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VISION

IGI Funds Limited shall be a trusted provider of fund management solutions and services which focus on best serving the investments interests of its clients.

MISSION

Our vision will be realized by:

Providing solutions to client investment requirements which adhere to the highest ethical standards while meeting long-term objectives and short-term needs.

Attracting and retaining talent that shares our core values of integrity and excellence Being responsible corporate citizen.

VALUES

Integrity , Professionalism, Focus on Sustainable Growth.

Funds Manager's Information

Management Company

IGI Funds Limited

Head Office

7th Floor, The Forum, Suite # 701-703, G-20,
Khayaban-e-Jami, Block-9, Clifton, Karachi-75600,
Pakistan

Tel: (92-21) 111-367-444

Fax: (92-21) 5301729

Email: info@igifunds.com.pk

Website: www.igifunds.com.pk

Board of Directors of the Management Company

Mr. Javed Hamid (Chairman)

Syed Javed Hassan (Chief Executive Officer)

Mr. Khalid Yacob

Mr. Ahmed Alman Aslam

Mr. Abid Naqvi

Mr. Adi J. Cawasji

Syed Wahab Mehdi

Chief Financial Officer

Syed Muhammad Zeeshan

Company Secretary

Mr. Akbar Ali Tijani

Audit Committee

Mr. Khalid Yacob (Chairman)

Mr. Abid Naqvi (Member)

Mr. Adi J. Cawasji (Member)

IGI

Funds

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
Alfalah Securities (Pvt.) Ltd.
Atlas Capital Markets (Pvt.) Ltd.
BMA Capital Management Ltd.
Bulls and Bulls
Foundation Securities (Pvt) Ltd.
IGI Investment Bank Limited
Invest Capital and securities (Pvt.) Ltd.
JS Global Capital Limited
KASB Securities
Mybank Limited
National Clearing Company of Pakistan Limited
Pak Oman Investment
Pyramid Financial Consultant (Pvt.) Ltd.
Siza Commodites (Pvt.) Ltd.
Mr. Khurram Shehzad Hashmi
Mr. Zulfiqar Lodhi
Mr. Rizwan Ahmed
Mr. Salman Najeeb
Vector Consulting (Pvt) Ltd.
Cumberland (Pvt) Ltd.

Auditors

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

Legal Advisor

Hassan & Hassan (Advocates)
PAAF Building, 7D Kashmir Egerton Road, Lahore.

Bankers

Allied Bank Limited
Atlas Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Bank of Punjab
Bank of Khyber
Samba Bank Limited
JS Bank Limited
KASB Bank Limited
MCB Bank Limited
My Bank Limited
NIB Bank Limited

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 2009.

Economic Review

The period FY08-09 has been very volatile for the economy, global and domestic. During the period, the domestic economy grew by 2%, almost half of the initial target, which is also the lowest growth rate since FY01. The economy suffered on the laggard growth of manufacturing sectors, owing to weak domestic and global demand, high interest rates, production cost hikes and energy shortages. Services sector has also posted below target growth of 3.6% (Target: 4%) mainly led by slowdown in retail & trade, finance & insurance and transport, storage & communication sub sectors. Only the agriculture sector has posted target growth of 4.7% due to bumper wheat crop and better farming conditions.

The economy was brutally assailed by rising inflation accredited to higher commodity prices in the international markets. The CPI for FY09 stood at 20.80%. Although this is a near doubling since last year, the inflationary pressure started easing off, on a monthly basis, in the 2HFY09 which is evident in the full year inflation figures. In a bid to control rising inflation, the Policy Rate was raised by 200bps to 15% in the 1HFY09 MPS. During 2HFY09, in light of falling interest rates, the discount rate was lowered by 100bps to pace up to the economic growth. The main factor was attributed to Oil prices that averaged USD 66.38bbl for FY09, as opposed to USD 97.03bbl for FY08. During 1HFY09, Oil had started to taper down from its high, but the high base effect continued to reflect in prices till 2HFY09.

As a result of difficult market conditions, the country has to resort to foreign aid. The International Monetary Fund (IMF) granted a Stand-by Agreement (SBA) loan of USD 7.60bn in tranches over a period of 23-months. This loan was seen as a savior for the cash strapped country, and ruled out possibilities of default. The first tranche was immediately disbursed, with tranches to follow over the loan period. Till date the country has received USD 3.94bn in two tranches – USD 3.10bn and USD 834mn. The third tranche of USD 840mn is likely to be received by mid August 2009.

The six-month KIBOR rates closed at 12.55%, down 2.9% from the FY09 high of 15.45%. KIBOR is expected to drop further on expected discount rate shrinkage. Liquidity in the interbank has improved considerably over 2HFY09 due to aggressive deposit mobilization by the banking sector and we expect deposit rates to ease off substantially from 1HFY09 high. However, these funds had been parked in government securities as yields on these instruments have now fallen. Hence, offloading will take place to realize windfall gains.

The government initiated a FY09-10 Federal Budget during the year with a size of PKR 2.9Trn. The focus remained on Revenue Generation (Tax Target of PKR 1.5Trn) and rationalization of Subsidies (48% cut YoY) across the board. The new Budget's success is based on the constant flow of funds from exogenous sources (IMF, ADB and Friends of Democratic Pakistan), with a neutral impact on most sectors. Cement and Autos stand to gain most from the development expenditure and rebates offered.

Capital Market Conditions

In an unprecedented move, the KSE-100 index was frozen with a floor from 27th August to 15th December, to keep the index from deteriorating. Once the floor was removed, the KSE-100 depreciated by 48.05% by December end. This distress level prompted fresh buying, hence aiding an appreciation, raising the KSE-100 by 22.87% from its lowest level. The positive base effect during 2HFY09 reduced the negative return to (36.17%) for FY09. The Regional Markets registered a decline of (13.6%) on average, with recovery in India and China, during the same period.

Mutual Fund Industry

The Mutual funds also witnessed the worst fiscal year, on account of an arbitrary pricing mechanism of TFC. SECP introduced the TFC pricing based on the rating of the TFC or issuer in November 2009. This created a huge problem for income funds, and their respective NAVs dipped below the par value. Later this was replaced by the Morning Star Methodology for pricing. The Morning Star is a standard, used by all mutual funds in Pakistan. For equity funds, the

freezing of the KSE translated into a freeze on redemption of any investment, as decreed by the apex regulator. This shattered investor confidence in an industry which is still in its growth stage.

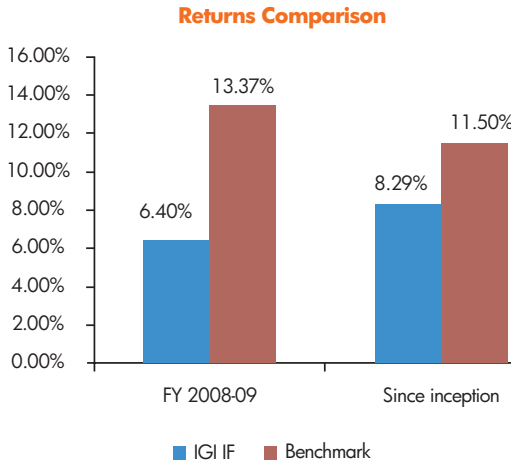
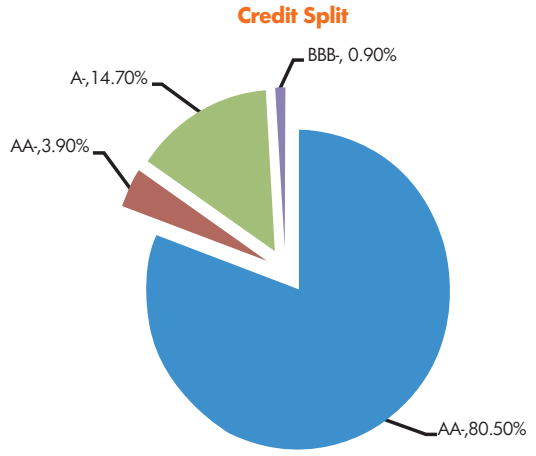
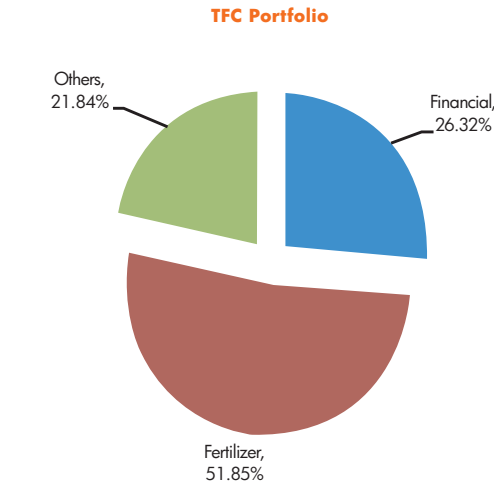
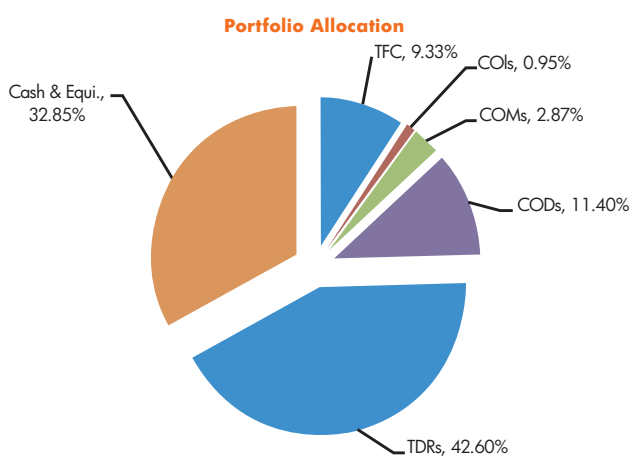
Fund Operations and Performance

During the year your Fund continue to perform well with consistent returns and able to generate positive month-to-date and year-to-date yields despite of unpredictable and volatile political and market conditions dominated throughout. The Fund closed the year with net assets of Rs. 2,050 millions (2008: Rs. 3,668 millions) and overall appreciation in net assets value per unit of Rs. 6.49 (2008: Rs. 7.75).

Payout

Your Fund announced robust Cash and Bonus payouts at the close of current financial year. The Fund has posted Rs. 6.2932 per unit as Cash, translating into 6.2810 units as Bonus for every 100 units held. This is a 97% payout of total earnings as per NBFC rules.

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



(Rupees in millions)

Description	For the year ended 30 June 2009	For the year ended 30 June 2008	For the period from 18 December 2006 to 30 June 2007
Net Assets	2,049.60	3,668.17	1,677.58
Net Income	122.02	362.27	32.98
Net Assets Value per Unit (Rs.)	106.49	102.73	102.04
Issuance of units during the period	4,864.41	8,584.58	2,139.42
Redemption of units during the period	6,544.90	6,585.83	490.34

Future Outlook

Despite the signs of recovery, the nation's biggest hurdle will remain the fiscal plan and inflation control. As mentioned earlier, the CPI for FY09 was 20.8%, which decelerated to 15% for 4QFY09. However, short term pressures will become apparent in light of power supply constraints, regulatory lags, subsidy withdrawals and climbing oil prices. Hence, fiscal deficit and inflation targets will reside in the region of 4.6% and 9.5%, respectively. This could also translate into cuts in the budgetary allowances for development expenditure, which was 54% (PKR 783Bn) higher than the previous year.

The fixed income market continued to price in a reduction in the Discount Rate. Liquidity in the market will continue in the short term, which is expected in the form of remittances, FDI and loans from key quarters. Our FOREX reserve is expected to grow to USD 14Bn during FY10, assuming all IMF monies are realized.

The equity market is expected to move upwards depending on the decline in Policy Rates. Net earnings of companies in the KSE 100, particularly the leveraged ones, should improve. This will push the index towards its peak in CY09. Stress from overshooting fiscal spending and inflation targets, and deteriorating social and political situation will limit upward momentum.

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 Financial Reporting 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 2009 are as follows except for those given in note # 17.1;

Name	Designation	Units Held
Adi Jehangir Cawasji	Director	7,819.53

- l) Summary of units acquired/ redeemed during the year by the Chief Executive, director, executives and their spouses as at 30 June 2009 are as follows except for those given in note # 17.1;

Name	Designation	Units Acquired	Units Redeemed
Javed Hamid	Director	-	27,463.85
Adi Jehangir Cawasji	Director	1,999.20	12,923.82
Syed M. Zeeshan	CFO	-	6,018.05

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	Holding Co.	4,500,000	23,494,004
Syed Javed Hassan	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

Chief Executive Officer
12 August 2009

Fund Manager's Report

Type and Category of Fund

Open-ended Income Fund

Investment Objective

To minimize risk, construct a liquid portfolio of fixed income instruments and provide competitive returns to the unit holders.

Accomplishment of Objective

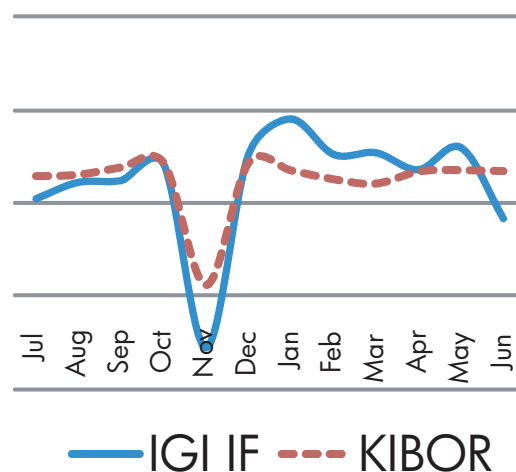
The Fund has achieved its objective of generating regular income by investing in low duration fixed income instruments within the guidelines provided under NBFC rules.

Benchmark

The Fund's benchmark is 1 month KIBOR.

Performance comparison with Benchmark

Month	IGI IF	1 month KIBOR
July 08	10.47%	12.82%
August 08	12.25%	12.96%
September 08	12.40%	13.75%
October 08	14.20%	14.24%
November 08	-5.54%	1.22%
December 08	15.27%	14.28%
January 09	19.04%	13.41%
February 09	15.20%	12.48%
March 09	15.41%	12.01%
April 09	13.56%	13.32%
May 09	15.96%	13.46%
June 09	8.33%	13.35%



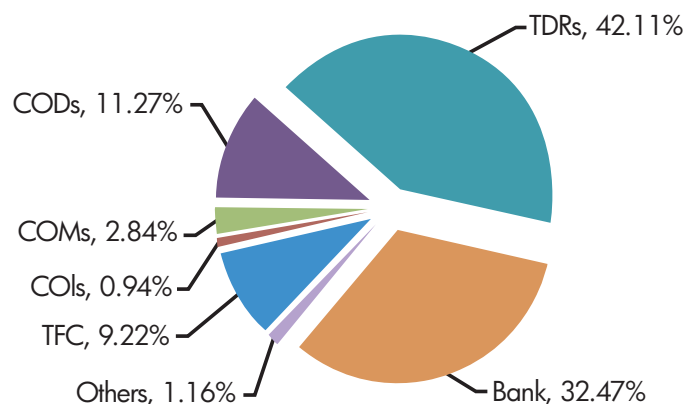
Strategies and Policies employed during the period

Multiple TDR placements were executed in the period under review, owing to bank borrowing heavily to buckle up deposits for the calendar half-year. Taking advantages of the situation, the Fund reallocated from cash deposit to short term deposits with 'AA' rated commercial banks. The Fund also planned to exit from the TFCs going forward. Therefore, further TFCs were offloaded.

Assets Allocation as on June 2009

Assets Allocation

Description	(%)
TDRs	42.11%
CODs	11.27%
COMs	2.84%
COIs	0.94%
TFCs	9.22%
Bank	32.47%
Others	1.16%



Significant changes in Assets Allocation during the period

When compared with start of the year, the Fund has significantly increased its exposure in short term investments and proportion of cash and equivalents by dragging down the exposure in TFCs.

Fund Performance

For the year ended 30 June 2009 the Fund clocked a return of 6.40% (2008: 9.83%) and closed the year with net assets of Rs. 2,050 millions (2008: Rs. 3,668 millions) with appreciation in net assets value per unit of Rs. 6.49 (2008: Rs. 7.75).

Review of the market invested in

The Mutual funds witnessed the worst fiscal year, on account of an arbitrary pricing mechanism of TFC. SECP introduced the TFC pricing based on the rating of the TFC or issuer in November 2009. This created a huge problem for income funds, and their respective NAVs dipped below the par value. Later this was replaced by the Morning Star Methodology for pricing. The Morning Star is a standard, used by all mutual funds in Pakistan.

Distribution

The Fund has posted cash dividend of Rs. 6.29 per unit translating into 6.28 bonus units per 100 units. This is 97% payout of total earnings as per NBFC regulations. The effects on NAV were as follows;

NAV (30 June 2009):	PkR	106.49
Distribution:	PkR	6.29
Ex-NAV:	PkR	100.19

Significant changes in the state of the affairs

There were no significant changes in the state of affairs during the period under review.

Breakdown of unit holdings by size

Holdings	No. of unit holder	Investment Amount
PkR 01 to 100,000	46	822,350
PkR 100,000 to 1,000,000	65	19,434,675
PkR 1,000,000 to 10,000,000	28	98,872,338
PkR 10,000,000 and above	33	1,930,467,691
Total	172	2,049,597,054

Unit Splits

There were no unit splits during the period.

Circumstances materially affecting the interest of unit holders

Any significant change in market rates of the instruments invested in and any significant change in the credit profile of the counterparties can materially affect the interest of unit holders.

Soft Commission

The Management Company received soft commission from the brokers in the form of research reports which were sent in both soft and hard copies.

Performance Table

	(Rupees)		
	2009	2008	2007
Net Assets Value (mn.)	2,049.60	3,668.17	1,677.58
NAV per unit	106.49	102.73	102.04
Selling price per unit	106.49	102.73	102.04
Redemption price per unit	106.49	102.73	102.04
Highest selling price per unit	106.49	107.46	102.04
Highest redemption price per unit	106.49	107.46	102.04
Lowest selling price per unit	100.08	100.09	100.00
Lowest redemption price per unit	100.08	100.09	100.00
Interim distribution per unit (Gross/ Net)	Nil	7.06	N/A
Interim distribution date	N/A	03 April 2008	N/A
Final distribution per units (Gross/ Net)	6.29	2.65	1.95
Final distribution date	02 July 2009	03 July 2008	03 July 2007
Annualized returns	6.40%	9.83%	9.67%
Income distribution	99%	99%	97%
Capital growth	1%	1%	3%
Weighted avg. portfolio duration	43 days	104 days	71 days

Return since inception is **8.29%**

Launch date of the Fund is **14 April 2007**

Disclaimer

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

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of the Management Company of the **IGI Income Fund** to comply with the listing regulation of the Lahore Stock Kxchange, 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 inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement 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.

KPMG Taseer Hadi & Co.
Chartered Accountants

12 August 2009

Karachi

STATEMENT OF COMPLIANCE BY THE IGI INCOME FUND WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD ENDED 30 JUNE 2009

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Chapter XIII of Listing Regulations of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance. The Board of Directors (the Board) of IGI Funds Limited, the management company, which is an unlisted public company, manages the affairs of IGI Income Fund (the "Fund"). The Fund being a unit trust scheme does not have its own Board of Directors. The management company has applied the principles contained in the Code to the Fund, whose units are listed as a security on the Lahore Stock Exchange, in the following manner:

1. The management company encourages representation of non-executive directors. All the directors, except the Chief Executive Officer are non-executive directors.
2. The existing directors have confirmed that none of them are serving as a director in more than ten listed companies, including the management company.
3. All the resident directors of the management company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
4. During the period under review two casual vacancies occurred on the Board which has been filled within the stipulated time frame contained in Non - Banking Finance Companies and Notified Entities Regulations 2008 and Code.
5. The management company has prepared a 'Code of Conduct' describing ethics and business practices for the Fund, which has been approved by the Board and duly signed by all the employees of the Management Company.
6. The management company has prepared a vision/ mission statement, corporate strategy and significant policies for the Fund which has been approved by the Board. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment of the CEO and CFO and the Company Secretary have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met as required by the Code of Corporate Governance. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the directors for their duties and responsibilities and the requirement of the Code they have been kept updated with the change in relevant laws applicable to the management company. Directors are conversant of the relevant laws applicable to the management company, its policies and procedures and provisions of memorandum and article of association and are aware of their duties and responsibilities.
10. The directors' report relating to the Fund for the period ended June 30, 2009 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Fund were duly endorsed by the CEO and CFO of the management company before approval of the Board.
12. The directors, CEO, and executives do not hold any interest in the units of the fund and shares of the management company other than disclosed in the Directors Report.

13. The management company has complied with all the applicable corporate and financial reporting requirements of the Code.
14. The Board has formed an audit committee. It comprises of three members, all of whom are non-executive directors of the management company including the chairman of the committee.
15. The meetings of the audit committee were held and prior to the approval of final results of the Fund as required by the Code of Corporate Governance.
16. The Directors have approved the term of reference of Audit Committee in the light of Code of Corporate Governance.
17. The management company has outsourced the internal audit function of the Fund to M/s. M.Yousuf Adil Saleem & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
18. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the management company or units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Chief Executive Officer

Trustee Report to the Unit Holders

The IGI Income Fund (the 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, 2009 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 Funds; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi: 15 October 2009

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 2009, 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 approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2009, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, the Non-Banking Finance Companies and Notified Entities Regulations, 2007 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

KPMG Taseer Hadi & Co.
Chartered Accountants

12 August 2009

Karachi

Statement of Assets and Liabilities

As at 30 June 2009

	Note	2009	2008
Assets			
Bank balances	4	668,658,623	780,195,202
Investments	5	1,366,957,242	2,841,782,069
Deferred formation cost	6	2,003,531	2,724,406
Security deposits	7	2,600,000	3,600,000
Prepayments and other receivables	8	19,284,160	58,510,106
Total assets		2,059,503,556	3,686,811,783
Liabilities			
Amount payable on redemption of units		4,935,293	11,057,748
Payable to the Management Company	9	2,402,653	3,303,992
Remuneration payable to the Trustee	10	274,413	357,626
Annual fee payable to Securities and Exchange Commission of Pakistan	11	1,843,319	3,086,134
Accrued and other liabilities	12	450,824	835,226
Total liabilities		9,906,502	18,640,726
Net assets attributable to unit holders	Rupees	2,049,597,054	3,668,171,057
Unit holders' funds (as per statement attached)	Rupees	2,049,597,054	3,668,171,057
Number of units in issue	Number	19,247,247	35,705,994
Net assets value per unit	Rupees	106.49	102.73

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

Income Statement

For the year ended 30 June 2009

	Note	2009	2008
Income			
Financial Income	13	303,240,554	331,861,246
Income from equity securities		-	2,063,007
Capital (loss) / gain on sale of term finance certificates		(53,873,683)	1,127,453
Net unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss- held for trading'		(24,383,600)	3,156,848
Provision for impairment in valuation of investments classified as 'held to maturity'		(22,267,468)	-
Element of income and capital gains included in prices of units sold less those in units redeemed - net		(34,529,586)	72,651,469
Total Income		168,186,217	410,860,023
Expenses			
Remuneration to the Management Company		26,147,221	38,576,792
Remuneration to the Trustee		3,080,536	4,097,609
Annual fee to the Securities and Exchange Commission of Pakistan		1,843,319	3,086,134
Mark-up on borrowings	14	12,427,593	-
Brokerage expense and capital value tax		366,968	1,426,444
Bank and settlement charges		114,078	123,729
Amortisation of deferred formation cost		720,875	722,850
Auditors' remuneration		276,560	249,012
Legal and professional charges		-	70,500
National Clearing Company of Pakistan Limited charges		871,605	206,532
Annual listing fee		15,000	30,000
Printing charges		206,262	-
Credit rating fee		100,000	-
Total expenses		46,170,017	48,589,602
Net income for the year	Rupees	122,016,200	362,270,421

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

Cash Flow Statement

For the year ended 30 June 2009

	Note	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		122,016,200	362,270,421
Adjustments for:			
Income from equity securities		-	(2,063,007)
Capital (loss) / gain on sale of term finance certificates		53,873,683	(1,127,453)
Net unrealised diminution / (appreciation) in fair value of investments classified as 'at fair value through profit or loss- held for trading'		24,383,600	(3,156,848)
Provision for impairment in valuation of investments classified as 'held to maturity'		22,267,468	-
Deferred formation cost		720,875	722,850
Element of income and capital gains included in prices of units sold less those in units redeemed		34,529,586	(72,651,469)
		257,791,412	283,994,494
<i>(Increase) / decrease in assets</i>			
Balance receivable against continuous funding system		-	45,985,430
Investments - net		1,998,706,547	(1,674,792,470)
Security deposit		1,000,000	(2,500,000)
Receivable against interest / mark up		6,877,021	(19,295,872)
Receivable against sale of securities		31,560,025	(28,840,375)
Prepaid annual fee CFS M.K II		865,740	(865,740)
		2,039,009,333	(1,680,309,027)
<i>Increase / (decrease) in liabilities</i>			
Payable to the Management Company		(901,339)	(3,084,268)
Remuneration payable to the Trustee		(83,213)	143,713
Annual fee to the Securities & Exchange Commission of Pakistan		(1,242,815)	2,784,544
Accrued and other liabilities		(384,402)	722,134
		(2,611,769)	566,123
Net cash from / (used in) operating activities		2,294,188,976	(1,395,748,410)
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution paid		(35,236,215)	(149,040,065)
Amounts received on issue of units		4,804,944,529	8,435,845,746
Payment against redemption of units		(6,551,027,398)	(6,577,717,800)
Net cash (used in) / from financing activities		(1,781,319,084)	1,709,087,881
Net increase in cash and cash equivalents during the year		512,869,892	313,339,471
Cash and cash equivalents at beginning of the year		1,228,086,058	914,746,587
Cash and cash equivalents at end of the year 15 Rupees		1,740,955,950	1,228,086,058

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

Distribution Statement

For the year ended 30 June 2009

	2009	2008
Undistributed income brought forward at the beginning of the year		
- Realized gain	94,320,516	32,980,379
- Unrealized gain	3,156,848	-
	<u>97,477,364</u>	<u>32,980,379</u>
Net income for the year	122,016,200	362,270,421
Final distribution of bonus @2.6479 units for every 100 units held, approved on: 3 July 2008 (2008: 1.95 unit for every 100 units held, approved on 3 July 2007)	(94,620,885)	(31,990,979)
Interim distribution (bonus units at the rate Rs. 7.06) for the nine months period ended 31 March 2008 approved on: 3 April 2008	-	(265,782,457)
Undistributed income carried forward	<i>Rupees</i> <u>124,872,679</u>	<u>97,477,364</u>
Undistributed income carried forward at the end of the year		
- Realized gain	146,399,800	94,320,516
- Unrealized gain	(21,527,121)	3,156,848
	<i>Rupees</i> <u>124,872,679</u>	<u>97,477,364</u>

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

Statement of Movement in Unit Holder's Fund

For the year ended 30 June 2009

	2009	2008
Net assets at beginning of the year	3,668,171,057	1,677,576,006
Amount realized / unrealized on issuance of 46,337,484 units (30 June 2008 : 81,692,661 units)	4,805,021,369	8,435,845,746
Issuance of 593,372 bonus units in respect of final and interim distributions (30 June 2008 : 1,482,384 units)	59,384,670	148,733,371
Amount paid / payable on redemption of 63,389,603 units (30 June 2008 : 63,909,532 units)	(6,544,904,943)	(6,585,829,582)
	1,987,672,153	3,676,325,541
Element of income and capital gain included in prices of units sold less those in units redeemed	34,529,586	(72,651,469)
Net income before capital gains- realised and unrealised Capital (loss) / gain on sale of term finance certificates Provision for impairment in valuation of investments classified as 'held to maturity'	222,540,951 (53,873,683) (22,267,468)	356,178,613 2,934,960
Net unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss - held for trading'	(24,383,600)	3,156,848
Net income for the year	122,016,200	362,270,421
<i>Distributions made during the year</i>		
Final distribution of bonus units	(59,384,670)	(31,990,979)
Final distribution of cash dividend	(35,236,215)	-
Interim distribution of bonus units	-	(116,742,392)
Interim distribution of cash dividend	-	(149,040,065)
	(94,620,885)	(297,773,436)
Net income less distributions for the year	27,395,315	64,496,985
Net assets at end of the year	Rupees 2,049,597,054	3,668,171,057
Net assets value per unit at the beginning of the year	Rupees 102.73	102.04
Net assets value per unit at the end of the year	Rupees 106.49	102.73

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

Notes to the Financial Statements

For the year ended 30 June 2009

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, requirements of Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2007 and Non-Banking Finance Companies and Notified Entities Regulations, 2008. In case, requirements differ, the provisions and directive of Companies Ordinance 1984, the requirements of Trust deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2007 and Non-Banking Finance Companies and Notified Entities Regulations, 2008 shall prevail.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Initial application of a standard or an interpretation

During the year, amendments to International Accounting Standards (IAS) 39- Financial instruments: Recognition and Measurement and IFRS 7-Financial Instruments: Disclosures- regarding reclassification of financial assets became effective from 1 July 2008. Further IAS 29 -Financial Reporting in Hyperinflationary Economies, International Financial Reporting Standard (IFRS) 7- Financial Instruments: Disclosures, IFRIC 11-Group and Treasury Shares Transactions, IFRIC 13-Customer Loyalty Programme and IFRIC 14 -The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction became effective during the year. The application of these standards and interpretations did not have any material effect on the Fund's financial statements except disclosures relating to IFRS 7 which are disclosed in note 18 of the financial statements..

2.5 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 July 2009 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:

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on the Fund's financial statements.

Amendments to IAS 32 - Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Fund's financial statements.

Amendment to IFRS 2 - Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Fund's financial statements.

Revised IFRS 3 - Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Fund's financial statements.

Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Fund's financial statements.

IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the “management approach” to segment reporting. IFRS 8 - will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by “chief operating decision maker” in order to assess each segment's performance and to allocate resources to them. The application of this standard is not likely to have any effect on the Fund's financial statements.

IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or

after 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Fund's operations.

IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Fund's operations.

IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Fund does not distribute non-cash assets, this interpretation has no impact on the Fund's financial statements.

IFRIC 18 - Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation is not relevant to the Fund's operations.

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard These amendments are unlikely to have an impact on the Fund's financial statements except for the following;

Amendments to IAS 39 - Financial Instruments: Recognition and Measurement – Eligible hedged Items (effective for annual periods beginning on or after 1 July 2009 clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the Fund's financial statements.

IAS 27 - 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on Fund's financial statements.

IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The standard is not applicable to the Fund's operations.

Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009). These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. The amendment is not likely to have an effect on Fund's financial statements other than certain increased disclosures.

Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The amendments are not likely to have an effect on Fund's financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard. These amendments are unlikely to have an impact on the Fund's financial statements.

Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

2.6 Accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

Held-to-maturity investment

The Fund has classified certain investment as held-to-maturity. In this regard, management's judgment is involved in evaluating the intention and ability to hold these investment till their respective maturities.

Investment stated at fair value

Management has determined fair value of certain investments by using quotation from active market. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matter of judgment (e.g. valuation, interest rates, etc.) and therefore, can not be determined with precision.

Impairment of investment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. This objective evidence of impairment of fixed income securities is determined in accordance with provisioning criteria / policy for non performing exposures approved by the Board of Directors of the management company in accordance with the requirements of SECP vide its Circular no. 13 of 2009 dated 4 May 2009.

In compliance with circular 13 dated 04 May 2009 issued by the Securities and Exchange Commission

of Pakistan (SECP) the Provisioning policy for all fixed income securities as per the guidelines issued under Annexure II of SECP circular 1 dated 6 January 2009 has been adopted by the Board of Director with certain amendments.

As per provisioning policy the Investment Committee of the Managements Company shall continuously review the provisioning status of all fixed income securities held by Fund, to assess whether there is change in circumstances which warrant additional provision and accordingly shall determine whether additional provision is required or not along with rationale and appropriate grounds and recommend it to Board of Directors for their approval.

Actual results may differ and the difference could be material.

Other assets

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

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.

- **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.

The SECP vide its circular no. 1/2009 dated 06 January, 2009 has changed the methodology for valuation of debt securities. Under the said directive, investment in TFCs and sukuk certificates have to be valued on the basis of rates quoted by the Mutual Fund Association of Pakistan (MUFAP). Accordingly, investment in TFCs and sukuk certificates have been valued at the rates determined and announced by MUFAP based on the methodology prescribed in the circular. Prior to the issuance of the said directive investments in TFCs and sukuk certificates were valued as follows:

- (i) With effect from 05 November, 2008 to January 9, 2009, at the lower of discounted redeemable face value of TFCs and sukuk certificates and the market value as determined using the rates notified by MUFAP in accordance with the SECP circular no. 26/2008 dated 05 November 2008.
- (ii) Prior to 05 November, 2008, at the rates notified by MUFAP in accordance with the requirements of Regulation 2(1)(xvi) of the Non-Banking Finance Companies and Notified Entities Regulation, 2007. However where these rates were not so quoted by MUFAP, these were valued at the average of the rates quoted taken from at least three brokers.

Had all the TFCs and sukuk certificates been valued on the earlier basis of rates notified by MUFAP, net assets value of the Fund calculated during the year and as of 30 June 2009, would have been different and consequently the number of units issued / redeemed during the year as well as element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed recorded by the Fund would also have been different. These effects have not been quantified as it is impracticable to do so.

Marketable Equity Securities

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

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 Unit holders' fund

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

3.6 Issue and redemption of units

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

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

3.7 Net asset value per unit

The net assets value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue including those units for which cheques have been received and deposited to the bank.

3.8 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets at fair value through profit or loss are included in the Income Statement in the period in which they arise.
- Interest income from reverse repurchase transactions and continuous funding system lending arrangements, returns on certificates of investment, placements, 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.

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

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

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

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

3.10 Taxation

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

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

3.12 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amount and the Fund intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.13 Provision

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

3.14 Deferred formation cost

Expenses incurred on the formation of the Fund have been recognised as deferred formation cost. Deferred formation cost is amortised over a period of five years starting from 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.

3.15 Cash and cash equivalents

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

3.16 Dividend and bonus units

Dividends declared subsequent to the balance sheet date are recorded in the period in which they are approved.

3.17 Other assets

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

3.18 Liabilities

All expenses including management fee and trustee fee are recognised in the Income Statement on an accrual basis.

4. BANK BALANCES - local currency

This represents balance in deposit accounts with banks and carry profit rates ranging from 12.50% to 14% (2008: 11.60 % to 15.00 %) per annum.

5. INVESTMENTS

		2009	2008
Financial asset at fair value through profit and loss-Held for trading			
Term finance certificates	5.1	189,977,400	767,481,584
Available-for-sale			
Application money for subscription of term finance certificates		-	47,733,333
Held to maturity			
Commercial papers		-	48,978,438
Certificates of investment	5.2	19,274,857	282,464,995
Certificates of musharika	5.3	58,457,658	435,442,059
Certificates of deposit	5.4	232,077,801	-
Term deposits	5.5	867,169,526	1,259,681,660
		1,176,979,842	2,026,567,152
	Rupees	<u>1,366,957,242</u>	<u>2,841,782,069</u>

5.1 Term finance certificates

Name of the investee company	Profit / mark-up rate	As at 30 June 2008	Purchased during the year	Sold during the year	As at 30 June 2009	Cost as at 30 June 2009	Market value as at 30 June 2009	% of net assets on the basis of market value	% of total investment on the basis of market value	% of issued debt of issuer on the basis of outstanding principal
------(Number of Certificates)----- (Rupees)----- (%age)-----										
Quoted investments										
Commercial banks										
Bank Alfalah Limited	17.14%	2,000	-	2,000	-	-	-	-	-	-
Faysal Bank Limited	17.16%	552	-	552	-	-	-	-	-	-
NIB Bank Limited	11.46%	10,440	-	10,440	-	-	-	-	-	-
United Bank Limited - III	15.18%	3,000	-	3,000	-	-	-	-	-	-
Fertilizer										
Engro Chemicals Pakistan Limited- III	17.37%	12,281	-	12,281	-	-	-	-	-	-
Pakarab Fertilizers Limited	11.83%	1,724	-	1,724	-	-	-	-	-	-
Leasing										
Orix Leasing Pakistan Limited II	15.27%	3,000	-	3,000	-	-	-	-	-	-
Saudi Pak Leasing Co. Limited	15.40%	5,000	-	5,000	-	-	-	-	-	-
Technology and Communication										
Pakistan Mobile Communication Limited	15.00%	-	12,000	12,000	-	-	-	-	-	-

Name of the investee company	Profit / mark-up rate	As at 30 June 2008	Purchased during the year	Sold during the year	As at 30 June 2009	Cost as at 30 June 2009	Market value as at 30 June 2009	% of net assets on the basis of market value	% of total investment on the basis of market value	% of issued debt of issuer on the basis of outstanding principal
		------(Number of Certificates)-----				------(Rupees)-----		------(%)-----		
Miscellaneous										
Pace Pakistan Limited	15.78%	10,000	-	-	10,000	49,980,000	41,483,400	2.02	3.03	3.33
Unquoted investments										
Commercial banks										
Bank Al-Habib Limited	15.50%	-	10,000	-	10,000	50,000,000	50,000,000	2.44	3.66	2.50
Cement										
Maple Leaf Cement Factory Limited - SUKUK Fertilizer	17.37%	6,000	-	6,000	-	-	-	-	-	-
Engro Chemicals Pakistan Limited I	14.14%	18,400	-	-	18,400	92,000,000	80,960,000	3.95	5.92	2.30
Engro Chemicals Pakistan Limited II	13.69%	4,000	-	-	4,000	20,000,000	17,534,000	0.86	1.28	1.00
Pak American Fertilizers Limited	15.52%	4,000	-	4,000	-	-	-	-	-	-
Pak American Fertilizers Limited- Sukkuk	16.72%	-	10,000	10,000	-	-	-	-	-	-
						112,000,000	98,494,000			
Investment banks / securities										
First Dawood Investment Bank Limited	11.60%	5,000	-	5,000	-	-	-	-	-	-
Jahangir Siddiqui & Co. Limited	17.38%	7,000	-	7,000	-	-	-	-	-	-
						-	-			
Leasing										
Orix Leasing Pakistan Limited	16.77%	250	-	250	-	-	-	-	-	-
Modaraba										
Al-Zamin Leasing Modaraba - SUKUK	17.66%	7,000	-	7,000	-	-	-	-	-	-
Textile Composite										
Azgard Nine Limited	15.99%	13,000	20,000	33,000	-	-	-	-	-	-
Miscellaneous										
House Building Finance Corporation - SUKUK	16.24%	5,000	-	5,000	-	-	-	-	-	-
KASHF Foundation	15.82%	10,000	4,667	14,667	-	-	-	-	-	-
Pakistan Mobile Communication Limited	14.15%	20,000	-	20,000	-	-	-	-	-	-
Century Paper	15.42%	-	5,000	5,000	-	-	-	-	-	-
						-	-			
						211,980,000	189,977,400			

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

Name of the investee company	Secured / Unsecured	Mark-up		Principle redemption	Maturity date
		Kibor plus basis points	Receivable		
<u>Quoted investments</u>					
<u>Miscellaneous</u>					
Pace Pakistan Limited	Secured	6 months + 150	Semi annually	Principal to be repaid in six equal semi-annual instalments in arrears after a grace period of twenty four months from the last date of public subscriptions.	January 2014
<u>Unquoted investments</u>					
<u>Commercial banks</u>					
Bank Al-Habib Limited	Unsecured	Fix Rate 15.50% (1-5 yrs) 16.00% (6-8)	Quarterly	0.02% per quarter in the first seven years remaining in four equal quarterly instalments of 24.86% in the eighth year.	June 2017
<u>Fertilizer</u>					
Engro Chemicals Pakistan Limited I	Secured	6 months + 170	Semi-annually	Call option only by company or put option by the investor or at maturity whichever is earlier.	March 2018
Engro Chemicals Pakistan Limited II	Secured	6 months + 125	Semi-annually	Call option only by company or put option by the investor or at maturity whichever is earlier.	May 2018

5.2 Certificates of investment - Unsecured

		2009	2008
<u>Investment banks/ securities</u>			
First Dawood Investment Bank Limited		-	102,112,562
<u>Leasing</u>			
Saudi Pak Leasing Company Limited	5.2.1 & 5.2.2	19,274,857	77,473,919
Security Leasing Corporation Limited		-	102,878,514
		19,274,857	180,352,433
	Rupees	19,274,857	282,464,995

5.2.1 This certificate carry mark-up rate of 16% (June 2008: 10.60%) per annum and will mature on 2 July 2009 (2007: maturity between 21 July 2008 to 28 July 2008). This represent 1.41% of total investment on the basis of carrying amount and 0.94% of net assets on the basis of carrying amount.

5.2.2 The Fund invested in unsecured COI of SPLC amounting to Rs. 45 million on 10 July 2008 for a period of 3 months. On maturity date on 10 October 2008 the principal amount of Rs. 45 million along with interest of Rs. 1.814 million was rolled over for 7 days. This COI was again rolled over on 17 October 2008, 24 October 2008, 5 November 2008, 26 November 2008 and 2 January 2009 with principal repayments amounting to Rs. 11 million. Due to financial difficulties of the borrower the investment in COI was further rolled over twice for three months periods ending on 2 April 2009 and 2 July 2009 respectively with monthly instalment of Rs. 3 million each. Principal amounting to Rs. 15 million was paid under these deals upto 30 June 2009. The mark-up on these deals was paid on maturity. As at 30 June 2009 the total outstanding principal amounts to Rs. 19 million out of which Rs. 3 million is to be paid on 2 July 2009 and remaining principal of Rs. 16 million is further rolled over for six months with monthly instalments of Rs. 2.667 million. No provision has been made against this exposure as the same is not required under the provisioning policy of the Fund.

5.3 Certificates of musharika - unsecured

Modaraba		2009	2008
BRR International Modaraba	5.3.1 & 5.3.2	58,457,658	76,794,542
Alzamin Leasing Modaraba		-	154,941,275
First Punjab Modaraba		-	128,164,505
First National Bank Modaraba		-	75,541,737
	<i>Rupees</i>	<u>58,457,658</u>	<u>435,442,059</u>

5.3.1 This certificate carry mark up rate of 16% (June 2008: 10.65%) per annum and will mature on 14 February 2011 (June 2008: 10 July 2008). This represents 4.28% of total investments on the basis of carrying amount and 2.85% of net assets on the basis of carrying amount.

5.3.2 The Fund invested in COM of BRR Guardian Modaraba (BRR) amounting to Rs. 75 million on 10 January 2008 for a period of 6 months. Thereafter the sum has been rolled over on monthly basis up till 11 December 2008. The mark-up thereon has been paid on maturity. On maturity date on 11 December 2008, BRR paid the mark-up of Rs. 0.965 million and Rs. 2 million of the principal amount. Owing to the financial constraints of the borrower, the repayment date of remaining principal of Rs. 73 million was extended for further one month period ended 11 January 2009. Thereafter the principal amount of Rs. 73 million was again rolled over for a period of 3 months ended 13 April 2009 with monthly principal repayment of Rs. 3 million. Considering the financial difficulties of the borrower the Fund entered into a Musharika agreement with BRR on 13 April 2009 for 22 months period ending 14 February 2011. Under this arrangement the Fund agreed to provide financing of Rs. 64 million to BRR with agreed projected annual pretax profit of 16% and monthly principal repayments of Rs. 3 million each. As at 30 June 2009 total principal outstanding amounted to Rs. 58 million. No provision has been made against this exposure as the same is not required under the provisioning policy of the Fund.

5.4 Certificates of Deposit - unsecured

Investment banks/ securities

IGI Investment Bank Limited	5.4.1	205,127,801	-
First Dawood Investment Bank	5.4.2	26,950,000	-
	<i>Rupees</i>	<u>232,077,801</u>	<u>-</u>

- 5.4.1 These certificates carries mark-up rate of 12.25% to 13% (2008: Nil) will mature from 29 July 2009 to 30 July 2009 (2008: Nil). Investment in certificate of deposits of IGI investment Bank Limited represent 15% of total investment on the basis of carrying amount and 10% of net assets on the basis of carrying amount.
- 5.4.2 The Fund invested in Certificate of Deposits (COD) of First Dawood Investment Bank Limited (FDIBL) amounting to Rs. 50 million on 28 July 2008 for a period of 33 days. Thereafter the sum was rolled over on 30 August 2008, 6 October 2008 and 6 November 2008 for a further period of 37 days, 31 days and 35 days respectively. The mark-up thereon has been paid on maturity. On maturity date of 11 December 2008, FDIBL paid the mark-up of Rs. 1.054 million and Rs. 1 million of the principal amount. Owing to the financial constraints of the borrower, the remaining principal of Rs. 49 million was reinvested on that date for a further period of 21 days ended on 1 January 2009 at interest rate of 18%. At maturity date on 1 January 2009, FDIBL again defaulted on the repayment of the principal amount of Rs. 49 million. Interest on investment in COD of FDIBL was received for period upto 1 January 2009 and further interest accrual was stopped on 10 January 2009. Carrying amount of COD of FDIBL before deducting impairment losses amounted to Rs. 49.217 million (30 June 2008: nil) . Provision amounting to Rs. 22.050 million in respect of principal and Rs. 0.217 million in respect of interest for the period from 1 January 2009 to 10 January 2009 has been made in these financial statements in accordance with provisioning policy of the Fund. Investment in COD of FDIBL represent 1.97% of total investment on the basis of carrying amount and 1.31% of net assets on the basis of carrying amount.
- 5.5 Term deposit accounts are maintained with various financial institutions and carry profit rates from 13.15% to 14.5% (2008:10.35% to 11.5%) per annum. These deposits will mature between 2 July 2009 to 11 August 2009 (2008: 02 July 2009 to 17 September 2009). Investment in term deposit receipts represent 63.44% of total investment on the basis of carrying amount and 42.31% of net assets on the basis of carrying amount.

6. DEFERRED FORMATION COST	2009	2008
Unamortised Cost	2,724,406	3,447,256
Amortised to the income statement during the period	(720,875)	(722,850)
Balance as at 30 June	<u>Rupees 2,003,531</u>	<u>2,724,406</u>

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

7. SECURITY DEPOSITS

National Clearing Company of Pakistan Limited	2,500,000	3,500,000
Central Depository Company of Pakistan Limited	100,000	100,000
	<u>Rupees 2,600,000</u>	<u>3,600,000</u>

8. PREPAYMENTS AND OTHER RECEIVABLES - considered good

Receivable from brokers	-	31,560,025
Prepaid CFS M.K II Annual Fee to NCCPL	-	865,740
Receivable from IGI Stock Fund	76,840	-
Mark-up / return receivable on:		
- bank balances	10,644,231	3,559,530

	2009	2008
- reverse repurchase transactions under CFS	-	-
- term finance certificates	8,563,089	21,757,834
- application money for subscription of term finance certificates	-	766,977
	<u>19,284,160</u>	<u>58,510,106</u>
<i>Rupees</i>		

9. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable to the management company	9.1	2,402,653	-
Formation cost payable		-	3,303,992
	<i>Rupees</i>	2,402,653	3,303,992

- 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, 2008, of an amount not exceeding three percent per annum of the average daily net assets of the Fund during first five years of the Fund's existence and thereafter an amount equal to two percent per annum of such assets of the Fund. Currently, the Management Fee is charged @ 1.25% of the average daily net assets of the Fund.

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 Fund is required to pay SECP an amount equal to one tenth of 1% of the average daily net assets of the Fund. During the year SECP promulgated Non Banking Finance Companies and Notified Entities Regulations, 2008 ("the Regulations") on 21 November 2008. Under Rule 62 of Regulations the fund is required to pay annual fee to SECP at the rate of 0.075% of the average daily net assets of the Fund commencing from 21 November 2008.

12. ACCRUED AND OTHER LIABILITIES

	2009	2008
Accrued expenses	-	2,378
Auditors' remuneration	184,000	225,000
Brokerage payable	79,149	464,370
Dividend received on reverse repurchase transactions	52,675	52,675
Printing charges payable	135,000	-
Withholding tax payable	-	367
Payable to IGI Stock Funds	-	90,436
	<u>450,824</u>	<u>835,226</u>
<i>Rupees</i>		

13. FINANCIAL INCOME	2009	2008
Financial income on;		
Financial asset at fair value through profit and loss- held for trading		
- Term finance certificates	94,243,308	43,306,750
Available-for-sale		
-Application money for subscription of TFCs	7,185,925	16,820,141
Held to maturity		
- Commercial papers	4,567,827	2,182,173
- Certificates of Investments	7,400,758	11,522,762
- Certificates of Deposit	9,703,849	-
- Certificates of musharika	20,916,841	39,095,947
- Letter of placement	978,455	-
- Term deposits	69,444,899	133,553,013
	113,012,629	203,174,036
Others		
- Bank deposits	88,726,977	77,929,926
- Continuous funding system	71,715	7,450,534
	303,240,554	331,861,246
	<i>Rupees</i>	

14. MARK UP ON CREDIT FINANCE FACILITY

This represent mark-up on unsecured credit finance facility obtained from Bank Alfalah Limited during the year. The interest rates on these facility ranged from 14% to 18.50% during the year.

15. CASH AND CASH EQUIVALENTS

Bank balances	668,658,623	780,195,202
Certificate of deposits maturing within 3 months	205,127,801	-
Term deposit receipts maturing within three months	867,169,526	447,890,856
	1,740,955,950	1,228,086,058
	<i>Rupees</i>	

16. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit or certificate holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. The management company has distributed subsequent to year end a sufficient accounting income of the Fund for the year ended 30 June 2009 in order to comply with the above stated clause and regulation. Accordingly, no tax provision has been made in these financial statements for the year ended 30 June 2009.

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, Tetra Pak Pakistan Limited being the associates of IGI Insurance Limited and Key Management personnel. Transactions with these related parties involve issue and redemption of units and issue of bonus shares.

Remuneration payable to the Management Company and the Trustee are determined in accordance with the provisions of Non - Banking Finance Companies and Notified Entities Regulations, 2008, and the Trust Deed respectively. Front end load is charged to unit holder and is payable to the management company according to provisions of the offering document of the fund. Investment in Certificate of Deposit of IGI Investment Bank Limited was made at interest rates prevailing in the market. Security deposit are placed with CDC under normal terms of the business.

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

17.1 Unit Holder's Fund

	2009										
	As at 1 July 2008	Issued for cash	Bonus	Redeemed	As at 30 June 2009	As at 1 July 2008	Issued for cash	Bonus	Redeemed	As at 30 June 2009	Net Asset value as at 30 June 2009
	Units					(Rupees)					
Associated Companies / Undertakings											
IGI Investment Bank Limited	14,704	23,142,303	389	21,279,286	1,878,110	1,500,000	2,408,523,630	38,967	2,224,008,890	186,053,707	199,999,934
IGI Insurance Limited	2,070,805	1,921,599	54,832	4,047,236	.	211,227,949	195,906,995	5,487,634	413,650,285	.	.
Packages Limited	.	960,799	.	960,799	.	.	100,000,000	.	100,105,688	.	.
Packages Limited - Employees Gratuity Fund	578,159	.	15,309	93,079	500,389	58,882,492	.	1,532,121	9,400,000	51,014,613	53,286,425
Packages Limited - Employees Provident Fund	663,292	.	17,564	297,177	383,679	67,157,411	.	1,757,725	30,000,000	38,915,136	40,857,977
Packages Limited - Staff Pension Fund	966,840	.	25,601	396,236	596,205	98,298,936	.	2,562,128	40,000,000	60,861,064	63,489,870
IGI Finex Securities Limited	.	1,175,595	.	.	1,175,595	.	120,000,000	.	.	120,000,000	125,189,112
IGI Funds Limited - Management Company	1,555,024	1,144,095	41,175	1,855,979	884,315	158,381,675	116,300,000	4,120,815	187,000,000	91,802,490	94,170,704
IGI Funds Limited - Staff Provident Fund	5,209	.	138	.	5,347	529,122	.	13,804	.	542,926	569,402
Other Related Parties											
Transactions with employees	75,215	301,635	1,992	377,628	1,214	8,922,104	30,815,175	199,373	38,853,410	1,083,242	129,279
Treet Corporation Limited - Employees Gratuity Fund	27,286	.	722	.	28,008	2,780,338	.	72,307	.	2,852,645	2,982,572
Treet Corporation Limited - Employees Superannuation Fund	27,286	9,731	722	.	37,739	2,780,338	1,000,000	72,307	.	3,852,645	4,018,826
Tri Pack Films Limited - Employees Gratuity Fund	10,510	.	278	.	10,788	1,069,324	.	27,851	.	1,097,175	1,148,814
Tri Pack Films Limited - Employees Provident Fund	21,020	.	557	.	21,577	2,138,649	.	55,702	.	2,194,351	2,297,735
Tatra Pak Pakistan Limited - Employees Gratuity Fund	16,782	.	444	17,226	.	1,750,692	.	44,470	1,714,123	.	.
Tatra Pak Pakistan Limited - Employees Provident Fund	71,628	.	1,897	73,525	.	7,472,467	.	189,813	7,316,379	.	.
Tatra Pak Pakistan Limited - Employees Pension Fund	59,348	.	1,571	60,919	.	6,191,472	.	157,273	6,062,143	.	.
Central Depository Company of Pakistan Limited	201,226	245,990	5,328	452,544	.	21,327,317	25,000,000	533,248	46,720,656	.	.
CDCPL - Employees Gratuity Fund	54,616	.	1,446	56,062	.	5,565,244	.	144,733	5,679,669	.	.
Key Management Personnel											
Syed Babar Ali - Group Chairman	.	474,428	.	.	474,428	.	50,000,000	.	.	50,000,000	50,521,838
Bazl Ahmed Khan - Ex-Chairman Board of Directors	13,805	.	366	14,103	68	1,409,225	.	36,584	1,458,000	(12,191)	7,241

	2009										
	As at 1 July 2008	Issued for cash	Bonus	Redeemed	As at 30 June 2009	As at 1 July 2008	Issued for cash	Bonus	Redeemed	As at 30 June 2009	Net Asset value as at 30 June 2009
	Units					(Rupees)					
Adi . J . Cawasji - Director	18,261	1,999	484	12,924	7,820	1,860,712	200,000	48,391	1,300,000	809,103	832,752
Syed Mohammad Zeeshan - CFO	5,863	-	155	6,018	-	590,824	-	15,536	606,360	-	-
Syed Javed Hamid - Chairman Board of Directors	26,756	-	708	27,464	-	2,748,644	-	70,902	2,840,311	-	-
Samir Ahmed - CEO IGI Investment Bank Limited	-	19,395	-	13,940	5,455	-	2,000,000	-	1,475,000	525,000	580,903

	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
Tatra Pak Pakistan Limited - Employees Gratuity Fund	-	15,679	1,103	-	16,782	-	1,640,000	110,692	-	1,750,692	1,723,942
Tatra Pak Pakistan Limited - Employees Provident Fund	-	66,922	4,706	-	71,628	-	7,000,000	472,467	-	7,472,467	7,358,288
Tatra 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
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	-	-

17.2 Other transactions

<u>Associated Companies / Undertakings</u>	2009	2008
IGI Insurance Limited		
Cash dividend paid	Rupees <u>-</u>	<u>14,619,884</u>
IGI Funds Limited		
Management fees	Rupees <u>26,147,221</u>	<u>38,576,792</u>
Other payments - Bank charges	Rupees <u>-</u>	<u>35,500</u>
Printing charges paid	Rupees <u>21,411</u>	<u>-</u>
IGI Investment Bank Limited		
Interest income from Certificate of Deposit placed	Rupees <u>5,629,794</u>	<u>-</u>
<u>Other Related Parties</u>		
IGI Finex Securities		
Brokerage charges	Rupees <u>7,777</u>	<u>24,636</u>
Gain on CFS transaction	Rupees <u>-</u>	<u>307,955</u>
Purchase of securities under CFS	Rupees <u>-</u>	<u>199,502,460</u>
Sale of securities under CFS	Rupees <u>-</u>	<u>199,810,415</u>
Central Depository Company of Pakistan Limited		
Trustee fee	Rupees <u>3,080,536</u>	<u>4,097,609</u>

17.3 Other balances

<u>Associated Companies / Undertakings</u>		
IGI Funds Limited		
Management fee payable	Rupees <u>2,402,653</u>	<u>3,303,992</u>
IGI Investment Bank Limited		
Certificates of Deposit	Rupees <u>205,127,801</u>	<u>-</u>
<u>Other Related Parties</u>		
IGI Finex Securities		
Brokerage charges payable	Rupees <u>7,251</u>	<u>61,642</u>
Central Depository Company of Pakistan Limited		
Trustee fee payable	Rupees <u>274,413</u>	<u>357,626</u>

18. FINANCIAL RISK MANAGEMENT

The Management Company's objective in managing risk is the creation and protection of Net Asset Value/Unit holder's fund. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risks limits and other controls. The process of risk management is critical to the Fund's continuing profitability.

The Board of Directors of management company has overall responsibility for the establishment and oversight of the Fund's risk management framework including developing and monitoring the Fund's risk management policies.

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

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

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

- Market risk (comprising of interest rate risk)
- Credit risk
- Liquidity risk

18.1 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board of Directors and regulations laid down by the Securities and Exchange Commission of Pakistan (SECP).

The Fund is exposed to interest rate risk only.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on investment in debt securities, from repurchase, reverse repurchase agreements, clean placements and profit and loss sharing bank balances. Most of the Fund's interest bearing investments comprise of those classified as Held to Maturity and bank accounts which carry fixed interest rates. Currently most of these exposure in fixed rate instruments are in Certificate of Investments, Certificate of Musharika, Certificate of

Deposits and Term Deposits, however to enhance the earning potential of the Fund, the Fund also invests in variable rate instruments such as Term Finance Certificates (TFC) as most of the TFCs currently available are indexed to KIBOR. The Management Company monitors the interest rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities.

The Fund's investment in fixed interest rate securities expose Fund to fair value interest rate risk and investments in variable interest rate securities expose fund to cash flow interest rate risk.

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

Fixed rate instruments	2009	2008
Financial assets	<i>Rupees</i> <u>1,895,638,465</u>	<u>2,806,762,354</u>
Variable rate instruments		
Financial assets	<i>Rupees</i> <u>139,977,400</u>	<u>815,214,917</u>

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

Fair value sensitivity analysis for fixed rate instruments

The Fund does not account for any fixed rate financial instrument at fair value through profit or loss or as available for sale financial assets except for investment in TFC of Bank Al- Habib Limited. In case of 100 basis points (bp) increase / decrease in interest rates on year end, the net assets attributable to unit holders of the Fund and net income for the year would have been higher / lower by Rs. 2.75 million (30 June 2008: Nil). This analysis assumes that all other variables remain constant. The analysis for year ended 30 June 2009 is performed on the same basis.

Cash flow sensitivity analysis for variable rate instruments

Presently, Fund investment in Term Finance Certificates and application money for subscription of Term Finance Certificates amounting to Rs. 139.977 million (2008: Rs. 815.215 million) carry floating interest rate that expose the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR at year end, the net assets attributable to unit holders of the Fund and net income for the year would have been higher / lower by Rs. 508,419 (30 June 2008: Rs. 1,880,823). This analysis assumes that all other variables remain constant. The analysis for year ended 30 June 2009 is performed on the same basis.

18.2 Credit risk

Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of reverse re-purchase transactions or other arrangements to fulfil their obligations. There is a possibility of default of issuers of the instrument, financial institutions, counter parties or brokers.

The Fund's policy is to enter into financial contracts with reputable counterparties in accordance with the internal risk management policies and investment guidelines approved by the Board of Directors. The Investment Committee closely monitors the creditworthiness of the Fund's counterparties (e.g., issuer of the instruments, Brokers, banks, etc.) by reviewing their credit ratings, financial statements and

press releases on a regular basis. In addition the credit risk is also minimized due to the fact that the fund only invests in the high quality financial assets, majority of which have been rated by a reputable rating agency. All transactions in debt securities are settled / paid upon delivery. The risk of default in such transactions is considered minimal, as delivery of securities is guaranteed by reputable brokers or the transactions are carried with counter parties of high reputation.

In respect of reverse repurchase transactions, the Fund receives collateral. It is the Fund's policy to closely monitor the counter party's credit worthiness as well as the fair value of the collateral held and upon unfavourable change, will seek to terminate the agreement or obtain additional collateral.

The maximum exposure to credit risk before any credit enhancement at year end is the carrying amount of the financial assets as set out below;

	Carrying amount	
	2009	2008
Bank balances	668,658,623	780,195,202
Investments		
- At Fair value through profit and loss account - <i>held for trading</i>	189,977,400	767,481,584
- Available for sale investments	-	47,733,333
- Held to maturity investments	1,176,979,842	2,026,567,152
	1,366,957,242	2,841,782,069
Security deposits	2,600,000	3,600,000
Other receivables	19,284,160	57,644,366
	<i>Rupees</i> <u>2,057,500,025</u>	<u>3,683,221,637</u>

The Fund mainly invests in financial assets with at least investment grade credit rating issued by Pakistan Credit Rating Agency (PACRA) or JCR-VIS Credit Rating Company Limited. Cash is held only with reputable banks with high credit quality.

Credit quality of Held for trading investments

The tables below analyses the Fund's Investments in Held for trading (HFT) investments on the basis of long term rating given to the instruments by the credit rating agencies:

	2009		2008	
	amount of credit exposure (Rupees)	% of HFT Investments	amount of credit exposure (Rupees)	% of HFT Investments
AA+/AA/AA-	189,977,400	100	559,096,804	73
A+/A/A-	-	-	183,167,280	24
BBB+/BBB/BBB-	-	-	25,217,500	3
	<u>189,977,400</u>	<u>100</u>	<u>767,481,584</u>	<u>100</u>

None of the HFT investments of the fund were past due or impaired at 30 June 2009 and 30 June 2008.

Credit quality of Held to maturity investments

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

	2009		2008	
	amount of credit exposure (Rupees)	% of HTM Investments	amount of credit exposure (Rupees)	% of HTM Investments
<i>HTM investment neither past due nor impaired</i>				
A1	1,067,251,642	90.64	1,195,153,023	58.97
A2	5,045,685	0.43	550,557,570	27.17
A3	-	-	180,352,433	8.90
Not rated	-	-	100,504,126	4.96
	1,072,297,327	91.07	2,026,567,152	100.00
<i>HTM investment whose terms have been renegotiated*</i>				
A2	58,457,658	5.00	-	-
A3	19,274,857	1.64	-	-
	77,732,515	6.64	-	-
<i>Impaired HTM investments**</i>				
A3	26,950,000	2.29	-	-
	1,176,979,842	100.00	2,026,567,152	100.00

*HTM investments which terms have been renegotiated during the year comprise of Certificate of Musharika of BBR Guardian Modaraba amounting to Rs. 58.4578 million (refer Note 5.3.2) and Certificate of Investment of Saudi Pak leasing Limited amounting to Rs. 19.275 million (refer Note 5.2.2).

**Impaired HTM investment comprise of Fund investment in Certificate of deposit (COD) of First Dawood Investment Bank. Limited (FDIBL). Refer Note 5.4.2. Provision has been made against COD of FDIBL in accordance with provisioning policy of the Fund approved by the Board of Directors.

Concentration of the credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Concentration of credit risk is determined with references to the individual counter parties as well as industry sector of the issuer as per classification of stock exchange in addition to internal risk management policies of the Fund. Details of Fund's concentration of credit risk of the financial instruments by industrial distribution are given in the respective notes to the financial statements.

18.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

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

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

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

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

	2009			
	Carrying amount and contractual cash flows	Up to 8 days	8 days to one months	later than one month and not later than three months
------(Rupees)-----				
Amount payable on redemption of units	4,935,293	(4,935,293)	-	-
Payable to the Management Company	2,402,653	-	(2,267,653)	(135,000)
Remuneration payable to the Trustee	274,413	-	(274,413)	-
Annual fee payable to Securities and Exchange Commission of Pakistan	1,843,319	-	-	(1,843,319)
Accrued and other liabilities	450,824	-	(131,824)	(319,000)
	9,906,502	(4,935,293)	(2,673,890)	(2,297,319)

	2008			
	Carrying amount and contractual cash flows	Up to 8 days	8 days to one months	later than one month and not later than three months
------(Rupees)-----				
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 payable to Securities and Exchange Commission of Pakistan	3,086,134	-	-	(3,086,134)
Accrued and other liabilities	835,226	-	(610,226)	(225,000)
	18,640,726	(11,057,748)	(4,271,844)	(3,311,134)

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

18.4 Unit Holders' Fund risk management

Management's objective when managing unit holders' funds is to safeguard 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 Management Company manages fund's 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 unit holders' funds structure depends on the issuance and redemption of units.

The Fund is not subject to externally imposed requirements.

19. 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 6.2810 units per for every 100 units held and Rs 6.2932 per unit for the period from 1 July 2008 to 30 June 2009, amounting to Rs. 121.126 million in total, in their meeting held on 02 July 2009. 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 of the fund, top ten brokers of the Fund, members of the Investment Committee, fund manager, meetings of the Board of Directors, credit rating of the Fund and the management company of the fund as required under Schedule V of Non Banking Finance Companies and Notified Entities Regulations, 2008 has been disclosed in Annexure I to the financial statements.

23. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by Board of Directors of the Management Company on 12 August 2009.

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

Chief Executive

Director

Annexure I

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

(i) UNIT HOLDING PATTERN OF THE FUND

Category	As at 30 June 2009			
	Number of unit holders	Number of units held	Amount Rupees	% of total
Individuals	120	1,078,112	114,805,786	6%
Associated Co./ Directors	11	5,481,451	583,707,713	29%
Insurance Co.	2	948,469	101,000,387	5%
Banks/ DFIs	5	4,307,198	458,664,082	22%
NBFC/ NBFI/ DFIs	2	254,860	27,139,483	1%
Retirement & Other Funds	-	-	-	-
Public Limited Co.	7	3,092,898	329,355,935	16%
Others	25	4,084,259	434,923,668	21%
	<u>172</u>	<u>19,247,247</u>	<u>2,049,597,054</u>	<u>100%</u>

Category	As at 30 June 2008			
	Number of unit holders	Number of units held	Amount Rupees	% of total
Individuals	183	3,028,314	311,106,571	9%
Associated Co./ Directors	20	6,570,827	675,038,142	18%
Insurance Co.	3	922,495	94,770,310	3%
Banks/ DFIs	11	13,640,823	1,401,358,670	38%
NBFC/ NBFI/ DFIs	1	254,860	26,182,430	1%
Retirement & Other Funds	10	1,557,887	160,045,782	4%
Public Limited Co.	4	2,135,020	219,336,156	6%
Others	15	7,595,768	780,332,996	21%
	<u>247</u>	<u>35,705,994</u>	<u>3,668,171,057</u>	<u>100%</u>

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

Name of broker	Percentage of commission paid	
	2009	2008
JS Global Capital Ltd	41.84%	19.79%
Multiline Securities (Pvt) Ltd	24.45%	6.58%
First Capital Securities Corporation Ltd	14.35%	7.05%
Invisor Securities (Pvt) Ltd	5.39%	2.63%
First Dawood Investment Bank Ltd	4.74%	8.22%
Standard Capital Securities (Pvt) Ltd	4.36%	10.04%
Global Securities Pakistan Ltd	2.98%	6.04%
KASB Securities Ltd	1.37%	-
BMA Capital Management	0.42%	2.05%
IGI Finex Securities Ltd	0.08%	4.74%
Dawood Equities Ltd	-	31.59%

(iii) PARTICULARS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

- Syed Javeed Hassan - CEO
- Syed Muhammad Zeeshan - CFO
- Talib Wahab Shubaily - Fund manager of IGI Income Fund
- Muddasir Ahmed Shaikh -
- Saifullah Kazmi

Syed Javeed Hassan - CEO

Syed Javed Hassan has over 20 years of experience in asset management and capital market, and is currently the executive director of IGI Investment Bank. Earlier he was associated with IGI Financial Services in the capacity of CEO of Insurance Limited.

Prior to joining IGI Insurance, his assignment included Chief Executive of UBL Asset management Company, Senior Vice President and Head of Assian Insurance Research at Fox-Pitt Kelton (Asia), Assistant Director at PriceWaterHouseCoopers in London, Vice Presedent Emerging Markets at ING Baring Securities Limited and also helped set up ING Barings Pakistan Office. He was also the head of Research at Credit Lyonnais Securities (Asia) Limited and was ranked among the top analysts covering South Asia by Asia Money Broker Survey. He worked in the Middle East and Africa on number of civil engineering construction projects for Scott Wilson KirkPatrick & Partners.

Syed Javed Hassan hold Masters in Business Administration from London Business School, MSc DIC Transportation Engineering and BSc. in Civil Engineering from Imperial College of Science and Technology.

Syed Muhammad Zeeshan - CFO

Mr. Zeeshan has been associated with IGIFL for the last 2 years. He replaced Mr. Mizra Mehmood-ul-Hassan as CFO during the year ended 30 June 2009. He has 10 years of vast experience in Mutual Funds. Prior to joining Mr. Zeeshan was associated with UBL Funds Managers Limited, Atlas Assets Management Limited, National Investment Trust.

Mr. Zeeshan is associated member of Institute of Cost & Management Accountants of Pakistan and he is also CA Finalist done his articleship from Ford Rhodes sidat Hyder.

Muddasir Ahmed Shaikh

Mr. Muddasir has more than five years of experience in Investment Management & Equity Research. During his career, he has served number of public and private institutions of repute.

Prior to joining IGI Funds Limited, he had been associated with Atlas Asset Management Limited, National Investment Trust Limited, and JS Investments Limited (Formerly JS ABAMCO Ltd.). He is currently the fund manager for IGI Stock Fund.

Mr. Muddasir holds a Masters degree in Business Administration from Institute of Business Administration, Karachi.

Saifullah Kazmi

Mr. Kazmi is with IGI Funds Limited from July 2008 and done his Business Adminstration from Kingston University, England.

Prior to that Mr. Kazmi has two and a half year experience of Treasury and Capital Market Dealer in Faysal Bank Limited.

Talib Wahab Shubaily

Mr. Talib is with IGI Funds Limited from last two years and done his Master in Business Administration from Hamdard University, Karachi

Prior to joining here he has experience of working in Finex Securities for a period of two and a half years. He is currently the fund manager for IGI Income Fund.

(iv) DIRECTOR MEETING ATTENDANCE

Name of Director	Designation	Meetings			
		Total	Attended	Leave Granted	Meeting not attended
Syed Javed Hamid	Chairman	4	3	1	19th
Mr. Khalid Yacob	Director	7	5	2	15th and 20th
Syed Javed Hassan	Chief Executive Officer	7	7	-	-
Mr. Adi J. Cawasji	Director	7	6	1	15th
Mr. Ahmed Alman Aslam	Director	7	5	2	15th and 17th
Mr. Abid Naqvi	Director	7	6	1	17th
Syed Abdul Wahab Mehdi	Director	4	3	1	21st
Mr. Bazl Ahmed Khan	Ex-Chairman	3	1	2	16th and 17th
Mr. Ali Azam Shirazee	Ex-Chief Executive Officer	3	3	-	-

Mr. Ali Azam Shirazee resigned from the post of CEO of the Management Company and Syed Javed Hassan was appointed as CEO in his place with effect from 19 September 2008

Mr. Bazl Ahmed Khan resigned as director and Chairman of the company and two new directors namely Syed Javed Hamid and Syed Abdul Wahab Mehdi were appointed to fill the casual vacancies with effect from 27 October 2008.

Dates of the meetings of the Board of Directors

Fifteenth meeting	3 July 2008
Sixteenth meeting	18 August 2008
Seventeenth meeting	28 August 2008
Eighteenth meeting	29 October 2008
Nineteenth meeting	11 February 2009
Twentieth meeting	23 April 2009
Twenty-first meeting	17 June 2009

(v) FUND AND ASSET MANAGER RATING

PACRA has awarded asset manager rating of an "AM3" to IGI Funds Limited in its report dated 20 January 2009. The rating reflects the company's experienced and qualified management team, a structured and strong fund management function, and demonstrated support of the sponsoring Group. The rating also factors in a growing realization on part of the management to institute a strong in-house risk management, compliance and control platform, translating into an improved relative standing amongst peers.

PACRA has awarded normal rating of "4-star" to IGI Income Fund based on performance review for the year ended 30 June 2008 vide its report dated 31 December 2008.



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
Alfalah Securities (Pvt.) Ltd.
Atlas Capital Markets (Pvt.) Ltd.
BMA Capital Management Ltd.
Bulls and Bulls
Foundation Securities (Pvt) Ltd.
IGI Investment Bank Limited
Invest Capital and securities (Pvt.) Ltd.
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
Mr. Zulfiqar Lodhi
Mr. Rizwan Ahmed
Mr. Salman Najeeb
Vector Consulting (Pvt) Ltd.
Cumberland (Pvt) Ltd.

Auditors

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

Legal Advisor

Hassan & Hassan (Advocates)
PAAF Building, 7D Kashmir Egerton Road, Lahore.

Bankers

Bank Alfalah Limited

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 Stock Fund (the "Fund") for the period ended 30 June 2009.

Economic Review

The period FY08-09 has been very volatile for the economy, global and domestic. During the period, the domestic economy grew by 2%, almost half of the initial target, which is also the lowest growth rate since FY01. The economy suffered on the laggard growth of manufacturing sectors, owing to weak domestic and global demand, high interest rates, production cost hikes and energy shortages. Services sector has also posted below target growth of 3.6% (Target: 4%) mainly led by slowdown in retail & trade, finance & insurance and transport, storage & communication sub sectors. Only the agriculture sector has posted target growth of 4.7% due to bumper wheat crop and better farming conditions.

The economy was brutally assailed by rising inflation accredited to higher commodity prices in the international markets. The CPI for FY09 stood at 20.80%. Although this is a near doubling since last year, the inflationary pressure started easing off, on a monthly basis, in the 2HFY09 which is evident in the full year inflation figures. In a bid to control rising inflation, the Policy Rate was raised by 200bps to 15% in the 1HFY09 MPS. During 2HFY09, in light of falling interest rates, the discount rate was lowered by 100bps to pace up to the economic growth. The main factor was attributed to Oil prices that averaged USD 66.38bbl for FY09, as opposed to USD 97.03bbl for FY08. During 1HFY09, Oil had started to taper down from its high, but the high base effect continued to reflect in prices till 2HFY09.

As a result of difficult market conditions, the country has to resort to foreign aid. The International Monetary Fund (IMF) granted a Stand-by Agreement (SBA) loan of USD 7.60bn in tranches over a period of 23-months. This loan was seen as a savior for the cash strapped country, and ruled out possibilities of default. The first tranche was immediately disbursed, with tranches to follow over the loan period. Till date the country has received USD 3.94bn in two tranches – USD 3.10bn and USD 834mn. The third tranche of USD 840mn is likely to be received by mid August 2009.

The six-month KIBOR rates closed at 12.55%, down 2.9% from the FY09 high of 15.45%. KIBOR is expected to drop further on expected discount rate shrinkage. Liquidity in the interbank has improved considerably over 2HFY09 due to aggressive deposit mobilization by the banking sector and we expect deposit rates to ease off substantially from 1HFY09 high. However, these funds had been parked in government securities as yields on these instruments have now fallen. Hence, offloading will take place to realize windfall gains.

The government initiated a FY09-10 Federal Budget during the year with a size of PKR 2.9Trn. The focus remained on Revenue Generation (Tax Target of PKR 1.5Trn) and rationalization of Subsidies (48% cut YoY) across the board. The new Budget's success is based on the constant flow of funds from exogenous sources (IMF, ADB and Friends of Democratic Pakistan), with a neutral impact on most sectors. Cement and Autos stand to gain most from the development expenditure and rebates offered.

Capital Market Conditions

In an unprecedented move, the KSE-100 index was frozen with a floor from 27th August to 15th December, to keep the index from deteriorating. Once the floor was removed, the KSE-100 depreciated by 48.05% by December end. This distress level prompted fresh buying, hence aiding an appreciation, raising the KSE-100 by 22.87% from its lowest level. The positive base effect during 2HFY09 reduced the negative return to (36.17%) for FY09. The Regional Markets registered a decline of (13.6%) on average, with recovery in India and China, during the same period.

Mutual Fund Industry

The Mutual funds also witnessed the worst fiscal year, on account of an arbitrary pricing mechanism of TFC. SECP introduced the TFC pricing based on the rating of the TFC or issuer in November 2009. This created a huge problem for income funds, and their respective NAVs dipped below the par value. Later this was replaced by the Morning Star Methodology for pricing. The Morning Star is a standard, used by all mutual funds in Pakistan. For equity funds, the freezing of the KSE translated into a freeze on redemption of any investment, as decreed by the apex regulator. This shattered investor confidence in an industry which is still in its growth stage.

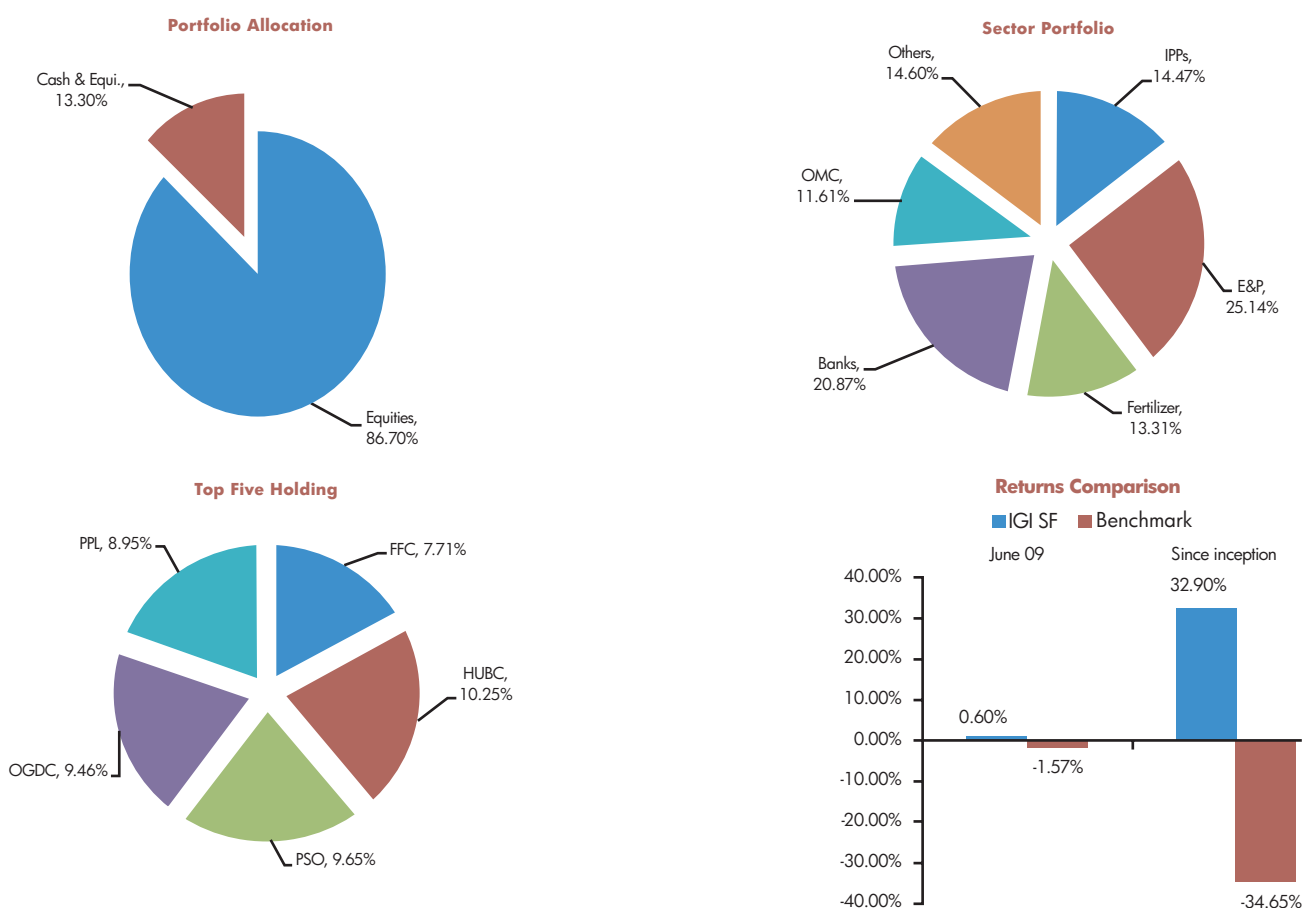
Fund Operations and Performance

During the year your Fund performed very well in light of the rising index level and posted a stellar performance at the end. The Fund outperformed the index by generating a return of 32.90% against a KSE-100 decline of -34.65%. The Fund closed the year with net assets of Rs. 249.49 millions and appreciation in net assets value per unit of Rs. 32.90

Payout

We are pleased to inform that your Fund amongst the few in its peer group, has distributed handsome dividends. The Fund has posted Cash payouts of Rs. 25.3111 per unit, translating into 23.5268 units as Bonus for every 100 units. This is a 97% payout of total earnings as per NBFC Regulations.

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



(Rupees in millions)

Description	For the year ended 30 June 2009	For the period from 10 June 2008 to 30 June 2008
Net Assets	249.49	100.00
Net Income	61.76	-
Net Assets Value per Unit (Rs.)	132.90	100.00
Issuance of units during the period	385.39	100.00
Redemption of units during the period	298.13	-

Future Outlook

The Stock market is currently operating at a deep discount to its regional peers. Traditionally, the KSE100 trades at a PER 35-40% discounted to the regional markets. Currently, the discount rests at 50-60%. This allows for significant appreciation of the index. In addition, foreign investor interest in Pakistan has doubled between FY08 and FY09. The FIPI figures for FY08 registered the foreign investors as net sellers to the tune of USD 214bn. This figure has doubled to USD 423bn for FY09. In addition, the expected discount rate reductions will aid leveraged companies to post healthier earnings.

The key sectors for growth would be Oil, Power Generation and Cements. Fertilizers will provide stability and safety to the investors. Banks are likely to be hit hard in the upcoming quarters but should emerge unscathed based on strong capitalization and robust Return on Assets.

The Fund's strategy will be to maintain a portfolio of fundamentally strong scrips, trading at their technical lows. Gains will be realized in scrips as they near their peaks, whilst the funds will be reallocated into other growth sectors. Risk will be mitigated by proportionate exposure into stable, growth and rapidly appreciating stocks to closely reflect movements in the index.

Corporate Governance

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

- a) Financial Statement represents fairly the state of affairs of IGI Stock Fund, the results of the operations, cash flow and the changes in Unit-holders funds.
- b) IGI Stock Fund has maintained proper books of accounts.
- c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon IGI Stock Fund's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
- h) The summary of key financial data is given above in this Director Report.
- i) 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.
- j) The pattern of unit holding is given in note # (i.) of supplementary non financial information of this annual report.
- k) No units of the Fund held by the Chief Executive, directors, executives and their spouses as at 30 June 2009 except for those given in note # 15.1;
- l) No units acquired/ redeemed during the year by the Chief Executive, director, executives and their spouses as at 30 June 2009 except for those given in note # 15.1;

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	Holding Co.	4,500,000	23,494,004
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

Chief Executive Officer
12 August 2009

Fund Manager's Report

Type and Category of Fund

Open-ended Equity Fund

Investment Objective

The investment objective of IGI Stock Fund (IGISF) is to seek long-term capital growth by investing primarily in a diversified pool of equities and equity related instruments. The management team shall ensure the active implementation of prudent investment practices, the highest professional standards and compliance with applicable laws.

Accomplishment of Objective

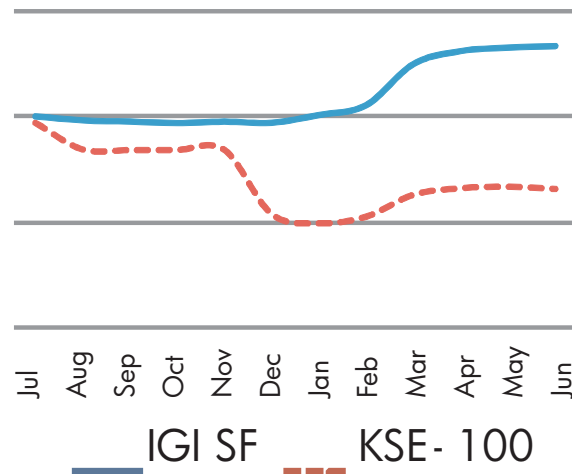
The Fund has achieved its objective of generating returns significantly beyond the benchmark. This was achieved through effective placement in equities that provided significant dividend income stream and ample capital growth.

Benchmark

The Fund's benchmark is **KSE-100 Index**.

Performance comparison with Benchmark

Month	Change in NAV*	Change in KSE-100*
July 08	99.64%	96.57%
August 08	97.79%	84.02%
September 08	97.15%	83.75%
October 08	96.52%	83.79%
November 08	97.15%	83.82%
December 08	96.63%	53.51%
January 09	100.27%	49.06%
February 09	104.94%	52.26%
March 09	124.36%	62.59%
April 09	130.49%	65.71%
May 09	132.10%	66.39%
June 09	132.90%	65.35%



*Since inception i.e. 15 July 2008; NAV = 100.00; KSE-100 = 10,960

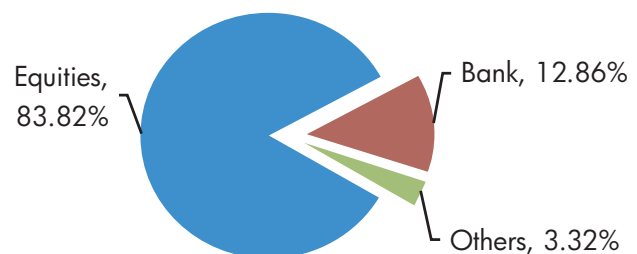
Strategies and Policies employed during the period

The strategy was to maintain a strong presence in the market, investing in fundamentally strong, blue chip scrips acquired at their technically low levels and offloaded at their peak. Our concentration remained in key sectors, such as: E&P, Power Generation, Fertilizer and Banks

Assets Allocation

Description	(%)
Equity	83.82%
Bank	12.86%
Others	3.32%

Assets Allocation as on June 2009



Significant changes in Assets Allocation during the period

During the year, the fund has reshuffled its equity portfolio in line with market conditions. Exposure levels have contracted during index peaks and subsequently, expanded during troughs.

Fund Performance

For the year ended 30 June 2009, the Fund performed very well in light of the rising index level and posted a stellar performance at the end. The Fund posted a return of 32.90% (2008: N/A) and closed the year with net assets of Rs. 249.49 millions, an appreciation in net assets value per unit of Rs. 32.90 from par of Rs. 100.

Review of the market invested in

In an unprecedented move, the KSE-100 index was frozen with a floor from 27th August to 15th December, to keep the index from deteriorating. Once the floor was removed, the KSE-100 depreciated by 48.05% by December end. This distress level prompted fresh buying, hence aiding an appreciation, raising the KSE-100 by 22.87% from its lowest level. The positive base effect during 2HFY09 reduced the negative return to (36.17%) for FY09. The Regional Markets registered a decline of (13.6%) on average, with recovery in India and China, during the same period.

Distribution

The Fund has posted cash dividend of Rs. 25.31 per unit, translating into 23.53 bonus units per 100 units. This is a 97% payout of total earnings as per NBFC regulations. The effects on NAV were as follows;

NAV (30 June 2009):	PkR	132.90
Distribution:	PkR	25.31
Ex-NAV:	PkR	107.58

Significant changes in the state of the affairs

There were no significant changes in the state of affairs during the period under review.

Breakdown of unit holdings by size

Holdings	No. of unit holder	Investment Amount
PkR 01 to 100,000	08	204,331
PkR 100,000 to 1,000,000	06	2,589,622
PkR 1,000,000 to 10,000,000	02	7,977,058
PkR 10,000,000 and above	06	238,716,161
Total	22	249,487,172

Unit Splits

There were no unit splits during the period.

Circumstances materially affecting the interest of unit holders

Investments are subject to stock market oscillations.

Soft Commission

The Management Company received soft commission from brokers in the form of research reports, which were sent in both soft and hard copies.

Performance Table

	(Rupees)
	2009
Net Assets Value (mn.)	249.49
NAV per unit	132.90
Selling price per unit	136.22
Redemption price per unit	132.90
Highest selling price per unit	142.39
Highest redemption price per unit	139.92
Lowest selling price per unit	94.96
Lowest redemption price per unit	92.64
Interim distribution per unit	Nil
Interim distribution date	N/A
Final distribution per units	25.31
Final distribution date	02 July 2009
Annualized returns	32.90%
Income distribution	77%
Capital growth	23%

Return since inception is **32.90%**

Launch date of the Fund is **15 July 2008**

Disclaimer

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

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of the Management Company of the **IGI Stock 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 inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement 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.

KPMG Taseer Hadi & Co.
Chartered Accountants

12 August 2009

Karachi

STATEMENT OF COMPLIANCE BY THE IGI STOCK FUND WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2009

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Chapter XIII of Listing Regulations of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance. The Board of Directors (the Board) of IGI Funds Limited, the management company, which is an unlisted public company, manages the affairs of IGI Stock Fund (the "Fund"). The Fund being a unit trust scheme does not have its own Board of Directors. The management company has applied the principles contained in the Code to the Fund, whose units are listed as a security on the Lahore Stock Exchange, in the following manner:

1. The management company encourages representation of non-executive directors. All the directors, except the Chief Executive Officer are non-executive directors.
2. The existing directors have confirmed that none of them are serving as a director in more than ten listed companies, including the management company.
3. All the resident directors of the management company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.
4. During the period under review two casual vacancies occurred on the Board which has been filled within the stipulated time frame contained in Non - Banking Finance Companies and Notified Entities Regulations 2008 and Code.
5. The management company has prepared a 'Code of Conduct' describing ethics and business practices for the Fund, which has been approved by the Board and duly signed by all the employees of the Management Company.
6. The management company has prepared a vision/ mission statement, corporate strategy and significant policies for the Fund which has been approved by the Board. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment of the CEO and CFO and the Company Secretary have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met as required by the Code of Corporate Governance. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In order to apprise the directors for their duties and responsibilities and the requirement of the Code they have been kept updated with the change in relevant laws applicable to the management company. Directors are conversant of the relevant laws applicable to the management company, its policies and procedures and provisions of memorandum and article of association and are aware of their duties and responsibilities.
10. The directors' report relating to the Fund for the period ended June 30, 2009 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Fund were duly endorsed by the CEO and CFO of the management company before approval of the Board.
12. The directors, CEO, and executives do not hold any interest in the units of the fund and shares of the management company other than disclosed in the Directors Report.
13. The management company has complied with all the applicable corporate and financial reporting requirements of the Code.

14. The Board has formed an audit committee. It comprises of three members, all of whom are non-executive directors of the management company including the chairman of the committee.
15. The meetings of the audit committee were held and prior to the approval of final results of the Fund as required by the Code of Corporate Governance.
16. The Directors have approved the term of reference of Audit Committee in the light of Code of Corporate Governance.
17. The management company has outsourced the internal audit function of the Fund to M/s. M.Yousuf Adil Saleem & Co., Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
18. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the management company or units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Chief Executive Officer

Trustee Report to the Unit Holders

The IGI Stock Fund (the 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 year ended June 30, 2009 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi: 15 October 2009

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 2009, 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 approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2009, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, the Non-Banking Finance Companies and Notified Entities Regulations, 2007 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Nadeem

12 August 2009

Karachi

Statement of Assets and Liabilities

As at 30 June 2009

	Note	2009	2008
ASSETS			
Bank balances	4	34,095,613	100,000,000
Investments	5	222,288,522	-
Dividend receivable		1,131,228	-
Deferred formation cost	6	1,045,552	1,285,957
Advance & security deposits	7	6,300,000	20,000
Interest income receivable		327,995	328,767
Total assets		265,188,910	101,634,724
LIABILITIES			
Amount payable on redemption of units		721,319	-
Payable to the Management Company	8	1,696,227	1,305,957
Remuneration payable to the Trustee	9	57,540	-
Annual fee payable to Securities and Exchange Commission of Pakistan	10	160,423	-
Accrued and other liabilities	11	13,066,229	328,767
Total liabilities		15,701,738	1,634,724
Net assets attributable to unit holders	<i>Rupees</i>	249,487,172	100,000,000
Unit holders' funds	<i>Rupees</i>	249,487,172	100,000,000
Number of units in issue	<i>Number</i>	1,877,323	1,000,000
Net assets value per unit	<i>Rupees</i>	132.90	100.00

The annexed notes 1 to 20 and Annexure I form an integral part of these financial statements.

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

Chief Executive

Director

Income Statement

For the year ended 30 June 2009

	Note	2009
INCOME		
Capital gain on sale of equity securities		39,472,373
Interest income on bank & other deposits	12	8,970,285
Interest income on investments classified as 'held to maturity'	13	895,422
Dividend income on equity securities		6,662,048
Net unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss- held for trading'		12,777,303
Element of income and capital gain included in prices of units sold less those in units redeemed - net		(461,206)
Total Income		68,316,225
EXPENSES		
Remuneration to the Management Company		3,328,942
Remuneration to the Trustee		671,300
Annual fee to the Securities and Exchange Commission of Pakistan		160,423
Brokerage expense and capital value tax		1,525,372
Amortization of deferred formation cost		248,150
Auditors' remuneration		250,250
Legal & professional charges		154,299
Printing & advertisement		199,124
Bank charges		14,438
Total Expenses		6,552,298
Net income for the year	Rupees	61,763,927

The annexed notes 1 to 20 and Annexure I form an integral part of these financial statements.

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

Chief Executive

Director

Cash Flow Statement

For the year ended 30 June 2009

	2009	For the period from 10 June 2008 to 30 June 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year / period	61,763,927	-
Adjustment for:		
Deferred formation cost	248,150	-
Gain on sale of equity securities	(39,472,373)	-
Net unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss- held for trading'	(12,777,303)	-
Element of income and capital gain included in prices of units sold less those in units redeemed - net	461,206	-
	10,223,607	-
<i>(Increase) / decrease in assets</i>		
Investments - net	(170,038,846)	-
Deferred formation cost	(7,745)	(1,285,957)
Dividend receivable	(1,131,228)	-
Receivables and other deposit	(6,279,228)	(348,767)
	(177,457,047)	(1,634,724)
<i>Increase / (decrease) in liabilities</i>		
Payable to the Management Company	390,270	1,305,957
Remuneration payable to the Trustee	57,540	-
Annual fee payable to the Securities & Exchange Commission of Pakistan	160,423	-
Accrued and other liabilities	12,737,462	328,767
	13,345,695	1,634,724
Net cash (used in) / from operating activities	(153,887,745)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	385,387,414	100,000,000
Payment against redemption of units	(297,404,056)	-
Net cash from financing activities	87,983,358	100,000,000
Net (decrease) / increase in cash and cash equivalents	(65,904,387)	100,000,000
Cash and cash equivalents at beginning of the year / period	100,000,000	-
Cash and cash equivalents at end of the year / period	34,095,613	100,000,000

Rupees

The annexed notes 1 to 20 and Annexure I form an integral part of these financial statements.

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

Chief Executive

Director

Distribution Statement

For the year ended 30 June 2009

	2009
Undistributed income brought forward at the beginning of the year	-
Net Income for the period	61,763,927
Undistributed income carried forward	61,763,927
	<i>Rupees</i>
Undistributed income carried forward	
- Realized	48,986,624
- Unrealized	12,777,303
	61,763,927
	<i>Rupees</i>

The annexed notes 1 to 20 and Annexure I form an integral part of these financial statements.

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

Chief Executive

Director

Statement of Movement in Unit Holders' Fund

For the year ended 30 June 2009

	2009	For the period from 10 June 2008 to 30 June 2008
Net assets at beginning of the year / period	100,000,000	-
Amount realized on issuance of 3,310,133 units (30 June 2008: 1,000,000 units)	385,387,414	100,000,000
Amount paid on redemption of 2,432,810 units (30 June 2008: Nil units)	(298,125,375)	-
	<u>187,262,039</u>	<u>100,000,000</u>
Element of income and capital gain included in prices of units sold less those in units redeemed - net	461,206	-
Capital gain on sale of equity securities	39,472,373	-
Net unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss- held for trading'	12,777,303	-
Other net income for the year	9,514,251	-
	<u>61,763,927</u>	-
Net assets at end of the year / period	<u>249,487,172</u>	<u>100,000,000</u>
Net asset value per unit at the beginning of the year / period	<i>Rupees</i> <u>100.00</u>	-
Net asset value per unit at the end of the year/ period	<i>Rupees</i> <u>132.90</u>	<u>100.00</u>

The annexed notes 1 to 20 and Annexure I form an integral part of these financial statements.

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

Chief Executive

Director

Notes to the Financial Statements

For the year ended 30 June 2009

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

The Fund seeks to generate long term capital appreciation and income, from a portfolio that is substantially constituted of equity and equity related securities. The Fund may also invest a certain portion of its corpus in debt and money market securities in order to meet liquidity requirements from time to time.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, requirements of Trust Deed, requirements of Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2007 and Non-Banking Finance Companies and Notified Entities Regulations, 2008. In case, requirements differ, the provisions and directive of Companies Ordinance 1984, the requirements of Trust deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2007 and Non-Banking Finance Companies and Notified Entities Regulations, 2008 shall prevail.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Initial application of a standard or an interpretation

During the year, amendments to International Accounting Standards (IAS) 39- Financial instruments: Recognition and Measurement and IFRS 7-Financial Instruments: Disclosures- regarding reclassification of financial assets became effective from 1 July 2008. Further IAS 29 -Financial Reporting in Hyperinflationary Economies, International Financial Reporting Standard (IFRS) 7- Financial Instruments: Disclosures, IFRIC 11-Group and Treasury Shares Transactions, IFRIC 13-Customer Loyalty Programme and IFRIC 14 -The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction became effective during the year. The application of these standards and interpretations did not have any material effect on the Fund's financial statements except disclosures relating to IFRS 7 which are disclosed in note 18 of the financial statements..

2.5 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 July 2009 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:

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on the Fund's financial statements.

Amendments to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Fund's financial statements.

Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Fund's financial statements.

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Fund's financial statements.

Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Fund's financial statements.

IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the “management approach” to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by “chief operating decision maker” in order to assess each segment's performance and to allocate resources to them. The application of this standard is not likely to have any effect on the Fund's financial statements.

IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Fund's operations.

IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The interpretation allows

an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Fund's operations.

IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Fund does not distribute non-cash assets, this interpretation has no impact on the Fund's financial statements.

IFRIC 18 - Transfers of Assets from Customers (to be applied prospectively to transfers of assets from customers received on or after 01 July 2009). This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). The interpretation is not relevant to the Fund's operations.

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard These amendments are unlikely to have an impact on the Fund's financial statements except for the following;

Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged Items (effective for annual periods beginning on or after 1 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the Fund's financial statements.

IAS 27 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on Fund's financial statements.

IFRS 4 - Insurance Contracts (effective for annual periods beginning on or after 1 January 2009). The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The standard is not applicable to the Fund's operations.

Amendment to IFRS 7 - Improving disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009). These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce

a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. The amendment is not likely to have an effect on Fund's financial statements other than certain increased disclosures.

Amendments to IAS 39 and IFRIC 9 - Embedded derivatives (effective for annual periods beginning on or after 1 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The amendments are not likely to have an effect on Fund's financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard. These amendments are unlikely to have an impact on the Fund's financial statements.

Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

2.6 Accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

Held-to-maturity investment

The Fund has classified certain investment as held-to-maturity. In this regard, management's judgment is involved in evaluating the intention and ability to hold these investment till their respective maturities.

Investment stated at fair value

Management has determined fair value of certain investments by using quotation from active market. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matter of judgment (e.g. valuation, etc.) and therefore, can not be determined with precision.

Impairment of investment

A financial asset is assessed at each reporting date to determine whether there is any objective

evidence that it is impaired. This objective evidence of impairment of fixed income securities is determined in accordance with provisioning criteria / policy for non performing exposures approved by the Board of Directors of the management company in accordance with the requirements of SECP vide its Circular no. 13 of 2009 dated 4 May 2009.

In compliance with circular 13 dated 04 May 2009 issued by the Securities and Exchange Commission of Pakistan (SECP) the Provisioning policy for all fixed income securities as per the guidelines issued under Annexure II of SECP circular 1 dated 6 January 2009 has been adopted by the Board of Director with certain amendments.

As per provisioning policy the Investment Committee of the Managements Company shall continuously review the provisioning status of all fixed income securities held by Fund, to assess whether there is change in circumstances which warrant additional provision and accordingly shall determine whether additional provision is required or not along with rationale and appropriate grounds and recommend it to Board of Directors for their approval.

Actual results may differ and the difference could be material.

Other assets

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

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 investment in listed equity securities

These investments are initially recognised at fair value, being the cost of the consideration given.

The transaction costs associated with the investments classified as 'at fair value through profit or loss' are charged off to the 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.

- **Held to maturity**

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

Basis of valuation

Marketable Equity Securities

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

Date of Recognition

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

Derecognition

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

3.2 Impairment

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

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

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

All impairment losses are recognised in 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.

3.3 Unit holders' fund

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

3.4 Issue and redemption of units

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

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

3.5 Net asset value per unit

The net assets value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue including those units for which cheques have been received and realised.

3.6 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets at fair value through profit or loss are included in the Income Statement in the period in which they arise.
- Interest income from returns on deposits accounts and certificate of investments 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.

3.7 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.

3.8 Taxation

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

3.9 Financial instruments

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

3.10 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amount and the Fund intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.11 Provision

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

3.12 Deferred formation cost

Expenses incurred on the formation of the Fund have been recognised as deferred formation cost. Deferred formation cost is amortised over a period of five years starting from 15 July 2008 (the date of the end of initial period of the Fund) as stated in the Trust Deed of the Fund approved by the Securities and Exchange Commission of Pakistan.

3.13 Cash and cash equivalents

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

3.14 Dividend and bonus units

Dividends declared subsequent to the balance sheet date are recorded in the period in which they are approved.

3.15 Other assets

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

3.16 Liabilities

All expenses including management fee and trustee fee are recognised in the Income Statement on an accrual basis.

4. BANK BALANCE - Local Currency

This represents balance in deposit accounts with banks and carry interest rate of 9% (30 June 2008: 12%).

5. INVESTMENTS

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

5.1 Equity Securities

Name of security	As at 1 July 2008	Purchases/ Bonus shares received during the period	Sold during the period	As at 30 June 2009	Cost as at 30 June 2009	Market value (carrying value after revaluation) as at 30 June 2009	Percentage of net assets on the basis of market value	Percentage of total investment on the basis of market value	Percentage of issued capital of the issuer
	----- (Units) -----				(Rupees)	(Rupees)			
<i>Commercial Bank</i>									
Bank Al-Falah Limited	-	415,000	415,000	-	-	-	-	-	-
Bank Al- Habib Limited	-	67,600	67,600	-	-	-	-	-	-
Habib Bank Limited	-	79,200	79,200	-	-	-	-	-	-
MCB Bank Limited	-	419,300	323,300	96,000	15,346,324	14,882,880	5.97%	6.70%	0.215%
National Bank of Pakistan Limited	-	404,400	152,000	252,400	17,041,964	16,918,372	6.78%	7.61%	0.157%
NIB Bank Limited	-	302,000	302,000	-	-	-	-	-	-
United Bank Limited	-	601,000	220,000	381,000	15,953,221	14,588,490	5.85%	6.56%	0.131%
<i>Investment Bank and securities companies</i>									
Jahangir Siddiqui & Company Limited	-	30,000	30,000	-	-	-	-	-	-
<i>Cement</i>									
Lucky Cement Limited	-	147,000	-	147,000	8,248,660	8,603,910	3.45%	3.87%	0.266%
<i>Insurance</i>									
IGI Insurance Limited	-	38,200	-	38,200	3,351,561	3,450,988	1.38%	1.55%	0.576%
<i>Food and personal care products</i>									
Nestle Pakistan Limited	-	3,400	-	3,400	3,307,654	3,712,732	1.49%	1.67%	0.819%
<i>Refinery</i>									
Attock Refinery Limited	-	55,000	-	55,000	6,960,460	6,863,450	2.75%	3.09%	0.805%
<i>Paper & Board</i>									
Packages Limited	-	265,800	265,800	-	-	-	-	-	-
<i>Textile Composite</i>									
Nishat Mills Limited	-	10,000	10,000	-	-	-	-	-	-
<i>Pharmaceuticals</i>									
GlaxoSmithKline Pakistan Limited	-	135,200	135,200	-	-	-	-	-	-
<i>Power Generation & Distribution</i>									
Kot Addu Power Company Limited	-	614,000	392,600	221,400	8,147,162	9,356,364	3.75%	4.21%	0.106%
Hub Power Company Limited	-	1,779,000	938,000	841,000	15,996,591	22,782,690	9.13%	10.25%	0.197%
<i>Oil & Gas Marketing Companies</i>									
Attock Petroleum Limited	-	8,000	8,000	-	-	-	-	-	-
Pakistan State Oil Limited	-	279,900	179,500	100,400	20,412,867	21,450,460	8.60%	9.65%	1.251%
Shell Pakistan Limited	-	24,700	5,200	19,500	4,756,852	4,366,050	1.75%	1.96%	0.637%
<i>Oil & Gas Exploration Companies</i>									
Oil & Gas Development Company Limited	-	727,400	459,900	267,500	17,912,242	21,036,200	8.43%	9.46%	0.049%
Pakistan Oilfields Limited	-	303,500	201,000	102,500	15,347,017	14,954,750	5.99%	6.73%	0.632%
Pakistan Petroleum Limited	-	480,100	375,100	105,000	18,812,903	19,901,700	7.98%	8.95%	0.240%
<i>Fertilizer</i>									
Engro Chemical Pakistan Limited	-	244,000	147,000	97,000	12,194,790	12,457,710	4.99%	5.60%	0.418%
Fauji Fertilizer Bin Qasim Limited	-	118,000	118,000	-	-	-	-	-	-
Fauji Fertilizer Company Limited	-	612,567	415,500	197,067	16,646,848	17,134,976	6.87%	7.71%	0.347%
<i>Technology & Communication</i>									
Pakistan Telecommunication Limited	-	1,042,000	472,000	570,000	9,074,103	9,826,800	3.94%	4.42%	0.026%
<i>Chemical</i>									
ICI Pakistan Limited	-	332,000	332,000	-	-	-	-	-	-
Descon Oxychem Limited	-	460,112	460,112	-	-	-	-	-	-
<i>Miscellaneous</i>									
Tri- Pack Films Limited	-	43,700	43,700	-	-	-	-	-	-
		10,042,079	6,547,712	3,494,367	209,511,219	222,288,522			

5.1.1 400,000, 25,000 and 550,000 shares (30 June 2008: Nil) of Hub Power Company Limited, MCB Bank Limited and Pakistan Telecommunication Limited respectively were pledged with National Clearing Company of Pakistan Limited as collateral against margin.

6. DEFERRED FORMATION COST	2009	2008
Unamortised cost at the beginning of the year / period	1,285,957	1,285,957
Addition during the year	7,745	-
Amortised to the income statement during the year	(248,150)	-
Unamortised cost at the end of the year / period	Rupees 1,045,552	<u>1,285,957</u>

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

7. ADVANCES AND SECURITY DEPOSITS

Margin deposit with National Clearing Company of Pakistan Limited (NCCPL) against exposure demand and mark to market losses	3,700,000	-
Security deposits placed with		
- NCCPL	2,500,000	-
- Central Depository Company of Pakistan Limited	100,000	-
Deposit placed with bank on behalf of fund by management company	-	20,000
	Rupees 6,300,000	<u>20,000</u>

8. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable to the management company	8.1 372,608	-
Formation cost payable	1,293,702	1,285,957
Deposit placed with bank on behalf of fund by management company	-	20,000
Front end load payable	29,917	-
	Rupees 1,696,227	<u>1,305,957</u>

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

9. REMUNERATION PAYABLE TO THE TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed, calculated at the rate of Rs 0.7 million or 0.20% per annum of the daily average net assets of the Fund, which ever is higher.

10. 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 Fund is required to pay SECP an amount equal to one tenth of 1% of the average daily net assets of the Fund. During the year SECP promulgated Non Banking Finance Companies and Notified Entities Regulations, 2008 ("the Regulations") on 21 November 2008. Under Rule 62 of Regulations the fund is required to pay annual fee to SECP at the rate of 0.095% of the average daily net assets of the Fund commencing from 21 November 2008.

11. ACCRUED AND OTHER LIABILITIES	2009	2008
Payable to core investors	-	328,767
Payable to NCCPL on settlement of securities purchased	12,520,155	-
Auditors' remuneration	184,000	-
Brokerage payable	127,905	-
Capital value tax	19,720	-
Payable to IGI Income Fund	76,840	-
Others liabilities	137,609	-
	<i>Rupees</i> <u>13,066,229</u>	<u>328,767</u>

12. INTEREST INCOME ON BANK AND OTHER DEPOSITS

Interest income from		
- Bank deposits	8,884,247	-
- Deposits placed with NCCPL	86,038	-
	<i>Rupees</i> <u>8,970,285</u>	<u>-</u>

13. INTEREST INCOME ON INVESTMENTS CLASSIFIED AS 'HELD TO MATURITY'

This represent interest income from investments in Certificate of Deposits issued by IGI Investment Bank Limited during the year.

14. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. Subsequent to year end the management company has distributed sufficient accounting income of the fund for the year ended 30 June 2009 in order to comply with the above stated clause and regulation. Accordingly, no tax provision has been made in these financial statements for the year ended 30 June 2009.

15. 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, Tetra Pak Pakistan Limited being the associates of IGI Insurance Limited and Key Management personnel. Transactions with these related parties involve issue and redemption of units and issue of bonus shares.

Remuneration payable to the Management Company and the Trustee are determined in accordance with the provisions of Non - Banking Finance Companies and Notified Entities Regulations, 2008, and the Trust Deed respectively. Front end load is charged to unit holder and is payable to the management company according to provisions of the offering document of the fund. Investment in Certificate of Deposit of IGI Investment Bank Limited was made at interest rates prevailing in the market. Security deposit are placed with CDC under normal terms of the business.

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

15.1 Unit Holders' Fund

	2009								
	As at 1 July 2008	Issued for cash	Redeemed	As at 30 June 2009	As at 1 July 2008	Issued for cash	Redeemed	As at 30 June 2009	Net Asset value as at 30 June 2009
	Units				(Rupees)				
Associated Companies / Undertakings									
IGI Investment Bank Limited	1,000,000	2,027,799	2,151,576	876,223	100,000,000	250,790,554	263,887,103	86,903,451	116,450,037
IGI Insurance Limited	-	319,129	242,365	76,764	-	35,000,000	30,140,572	4,859,428	10,201,936
Packages Limited - Employees Provident Fund	-	50,000	-	50,000	-	50,000,000	-	50,000,000	6,645,000
IGI Investment Bank Limited - Group Provident Fund	-	3,057	-	3,057	-	400,000	-	400,000	406,275
Other Related Parties									
Transactions with employees (Madiha Ilyas)	-	767	192	575	-	100,000	25,175	74,825	76,418
Key Management Personnel									
Syed Babar Ali - Group Chairman	-	503,474	-	503,474	-	50,000,000	-	50,000,000	66,911,695

	2008								
	At inception	Issued for cash	Redeemed	As at 30 June 2008	At inception	Issued for cash	Redeemed	As at 30 June 2008	Net Asset value as at 30 June 2009
	Units				(Rupees)				
IGI Investment Bank Limited	-	1,000,000	-	1,000,000	-	100,000,000	-	100,000,000	100,000,000

15.2 Other transactions

Associated Companies / Undertakings

	2009	2008
IGI Funds Limited - Management Company		
Formation cost paid	Rupees 7,745	1,285,957
Deposit placed with bank on behalf of fund by management company	Rupees -	20,000
Repayment of deposit paid on behalf of the Fund	Rupees 20,000	-
Printing charges paid on behalf of the Fund	Rupees 14,274	-
Management fee	Rupees 3,328,942	-
Front end load payable	Rupees 29,917	-
Security deposit with CDC paid on behalf of the fund	Rupees 100,000	-

Other Related Parties

IGI Investment Bank		
Interest income from investments in Certificate of Deposits	Rupees 895,422	-
IGI Finex Securities Limited		
Brokerage / Commission	Rupees 317,594	-
Capital value tax	Rupees 38,198	-
Central Depository Company of Pakistan Limited		
Trustee fee	Rupees 671,300	-

15.3 Other balances

2009

2008

Associated Companies / Undertakings

IGI Funds Limited - Management Company			
Formation cost payable	Rupees	1,293,702	1,285,957
Deposit placed with bank on behalf of fund by management company		-	20,000
Management fee payable	Rupees	372,608	-
Front end load payable	Rupees	29,917	-

Other Related Parties

IGI Finex Securities Limited			
Brokerage / Commission	Rupees	38,145	-
Capital value tax	Rupees	6,616	-
Central Depository Company of Pakistan Limited			
Trustee fee payable	Rupees	57,540	-
Security deposit placed	Rupees	100,000	-

16. RISK MANAGEMENT

The Management Company's objective in managing risk is the creation and protection of Net Asset Value/Unit holder's fund. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risks limits and other controls. The process of risk management is critical to the Fund's continuing profitability.

The Board of Directors of management company has overall responsibility for the establishment and oversight of the Fund's risk management framework including developing and monitoring the Fund's risk management policies.

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

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

The fund mainly invests in listed equity securities. The fund may also invest in the listed/ unlisted debt securities, government securities, reverse repurchase transactions and enters into Continuous Funding System transactions in listed securities. Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to:

- Market risk (comprising of interest rate risk, currency risk and other price risk)
- Credit risk
- Liquidity risk

16.1 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of Management Company and regulations laid down by the Securities and Exchange Commission of Pakistan (SECP).

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk (equity price risk).

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial instrument and future cash flows. The Fund does not have any financial assets or liabilities with floating interest rate that expose it to interest rate risk in respect of future cash flows. The fund does not have any financial instrument with fixed interest rates except fixed interest rate deposit accounts with certain banks amounting to Rs. 34.095 million (2008: 100 million). However since the Fund does not account for any fixed rate financial assets and liabilities at fair value through profit and loss or as available for sale financial instruments, any change in interest rates at the reporting date would not affect income statement and Net Assets of the Fund.

Equity price risk

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

A summary analysis of investments by industry sector, the percentage in relation to Fund's own net assets, total investment and the issued capital of the investee company is presented in note 5.1.

At 30 June 2009, the fair value of equity securities exposed to price risk were disclosed in note 5.1.

The table below summarises the sensitivity of the Fund's net assets attributable to unit holders to equity price movements at year end. The analysis is based on the assumption that KSE-100 index increased by 10% and decreased by 10%, with all other variables held constant and that the fair value of the Fund's portfolio of equity securities moved according to their historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE - 100 index, having regard to the expected volatility of index of over next year. The historical correlation of the Fund's equity portfolio with the index is based on the average correlation of movement in price of individual security to movement in index over a period of at least past three years.

In case of 10% increase in KSE-100 index at year end the net assets attributable to unit holders

of the Fund and net income for the year would have been higher / lower by Rs. 23.315 million (30 June 2008: Nil).

The sensitivity analysis presented is based upon the portfolio composition at year end and the historical correlation of the securities comprising the portfolio to the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE-Index, is expected to change over time. Accordingly, the sensitivity analysis prepared at year end is not necessarily indicative of the effect on the Fund's net assets attributed to unit holders of future movements in the level of the KSE-100 Index.

16.2 Credit risk

Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of reverse re-purchase transactions or other arrangements to fulfil their obligations. There is a possibility of default by financial institutions, counter parties, participants and of failure of the financial markets, stock exchanges, the depositories, the settlements or the clearing system etc.

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

The Fund's credit risk is primarily attributable to balances with banks, accrued interest thereon, dividend receivable and deposits placed.

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

	Carrying amount	
	2009	2008
Bank Balances	34,095,613	100,000,000
Dividend receivables	1,131,228	-
Interest receivable on bank balances	327,995	328,767
Advances and security deposits	6,300,000	20,000
	41,854,836	<u>100,348,767</u>

Rupees

None of the financial assets are considered to be past due or impaired as at 30 June 2009 and 30 June 2008.

Bank Balances are kept with and interest is receivable from a commercial bank with credit rating was AA as at 30 June 2009 and as at 30 June 2008 as per credit rating issued by Pakistan Credit Rating Agency Limited (PACRA).

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Concentration of credit risk is determined with references to the individual counter parties as well as industry segment of the counter party as defined by stock exchange. As at 30 June 2009 Funds exposure to credit risk in respect of bank balances kept with and interest receivable from a commercial bank amounted to Rs. 34.423 million (2008: Rs. 100.328 million) out of total credit risk exposure of the Fund.

16.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

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

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

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

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

	2009			
	Contractual Cash flows and carrying amount	Up to 8 days	8 days to one months	later than one month and not later than three months
------(Rupees)-----				
Payable to unit holders	721,319	(721,319)	-	-
Payable to the Management Company	1,696,227	-	(1,696,227)	-
Remuneration payable to the Trustee	57,540	-	(57,540)	-
Annual fee payable to Securities and Exchange Commission of Pakistan	160,423	-	-	(160,423)
Accrued and other liabilities	13,066,229	-	(12,744,620)	(321,609)
	15,701,738	(721,319)	(14,498,387)	(482,032)

	2008			
	Contractual Cash flows and carrying amount	Up to 8 days	8 days to one months	later than one month and not later than three months
------(Rupees)-----				
Payable to the Management Company	1,305,957	-	(1,305,957)	-
Accrued and other liabilities	328,767	-	(328,767)	-
	1,634,724	-	(1,634,724)	-

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

16.4 Unit Holders' 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 Management Company manages fund's 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 unit holders' funds structure depends on the issuance and redemption of units.

Under regulation 43(e) of the Non Banking Finance Companies and Notified Entities Regulations, 2008 the Management Company is required to invest or arrange an investment of at least Rs. 50 million in the Fund for a period of two years from the date of close of initial offer period i.e. 15 July 2008. However, the Fund has complied with risk management.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments as appearing in the Statement of Assets and Liabilities are carried at fair value . The Management Company is of the view that the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short term in nature.

18. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the management company have approved distribution of 23.5268 units per for every 100 units held and Rs 25.3111 per unit for the period from 1 July 2008 to 30 June 2009, amounting to Rs. 47.517 million in total, in their meeting held on 02 July 2009. These financial statements do not reflect this distribution and that will be accounted for subsequent to the year end.

19. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

20. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by Board of Directors of the Management Company on 12 August 2009.

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

Chief Executive

Director

Annexure I

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

(i) UNIT HOLDING PATTERN OF THE FUND

Category	As at 30 June 2009			
	Number of unit holders	Number of units held	Amount Rupees	% of total
Individuals	13	17,966	2,387,551	1.0%
Associated Co./ Directors	6	1,509,518	200,607,697	80.4%
Banks/ DFIs	1	250,822	33,333,040	13.4%
Retirement & Other Funds	1	88,994	11,826,875	4.7%
Others	1	10,023	1,332,009	0.5%
	<u>22</u>	<u>1,877,323</u>	<u>249,487,172</u>	<u>100.0%</u>

Category	As at 30 June 2008			
	Number of unit holders	Number of units held	Amount Rupees	% of total
Associated Company	<u>1</u>	<u>1,000,000</u>	<u>100,000,000</u>	<u>100.0%</u>

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

Name of broker	Percentage of commission paid 2009
IGI Finex Securities Ltd	22.79%
JS Global Capital Ltd	14.70%
AKD Securities Limited	11.26%
Multiline Securities (Pvt.) Ltd	8.75%
Taurus Securities Limited	8.40%
AL-Habib Capital Markets Limited	6.93%
Standard Capital Securities (Pvt.) Ltd	6.43%
Invest Capital Investment Bank Limited	5.06%
BMA Capital Management Ltd	3.95%
Elixir Securities Pakistan (Private) Limited	3.72%

(iii) PARTICULARS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

- Syed Javeed Hassan - CEO
- Syed Muhammad Zeeshan - CFO
- Talib Wahab Shubaily
- Muddasir Ahmed Shaikh - Fund manager of IGI Stock Fund
- Saifullah Kazmi

Syed Javeed Hassan - CEO

Syed Javed Hassan has over 20 years of experience in asset management and capital market, and is currently the executive director of IGI Investment Bank. Earlier he was associated with IGI Financial Services in the capacity of CEO of Insurance Limited.

Prior to joining IGI Insurance, his assignment included Chief Executive of UBL Asset management Company, Senior Vice President and Head of Assian Insurance Research at Fox-Pitt Kelton (Asia), Assistant Director at PriceWaterHouseCoopers in London, Vice President Emerging Markets at ING Baring Securities Limited and also helped set up ING Barings Pakistan Office. He was also the head of Research at Credit Lyonnais Securities (Asia) Limited and was ranked among the top analysts covering South Asia by Asia Money Broker Survey. He worked in the Middle East and Africa on number of civil engineering construction projects for Scott Wilson KirkPatrick & Partners.

Syed Javed Hassan holds Masters in Business Administration from London Business School, MSc DIC Transportation Engineering and BSc. in Civil Engineering from Imperial College of Science and Technology.

Syed Muhammad Zeeshan -CFO

Mr. Zeeshan has been associated with IGIFL for the last 2 years. He replaced Mr. Mizra Mehmood-ul-Hassan as CFO during the year ended 30 June 2009. He has 10 years of vast experience in Mutual Funds. Prior to joining Mr. Zeeshan was associated with UBL Funds Managers Limited, Atlas Assets Management Limited and National Investment Trust.

Mr. Zeeshan is an associated member of Institute of Cost & Management Accountants of Pakistan and he is also CA Finalist done his articleship from Ford Rhodes sidat Hyder.

Muddasir Ahmed Shaikh

Mr. Muddasir has more than five years of experience in Investment Management & Equity Research. During his career, he has served number of public and private institutions of repute. Prior to joining IGI Funds Limited, he had been associated with Atlas Asset Management Limited, National Investment Trust Limited, and JS Investments Limited (Formerly JS ABAMCO Ltd.). He is currently the fund manager for IGI Stock Fund.

Mr. Muddasir holds a Masters degree in Business Administration from Institute of Business Administration, Karachi.

Saifullah Kazmi

Mr. Kazmi is with IGI Funds Limited from July 2008 and done his Business Administration from Kingston University, England.

Prior to that Mr. Kazmi has two and a half year experience of Treasury and Capital Market Dealer in Faysal Bank Limited.

Talib Wahab Shubaily

Mr. Talib is with IGI Funds Limited from last two years and done his Master in Business Administration from Hamdard University, Karachi

Prior to joining here he has experience of working in Finex Securities for a period of two and a half years.

(iv) DIRECTOR MEETING ATTENDANCE

Name of Director	Designation	Meetings			
		Total	Attended	Leave Granted	Meeting not attended
Syed Javed Hamid	Chairman	4	3	1	19th
Mr. Khalid Yacob	Director	7	5	2	15th and 20th
Syed Javed Hassan	Chief Executive Officer	7	7	-	-
Mr. Adi J. Cawasji	Director	7	6	1	15th
Mr. Ahmed Alman Aslam	Director	7	5	2	15th and 17th
Mr. Abid Naqvi	Director	7	6	1	17th
Syed Abdul Wahab Mehdi	Director	4	3	1	21st
Mr. Bazl Ahmed Khan	Ex-Chairman	3	1	2	16th and 17th
Mr. Ali Azam Shirazee	Ex-Chief Executive Officer	3	3	-	-

Mr. Ali Azam Shirazee resigned from the post of CEO of the Management Company and Syed Javed Hassan was appointed as CEO in his place with effect from 19 September 2008

Mr. Bazl Ahmed Khan resigned as director and Chairman of the company and two new directors namely Syed Javed Hamid and Syed Abdul Wahab Mehdi were appointed to fill the casual vacancies with effect from 27 October 2008.

Dates of the meetings of the Board of Directors

Fifteenth meeting	3 July 2008
Sixteenth meeting	18 August 2008
Seventeenth meeting	28 August 2008
Eighteenth meeting	29 October 2008
Nineteenth meeting	11 February 2009
Twentieth meeting	23 April 2009
Twenty-first meeting	17 June 2009

(V) FUND AND ASSET MANAGER RATING

PACRA has awarded asset manager rating of an "AM3" to IGI Funds Limited in its report dated 20 January 2009. The rating reflects the company's experienced and qualified management team, a structured and strong fund management function, and demonstrated support of the sponsoring Group. The rating also factors in a growing realization on part of the management to institute a strong in-house risk management, compliance and control platform, translating into an improved relative standing amongst peers.

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