July 2010 the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*."

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated 6 October 2010 to the Members (Domestic Operation) North and South FBR. In the letter reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office for two mutual funds for payment of levy under WWF has been withdrawn. However, there have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds and that MUFAP has requested Member Policy Direct Taxes for withdrawal of such show cause notices issued to such mutual funds. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter 4 January 2011 has cancelled ab-initio clarificatory letter dated 6 October 2010 on applicability of WWF on mutual funds. On December 14, 2010, the Ministry filed its response to the constitutional petition pending in the Court. As per the legal counsel who is handling the case, there is contradiction between the above earlier letter and clarification of the Ministry and the response filed by the Ministry before Honourable High Court of Sindh.

In view of the above stated matters, the Management Company is of the view that notwithstanding the show cause notices issued to a number of mutual funds, WWF is not applicable to the Funds and there have been favourable developments supporting Mutual Fund's point of view hence provision in respect of WWF made upto 2 August 2010 amounted to Rs. 0.357 million (including provision upto 30 June 2010 of Rs. 0.16 million) has been reversed and the provision for the period from 3 August 2010 to 30 June 2011 amounting to Rs. 3.832 million has not been made.

12. FINANCIAL INCOME

	2011	For the period from 28 May 2010 to 30 June 2010
Financial income on:		
Financial assets at fair value through profit and loss - Held for trading		
Treasury Bills	152,198,715	2,436,354
Held to maturity		
Term deposits	18,019,863	-
Letter of placement	2,220,437	-
Certificate of investment	4,261,785	100,334
Others		
Bank deposits	38,396,205	7,195,455
	<u>215,097,005</u>	<u>9,732,143</u>

13. CASH AND CASH EQUIVALENTS

Bank balances	189,593,270	378,799,546
Treasury Bill with maturity within 3 months	1,821,019,857	293,226,279
Certificate of Investment with maturity within 3 months	219,272,522	-
	<i>Rupees</i> <u>2,229,885,649</u>	<u>672,025,825</u>

14. TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS

Related parties include IGI Funds Limited being the Management Company, Central Depository Company of Pakistan Limited being the trustee, IGI Investment Bank Limited being the holding company of the Management Company, IGI Finex Securities Limited being the subsidiary of the IGI Investment Bank Limited and IGI Insurance Limited being the holding company of the IGI Investment Bank Limited and Packages Limited being the holding company of IGI Insurance Limited, Tri Pack Films Limited, Tetra Pak Pakistan Limited being the associates of IGI Insurance Limited and Key Management personnel. Transactions with these related parties involve issue and redemption of units and issue of bonus shares.

Remuneration payable to the Management Company and the Trustee are determined in accordance with the provisions of Non - Banking Finance Companies and Notified Entities Regulations, 2008, and the Trust Deed. Front end load is charged to unit holder and is payable to the Management Company according to provisions of the offering document of the Fund. Security deposit are placed with CDC under normal terms of the business. Issues and redemptions of units and other transactions are in the normal course of business.

Transactions and balances with related parties other than those disclosed elsewhere are as follows:

14.1 Unit Holders' Fund

	2011										
	As at 01 July 2010	Issued for cash/ conversion in/transfer in	Bonus	Redeemed/ conversion out/transfer out	As at 30 June 2011	As at 01 July 2010	Issued for cash/ conversion in/transfer in	Bonus	Redeemed/ conversion out/transfer out	As at 30 June 2011	Net asset value as at 31 June 2011
	Units				(Rupees)						
Associated companies / undertakings											101,7529
IGI Investment Bank Limited	995,076	2,313,976	47,009	2,803,259	552,802	560,491,435	234,092,668	4,721,147	283,451,076	515,854,174	56,249,207
IGI Investment Bank Limited - Group Provident Fund	-	21,716	774	-	22,490	-	2,200,000	77,911	-	2,277,911	2,288,423
IGI Insurance Limited	249,411	-	2,406	251,817	-	24,985,000	240,632	25,252,510	(26,878)	-	-
IGI Finex Securities Limited	-	514,796	12,986	527,782	-	-	52,514,874	1,296,276	54,123,948	(312,798)	-
IGI Funds Limited	-	159,796	6,492	-	166,288	-	16,200,000	653,526	-	16,853,526	16,920,286
IGI Funds Limited Staff Provident Fund	-	7,395	136	7,531	-	-	750,000	13,640	774,023	(10,383)	-
Packages Limited	-	10,890,219	-	10,890,219	-	-	1,100,233,854	-	1,107,349,213	(7,115,359)	-
Other Related Parties											
Transactions with employees	11,614	36,562	1,947	27,908	22,215	1,151,313	3,744,483	195,947	2,798,841	2,292,902	2,260,441
Key Management Personnel											
Syed Babar Ali - Group Chairman	469,770	1,480,792	44,506	989,627	1,005,441	47,133,799	150,000,000	4,468,897	46,953,596	154,649,100	102,306,538
Maheen Rehman - CEO	-	14,824	291	-	15,115	-	1,500,000	29,269	-	1,529,269	1,537,995
Syed Javed Hasan -Director	-	2,976	-	-	2,976	-	302,970	-	-	302,970	302,817

	2010										
	As at 01 July 2009	Issued for cash/ conversion in / transfer in	Bonus	Redeemed/ conversion out / transfer out	As at 30 June 2010	As at 01 July 2009	Issued for cash/ conversion in / transfer in	Bonus	Redeemed/ conversion out / transfer out	As at 30 June 2010	Net asset value as at 30 June 2010
	Units				(Rupees)						
Associated companies / undertakings											
IGI Investment Bank Limited		2,022,503	-	1,027,405	995,098		663,796,972		103,305,537	560,491,435	100,494,947
IGI Insurance Limited		749,401	-	500,000	249,401		75,000,000		50,015,000	24,985,000	25,187,007
Other Related Parties											
Transactions with employees		14,671	-	3,057	11,614		1,469,509		318,196	1,151,313	1,172,898
Key Management Personnel											
Syed Babar Ali - Group Chairman		469,770	-	-	469,770		47,133,799		-	47,133,799	47,442,072

14.2 Other transactions

		For the period from 28 May 2010 to 30 June 2010
	2011	
<u>Associated Companies / Undertakings</u>		

IGI Funds Limited		
Management fees	Rupees 13,770,038	483,790
Printing charges	Rupees 48,700	430,156
Formation Cost paid	Rupees 1,940,156	-
Others	Rupees 175,000	-

IGI Investment Bank Limited		
Treasury Bills - purchased	Rupees 299,695,200	-
Treasury Bills - sold	Rupees 485,838	-

IGI Income Fund		
Treasury Bills - purchased	298,144,364	-
Treasury Bills - sold	480,952,910	-

IGI Aggressive Income Fund		
Treasury Bills - sold	9,789,230	-

Other Related Parties

IGI Finex Securities		
Brokerage charges	Rupees 25,545	650

IGI Funds Limited - Staff Provident Fund		
Treasury Bills - sold	3,892,032	-

First International Investment Bank Limited		
Treasury Bills - sold	5,851,092	-

Central Depository Company of Pakistan Limited		
Trustee fee	Rupees 2,467,526	159,189

14.3 Other balances

	2011	2010
<u>Associated Companies / Undertakings</u>		
IGI Funds Limited		
Management fee and other payable	Rupees 1,603,328	2,457,873

<u>Other Related Parties</u>		
IGI Finex Securities		
Brokerage charges payable	Rupees -	650

Central Depository Company of Pakistan Limited		
Trustee fee payable	Rupees 237,572	159,189

15. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Fund has exposure to following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Risk management framework

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 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.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed by Board of Directors and Audit Committee regularly to reflect changes in market conditions and the Fund's activities.

The Fund maintains positions in a variety of financial instruments in accordance with the guidelines given by SECP and the constitutive documents of the Fund. The Fund primarily invests in Government Securities, Certificates of Investment, Certificates of Deposits, Certificates of Musharika, Term Deposit Receipts, Commercial Papers, reverse repo, etc (subject to above guidelines, etc). Such investments are subject to varying degrees of risk.

The management of risks as stated above is carried out by the Investment Committee (IC) under the policies and procedures approved by the Board. IC is constituted by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, Rules, and Constitutive Documents of the Fund in addition to the Fund's internal risk management policies.

15.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. The Fund is exposed to credit risk on cash and cash equivalents, investments, interest receivable on bank deposits and receivable against sale of investments. There is a possibility of default by participants and of failure of the financial markets, the depositories, the settlements or clearing system etc.

Management of credit risk

The Fund's policy is to enter into financial contracts with reputable counterparties in accordance with the internal risk management policies and investment guidelines approved by the Board of Directors. The IC closely monitors the creditworthiness of the Fund's counterparties (e.g., issuer of the instruments, brokers, banks, etc.) by reviewing their credit ratings, financial statements and press releases on a regular basis. In addition the credit risk is also minimized due to the fact that the Fund only invests in the high quality financial assets, majority of which have been rated by a reputable rating agency. All transactions in debt securities are settled / paid upon delivery. The risk of default in such transactions is considered minimal, as delivery of securities is guaranteed by reputable brokers or the transactions are carried with counter parties of high reputation. Further, bank accounts are held only with reputable banks.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	Carrying Amount	
	2011	2010
Bank balances	189,593,270	378,799,546
Investments		
- At fair value through profit and loss account - held for trading - Treasury Bills	2,092,981,928	435,802,350
- Held to maturity investments	219,272,522	-
	2,312,254,450	435,802,350
Interest receivable on bank deposits	1,589,192	5,912,095
Receivable against sale of investments	195,261,800	-
Other assets	-	91,285
	2,698,698,712	820,605,276

Rupees

Credit quality of bank balances

Details of credit rating of bank balances (including markup / return receivable thereon) as at 30 June 2011 are as follows:

Name of Bank	Rating	2011	2010
		%	%
Allied bank Limited	A1+/AA	0.150%	-
Bank Alfalah Limited	A1+/AA	0.400%	73.532%
Bank Al-Habib Limited	A1+/AA+	0.008%	26.468%
MCB Bank Limited	A1+/AA+	99.442%	-
		100.000%	100.000%

Bank Balances are kept with and interest is receivable from a commercial banks with credit rating as mentioned above which is issued by Pakistan Credit Rating Agency Limited (PACRA).

Credit quality of held for trading investments - Treasury Bills

Investments in Treasury Bills do not expose the Fund to credit risk as the counter party is the Government of Pakistan. The table below analyses the Fund's Investments in Treasury Bills on the basis of maturity over the period.

	Market value as at	
	2011	2010
Maturity upto 3 months	1,615,167,593	293,179,800
Maturity upto 6 months	477,814,334	142,622,550
	<u>2,092,981,927</u>	<u>435,802,350</u>

Credit quality of held to maturity - Certificates of investments

Credit rating of the certificates of investments held by the Fund are "A1+" rated by reputable credit rating agency subsequent to the year end.

Credit quality of interest receivable on bank deposits and other assets

Interest income receivable on bank deposits and receivable against sale of investments were received subsequent to the year end.

Past due or impaired financial assets

None of the financial assets are considered to be past due or impaired as at 30 June 2011 and 30 June 2010.

Concentration of the credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Concentration of credit risk is determined with references to the individual counter parties as well as industry segment of the counter party as defined by stock exchange. As at 30 June 2011 Fund's exposure to credit risk in respect of the assets other than investment in treasury bills was amounted to Rs. 605.717 million (30 June 2010: Rs. 384.605 million) which represented balances with commercial banks and receivable from corporate sector.

15.2 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The liquidity risk is managed by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

Management of liquidity risk

The Fund's policy is to manage this risk by investing in fixed income products and by keeping adequate assets as cash and cash equivalents. Further the Fund may also invests in assets that are tradeable and can be disposed. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements.

The Fund has ability to borrow, with prior approval of trustee, for meeting redemption. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

Maturity analysis for financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

	2011			
	Contractual Cash flows and carrying amount	Up to 8 days	8 days to one months	later than one month and not later than three months
----- (Rupees) -----				
<i>Non-derivative liabilities</i>				
Amount payable on redemption of units	1,631,400	(1,631,400)	-	-
Payable to the Management Company	1,603,328	(1,578,328)	(25,000)	-
Remuneration payable to the Trustee	237,572	-	(237,572)	-
Annual fee payable to Securities and Exchange Commission of Pakistan	1,275,939	-	-	(1,275,939)
Accrued and other liabilities	786,411	(211,751)	(454,660)	(120,000)
	5,534,650	(3,421,479)	(717,232)	(1,395,939)

	2010			
	Contractual Cash flows and carrying amount	Up to 8 days	8 days to one months	later than one month and not later than three months
----- (Rupees) -----				
<i>Non-derivative liabilities</i>				
Amount payable on redemption of units	3,145,354	(3,145,354)	-	-
Payable to the Management Company	2,457,873	-	(2,457,873)	-
Remuneration payable to the Trustee	159,189	-	(159,189)	-
Annual fee payable to Securities and Exchange Commission of Pakistan	60,344	-	-	(60,344)
Accrued and other liabilities	34,314	-	(4,314)	(30,000)
	5,857,074	(3,145,354)	(2,621,376)	(90,344)
	5,857,074	(3,145,354)	(2,621,376)	(90,344)

Above financial liabilities do not carry any mark-up.

The Fund is exposed to cash redemptions of its units on a regular basis. As at 30 June 2011, 26,482,588 units were in issue amounting to Rs. 2,695.679 million (30 June 2010: 8,084,512 units were in issue amounting to Rs. 816.492 million). Units are redeemable at the 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 document and guidelines laid down by SECP.

As per offering document, the Fund is allowed to withhold daily redemption request in excess of ten percent of the units in issue and such requests are to be treated as redemption request qualifying for being processed on the next business day. Such procedure is continued until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund may also suspend the redemption of the units if the redemption request exceeds 10% of unit in issue with prior approval of the trustees and notification to SECP.

15.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk (equity price risk). The Fund is exposed to interest rate risk only.

Management of market risks

The market risk is managed by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board of Directors and regulations laid down by the SECP.

Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial instrument and future cash flows.

Majority of the interest rate risk exposure arises on investment in treasury bills classified as held for trading, certificates of investment classified as held to maturity and deposit accounts held with commercial banks amounting to Rs. 2,502.847 million (30 June 2010: Rs. 814.602 million) respectively which carry fixed interest rates. The Fund has no variable interest rate instruments.

The interest rates of investment portfolio are monitored on a regular basis and the portfolio mix of fixed rate securities are altered to manage the profitability of the portfolio. The composition of the Fund's investment portfolio is expected to change over time.

Fair value sensitivity analysis for fixed rate instruments

The Fund's investment in treasury bills and certificates of investment exposes Fund to fair value risk and cash flow interest rate risk. In case of 100 basis points increase / decrease in interest rates on year end, the net assets attributable to unit holders of the fund and net income for the period would have been higher / lower by Rs. 3.461 million (30 June 2010: Rs. 1.23 million). This analysis assumes that all other variables remain constant.

15.4 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally acceptable standards/levels of investment management behaviour. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors. The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities; documentation of controls and procedures;
- compliance with regulatory and other legal requirements; requirements for the reconciliation and monitoring of transactions;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified; contingency plans;
- ethical and business standards; risk mitigation, including insurance where this is effective.

15.5 Unit Holders' Fund risk management

The Fund is an open end collective investment scheme. The unit holders' fund of the open end schemes is represented by net assets attributable to unit holders. The risk in case of open end scheme is the risk that the amount of net assets attributable to unit holders can change significantly on daily basis as the Fund is subject to daily issuance and redemption of Units at the discretion of the unit holders and occurrence of the unexpected losses in investment portfolio which may cause adverse effects on the Fund's continuation as going concern.

The Fund's objective when managing net assets attributable to unit holders is to safe guard the Funds ability to continue as going concern so that it can continue to provide optimum returns to its unit holders and to ensure reasonable safety of Unit Holders' Fund. In order to maintain or adjust the capital structure, the Fund policy is to perform the following:

- Monitors the level of daily issuance and redemptions relative to liquid assets;
- Redeem and issue unit in accordance with the constitutive documents of the Fund, which include the ability to restrict redemptions as allowed under rules and regulations; and
- Monitor portfolio allocations and return on net assets and where required make necessary adjustments in portfolio allocations in light of changes in market conditions.

The Fund Manager / IC members and the Chief Executive of the Management Company critically monitor capital of the Fund on the basis of the value of net assets attributable to the unit holders and track the movement of "Assets under Management" as well returns earned on the net assets to maintain investors confidence and achieve future growth in business. Further the Board of Directors is updated about the Fund yield and movement of NAV and total size at the end of each quarter.

In accordance with the NBFC Regulations, the Fund is required to distribute at least ninety percent of its income from sources other than capital gain as reduced by such expenses as are chargeable to the Fund. (Refer note 3.15).

The Fund is not exposed to externally imposed minimum capital maintenance requirements.

15.6 Fair value of financial instruments

The Fund's accounting policy on fair value measurements is disclosed in note 3.1.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities. The Fund has no items to report in this level.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). Investment in treasury bills carried at fair value is categorised in this level. Refer note 5.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Fund has no items to report in this level.

The carrying amounts of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

16. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company have approved distribution of 1.521 (2010: 0.9645) units per for every 100 units held and Rs 1.524 (2010: Rs. 0.9648) per unit for the period from 30 May 2011 to 30 June 2011, amounting to Rs. 40.373 million (2010: Rs. 7.8 million) in total, in their meeting held on 5 July 2011. These financial statements do not reflect this distributions and that will be accounted for subsequent to the year end.

17. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern of the fund, top ten brokers of the Fund, members of the Investment Committee, fund manager, meetings of the Board of Directors, credit rating of the Fund and the Management Company of the fund as required under Schedule V of Non Banking Finance Companies and Notified Entities Regulations, 2008 has been disclosed in Annexure I to the financial statements.

18. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by Board of Directors of the Management Company on **23 August 2011**.

**For IGI Funds Limited
(Management Company)**

Chief Executive

Director

**SUPPLEMENTARY NON FINANCIAL INFORMATION
AS REQUIRED UNDER SECTION 6(D), (F), (G), (H), (I), AND (J)
OF THE FIFTH SCHEDULE TO THE
NON BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008**

(i) UNIT HOLDING PATTERN OF THE FUND

Category	As at 30 June 2011			
	Number of unit holders	Number of units held	Amount Rupees	% of total
Individuals	93	3,175,551	323,121,410	11.99%
Associated Co./ Directors	4	573,843	58,390,190	2.17%
Insurance Co.	6	5,255,456	534,757,743	19.84%
Banks/ DFIs	5	5,557,965	565,538,882	20.99%
NBFC/ NBFI	1	166,288	16,920,282	0.63%
Retirement & Other Funds	9	1,168,645	118,912,992	4.41%
Others	21	10,584,839	1,077,037,692	39.97%
	139	26,482,587	2,694,679,191	100%

Category	As at 30 June 2010			
	Number of unit holders	Number of units held	Investment amount	% of total
Individuals	41	1,182,230	119,398,866	14.62%
Associated Companies	2	1,244,487	125,686,478	15.39%
Banks/ Financial Institution	1	500,000	50,497,300	6.18%
Insurance Companies	2	699,740	70,669,995	8.66%
Retirement Funds	16	1,028,667	103,889,847	12.72%
Others	12	3,429,388	346,349,710	42.42%
	74	8,084,512	816,492,196	100.0%

(ii) LIST OF TOP BROKERS BY PERCENT OF THE COMMISSION PAID

Name of broker	Percentage of commission	
	2011	2010
IGI Finex Securities	6%	100%
ICON Securities	6%	-
BMA Capital Management	18%	-
GLOBAL Securities Pakistan Ltd	27%	-
Invisor Security Pvt Ltd	15%	-
Al-Falah Security Pvt Ltd	1%	-
JS Global Capital Ltd	1%	-
KASB Securities	7%	-
Elixir Securities	5%	-
Invest & Finance Securities	14%	-
	100%	100%

(iii) PARTICULARS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

- Maheen Rahman - CEO
- Muddasir Shaikh - CIO
- Syed Muhammad Zeeshan - CFO
- Syed Saifullah Kazmi - Fund manager

Maheen Rahman - CEO

Maheen Rahman has over nine years of experience in the financial services industry. Prior to joining IGI Funds she was Head of Business Development at IGI Securities the brokerage arm of IGI Financial Services. She has also served as Head of Research for BMA Capital Management where she spearheaded the research effort to provide sound and in depth investment advice across all capital markets to a wide range of corporate and institutional clients. Ms Rahman has also worked with Merrill Lynch in their Investment Banking Group and was a key team member for several high profile international transactions that spanned the Asia Pacific region and North America. She has also worked with ABN Amro Bank in Corporate Finance and M&A Advisory and was involved in a series of equity raising and IPO activity across south-east Asia. Ms Rahman holds a Bachelors of Science degree from LUMS Warwick Business School in the UK. She also holds a Series 7 qualification from the New York Stock Exchange.

Muddasir Shaikh - CIO

Mr. Muddasir has more than five years of experience in Investment Management & Equity Research. During his career, he has served number of public and private institutions of repute. Prior to joining IGI Funds Limited, he had been associated with Atlas Asset Management Limited, National Investment Trust Limited, and JS Investments Limited (Formerly JS ABAMCO Ltd.). Mr. Muddasir holds a Masters degree in Business Administration from Institute of Business Administration, Karachi.

Syed Muhammad Zeeshan - CFO

Mr. Zeeshan currently holds position of Chief Financial Officer (CFO) and has been associated with IGI Funds Limited for more than four years. Prior to joining IGI Funds Limited, he has also worked at senior positions in finance and accounts of National Investment Trust Limited (the largest open-end mutual funds in Pakistan owned by Federal Government), UBL Fund Managers Limited and Atlas Assets Management Limited . His total professional experience in mutual fund industry is more than nine years. He has also served at Ford Rhodes Sidat Hyder & Co. Chartered Accountants, for more than 5 years conducting audits of various financial institutions, mutual funds and multinational corporations. Mr. Zeeshan is a qualified Cost and Management Accountant (ACMA) from Institute of Cost and Management Accountants of Pakistan (ICMAP) and is also CA(Finalist) from Institute of Chartered Accountants of Pakistan (ICAP).

Syed Saifullah Kazmi - Fund manager

Mr. Kazmi has 3 years worth of banking experience, the chunk of which was spent in maintaining a Capital Market Portfolio. His previous placement was Dealer-Capital Markets for Faysal Bank Limited, where he was involved in all investment decisions and processes. Mr. Kazmi is a recent return from United Kingdom, where he received his BA (Honors) Business Management from the Kinston University, Surrey.

(iv) DIRECTOR MEETING ATTENDANCE

Name of Director	Designation	Meetings			
		Total	Attended	Leave Granted	Meeting not attended
Mr. Javed Hamid	Chairman	6	6	-	-
Mr. Khalid Yacob	Director	6	5	1	32nd
Mr. Ahmed Alman Aslam	Director	6	5	1	31st
Mr. Abid Naqvi	Director, Ex-CEO	6	6	-	-
Syed Javed Hassan	Director	6	6	-	-
Syed Abdul Wahab Mehdi	Director	1	-	1	28th
Asif Saad	Director	5	4	1	31st
Ms. Maheen Rahman	Chief Executive Officer	6	6	-	-

Syed Abdul Wahab Mehdi resigned as member Board of Directors of the Management Company on 14 July 2010 and Mr. Asif Saad was appointed as Member Board of Directors of the Management Company the same day.

Securities and Exchange Commission of Pakistan (SECP) approved the changes on 24 August 2010

Dates of the meetings of the Board of Directors

Twenty-eight meeting	July 2, 2010
Twenty-ninth meeting	Aug 24, 2010
Thirtieth meeting	Oct 25, 2010
Thirty-one meeting	Feb 9, 2011
Thirty-second meeting	Mar 25, 2011
Thirty-third meeting	Apr 25, 2011

(V) FUND AND ASSET MANAGER RATING

JCR-VIS has awarded asset manager rating of an "AM2-" to IGI Funds Limited in its report dated February 2011. The rating reflects the company's experienced and qualified management team, a structured and strong fund management function, and demonstrated support of the sponsoring Group. The rating also factors in a growing realization on part of the management to institute a strong in-house risk management, compliance and control platform, translating into an improved relative standing amongst peers.

JCR-VIS has awarded normal rating of "AA+ (f)" to IGI Money Market Fund based on the performance review for the year ended 30 June 2010 vide its report dated 7 October 2010.

IGI Aggressive Income Fund

Financial Statements
for the year ended
30 June 2011

IGI Aggressive Income Fund (Formerly POBOP Advantage Plus Fund)

Statement of Assets and Liabilities

As at 30 June 2011

	<i>Note</i>	2011	2010
		(Rupees in '000)	
Assets			
Bank balances	4.	16,922	95,636
Investments	5	587,602	580,049
Placement with financial institution	6	95,000	122,000
Deferred formation cost	7	826	1,491
Profit receivable	8	23,972	13,371
Security deposit and other receivables	9	100	826
Total assets		724,422	813,373
Liabilities			
Payable to the Management Company	10	1,468	2,449
Remuneration payable to the Trustee	11	103	129
Annual fee payable to Securities and Exchange Commission of Pakistan	12	566	715
Accrued expenses and other liabilities	13	559	614
Total liabilities		2,696	3,907
Net assets attributable to unit holders		721,726	809,466
Unit holders' fund (as per statement attached)		721,726	809,466
Number of units in issue	<i>Number</i>	17,388,633	17,389,027
Net assets value per unit	<i>Rupees</i>	41.51	46.55

The annexed notes from 1 to 19 form an integral part of these financial statements.

**For IGI Funds Limited
(Management Company)**

Chief Executive

Director

IGI Aggressive Income Fund (Formerly POBOP Advantage Plus Fund)

Income Statement

For the year ended 30 June 2011

	Note	2011 (Rupees in '000)	2010
Income			
Financial income	14	80,784	97,500
Net capital (losses) / gains on sale of investments classified as 'at fair value through profit or loss - held for trading'		(19,495)	2,508
Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss- held for trading'		7,623	(18,923)
Provision for non performing term finance certificates and sukuk certificates classified as held for trading and interest accrued thereon		(135,374)	(200,158)
Provision for impairment of placement with financial institution		(2,000)	(28,000)
Reversal for impairment in valuation of investments classified as 'held to maturity'		-	106,318
Element of income / (losses) and capital gains / (losses) included in prices of units sold less those in units redeemed - net		3	(9,271)
Total income		(68,459)	(50,026)
Expenses			
Remuneration to the Management Company	10.1	15,106	19,076
Remuneration to the Trustee	11	1,399	1,833
Annual fee to the Securities and Exchange Commission of Pakistan	12	566	715
Brokerage expense		136	73
Bank and settlement charges		17	185
Amortisation of deferred formation cost		665	746
Auditors' remuneration		533	670
Legal and professional charges		421	-
National Clearing Company of Pakistan Limited charges		30	-
CDS transaction fee		6	-
Annual listing fee		40	-
Printing charges		99	-
Stability rating fee		200	158
Workers' Welfare Fund		-	103
Others		43	-
Total expenses		19,261	23,559
Net loss for the year		(87,720)	(73,585)

The annexed notes from 1 to 19 form an integral part of these financial statements.

**For IGI Funds Limited
(Management Company)**

Chief Executive

Director

IGI Aggressive Income Fund (Formerly POBOP Advantage Plus Fund)
Statement of Comprehensive Income
For the year ended 30 June 2011

	2011	2010
	(Rupees in '000)	
Net loss for the year	(87,720)	(73,585)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>(87,720)</u>	<u>(73,585)</u>

The annexed notes from 1 to 19 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI Aggressive Income Fund (Formerly POBOP Advantage Plus Fund)

Cash Flow Statement

For the year ended 30 June 2011

	Note	2011	2010
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		(87,720)	(73,585)
Adjustments for:			
Net capital losses / (gains) on sale of investments classified as 'at fair value through profit or loss - held for trading'		19,495	(2,508)
Net unrealised (appreciation) / diminution in fair value of investments classified as 'at fair value through profit or loss - held for trading'		(7,623)	18,923
Provision for non performing term finance certificates and sukuk certificates classified as held for trading and interest accrued thereon		135,374	200,158
Reversal for impairment in valuation of investments classified as 'held to maturity'		-	(106,318)
Provision for impairment of placement with financial institution		2,000	28,000
Amortisation of deferred formation cost		665	746
Element of (income) / losses and capital (gains) / losses included in prices of units sold less those in units redeemed - net		(3)	9,271
		62,188	74,687
Change in:			
Investments - net		(154,799)	242,525
Placement with financial institution		25,000	20,000
Profit receivable		(10,601)	19,445
Security deposit and other receivables		726	1,842
Receivable against sale of investments		-	93
Payable to the Management Company		(981)	(2,798)
Remuneration payable to the Trustee		(26)	(69)
Annual fee payable to the Securities & Exchange Commission of Pakistan		(149)	(550)
Accrued expenses and other liabilities		(55)	(86)
Net cash (used in) / from operating activities		(78,697)	355,089
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions paid		-	(2,845)
Net of payments and receipts against redemption and issue of units		(17)	(490,888)
Net cash used in financing activities		(17)	(493,733)
Net decrease in cash and cash equivalents during the year		(78,714)	(138,644)
Cash and cash equivalents at beginning of the year		95,636	234,280
Cash and cash equivalents at end of the year	15	16,922	95,636

The annexed notes from 1 to 19 form an integral part of these financial statements.

**For IGI Funds Limited
(Management Company)**

Chief Executive

Director

IGI Aggressive Income Fund (Formerly POBOP Advantage Plus Fund)

Distribution Statement

For the year ended 30 June 2011

	2011	2010
	(Rupees in '000)	
Accumulated losses / undistributed income brought forward at beginning of the year		
- Realized gains	203,314	141,127
- Unrealized losses	<u>(263,299)</u>	<u>(122,536)</u>
	(59,985)	18,591
Total comprehensive income for the year - net loss for the year	(87,720)	(73,585)
Final distribution of cash dividend: nil (30 June 2009: @ 0.1850 units for every 100 units held, approved on: 6 July 2009)	-	(2,845)
Final distribution of bonus: nil (30 June 2009: @ 0.1832 units for every 100 units held, approved on: 6 July 2009)	-	(2,146)
Accumulated losses carried forward	<u><u>(147,705)</u></u>	<u><u>(59,985)</u></u>
Accumulated losses carried forward at end of the year		
- Realized gains	245,345	203,314
- Unrealized losses	<u>(393,050)</u>	<u>(263,299)</u>
	<u><u>(147,705)</u></u>	<u><u>(59,985)</u></u>

The annexed notes from 1 to 19 form an integral part of these financial statements.

**For IGI Funds Limited
(Management Company)**

Chief Executive

Director

IGI Aggressive Income Fund (Formerly POBOP Advantage Plus Fund)

Statement of Movement in Unit Holders' Fund

For the year ended 30 June 2011

	2011 (Rupees in '000)	2010
Net assets at beginning of the year	809,466	1,367,513
Amount realized / unrealized on issuance of nil units (30 June 2010: 1,178,552 units)	-	60,200
Issuance of nil bonus units in respect of final distributions (30 June 2010: 42,486 bonus units)	-	2,146
Amount paid / payable on redemption of 394 units (30 June 2010 : 10,810,449 units)	(17)	(551,088)
	809,449	878,771
Element of (income) / losses and capital (gains) / losses included in prices of units sold less those in units redeemed - net	(3)	9,271
Total comprehensive income for the year before net capital gains / losses - realised and unrealised and provision / reversal for impairment	61,526	64,670
Net capital (losses) / gains on sale of investments classified as 'at fair value through profit or loss - held for trading'	(19,495)	2,508
Provision for non performing term finance certificates and sukuk certificates classified as held for trading and interest accrued thereon	(135,374)	(200,158)
Provision for impairment of placement with financial institution	(2,000)	(28,000)
Reversal for impairment in valuation of investments classified as 'held to maturity'	-	106,318
Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss - held for trading'	7,623	(18,923)
Total comprehensive income for the year	(87,720)	(73,585)
<i>Distributions made during the year</i>		
Final distribution of bonus units	-	(2,146)
Final distribution of cash dividend	-	(2,845)
Interim distribution of bonus units	-	-
Interim distribution of cash dividend	-	-
	-	(4,991)
Total Comprehensive income less distributions for the year	(87,720)	(78,576)
Net assets at end of the year	721,726	809,466

The annexed notes from 1 to 19 form an integral part of these financial statements.

**For IGI Funds Limited
(Management Company)**

Chief Executive

Director

IGI Aggressive Income Fund (Formerly POBOP Advantage Plus Fund)

Notes to the Financial Statements

For the year ended 30 June 2011

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 IGI Aggressive Income Fund [Formally 'POBOP Advantage Plus Fund'] (the Fund) was established as an open-end scheme under a trust deed (the Trust Deed) executed between Pak Oman Asset Management Company Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the trustee. The Trust Deed was executed on July 16, 2007 and was approved for the execution by the Securities and Exchange Commission of Pakistan (the SECP) on July 27, 2007 under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules). On November 21, 2008 Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) were notified through S.R.O. 1203(I)/2008.

A second supplemental trust deed dated August 06, 2010 was executed with approval of SECP and the management rights of the Fund was transferred from Pak Oman Asset Management Company Limited to IGI Funds Limited (Management Company of the Fund). The registered address of the Management Company is situated at 5 F.C.C, Syed Maratib Ali Road, Gulburg, Lahore.

1.2 The policy of the Fund is to invest in a mix of investment grade money market instruments, debt securities, government securities and derivative transactions. The Fund is categorised as an aggressive fixed income scheme as specified by SECP and is subject to guidelines prescribed by SECP.

1.3 The Fund is an open-end fund listed on the Karachi Stock Exchange and was launched on October 25, 2007. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the units holders. As at 30 June 2011; 14,370,315 units and 3,014,544 units (30 June 2010: 14,370,315 units and 3,014,544 units) were in issue representing holding of 82.64% and 17.34% (30 June 2010: 82.64% and 17.34%) in the name of The Bank of Punjab Limited (The Bank) and Pak Oman Investment Company Limited respectively. Subsequent to the year end, Pak Oman Investment Company Limited has surrendered its all units for redemption which has been paid by Fund accordingly. Consent from Bank of Punjab that the bank will not redeem its investments within next twelve months is not available. However, the management company based on discussion with the Bank considers that the Bank will continue its investment with the Fund. The management company contents that assets and liabilities are stated as fair values in financial statements, therefore, no further adjustment is required to bring them at their fair value in either case. In addition, the management company is also making strategy and planning to invite other investors in future period and confident about the entrances of new investors. In view of this, the management company considers that the Fund would be able to continue as a going concern.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2 BASIS OF PRESENTATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, requirements of Trust Deed, requirements of Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, and Non-Banking Finance Companies and Notified Entities Regulations, 2008. In case, requirements differ, the provisions and directive of Companies Ordinance 1984, the requirements of Trust deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, and Non-Banking Finance Companies and Notified Entities Regulations, 2008 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that investments classified as "at fair value through profit and loss account - held for trading" which are stated at their fair values.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest thousand of rupees, except otherwise stated.

2.4 Accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, 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 results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

2.4.1 *Classification and valuation of investments*

For detail please refer note 17.7 to these financial statements.

2.4.2 *Impairment*

2.4.2.1 *Financial assets*

For detail please refer note 3.4 and 6 to these financial statements.

2.4.2.2 *Investments*

The impairment of fixed income securities is determined in accordance with provisioning criteria / policy for non performing exposures approved by the Board of Directors of the Management Company in accordance with the requirements of Annexure II of SECP Circular no. 13 of 2009 dated 4 May 2009. As per provisioning policy the Investment Committee of the Management Company shall continuously review the provisioning status of all fixed income securities held by Fund, to assess whether there is change in circumstances which warrant additional provision and accordingly shall determine whether additional provision is required or not along with rationale and appropriate grounds and recommend it to Board of Directors for their approval.

2.4.3 *Other assets*

Judgment is involved in assessing the realisability of the assets balances.

2.5 **Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below:

- IAS 24 Related Party Disclosures (revised 2009) – (effective for annual periods beginning on or after 1 January 2011). The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not relevant to the Fund's operations.
- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2011). These amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.
- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011) These amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.

Apart from above certain other standards, amendments to published standards and interpretations of accounting standards became effective for accounting periods beginning on or after 1 January 2011, however, they do not affect the Fund's financial statements.

3 **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all the periods presented in these financial statements.

3.1 **Investments**

The Fund classifies its investments in the following categories:

- **Fair value through profit or loss - held for trading**

Investments which are acquired principally for the purposes of selling in the near term and are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking are classified as held for trading. These includes term finance certificates and treasury bills.

These investments are initially recognised at fair value, being the cost of the consideration given. The transaction costs associated with the investments classified as 'at fair value through profit or loss' are charged off to the income statement. Subsequent to initial measurement, held for trading investments are measured at fair value. The resultant gain/losses are included in Income Statement.

- **Held to maturity**

Investments with fixed or determinable maturity where management has both the positive intent and ability to hold till maturity are classified as held-to-maturity. These investments are measured initially at its fair value plus transaction cost that are directly attributable to these investments and are stated at amortised cost. Subsequent to initial measurements, held to maturity investments are measured at amortised cost. Provision for impairment in value, if any, is taken to income. Premiums and discounts on investments are amortised using the effective interest rate method and taken to profit or loss from investments.

Basis of valuation

Fair value of the investments in Federal Government securities comprising Treasury Bills is determined by reference to the quotation obtained from the PKRV rate sheet on the Reuters page.

The fair value of term finance certificates is determined on the basis of rates notified by the Mutual Funds Association of Pakistan (MUFAP) as at the period end.

All regular way purchase and sale of investments are recognised on trade date i.e. the date the Fund commits to purchase / sell the investments.

Income accrued on treasury bills are included in the carrying value of investments.

Date of Recognition

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the investments.

Derecognition

All investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risk and rewards of ownership.

3.2 Derivative Financial Instruments

Derivative instruments that are held by the Fund primarily comprise of futures contracts in the capital market and are classified in held for trading investments, subcategory under investment 'at fair value through profit or loss'. These are measured at fair value initially and of each subsequent measurement at their fair values which is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the futures contract. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses are included in the income currently. All derivatives in a net receivables positions (positive fair values) and reported as financial asset held for trading. All derivatives in a net payable position (negative fair values) are reported as financial liabilities held for trading.

3.3 Securities under repurchase / resale agreements (including those purchased / sold under Continuous Funding System)

Transactions of purchase under resale (reverse-repo) of marketable and government securities, including the securities purchased under continuous funding system, 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 recognised in the statement of assets and liabilities. Amounts paid under these agreements are included in receivable in respect of reverse repurchase transactions / against continuous funding system. 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 recognised 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 financial liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement. All reverse repo / continuous funding system transactions are accounted for on the settlement date.

3.4 Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a investments classified as 'held to maturity and are measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

3.5 Unit holders' fund

Unit holders' fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

3.6 Issue and redemption of units

Units are allocated at the offer price prevalent on the day on which applications for the purchase of units are received (however units are issued on the realisation of funds). The offer price represents the net assets value of units at the end of the day.

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

3.7 Net asset value per unit

The net assets 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 in issue.

3.8 Revenue recognition

- Gains / losses arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised gains / losses arising on revaluation of investments classified as financial assets at fair value through profit or loss are included in the income statement in the period in which they arise.
- Income on debt instruments is recognised on accrual basis using the effective interest rate method except for income on non-performing assets which is recognised on receipt basis.
- Interest income from returns on government securities, commercial papers, certificates of musharika, certificates of deposits, term deposits and placements with financial institutions are recognised at rate of return implicit in the instrument on a time proportionate basis.
- Return on bank balances are recognised at effective profit rates based on a time proportion basis.
- Dividend income is recognised in income statement on the date that the Fund's right to receive payment is established.

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

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

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

The net "element of income and capital gains included in prices of units sold less those in units redeemed" during an accounting year is recognised in the income statement.

3.10 Taxation

Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 provides exemption from tax to any income derived by a Mutual Fund, if not less than ninety percent of its accounting income of a year as reduced by capital gains whether realized or unrealized is distributed among the unit holders.

3.11 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument and derecognized when the Fund loses control of contractual rights that comprises the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to Income Statement directly.

3.12 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 recognised amount and the Fund intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.13 Provision

A provision is recognised in the balance sheet when the Fund has a legal or constructive obligation as result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are regularly reviewed and are adjusted to reflect the current best estimate.

3.14 Deferred formation cost

Expenses incurred on the formation of the Fund have been recognised as deferred formation cost. Deferred formation cost is amortised over a period of five years starting from 25 October 2007 (the date of the end of initial period of the Fund) as stated in the Trust Deed of the Fund approved by the Securities and Exchange Commission of Pakistan. The expenses were paid by the management company and have been reimbursed to them by the Fund.

3.15 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and those investments which are readily convertible to known amount of cash subject to an insignificant risk of significant changes of values and have maturities of less than three months from the date of acquisition.

3.16 Distributions

Distributions declared including the bonus units are recorded in the period in which they are approved. Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, requires that the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / losses to the unit holders.

3.17 Other assets

Other assets are stated at cost less impairment losses, if any.

3.18 Liabilities

All expenses including management fee and trustee fee are recognised in the Income Statement as and when incurred.

4. BANK BALANCES - local currency

This represents balance in deposit accounts with banks and carry profit rates ranging from 5.00% to 11.00% (2010: 6.00 % to 10.15%) per annum. As at 30 June 2011, bank balances amounted to Rs. 16.922 million (2010: 95.635 million) represent 2.35% (2010: 11.81%) of the net assets.

5. INVESTMENTS

2011 2010
(Rupees in '000)

Financial assets at fair value through profit and loss - Held for trading

- Sukuk certificates	5.1	74,211	234,352
- Term finance certificates	5.2	420,598	345,697
- Treasury bills	5.3	92,793	-
		<u>587,602</u>	<u>580,049</u>

5.1 Sukuk Certificates

Name of the investee company	Maturity	Profit / mark-up rate	As at 30 June 2010	Purchased during the period	Sold during the period	As at 30 June 2011	Cost as at 30 June 2011	Market value as at 30 June 2011 (net of provision)	% of net assets on the basis of market value	% of total investments on the basis of market value	% of issued debt of issuer on the basis of outstanding principal
			----- (Number of Certificates) -----				----- (Rupees in '000) -----		----- (% age) -----		
Kohat Cement Company Limited (refer note 5.1.1)	20 December 2015	3months KIBOR plus base rate of 1.8%	23,000	-	-	23,000	111,090	74,211	10.28%	12.63%	4.60%
B.R.R Guardian Modaraba	7 July 2014	6months KIBOR plus base rate of 1.3%	6,300	-	6,300	-	-	-	-	-	-
Pak Electron Limited	28 September 2012	3months KIBOR plus base rate of 1.75%	1,500	-	1,500	-	-	-	-	-	-
House Building Finance Corporation Limited	8 May 2014	6months KIBOR plus base rate of 1%	22,500	-	22,500	-	-	-	-	-	-
New Allied Electronics Industries (Private) Limited (refer note 5.1.2)	25 July 2012	3months KIBOR plus base rate of 2.6%	192,000	-	-	192,000	60,093	-	-	-	8.00%
Three Star Hosiery Mills Limited (refer note 5.1.3)	5 August 2013	3months KIBOR plus base rate of 3.25%	12,000	-	-	12,000	60,000	-	-	-	15.00%
							<u>231,183</u>	<u>74,211</u>			

5.1.1 On 20 December 2009, i.e. the scheduled redemption date in accordance with the revised repayment terms implemented through supplemental trust deed dated 11 May 2009, accrued profit aggregating Rs 7.615 million relating to the period June 20 to December 19, 2009 along with the principal repayment of Rs 340 per certificate (aggregating Rs 7.820 million) was not received by the Fund. Further, on 15 February 2010 a 'master addendum transaction documents' (the master addendum) was signed between Kohat Cement Company Limited and the trustee of the issue whereby certain terms included in the first supplement trust deed dated 11 May 2009 were amended, including the repayment period which was extended from 20 June 2013 to 20 December 2015. As the first two installments aggregating Rs 2.3 million in accordance with the master addendum due on March 20 and June 20, 2010 were received on a timely basis on March 24 and June 24, 2010, therefore, these sukuk certificates have been re-classified as 'performing' in accordance with the requirements of Circulars No. 1 and 3 and the provision of Rs. 106.318 million relating to these sukuk certificates has been reversed as at 30 June 2010. Subsequent to 30 June 2010, these have been stated at price quoted by MUFAP.

5.1.2 On 25 October 2008, the scheduled redemption date, principal repayment of Rs 19.5313 per certificate (aggregating Rs 3.750 million) was not received by the Fund. Further, subsequent principal redemptions of Rs 22.500 million along with mark up due on 25 January, 25 April, 25 July and 25 October 2009 and 25 January and 25 April 2010 were also not received by the Fund. Accordingly, the Management Company in accordance with the requirements of Circular No. 1, has fully provided for the Fund's investment in such sukuk certificates resulting in aggregate provision of Rs 60.093 million as at 30 June 2011.

5.1.3 On 5 August 2009, i.e. the scheduled redemption date, the installment due was not received by the Fund. Subsequent thereto an amount of Rs 4.5 million was received, however, Rs 0.674 million, representing a portion of accrued profit, was not received by the Fund. Further, an amount of Rs.27 million has been provided for against the outstanding principle as at 30 June 2010. Subsequent to 30 June 2010, the Management Company has fully provided the outstanding balance of Rs.33 million in accordance with the Circular no. 1 of 2009 and provisioning policy of the Fund.

5.2 Term Finance Certificates

Name of the investee company	Maturity	Profit / mark-up rate	As at 30 June 2010	Additions during the period	Sold during the period	As at 30 June 2011	Cost as at 30 June 2011	Market value as at 30 June 2011 (net of provision)	% of net assets on the basis of market value	% of total investments on the basis of market value	% of issued debt of issuer on the basis of outstanding principal
			----- (Number of Certificates) -----				----- (Rupees in '000) -----		----- % -----		
Agritech Limited (refer note 5.2.1)	28 November 2014	6months KIBOR plus base rate of 1.75%	16,800	-	2,800	14,000	70,137	-	-	-	1.01%
Azgard Nine Ltd (refer note 5.2.2)	4 December 2014	6months KIBOR plus base rate of 2.25%	7,500	-	-	7,500	37,537	-	-	-	1.50%
Pakistan Mobile Communication Limited	28 October 2013	6months KIBOR plus base rate of 1.65%	37,500	-	4,000	33,500	167,500	157,692	21.85%	26.84%	2.79%
World Call Telecom Limited	7 October 2013	6months KIBOR plus base rate of 1.6%	10,250	-	10,250	-	-	-	-	-	-
Gharibwal Cement Limited (refer note 5.2.3)	18 January 2013	6months KIBOR plus base rate of 3%	8,000	-	-	8,000	38,977	-	-	-	9.74%
Pak Hy Oils Limited (refer note 5.2.4)	1 December 2013	6months KIBOR plus base rate of 2.25%	3,923	-	-	3,923	19,615	-	-	-	4.46%
Vision Developers (Private) Limited (refer note 5.2.5)	30 November 2013	6months KIBOR plus base rate of 2.5%	6,000	-	-	6,000	30,000	22,500	3.12%	3.83%	35.29%
United Bank Limited IV	14 February 2018	6months KIBOR plus base rate of 0.85%	14,600	-	-	14,600	68,537	71,975	9.97%	12.25%	1.22%
Bank Alfalah Limited	2 December 2017	6months KIBOR plus base rate of 2.5%	-	6,000	3,000	3,000	15,051	15,201	2.11%	2.59%	0.30%
NIB Bank Limited	5 March 2016	6months KIBOR plus base rate of 1.15%	-	9,000	-	9,000	43,315	43,325	6.00%	7.37%	4.49%
Askari Bank Limited	18 November 2019	6months KIBOR plus base rate of 2.5%	-	6,000	-	6,000	30,582	31,011	4.30%	5.28%	1.00%
Bank Alfalah Limited	2 December 2017	15.00%	-	12,000	-	12,000	58,847	58,894	8.16%	10.02%	1.20%
Bank Al Habib Limited	30 June 2021	15.00%	-	4,000	-	4,000	20,000	20,000	2.77%	3.40%	0.67%
							600,098	420,598			

- 5.2.1** On 29 May 2010, i.e. the scheduled redemption date, principal repayment of Rs 499.6 per certificate (aggregating Rs 8.393 million) and accrued profit aggregating Rs 5.894 million were not received by the Fund and therefore its TFCs has been classified as non-performing by MUFAP and no rates are being quoted by MUFAP. Consequently these are stated at cost less provision made thereagainst. Accordingly, the Management Company in accordance with the requirements of Circular No. 1, has fully provided for the Fund's investment in such term finance certificates resulting in aggregate provision of Rs 70.137 million as at 30 June 2011.
- 5.2.2** On 4 June 2010, i.e. the scheduled redemption date, principal repayment of Re. 499.6 per certificate (aggregating Rs 3.747 million) and accrued profit aggregating Rs. 2.739 million were not received by the Fund and therefore its TFCs has been classified as non-performing by MUFAP and no rates are being quoted by MUFAP. Consequently these are stated at cost less provision made there against. Accordingly, the Management Company in accordance with the requirements of Circular No. 1, has fully provided for the Fund's investment in such term finance certificates resulting in aggregate provision of Rs 37.537 million as at 30 June 2011.
- 5.2.3** On 18 July 2009, i.e. the scheduled redemption date, principal repayment of Re 1 per certificate (aggregating Rs 0.008 million) and accrued profit aggregating Rs 3.286 million were not received by the Fund and therefore its TFCs has been classified as non-performing by MUFAP and no rates are being quoted by MUFAP. Consequently these are stated at cost less provision made there against. Accordingly, the Management Company in accordance with the requirements of Circular No. 1, has fully provided for the Fund's investment in such term finance certificates resulting in aggregate provision of Rs. 38.977 million as at 30 June 2011.
- 5.2.4** On 1 December 2009, i.e. the scheduled redemption date, accrued profit aggregating Rs 1.573 million was not received by the Fund and therefore its TFCs has been classified as non-performing by MUFAP and no rates are being quoted by MUFAP. Consequently these are stated at cost less provision made there against. Accordingly, the Management Company in accordance with the requirements of Circular No. 1, has fully provided for the Fund's investment in such term finance certificates resulting in aggregate provision of Rs. 19.615 million as at 30 June 2011.
- 5.2.5** Upto 30 June 2010, Term Finance Certificates (TFC) of Vision Developers (Private) Limited amounting to Rs. 30 million was stated at market value as per rates quoted by MUFAP and accordingly this was carried at Rs. 22.5 million. On 15 June 2011, this investment was categorized as non-performing by MUFAP based on default on payment of interest falling due in May 2011. Since then no rates are being quoted by MUFAP. The decline in market value (discounted price) upto 14 June 2011 is sufficient to cover the provision requirements of Circular 1 of 2009 and the provisioning policy of the Fund. Accordingly no provision there against and accrued mark-up as well has been made by the Fund.

5.3 Treasury Bills

Issue date	Yield	Purchased during the year	Sold / Matured during the year	As at 30 June 2011	Cost as at 30 June 2011	Interest accrued	Carrying amount as at 30 June 2011	Market value as at 30 June 2011	% of net assets on the basis of market value	% of total investments on the basis of market value
----- (No. of Certificates) -----				----- (Rupees in '000) -----			----- (%age)-----			
Treasury bills face value - face value of Rs. 100 each issued on										
17 June 2011	13.05%	110,000	110,000	-	-	-	-	-	-	-
16 June 2011	13.41%	850,000	-	850,000	82,480	424	82,904	82,891	11.49%	14.11%
5 May 2011	13.32%	100,000	-	100,000	9,789	114	9,903	9,902	1.37%	1.69%
5 May 2011	13.00%	200,000	200,000	-	-	-	-	-	-	-
5 May 2011	12.81%	250,000	250,000	-	-	-	-	-	-	-
5 May 2011	13.07%	400,000	400,000	-	-	-	-	-	-	-
10 February 2011	13.20%	250,000	250,000	-	-	-	-	-	-	-
27 January 2011	13.35%	260,000	260,000	-	-	-	-	-	-	-
27 January 2011	13.40%	250,000	250,000	-	-	-	-	-	-	-
13 January 2011	13.35%	250,000	250,000	-	-	-	-	-	-	-
7 October 2010	12.57%	950,000	950,000	-	-	-	-	-	-	-
		3,870,000	2,920,000	950,000	92,269	538	92,807	92,793		

Treasury bills will mature between 28 July 2011 and 08 September 2011.

6 PLACEMENT WITH FINANCIAL INSTITUTIONS

2011
2010
(Rupees in '000)

Saudi Pak leasing Company Limited	125,000	150,000
Provision for impairment	(30,000)	(28,000)
	95,000	122,000

This represents a clean placement extended to Saudi Pak Leasing Company Limited (SPLCL) on Jan 01, 2009 under a restructuring term maturing upto Dec 31, 2009.

Upto August 2009 the payments were received from SPLCL in accordance with the repayment schedule. Thereafter only six tranches aggregating Rs. 10 million were received by the Fund during October to December 2009. Accordingly, the accrued profit aggregating Rs 5.405 on such placement was reversed during the year ended 30 June 2010 and thereafter no further accrual of profit has been made.

SPLCL through its letter dated 17 December 2009 advised about its inability to comply with the aforementioned repayment schedule and proposed certain repayment options for the settlement of this placement. Subsequent to the transfer of management right of the Fund from Pak Oman Asset Management Company Limited (former management company) to IGI Funds Limited, revised arrangements for payment has been agreed and signed by concerned parties with the approval of Securities and Exchange Commission of Pakistan (SECP). Under the agreed arrangements the settlement is required to be made through transfer of an immovable property and payment of Rs. 25 million in cash. The Fund has received a sum of Rs. 13 million on 24 February 2011 and Rs. 12 million on 29 March 2011 from SPLCL under the agreed arrangements. The arrangement for transfer of property are yet to be finalized.

In accordance with the requirements of International Accounting Standard 39 'Financial Instruments: Recognition and Measurement' the management has determined the recoverable amount of such investment by applying the expected proceeds from disposal of immovable property, the management considers that adequate provision is being maintained against this investment.

6.1 As at 30 June 2011, the placement with financial institution represents 13.16% (30 June 2010: 15.07%) of net assets on the basis of carrying amount.

7 DEFERRED FORMATION COST

Unamortised Cost	1,491	2,237
Amortised to the income statement during the period	(665)	(746)
Balance as at 30 June	826	1,491

This represents expenses incurred on the formation of the Fund. The offering document of the Fund, approved by the Securities and Exchange Commission of Pakistan, permits the deferral of the cost over a period not exceeding five years. Accordingly the said expenses are being amortised over a period of five years effective from 25 October 2007, i.e. after the close of initial period of the Fund.

8 PROFIT RECEIVABLE

On sukuk and term finance certificates	23,807	11,298
On deposit accounts with banks	165	2,073
	23,972	13,371

9 SECURITY DEPOSITS AND OTHER RECEIVABLES	2011	2010
	(Rupees in '000)	
Security deposit with Central Depository Company of Pakistan Limited	100	100
Other receivables	-	726
	100	826
10 PAYABLE TO THE MANAGEMENT COMPANY		
Remuneration payable to the Management Company <i>10.1</i>	1,208	212
Preliminary expenses and floatation cost	-	2,237
Others	260	-
	1,468	2,449
10.1	<p>The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding three percent per annum of the average daily net assets of the Fund during first five years of the Fund's existence and thereafter an amount equal to two percent per annum of such assets of the Fund. Currently, the Management Fee is charged @ 2% of the average daily net assets of the Fund.</p>	
11 REMUNERATION PAYABLE TO THE TRUSTEE		
<p>Upto 31 December 2010, the Trustee was entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed, calculated at the rate of 0.2% per annum on amount upto Rs. 1 billion of the daily average net assets of the Fund or Rs. 0.7 million, whichever is higher.</p>		
<p>From 1 January 2011, the Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provision of the letter reference CDC/T&C-S II/DH/1633/2010 by the trustee, calculated at the rate of 0.17% per annum on amount upto Rs. 1 billion of the daily average net assets of the Fund or Rs. 0.6 million, whichever is higher.</p>		
12 ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
<p>This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Rule 62 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, effective from 21 November 2008, whereby the Fund is required to pay SECP an amount equal to 0.075% of the average daily net assets of the Fund.</p>		
13 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration	365	450
Others	194	164
	559	614

14	FINANCIAL INCOME	2011	2010
		(Rupees in '000)	
	Financial income on;		
	Financial assets at fair value through profit and loss - held for trading		
	- Term finance certificates and sukuk certificates	68,739	73,894
	- Treasury bills	6,562	-
		75,301	73,894
	Held to maturity		
	- Certificates of deposit	736	-
	- Certificates of musharika	454	-
	- Letter of placements	-	13,546
		1,190	13,546
	Others		
	- Bank deposits	4,293	10,058
	- Others	-	2
		80,784	97,500
15	CASH AND CASH EQUIVALENTS		
	Bank balances	16,922	95,636
		16,922	95,636
16	TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS		

Related parties include IGI Funds Limited being the Management Company, Central Depository Company of Pakistan Limited being the trustee, IGI Investment Bank Limited being the holding company of the Management Company, IGI Finex Securities Limited being the subsidiary of the IGI Investment Bank Limited and IGI Insurance Limited being the holding company of the IGI Investment Bank Limited and Packages Limited being the holding company of IGI Insurance Limited, Tri Pack Films Limited, Tetra Pak Pakistan Limited being the associates of IGI Insurance Limited and Key Management personnel.

Remuneration payable to the Management Company and the Trustee are determined in accordance with the provisions of Non - Banking Finance Companies and Notified Entities Regulations, 2008, and the Trust Deed respectively. Security deposit are placed with CDC under normal terms of the business. Other transactions are in the normal course of business. Transactions and balances with related parties other than those disclosed elsewhere are as follows:

16.1 Unit Holder's Fund

There is no transaction with the related parties / connected persons involving issuance and redemption of units during the year ended 30 June 2011.

	For the year ended 30 June 2010										
	As at 1 July 2009	Issued for cash	Bonus	Redeemed	As at 30 June 2010	As at 1 July 2009	Issued for cash	Bonus	Redeemed	As at 30 June 2010	NAV as at 30 June 2010
	----- Units -----					----- (Rupees in '000) -----					
Associated companies / undertakings											
Pak Oman Investment Company Limited *	3,003,542	-	11,002	-	3,014,544	152,247	-	556	-	152,803	140,328
The Bank of Punjab *	14,370,315	-	-	-	14,370,315	728,418	-	-	-	728,418	668,944
National Industrial Parks Development and Management Company Limited	3,226,487	-	11,819	3,238,306	-	163,548	-	597	164,568	-	-
Pak Oman Assets Management Company Limited Provident Fund *	16,195	-	59	16,254	-	821	-	3	829	-	-
Key management personnel - Executives	9,652	16,625	35	26,312	-	489	851	2	1,345	-	-

* The above were related parties of Pak Oman Asset Management Company (former management company of the Fund).

16.2 Other transactions

2011 2010
(Rupees in '000)

Associated Companies / Undertakings**IGI Funds Limited - Management Company**

Management fee

13,472	-
--------	---

Others

2,814	-
-------	---

IGI Investment Bank

Placement in Certificates of deposits

70,000	-
--------	---

Certificates of deposits matured

70,000	-
--------	---

Interest income from Certificate of deposit

736	-
-----	---

IGI Income Fund

Term Finance Certificates - Purchased

39,847	-
--------	---

Treasury Bills - purchased

10,811	-
--------	---

IGI Money Market Fund

Treasury Bills - purchased

9,789	-
-------	---

Pak Oman Asset Management Company

Management fee

1,634	19,076
-------	--------

Other Related Parties**IGI Finex Securities Limited**

Brokerage/ Commission

22	-
----	---

Central Depository Company of Pakistan Limited

Trustee fee

1,399	1,833
-------	-------

CDS charges

6	7
---	---

1,405	1,840
-------	-------

The Bank of Punjab

Deposit with bank

-	5
---	---

16.3 Other balances**Associated Companies / Undertakings****IGI Funds Limited - Management Company**

Management fee

1,208	-
-------	---

Others

260	-
-----	---

Pak Oman Asset Management Company

Management fee

-	212
---	-----

Formation cost payable

-	2,237
---	-------

Central Depository Company of Pakistan Limited

Trustee fee

103	129
-----	-----

17 FINANCIAL RISK MANAGEMENT

Introduction and overview

The Fund has exposure to following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Risk management framework

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 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.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed by Board of Directors and audit committee regularly to reflect changes in market conditions and the Fund's activities.

The Fund primarily invests in a portfolio of money market investments such as investment-grade debt securities, secured privately placed instruments and investments in other money market instruments (including the clean placements). Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to credit risk, liquidity risk, market risk and operational risk.

The management of risks as stated above is carried out by the Investment Committee (IC) under policies approved by the Board of Directors of the Management Company. The IC is constituted and approved by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with limits prescribed in the Non Banking Finance Companies and Notified Entities Regulations, 2008 and offering document of the Fund in addition to Fund's internal risk management policies.

17.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. The Fund is also exposed to credit risk on cash and cash equivalents, deposits and other receivable balances. There is a possibility of default by participants and of failure of the financial markets, the depositories, the settlements or clearing system etc.

Management of credit risk

The Fund's policy is to enter into financial contracts with reputable counterparties in accordance with the internal risk management policies and investment guidelines approved by the Board of Directors. IC closely monitors the creditworthiness of the Fund's counterparties (e.g., issuer of the instruments, brokers, banks, etc.) by reviewing their credit ratings, financial statements and press releases on a regular basis. In addition, the credit risk is also minimized due to the fact that the Fund only invests in the high quality financial assets, majority of which have been rated by a reputable rating agency. All transactions in debt securities are settled / paid upon delivery. The risk of default in such transactions is considered minimal, as delivery of securities is guaranteed by reputable brokers or the transactions are carried with counter parties of high reputation. Further, bank accounts are held only with reputable banks.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	Carrying amount	
	2011	2010
	(Rupees in '000)	
Bank balances	16,922	95,636
Investments - At fair value through profit and loss account - held for trading	587,602	580,049
Placement with financial institution	95,000	122,000
Profit receivable	23,972	13,371
Security deposit and other receivables	100	826
	<u>723,596</u>	<u>811,882</u>

Credit quality of bank balances

Details of credit rating of bank balances (including markup / return receivable thereon) as at 30 June 2011 are as follows:

Name of Bank	Rating	2011	2010
		%	%
Allied bank Limited	A1+/AA	0.307%	0.000%
Bank Alfalah Limited	A1+/AA	0.373%	2.767%
Bank Al-Habib Limited	A1+/AA+	0.052%	0.000%
The Bank of Punjab	A1+/AA-	99.268%	0.005%
Al Baraka Bank (Pakistan) Limited	A1/A	0.000%	97.228%
		<u>100.000%</u>	<u>100.000%</u>

Credit quality of held for trading investments

The tables below analyses the Fund's Investments in term finance certificates and sukuk certificates on the basis of long term rating given to the instruments by the credit rating agencies:

	2011		2010	
	Amount of credit exposure (Rupees in '000)	% of HFT Investments	Amount of credit exposure (Rupees in '000)	% of HFT Investments
Treasury bills	92,793	16%	-	-
AA+/AA/AA-	177,081	30%	-	-
A+/A/A-	201,017	34%	301,493	52%
BBB+/BBB/BBB-	-	-	27,542	5%
Non investment grade	116,711	20%	251,014	43%
	587,602	100%	580,049	100%

Investment in government securities i.e. treasury bills are not exposed to credit risk. Credit risk arising on other debt securities and related profit receivable is mitigated by investing primarily in investment - grade rated instruments published by MUFAP (and as determined by Pakistan Credit Rating Agency or JCR-VIS). The Fund is required to follow the guidelines / restrictions imposed in its offering document and SECP in respect of minimum ratings prior to any investment, etc. Placement with financial institution (i.e placement with SPLC) is non-rated by the credit agencies in Pakistan. Management creates provision for impairment based on provisioning policy of the Fund as well as guidelines / circulars of SECP.

Concentration of the credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups 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.

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed on sale.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

17.2 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The liquidity risk is managed by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

Management of liquidity risk

The Fund's policy is to manage this risk by investing in deposit accounts, short term money market placements or in investments that are traded in an active market and can be readily disposed. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with repayment within 90 days of such borrowings.

Maturity analysis for financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

	2011			
	Carrying amount and contractual cash flows	Up to 8 days	8 days to one months	later than one month and not later than three months
	------(Rupees in '000)-----			
<i>Non-derivative liabilities</i>				
Payable to the Management Company	1,468	(1,208)	(260)	-
Remuneration payable to the Trustee	103	(103)	-	-
Annual fee payable to Securities and Exchange Commission of Pakistan	566	-	-	(566)
Accrued expenses and other liabilities	559	-	-	(559)
	2,696	(1,311)	(260)	(1,125)

	2010			
	Carrying amount and contractual cash flows	Up to 8 days	8 days to one months	later than one month and not later than three months
	------(Rupees in '000)-----			
<i>Non-derivative liabilities</i>				
Payable to the Management Company	2,449	(212)	(2,237)	-
Remuneration payable to the Trustee	129	(129)	-	-
Annual fee payable to Securities and Exchange Commission of Pakistan	715	-	-	(715)
Accrued and other liabilities	614	-	-	(614)
	3,907	(341)	(2,237)	(1,329)

Above financial liabilities do not carry any mark-up.

The Fund is exposed to cash redemptions of its units on a regular basis. As at 30 June 2011, 17,388,633 units were in issue amounting to Rs. 721.726 million. Units are redeemable at the 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 document and guidelines laid down by the SECP.

As per offering document, the Fund is allowed to withhold daily redemption request in excess of ten percent of the units in issue and such requests are be treated as redemption request qualifying for being processed on the next business day. Such procedure is continued until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund may also suspend the redemption of the units if the redemption request exceed 10% of unit in issue with prior approval of the trustees and notification to the SECP .

17.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk (equity price risk). The Fund is exposed to interest rate risk only.

Management of market risks

Market risk exposure of the Fund is managed by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the IC and regulations laid down by the SECP.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. The Fund is not exposed to currency risk and other price risk.

Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial instrument and future cash flows. Majority of the interest rate exposure arises on investment in debt securities, placement with financial institution and profit and loss sharing bank balances. Most of the Fund's interest bearing investments comprise of those classified as Held for trading and bank accounts which carry fixed interest rates. Currently most of the exposure in fixed rate instruments are in Treasury Bills and some of the Term Finance Certificates (TFCs). However to enhance the earning potential of the Fund, it also invests in variable rate instruments such as Term Finance Certificates (TFCs) and sukuk certificates as most of the TFCs and sukuk certificates currently available are indexed to KIBOR. The interest rate environment is monitored on a regular basis and the portfolio mix of fixed and floating rate securities is altered. The Fund's investment in fixed interest rate securities expose it to fair value interest rate risk and investments in variable interest rate securities expose the Fund to cash flow interest rate risk.

	2011	2010
	(Rupees in '000)	
Fixed rate instruments		
Financial assets	<u>284,545</u>	<u>219,709</u>
Variable rate instruments		
Financial assets	<u>438,951</u>	<u>591,347</u>

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by MUFAP is expected to change over time. Accordingly, the actual trading results may differ from the below sensitivity analysis and the difference could be material.

Fair value sensitivity analysis for fixed rate instruments

Fixed rate investments in Treasury Bills, Term Finance Certificates classified as at fair value through profit or loss amounted to Rs. 171.687 million (2010: Nil) . In case of 100 basis points increase / decrease in current yield (determine by market forces) on year end, the net assets attributable to unit holders of the Fund and net income for the year would have been lower / higher by Rs. 0.95 million (30 June 2010: Nil). This analysis assumes that all other variables remain constant. The analysis for year ended 30 June 2010 is performed on the same basis.

Cash flow sensitivity analysis for variable rate instruments

Variable rate investment in Term Finance Certificates and sukuk certificates amounted to Rs. 415.915 million (2010: Rs. 580.049 million). In case of 100 basis points increase / decrease in KIBOR at year end, the net assets attributable to unit holders of the Fund and net income for the year would have been higher / lower by Rs. 1.464 million (30 June 2010: Rs. 0.808 million) of rated and non-rated sukuk and term finance certificates. This analysis assumes that all other variables remain constant. The analysis for year ended 30 June 2010 is performed on the same basis.

17.4 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally acceptable standards/levels of investment management behaviour. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors. The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities; documentation of controls and procedures;
- compliance with regulatory and other legal requirements; requirements for the reconciliation and monitoring of transactions;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified; contingency plans;
- ethical and business standards; risk mitigation, including insurance where this is effective.

17.5 Unit Holders' Fund risk management

The Fund is open end collective investment scheme. The unit holders' fund of the open end schemes is represented by net assets attributable to unit holders. The risk in case of open end scheme is the risk that the amount of net assets attributable to unit holders can change significantly on daily basis as the Fund is subject to daily issuance and redemption of Units at the discretion of the unit holders and occurrence of the unexpected losses in investment portfolio which may causes adverse effects on the Fund's continuation as going concern.

The Fund's objective when managing net assets attributable to unit holders is to safe guard the Funds ability to continue as going concern so that it can continue to provide optimum returns to its unit holders and to ensure reasonable safety of Unit Holders' Fund. In order to maintain or adjust the unit holder fund structure, the Fund policy is to perform the following:

- Monitors the level of daily issuance and redemptions relative to liquid assets;
- Redeem and issue unit in accordance with the constitutive documents of the Fund, which include the ability to restrict redemptions as allowed under rules and regulations; and
- Monitor portfolio allocations and return on net assets and where required make necessary adjustments in portfolio allocations in light of changes in market conditions.

The Fund Manager / IC members and the Chief Executive of the Management Company critically monitor capital of the Fund on the basis of the value of net assets attributable to the unit holders and track the movement of "Assets under Management" as well returns earned on the net assets to maintain investors confidence and achieve future growth in business. Further the Board of Directors is updated about the Fund yield and movement of NAV and total size at the end of each quarter.

In accordance with the NBFC Regulations, the Fund is required to distribute at least ninety percent of its income from sources other than capital gain as reduced by such expenses as are chargeable to the Fund. (Refer note 3.16).

The Fund is not exposed to externally impose minimum capital maintenance requirements.

17.6 Fair value of financial instruments

The Fund's accounting policy on fair value measurements is disclosed in note 3.1.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities. The Fund has no items to report in this level.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 2	Level 3	Total
	------(Rupees in '000)-----		
As at 30 June 2011			
<i>At fair value through profit and loss account - held for trading</i>			
- Sukuk certificates	74,211	-	74,211
- Term finance certificates	398,098	22,500	420,598
- Treasury bills	92,793	-	92,793
	<u>92,793</u>	<u>-</u>	<u>92,793</u>

As at 30 June 2010

At fair value through profit and loss account - held for trading

- Sukuk certificates	118,034	116,318	234,352
- Term finance certificates	211,001	134,696	345,697
- Treasury bills	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

The carrying amounts of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy:

	30 June 2011 (Rupees in '000)
Balance as at 01 July 2010	251,014
Acquisition / transfer during the year	(83,318)
Disposal / Redemption during the year	(9,822)
Provision made during the year	(135,374)
Balance as at 30 June 2011	<u>22,500</u>

18 SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern of the fund, top ten brokers of the Fund, members of the Investment Committee, fund manager, meetings of the Board of Directors, credit rating of the Fund and the Management Company of the fund as required under Schedule V of Non Banking Finance Companies and Notified Entities Regulations, 2008 has been disclosed in Annexure I to the financial statements.

19 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by Board of Directors of the Management Company on **23 August 2011**.

**For IGI Funds Limited
(Management Company)**

Chief Executive

Director

**SUPPLEMENTARY NON FINANCIAL INFORMATION
AS REQUIRED UNDER SECTION 6(D), (F), (G), (H), (I), AND (J)
OF THE FIFTH SCHEDULE TO THE
NON BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008**

(i) UNIT HOLDING PATTERN OF THE FUND

Category	As at 30 June 2011			
	Number of unit holders	Number of units held	Amount (Rupees in '000)	% of total
Individuals	3	738	31	0.004%
Associated Co./ Directors	0	-	-	0.000%
Banks/ DFIs	3	17,384,859	721,569	99.978%
Others	1	3,036	126	0.017%
	<u>7</u>	<u>17,388,633</u>	<u>721,726</u>	<u>100%</u>

Category	As at 30 June 2010			
	Number of unit holders	Number of units held	Amount (Rupees in '000)	% of total
Individuals	4	1,132	53	0.007%
Associated Co./ Directors	0	14,370,315	668,944	82.640%
Banks/ DFIs	3	3,014,544	140,328	17.336%
Others	1	3,036	141	0.017%
	<u>8</u>	<u>17,389,027</u>	<u>809,466</u>	<u>100%</u>

(ii) LIST OF TOP BROKERS BY PERCENT OF THE COMMISSION PAID**2011**

Alfalah Securities (Private) Limited
JS Global Capital Ltd
IGI Finex Securities Ltd
Invest and Finance Securities Limited
BMA Capital Management
Invest Capital and Securities (Private) Limited
Invisor Securities (Pvt) Ltd
KASB Securities Ltd

2010

KASB Securities Ltd
Alfalah Securities (Private) Limited
First Capital Securities Corporation Ltd
JS Global Capital Ltd
DJM Securities (Private) Limited

(iii) PARTICULARS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

- Maheen Rahman - CEO
- Muddasir Shaikh - CIO
- Syed Muhammad Zeeshan - CFO
- Syed Saifullah Kazmi - Fund manager

Maheen Rahman - CEO

Maheen Rahman has over nine years of experience in the financial services industry. Prior to joining IGI Funds she was Head of Business Development at IGI Securities the brokerage arm of IGI Financial Services. She has also served as Head of Research for BMA Capital Management where she spearheaded the research effort to provide sound and in depth investment advice across all capital markets to a wide range of corporate and institutional clients. Ms Rahman has also worked with Merrill Lynch in their Investment Banking Group and was a key team member for several high profile international transactions that spanned the Asia Pacific region and North America. She has also worked with ABN Amro Bank in Corporate Finance and M&A Advisory and was involved in a series of equity raising and IPO activity across south-east Asia. Ms Rahman holds a Bachelors of Science degree from LUMS Warwick Business School in the UK. She also holds a Series 7 qualification from the New York Stock Exchange.

Muddasir Shaikh - CIO

Mr. Muddasir has more than five years of experience in Investment Management & Equity Research. During his career, he has served number of public and private institutions of repute. Prior to joining IGI Funds Limited, he had been associated with Atlas Asset Management Limited, National Investment Trust Limited, and JS Investments Limited (Formerly JS ABAMCO Ltd.). Mr. Muddasir holds a Masters degree in Business Administration from Institute of Business Administration, Karachi.

Syed Muhammad Zeeshan - CFO

Mr. Zeeshan currently holds position of Chief Financial Officer (CFO) and has been associated with IGI Funds Limited for more than four years. Prior to joining IGI Funds Limited, he has also worked at senior positions in finance and accounts of National Investment Trust Limited (the largest open-end mutual funds in Pakistan owned by Federal Government), UBL Fund Managers Limited and Atlas Assets Management Limited . His total professional experience in mutual fund industry is more than nine years. He has also served at Ford Rhodes Sidat Hyder & Co. Chartered Accountants, for more than 5 years conducting audits of various financial institutions, mutual funds and multinational corporations. Mr. Zeeshan is a qualified Cost and Management Accountant (ACMA) from Institute of Cost and Management Accountants of Pakistan (ICMAP) and is also CA(Finalist) from Institute of Chartered Accountants of Pakistan (ICAP).

Syed Saifullah Kazmi - Fund manager

Mr. Kazmi has 3 years worth of banking experience, the chunk of which was spent in maintaining a Capital Market Portfolio. His previous placement was Dealer-Capital Markets for Faysal Bank Limited, where he was involved in all investment decisions and processes. Mr. Kazmi is a recent return from United Kingdom, where he received his BA (Honors) Business Management from the Kinston University, Surrey.

(iv) DIRECTOR MEETING ATTENDANCE

Name of Director	Designation	Meetings			
		Total	Attended	Leave Granted	Meeting not attended
Mr. Javed Hamid	Chairman	6	6	-	-
Mr. Khalid Yacob	Director	6	5	1	32nd
Mr. Ahmed Alman Aslam	Director	6	5	1	31st
Mr. Abid Naqvi	Director	6	6	-	-
Syed Javed Hassan	Director	6	6	-	-
Syed Abdul Wahab Mehdi	Director	1	-	1	28th
Mr. Asif Saad	Director	5	4	1	31st
Ms. Maheen Rahman	Chief Executive Officer	6	6	-	-

Syed Abdul Wahab Mehdi resigned as member Board of Directors of the Management Company on 14 July 2010 and Mr. Asif Saad was appointed as Member Board of Directors of the Management Company the same day.

Securities and Exchange Commission of Pakistan (SECP) approved both changes on August 24, 2010.

Dates of the meetings of the Board of Directors

Twenty-eight meeting	July 2, 2010
Twenty-ninth meeting	Aug 24, 2010
Thirtieth meeting	Oct 25, 2010
Thirty-one meeting	Feb 9, 2011
Thirty-second meeting	Mar 25, 2011
Thirty-third meeting	Apr 25, 2011

(V) FUND AND ASSET MANAGER RATING

JCR-VIS has awarded asset manager rating of an "AM2-" to IGI Funds Limited in its report dated February 2011. The rating reflects the company's experienced and qualified management team, a structured and strong fund management function, and demonstrated support of the sponsoring Group. The rating also factors in a growing realization on part of the management to institute a strong in-house risk management, compliance and control platform, translating into an improved relative standing amongst peers.

PACRA has awarded normal rating of "BBB (f)" to IGI Aggressive Income Fund based on performance review for the year ended 30 June 2010 vide its report dated 25 February 2011.