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Mission]

Our vision will be realized through;

Customers

Being the preferred provider of Investment solutions through innovative products and service concepts

Shareholders

Consistently delivering above market average return on capital

Employees

Providing the environment necessary to be the employer of choice

Community

Compliance with the highest ethical and moral standards

Vision]

IGI Funds Limited is committed to being one of the leading providers of investment and fund management solutions in Pakistan.

Values]

Integrity

Our foremost standard of conduct

Professionalism

The essence of our business

Focus on Growth

For all our stakeholders

[Company Profile]

Established in 2006, IGI Funds Limited - is a group company of the IGI Financial Services and the Packages Group. It is registered as a Non-Banking Finance Company licensed by the Securities and Exchange Commission of Pakistan to provide Asset Management and Investment Advisory Services.

IGI Funds is committed to provide quality service to institutional and retail clients utilizing modern techniques of portfolio management, asset allocation and security selection, while maintaining high standards of ethical and professional conduct in line with the emphasis on business integrity by its sponsors.

The management team of IGI Funds ensures the active implementation of prudent investment practices, the highest professional and ethical standards and compliance with applicable laws.

IGI Funds successfully launched its first fund in April of 2007, the IGI Income Fund. The Fund remained consistent in its performance for FY07-08 and had the best Standard Deviation and Sharpe Ratio in the industry. IGIIIF has given an accumulated cash dividend of over PKR 9.00/ unit since its inception.

IGI Funds has launched its second Fund, the IGI Stock Fund and is in the process of launching the IGI Islamic Income and Growth Fund in the near future, offering its investors an opportunity for a much diversified portfolio. It also offers services designed to meet the financing needs of investors throughout the country. We are able to do this through a balanced credit and risk management culture, product and portfolio diversification, a knowledgeable and experienced management team and a firm focus on meeting clients' needs.

Funds Manager's Information]

Management Company

IGI Funds Limited

Head Office

7th Floor, Shaheen Commercial Complex,
Dr. Ziauddin Ahmed Road, Karachi-74200, Pakistan.
Tel: (92-21) 111-367-444
Fax: (92-21) 2272415
Email: info@igifunds.com.pk
Website: www.igifunds.com.pk

Branches

Islamabad

Mezzanine Floor, Razia Sharif Plaza, 90 -
Blue Area, G-7, Islamabad.
Phone: (051) 111-234-234
Fax: (051) 2277356
Contact Person: Syed Naveed Altaf
Contact No: 03448587077

Lahore

5 F.C.C, Ground Floor, Syed Maratib Ali
Road, Gulberg, Lahore.
Phone: (042) 111-234-234
Fax: (042) 5301780
Contact Person: Mr. Umer Khan Daha
Contact No: 03004333129

Peshawar

2nd Floor, Mall Tower, 35 The Mall,
Peshawar.
Phone: (091) 525-398-188
Fax: (091) 5253989
Contact Person: Mr. Shehzad Qasier Khan
Contact No: 03009595212

Faisalabad

9th Floor, State Life Building, Liaquat
Road, Faisalabad.
Phone: (041) 2540814
Fax: (041) 2540815
Contact Person: Mr. Muhammad Afzaal
Contact No: 03216648109

Board of Directors of the Management Company

Mr. Bazl Ahmed Khan (Chairman)
Mr. Ali Azam Shirazee (Chief Executive Officer)
Mr. Khalid Yecob
Mr. Ahmed Alman Aslam
Mr. Abid Naqvi
Mr. Adi J. Cawasji
Syed Javed Hassan

Chief Financial Officer

Mirza Mahmood ul Hasan

Company Secretary

Muhammad Imran Amin

Audit Committee

Syed Javed Hassan (Chairman)
Mr. Abid Naqvi (Member)
Mr. Adi J. Cawasji (Member)

IGI INCOME FUND

[Fund's Information]

Trustee

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block B, S.M.C.H.S
Main Shahra-e-Faisal, Karachi-74400 Pakistan

Distributors

Al - Habib Capital Markets (Pvt.) Ltd.
Allied Bank Limited
Atlas Capital Markets(Pvt.) Ltd.
BMA Capital Management Ltd.
Bulls and Bulls
Foundation Securities (Pvt) Ltd.
IGI Investment Bank Limited
JS Global Capital Limited
KASB Securities
Mybank Limited
National Clearing Company of Pakistan Limited
Pak Oman Investement
Pyramid Financial Consultant (Pvt.) Ltd.
Siza Commodites (Pvt.) Ltd.
Mr. Khurram Shehzad Hashmi

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
1st Floor, Sheikh Sultan Trust Building - 2, Beaumont Road, Karachi

Legal Advisor

Aly Shah & Co.
1-A, 1st Floor, 15-C, Main Zamzama Boulevard, Zamzama Commercial
Lane-1, Phase V, Defense Housing Authority, Karachi

Bankers

Allied Bank Limited
Atlas Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Bank of Khyber
Crescent Commercial Bank
JS Bank Limited
KASB Bank Limited
MCB Bank Limited
NIB Bank Limited



IGI Income Fund Directors' Report]

To our valued Unit Holders,

The Board of Directors of IGI Funds Limited is pleased to present you the Annual Report of the IGI Income Fund (the "Fund") for the year ended 30 June 2008.

Economic Review

The economic period under review has been tumultuous throughout FY08, with all financial and non financial aspects coming into play. The political aspects during the year induced great uncertainty in the market, depreciating value in all areas. This uncertainty is expected to continue until some semblance of stability ensues from the prevailing government.

On the financial front, the State Bank of Pakistan maintained a tightening stance on the monetary policy, which resulted in increase in the discount rate by 200bps to 12% and Statutory Liquidity Requirement and Cash Reserve Requirement limits for the banking sector rising by 100bps and 200bps, respectively, for deposits with tenures less than one year. The policy also provided a Long Term Financing Facility for up to ten years for export oriented projects.

The main issue for the economy remained the high inflation rate, triggered by the ever rising international oil and food prices. Consumer Price Index (CPI) soared to 12% for the period as opposed to 7.8% for FY07. This in comparison to an expected GDP of 5.8% - 6% for the period (FY07: GDP was 7.2%) is a worrying aspect.

During 1HFY08, the sector growth showed the greatest in Services, with Manufacturing and Agriculture showing reduced growth levels. Services contributed nearly 75% to the GDP growth, growing 8.2% during 1HFY08 as opposed to 7.6% in 1HFY07. The Manufacturing and Agriculture sectors' growth fell to 5.4% (FY07: 8.7%) and 1.5% (FY07: 3.7%), respectively.

Symbiotic to the downward trend of the economy, Foreign Currency Reserves have dipped from USD 15.6Bn in FY07 to USD 11.3Bn in FY08. This is reflected in our Current Account deficit which has widened to USD -14.4Bn in FY08 (FY07: USD -7.2Bn). Trade Balances have followed suit with the decline increasing from USD -8.9Bn in FY07 to USD -13.8Bn. FDI has fallen from USD 8.4Bn to USD 3.9Bn due to the uncertainty in the market and the lack of security provided by the prevailing government.

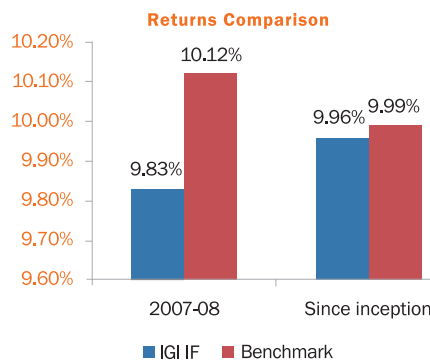
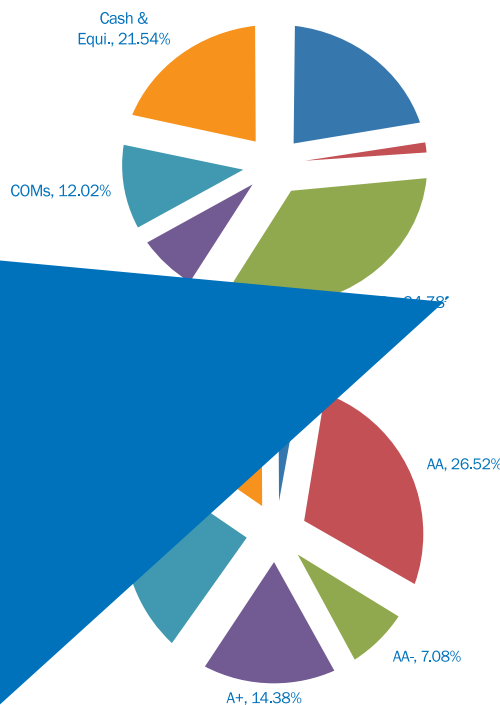
Despite the grim situation, Foreign Exchange deposits increased from USD 3.8Bn

executing transactions and constructing portfolio exposures to match the investment objective stated.

Fund Operations and Performance

The net assets of the fund increased by Rs. 1,990.59 million and concluded at Rs. 3,668.17 million (June 2007: 1,677.58 million). This increase in net assets is 119% as compared to 32% increase in assets under management in the industry. The per unit Net Asset Value ended up at Rs.102.73 (Interim distribution of Rs. 7.06 per unit) on 30 June 2008 representing a return of 9.83% to the unit holders for the period ended 30 June 2008.

The graphical illustration and key financial data showing portfolio allocation and performance of the Fund is given below;



ms. active services, the compliance with

IGI Income Fund is overall compliance with the investment objective. As such, the focus on selecting instruments,

Key Financial Data

(Rupees in millions)

Description	June 2008	For the period from 18 December 2006 to 30 June 2007
Net Assets	3,668.17	1,677.58
Net Income	362.27	32.98
Net Assets Value per Unit (Rs.)	102.73	102.04
Distribution for the period ended 30 June 2007 (Rs. 1.95 per unit)	31.99	—
Distribution for nine months period ended 31 March 2008 (Rs. 7.06 per unit)	265.78	—
Sale of Units during the period	8,584.58	2,139.42
Redemption of Units during the period	6,585.83	490.34
Units in Issue (No.)	35.71	16.44

Income Distribution

We are pleased that the Fund was in a position to reward its unitholders with a final dividend distribution of Rs. 2.65 per unit for the financial year 2007-08. We also wish to mention you that the Fund has already distributed interim dividend of Rs. 7.06 per unit for the nine months period ended 31 March 2008.

Future Outlook

IGI Income Fund has been able to build an excellent portfolio of investments and is expected to continue providing its investors with good return on a consistent basis. The quality of Fund's assets is evident from the attached credit split. The management is keen to introduce new product features and functionalities which will add to value for the Fund's investors.

Corporate Governance

The Management Company is committed to maintain the highest standards of Corporate Governance. Accordingly, the Board of Directors states that:

- Financial Statement represents fairly the state of affairs of IGI Income Fund, the results of the operations, cash flow and the changes in Unit-holders funds.
- IGI Income Fund has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon IGI Income Fund's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
- The summary of key financial data is given above in this Director Report.
- Details of meetings of the Board of Directors held and the attendance of each director for these meetings are given in note # (iv.) of supplementary non financial information of this annual report.
- The pattern of unit holding is given in note # (i.) of supplementary non financial information of this annual report.
- The number of units of the Fund held by the Chief Executive, directors, executives and their spouses as at 30 June 2008 are as follows except for those given in note # 17.1;

Name	Designation	Units Held
Ali Azam Shirazee	CEO	97,561.75
Bazl Ahmed Khan	Director	13,805.11
Adi Jehangir Cawasji	Director	18,260.63

- i) Summary of units acquired/ redeemed during the year by the Chief Executive, director, executives and their spouses as at 30 June 2008 are as follows except for those given in note # 17.1;

Name	Designation	Units Acquired	Units Redeemed
Ali Azam Shirazee	CEO	135,509.86	146,584.63
Bazl Ahmed Khan	Director	13,464.22	Nil
Adi Jehangir Cawasji	Director	2,981.22	2,981.22

Further, there have been no trades in the shares of the IGI Funds Limited (Management Company) of the Fund carried out by the Chief Executive, directors, executives and their spouses except as disclosed below;

Name	Category	Shares Acquired	Shares Held
IGI Investment Bank	Associated Company	15,994,004	18,994,004
Syed Javed Hasan	Director	Nil	1,332
Abid Naqvi	Director	Nil	1,332
Ahmad Alman Aslam	Director	Nil	500
Adi Jehangir Cawasji	Director	Nil	500

Acknowledgement

The Directors express their gratitude to the Securities and Exchange Commission of Pakistan for its valuable support, assistance and guidance. The Board also thanks the employees of the Management Company and the Trustee for their dedication and hard work and the unit holders for their confidence in the Management.

For and behalf of the Board

Ali Azam Shirazee
Chief Executive Officer
18 August 2008

[Review Report to the Unit Holders on Statement of Compliance with best practices of Code of Corporate Governance]



KPMG Taseer Hadi & Co.
Chartered Accountants
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Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75530 Pakistan

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Fax + 92 (21) 568 5095
Internet www.kpmg.com.pk

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of the Management Company of the **IGI Income Fund** to comply with the listing regulation of the Lahore Stock Exchange, where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquire of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as at 30 June 2008.

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants

[Statement of Compliance with best practices of the Code of Corporate Governance]



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Internet www.kpmg.com.pk

The Board of Directors
IGI Funds Limited
7th Floor, Shaheen Complex
Dr. Ziauddin Ahmed Road
Karachi-74200

Our ref KA-AQ-257

18 August 2008

Dear Sirs,

**Statement of Compliance with best practices of the Code of Corporate Governance
For the year ended 30 June 2008**

We are pleased to enclose our review report on statement of compliance with best practices of the Code of Corporate Governance duly initialled by us for identification purposes. We shall sign our report after the statement of compliance has been approved by the Board of Directors of the Management Company and signed by the Chief Executive Officer authorised to do so on its behalf and after we have received Directors' Report as approved by the Board of Directors.

As required by the Code of Corporate Governance, we are pleased to confirm that:

- i) we are not aware of any instance where units of IGI Income Fund are held by the firm, any of the partners in the firm, their spouses and minor children;
- ii) the firm has been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan;
- iii) the firm and all the partners in the firm are compliant with International Federation of Accountants ("IFAC") Guidelines on code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan; and
- iv) the firm and persons associated with our firm have not been appointed to provide other services except in accordance with the listing regulations.

Finally, we wish to place on record our appreciation for the cooperation and courtesy extended to us during the course of our review.

Your faithfully,

KPMG Taseer Hadi & Co.

[Report of the Trustee]



TRUSTEE REPORT TO THE UNIT HOLDERS

IGI INCOME FUND

Report of the Trustee pursuant to Regulation 58(f) and Clause 9 of Schedule IV of the Non-Banking Finance Companies and Notified Entities Regulations, 2007

The IGI Income Fund (Fund), an open-end fund was established under a trust deed dated December 18, 2006, executed between IGI Funds Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2008 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rule, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2007 and the constitutive documents of the Fund.


Muhammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 24, 2008



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Sheikh Sultan Trust Building No. 2
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Independent Auditors' Report to the Unit Holders

We have audited the accompanying financial statements of IGI Income Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2008, and the income statement, cash flow statement, distribution statement and statement of movement in unit holders' funds for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non- Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2007 and approved accounting standards as applicable in Pakistan. The responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presenting of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In Our opinion, the financial statements give a true and fair view of the state of the Funds's affairs as at 30 June 2008, and of its financial performance, flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.



Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2007.

Dated: 18 August 2008

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants

KPMG Taseer Hadi & Co., a partnership firm registered in Pakistan
and a member firm of the KPMG network of independent member
firms affiliated with KPMG International, a Swiss cooperative

IGI Income Fund

Statement of Assets and Liabilities

As at 30 June 2008

		2008	2007
	Note		
Assets			
Bank balances	4	780,195,202	660,976,087
Balance receivable against continuous funding system		–	45,985,430
Investments	5	2,841,782,069	966,521,935
Deferred formation cost	6	2,724,406	3,447,256
Security deposits	7	3,600,000	1,100,000
Prepayments and other receivables	8	58,510,106	9,508,119
Total assets		3,686,811,783	1,687,538,827
Liabilities			
Amount payable on redemption of units		11,057,748	2,945,966
Payable to the Management Company	9	3,303,992	6,388,260
Remuneration payable to the Trustee	10	357,626	213,913
Annual fee payable to Securities and Exchange Commission of Pakistan	11	3,086,134	301,590
Accrued and other liabilities	12	835,226	113,092
Total liabilities		18,640,726	9,962,821
Commitments	13	–	–
Net assets attributable to unitholders	<i>Rupees</i>	3,668,171,057	1,677,576,006
Unit holders' funds (as per statement attached)	<i>Rupees</i>	3,668,171,057	1,677,576,006
Number of units in issue	<i>Number</i>	35,705,994	16,440,481
Net assets value per unit	<i>Rupees</i>	102.73	102.04

The annexed notes from 1 to 23 and Annexure I 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 2008

For the period from
18 December 2006
to 30 June 2007

Income

Financial Income	14	331,861,246	33,126,851
Income from equity securities		2,063,007	401,505
Capital gain on sale of term finance certificates		1,127,453	-
Net unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss - held for trading'		3,156,848	-
Element of income and capital gains included in prices of units sold less those in units redeemed - net		72,651,469	
Total Income		410,860,023	

Expenses

Remuneration to the Management Company		38,576,792	
Remuneration to the Trustee		4,097,609	
Annual fee to the Securities and Exchange Commission of Pakistan		3,086,134	
Brokerage expense and capital value tax		1,426,444	
Bank and settlement charges		123,729	
Amortisatio			

IGI Income Fund

Distribution Statement

For the year ended 30 June 2008

	2008	2007
		For the period from 18 December 2006 to 30 June 2007
Undistributed income brought forward at the beginning of the year / period	32,980,379	–
Net income for the year / period	362,270,421	32,980,379
Final distribution of bonus @1.95 units for every 100 units held, for the year ended 30 June 2007, approved on: 03 July 2007	(31,990,979)	–
Interim distribution (bonus units at the rate Rs. 7.06) for the nine months period ended 31 March 2008 approved on: 03 April 2008	* (265,782,457)	–
Undistributed income carried forward	97,477,364	32,980,379

Rupees

* It includes distribution paid in cash, amounting to Rs. 149,040,065.

The annexed notes from 1 to 23 and Annexure I 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 Holder's Fund

For the year ended 30 June 2008

	2008	2007
		For the period from 18 December 2006 to 30 June 2007
Net assets at beginning of the year / period	1,677,576,006	–
Amount realized / unrealized on issuance of 81,692,661 units (30 June 2007 : 21,257,217 units)	8,435,845,746	2,139,422,055
Issuance of 1,482,384 bonus units in respect of final and interim distributions	148,733,371	–
Amount paid / payable on redemption of 63,909,532 units (30 June 2007 : 4,816,736 units)	(6,585,829,582)	(490,340,997)
	3,676,325,541	1,649,081,058
Element of income and capital gain included in prices of units sold less those in units redeemed	(72,651,469)	(4,485,431)
Net income before capital gains- realised and unrealised	356,178,613	32,578,874
Net capital gain on sale of investments	2,934,960	401,505
Net unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss - held for trading'	3,156,848	–
Net income for the year / period	362,270,421	32,980,379
<i>Distributions made during the year</i>		
Final distribution of bonus units	(31,990,979)	–
Interim distribution (bonus units at the rate Rs. 7.06)	(265,782,457)	–
	(297,773,436)	–
Net income less distributions for the year / period	64,496,985	32,980,379
Net assets at end of the year / period	3,668,171,057	1,677,576,006
	<i>Rupees</i>	
Net assets value per unit at the end of the year / period	102.73	102.04
	<i>Rupees</i>	

The annexed notes from 1 to 23 and Annexure I form an integral part of these financial statements.

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

Chief Executive

Director

IGI Income Fund

Cash Flow Statement

For the year ended 30 June 2008

	2008	2007
		For the period from 18 December 2006 to 30 June 2007
	<i>Note</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year / period	362,270,421	32,980,379
Adjustments for:		
Income from equity securities	(2,063,007)	(401,505)
Capital gain on sale of term finance certificates	(1,127,453)	-
Net unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss - held for trading'	(3,156,848)	-
Deferred formation cost	722,850	154,050
Element of income and capital gains included in prices of units sold less those in units redeemed	(72,651,469)	(4,485,431)
	283,994,494	28,247,493
(Increase) / decrease in assets		
Preliminary expenses and formation costs	-	(3,601,306)
Balance receivable against continuous funding system	45,985,430	(45,985,430)
Investments - net	(1,674,792,470)	(712,349,930)
Security deposit	(2,500,000)	(1,100,000)
Receivable against interest / mark up	(19,295,872)	(6,788,469)
Receivable against sale of securities	(28,840,375)	(2,719,650)
Prepaid annual fee CFS M.K II	(865,740)	-
	(1,680,309,027)	(772,544,785)
Increase / (decrease) in liabilities		
Payable to the Management Company	(3,084,268)	6,388,260
Remuneration payable to the Trustee	143,713	213,913
Annual fee to the Securities & Exchange Commission of Pakistan	2,784,544	301,590
Accrued and other liabilities	722,134	113,092
	566,123	7,016,855
Net cash flows from operating activities	(1,395,748,410)	(737,280,437)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distribution paid	(149,040,065)	-
Amounts received on issue of units	8,435,845,746	2,139,422,055
Payment against redemption of units	(6,577,717,800)	(487,395,031)
Net cash flows from financing activities	1,709,087,881	1,652,027,024
Net increase in cash and cash equivalents during the year/period	313,339,471	914,746,587
Cash and cash equivalents at beginning of the year/period	914,746,587	-
Cash and cash equivalents at end of the year/period	1,228,086,058	914,746,587

15 Rupees

The annexed notes from 1 to 23 and Annexure I 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 2008

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 ended mutual fund of the Non-Banking Finance Companies. The Fund is an open ended 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.

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, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2007. In case, the requirements differ, the provisions or 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, 2007 shall prevail.

2.2 Initial application of a standard or an interpretation

During the year, amendments to International Accounting Standards (IAS) 1, Presentation of Financial Statements relating to capital disclosures became effective and have resulted in certain disclosures. The related disclosure have been made in note 19.7 to the financial statements.

2.3 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after 1 January 2008 are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain increased disclosures:

IFRS 2 (amendment) - Share based payments

IFRS 3 (amendment) - Business Combinations and consequential amendments to IAS 27 - Consolidated and separate financial statements, IAS 28 - Investment in associates and IAS 31-Interest in Joint Ventures.

IFRS 7 - Financial Instruments: Disclosures

IFRS 8 - Operating Segments

Revised IAS 1 - Presentation of financial statements

Revised IAS 23 - Borrowing costs

IAS 32 (amendment) - Financial instruments: Presentation and consequential amendment to IAS 1- Presentation of Financial Statements

IFRIC 10 - Interim Financial Reporting and Impairment

IFRIC 11 - Group and Treasury Share Transactions



IFRIC 12 – Service Concession Arrangements

IFRIC 13 - Customer Loyalty Programme

IFRIC 14 IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction

IFRIC 15 - Agreement for the Construction of Real Estate

IFRIC 16 - Hedge of Net Investment in a Foreign Operation

2.4 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that investments held for trading are stated at their fair values.

2.5 Functional and presentation currency

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

2.6 Accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as application, of policies and the reported amounts of assets, liabilities, income and expenses. the estimates and associated assumptions are base 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 same as stated in notes 3.1.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 profit and loss account. Subsequent to initial measurement, held for trading investments are measured at fair value. The resultant gain/losses are included in Income Statement.



IFRIC 12 – Service Concession Arrangements

IFRIC 13 - Customer Loyalty Programme

IFRIC 14 IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction

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■ 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.

■ Available-for-sale

Investments which do not fall under the above categories are classified as available-for-sale. These investments are initially recognised at fair value, being the cost of the consideration given. After initial recognition, investments classified as available-for-sale are remeasured at fair value, determined with reference to the year-end quoted rates. Gains or losses on remeasurement of these investments are recognised directly in the unit holders' funds until the investment is sold, collected or otherwise disposed-off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in unit holders' funds is included in income statement.

Basis of valuation

Debt Securities

The fair value of term finance certificates (TFCs) and sukuk certificates which are listed but not traded regularly on a stock exchange and unlisted debt securities are valued at the average rate, notified by the Mutual Funds Association of Pakistan (MUFAP) whereas unlisted debt securities for which quotes are not notified by MUFAP are valued at average of quotes taken from at least three brokers. Net gains and losses arising on changes in fair values of these investments are taken to the profit and loss account.

Marketable Securities

These investments 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.

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 profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

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 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.

3.6 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 including those units for which cheques have been received and deposited to the bank.



3.7 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Interest income from reverse repurchase transactions and continuous funding system lending arrangements, returns on certificates of investment, placements, commercial papers, 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.
- Dividend income is recognised in Income Statement on the date that the Fund's right to receive payment is established.

3.8 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.

3.9 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 or certificate holders.

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 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.

3.1.1 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 amount. and 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 15 April 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.

3.14 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 in significant risk of significant changes of values and have maturities of less than three months from the date of acquisition.

3.15 Dividend and bonus units

Dividends declared subsequent to the balance sheet date are considered as a non-adjusting event and are recognised in the period in which they are authorised or approved.

3.16 Other assets

Other assets are stated at cost less impairment losses, if any. Judgement is involved in assessing the realisability of the assets balances

3.17 Trade and other liabilities

Trade and other payables are stated at cost.

4 . BANK BALANCES - local currency

These represent saving accounts carry profit rates ranging from 11.60% to 15.00 % (2007: 2.50 % to 12.00 %) per annum.

2008

2007

5. INVESTMENTS**Financial asset at fair value through profit and loss — Held for trading**

Term finance certificates	5.2	767,481,584	-
Available-for-sale			
Application money for subscription of term finance certificates	5.3	47,733,333	50,000,000
Held to maturity			
Commercial papers	5.4	48,978,438	-
Certificates of investment	5.5	282,464,995	-
Certificates of musharika	5.6	435,442,059	178,762,499
Term deposits	5.7	1,259,681,660	737,759,436
		2,026,567,152	916,521,935
	Rupees	2,841,782,069	966,521,935

5.1 In order to give more appropriate presentation, the accrued mark-up on certificate of musharika and term deposit receipts have been reclassified from other receivables to investments.

5.1.1 During the year / period following shares were purchased from ready market and were sold simultaneously under the future sale market.

	Acquired / sold	
	During the year ended 30 June 2008	For the period from 18 December 2006 to 30 June 2007
	—— (Number of shares) ——	
Commercial banks		
Bank of Punjab	1,349,500	-
Bank Alfalah Limited	218,500	30,000
Faysal Bank Limited	239,000	-
MCB Bank Limited	227,500	-
Cement		
D.G. Khan Cement Limited	80,500	-
Lucky Cement Limited	43,500	-
Maple Leaf Cement Limited	-	100,000
Pioneer Cement Limited	-	70,000
Fertilizer		
Engro Chemical Limited	20,000	-
Fauji Fertilizer Bin Qasim	263,000	-
Oil & Gas Exploration Companies		
Pakistan Oilfields Limited	50,500	53,000
Pakistan Petroleum Limited	48,000	-
Oil and Gas Development Limited	509,500	-
Oil & Gas Marketing Companies		
Pakistan State Oil Limited	50,000	-
Sui Nothern Gas Company Limited	5,000	-
Sui Southern Gas Company Limited	6,000	-
Power Generation & Exploration		
Hub Power Company Limited	67,500	900,000
Kot Addu Power Company Limited	34,000	-
Technology and Communication		
Pakistan Telecommunication Company Limited	36,500	-
Textile Composit		
Nishat Mills Limited	24,500	-

5.2 Term finance certificates

Name of the investee company	Profit / mark-up rate	Purchased during the year	Sold during the year	As at 30 June 2008	Market value as at 30 June 2008	Percentage of net assets on the basis of market value
		— (Number of Certificates) —			(Rupees)	
Quoted investments						
Commercial banks						
Bank Alfalah Limited	15.30%	2,000	-	2,000	10,353,988	0.28
Faysal Bank Limited	11.87%	552	-	552	2,834,796	0.08
NIB Bank Limited	11.46%	10,440	-	10,440	52,847,280	1.44
United Bank Limited - III	11.11%	3,400	400	3,000	14,917,500	0.41
					80,953,564	
Fertilizer						
Engro Chemicals Pakistan Limited	14.81%	15,281	3,000	12,281	62,068,174	1.69
Pakarab Fertilizers Limited	11.83%	1,724	-	1,724	8,605,346	0.23
					70,673,520	
Leasing						
Orix Leasing Pakistan Limited II	15.30%	3,000	-	3,000	15,244,500	0.42
Saudi Pak Leasing Co. Limited	12.03%	5,000	-	5,000	25,217,500	0.69
					40,462,000	
Miscellaneous						
Pace Pakistan Limited	11.76%	10,000	-	10,000	50,645,000	1.38
Unquoted investments						
Cement						
Maple Leaf Cement Factory Limited - SUKUK	14.85%	6,000	-	6,000	30,174,000	0.82
Fertilizer						
Engro Chemicals Pakistan Limited I	11.96%	18,400	-	18,400	93,610,000	2.55
Engro Chemicals Pakistan Limited II	11.56%	4,000	-	4,000	20,126,000	0.55
Pak American Fertilizers Limited	15.01%	13,000	9,000	4,000	20,044,000	0.55
					133,780,000	
Investment banks / securities						
First Dawood Investment Bank Limited	11.60%	5,000	-	5,000	25,270,000	0.69
Jahangir Siddiqui & Co. Limited	11.66%	10,000	3,000	7,000	35,378,000	0.96
					60,648,000	
Leasing						
Orix Leasing Pakistan Limited	11.45%	250	-	250	25,042,500	0.68
Modaraba						
Al-Zamin Leasing Modaraba - SUKUK	12.43%	7,000	-	7,000	35,038,500	0.96
Sugar						
Al- Abbas Sugar Mills Limited	11.74%	2,000	2,000	-	-	-
Textile Composite						
Azgard Nine Limited	15.31%	13,000	-	13,000	65,247,000	1.78
Miscellaneous						
House Building Finance Corporation - SUKUK	11.40%	5,000	-	5,000	25,007,500	0.68
KASB Securities Limited	11.15%	2,000	2,000	-	-	-
KASHF Foundation	12.66%	10,000	-	10,000	50,230,000	1.37
Pakistan Mobile Communication Limited	11.62%	20,000	-	20,000	99,580,000	2.71
					174,817,500	
					767,481,584	

5.2.1

Quoted investments

Commercial banks

Bank Alfalah Limited
Faysal Bank Limited

NIB Bank Limited

United Bank Limited - III

Fertilizer

Engro Chemicals Pakistan Limited

Pakarab Fertilizers Limited

Leasing

Orix Leasing Pakistan Limited II

Saudi Pak Leasing Co. Limited

Miscellaneous

Pace Pakistan Limited

Unquoted investments

Cement

Maple Leaf Cement Factory Limited - SUKUK

Fertilizer

Engro Chemicals Pakistan Limited I

Engro Chemicals Pakistan Limited II

Pak American Fertilizers Limited

Investment banks / securities

First Dawood Investment Bank Limited

Jahangir Siddiqui & Co. Limited

Leasing

Orix Leasing Pakistan Limited

Modaraba

Al-Zamin Leasing Modaraba - SUKUK

Textile Composite

Azgard Nine Limited

2008

2007

5.2.2 2000, 3000 and 6000 listed term finance certificates of Bank Alfalah Limited, Engro Chemicals Pakistan Limited and Orix Leasing Pakistan Limited respectively, have been kept under pledge as collateral against exposure margins and mark to market losses with National Clearing Company of Pakistan Limited (NCCPL).

5.3 Application money for subscription of term finance certificates

Avari Hotels Limited	5.3.1	17,733,333	-
Engro Chemicals Pakistan Limited		-	25,000,000
Jahangir Siddiqui & Company Limited		-	25,000,000
Pakistan Mobile Communication Limited	5.3.2	30,000,000	-
	<i>Rupees</i>	47,733,333	50,000,000

5.3.1 The Fund entered into an agreement with Avari Hotels Limited for subscription (Pre-IPO) of 7,000 Term Finance certificates (TFCs) on 1 November 2007. These TFCs, carry a mark-up equal to the base rate of 3.25% plus 6 months Karachi Interbank Offer Rate per annum, receivable semi-annually in arrears and will mature in 7 years after the issue. These TFC will be secured by personal guarantees from the sponsor shareholders, first ranking hypothecation over all moveable properties of the project asset including receivables with a 25% margin over the issue amount, first ranking mortgage over the immovable properties of the project asset with a 25% margin over the issue amount, assignment over all present and future credit cards receivables of the company generated through sales at Avari Hotels at Karachi, Lahore and Islamabad, establishment and creation of lien over collection account in favour of the Investors and undertaking in a form acceptable to the Investors and valid for the entire tenor of the issue, that irrevocably and unconditionally binds the sponsors to meeting, upon first demand, any cash calls, including the cost over-runs, made by the Issuer as a consequences of non-compliance with financial covenants specified in the legal agreements. Till the IPO, the fund is entitled to get mark-up on the same basis that would be used for TFCs.

5.3.2 The Fund entered into an agreement with Pakistan Mobile Communication Limited for subscription (pre IPO) of 6,000 Term Finance Certificates (TFCs) on 17 January 2008. These TFCs carry mark-up equal to 1.65% plus 6 months Karachi Inter Bank Offered Rate per annum, receivable semi-annual in arrears and will mature in 5 years after the issue. These TFCs are unsecured. Till the IPO, the fund is entitled to get mark-up on the same basis that would be used for TFCs.

5.4 Commercial Papers - unsecured

Name of the investee company

Pak Elektron Limited	5.4.1	24,901,481	-
Azgard Nine Limited	5.4.2	24,076,957	-
	<i>Rupees</i>	48,978,438	-

5.4.1 These Commercial Papers have a face value of Rs. 25 million and carry effective mark-up rate of 10.56% per annum (6 month KIBOR plus 50 Basis Points) per annum, with a maturity on 15 July 2008 in lump sum.

5.4.2 These Commercial Papers have a face value of Rs. 25 million and carry effective mark-up rate of 11.54% per annum (9 month KIBOR plus 100 basis points) per annum, with a maturity on 2 November 2008 in lump sum.

2008

2007

5.5 Certificates of investment - unsecured**Name of the investee company**

First Dawood Investment Bank Limited	5.5.1	102,112,562	-
Saudi Pak Leasing Company Limited	5.5.2	77,473,919	-
Security Leasing Corporation Limited	5.5.3	102,878,514	-
	<i>Rupees</i>	282,464,995	-

5.5.1 This certificate carries mark-up rate of 11.00% per annum and will mature on 22 July 2008.

5.5.2 These certificates carry mark-up rate of 10.60% per annum each and will mature between 21 July 2008 to 28 July 2008.

5.5.3 This certificate carries mark-up rate of 10.65% per annum and will mature on 10 July 2008.

5.6 Certificates of Musharika - unsecured**Name of the investee company**

Al Zamin Leasing Modaraba	5.6.1	154,941,275	51,042,491
BRR International Modaraba	5.6.2	76,794,542	25,569,984
First Punjab Modaraba	5.6.3	128,164,505	102,150,024
First National Bank Modaraba	5.6.4	75,541,737	-
	<i>Rupees</i>	435,442,059	178,762,499

5.6.1 These certificates carry rates of mark up ranging from 11.00% to 12.27% (2007: 11.65% to 12.00%) per annum and will mature between 24 September 2008 to 07 September 2010 (2007: 15 April 2008).

5.6.2 This certificate carries mark up rate of 10.65% (2007: 11.40%) per annum and will mature on 10 July 2008 (2007: 18 July 2007).

5.6.3 These certificates carry rates of mark up ranging from 11.00% to 11.65% (2007: 11.50% to 12.00%) per annum and will mature between 16 July 2008 to 17 October 2008 (2007: 15 April 2008).

5.6.4 These certificates carry mark-up rate of 10.55% per annum each and will mature between 03 September 2008 to 08 September 2008.

5.7 Term deposit accounts are maintained with various financial institutions and carry profit rates from 10.35% to 11.50% (2007: 11.00% to 13.50%) per annum. These deposits will mature between 02 July 2008 to 17 September 2009 (2007: 06 July 2007 to 26 April 2008).

6. DEFERRED FORMATION COST

Unamortised Cost		3,447,256	3,601,306
Amortised to the income statement during the period		(722,850)	(154,050)
Balance as at 30 June	<i>Rupees</i>	2,724,406	3,447,256

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.

7. SECURITY DEPOSITS

National Clearing Company of Pakistan Limited		3,500,000	1,000,000
Central Depository Company of Pakistan Limited		100,000	100,000
	<i>Rupees</i>	3,600,000	1,100,000

	2008	2007
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8. PREPAYMENTS AND OTHER RECEIVABLES - considered good

Receivable from brokers	31,560,025	2,719,650
Prepaid CFS M.K II Annual Fee to NCCPL	865,740	
Mark-up / return receivable on:		
- Bank balances	3,559,530	6,566,587
- Reverse repurchase transactions under CFS	-	134,618
- Term finance certificates 5.2	21,757,834	-
- Application money for subscription of term finance certificates 5.3	766,977	87,264
<i>Rupees</i>	58,510,106	9,508,119

9. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable to the management company	3,303,992	1,646,454
Formation cost payable	-	3,601,306
Security deposit payable	-	1,100,000
Annual listing fee and bank charges payable	-	40,500
<i>Rupees</i>	3,303,992	6,388,260

9.1 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, 2007, 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 is currently charged @ 1.25% of the average daily net assets of the Fund.

10. REMUNERATION 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 2 million plus 0.1% per annum on amount exceeding Rs. 1 billion of the daily average net assets of the Fund.

11. ANNUAL FEE 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 71 of the Non Banking Finance Companies and Notified Entities Regulations, 2007, whereby the Management Company is required to pay SECP an amount equal to one tenth of 1.00% of the average daily net assets of the Fund.

12. ACCRUED AND OTHER LIABILITIES

Accrued expenses	2,378	5,900
Auditors' remuneration	225,000	65,000
Brokerage payable	464,370	-
Dividend received on reverse repurchase transactions	52,675	-
Settlement charges payable	-	42,192
Withholding tax payable	367	-
Others liabilities	90,436	-
<i>Rupees</i>	835,226	113,092

2008

2007

13. COMMITMENTS

Transactions under Continuous Funding System (CFS) entered into by the Fund, that were settled after year / period end.

Sales	Rupees	-	4,387,425
Purchases	Rupees	-	45,207,340

14. FINANCIAL INCOME

Financial income on;

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

Term finance certificates **43,306,750** -

Available-for-sale

Application money for subscription of TFCs **16,820,141** 87,264

Held to maturity

Commercial papers	2,182,173	-
Certificates of Investments	11,522,762	-
Certificates of musharika	39,095,947	3,762,499
Term deposits	133,553,013	13,314,230
	203,174,036	17,163,993

Others

Bank deposits	77,929,926	15,322,736
Continuous funding system	7,450,534	640,122
	331,861,246	33,126,851

15. CASH AND CASH EQUIVALENTS

Bank balances	780,195,202	660,976,087
Term deposit receipts maturing within three months	447,890,856	253,770,500
	1,228,086,058	914,746,587

16. 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 or certificate holders. The management company has distributed subsequent to year end a sufficient accounting income of the Fund for the year ended 30 June 2008 in order to comply with the requirements of rule 72 of Non-Banking Finance Companies and Notified Entities Regulation, 2007 and above stated clause. Accordingly, no tax provision has been made in the statement for the year ended 30 June 2008.

17. 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 holding company of the management company and IGI Insurance Limited being the holding company of the holding company of the management company and Packages Limited being the holding company of IGI Insurance Limited, Tri Pack Films Limited and Tetra Pak Pakistan Limited being the subsidiary of IGI Insurance Limited.

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, 2007, and the Trust Deed respectively.

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

17.1 Unit Holder's Fund

	2008										
	As at 1 July 2007	Issued for cash	Bonus	Redeemed	As at 30 June 2008	As at 1 July 2007	Issued for cash	Bonus	Redeemed	As at 30 June 2008	Net Asset value as at 30 June 2008
	Units					(Rupees)					
Associated Companies / Undertakings											
IGI Investment Bank Limited	-	14,704	-	-	14,704	-	1,500,000	-	-	1,500,000	1,510,587
IGI Insurance Limited	2,031,315	-	39,490	-	2,070,805	207,275,416	-	3,952,533	-	211,227,949	212,733,810
Packages Limited - Employees Gratuity Fund	507,828	32,346	47,857	9,872	578,159	51,818,859	3,250,000	4,801,766	988,133	58,882,492	59,394,273
Packages Limited - Employees Provident Fund	400,438	318,650	51,362	107,158	663,292	40,860,730	32,000,000	5,154,359	10,857,678	67,157,411	68,140,017
Packages Limited - Staff Pension Fund	-	1,002,694	63,520	99,374	966,840	-	102,000,000	6,377,441	10,078,505	98,298,936	99,323,537
IGI Funds Limited - Management Company	106,088	2,055,743	10,528	617,335	1,555,024	10,825,316	210,300,000	1,056,359	63,800,000	158,381,675	159,747,654
IGI Funds Limited - Staff Provident Fund	-	16,788	304	11,883	5,209	-	1,709,000	30,493	1,210,371	529,122	535,107
Other Related Parties											
Transactions with employees	5,007	288,640	9,550	222,119	81,078	510,804	29,890,200	958,782	21,846,858	9,512,928	8,329,156
Treet Corporation Limited - Employees Gratuity Fund	25,007	-	2,279	-	27,286	2,551,699	-	228,639	-	2,780,338	2,803,052
Treet Corporation Limited - Employees Superannuation Fund	25,007	-	2,279	-	27,286	2,551,699	-	228,639	-	2,780,338	2,803,052
Tri Pack Films Limited	-	1,348,225	-	1,348,225	-	-	140,000,000	-	142,285,981	-	-
Tri Pack Films Limited - Employees Gratuity Fund	-	9,820	690	-	10,510	-	1,000,000	69,324	-	1,069,324	1,079,672
Tri Pack Films Limited - Employees Provident Fund	-	19,639	1,381	-	21,020	-	2,000,000	138,649	-	2,138,649	2,159,345
Tetra Pak Pakistan Limited - Employees Gratuity Fund	-	15,679	1,103	-	16,782	-	1,640,000	110,692	-	1,750,692	1,723,942
Tetra Pak Pakistan Limited - Employees Provident Fund	-	66,922	4,706	-	71,628	-	7,000,000	472,467	-	7,472,467	7,358,288
Tetra Pak Pakistan Limited - Employees Pension Fund	-	55,449	3,899	-	59,348	-	5,800,000	391,472	-	6,191,472	6,096,867
Central Depository Company of Pakistan Limited	-	188,006	13,220	-	201,226	-	20,000,000	1,327,317	-	21,327,317	20,671,901
CDCPL - Employees Gratuity Fund	50,055	-	4,561	-	54,616	5,107,591	-	457,653	-	5,565,244	5,610,712
Key Management Personnel											
Syed Babar Ali - Group Chairman	395,101	1,564,990	7,681	1,967,772	-	40,316,081	162,000,000	768,787	209,776,726	-	-
Bazl Ahmed Khan - Chairman Board of Directors	-	13,464	341	-	13,805	-	1,375,000	34,225	-	1,409,225	1,418,199
Ali Azam Shirazee - CEO	99,522	135,510	9,114	146,585	97,561	10,155,255	14,000,000	914,468	15,200,000	9,869,723	10,022,518
Adi . J . Cawasji - Director	16,736	2,981	1,525	2,981	18,261	1,707,698	300,000	153,014	300,000	1,860,712	1,875,914
Samir Ahmed - CEO IGI Investment Bank Limited	-	4,848	-	4,848	-	-	500,000	-	503,490	-	-

	2007						
	Issued for cash	Redeemed	As at 30 June 2007	Issued for cash	Redeemed	As at 30 June 2007	Net Asset value as at 30 June 2007
	Units			(Rupees)			
Associated Companies / Undertakings							
IGI Insurance Limited	2,031,315	-	2,031,315	203,131,533	-	203,131,533	207,275,416
Packages Limited - Employees Gratuity Fund	507,828	-	507,828	50,782,883	-	50,782,883	51,818,859
Packages Limited - Employees Provident Fund	400,438	-	400,438	40,043,836	-	40,043,836	40,860,730
IGI Funds Limited - Management Company	315,287	209,199	106,088	31,528,767	21,200,000	10,328,767	10,825,316
Other Related Parties							
Transactions with employees	6,399	1,392	5,007	645,000	140,692	504,308	510,804
Treet Corporation Limited - Employees Gratuity Fund	25,007	-	25,007	2,500,685	-	2,500,685	2,551,699
Treet Corporation Limited - Employees Superannuation Fund	25,007	-	25,007	2,500,685	-	2,500,685	2,551,699
CDCPL - Employees Gratuity Fund	50,055	-	50,055	5,000,000	-	5,000,000	5,107,591
Key Management Personnel							
Syed Babar Ali- Group Chairman	395,101	-	395,101	40,000,000	-	40,000,000	40,316,081
Ali Azam Shirazee - CEO	99,522	-	99,522	10,000,000	-	10,000,000	10,155,255
Adi . J . Cawasji - Director	16,736	-	16,736	1,700,000	-	1,700,000	1,707,698

2008

2007

17.2 Other transactions**Associated Companies / Undertakings****IGI Insurance Limited**

Cash dividend paid	Rupees	14,619,884	-
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IGI Funds Limited - Management Company

Management fee	Rupees	38,576,792	3,769,925
Formation cost paid	Rupees	-	3,601,306
Security deposit paid	Rupees	-	1,100,000
Annual Listing fee to LSE	Rupees	-	30,000
Initial deposit to MCB Bank Limited	Rupees	-	10,000
Other payments - Bank Charges	Rupees	35,500	500

Other Related Parties**IGI Finex Securities**

Brokerage paid on reverse repurchase transactions	Rupees	24,636	12,322
Gain on CFS transaction	Rupees	307,955	98,582
Purchase of securities under CFS	Rupees	199,502,460	20,881,625
Sale of securities under CFS	Rupees	199,810,415	20,980,207

Central Depository Company of Pakistan Limited

Trustee fee	Rupees	4,097,609	515,293
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17.3 Other balances**Associated Companies / Undertakings****IGI Funds Limited**

Management fee payable	Rupees	3,303,992	1,646,454
Formation cost payable	Rupees	-	3,601,306
Security deposit payable	Rupees	-	1,100,000
Annual Listing fee to LSE	Rupees	-	30,000
Initial deposit to MCB Bank Limited	Rupees	-	10,000
Other payments - Bank Charges	Rupees	-	500

Other Related Parties**IGI Finex Securities**

Brokerage charges payable	Rupees	61,642	-
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Central Depository Company of Pakistan Limited

Trustee fee payable	Rupees	357,626	213,913
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18. MARK-UP / PROFIT RATE RISK EXPOSURE

The Fund's exposure to mark-up / profit rate risk based on contractual repricing and maturity dates, whichever is earlier is as follows:

	Effective rate of mark up / return - %	2008				Total
		Interest bearing			Non mark up bearing	
		Upto three months	three months to one year	More than one year		
Financial Assets						
Bank balances	11.60% to 15.00%	780,195,202	-	-	-	780,195,202
Investments	10.35% to 15.31%	1,845,554,572	796,227,497	200,000,000	-	2,841,782,069
Security deposits		-	-	-	3,600,000	3,600,000
Prepayments and other receivables		-	-	-	58,510,106	58,510,106
		2,625,749,774	796,227,497	200,000,000	62,110,106	3,684,087,377
Financial Liabilities						
Amount payable on redemption of units		-	-	-	11,057,748	11,057,748
Payable to the Management Company		-	-	-	3,303,992	3,303,992
Remuneration payable to the Trustee		-	-	-	357,626	357,626
Annual fee to the Securities & Exchange Commission of Pakistan		-	-	-	3,086,134	3,086,134
Accrued and other liabilities		-	-	-	835,226	835,226
		-	-	-	18,640,726	18,640,726
Balance Sheet gap - 2008 (a)	Rupees	2,625,749,774	796,227,497	200,000,000	43,469,380	3,665,446,651

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

	Effective rate of mark up / return - %	2007				Total
		Interest bearing			Non mark up bearing	
		Upto three months	three months to one year	More than one year		
Financial Assets						
Bank balances	2.50% to 12.00%	660,976,087	-	-	-	660,976,087
Balance receivable against CFS	11.48% to 17.50%	45,985,430	-	-	-	45,985,430
Investments	11.00% to 13.50%	366,521,935	550,000,000	50,000,000	-	966,521,935
Security deposits		-	-	-	1,100,000	1,100,000
Prepayments and other receivables		-	-	-	9,508,119	9,508,119
		1,073,483,452	550,000,000	50,000,000	10,608,119	1,684,091,571
Financial Liabilities						
Amount payable on redemption of units		-	-	-	2,945,966	2,945,966
Payable to the Management Company		-	-	-	6,388,260	6,388,260
Remuneration payable to the Trustee		-	-	-	213,913	213,913
Annual fee to the Securities & Exchange Commission of Pakistan		-	-	-	301,590	301,590
Accrued and other liabilities		-	-	-	113,092	113,092
		-	-	-	9,962,821	9,962,821
Balance Sheet gap - 2007 (a)	Rupees	1,073,483,452	550,000,000	50,000,000	645,298	1,674,128,750

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

liabilities and investing a ma

19.6 Market rate of return (MROR) risk

MROR risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Fund manages its investment portfolio in order to reduce the risk of loss in market value of investments as a result of changes in market interest rates. In case the Fund expects economic uncertainty, the portfolio is restructured so as to comprise short term debt securities, money market instruments, short maturity repurchase transactions, etc.

19.7 Unit holder's fund risk management

Management's objective when managing unit holders' funds is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders' and to ensure reasonable safety of unit holders' funds.

The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The capital structure depends on the issuance and redemption of units.

The Fund is not subject to externally imposed capital requirements.

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund is of the view that the fair market value of the financial assets and liabilities, other than held to maturity investments are not significantly different from their carrying values as its assets and liabilities are essentially short term in nature and / or frequently repriced.

21. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the management company have approved distribution of 2.6479 units per for every 100 units held and Rs 2.65 per unit for the period from 01 April 2008 to 30 June 2008, amounting to Rs. 94.692 million in total, in their meeting held on 03 July 2008. These financial statements do not reflect this distribution and that will be accounted for subsequent to the year end.

22. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

23. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by Board of Directors of the Management Company on **18 August 2008**.

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

Chief Executive

Director

SUPPLEMENTARY NON FINANCIAL INFORMATION

AS REQUIRED UNDER SECTION 6(D), (F), (G), (H), (I), (J) AND (K)
OF THE FOURTH SCHEDULE TO THE NBFC REGULATIONS

Mr. Ali Azam Shirazee - CEO

Mr. Shirazee has over 20 years of experience in banking and capital markets. Prior to joining IGI Funds Limited, he was the CEO and Sponsor Director of Finex Securities Limited, where he established and managed the financial brokerage firm since 1991. Mr. Shirazee started his career at ANZ Grindlays Bank and subsequently worked for American Express Bank and Bank of America, in their Treasury Divisions.

Mr. Shirazee holds a Bachelors and Masters degree in Business Administration from the Institute of Business Administration (IBA), and professional certifications including the Canadian Securities Course from the Canadian Securities Institute, Toronto and a Banking Diploma from the Institute of Bankers in Pakistan.

Syed Zulfiqar Ali - CIO

Mr. Ali has been associated with IGIFL for the last 2 years. He has 12 years of vast experience in the domestic and international asset management industry. Prior to joining IGI Funds, Mr. Ali was Associate Director at BMA Capital. from 1994 to 2002 he was a portfolio manager at Prudential Financial, USA managing a portfolio of over USD 2.0 billion in emerging markets. Mr. Ali holds an MBA from Oxford University's Said Business School and a BA in Economics, International Relations, and Political Science from Brown University, USA.

Mirza Mahmood ul Hasan - CFO

Mr. Mahmood has been associated with the company for the last 2 years and has over 3 years of experience with the National Investment Trust (NIT), where he was heading trust accounts section which comprised of the treasury, operations and fund accounts. In addition, he was a director for various companies, including Pakistan Cement, Hashimi Can, Premium Textile, Paramount Spinning, Asian Leasing and English Leasing.

Mr. Mahmood is a qualified Chartered Accountant from Institute of Chartered Accountants of Pakistan (ICAP). He completed his 4 years articleship with one of the reputable professional Chartered Accountants firms.

Mr. Muddasir Ahmed Shaikh

Mr. Muddasir has more than four years of experience in Investment Management & Equity Research. During his career, he has served on a 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.

(iv) DIRECTOR MEETING ATTENDANCE

Name of Director	Designation	Meetings		
		Total	Attended	Leave Granted
Mr. Bazl Ahmed Khan	Chairman	7	6	1
Mr. Ali Azam Shirazee	Chief Executive & Director	7	6	1
Mr. Khalid Yacob	Director	7	5	2
Mr. Ahmed Alman Aslam	Director	7	2	5
Mr. Abid Naqvi	Director	7	6	1
Syed Javed Hassan	Director	7	5	2
Mr. Adi J. Cawasji	Director	7	7	0

Dates of the meetings of the Board of Directors

Eighth meeting	03 July 2007
Nineth meeting	16 August 2007
Tenth meeting	22 October 2007
Eleventh meeting	11 December 2007
Twelweth meeting	12 February 2008
Thirteenth meeting	03 April 2008
Fourteenth meeting	22 April 2008



(V) FUND AND ASSET MANAGER RATING

PACRA has awarded normal and long term asset manager rating of an "AM3-", while a positive outlook has been assigned to this rating to IGI Funds Limited, the Management Company of IGI Income Fund in its report dated 18 December 2007 for the year ended 30 June 2008. The rating reflects the company's strong capacity to manage the risks inherent in asset management and the asset manager meets high investment management industry standards and benchmarks. The fund has not yet obtained its rating from any Credit Rating agency.

IGI STOCK FUND

[Fund's Information]

Trustee

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block B, S.M.C.H.S
Main Shahra-e-Faisal, Karachi-74400 Pakistan

Distributors

Al - Habib Capital Markets (Pvt.) Ltd.
Allied Bank Limited
Atlas Capital Markets(Pvt.) Ltd.
BMA Capital Management Ltd.
Bulls and Bulls
Foundation Securities (Pvt) Ltd.
IGI Investment Bank Limited
JS Global Capital Limited
KASB Securities
Mybank Limited
National Clearing Company of Pakistan Limited
Pak Oman Investement
Pyramid Financial Consultant (Pvt.) Ltd.
Siza Commodites (Pvt.) Ltd.
Mr. Khurram Shehzad Hashmi

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
1st Floor, Sheikh Sultan Trust Building - 2, Beaumont Road, Karachi

Legal Advisor

Aly Shah & Co.
1-A, 1st Floor, 15-C, Main Zamzama Boulevard, Zamzma Commercial
Lane-1, Phase V, Defense Housing Authority, Karachi

Bankers

Bank Alfalah Limited



IGI Stock Fund Directors' Report]

To our valued Unit Holders,

The Board of Directors of IGI Funds Limited is pleased to present you the first Annual Report of the IGI Stock Fund (the "Fund") for the period ended 30 June 2008.

Market Review

The period under review from June 07 to June 08 has been turbulent for the capital markets, with heavy oscillations from all quarters. The KSE-100 Index closed at a level of 12,289.03 on June 30th, 2008, a 10.8% decline over the closing of 13,772.46 on June 30th, 2007. The market peaked during February - May 2008, hitting index levels over 15,500.

The reasons for the heavy oscillations are many fold. During the period under review, Monetary Policy implications have been very apparent. The SBP discount rate was increased by 50 bps to 10% in July 2007, 50 bps again to 10.5% in January 2008 and another 150 bps to 12% in May 2008. The rapid succession of the increases in the policy rate was to combat the rising inflation rate, which stood at 12% for FY08 (FY07: 7.8%) as opposed to a GDP rate of 5.5-6% (FY07:~7%). The reason for the inflationary pressure is symbiotic to International Oil price hikes and increase in Food prices the world over.

[IGI Stock Fund Directors' Report]

Therefore, the market became very sensitive to the direction of the Monetary Policy during FY07-08. In addition, the rise in the rates of NSS products and fixed income government papers sucked out the liquidity from the market in order to regulate money supply. This inflicted pressure on Capital Market valuations. The continuation in the prevalent interest rate and inflation trend mainly impacted corporate earning and local demand. In such a scenario, the manufacturing and services sector were adversely affected.

Despite the bleak outlook, sectors which were facing medium term supply demand imbalance or had global pricing benefitted during the ongoing soft commodity boom. The PKR devaluation against the USD (PKR 71-72) during the period had been significant with signs of stabilization at present levels. Therefore, the E&P Sector and Agro based industries, like Fertilizers, delivered above average profitability growth and will continue to do for at least the next two years.

The Power sector continues to be a value adding area as returns have been constantly appreciating. Therefore, the sector is viewed with expansion based stories offer growth rather than flat returns. However, the Services (banking, telecom) and Manufacturing (autos, textile) bore the brunt of depressed domestic demand, higher working capital requirements due to high input costs and exorbitant financial charges of borrowing.

Besides the economic indicators, the period has also been rift with various political situations that have eaten away the market value. The foremost incident was the assassination of Benazir Bhutto which reduced the market by nearly 1,400 points. This was preceded by the imposition of Emergency by the President in early November 2007. The next milestone was the General Elections in February 2008, where the market appreciated substantially as the nation returned to democratic rule. The market continued to appreciate until mid May 2008, when it started its decline that has yet to abate.

Fund Profile

IGI Stock Fund (IGISF) is an open-end unit trust scheme constituted under the Non-Banking Finance Companies and Notified Entities Regulations, 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 20 June 2008. IGISF was constituted under a Trust Deed dated 10 June 2008 between IGI Funds Limited (IGIFL), as the Management Company, and Central Depository Company of Pakistan Limited (CDC) as the Trustee. Units of the Fund have been offered to the public from 15 July 2008 at face value of Rs. 100.00 per unit.

Investment Objective

IGISF 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.
Investment Policy

The Scheme shall construct a diversified portfolio of equity and other investments. The equity stocks shall be

evaluated based on a combination of growth and value parameters. The best companies shall then be chosen from each sector. The final portfolio shall be determined taking into consideration the relative attractiveness of each sector. The fund's asset allocation in equity asset class shall range from 50% to 100%. The fund may also invest in equity related investments, debt securities, short/medium/long term fixed income securities as well as derivatives (for hedging only) for purposes of diversification and when it has bearish view of stock market. The performance of IGI Stock Fund will be compared against KSE- 100 Benchmark.

Fund Operations and Performance

Seed capital of Rs. 100 millions received from IGI Investment Bank Limited as per the requirement of Non-Banking Finance Companies and Notified Entities Regulations, 2007. The Fund has started its operations after the initial public offer of units on 15 July 2008. Summary of key financial data is given below;

For the period from
21 June 2008 to
30 June 2008

Net Assets (Rs. in millions)	100.00
Net Assets Value per Unit (Rs.)	100.00
Units in Issue (No. in millions)	1.00

Future Outlook

The market will have to do extremely well to regain its glory of the earlier FY08. This is unlikely in the present climate, where political aspects reduce the confidence of investors, domestic and foreign alike. In addition, rising inflation rates due to external factors (oil and food) continues to erode the market's ability to perform. Despite the negatives, fundamentally strong sectors, like E&P and Power Generation, continue to provide value returns for investment. As per general sentiment, the market will remain in the doldrums for better half of FY08 as economic indicators point away from recovery. However, lucrative opportunities arise during unstable times, and capitalization would be swifter and the term shorter.

Acknowledgement

The Directors express their gratitude to the Securities and Exchange Commission of Pakistan for its valuable support, assistance and guidance. The Board also thanks the employees of the Management Company and the Trustee for their dedication and hard work and the unit holders for their confidence in the Management.

For and behalf of the Board

Ali Azam Shirazee
Chief Executive Officer
18 August 2008

[Report of the Trustee]



TRUSTEE REPORT TO THE UNIT HOLDERS


IGI STOCK FUND

Report of the Trustee pursuant to Regulation 58(f) and Clause 9 of Schedule IV of the Non-Banking Finance Companies and Notified Entities Regulations, 2007

The IGI Stock Fund (Fund), an open-end fund was established under a trust deed dated June 10, 2008, executed between IGI Funds Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the period from June 10, 2008 to June 30, 2008 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2007 and the constitutive documents of the Fund.



Muhammad Hanif
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 24, 2008



KPMG Taseer Hadi & Co.
Chartered Accountants
First Floor
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75530 Pakistan

Telephone + 92 (21) 568 5847
Fax + 92 (21) 568 5095
Internet www.kpmg.com.pk

Independent Auditors' Report to the Unit Holders

We have audited the accompanying financial statements of IGI Stock Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2008, and the related statement of movement in unit holders' funds and cash flow statement for the period 10 June 2008 to 30 June 2008, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2007 and approved accounting standards as applicable in Pakistan. The responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Funds's affairs as at 30 June 2008, and of its cash flows and transactions for the period from 10 June 2008 to 30 June 2008 in accordance with approved accounting standards as applicable in Pakistan.



Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2007.

Dated: 18 August 2008

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants

KPMG Taseer Hadi & Co., a partnership firm registered in Pakistan
and a member firm of the KPMG networks of independent member
firms affiliated with KPMG International, a Swiss cooperative

IGI Stock Fund

Statement of Assets and Liabilities

As at 30 June 2008

2008

	Note	
Assets		
Bank balances	4	100,000,000
Preliminary expenses	5	1,285,957
Receivables and other deposit	6	348,767
Total Assets		101,634,724
Liabilities		
Payable to the Management Company	7	1,305,957
Payable to IGI Investment Bank - Core Investor	8	328,767
Total Liabilities		1,634,724
Net assets attributable to unitholders	<i>Rupees</i>	100,000,000
Unit holder's funds (as per statement attached)	<i>Rupees</i>	100,000,000
Number of units in issue	<i>Number</i>	1,000,000
Net assets value per unit	<i>Rupees</i>	100.00

The annexed notes from 1 to 15 and Annexure I 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 Holder's Fund

For the period from 10 June 2008 to 30 June 2008

		2008
		Note
Amount realized on issuance of 1,000,000 units	9	100,000,000
Net assets at end of the period		Rupees 100,000,000

The annexed notes from 1 to 15 and Annexure I 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 period from 10 June 2008 to 30 June 2008

2008

Note

CASH FLOWS FROM OPERATING ACTIVITIES

Net income for the period

–

Increase in assets

Preliminary expenses

(1,285,957)

Receivables and other deposit

(348,767)

(1,634,724)

Increase in liabilities

Payable to Management Company

1,305,957

Payable to the IGI Investment Bank Ltd. Core Investor

328,767

(1,634,724)

Net cash flows from operating activities

CASH FLOWS FROM FINANCING ACTIVITIES

Funds received from Core Investor

100,000,000

Net increase in cash and cash equivalent

100,000,000

Cash and cash equivalent at beginning of the period

–

Cash and cash equivalent at end of the period

4 Rupees

100,000,000

The annexed notes from 1 to 15 and Annexure I 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 period from 10 June 2008 to 30 June 2008

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 the Trustee incorporated under the Companies Ordinance, 1984. The Fund has been established under the Rules of business applicable to open ended mutual fund of the Non-Banking Finance Companies.

The Fund is an open ended mutual fund and would offer units for public subscription on continuous basis. The units would be transferable and can be redeemed by surrendering them to the Fund at the option of the unitholders. The core investment of the Fund was received from IGI Investment Bank Limited on 21 June 2008. However, units against this investment will be issued after the close of initial period i.e. 15 July 2008.

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.

Upto 30 June 2008, the Fund has not started its commercial operation. Therefore, profit and loss account is not prepared and included in these financial statements.

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, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2007. In case, the requirements differ, the provisions or 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, 2007 shall prevail.

2.2 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after 01 January 2008 are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain increased disclosures:

IFRS 2 (amendment) - Share based payments

IFRS 3 (amendment) - Business Combinations and consequential amendments to IAS 27 - Consolidated and separate financial statements, IAS 28 - Investment in associates and IAS 31-Interest in Joint Ventures.

IFRS 7 - Financial Instruments: Disclosures

IFRS 8 - Operating Segments

Revised IAS 1 - Presentation of financial statements

Revised IAS 23 - Borrowing costs

IAS 32 (amendment) - Financial instruments: Presentation and consequential amendment to IAS 1- Presentation of Financial Statements

IFRIC 10 – Interim Financial Reporting and Impairment

IFRIC 11 – Group and Treasury Share Transactions

IFRIC 12 – Service Concession Arrangements

IFRIC 13 - Customer Loyalty Programme

IFRIC 14 IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction

IFRIC 15 - Agreement for the Construction of Real Estate

IFRIC 16 - Hedge of Net Investment in a Foreign Operation

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention.

2.4 Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 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.

3.2 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 at the year-end.

3.3 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 or certificate holders.

3.4 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.

3.5 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.

3.6 Cash and cash equivalents

Cash and cash equivalents comprises of bank balances.

3.7 Other assets

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

3.8 Trade and other liabilities

Trade and other payables are stated at cost.

4. BANK BALANCES

In deposit account

4.1 This carry mark-up rate of 12.00%**P**

Preliminary expenses represent expenditure incurred for the constitution and launch of the Fund. As per the offering document approved by the Securities and Exchange Commission of Pakistan, preliminary expenses shall be amortised from the close of the Initial Public Offer period i.e. 15 July 2008.

8. PAYABLE TO CORE INVESTOR

Pre-IPO profit payable to Core Investor- IGI Investment Bank, related party

8.1 Rupees **328,767**

- 8.1** According to the clause 3.8 of offering document of the fund, the management Company will issue additional units to the IGI Investment Bank Limited Core Investor of the fund, at the initial price for an amount equivalent to the income earned on their investments upto the start of the initial period

9. UNITS IN ISSUE

Fund is in process of issuance of units against the fund received from IGI Investment Bank Limited, Core Investor of the fund; therefore, this has been considered as units in issue as at 30 June 2008 to determine the net asset of the fund as on 30 June 2008.

10. TRANSACTIONS 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 holding company of the Management Company and IGI Insurance Limited being the holding company of the holding company of the management company and packages Limited being the holding Company of IGI Insurance Limited. Tri Pack Films Limited and Tetra Pak Pakistan Limited

- 10.1** Transactions for the period from 10 June 2008 to 30 June 2008 and balances as at 30 June 2008 with related parties can be summarised as follows:

IGI Funds Limited - Management Company

Formation cost	Rupees	1,285,957
Initial deposit for bank accounts	Rupees	20,000

IGI Investment Bank Limited

Investment in units (core investment)	Units	1,000,000	Rupees	100,000,000
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11. MARK-UP / PROFIT RATE RISK

The Fund's exposure to mark-up / profit rate risk based on contractual repricing and maturity dates, whichever is earlier is as follows:

		2008				
		Interest bearing				
	Effective rate of mark up / return - %	Upto three months	three months to one year	More than one year	Non mark up bearing	Total
Financial Assets						
Bank balances	12%	100,000,000	-	-	-	100,000,000
Recivables and other deposits		-	-	-	348,767	348,767
		100,000,000	-	-	348,767	100,348,767
Liabilities						
Payable to the Management Company		-	-	-	1,305,957	1,305,957
Payable to Core Investor		-	-	-	328,767	328,767
		-	-	-	1,634,724	1,634,724
On-balance sheet gap - 2008 (a)	Rupees	100,000,000	-	-	(1,285,957)	98,714,043

(a) On-balance sheet gap represents the net amounts of on-balance sheet items.

12. RISK MANAGEMENT

12.1 Credit risk and Management of credit risk

Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter party in case of reverse repurchase agreement transactions and receivable against continuous funding system or other arrangements, to fulfill their obligations. The fund is exposed to credit risk on assets amounting to Rs.100,348,767 as at 30 June 2008.

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

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair market value of the financial assets and liabilities are not significantly different from their carrying values.

14. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding members of the Investment Committee, fund manager, and rating of the Fund and the management company has been disclosed in Annexure I.

15. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by Board of Directors of the Management Company on **18 August 2008**.

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

Chief Executive

Director

SUPPLEMENTARY NON FINANCIAL INFORMATION

AS REQUIRED UNDER SECTION 6 (H), (I), AND (K)
OF THE FOURTH SCHEDULE TO THE NBFC REGULATIONS

(i) THE MEMBERS OF THE INVESTMENT COMMITTEE

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

Mr. Ali Azam Shirazee - CEO
Syed Zulfiqar Ali - CIO
Mirza Mahmood ul Hasan - CFO
Mr. Muddasir Ahmed Shaikh

Mr. Ali Azam Shirazee - CEO

Mr. Shirazee has over 20 years of experience in banking and capital markets. Prior to joining IGI Funds Limited, he was the CEO and Sponsor Director of Finex Securities Limited, where he established and managed the financial brokerage firm since 1991. Mr. Shirazee started his career at ANZ Grindlays Bank and subsequently worked for American Express Bank and Bank of America, in their Treasury Divisions.

Mr. Shirazee holds a Bachelors and Masters degree in Business Administration from the Institute of Business Administration (IBA), and professional certifications including the Canadian Securities Course from the Canadian Securities Institute, Toronto and a Banking Diploma from the Institute of Bankers in Pakistan, Karachi.

Syed Zulfiqar Ali - CIO

Mr. Ali has been associated with IGIFL for the last 2 years. He has 12 years of vast experience in the domestic and international asset management industry. Prior to joining IGI Funds, Mr. Ali was Associate Director at BMA Capital. From 1994 to 2002 he was a portfolio manager at Prudential Financial, USA managing a portfolio of over USD 2.0 billion in emerging markets.

Mr. Ali holds an MBA from Oxford University's Said Business School and a BA in Economics, International Relations, and Political Science from Brown University, USA.

Mr. Mirza Mahmood ul Hasan - CFO

Mr. Mahmood has been associated with the company for the last 2 years and has over 3 years of experience with the National Investment Trust (NIT), where he was heading trust accounts section which comprised of the treasury, operations and fund accounts. In addition, he was a director for various companies, including Pakistan Cement, Hashimi Can, Premium Textile, Paramount Spinning, Asian Leasing and English Leasing. Mr. Mahmood is a qualified Chartered Accountant from Institute of Chartered Accountants of Pakistan (ICAP). He completed the 4 years articleship with one of the reputable professional Chartered Accountant firm.

Mr. Muddasir Ahmed Shaikh - Fund Manager

Mr. Muddasir has more than four 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.

(ii) FUND AND ASSET MANAGER RATING

PACRA has awarded normal and long term asset manager rating of an "AM3-", while a positive outlook has been assigned to this rating to IGI Funds Limited, the Management Company of IGI Stock Fund in its report dated 18 December 2007 for the year ended 30 June 2008. The rating reflects the company's strong capacity to manage the risks inherent in asset management and the asset manager meets high investment management industry standards and benchmarks.

The fund has not yet obtained its rating from any Credit Rating agency.