



Annual Report 2012

IGI

INCOME FUND

Managed by
IGI FUNDS LIMITED

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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

Fund Manager's Information

Management Company

IGI Funds Limited
Rated AM 2- by JCR-VIS

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) 35301729
Email: info@igifunds.com.pk
Website: www.igifunds.com.pk

Board of Directors of the Management Company

Mr. Javid Hamid (Chairman)
Ms. Maheen Rahman (Chief Executive Officer)
Mr. Khalid Yacob
Mr. Ahmed Alman Aslam
Mr. Abid Naqvi
Mr. M. Asif Saad
Mr. Tariq Qureshi

Chief Financial Officer

Syed Muhammad Zeeshan

Company Secretary

Syed Muhammad Zeeshan

Audit Committee

Mr. Abid Naqvi (Chairman)
Mr. Khalid Yacob (Member)
Mr. Tariq Qureshi (Member)

Fund's Information

Trustee

Central Depository Company of Pakistan Limited
CDC House, 99-8, Block B, S.M.C.H.S
Main Shakra-e-Faisal, Karachi-74400, Pakistan

Distributors

Al-Habib Capital Markets (Pvt.) Ltd.
Atlas Capital Markets (Pvt.) Ltd.
BMA Financial Services Ltd.
Bulls and Bulls (Pvt.) Ltd.
Financial Avenue
Foundation Securities (Pvt.) Ltd.
IGI Investment Bank Limited
KASB Securities
Pak Oman Investment Company Ltd.
Pyramid Financial Consultant (Pvt.) Ltd
IGI Securities Ltd.
MCB Bank Ltd.
Vector Consulting (Pvt.) Ltd.

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road,
P.O.Box 15541, Karachi-75530
Pakistan

Legal Advisor

Bawany & Partners
Room No 404, 4th Floor
Beaumont Plaza. 6-CL-10
Beaumont Road, Civil Lines, Karachi

Bankers

Bank Al-falah Limited
Bank Al-Habib Limited
Bank of Punjab
JS Bank Limited
NIB Bank Limited
Bank of Khyber
MCB Bank Limited
Allied Bank Limited

IGI Income Fund

Directors' Report

To our valued Unit Holders,

The Board of Directors of IGI Funds Limited is pleased to present you the Annual Report of the IGI Income Fund (the "Fund") for the year ended 30 June 2012.

FY12 Economic Review & Outlook

FY12 marked the close of five straight years of economic policy making by the current coalition government. In many respects FY12 was a continuation of challenges faced in FY11, in particular a growing power deficit, rising international commodity prices and slowdown in aid flows. Key targets were missed notably the fiscal deficit clocking in at above 8% and GDP growth at 3.7%. On a promising note overall inflation levels stayed well within the government's and the State Bank of Pakistan (SBP) targets with strong indication of lower future inflation and interest rates. The SBP loosened its monetary policy stance to support the growth trajectory bringing the key policy rate to 12% in 2QFY12.

GDP Growth

GDP growth has recovered from 1.7% in 2008-09 to 3.7% in 2011-12. Structural constraints such as growing power deficit and higher oil prices have restricted growth especially in manufacturing and services sectors. Overall investment levels have shrunk, while tax/GDP and the savings rate have dropped to all time lows. However, despite such negative indicators, corporate earnings and results showed a positive turnaround especially in banking and cement industries. These two sectors are strong leading indicators for a revival in GDP growth.

Twin Deficits and Currency Depreciation

In order to meet revenue shortfalls, the government relied heavily on borrowing from SBP and secondary sources. During the year, total government borrowing touched levels of PKR 1.2tn from banking channels. Contrary to the trend of the last few years, borrowing from the SBP has reached PKR 505bn in FY12 compared to a net retirement of PKR 8bn last year. Unless revenue shortfalls are comprehensively addressed it will be difficult to meet FY13 projected budget deficits.

The external accounts, too remained weak with a current account deficit of USD 4.52bn (1.9% of GDP) as against a surplus of USD214mn (0.1% of GDP) in the corresponding period last year. This deficit was the outcome of a higher trade imbalance up by 46% YoY mainly due to international oil prices and increasing supply side constraints from power sector. Even as inbound remittances grew at a robust 18%, weak foreign aid and investment flows forced a currency depreciation of 9% over the year.

Positive suppression in Inflation and interest rates

CPI inflation surprised on the downside, averaging at 11.01% for the year. This average was well below SBP's target of 12% and was achieved on the back of lower food inflation. Given lower inflation, the SBP shifted focus to economic growth with an easing in the policy discount rate by 200bps during the year to 12%.

Looking ahead, the recent decline in oil prices will bode well for the external position as it would take pressure off the import bill. Moreover, re-opening of NATO supply routes and US assurances that USD 1.2bn of CFS funds would be disbursed by Dec 12 can also prove to be the inflection point as far as the external account is concerned. However, the timing of the disbursement is essential, particularly for the exchange rate as scheduled debt repayments to IMF will continue. Although the recent ease off in inflation has created room for 50 - 100 bps cut in policy rate in the early part of FY13, inflationary central bank borrowing would be a major factor for affecting future direction of interest rates.

Equity Market:

With an absolute appreciation of 10.44% in the benchmark index levels, during FY12, the KSE was among the top performing markets globally. Performance was markedly more impressive in the 2HFY12 as the KSE 100 rose by 22% between Jan-June'12. This was in response to clarity and relief on important market taxes specially Capital Gains Tax. Average daily volumes improved to 128mn shares as against 95mn shares, a year earlier.

Corporate Profitability pushing valuations to record lows

In the first nine months of the fiscal, corporate profitability remained robust; rising by an impressive 24%YoY. Among listed sectors, profitability growth was strong in Cements, Auto, E&P, OMCs and Banking sectors. Cumulative profits of energy companies witnessed an stellar growth of 45%YoY, with E&P companies profits recording a 54%YoY increase on the back of higher realized oil and gas prices, PKR:USD depreciation and enhanced production profile. OMCs profits increased by 52%YoY largely owing to PSO booking heavy interest income passed on by the power utilities. Earnings growth in the services sector (26%YoY) was led by the banking sector (up 25%YoY) due to lower provisioning amid decline in accretion of non-performing loans. In Utilities, while KESC recorded maiden profit for the full year, PTCL's profits increased by 44%YoY owing to improvement in core operations. On the downside, manufacturing sector's overall profits plunged by 33%YoY mainly owing to a decline of 63%YoY in the profitability of fertilizer manufacturers. Lower urea offtake due to the availability of GoP's subsidized imported urea led to this earnings decline. Textile and chemical sector profitability too declined by 60%YoY and 68%YoY, respectively. However, cements and auto profits grew by a substantial 367%YoY and 118%YoY, respectively as their strong pricing power led to massive margin expansions.

In terms of price performance, Cement and Autos lead the rally with returns of 75% and 21%, respectively. Fertilizers', despite outstanding CY11 financial performance, remained under pressure owing to gas outages and rising cost burden, which translated into price performance of mere 8% returns. Despite handsome earnings growth, the Energy sector reflected subdued price performance owing to uncertainty regarding pricing of PPL's secondary offering and uncertainty on future oil price levels.

For the upcoming year, equities should post decent performance on the back of (i) double-digit corporate earnings growth of approx. 13% in FY13 (ii) relative stability in USD on the back of improved Pak-US relations and continuous aid flows (iii) decent FY13F valuations of 5.8x PE, 9% dividend yield and 25% ROE, and (iv) stable or declining interest rates owing to slowdown in inflation. Based on the above, equities offer an attractive investment opportunity for value investors. Key challenges for market investors will be subdued sentiment, any deterioration in PKR-USD parity and continuing political noise as election year nears in 2013.

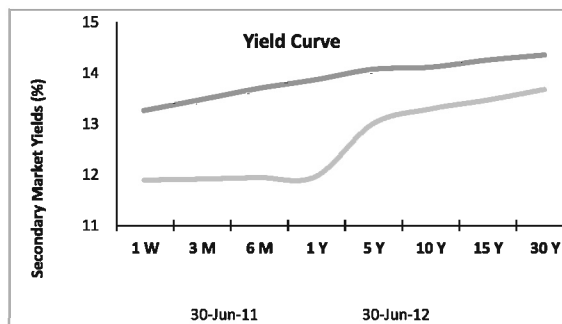
Commodities

The outgoing year witnessed risk-averse investment activity as global growth worries and sustainability of the Euro Bloc dominated sentiment. Investors opted to move away from risky asset classes as evident from price movements of global equities, USD stock indices, precious metals and industrial commodities. Gold Bullion marked an appreciation of 6.4% in FY12 whereas Crude Oil and Silver recorded a fall of 10.5% and 20.9%, respectively. Upward rallies in these commodities will depend heavily on United States Federal Reserve offering stimulus in the form of further quantitative easing (QE3). In the Euro zone, weaker economies remained major trouble points. Bailout assistance is expected to continue over FY13 with a wider list of recipients in the Eurozone.

Larger global economies are depicting fragile growth trajectories. Recent data from US and China affirms the slower recovery in economic activity which has created an expectation for monetary stimulus from Central Banks. Hence, Gold offers a preferable investment opportunity with potential upside whereas Crude Oil will remain under pressure with increased volatility.

Money Market: Interest Continues as Yields Remain High

Money market yields moved in tandem with the interest rate cycle, during the period. The SBP eased its tight monetary policy stance during the first half of the year to bolster growth and private sector credit. The apex regulator slashed the policy rate twice in 1HFY12 by a total of 200bps. Money market yields subsequently dropped with a parallel downward shift in the yield curve.



The government's rising need for liquidity resulted in higher than targeted borrowing from scheduled banks through auctions, in FY12. Throughout the better part of FY12, auction participation remained biased towards shorter tenor.

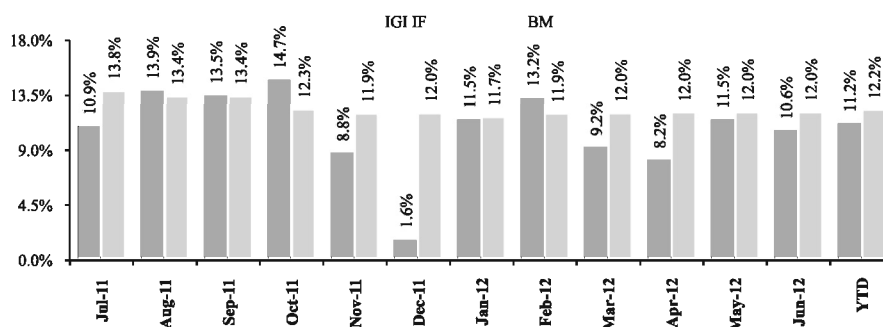
On the corporate bonds side, major activity was witnessed in the bonds with a preference for higher credit rating and wide spreads over KIBOR to secure maximum yields. Yields on such instruments remained in the vicinity of 13.50% - 14.00%.

Fund Operations and Performance; Steady performance led to higher fund size

During the period under review, IGI IF strived to capture higher accruals with an effort to restrict volatility as much as possible. For this purpose, concentration focus was on accumulating government treasuries and TFCs with higher credit ratings. Towards the later half of the year corporate bonds concentration was channeled into a mix of long and short term TFCs and CPs and return was bolstered with short term placements (COD, TDR, LOP) with Banks and DFI's when the seasonality allowed best possible rates. Falling interest rates over 1HFY12 made the T-bills market attractive for capital gains.

For the year ended 30 June 2012, the Fund posted an appreciation of 11.16% in NAV (2011: 11.33%) and completed the year with an average net assets amounting to Rs. 1,117 million (2011: Rs. 1,748 million). The Fund stability rating of A+ (f) was maintained by JCR-VIS.

Monthly & YTD Performance



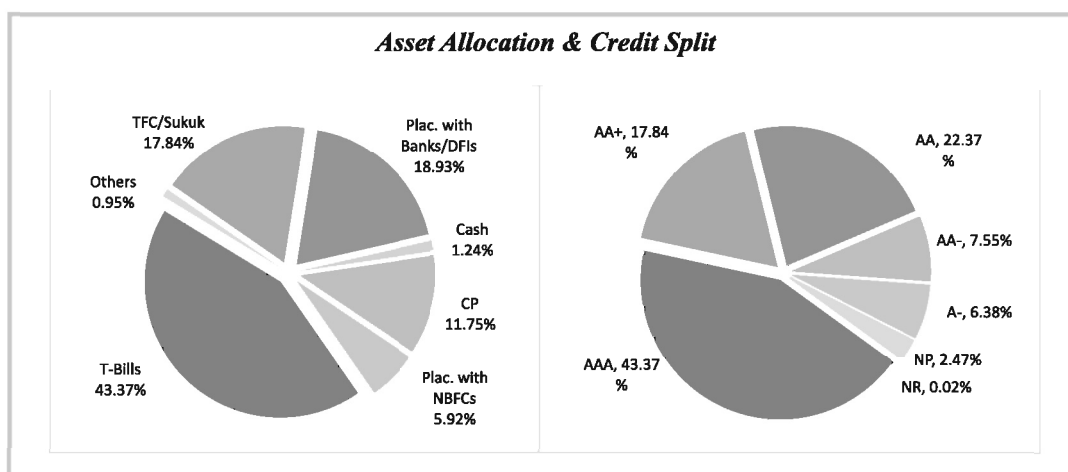
Payout

At the end of the year under review, the fund paid out final cash dividend of Rs.1.0868 per unit translating into 1.0806 bonus units for every 100 units held. This payout was in addition to interim distribution of Rs. 9.7294 per unit making the full year payout of Rs. 10.8162 per unit. This is 97% payout of total earnings as per NBFC regulations.

Cumulative interim & final payouts during the period

Interim Dividend per unit	Rs. 9.97294
Interim Bonus per 100 units	Units - 9.629
Final Dividend per unit	Rs. 1.0868
Final Bonus per 100 units	Units - 1.0806

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 2012	For the year ended 30 June 2011	For the year ended 30 June 2010	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	893.44	830.10	2,436.44	2,049.60	3,668.17	1,677.58
Net Income	114.25	141.26	237.13	122.02	362.27	32.98
Net Assets Value per Unit (Rs.)	101.66	103.94	106.08	106.49	102.73	102.04
Issuance of units during the year	1,833.86	2,360.09	6,998.28	4,864.41	8,584.58	2,139.42
Redemption of units during the year	1,754.52	3,905.15	6,649.91	6,544.90	6,585.83	490.34

Future Outlook

The Fund plans to shift into a more moderate risk profile over FY13E with increased allocation to high yield instruments such as corporate bonds. As the prevailing interest rate environment favors investment in floating rate instruments, the Fund will raise its exposure in the corporate bonds having higher credit rating and floating profit rates.

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 Income Fund, the results of the operations, cash flow and the changes in Unit-holders funds.
- b) IGI Income 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 Income's Fund 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) The number of units of the Fund held by the Chief Executive, directors, executives and their spouses as at 30 June 2012 as given in note # 20.1;
- l) Summary of units acquired/ redeemed during the year by the Chief Executive, director, executives and their spouses as at 30 June 2012 as given in note # 20.1;

Audit Committee Meetings

Below are the detail of Audit Committee meetings held during the period and attendance of Audit Committee Members.

Member	Meetings Held	Meetings Attended
Mr. Khalid Yacob	4	4
Mr. Abid Naqvi	4	4
Mr. Tariq Hasan Quraishi (Appointment date: December 27, 211)	4	2
Mr. Javed Hassan (Resignation date: December 27, 211)	4	2

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
27 August 2012

IGI Income Fund

Annual Fund Manager's Report

Type of Fund: Open-end Scheme

Category of Fund: Income Scheme

Investment Objective

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

Accomplishment of Objective

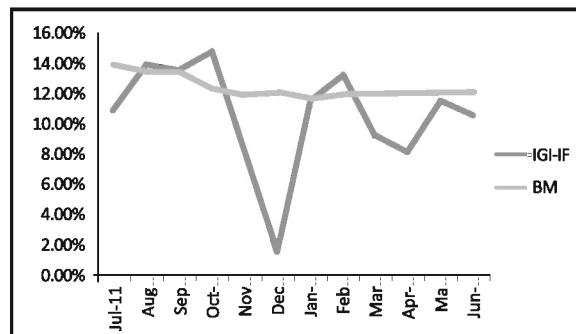
The Fund has achieved its objective of generating regular income by investing in low duration fixed income instruments within the guidelines provided under NBFC rules.

Benchmark

The Fund's benchmark is 6 month KIBOR.

Performance comparison with Benchmark

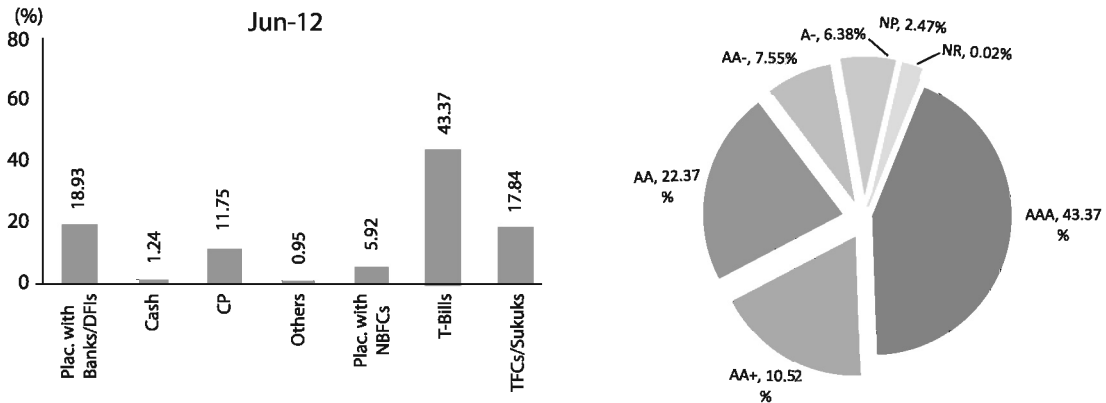
	IGI-IF	BM
Jul-11	10.93%	13.80%
Aug-11	13.85%	13.37%
Sep-11	13.48%	13.38%
Oct-11	14.71%	12.28%
Nov-11	8.75%	11.91%
Dec-11	1.64%	11.98%
Jan-12	11.46%	11.65%
Feb-12	13.22%	11.90%
Mar-12	9.21%	11.95%
Apr-12	8.17%	12.00%
May-12	11.47%	12.01%
Jun-12	10.56%	12.03%



Strategies and Policies employed during the period

During the period under review, IGI IF strived to capture higher accruals with an effort to restrict volatility as much as possible. For this purpose, concentration focus was on accumulating government treasuries and TFCs with higher credit ratings. Towards the later half of the year corporate bonds concentration was channeled into a mix of long and short term TFCs and CPs and return was bolstered with short term placements (COD, TDR, LOP) with Banks and DFI's when the seasonality allowed best possible rates. Falling interest rates over 1HFY12 made the T-bills market attractive for capital gains.

Assets Allocation/Portfolio quality



Significant changes in Assets Allocation during the period

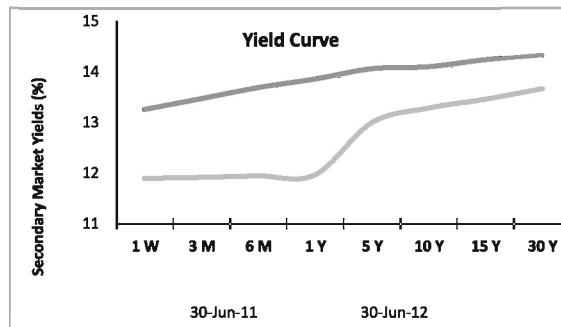
In comparison to previous year, IGI IF has targeted its allocation to building its T-Bill portfolio based on its interest rate outlook. Subsequently, all other exposures were accordingly adjusted such as TDR, TFC and Cash in order to assist the bottom line.

Fund Performance

For the year ended 30 June 2012, the Fund posted an appreciation of 11.16% in NAV (2011: 11.33%) and completed the year with net assets amounting to Rs. 893 million (2010: Rs. 830 million).

Review of the market invested in

The money market yields moved in tandem with the interest rate cycle, during the period. The SBP eased its tight monetary policy stance during the first half of the year to bolster growth and private sector credit. The apex regulator slashed policy rate twice in 1HFY12 by a total of 200bps. Money market yields subsequently dropped with a parallel downward shift in the yield curve. The government's rising need for liquidity resulted in higher than targeted borrowing from scheduled banks through auctions, in FY12. Throughout the better part of FY12, the auction participation remained biased towards shorter tenor.



On the corporate bonds side, major activity was witnessed in the bonds with higher-rated issuers such as Commercial Banks. The investors preferred issues with higher credit rating and higher spreads over KIBOR to secure maximum yields. The yields on the instruments remained in the vicinity of 13.50% - 14.00%.

Distribution

At the end of the year under review, the fund distribution pattern was as follows:

	BONUS	CASH
28-Sep-11	2.5038	2.5341
27-Dec-11	2.8025	2.8172
28-Mar-12	2.3404	2.3646
27-Jun-12	1.9823	2.0135

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	48	961,081
PkR 100,000 to 1,000,000	37	14,386,320
PkR 1,000,000 to 10,000,000	34	146,851,401
PkR 10,000,000 and above	18	731,237,569
Total	137	893,436,371

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.

IGI Income Fund

Performance Table

	2012	2011	2010	2009	2008	2007
Net Assets Value (mn.)	893.44	830.10	2,436.44	2,049.60	3,668.17	1,677.58
NAV per unit	101.6600	103.94	106.08	106.49	102.73	102.04
Selling price per unit	102.6766	103.94	106.08	106.49	102.73	102.04
Redemption price per unit	101.6600	103.94	106.08	106.49	102.73	102.04
Highest selling price per unit	104.7837	103.9445	106.08	106.49	107.46	102.04
Highest redemption price per unit	103.7462	103.9445	106.08	106.49	107.46	102.04
Lowest selling price per unit	101.5313	100.3146	100.49	100.08	100.09	100.00
Lowest redemption price per unit	100.5260	100.3146	100.49	100.08	100.09	100.00
Total Interim distribution per unit (Gross/ Net)	9.7294	7.31	4.99	Nil	7.06	N/A
Interim distribution date	29 Sep 11	01 Oct 10	02 January 09	N/A	03 April 08	N/A
	29 Dec 11	29 Dec 10	N/A	N/A	N/A	N/A
	29 Mar 12	28 Mar 11	N/A	N/A	N/A	N/A
	28 June 12	N/A	N/A	N/A	N/A	N/A
Final distribution per units (Gross/ Net)	1.0868	3.39	5.76	6.29	2.65	1.95
Final distribution date	27 Jul 2012	05 July 2011	02 July 2010	02 July 2009	03 July 2008	03 July 2007
Annualized returns	11.16	11.33%	11.12%	6.40%	9.83%	9.67%
Income distribution	10.76%	10.70%	10.22%	6.21%	9.86%	9.24%
Capital growth	0.40%	0.63%	0.90%	0.19%	(0.03%)	0.43%
Weighted avg. portfolio duration	302 Days	283 days	500 days	43 days	104 days	71 days

Return since inception is **12.28%**

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of IGI Funds Limited (the Management Company) of **IGI Income Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Lahore Stock Exchange (Guarantee) Limited where the Fund is listed.

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2012.

We draw your attention to clause 23 of the Statement which mentions certain non-compliances with the Code.

Our conclusion is not qualified in respect of the above matter.

Chartered Accountants

Date:

Karachi

Statement of Compliance with the Code of Corporate Governance
IGI Income Fund
Year ended June 30, 2012

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35 (Chapter XI) 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 will encourage representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Mr. Javed Hamid, Mr. Ahmed Alman Aslam, Mr. Abid Naqvi, Mr. Asif Saad
Executive Directors	Ms. Maheen Rahman
Non-Executive Directors	Mr. Tariq Hasan Quraishi, Mr. Khalid Yacob

The independent directors will meet the criteria of independence under clause (i) b of the Code.

(This requirement will become applicable from the constitution of new Board upon expiry of term of the current Board).

2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including the Management Company.

(The requirement of not serving as a director of more than seven listed companies, excluding the listed subsidiaries of listed holding companies, will become applicable from the constitution of new Board upon expiry of term of the current Board).
3. All the resident Directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Finance Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the Board on December 27, 2011 was filled up by the directors on the same day.
5. The Management Company has prepared a 'Code of Conduct' (the Code) and has disseminated it throughout the company along with its supporting policies and procedures.
6. The Board has developed a statement of main purpose and guiding principles (vision/mission statement), overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with dates on which they were prepared or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the Board met at least once in every quarter. 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. The Board has arranged training programs for its directors as per the prescribed schedule.
10. The Board has approved appointment of CFO / Company Secretary, including his remuneration and terms and conditions of employment.

11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the units of the Fund other than those disclosed in the pattern of shareholding.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members all of whom are non-executive Directors including an independent director. However the Board has ensured that the Chairman Audit Committee is an independent director in the Board meeting held on August 27, 2012.

(This requirement will become applicable from the constitution of new Board upon expiry of term of the current Board).
16. The Board has formed an HR and Remuneration Committee. It comprises four members, of whom two are non executive directors and the chairman of the committee is an Independent Director.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the Code. The terms of reference of the Committee have been formulated and advised to the Committee for compliance.
18. The Board has outsourced its internal audit function to A.F Fergusons & Co. who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants ("IFAC") guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's units, was determined and intimated to Directors, employees and stock exchange.
21. 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.
22. Material/price sensitive information has been disseminated among all market participants at once through Stock Exchanges.
23. We confirm that all other material principles enshrined in the Code have been complied with. (Except for the followings, towards which reasonable progress is being made by the company to seek compliance by the end of the next year.)
 - a) Head of Internal Audit not appointed (Refer Para 10)
 - b) Chairman of Audit Committee not an independent director (Refer Para 15)

For and on behalf of the Board of Directors

MAHEEN RAHMAN
Chief Executive Officer

TARIQ HASAN QURAISHI
Director

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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TRUSTEE REPORT TO THE UNIT HOLDERS

IGI INCOME FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of **IGI Income Fund** (the Fund) are of the opinion that IGI Funds Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 in accordance with the provisions of the following:

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

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

Karachi: October 08, 2012

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

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 2012**, and the related statements of income, comprehensive income, cash flows, distribution and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 2012** and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Emphasis of matter

We draw attention to note 15 to the financial statements which explains the contingency with respect to the contribution for Workers' Welfare Fund amounting to Rs.12.284 million. In this regard, the Fund expects that the constitutional petition pending in the Honorable High Court of Sindh on the subject will be decided favorably.

Our opinion is not qualified in respect of this matter.

Other matters

The financial statements of the Fund for the year ended 30 June 2011 were audited by another firm of Chartered Accountants whose audit report dated 23 August 2011 included an emphasis of matter paragraph on uncertainty relating to the pending outcome of litigation regarding contribution towards Workers' Welfare Fund.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date:

Karachi

IGI INCOME FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2012

	June 30, 2012	June 30, 2011
Note	----- (Rupees) -----	
Assets		
Bank balances	7 11,119,424	69,355,569
Investments	8 876,548,551	658,557,536
Receivable under reverse repurchase transactions	-	99,041,648
Deferred formation cost	-	561,781
Security deposits	9 2,850,000	2,600,000
Prepayments and other receivables	10 5,667,099	4,170,899
Total assets	896,185,074	834,287,433
Liabilities		
Payable to the Management Company	11 1,072,583	1,337,680
Remuneration payable to the Trustee	12 125,756	160,829
Annual fee payable to the Securities and Exchange Commission of Pakistan	13 837,687	1,311,114
Accrued and other liabilities	14 712,677	1,374,189
Total liabilities	2,748,703	4,183,812
Net assets	893,436,371	830,103,621
Contingency	15	
Unit holders' fund	893,436,371	830,103,621
	----- (Number of units) -----	
Number of units in issue	8,788,474	7,986,029
	----- (Rupees) -----	
Net assets value per unit	101.6600	103.9445

The annexed notes from 1 to 25 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

**IGI INCOME FUND
INCOME STATEMENT**

FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
Note	----- (Rupees) -----	
Income		
Finance income	16 138,460,513	220,636,777
Net loss on investments classified as 'at fair value through profit or loss' - held-for-trading		
- Net capital gain / (loss) on sale of investments	4,537,723	(3,111,306)
- Net unrealised gain / (loss) on revaluation of investments	1,522,502	(59,502)
- Provision against non performing assets	(8,304,177)	(8,381,800)
	(2,243,952)	(11,552,608)
Total income	136,216,561	209,084,169
Expenses		
Remuneration of the Management Company	13,961,328	21,851,914
Sales tax on management fee	2,233,830	-
Remuneration of the Trustee	1,773,397	2,571,204
Annual fee to the Securities and Exchange Commission of Pakistan	837,687	1,311,114
Brokerage expense	452,630	813,665
Bank and settlement charges	196,247	139,818
Amortisation of deferred formation cost	561,781	720,875
Auditors' remuneration	402,060	401,550
Legal and professional charges	-	25,000
Annual listing fee	40,000	40,000
Annual rating fee	200,000	200,000
Clearing charges	282,916	180,000
CDS transaction fee	7,590	6,112
Printing charges	110,000	88,760
Reversal of provision against Workers' Welfare Fund	-	(7,321,275)
Total expenses	21,059,466	21,028,737
Net income from operating activities	115,157,095	188,055,432
Element of loss and capital losses included in prices of units sold less those in units redeemed - net	(905,006)	(46,792,300)
Net income for the year before taxation	114,252,089	141,263,132
Taxation	18 -	-
Net income for the year after taxation	114,252,089	141,263,132

The annexed notes from 1 to 25 form an integral part of these financial statements.

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

Chief Executive

Director

IGI INCOME FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Net income for the year	114,252,089	141,263,132
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>114,252,089</u>	<u>141,263,132</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI INCOME FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
Note	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	114,252,089	141,263,132
Adjustments for:		
Net capital (gain) / loss on sale of investments classified as 'at fair value through profit or loss' - held-for-trading	(4,537,723)	3,111,306
Net unrealised (gain) / loss on investments classified as 'at fair value through profit or loss' - held-for-trading	(1,522,502)	59,502
Provision against non performing assets	8,304,177	8,381,800
Amortisation of deferred formation cost	561,781	720,875
Element of loss and capital losses included in prices of units sold less those in units redeemed - net	<u>905,006</u>	<u>46,792,300</u>
	117,962,828	200,328,915
Decrease / (increase) in assets		
Investments	<u>163,099,547</u>	<u>90,676,294</u>
Security deposits	<u>(250,000)</u>	<u>-</u>
Prepayments and other receivables	<u>(1,496,200)</u>	<u>11,572,427</u>
	161,353,347	102,248,721
Decrease in liabilities		
Payable to the Management Company	<u>(265,097)</u>	<u>(1,615,420)</u>
Remuneration payable to the Trustee	<u>(35,073)</u>	<u>(155,889)</u>
Annual fee payable to the Securities and Exchange Commission of Pakistan	<u>(473,427)</u>	<u>(547,253)</u>
Accrued and other liabilities	<u>(685,217)</u>	<u>(6,724,875)</u>
	(1,458,814)	(9,043,437)
Net cash generated from operating activities	277,857,361	293,534,199
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	<u>(26,105,277)</u>	<u>(32,638,618)</u>
Amounts received on issue of units	<u>1,728,823,763</u>	<u>2,143,404,142</u>
Payment against redemption of units	<u>(1,754,519,126)</u>	<u>(4,025,603,571)</u>
Net cash used in financing activities	(51,800,640)	(1,914,838,047)
Net increase / (decrease) in cash and cash equivalents during the year	226,056,721	(1,621,303,848)
Cash and cash equivalents at beginning of the year	<u>448,687,454</u>	<u>2,069,991,302</u>
Cash and cash equivalents at end of the year	19 <u>674,744,175</u>	<u>448,687,454</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI INCOME FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Undistributed income brought forward		
Realised gains	39,942,154	155,550,326
Unrealised losses	<u>(8,441,302)</u>	<u>(15,989,649)</u>
	31,500,852	139,560,677
 Total comprehensive income for the year	 114,252,089	 141,263,132
Final distribution of bonus @ 3.3679 units for every 100 units held, approved on: July 05, 2011 (2010: @ 5.7434 units for every 100 units held, approved on: July 02, 2010)	(20,132,163)	(118,744,566)
Final distribution of cash dividend @ Rs.3.3867 per unit held, approved on: July 05, 2011 (2010: @ Rs.5.7615 per unit held, approved on: July 02, 2010)	(6,914,121) (27,046,284)	(13,589,961) (132,334,527)
Interim distribution of bonus @ 2.5038 units for every 100 units held, approved on: September 29, 2011 (2010: @ 2.8500 units for every 100 units held, approved on: October 01, 2010)	(16,868,076)	(49,567,749)
Interim distribution of cash dividend @ Rs.2.5341 per unit held, approved on: September 29, 2011 (2010: @ Rs.2.8591 per unit held, approved on: October 01, 2010)	(7,682,557)	(6,545,310)
Interim distribution of bonus @ 2.8025 units for every 100 units held, approved on: December 29, 2011 (2010: @ 2.1086 units for every 100 units held, approved on December 29, 2010)	(29,818,757)	(22,469,810)
Interim distribution of cash dividend @ Rs.2.8172 per unit held, approved on: December 29, 2011 (2010: @ Rs.2.1246 per unit held, approved on December 29, 2010)	(6,256,904)	(5,023,511)
Interim distribution of bonus @ 2.3404 units for every 100 units held, approved on: March 29, 2012 (2011: @ 2.3040 units for every 100 units held, approved on: March 28, 2011)	(21,023,499)	(25,902,214)
Interim distribution of cash dividend @ Rs.2.3646 per unit held, approved on: March 29, 2012 (2011: @ Rs.2.3267 per unit held, approved on March 28, 2011)	(5,251,695)	(7,479,836)
Interim distribution of bonus @ 1.9823 units for every 100 units held, approved on: June 28, 2012 (2011: Nil)	(17,192,392)	-
Interim distribution of cash dividend @ Rs.2.0135 per unit held, approved on: June 28, 2012 (2011: Nil)	(23,705) (131,163,869)	- (249,322,957)
Undistributed income carried forward	14,589,072	31,500,852
Undistributed income carried forward at end of the year		
Realised gains	21,370,747	39,942,154
Unrealised losses	(6,781,675) 14,589,072	(8,441,302) 31,500,852

The annexed notes from 1 to 25 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI INCOME FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Net assets at beginning of the year [Net asset value: Rs.103.94 per unit (2011: Rs.106.08 per unit)]	830,103,621	2,436,436,612
Amount realised / unrealised on issuance of 16,892,218 units (2011: 21,100,738 units)	1,728,823,763	2,143,404,142
Issuance of 1,040,833 bonus units in respect of final and interim distributions (2011: 2,157,324 units)	105,034,887	216,684,339
Amount paid / payable on redemption of 17,130,606 units (2011: 38,240,797 units)	<u>(1,754,519,126)</u>	<u>(3,905,153,947)</u>
	909,443,145	891,371,146
Element of loss and capital losses included in prices of units sold less those in units redeemed - net	905,006	46,792,300
Total comprehensive income for the year before capital gains - realised and unrealised and provision against non-performing assets	116,496,041	152,815,740
Net capital gain / (loss) on sale of investments classified as 'at fair value through profit or loss - held-for-trading'	4,537,723	(3,111,306)
Net unrealised gain / (loss) on investments classified as 'at fair value through profit or loss - held-for-trading'	1,522,502	(59,502)
Provision against non performing assets	(8,304,177)	(8,381,800)
Total comprehensive income for the year	114,252,089	141,263,132
Distributions made during the year		
Final distribution of bonus units	(20,132,163)	(118,744,566)
Final distribution of cash dividend	(6,914,121)	(13,589,961)
Interim distribution of bonus units	(84,902,724)	(97,939,773)
Interim distribution of cash dividend	(19,214,861)	(19,048,657)
	(131,163,869)	(249,322,957)
Net total comprehensive income less distributions for the year	(16,911,780)	(108,059,825)
Net assets at end of the year [Net asset value: Rs.101.66 per unit (2011: Rs.103.94 per unit)]	893,436,371	830,103,621

The annexed notes from 1 to 25 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

IGI Income Fund (the Fund) has been established under the Non-Banking Finance Companies (Establishment and Regulation), Rules 2003 (the NBFC Rules) and has been authorised as a unit trust scheme by the Securities and Exchange Commission of Pakistan (SECP) on December 07, 2006. It has been constituted under a Trust Deed, dated December 18, 2006 between IGI Funds Limited (the Management Company), a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited (CDC) as the Trustee, also incorporated under the Companies Ordinance, 1984.

The Fund is an open ended income scheme and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore Stock Exchange (Guarantee) Limited (LSE). The Fund was launched on April 14, 2007.

The Fund invests primarily in fixed-rate securities and other avenues of investment, which include corporate debt securities, certificates of investment, certificates of musharika, commercial papers, term deposit receipts, spread transactions and reverse repurchase agreements.

Title to the assets of the Fund is held in the name of CDC as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention, except for investments and derivatives which are accounted for as stated in notes 4.2 and 4.3 below.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described in note 4.1.

4.1 New and amended standards and interpretations

During the year, following amendments, interpretations and improvements to the accounting standards became effective:

- IFRS 7 – Financial Instruments: Disclosures (Amendment)
- IAS 24 – Related Party Disclosures (Revised)
- IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 – Financial Instruments: Disclosures - Clarification of disclosures

IAS 1 – Presentation of Financial Statements - Clarification of statement of changes in equity

IAS 34 – Interim Financial Reporting - Significant events and transactions

IFRIC 13 – Customer Loyalty Programmes - Fair value of award credits

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements of the Fund.

4.2 Investments

The investments of the Fund, upon initial recognition, are classified as investment at fair value through profit or loss or held to maturity investments as appropriate.

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

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

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

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

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

After initial measurement, these are carried at fair value and the gains or losses on revaluation are recognised in the income statement.

- Held to maturity

Investment securities with fixed maturities and fixed or determinable payments are classified as 'held-to-maturity investments' when management has both the intention and ability to hold to maturity. After initial measurement, such investments are carried at amortised cost less any provision for impairment except for in case of debt securities and government securities, which are carried at fair value in accordance with the requirements of the NBFC Regulations.

Fair value of investments is determined as follows:

Debt securities

These are valued at the rates quoted by Mutual Funds Association of Pakistan (MUFAP) in accordance with the SECP's Circular No. 1 of 2009 dated January 06, 2009, read with Regulation 66(b) of the NBFC Regulations.

Government securities

These are valued by reference to the quotations obtained from the Reuters page.

4.3 Derivative Financial Instruments

Derivative instruments held by the Fund generally comprise of futures contracts, options and forwards contracts etc in the capital market. These are initially recognised at cost and are subsequently remeasured at their fair value. The fair value of derivative instruments is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the instrument. Derivative with positive market values (un-realised gains) are included in other assets and derivatives with negative market values (un-realised losses) are included in other liabilities in the statement of asset and liabilities. The resultant gains and losses are included in the income currently.

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

4.4 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repos) are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.

Transactions of sale under repurchase (repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be 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.

4.5 Impairment of financial assets

An assessment is made at each statement of assets and liabilities date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss, is recognised in the income statement.

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.

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

4.6 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.

4.7 Issue and redemption of units

Units issued are recorded at the offer price prevalent on the day on which application form, (complete in all respects) is received. The offer price represents the net asset value of units at the end of the day plus the allowable sales load. The sales load is payable to the Management Company as processing fee. Issue of units is recorded on acceptance of application for sale.

Units redeemed are recorded at the redemption price, prevalent on the day on which the redemption form (complete in all respects) is accepted. The redemption price represents the net asset value of units at the end of the day. Redemption of units is recorded on acceptance of application for redemption.

4.8 Net asset value per unit

The net assets value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at year end.

4.9 Revenue recognition

- Gains or losses arising on sale of investments are included in the income statement in the period in which they arise.
- Unrealised gains or 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, term deposit receipts, investment in debt securities and bank balances is recognised on a time proportion basis using effective interest rate method.

4.10 Element of income / loss and capital gains / losses included in prices of units sold less those in units redeemed

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

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

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

4.11 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates, if any. The Fund is exempt from taxation under clause 99 of Part I of the 2nd Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income excluding realised and unrealised capital gains for the year is distributed amongst the unit holders.

4.12 Financial assets and financial liabilities

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

Financial assets carried in the statement of assets and liabilities include bank balances, investments, security deposits, margin against securities and mark-up / return receivable on bank balances and term finance certificates.

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

4.13 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.

4.14 Provision

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

4.15 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 commencing from December 04, 2009 (the date of the end of initial public offer period of the Fund) as stated in the Trust Deed of the Fund approved by the Securities and Exchange Commission of Pakistan.

4.16 Cash and cash equivalents

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

4.17 Distribution to unit holders

Distributions declared including the bonus units are recorded in the period in which they are approved. Regulation 63 of the NBFC Regulations, requires the Fund to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders.

4.18 Other assets

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

4.19 Liabilities

All expenses including management fee and trustee fee are recognised in the income statement as and when incurred.

5. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect he application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in the relevant accounting policies / notes to the financial statements.

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

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

Standard, interpretation or amendment		Effective date (accounting periods beginning on or after)
IFRS 7	- Financial Instruments : Disclosures – (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 1	Presentation of Financial Statements – Presentation of items of comprehensive income	July 01, 2012
IAS 12	Income Taxes (Amendment) - Recovery of Underlying Assets	January 01, 2012
IAS 19	Employee Benefits – (Amendment)	January 01, 2013
IAS 32	Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Fund expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Fund's financial statements in the period of initial application except for certain additional disclosures.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

	Note	June 30, 2012	June 30, 2011
		(Rupees)	
7. BANK BALANCES			
Bank balances - local currency	7.1	<u>11,119,424</u>	<u>69,355,569</u>

7.1 The deposit accounts with banks carry profit rates ranging from 5.00% to 11.60% per annum (June 30, 2011: 5.00% to 11.60% per annum).

8. INVESTMENTS

Financial assets classified as 'at fair value through profit or loss' - held-for-trading

Sukuk certificates	8.1	60,560,000	-
Term finance certificates	8.2	99,304,900	38,532,251
Treasury bills	8.3	<u>388,677,916</u>	<u>500,737,457</u>
		<u>548,542,816</u>	<u>539,269,708</u>

Held to maturity

Certificates of deposit	8.5	53,058,900	119,287,828
Commercial papers	8.6	105,343,587	-
Letters of placement	8.7	89,548,422	-
Term deposit receipts	8.8	<u>80,054,826</u>	<u>-</u>
		<u>328,005,735</u>	<u>119,287,828</u>
		<u>876,548,551</u>	<u>658,557,536</u>

8.1 Sukuk certificates

Name of the investee company	Profit / mark-up rate	As at July 01, 2011	Purchased during the year	Sold during the year	As at June 30, 2012	Carrying value as at June 30, 2012	Market value as at June 30, 2012 (net off provision)	Net assets on the basis of market value	Total investment on the basis of market value
		(Number of certificates)				(Rupees)		(%)	
Engro Fertilizer Limited	13.55%	-	12,112	-	12,112	60,560,000	60,560,000	6.78%	6.91%

8.2 Term Finance Certificates (TFCs)

Name of the investee company	Profit / mark-up rate	As at July 01, 2011	Purchased during the year	Sold during the year	As at June 30, 2012	Carrying value as at June 30, 2012	Market value as at June 30, 2012 (net off provision)	Net assets on the basis of market value	Total investment on the basis of market value
		(Number of certificates)				(Rupees)		(%)	
Quoted investments									
Pakistan Mobile Communications Limited - III	15.76%	-	12,000	5,000	7,000	33,966,042	34,541,920	3.87%	3.94%
Unquoted investments									
Commercial banks									
Bank AlFalah Limited - IV	15.00%	3,000	17,000	13,500	6,500	33,434,098	34,007,466	3.81%	3.88%
Bank AlHabib Limited - IV	15.00%	-	10,000	7,000	3,000	15,222,000	15,962,552	1.79%	1.82%
United Bank Limited - IV	-	-	18,000	18,000	-	-	-	-	-
						48,656,098	49,970,018		
Miscellaneous									
Bunnys Limited	-	4,022	-	-	4,022	20,110,000	7,811,962	0.87%	0.89%
Vision Developers (Private) Limited	15.91%	2,327	-	-	2,327	9,308,000	6,981,000	0.78%	0.80%
Pak Hy Oils Limited	-	3,000	-	3,000	-	-	-	-	-
						<u>29,418,000</u>	<u>14,792,962</u>		
						<u>112,040,140</u>	<u>99,304,900</u>		
							<u>12,298,038</u>		
Provision for impairment against term finance certificates (see note 8.2.1)									

8.2.1 Due to the financial difficulties, Bunnys Limited was unable to make coupon payment due on May 30, 2011. Accordingly, these term finance certificates were classified as non-performing by MUFAP on June 14, 2011 and no rates are being quoted by MUFAP currently. The Fund has recognised a provision amounting to Rs.12.298 million (June 30, 2011: Rs.5.027 million) and Rs.1.034 million (June 30, 2011: Rs.Nil) in respect of the principal and interest thereon. The said provision has been made in accordance with the requirements of Circular 1 of 2009 dated January 06, 2009 issued by SECP and the provisioning policy of the Fund.

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

Name of the Investee company	Secured / Unsecured	Mark-up		Principal redemption	Maturity date
		Kibor plus basis points	Receivable		
Quoted Investments					
Pakistan Mobile Communications Limited - III	Unsecured	6 months + 1.65%	Semi annually	100 % principal redemption at the conclusion of TFC	October 2013
Unquoted Investments					
Commercial banks					
Bank AlFalah Limited - IV	Unsecured	15%	Semi annually	Rs.1 in the first 6.5 years and remaining 99.74% in three equal semi annual installments in the next one and half years.	December 2017
Bank AlHabib Limited - IV	Unsecured	15%	Semi annually	Rs.1 in the first 9 years and remaining 99.64% in two equal semi annual installments in the next one years.	June 2021
Miscellaneous					
Bunnys Limited	Secured	3 months + 2.5%	Quarterly	7.14% starting from 4.5 year in fourteen equal quarterly installments in the next three years.	September 2016
Vision Developers (Private) Limited	Secured	6 months + 2.5%	Semi annually	20% in the first 2.5 years and remaining 80.00% in four equal semi annual installments in the next two years.	November 2013

8.3 Treasury Bills

Issue date	Note	As at July 01, 2011	Purchased during the year	Sold / matured during the year	Balance as at June 30, 2012	Carrying value as at June 30, 2012	Market value as at June 30, 2012	Unrealised gain / (loss) on revaluation	Net assets on the basis of market value	Total investment on the basis of market value
		----- (Number of certificates) -----				----- (Rupees) -----			----- (%) -----	
Treasury bills having face value of Rs.100 each										
Maturity upto 3 months	8.3.1	2,090,000	20,105,000	19,995,000	2,200,000	218,156,213	218,129,332	(26,881)	24.41%	24.89%
Maturity upto 6 months	8.3.2	2,660,000	21,811,000	24,261,000	410,000	40,748,653	40,739,718	(8,935)	4.56%	4.65%
Maturity upto 12 months	8.3.3	250,000	20,280,000	19,206,000	1,324,000	129,829,142	129,806,866	(20,276)	14.53%	14.81%
		<u>5,200,000</u>	<u>62,196,000</u>	<u>63,462,000</u>	<u>3,934,000</u>	<u>388,734,008</u>	<u>388,677,916</u>	<u>(56,092)</u>		

8.3.1 These represent treasury bills having face value of Rs.220 million (June 30, 2011: Rs.209 million) and carrying purchase yield ranging between 11.84% to 11.87% per annum (June 30, 2011: 13.12% to 13.49% per annum). These treasury bills have maturity upto August 09, 2012 (June 30, 2011: September 08, 2011).

8.3.2 These represent treasury bills having face value of Rs.41 million (June 30, 2011: Rs.286 million) and carrying purchase yield ranging between 11.74% to 11.88% per annum (June 30, 2011: 13.31% to 13.67% per annum). These treasury bills have maturity upto July 26, 2012 (June 30, 2011: December 15, 2011).

8.3.3 These represent treasury bills having face value of Rs.132.4 million (June 30, 2011: Rs.250 million) and carrying purchase yield ranging between 11.81% to 11.93% per annum (June 30, 2011: 13.84% per annum). These treasury bills have maturity upto November 29, 2012 (June 30, 2011: June 14, 2011).

8.4 Pakistan Investment Bonds

Name of the security	Face value					Carrying value as at June 30, 2012 (Rupees)	Face value as % of	
	As at July 01, 2011	Purchased during the year	Disposed off during the year	Matured during the year	As at June 30, 2012		Net assets	Total Investments
Pakistan Investment Bonds - 10 months	-	212,000,000	212,000,000	-	-	-	-	-

8.5 These carry mark-up rate of 14.50% per annum (June 30, 2011: 13.75% to 14.50% per annum) maturing on January 27, 2017 (June 30, 2011: August 11, 2011 and January 27, 2017) and have a credit rating of A-. Investment in certificates of deposit of IGI Investment Bank Limited (a related party) represents 5.70% of total investment on the basis of face value and 5.50% of net assets on the basis of face value.

8.6 These carry mark-up rate of 13.09% per annum (June 30, 2011: Nil) maturing on August 03, 2012 and have a credit rating of AA+. Investment in commercial papers of Hub Power Company Limited represents 11.41% (June 30, 2011: Nil) of total investment on the basis of face value and 11.19% (June 30, 2011: Nil) of net assets on the basis of face value.

8.7 These carry mark-up rates ranging from 12.35% to 12.45% per annum (June 30, 2011: Nil) maturing on August 15, 2012 and September 19, 2012 and have a credit rating of AA+. Investment in letters of placement of Pak Oman Investment Company Limited and Pak Brunei Investment Company Limited represent 5.13% and 5.02% (June 30, 2011: Nil) of total investment on the basis of face value and 5.04% and 4.92% (June 30, 2011: Nil) of net assets on the basis of face value.

8.8 Term deposit receipt is maintained with a financial institution and carry a profit rate of 12.25% per annum (June 30, 2011: Nil). This deposit will mature on July 18, 2012 (June 30, 2011: Nil). Investment in term deposit receipts of Bank Alfalah Limited represent 9.11% (June 30, 2011: Nil) of total investment on the basis of face value and 8.9% (June 30, 2011: Nil) of net assets on the basis of face value.

8.9 Non Compliant Investments

Name of non compliant investment	Note	Type of investment	Value of investment before provision	Rating	Provision held if any	Value of investment after provisioning	Face value as % of	
							Net assets	Total Investments
- Bunnys Limited	8.9.1	Term finance certificates	20,110,000	Not rated	(12,298,038)	7,811,962	0.87%	0.89%
- Vision Developers (Private) Limited	8.9.1	Term finance certificates	9,308,000	Not rated	-	9,308,000	1.04%	1.06%
- Hub Power Company Limited	8.9.2	Commercial Papers	100,000,000	AA+	-	100,000,000	11.19%	11.41%

8.9.1 As per Circular no. 7 of 2009 dated March 06, 2009 and Circular No. 16 dated July 07, 2010 issued by the SECP, the rating of any security in the portfolio shall not be lower than investment grade. However, as of June 30, 2012, ratings of these securities / entities were below investment grade.

8.9.2 The above exposure is in excess of the limit prescribed by the NBFC Regulations and disclosure for breach of exposure limit is made as required by the Circular No. 16 of 2010 dated July 07, 2010 by the SECP.

		June 30, 2012	June 30, 2011
	Note	(Rupees)	
9. SECURITY DEPOSITS			
National Clearing Company of Pakistan Limited		2,750,000	2,500,000
Central Depository Company of Pakistan Limited		<u>100,000</u>	<u>100,000</u>
		<u>2,850,000</u>	<u>2,600,000</u>
10. PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments:			
National clearing company of Pakistan - margin trading system fee		166,430	-
Mark-up / return receivable on:			
Considered good			
- bank balances		124,813	1,262,215
- term finance certificates		5,375,856	2,908,684
Considered doubtful			
- Term Finance Certificates (TFCs)		1,033,639	1,356,674
- provision against accrued interest on TFCs		<u>(1,033,639)</u>	<u>(1,356,674)</u>
		-	-
		<u>5,667,099</u>	<u>4,170,899</u>
11. PAYABLE TO THE MANAGEMENT COMPANY			
Remuneration payable to the Management Company	11.1	924,640	1,337,680
Sales tax payable on management fee		<u>147,943</u>	-
		<u>1,072,583</u>	<u>1,337,680</u>
11.1	The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the NBFC Regulations, 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% (June 30, 2011: 1.25%) of the average daily net assets of the Fund.		
12. REMUNERATION PAYABLE TO THE TRUSTEE			
	The trustee is entitled to a monthly remuneration for services rendered to the Fund by the Trustee, calculated at the rate 0.17% per annum on amount upto Rs.1 billion of the daily average net assets of the Fund or Rs.0.6 million, whichever is higher, and Rs.1.7 million plus 0.085% per annum of net assets exceeding Rs.1 billion when daily average net assets of the Fund exceeds Rs.1 billion.		
13. ANNUAL FEE PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
	This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Regulation 62 of the NBFC Regulations, whereby the Fund is required to pay SECP an amount at the rate of 0.075% (June 30, 2011: 0.075%) of the average daily net assets of the Fund.		
14. ACCRUED AND OTHER LIABILITIES		June 30, 2012	June 30, 2011
		(Rupees)	
Dividend payable to unit holders		23,705	-
Brokerage and settlement charges payable		61,026	120,089
Auditors' remuneration		250,000	240,000
Annual rating fee payable		110,000	110,000
Stability fee payable		200,000	200,000
Clearing charges payable		15,000	15,000
Printing charges payable		50,000	50,000
Withholding tax and capital gains tax payable		<u>2,946</u>	<u>639,100</u>
		<u>712,677</u>	<u>1,374,189</u>

15. CONTINGENCY - CONTRIBUTION TO WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action through letter dated October 06, 2010. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter dated January 04, 2011 subsequently cancelled ab-initio the clarification letter dated October 06, 2010 on applicability of WWF on mutual funds.

On December 14, 2010, the Ministry filed its response against the constitutional petition requesting the SHC to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the SHC.

During the current year, the Honorable Lahore High Court (LHC) in a similar Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the constitutional petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the Fund is not liable to contribute to WWF. Hence, aggregate unrecognised amount of WWF as at June 30, 2012 amounted to Rs.12.284 million (June 30, 2011: Rs.9.999 million). Had the provision been made the net asset value per unit of the Fund would have been lower by Rs.1.398 per unit (June 30, 2011: Rs.1.252 per unit).

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
16. Finance income		
Interest income on :		
Investments classified as 'at fair value through profit and loss' - held-for-trading		
- Term finance certificates	21,706,349	21,418,825
- Treasury bills	84,024,084	78,267,930
- Pakistan investment bonds	3,159,233	-
	108,889,666	99,686,755
Held to maturity		
- Certificates of deposit	8,710,627	19,496,148
- Commercial papers	5,343,587	6,552,440
- Letters of placement	1,838,803	4,246,135
- Term deposit receipts	4,703,352	30,802,825
- Certificates of investment	1,767,945	-
- Certificates of musharika	-	845,545
	22,364,314	61,943,093
Reverse repurchase transactions	739,152	25,022,480
Others		
- Bank deposits	6,407,708	33,796,949
- Others	59,673	187,500
	138,460,513	220,636,777

17. SALES TAX ON MANAGEMENT FEE

During the current year, an amount of Rs.2.234 million (June 30, 2011: Rs.Nil) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

18. 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. The Management Company intends to distribute not less than 90% of its annual accounting income, if any, to comply with the above clause at year end. Accordingly, no provision for current and deferred tax has been made in these financial statements.

19. CASH AND CASH EQUIVALENTS

Bank balances	11,119,424	69,355,569
Treasury bills maturing within 3 months	388,677,916	213,796,591
Certificates of deposit maturing within 3 months	-	66,493,646
Commercial papers maturing within 3 months	105,343,587	-
Letters of placement maturing within 3 months	89,548,422	-
Term deposit receipts maturing within 3 months	80,054,826	-
Receivable under reverse repurchase transaction	-	99,041,648
	<u>674,744,175</u>	<u>448,687,454</u>

20. TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS

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

Remuneration payable to the Management Company and the Trustee are determined in accordance with the provisions of NBFC Regulations and the Trust Deed respectively.

20.1 Unit Holders' Fund

June 30, 2012

	As at July 01, 2011	Issued for cash / conversion in / transfer in	Bonus	Redeemed / conversion out / transfer out	As at June 30, 2012	As at July 01, 2011	Issued for cash / conversion in / transfer in	Bonus	Redeemed / conversion out / transfer out	Net asset value as at June 30, 2012
	Units					(Rupees)				
Associated companies / undertakings										
IGI Investment Bank Limited	-	974,694	-	974,694	-	-	100,000,000	-	100,210,008	-
Packages Limited - Staff Pension Fund	75,160	-	10,285	-	85,445	7,812,439	-	1,038,056	-	8,686,324
IGI Funds Limited - Management Company	748,394	122,644	94,584	263,172	702,450	77,791,410	12,500,000	9,545,107	27,000,000	71,411,091
Other related parties										
Tri Pack Films Limited - Employees Gratuity Fund	25,689	29,409	5,660	-	60,758	2,670,217	3,000,000	571,438	-	6,176,706
Tri Pack Films Limited - Employees Provident Fund	27,344	49,015	7,317	-	83,676	2,842,240	5,000,000	738,722	-	8,506,507
Tetra Pak Pakistan Limited - Employees Pension Fund	-	139,882	10,203	-	150,085	-	14,359,961	1,030,433	-	15,257,645
Babar Ali Foundation	1,292,289	534,532	135,367	890,462	1,071,726	134,326,361	55,000,000	13,664,818	92,000,000	108,951,652
Directors										
Adi Jehangir Cawaji	9,910	-	1,137	11,047	-	1,030,070	-	114,625	1,128,091	-
Key Management Personnel										
Employees	-	2,4898	608	25,506	-	-	2,555,731	61,445	2,623,185	-

June 30, 2011

	As at July 01, 2010	Issued for cash / conversion in / transfer in	Bonus	Redeemed / conversion out / transfer out	As at June 30, 2011	As at July 01, 2010	Issued for cash / conversion in / transfer in	Bonus	Redeemed / conversion out / transfer out	Net asset value as at June 30, 2011
	Units					(Rupees)				
Associated companies / undertakings										
IGI Investment Bank Limited	1,886,792	3,770,152	145,669	5,802,613	-	214,535,751	385,000,000	14,612,799	586,210,044	-
First International Investment Bank - Group Provident Fund	4,792	19,868	419	25,079	-	705,047	2,000,000	42,093	2,539,338	-
IGI Insurance Limited	960,743	242,303	88,111	1,291,157	-	100,000,000	25,000,000	8,843,835	130,703,723	-
IGI Finex Securities Limited - Staff Provident Fund	990	-	87	1,077	-	100,000	-	8,695	110,606	-
Packages Limited	-	4,439,195	-	4,439,195	-	-	450,000,000	-	254,370,901	-
Packages Limited - Employees Gratuity Fund	558,187	-	48,881	607,068	-	56,815,001	-	4,903,572	61,938,935	-
Packages Limited - Employees Provident Fund	427,996	-	37,481	465,477	-	43,352,642	-	3,759,864	47,603,002	-
Packages Limited - Staff Pension Fund	665,071	75,160	58,241	723,312	75,160	70,550,746	7,665,141	5,842,524	73,971,21	7,812,439
IGI Funds Limited - Management Company	771,060	376,282	103,484	502,432	748,394	79,925,166	38,581,758	10,401,606	51,450,000	77,791,410
IGI Funds Limited - Staff Provident Fund of Management Company	5,239	-	578	5,817	-	529,904	-	58,122	597,438	-
Other related parties										
Tri Pack Films Limited - Employees Gratuity Fund	-	24,591	1,098	-	25,689	-	2,500,000	110,672	-	2,670,217
Tri Pack Films Limited - Employees Provident Fund	24,068	-	3,276	-	27,344	2,553,173	-	267,666	-	2,842,240
Babar Ali Foundation	1,512,151	311,394	188,804	720,060	1,292,289	160,409,028	32,000,000	18,979,277	73,000,000	134,326,361
Directors										
Syed Babar Ali - Group Chairman	818,970	-	71,719	890,689	-	85,517,452	-	7,194,504	90,417,496	-
Key Management Personnel										
Employees	3,507	5,781	413	9,701	-	372,158	583,687	41,507	980,303	-

20.2	Other transactions	June 30, 2012	June 30, 2011
		----- (Rupees) -----	
	Associated companies / undertakings		
	IGI Funds Limited - Management Company		
	Remuneration of the Management Company	<u>13,961,328</u>	<u>21,851,914</u>
	Sales tax on management fee	<u>2,233,830</u>	<u>-</u>
	Sales load	<u>1,846,020</u>	<u>-</u>
	Clearing charges	<u>-</u>	<u>48,700</u>
	Others	<u>-</u>	<u>225,000</u>
	IGI Investment Bank Limited		
	Placement in certificates of deposit	<u>25,000,000</u>	<u>545,000,000</u>
	Certificates of deposit matured	<u>90,000,000</u>	<u>535,000,000</u>
	Interest income from certificates of deposit	<u>8,710,627</u>	<u>19,496,148</u>
	Investment in reverse repurchase transactions	<u>-</u>	<u>301,576,275</u>
	Reverse repurchase transactions matured	<u>89,217,000</u>	<u>414,414,065</u>
	Income under reverse repurchase transactions	<u>739,152</u>	<u>22,152,398</u>
	Term finance certificates - purchased	<u>41,546,889</u>	<u>191,980,589</u>
	Term finance certificates - sold	<u>73,724,245</u>	<u>208,291,852</u>
	Treasury Bills - purchased	<u>77,925,354</u>	<u>49,949,200</u>
	Investment in letter of placements	<u>90,000,000</u>	<u>-</u>
	Letter of placements matured	<u>90,000,000</u>	<u>-</u>
	Interest income from letter of placements	<u>284,220</u>	<u>-</u>
	Packages Limited		
	Treasury Bills - sold	<u>16,919,250</u>	<u>-</u>
	Packages Limited - Employees Provident Fund		
	Treasury Bills - sold	<u>13,933,500</u>	<u>-</u>
	Packages Limited - Employees Gratuity Fund		
	Treasury Bills - sold	<u>4,976,250</u>	<u>-</u>
	IGI Money Market Fund - (Common Management)		
	Treasury Bills - purchased	<u>123,438,474</u>	<u>480,952,910</u>
	Treasury Bills - sold	<u>19,839,010</u>	<u>298,144,364</u>
	IGI Aggressive Income Fund - (Common Management)		
	Term Finance Certificates - purchased	<u>94,531,475</u>	<u>-</u>
	Term Finance Certificates - sold	<u>-</u>	<u>39,846,658</u>
	Treasury Bills - purchased	<u>6,803,146</u>	<u>-</u>
	Treasury Bill - sold	<u>4,964,150</u>	<u>10,810,602</u>
	IGI Capital Protected Fund		
	Treasury Bills - purchased	<u>13,714,320</u>	<u>-</u>
	IGI Investment Bank Limited - Group Provident Fund		
	Treasury Bills - sold	<u>-</u>	<u>4,864,850</u>
	IGI Finex Securities Limited		
	Brokerage charges	<u>36,532</u>	<u>141,633</u>

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Other related parties		
Tetra Pak - Staff Gratuity Fund		
Term finance certificates - sold	<u>12,432,271</u>	<u>-</u>
Tetra Pak - Staff Pension Fund		
Term finance certificates - sold	<u>2,958,343</u>	<u>-</u>
Tetra Pak - Provident Fund		
Term finance certificates - sold	<u>8,116,084</u>	<u>-</u>
Central Depository Company of Pakistan Limited - (Trustee of the Fund)		
Remuneration of the Trustee	<u>1,773,397</u>	<u>2,571,204</u>
20.3 Other balances		
Associated companies / undertakings		
IGI Funds Limited - Management Company		
Remuneration payable to the Management Company	<u>924,640</u>	<u>1,337,680</u>
Sales tax payable on management fee	<u>147,943</u>	<u>-</u>
IGI Investment Bank Limited		
Certificates of deposit	<u>53,058,900</u>	<u>119,287,828</u>
Receivable under reverse repurchase transaction	<u>-</u>	<u>99,041,648</u>
IGI Finex Securities Limited		
Brokerage payable	<u>20,283</u>	<u>5,301</u>
Other related parties		
Central Depository Company of Pakistan Limited - (Trustee of the Fund)		
Remuneration payable to the Trustee	<u>125,756</u>	<u>160,829</u>
20.4 Unit holder holding 10% or more units		
Premier Insurance Limited		
Units in issue 1,100,236 (June 30, 2011: 1,025,441 units)	<u>111,849,967</u>	<u>106,588,889</u>
Habib Metropolitan Bank Limited		
Units in issue 992,254 (June 30, 2011: Nil)	<u>100,872,513</u>	<u>-</u>

21. FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund has exposure to following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

The Fund primarily invests in a portfolio of money market investments such as investment-grade debt securities, secured privately placed instruments, spread transactions and investments in other money market instruments (including the clean placements). Such investments are subject to varying degrees of risk.

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

21.1 Credit risk

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

Management of credit risk

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

Exposure to credit risk

The table below analyses the Fund's maximum exposure to credit risk. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements at reporting date:

	Carrying amount	
	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Bank balances	11,119,424	69,355,569
Investments classified as		
- 'At fair value through profit or loss' - held-for-trading	159,864,900	38,532,251
- Held to maturity	328,005,735	119,287,828
	487,870,635	157,820,079
Receivable under reverse repurchase transactions	-	99,041,648
Security deposits	2,850,000	2,600,000
Mark-up / return receivable on:		
bank balances	124,813	1,262,215
term finance certificates	5,375,856	2,908,684
	507,340,728	332,988,195

Credit quality of bank balances

Details of credit rating of banks holding balances / deposits (including mark-up / return receivable thereon) are as follows:

Name of Bank	Rating	June 30,	June 30,
		2012	2011
		----- (%) -----	
Allied Bank Limited	A1+/AA	1.10	0.10
Bank Alfalah Limited	A1+/AA	66.51	0.52
Bank Al-Habib Limited	A1+/AA+	0.06	0.01
The Bank of Punjab	A1+/AA-	0.05	0.03
JS Bank Limited	A1/A	0.14	0.02
MCB Bank Limited	A1+/AA+	0.10	-
NIB Bank Limited	A1+/AA-	0.07	0.02
Bank of Khyber	A2/A-	31.97	99.29
Standard Chartered Bank (Pakistan) Limited	A1+/AAA	-	0.01
		100.00	100.00

Credit quality of held-for-trading investments

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

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

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

Rating	June 30, 2012		June 30, 2011	
	Amount of credit exposure -- (Rupees) --	% of held-for-trading investments	Amount of credit exposure -- (Rupees) --	% of held-for-trading investments
AA+/AA/AA-	145,071,938	91%	-	-
A+/A/A-	-	-	14,723,501	38%
Non investment grade	14,792,962	9%	23,808,750	62%
	159,864,900	100%	38,532,251	100%

Past due and impaired

Held-for-trading investment of the Fund in term finance certificates of Bunnys Limited was past due and impaired by an amount of Rs.12.298 million as at June 30, 2012 (June 30, 2011: Rs.5.02 million).

Credit quality of Held to Maturity (HTM) investments

The table below analyses the Fund's Investments in held to maturity investments on the basis of short term rating given to the issuer by the credit rating agencies.

	June 30, 2012		June 30, 2011	
	Amount of credit exposure -- (Rupees) --	% of HTM investments	Amount of credit exposure -- (Rupees) --	% of HTM investments
Rating				
Held to maturity investment neither past due nor impaired				
A1 / A1+	<u>328,005,735</u>	<u>100%</u>	<u>119,287,828</u>	<u>100%</u>
	<u>328,005,735</u>	<u>100%</u>	<u>119,287,828</u>	<u>100%</u>

Credit quality of interest receivable on bank deposits and other receivables

Interest income receivable on bank deposits and other receivables were received subsequent to the year end.

Concentration of the credit risk

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

21.2 Liquidity risk

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

(i) Management of liquidity risk

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

(ii) Maturity analysis for financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the statement of assets and liabilities 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:

	June 30, 2012			
	Contractual cash flows and carrying amount	Less than a month	More than one month and upto three months	More than three months and upto one year
----- (Rupees) -----				
Financial liabilities				
Payable to the Management Company	1,072,583	1,072,583	-	-
Remuneration payable to the Trustee	125,756	125,756	-	-
Accrued and other liabilities	709,731	709,731	-	-
	<u>1,908,070</u>	<u>1,908,070</u>	<u>-</u>	<u>-</u>
	June 30, 2011			
	Contractual cash flows and carrying amount	Less than a month	More than one month and upto three months	More than three months and upto one year
----- (Rupees) -----				
Financial liabilities				
Payable to the Management Company	1,337,680	1,337,680	-	-
Remuneration payable to the Trustee	160,829	160,829	-	-
Accrued and other liabilities	735,089	735,089	-	-
	<u>2,233,598</u>	<u>2,233,598</u>	<u>-</u>	<u>-</u>

Above financial liabilities do not carry any mark-up.

21.3 Market risk

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

Management of market risks

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

Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial instruments and future cash flows. The interest rate environment is monitored on a regular basis and the portfolio mix of fixed and floating rate securities is altered. The Fund's investment in fixed interest rate securities expose it to fair value interest rate risk and investments in variable interest rate securities expose the Fund to cash flow interest rate risk.

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

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Fixed rate instruments		
Bank balances	11,119,424	69,355,569
Term finance certificates	49,970,018	14,723,501
Treasury Bills	388,677,916	500,737,457
Certificates of deposit	53,058,900	119,287,828
Commercial papers	105,343,587	-
Letters of placement	89,548,422	-
Term deposit receipts	80,054,826	-
	<u>777,773,093</u>	<u>704,104,355</u>
Variable rate instruments		
Sukuk certificates	60,560,000	-
Term finance certificates	49,334,882	23,808,750
	<u>109,894,882</u>	<u>23,808,750</u>

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

Fair value sensitivity analysis for fixed rate instruments

In case of 100 basis points increase / decrease in interest rate (determine by market forces) on year end, the net assets attributable to unit holders of the Fund and net income for the year would have been lower / higher by Rs.7.802 million (June 30, 2011: Rs.7.231 million). This analysis assumes that all other variables remain constant. The analysis for year ended June 30, 2011 is performed on the same basis.

Cash flow sensitivity analysis for variable rate instruments

In case of 100 basis points increase / decrease in KIBOR at year end, the net assets attributable to unit holders of the Fund and net income for the year would have been higher / lower by Rs.1.239 million (June 30, 2011: Rs.0.467 million) of rated and non-rated sukuk and term finance certificates. This analysis assumes that all other variables remain constant. The analysis for year ended June 30, 2011 is performed on the same basis.

21.4 Unit Holders' Fund risk management

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

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

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

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

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

21.5 Fair value hierarchy

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

- Level 1:** quoted prices in active markets for identical assets.
- Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3:** techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at June 30, 2012, the Fund held the following financial instruments which were measured at fair value:

	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Investments classified as 'at fair value through profit or loss' - held-for-trading				
Government securities				
- Market treasury bills	-	388,677,916	-	388,677,916
Term finance certificates	-	91,492,938	7,811,962	99,304,900
	-----	480,170,854	7,811,962	487,982,816
	-----	-----	-----	-----

As at June 30, 2011, the Fund held the following financial instruments which were measured at fair value:

	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Investments classified as 'at fair value through profit or loss' - held-for-trading				
Government securities				
- Market treasury bills	-	500,737,457	-	500,737,457
Term finance certificates	-	14,723,501	23,808,750	38,532,251
	-----	515,460,958	23,808,750	539,269,708
	-----	-----	-----	-----

During the year ended June 30, 2012, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements except as follows:

	June 30, 2012
	-- (Rupees) --
Opening balance	23,808,750
Transfer from level 3 to level 2	(8,726,250)
Add: Unrealised loss charged in the previous year	5,027,500
Provision against non-performing assets	(12,298,038)
Balance as at June 30, 2012	<u>7,811,962</u>

In accordance with Circular No. 1 of 2009 issued by SECP, all traded debt securities are valued on the basis of their volume weighted average price during the last 15 days while thinly traded and non traded debt securities are valued using a valuation methodology devised by MUFAP which includes variables including yields on government securities, Karachi Inter Bank Offer Rates and credit ratings. As the valuation techniques use inputs from observable market data, these securities are classified as Level 2. Rates for non-performing securities, however, are not quoted by MUFAP and are valued using the provisioning criteria prescribed by the abovementioned Circular and are hence classified as Level 3.

Hence, default on installment amounts by investee companies results in transfer into Level 3 while subsequent classification of a defaulting security as performing will result in transfer from Level 3 to Level 2.

21.6 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value as the items are short term in nature.

22. SUBSEQUENT EVENT

The Board of Directors of the Management Company have approved distributions of 1.0806 units (June 30, 2011: 3.3679 units) for every 100 units (Growth units) held and Rs.1.0868 per unit (June 30, 2011: Rs.3.3867 per unit) (Income units) for the year ended June 30, 2012 amounting to Rs.9.551 million (June 30, 2011: Rs.27.046 million) in total, in their meeting held on July 05, 2012. These financial statements do not reflect these distributions which will be accounted for subsequent to the year end.

23. 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 the NBFC Regulations has been disclosed in Annexure I to the financial statements.

24. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by Board of Directors of the Management Company on 27th Aug' 2012.

25. GENERAL

Figures are rounded off to the nearest rupee.

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

Chief Executive

Director

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

(i) UNIT HOLDING PATTERN OF THE FUND

As at 30 June 2012				
Category	Number of unit holders	Number of units held	Amount Rupees	% of total
Individuals	107	2,653,515	269,756,362	30.19%
Associated Co./ Directors	7	2,214,871	225,163,764	25.20%
Insurance Co.	2	1,297,511	131,904,994	14.76%
Banks/ DFIs	0	-	-	0.00%
NBFC/ NBF	3	1,282,339	130,362,582	14.59%
Retirement & Other Funds	7	399,610	40,624,315	4.55%
Others	11	940,629	95,624,355	10.70%
	137	8,788,475	893,436,372	100%

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

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

Name of broker	Percentage of commission paid	
	2012	2011
IGI Finex Securities Ltd	8.07%	22.82%
Invisor Securities (Pvt) Ltd	0.00%	0.00%
Alfalah Securities Private Limited	7.76%	11.80%
Global Securities Pakistan Ltd	0.09%	5.85%
First Capital Securities Corporation Ltd	0.00%	0.00%
Ellixir Securities Pakistan Limited	0.00%	0.00%
JS Global Capital Ltd	15.56%	0.00%
BMA Capital Management	9.83%	15.08%
KASB Securities	2.37%	11.26%
Invest & Finance Securities	32.70%	12.10%
Icon Securities	14.70%	10.55%
Invest One Markets (Pvt) Ltd	7.73%	0.00%
Summit Capital (Pvt.) Ltd	1.19%	0.00%

(iii) **PARTICULARS OF MEMBERS OF THE INVESTMENT COMMITTEE**

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

- Maheen Rahman - CEO
- Muddasir Ahmed Shaikh - CIO
- Syed Muhammad Zeeshan - CFO
- Syed Saifullah Kazmi - Fund Manager
- Mr. Nabeel Malik – Fund Manager
- Mr. Zafarullah Maqdi - Compliance Officer

Maheen Rahman - CEO

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

Muddasir Shaikh - CIO

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

Syed Muhammad Zeeshan - CFO

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

Syed Saifullah Kazmi - Fund manager

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

Mr. Nabeel Malik – Fund Manager

Mr. Nabeel Malik brings with him a rich and diversified experience in the field of fund management and fixed income trading/facilitation. Before becoming a part of IGI Funds' team, he was associated with Pak-Oman Asset Management Co, heading its Fixed Income Fund Management Department. where he proficiently handled money market trading, liquidity and funds management contributing positively towards bottom line profitability. His diverse experience in the field of finance includes names like Pak-Kuwait Investment Co, Orix Investment Bank, KASB Securities and Mobilink GSM. Mr. Malik has done his MBA from SZABIST and holds a B.Sc degree in Computing & I.T from Staffordshire University U.K.

(iv) **DIRECTOR MEETING ATTENDANCE**

Name of Director	Designation	Meetings			
		Total	Attended	"Leave Granted"	Meeting not attended
Mr. Javed Hamid	Chairman	5	5	-	-
Mr. Khalid Yacob	Director	5	5	-	-
Mr. Ahmed Alman Aslam	Director	5	4	1	38th
Mr. Abid Naqvi	Director	5	4	1	34th
Syed Javed Hassan	Director	3	3	-	-
Mr. Asif Saad	Director	5	3	2	36th & 37th
Mr. Tariq Qureshi	Director	2	2	-	-
Ms. Maheen Rahman	CEO	5	5	-	-

Mr. Javed Hassan resigned as member Board of Directors of the Management Company on December 27, 2011 and Mr. Tariq Qureshi was appointed as Member Board of Directors of the Management Company the same day.

Securities and Exchange Commission of Pakistan (SECP) approved both changes on March 02, 2012.

Dates of the meetings of the Board of Directors

Thirty-Fourth meeting	July 5, 2011
Thirty-Fifth meeting	August 23, 2011
Thirty-Sixth meeting	October 27, 2011
Thirty-Seventh meeting	January 27, 2012
Thirty-Eighth meeting	April 24, 2012

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

JCR-VIS has awarded asset manager rating of an "AM2-" to IGI Funds Limited in its report dated May 2012. The rating reflects the company's experienced and qualified management team, a structured and strong fund management function, and demonstrated support of the sponsoring Group. The rating also factors in a growing realization on part of the management to institute a strong in-house risk management, compliance and control platform, translating into an improved relative standing amongst peers.

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



Annual Report 2012

IGI

STOCK FUND

Managed by
IGI FUNDS LIMITED

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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

Fund Manager's Information

Management Company

IGI Funds Limited
Rated AM 2- by JCR-VIS

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) 35301729
Email: info@igifunds.com.pk
Website: www.igifunds.com.pk

Board of Directors of the Management Company

Mr. Javid Hamid (Chairman)
Ms. Maheen Rahman (Chief Executive Officer)
Mr. Khalid Yacob
Mr. Ahmed Alman Aslam
Mr. Abid Naqvi
Mr. M. Asif Saad
Mr. Tariq Qureshi

Chief Financial Officer

Syed Muhammad Zeeshan

Company Secretary

Syed Muhammad Zeeshan

Audit Committee

Mr. Abid Naqvi (Chairman)
Mr. Khalid Yacob (Member)
Mr. Tariq Qureshi (Member)

Fund's Information

Trustee

Central Depository Company of Pakistan Limited
CDC House, 99-8, Block B, S.M.C.H.S
Main Shakra-e-Faisal, Karachi-74400, Pakistan

Distributors

Al-Habib Capital Markets (Pvt.) Ltd.
Atlas Capital Markets (Pvt.) Ltd.
BMA Financial Services Ltd.
Bulls and Bulls (Pvt.) Ltd.
Financial Avenue
Foundation Securities (Pvt.) Ltd.
IGI Investment Bank Limited
KASB Securities
Pak Oman Investment Company Ltd.
Pyramid Financial Consultant (Pvt.) Ltd
IGI Securities Ltd.
MCB Bank Ltd.
Vector Consulting (Pvt.) Ltd.

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road,
P.O.Box 15541, Karachi-75530
Pakistan

Legal Advisor

Bawany & Partners
Room No 404, 4th Floor
Beaumont Plaza. 6-CL-10
Beaumont Road, Civil Lines, Karachi

Bankers

Bank Al-falah Limited
Bank Al-Habib Limited
Faisal Bank Limited
MCB Bank Limited
Allied Bank Limited

IGI Stock Fund

Directors' Report

To our valued Unit Holders,

The Board of Directors of IGI Funds Limited is pleased to present you the Annual Report of the IGI Income Fund (the "Fund") for the year ended 30 June 2012.

FY12 Economic Review & Outlook

FY12 marked the close of five straight years of economic policy making by the current coalition government. In many respects FY12 was a continuation of challenges faced in FY11, in particular a growing power deficit, rising international commodity prices and slowdown in aid flows. Key targets were missed notably the fiscal deficit clocking in at above 8% and GDP growth at 3.7%. On a promising note overall inflation levels stayed well within the government's and the State Bank of Pakistan (SBP) targets with strong indication of lower future inflation and interest rates. The SBP loosened its monetary policy stance to support the growth trajectory bringing the key policy rate to 12% in 2QFY12.

GDP Growth

GDP growth has recovered from 1.7% in 2008-09 to 3.7% in 2011-12. Structural constraints such as growing power deficit and higher oil prices have restricted growth especially in manufacturing and services sectors. Overall investment levels have shrunk, while tax/GDP and the savings rate have dropped to all time lows. However, despite such negative indicators, corporate earnings and results showed a positive turnaround especially in banking and cement industries. These two sectors are strong leading indicators for a revival in GDP growth.

Twin Deficits and Currency Depreciation

In order to meet revenue shortfalls, the government relied heavily on borrowing from SBP and secondary sources. During the year, total government borrowing touched levels of PKR 1.2tn from banking channels. Contrary to the trend of the last few years, borrowing from the SBP has reached PKR 505bn in FY12 compared to a net retirement of PKR 8bn last year. Unless revenue shortfalls are comprehensively addressed it will be difficult to meet FY13 projected budget deficits.

The external accounts, too remained weak with a current account deficit of USD4.52bn (1.9% of GDP) as against a surplus of USD214mn (0.1% of GDP) in the corresponding period last year. This deficit was the outcome of a higher trade imbalance up by 46% YoY mainly due to international oil prices and increasing supply side constraints from power sector. Even as inbound remittances grew at a robust 18%, weak foreign aid and investment flows forced a currency depreciation of 9% over the year.

Positive suppression in Inflation and interest rates

CPI inflation surprised on the downside, averaging at 11.01% for the year. This average was well below SBP's target of 12% and was achieved on the back of lower food inflation. Given lower inflation, the SBP shifted focus to economic growth with an easing in the policy discount rate by 200bps during the year to 12%.

Looking ahead, the recent decline in oil prices will bode well for the external position as it would take pressure off the import bill. Moreover, re-opening of NATO supply routes and US assurances that USD 1.2bn of CFS funds would be disbursed by Dec12 can also prove to be the inflection point as far as the external account is concerned. However, the timing of the disbursement is essential, particularly for the exchange rate as scheduled debt repayments to IMF will continue. Although the recent ease off in inflation has created room for 50 - 100 bps cut in policy rate in the early part of FY13, inflationary central bank borrowing would be a major factor for affecting future direction of interest rates.

Equity Market:

With an absolute appreciation of 10.44% in the benchmark index levels, during FY12, the KSE was among the top performing markets globally. Performance was markedly more impressive in the 2HFY12 as the KSE 100 rose by 22% between Jan-June'12. This was in response to clarity and relief on important market taxes specially Capital Gains Tax. Average daily volumes improved to 128mn shares as against 95mn shares, a year earlier.

Corporate Profitability pushing valuations to record lows

In the first nine months of the fiscal, corporate profitability remained robust; rising by an impressive 24%YoY. Among listed sectors, profitability growth was strong in Cements, Auto, E&P, OMCs and Banking sectors. Cumulative profits of energy companies witnessed an stellar growth of 45%YoY, with E&P companies profits recording a 54%YoY increase on the back of higher realized oil and gas prices, PKR:USD depreciation and enhanced production profile. OMCs profits increased by 52%YoY largely owing to PSO booking heavy interest income passed on by the power utilities. Earnings growth in the services sector (26%YoY) was led by the banking sector (up 25%YoY) due to lower provisioning amid decline in accretion of non-performing loans. In Utilities, while KESC recorded maiden profit for the full year, PTCL's profits increased by 44%YoY owing to improvement in core operations. On the downside, manufacturing sector's overall profits plunged by 33%YoY mainly owing to a decline of 63%YoY in the profitability of fertilizer manufacturers. Lower urea offtake due to the availability of GoP's subsidized imported urea led to this earnings decline. Textile and chemical sector profitability too declined by 60%YoY and 68%YoY, respectively. However, cements and auto profits grew by a substantial 367%YoY and 118%YoY, respectively as their strong pricing power led to massive margin expansions.

In terms of price performance, Cement and Autos lead the rally with returns of 75% and 21%, respectively. Fertilizers', despite outstanding CY11 financial performance, remained under pressure owing to gas outages and rising cost burden, which translated into price performance of mere 8% returns. Despite handsome earnings growth, the Energy sector reflected subdued price performance owing to uncertainty regarding pricing of PPL's secondary offering and uncertainty on future oil price levels.

For the upcoming year, equities should post decent performance on the back of (i) double-digit corporate earnings growth of approx. 13% in FY13 (ii) relative stability in USD on the back of improved Pak-US relations and continuous aid flows (iii) decent FY13F valuations of 5.8x PE, 9% dividend yield and 25% ROE, and (iv) stable or declining interest rates owing to slowdown in inflation.

Based on the above, equities offer an attractive investment opportunity for value investors. Key challenges for market investors will be subdued sentiment, any deterioration in PKR-USD parity and continuing political noise as election year nears in 2013.

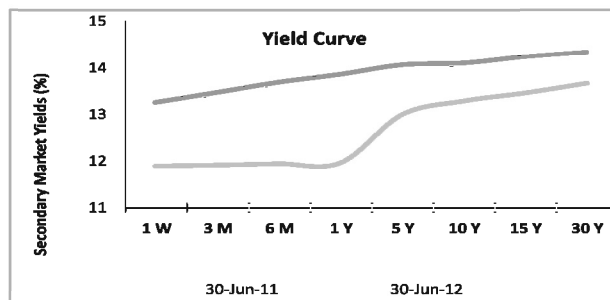
Commodities

The outgoing year witnessed risk-averse investment activity as global growth worries and sustainability of the Euro Bloc dominated sentiment. Investors opted to move away from risky asset classes as evident from price movements of global equities, USD stock indices, precious metals and industrial commodities. Gold Bullion marked an appreciation of 6.4% in FY12 whereas Crude Oil and Silver recorded a fall of 10.5% and 20.9%, respectively. Upward rallies in these commodities will depend heavily on United States Federal Reserve offering stimulus in the form of further quantitative easing(QE3). In the Euro zone, weaker economies remained major trouble points. Bailout assistance is expected to continue over FY13 with a wider list of recipients in the Eurozone.

Larger global economies are depicting fragile growth trajectories. Recent data from US and China affirms the slower recovery in economic activity which has created an expectation for monetary stimulus from Central Banks. Hence, Gold offers a preferable investment opportunity with potential upside whereas Crude Oil will remain under pressure with increased volatility.

Money Market: Interest Continues as Yields Remain High

Money market yields moved in tandem with the interest rate cycle, during the period. The SBP eased its tight monetary policy stance during the first half of the year to bolster growth and private sector credit. The apex regulator slashed the policy rate twice in 1HFY12 by a total of 200bps. Money market yields subsequently dropped with a parallel downward shift in the yield curve.



The government's rising need for liquidity resulted in higher than targeted borrowing from scheduled banks through auctions, in FY12. Throughout the better part of FY12, auction participation remained biased towards shorter tenor.

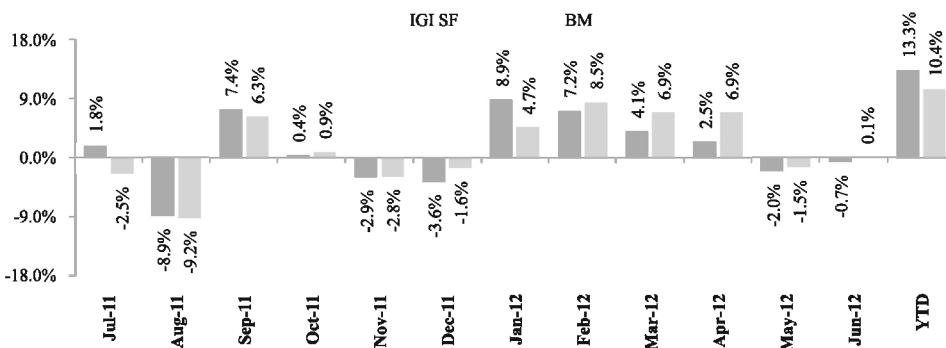
On the corporate bonds side, major activity was witnessed in the bonds with a preference for higher credit rating and wide spreads over KIBOR to secure maximum yields. Yields on such instruments remained in the vicinity of 13.50% - 14.00%.

Fund Operations and Performance; decisively outperforming the benchmark

In FY12, IGISF outperformed its benchmark with a return of 13.34% (KSE100: 10.44%), closing the year on a positive note. The fund secured a strong presence amongst its peers. We attribute superior fund performance to our strong research view which enabled good stock selection as well as the right entry levels.

IGI SF maintained a strong exposure in the market throughout FY12. The fund's strategy was based on the strong volumes that propelled the index to surpass the 14,500 index level. The fund focused its attention on blue chip stocks in key sectors, such as Oil, Banks and Cements. IGI SF exited its position in Fertilizers as the sector was losing traction to externalities.

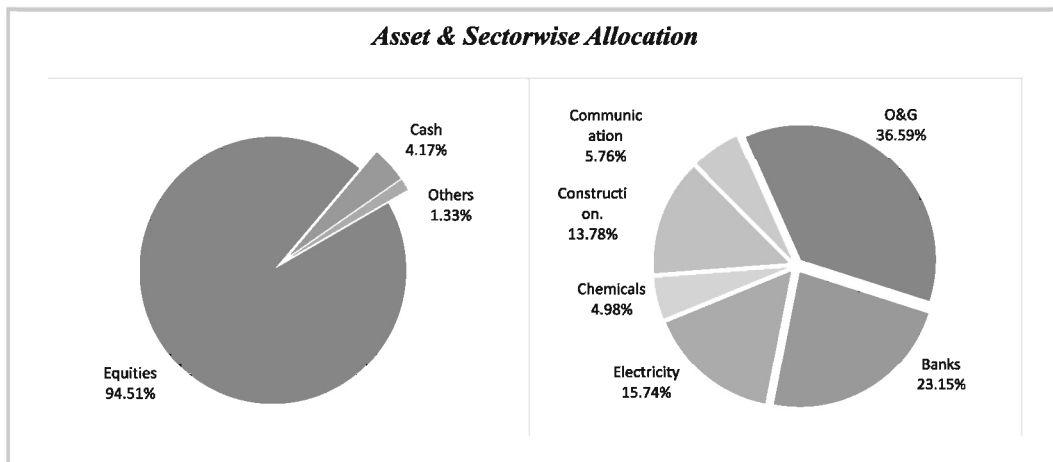
Monthly & YTD Performance



Payout

At the end of the year under review, the fund paid out final cash dividend of Rs.18.7546 per unit translating into 18.27 bonus units for every 100 units held. This is 97% payout of total earnings well ahead of 90% distribution required by the regulator.

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 2012	For the year ended 30 June 2011	For the year ended 30 June 2010	For the year ended 30 June 2009
Net Assets	280.66	282.39	427.08	249.49
Net Income	34.22	64.62	98.00	61.76
Net Assets Value per Unit (Rs.)	121.43	131.71	135.65	132.90
Issuance of units during the year	348.57	1,018.38	2,140.63	385.39
Redemption of units during the year	339.10	1,145.30	1,985.71	298.13

Future Outlook

Going forward, IGI SF will maintain a strong presence in the market, identifying best stocks in key sectors. 1QFY13 will see strong results from all sectors, which should help the index surpass the psychological 15,500 index level. In addition, strong aid flows will also help at the bourse. Therefore, heavy exposure in the index is essential.

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) The number of units of the Fund held by the Chief Executive, directors, executives and their spouses as at 30 June 2012 as given in note # 19.1;
- l) Summary of units acquired/ redeemed during the year by the Chief Executive, director, executives and their spouses as at 30 June 2012 as given in note # 19.1;

Audit Committee Meetings

Below are the detail of Audit Committee meetings held during the period and attendance of Audit Committee Members.

Member	Meetings Held	Meetings Attended
Mr. Khalid Yacob	4	4
Mr. Abid Naqvi	4	4
Mr. Tariq Hasan Quraishi (Appointment date: December 27, 211)	4	2
Mr. Javed Hassan (Resignation date: December 27, 211)	4	2

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
27 August 2012

IGI Stock Fund

Annual Fund Manager's Report

Type of Fund

Open-end Scheme

Category of Fund

Equity Scheme

Investment Objective

The investment objective of IGI Stock Fund (IGI SF) 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

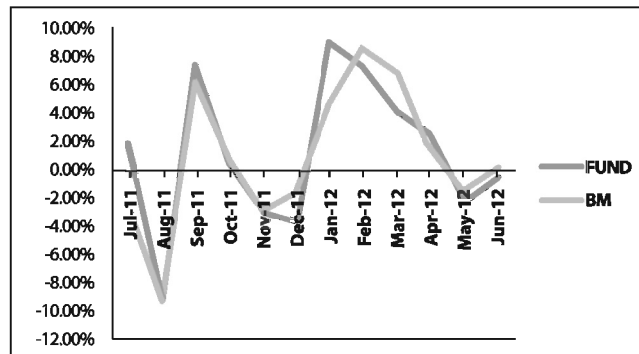
IGI SF closed the year on a high note, generating a Year to Date return of 13.34%. The fund outpaced the KSE-100 which clocked in gains at 10.44% for the same period. The superior performance was due to a strong fundamental driven investment strategy, focusing on growth sectors and realizing capital gains as and when they realize.

Benchmark

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

Performance comparison with Benchmark

DATE	FUND	BM
Jul-11	1.80%	-2.45%
Aug-11	-8.85%	-9.19%
Sep-11	7.37%	6.25%
Oct-11	0.40%	0.91%
Nov-11	-2.92%	-2.83%
Dec-11	-3.63%	-1.61%
Jan-12	8.86%	4.65%
Feb-12	7.18%	8.45%
Mar-12	4.07%	6.86%
Apr-12	2.46%	1.66%
May-12	-2.02%	-1.46%
Jun-12	-0.65%	0.10%

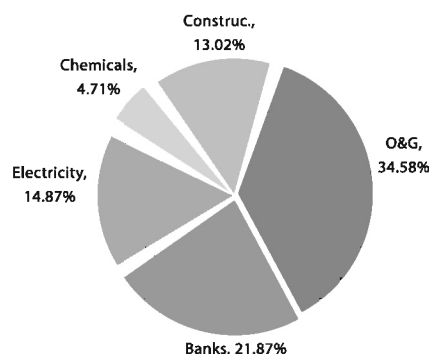


Strategies and Policies employed during the period

IGI SF maintained a strong exposure in the market throughout FY12. The fund's strategy was based on the strong volumes from foreign investors that propelled the index to surpass the 14,500 index level. The fund focused its attention on blue chip stocks in key sectors, such as Oil, Banks and Cements. IGI SF exited its position in Fertilizers as the sector was losing traction to externalities.

Portfolio Allocation

O&G	34.58%
Banks	21.87%
Electricity	14.87%
Chemicals	4.71%
Constrc.	13.02%
Communic.	5.44%



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

In FY12, IGISF outperformed its benchmark with a return of 13.34% (KSE100: 10.44%), closing the year on a positive note. The fund secured a strong presence amongst its peers and paid out 18.2666% Bonus and PKR 18.7546 Cash Dividend.

Review of the market invested in

With an absolute appreciation of 10.44% in the benchmark index levels, during FY12, the KSE was among the top performing markets globally. Performance was markedly more impressive in the 2HFY12 as the KSE 100 rose by 22% between Jan-June'12. This was in response to regulators issuing clarity and relief on important market taxes specially Capital Gains Tax. Average daily volumes improved slightly to 128mn shares as against 95mn shares, a year earlier. However, in value terms there was hardly any improvement as average daily value traded was Rs4bn or US\$44mn compared to Rs3.8bn or US\$44mn in FY11 which emphasizes the importance of exchange rate stability for foreign investors and more linking return to dollar return. On the foreign front, the bourse witnessed net selling of US\$190mn (including Hubco block sale of US\$129mn by two of its foreign sponsors, Xenel and International Power). However, the second half from Jan 2012 onwards has seen improvement as foreigners net buying has been US\$39mn (excluding Hubco deal) in last six months and has helped the benchmark KSE 100 Index to post a gain of 22% (USD16%) since beginning of Jan 2012. For the upcoming year, the equities will likely post decent performance on the back of (i) double-digit corporate earnings growth of approx. 13% in FY13 (ii) relative stability in USD on the back of improved Pak-US relations and continuous aid flows (iii) decent FY13F valuations of 5.8x PE, 9% dividend yield and 25% ROE, and (iv) stable or declining interest rates owing to slowdown in inflation.

Distribution

The Fund has the following distribution for the period:

Bonus: 18.2666
Cash: 18.7546

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	8	309,459
PkR 100,000 to 1,000,000	17	8,911,498
PkR 1,000,000 to 10,000,000	7	23,323,438
PkR 10,000,000 and above	7	248,115,700
Total	39	280,660,096

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.

IGI Stock Fund

Performance Table

	2012	2011	2010	2009
Net Assets Value (mn.)	280.6600	282.39	427.08	249.49
NAV per unit	121.4259	131.71	135.65	132.90
Selling price per unit	124.4615	135.00	139.04	136.22
Redemption price per unit	121.4259	131.71	135.65	132.90
Highest selling price per unit	131.2264	137.17	161.08	142.39
Highest redemption price per unit	128.0258	133.82	157.16	139.92
Lowest selling price per unit	100.2453	102.58	112.26	94.96
Lowest redemption price per unit	97.8003	100.08	109.53	92.64
Total Interim distribution per unit	NIL	NIL	NIL	NIL
Interim distribution date	NIL	N/A	N/A	N/A
Final distribution per units	18.7546	24.57	34.58	25.31
Final distribution date	05 Jul 2012	05 July 2011	02 July 2010	02 July 2009
Annualized returns	13.34	30.32%	26.09%	32.90%
Income distribution	20.07%	24.57%	32.14%	25.31%
Capital growth	-7.36%	5.75%	-6.05%	7.59%

Return since inception is **147.49%**

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of IGI Funds Limited (the Management Company) of **IGI Stock Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Lahore Stock Exchange (Guarantee) Limited where the Fund is listed.

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2012.

We draw your attention to clause 23 of the Statement which mentions certain non-compliances with the Code.

Our conclusion is not qualified in respect of the above matter.

Chartered Accountants

Date:

Karachi

Statement of Compliance with the Code of Corporate Governance
IGI Stock Fund
Year ended June 30, 2012

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35 (Chapter XI) 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 will encourage representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Mr. Javed Hamid, Mr. Ahmed Alman Aslam, Mr. Abid Naqvi, Mr. Asif Saad
Executive Directors	Ms. Maheen Rahman
Non-Executive Directors	Mr. Tariq Hasan Quraishi, Mr. Khalid Yacob

The independent directors will meet the criteria of independence under clause (i) b of the Code.

(This requirement will become applicable from the constitution of new Board upon expiry of term of the current Board).

2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including the Management Company.

(The requirement of not serving as a director of more than seven listed companies, excluding the listed subsidiaries of listed holding companies, will become applicable from the constitution of new Board upon expiry of term of the current Board).

3. All the resident Directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Finance Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the Board on December 27, 2011 was filled up by the directors on the same day.
5. The Management Company has prepared a 'Code of Conduct' (the Code) and has disseminated it throughout the company along with its supporting policies and procedures.
6. The Board has developed a statement of main purpose and guiding principles (vision/mission statement), overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with dates on which they were prepared or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the Board met at least once in every quarter. 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. The Board has arranged training programs for its directors as per the prescribed schedule.
10. The Board has approved appointment of CFO / Company Secretary, including his remuneration and terms and conditions of employment.

11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the units of the Fund other than those disclosed in the pattern of shareholding.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members all of whom are non-executive Directors including an independent director. However the Board has ensured that the Chairman Audit Committee is an independent director in the Board meeting held on August 27, 2012.

(This requirement will become applicable from the constitution of new Board upon expiry of term of the current Board).

16. The Board has formed an HR and Remuneration Committee. It comprises four members, of whom two are non executive directors and the chairman of the committee is an Independent Director.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the Code. The terms of reference of the Committee have been formulated and advised to the Committee for compliance.
18. The Board has outsourced its internal audit function to A.F Fergusons & Co. who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants ("IFAC") guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's units, was determined and intimated to Directors, employees and stock exchange.
21. 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.
22. Material/price sensitive information has been disseminated among all market participants at once through Stock Exchanges.
23. We confirm that all other material principles enshrined in the Code have been complied with. (Except for the followings, towards which reasonable progress is being made by the company to seek compliance by the end of the next year.)
 - a) Head of Internal Audit not appointed (Refer Para 10)
 - b) Chairman of Audit Committee not an independent director (Refer Para 15)

For and on behalf of the Board of Directors

MAHEEN RAHMAN
Chief Executive Officer

TARIQ HASAN QURAISHI
Director

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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TRUSTEE REPORT TO THE UNIT HOLDERS

IGI STOCK FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of **IGI Stock Fund** (the Fund) are of the opinion that IGI Funds Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 in accordance with the provisions of the following:

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

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

Karachi: October 08, 2012

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

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 2012, and the related statements of income, comprehensive income, cash flows, distribution and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 2012 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Emphasis of matter

We draw attention to note 14 to the financial statements which explains the contingency with respect to the contribution for Workers' Welfare Fund amounting to Rs.11.677 million. In this regard, the Fund expects that the constitutional petition pending in the Honorable High Court of Sindh on the subject will be decided favorably.

Our opinion is not qualified in respect of this matter.

Other matters

The financial statements of the Fund for the year ended 30 June 2011 were audited by another firm of Chartered Accountants whose audit report dated 23 August 2011 included an emphasis of matter paragraph on uncertainty relating to the pending outcome of litigation regarding contribution towards Workers' Welfare Fund.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date:

Karachi

IGI STOCK FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2012

	June 30, 2012	June 30, 2011
Note	----- (Rupees) -----	
Assets		
Bank balances	7 9,854,686	10,039,681
Investments	8 223,481,850	272,734,085
Deferred formation cost	9 268,488	527,982
Security deposits	10 2,600,000	2,600,000
Receivable against sale of shares	11 45,534,309	42,798,214
Other receivables	11 269,804	2,107,085
Total assets	282,009,137	330,807,047
Liabilities		
Payable to the Management Company	12 531,994	928,843
Remuneration payable to the Trustee	13 57,390	57,662
Annual fee payable to the Securities and Exchange Commission of Pakistan	14 272,028	341,519
Amount payable on redemption of units	15 -	46,267,904
Accrued and other liabilities	15 487,629	822,493
Total liabilities	1,349,041	48,418,421
Net assets	280,660,096	282,388,626
Contingency	16	
Unit holders' fund	280,660,096	282,388,626
	----- (Number of units) -----	
Number of units in issue	2,311,369	2,144,008
	----- (Rupees) -----	
Net assets value per unit	121.4259	131.7106

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

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

Chief Executive

Director

**IGI STOCK FUND
INCOME STATEMENT**

FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
Note	----- (Rupees) -----	
Income		
Finance income	1,464,308	3,948,668
Dividend income from equity securities	23,146,747	22,883,479
Net gain on investments classified as 'at fair value through profit or loss' - held-for-trading		
- Net capital gain on sale of investments	22,682,538	61,072,618
- Net unrealised gain on revaluation of investments	4,963,408	13,673,472
	27,645,946	74,746,090
Total income	52,257,001	101,578,237
Expenses		
Remuneration of the Management Company	5,623,175	7,189,879
Sales tax on management fee	899,706	-
Remuneration of the Trustee	700,195	751,976
Annual fee of the Securities and Exchange Commission of Pakistan	272,028	341,519
Brokerage expense, federal excise duty and capital value tax	2,078,915	3,880,782
Bank and settlement charges	40,110	34,151
Amortisation of deferred formation cost	259,494	258,785
Auditors' remuneration	382,340	402,600
Legal and professional charges	-	305,000
Annual listing fee	30,000	40,000
Annual rating fee	100,000	121,000
Clearing charges	236,604	260,744
CDS transaction fee	39,625	58,946
Printing charges	108,400	88,760
Reversal of provision against Workers' Welfare Fund	-	(3,260,282)
Total expenses	10,770,592	10,473,860
Net income from operating activities	41,486,409	91,104,377
Element of loss and capital losses included in prices of units sold less those in units redeemed - net	(7,266,278)	(26,483,970)
Net income for the year before taxation	34,220,131	64,620,407
Taxation	-	-
Net income for the year after taxation	34,220,131	64,620,407

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

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI STOCK FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Net income for the year	34,220,131	64,620,407
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>34,220,131</u>	<u>64,620,407</u>

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

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

Chief Executive

Director

IGI STOCK FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	34,220,131	64,620,407
Adjustments for:		
Net capital gain on sale of investments classified as 'at fair value through profit or loss' - held-for-trading	(22,682,538)	(61,072,618)
Net unrealised gain on investments classified as 'at fair value through profit or loss' - held-for-trading	(4,963,408)	(13,673,472)
Amortisation of deferred formation cost	259,494	258,785
Element of loss and capital losses included in prices of units sold less those in units redeemed - net	7,266,278	26,483,970
	<u>14,099,957</u>	<u>16,617,072</u>
Decrease / (increase) in assets		
Investments	76,898,181	224,288,808
Security deposits	-	3,700,000
Receivable against purchase of shares	(2,736,095)	(42,798,214)
Other receivables	1,837,281	(1,220,712)
	<u>75,999,367</u>	<u>183,969,882</u>
(Decrease) / increase in liabilities		
Payable to the Management Company	(396,849)	(1,217,619)
Remuneration payable to the Trustee	(272)	(18,859)
Annual fee payable to the Securities and Exchange Commission of Pakistan	(69,491)	(92,816)
Amount payable on redemption of units	(46,267,904)	46,267,904
Accrued and other liabilities	(334,864)	(3,765,150)
	<u>(47,069,380)</u>	<u>41,173,460</u>
Net cash generated from operating activities	<u>43,029,944</u>	<u>241,760,414</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(31,253,879)	(8,674,250)
Amounts received on issue of units	327,139,619	918,174,798
Payment against redemption of units	(339,100,679)	(1,145,298,219)
Net cash used in financing activities	<u>(43,214,939)</u>	<u>(235,797,671)</u>
Net (decrease) / increase in cash and cash equivalents during the year	<u>(184,995)</u>	<u>5,962,743</u>
Cash and cash equivalents at beginning of the year	<u>10,039,681</u>	<u>4,076,938</u>
Cash and cash equivalents at end of the year	<u>9,854,686</u>	<u>10,039,681</u>

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

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI STOCK FUND
DISTRIBUTION STATEMENT
 FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Undistributed income brought forward		
Realised gains	54,314,325	119,420,348
Unrealised gains / (losses)	<u>13,673,472</u>	<u>(7,172,867)</u>
	67,987,797	112,247,481
Total comprehensive income for the year	34,220,131	64,620,407
Final distribution of bonus @ 22.9360 units for every 100 units held, approved on: July 05, 2011 (2010: @ 34.2173 units for every 100 units held, approved on: July 02, 2010)	(21,431,016)	(100,205,841)
Final distribution of cash dividend @ Rs.24.5731 per unit held, approved on: July 05, 2011 (2010: @ Rs.34.5833 per unit held, approved on: July 02, 2010)	(31,253,879)	(8,674,250)
	(52,684,895)	(108,880,091)
Undistributed income carried forward	<u>49,523,033</u>	<u>67,987,797</u>
Undistributed income carried forward at end of the year		
Realised gains	44,559,625	54,314,325
Unrealised gains	<u>4,963,408</u>	<u>13,673,472</u>
	<u>49,523,033</u>	<u>67,987,797</u>

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

For IGI Funds Limited
(Management Company)

 Chief Executive

 Director

IGI STOCK FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Net assets at beginning of the year [Net asset value: Rs.131.71 per unit (2011: Rs.135.65 per unit)]	282,388,626	427,081,920
Amount realised / unrealised on issuance of 2,885,820 units (2011: 7,818,366 units)	327,139,619	918,174,798
Issuance of 200,033 bonus units in respect of final distribution (2011: 991,454 units)	21,431,016	100,205,841
Amount paid / payable on redemption of 2,918,492 units (2011: 9,814,154 units)	(339,100,679)	(1,145,298,219)
	291,858,582	300,164,340
Element of loss and capital losses included in prices of units sold less those in units redeemed - net	7,266,278	26,483,970
Total comprehensive income / (loss) for the year before capital gains - realised and unrealised	6,574,185	(10,125,683)
Net capital gain on sale of investments classified as 'at fair value through profit or loss' - held-for-trading	22,682,538	61,072,618
Net unrealised gain on investments classified as 'at fair value through profit or loss' - held-for-trading	4,963,408	13,673,472
Total comprehensive income for the year	34,220,131	64,620,407
Distributions made during the year		
Final distribution of bonus units	(21,431,016)	(100,205,841)
Final distribution of cash dividend	(31,253,879)	(8,674,250)
	(52,684,895)	(108,880,091)
Net total comprehensive income less distributions for the year	(18,464,764)	(44,259,684)
Net assets at end of the year [Net asset value: Rs.121.43 per unit (2011: Rs.131.71 per unit)]	280,660,096	282,388,626

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

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI STOCK FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

IGI Stock Fund (the Fund) has been established under the Non-Banking Finance Companies (Establishment and Regulation), Rules 2003 (the NBFC Rules) and has been authorised as a unit trust scheme by the Securities and Exchange Commission of Pakistan (SECP) on June 06, 2008. It has been constituted under a Trust Deed, dated June 10, 2008 between IGI Funds Limited (the Management Company), a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited (CDC) as the Trustee, also incorporated under the Companies Ordinance, 1984.

The Fund is an open ended equity fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore Stock Exchange (Guarantee) Limited (LSE). The Fund was launched on July 15, 2008.

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

Title to the assets of the Fund is held in the name of CDC as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention, except for investments and derivatives which are accounted for as stated in notes 4.2 and 4.3 below.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described in note 4.1.

4.1 New and amended standards and interpretations

During the year, following amendments, interpretations and improvements to the accounting standards became effective:

- IFRS 7 – Financial Instruments: Disclosures (Amendment)
- IAS 24 – Related Party Disclosures (Revised)
- IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 – Financial Instruments: Disclosures - Clarification of disclosures

IAS 1 – Presentation of Financial Statements - Clarification of statement of changes in equity

IAS 34 – Interim Financial Reporting - Significant events and transactions

IFRIC 13 – Customer Loyalty Programmes - Fair value of award credits

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements of the Fund.

4.2 Investments

The investments of the Fund, upon initial recognition, are classified as investment at fair value through profit or loss or held to maturity investments as appropriate.

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

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

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 listed equity securities.

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

After initial measurement, these are carried at fair value and the gains or losses on revaluation are recognised in the income statement.

Fair value of investments is determined as follows:

Listed shares

These are valued on the basis of closing market prices quoted on the respective stock exchanges.

4.3 Derivative financial instruments

Derivative instruments held by the Fund generally comprise of futures contracts, options and forwards contracts etc in the capital market. These are initially recognised at cost and are subsequently remeasured at their fair value. The fair value of derivative instruments is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the instrument. Derivative with positive market values (un-realised gains) are included in other assets and derivatives with negative market values (un-realised losses) are included in other liabilities in the statement of asset and liabilities. The resultant gains and losses are included in the income currently.

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

4.4 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repos) are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.

Transactions of sale under repurchase (repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be 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.

4.5 Impairment of financial assets

An assessment is made at each statement of assets and liabilities date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss, is recognised in the income statement.

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 the impairment losses are recognised in income statement.

4.6 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.

4.7 Issue and redemption of units

Units issued are recorded at the offer price prevalent on the day on which application form, (complete in all respects) is received. The offer price represents the net asset value of units at the end of the day plus the allowable sales load. The sales load is payable to the Management Company as processing fee. Issue of units is recorded on acceptance of application for sale.

Units redeemed are recorded at the redemption price, prevalent on the day on which the redemption form (complete in all respects) is accepted. The redemption price represents the net asset value of units at the end of the day. Redemption of units is recorded on acceptance of application for redemption.

4.8 Net asset value per unit

The net assets value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at year end.

4.9 Revenue recognition

Gains or losses arising on sale of investments are included in the income statement in the period in which they arise.

Unrealised gains or 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, term deposit receipts and bank balances is recognised on a time proportion basis using effective interest rate method.

Dividend income on equity securities are recognised in the income statement when the right to receive the dividend is established.

4.10 Element of income / loss and capital gains / losses included in prices of units sold less those in units redeemed

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

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

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

4.11 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates, if any. The Fund is exempt from taxation under clause 99 of Part I of the 2nd Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income excluding realised and unrealised capital gains for the year is distributed amongst the unit holders.

4.12 Financial assets and financial liabilities

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

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

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

4.13 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.

4.14 Provision

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

4.15 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 commencing from July 15, 2008 (the date of the end of initial public offer period of the Fund) as stated in the Trust Deed of the Fund approved by the Securities and Exchange Commission of Pakistan.

4.16 Cash and cash equivalents

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

4.17 Distribution to unit holders

Distributions declared including the bonus units are recorded in the period in which they are approved. Regulation 63 of the NBFC Regulations, requires the Fund to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders.

4.18 Other assets

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

4.19 Liabilities

All expenses including management fee and trustee fee are recognised in the income statement as and when incurred.

5. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in the relevant accounting policies / notes to the financial statements.

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

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

Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments : Disclosures – (Amendments)	
- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 1 Presentation of Financial Statements – Presentation of items of comprehensive income	July 01, 2012
IAS 12 Income Taxes (Amendment) - Recovery of Underlying Assets	January 01, 2012
IAS 19 Employee Benefits – (Amendment)	January 01, 2013

IAS 32 Offsetting Financial Assets and Financial liabilities – (Amendment) January 01, 2014

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine January 01, 2013

The Fund expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Fund's financial statements in the period of initial application except for certain additional disclosures.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

	June 30,	June 30,
	2012	2011
Note	----- (Rupees) -----	
7. BANK BALANCES		
Bank balances - local currency	<u>9,854,686</u>	<u>10,039,681</u>

The deposit accounts with the banks carry profit at rates ranging from 5% to 11.70% per annum (June 30, 2011: 5% to 12.2% per annum).

8. INVESTMENTS

Financial assets classified as 'at fair value through profit or loss' - held-for-trading

Equity securities - quoted	8.1	<u>223,481,850</u>	<u>272,734,085</u>
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8.1 Equity securities - quoted

Name of security	As at July 01, 2011	Purchases / bonus shares received during the year	sold during the year	As at June 30, 2012	Carrying value as at June 30, 2012	Market value as at June 30, 2012	Net assets on the basis of market value	Total investments on the basis of market value	Investee company paid up capital
Banks									
MCB Bank Limited	113,785	176,050	212,213	77,622	13,017,576	12,903,881	4.60%	5.77%	0.14%
National Bank of Pakistan	338,931	634,275	723,931	249,275	11,643,211	10,853,433	3.87%	4.86%	0.06%
United Bank Limited	362,598	264,000	519,400	107,198	7,460,003	8,402,179	2.99%	3.76%	0.07%
Allied Bank Limited	-	284,000	197,119	86,881	5,172,301	5,576,022	1.99%	2.50%	0.06%
Bank AlHabbib Limited	-	491,500	-	491,500	14,016,319	13,993,005	4.99%	6.26%	0.14%
Habib Bank Limited	-	5,000	5,000	-	-	-	-	-	-
						51,728,520	18.44%	23.15%	0.47%
Construction and materials									
AkzoNobel Pakistan Limited (refer note 8.1.1)	-	28,429	-	28,429	3,958,774	3,726,243	1.33%	1.66%	0.80%
Lucky Cement Limited	-	762,870	617,724	145,146	14,407,393	16,748,397	5.97%	7.49%	0.52%
D.G. Khan Cement Limited	-	250,000	250,000	-	-	-	-	-	-
Attock Cement Limited	-	537,517	365,021	172,496	12,988,012	14,048,074	5.01%	6.29%	1.62%
						34,522,714	12.31%	15.44%	2.94%
Personal goods									
Nishat Mills Limited	-	419,352	419,352	-	-	-	-	-	-
Electricity									
Kot Addu Power Company Limited	664,949	804,403	1,469,352	-	-	-	-	-	-
Hub Power Company Limited	822,977	366,000	721,610	467,367	17,998,610	19,578,004	6.98%	8.76%	0.17%
Nishat Power Limited	-	1,187,860	1,187,860	-	-	-	-	-	-
Nishat Chunlian Power Limited	833,256	2,490,334	2,272,264	1,051,326	14,450,849	15,591,165	5.56%	6.98%	0.42%
						35,169,169	12.54%	15.74%	0.59%
Oil and gas									
National Refinery Limited	56,000	60,000	116,000	-	-	-	-	-	-
Attock Petroleum Limited	-	141,718	110,918	30,800	13,750,606	14,610,596	5.21%	6.54%	2.11%
Pakistan State Oil Company Limited	-	269,500	269,500	-	-	-	-	-	-
Oil & Gas Development Company Limited	133,000	196,270	171,662	157,608	25,406,110	25,286,628	9.01%	11.31%	0.06%
Pakistan Oilfields Limited	78,600	88,000	105,500	61,100	22,467,927	22,420,034	7.99%	10.03%	0.95%
Pakistan Petroleum Limited	61,667	250,000	208,287	103,380	18,931,330	19,465,420	6.94%	8.71%	0.15%
						81,782,678	29.15%	36.59%	3.27%
Chemical									
Engro Corporation Pakistan Limited	-	544,800	544,800	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	132,000	453,500	585,500	-	-	-	-	-	-
Fauji Fertilizer Company Limited	223,411	198,000	421,411	-	-	-	-	-	-
Fatima Fertilizer Company Limited	-	500,450	500,450	-	-	-	-	-	-
ICI Pakistan Limited (refer note 8.1.1)	-	84,965	28,429	56,536	7,872,588	7,410,169	2.64%	3.32%	0.80%
						7,410,169	2.64%	3.32%	0.80%
Fixed line telecommunication									
Pakistan Telecommunication Company Limited	-	1,655,000	715,000	940,000	14,976,784	12,868,600	4.59%	5.76%	0.03%
Engineering									
Millat Tractors Limited	32,701	30,000	62,701	-	-	-	-	-	-
	3,853,875	13,173,793	12,801,004	4,226,664	218,518,393	223,481,850	79.67%	100.00%	8.10%

8.1.1 The scheme of arrangement for reconstruction of ICI Pakistan Limited was executed on June 27, 2012 whereby the paints business and all assets, rights, liabilities and obligations pertaining thereto have been separated and vested into AkzoNobel Pakistan Limited. As a consequence of the transfer and vesting, AkzoNobel Pakistan Limited issued Ordinary shares of Rs.10 each and such allotment is made in proportion of 66.54:33.46 based on the net assets of the paints business with reference to the total net assets of ICI Pakistan Limited. Consequently the Fund's holding of 84,965 shares of ICI Pakistan Limited as on June 27, 2012 is reduced to 56,536 Ordinary shares of ICI Pakistan Limited and 28,249 Ordinary shares of AkzoNobel Pakistan Limited issued to the Fund.

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

	June 30, 2012	June 30, 2011
	----- (Number of shares) -----	
Fauji Fertilizer Company Limited	-	125,000
Hub Power Company Limited	430,000	600,000
Kot Addu Power Company Limited	-	300,000
United Bank Limited	100,000	100,000
Pakistan Oilfields Limited	50,000	-
	<u>580,000</u>	<u>1,125,000</u>

	June 30, 2012	June 30, 2011
Note	----- (Rupees) -----	
9. DEFERRED FORMATION COST		
Unamortised cost at the beginning of the year	527,982	786,767
Amortised during the year	<u>(259,494)</u>	<u>(258,785)</u>
Unamortised cost at the end of the year	<u>268,488</u>	<u>527,982</u>
Formation cost represents expenditure incurred prior to the commencement of operations of the Fund as incurred by the Management Company and are being amortised over a period of five years commencing from July 16, 2008.		
10. SECURITY DEPOSITS		
National Clearing Company Pakistan Limited (NCCPL)	2,500,000	2,500,000
Central Depository Company of Pakistan Limited	<u>100,000</u>	<u>100,000</u>
	<u>2,600,000</u>	<u>2,600,000</u>
11. OTHER RECEIVABLES		
Dividend receivable	236,412	463,085
Mark-up / return receivable on bank balances	33,392	59,164
Others	-	1,584,836
	<u>269,804</u>	<u>2,107,085</u>
12. PAYABLE TO THE MANAGEMENT COMPANY		
Remuneration payable to the Management Company	12.1 453,367	538,779
Sales tax payable on management fee	72,538	-
Sales load payable	<u>6,089</u>	<u>390,064</u>
	<u>531,994</u>	<u>928,843</u>
12.1	The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the NBFC Regulations, of an amount not exceeding 3% 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 2% per annum of such assets of the Fund. Currently, the management fee is charged @ 2% (June 30, 2011: 2%) of the average daily net assets of the Fund.	
13. REMUNERATION PAYABLE TO THE TRUSTEE		
The Trustee is entitled to a monthly remuneration for services rendered to the Fund, calculated at the rate of 0.20% per annum on amount upto Rs.1 billion of the daily average net assets of the Fund or Rs.0.7 million, whichever is higher, and Rs.2 million plus 0.10% per annum of net assets exceeding Rs.1 billion when daily average net assets of the Fund exceeds Rs.1 billion.		
14. ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Regulation 62 of the NBFC Regulations, whereby the Fund is required to pay SECP an amount equal to 0.095% (June 30, 2011: 0.095%) of the average daily net assets of the Fund.		
15. ACCRUED AND OTHER LIABILITIES		
Brokerage expense and federal excise duty payable	60,446	378,481
Auditors' remuneration	230,000	240,000
Annual rating fee payable	131,000	131,000
Clearing charges payable	16,183	23,012
Printing charges payable	<u>50,000</u>	<u>50,000</u>
	<u>487,629</u>	<u>822,493</u>

16. CONTINGENCY - CONTRIBUTION TO WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action through letter dated October 06, 2010. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter dated January 04, 2011 subsequently cancelled ab-initio the clarification letter dated October 06, 2010 on applicability of WWF on mutual funds.

On December 14, 2010, the Ministry filed its response against the constitutional petition requesting the SHC to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the SHC.

During the current year, the Honourable Lahore High Court (LHC) in a similar Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the Fund is not liable to contribute to WWF. Hence, aggregate unrecognised amount of WWF as at June 30, 2012 amounted to Rs.5.171 million (June 30, 2011: Rs.4.487 million). Had the provision been made the net asset value per unit of the Fund would have been lower by Rs.2.237 per unit (June 30, 2011: Rs.2.093 per unit).

17. SALES TAX ON MANAGEMENT FEE

During the current year, an amount of Rs.0.900 million (June 30, 2011: Rs.Nil) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

18. 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. The Management Company intends to distribute not less than 90% of its annual accounting income, if any, to comply with the above clause at year end. Accordingly, no provision for current and deferred tax has been made in these financial statements.

19. TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS

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

Remuneration payable to the Management Company and the Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

19.1 Unit Holders' Fund

June 30, 2012

	As at July 01, 2011	Issued for cash / conversion In / transfer In	Bonus	Redeemed / conversion out / transfer out	As at June 30, 2012	As at July 01, 2011	Issued for cash / conversion In / transfer In	Bonus	Redeemed / conversion out / transfer out	Net asset value as at June 30, 2012
	----- Units -----					----- (Rupees) -----				
Associated companies / undertakings										
IGI Investment Bank Limited	-	450,651	-	450,651	-	-	50,000,000	-	54,735,306	-
IGI Insurance Limited	-	-	-	-	-	-	-	-	-	-
Packages Limited -										
Employees Provident Fund	486,556	-	-	-	486,556	64,084,543	-	-	-	59,080,464
Packages Limited - Management										
Staff Pension Fund	656,380	-	21,330	-	677,710	86,452,214	-	2,285,293	-	82,291,614
Packages Limited - Employees										
Gratuity Fund	315,573	-	21,476	-	337,049	41,564,351	-	2,300,918	-	40,926,554
Key Management Personnel										
Employees	122	13,781	-	13,903	-	16,081	1,482,412	-	1,455,685	-

June 30, 2011

	As at July 01, 2010	Issued for cash / conversion In / transfer In	Bonus	Redeemed / conversion out / transfer out	As at June 30, 2011	As at July 01, 2010	Issued for cash / conversion In / transfer In	Bonus	Redeemed / conversion out / transfer out	Net asset value as at June 30, 2011
	----- Units -----					----- (Rupees) -----				
Associated companies / undertakings										
IGI Investment Bank Limited	1,777,262	5,379,963	608,132	7,765,357	-	648,653,281	643,312,044	61,463,604	886,197,803	-
IGI Insurance Limited	181,291	-	62,033	243,324	-	21,253,656	-	6,269,634	30,841,269	-
Packages Limited -										
Employees Provident Fund	61,764	486,556	21,134	82,898	486,556	6,265,555	58,390,267	2,135,998	9,578,839	64,084,543
Packages Limited - Management										
Staff Pension Fund	69,290	563,380	23,709	-	656,379	10,244,034	67,609,783	2,396,293	-	86,452,214
Packages Limited - Employees										
Gratuity Fund	69,764	221,938	23,871	-	315,573	10,243,670	26,634,157	2,412,676	-	41,564,351
Directors										
Syed Babar Ali - Group Chairman	621,930	-	212,808	834,738	-	62,743,480	-	21,508,385	58,073,152	-
Key Management Personnel										
Employees	706	21,283	235	22,102	122	149,111	2,492,854	23,759	2,561,250	16,081

19.2	Other transactions	June 30, 2012	June 30, 2011
		----- (Rupees) -----	
	Associated companies / undertakings		
	IGI Funds Limited - Management Company		
	Remuneration of the Management Company	<u>5,623,175</u>	<u>7,189,879</u>
	Sales tax on management fee	<u>899,706</u>	<u>-</u>
	Sales load	<u>3,142,320</u>	<u>2,097,956</u>
	Printing charges paid	<u>-</u>	<u>48,700</u>
	Legal and professional charges paid	<u>-</u>	<u>305,000</u>
	Formation cost paid	<u>-</u>	<u>1,293,702</u>
	IGI Finex Securities Limited - Associated Company		
	Brokerage expense	<u>218,685</u>	<u>1,143,708</u>
	Federal excise duty / capital value tax	<u>34,990</u>	<u>182,993</u>
	Other related parties		
	Central Depository Company of Pakistan Limited - (Trustee of the Fund)		
	Remuneration of the Trustee	<u>700,195</u>	<u>751,976</u>
19.3	Other balances		
	Associated companies / undertakings		
	IGI Funds Limited - Management Company		
	Remuneration payable to the Management Company	<u>453,367</u>	<u>538,779</u>
	Sales tax payable on management fee	<u>72,538</u>	<u>-</u>
	Sales load payable	<u>6,089</u>	<u>390,064</u>
	IGI Finex Securities Limited - Associated Company		
	Brokerage payable expenses	<u>-</u>	<u>8,676</u>
	Federal excise duty / capital value tax payable	<u>-</u>	<u>9,195</u>
	Other related parties		
	Central Depository Company of Pakistan Limited - (Trustee of the Fund)		
	Remuneration payable to the Trustee	<u>57,390</u>	<u>57,662</u>
	Security deposit	<u>100,000</u>	<u>100,000</u>

20. FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund has exposure to following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

The Fund primarily invests in equity securities. Such investments are subject to varying degrees of risk.

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

20.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. The Fund is exposed to credit risk on bank balances, security deposits and other receivables. There is a possibility of default by participants, the depositories, the settlements or clearing system, etc.

Management of credit risk

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

Exposure to credit risk

The table below analyses the Fund's maximum exposure to credit risk. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements at reporting date:

	Carrying amount	
	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Bank balances	9,854,686	10,039,681
Security deposits	2,600,000	2,600,000
Other receivables	269,804	2,107,085
	<u>12,724,490</u>	<u>14,746,766</u>

Credit quality of bank balances

Details of credit rating of banks holding balances / deposits (including mark-up / return receivable thereon) are as follows:

Name of Bank	Rating	June 30,	June 30,
		2012	2011
		----- (%) -----	
Allied Bank Limited	A1+/AA	99.74	45.33
Bank Alfalah Limited	A1+/AA	0.13	54.14
Bank Al-Habib Limited	A1+/AA+	0.03	0.05
Faysal Bank Limited	AA/A1+	0.06	0.43
JS Bank Limited	A+/A1	-	-
MCB Bank Limited	A1+/AA+	0.04	0.05
		<u>100.00</u>	<u>100.00</u>

Credit quality of held-for-trading investments

Investments in listed equity securities are not exposed to credit risk.

Credit quality of interest receivable on bank deposits and other assets

Interest income receivable on bank deposits and other receivables were received subsequent to the year end.

Past due or impaired financial assets

None of the financial assets are considered to be past due or impaired as at June 30, 2012 and June 30, 2011.

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. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

20.2 Liquidity risk

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

Management of liquidity risk

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

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

Maturity analysis for financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the statement of assets and liabilities 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:

June 30, 2012					
	Carrying amount and contractual cash flows	Less than a month	More than one month and upto three months	More than three months and upto one year	(Rupees)

Financial liabilities					
Payable to the Management Company	531,994	531,994	-	-	
Remuneration payable to the Trustee	57,390	57,390	-	-	
Accrued and other liabilities	472,689	472,689	-	-	
	<u>1,062,073</u>	<u>1,062,073</u>	<u>-</u>	<u>-</u>	

June 30, 2011					
	Carrying amount and contractual cash flows	Less than a month	More than one month and upto three months	More than three months and upto one year	(Rupees)

Financial liabilities					
Payable to the Management Company	928,843	928,843	-	-	
Remuneration payable to the Trustee	57,662	57,662	-	-	
Amount payable on redemption of unit holders	46,267,904	46,267,904	-	-	
Accrued and other liabilities	822,493	822,493	-	-	
	<u>48,076,902</u>	<u>48,076,902</u>	<u>-</u>	<u>-</u>	

Above financial liabilities do not carry any mark-up.

20.3 Market risk

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

Management of market risks

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

Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial instruments and future cash flows. Majority of the interest rate exposure arises on bank balances which carry fixed interest rates. The Fund's investment in fixed interest rate securities expose Fund to fair value interest rate risk. The Fund has no variable interest rate instruments.

Fair value sensitivity analysis for fixed rate instruments

In case of 100 basis points increase / decrease in interest rate on year end, the net assets attributable to unit holders of the Fund and net income for the year would have been lower / higher by Rs.0.099 million (June 30, 2011: Rs.0.100 million). This analysis assumes that all other variables remain constant. The analysis for year ended June 30, 2011 is performed on the same basis.

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 the NBFC regulations.

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

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

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

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Income statement	<u>9,319,193</u>	<u>13,147,348</u>
Unit holders' fund	<u>9,319,193</u>	<u>13,147,348</u>

20.4 Unit Holders' Fund risk management

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

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

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

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

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

20.5 Fair value hierarchy

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

- Level 1:** quoted prices in active markets for identical assets
- Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3:** techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at June 30, 2012, the Fund held the following instruments which were measured at fair value:

	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Investments classified as 'at fair value through profit or loss' - held-for-trading				
- Equity securities - quoted	<u>223,481,850</u>	<u>-</u>	<u>-</u>	<u>223,481,850</u>

As at June 30, 2011, the Fund held the following instruments which were measured at fair value:

	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Investments classified as 'at fair value through profit or loss' - held-for-trading				
- Equity securities - quoted	<u>272,734,085</u>	<u>-</u>	<u>-</u>	<u>272,734,085</u>

During the year ended June 30, 2012, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

20.6 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value as the items are short term in nature.

21. SUBSEQUENT EVENT

The Board of Directors of the Management Company have approved distributions of 18.2666 units (June 30, 2011: 22.9360 units) for every 100 units (Growth units) held and Rs.18.7546 per unit (June 30, 2011: Rs.24.5731 per unit) (Income units) for the year ended June 30, 2012 amounting to Rs.43.35 million (June 30, 2011: Rs.52.68 million) in total, in their meeting held on July 05, 2012. These financial statements do not reflect these distributions which 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 the NBFC Regulations 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 27th Aug' 2012.

24. GENERAL

Figures are rounded off to the nearest rupee.

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

Chief Executive

Director

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

(i) UNIT HOLDING PATTERN OF THE FUND

As at 30 June 2012				
Category	Number of unit holders	Number of units held	Amount Rupees	% of total
Individuals	31	639,542	77,656,986	27.669%
Associated Co./ Directors	3	1,501,316	182,298,670	64.954%
Insurance Co.	-	-	-	-
Banks/ DFIs	1	57	6,893	0.002%
NBFC/ NBFIs	-	-	-	0.000%
Retirement & Other Funds	2	66,306	8,051,240	2.869%
Others	2	104,148	12,646,307	4.506%
	39	2,311,369	280,660,096	100%

As at 30 June 2011				
Category	Number of unit holders	Number of units held	Amount Rupees	% of total
Individuals	26	301,918	39,765,750	14.082%
Associated Co./ Directors	-	-	-	0.000%
Insurance Co.	-	-	-	0.000%
Banks/ DFIs	-	-	-	0.000%
NBFC/ NBFIs	2	190,828	25,134,018	8.901%
Retirement & Other Funds	3	1,458,509	192,101,311	68.027%
Others	1	192,753	25,387,547	8.990%
	32	2,144,008	282,388,626	100%

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

Name of broker	Percentage of commission paid	
	2012	2011
IGI Finex Securities Limited	12.25%	33.00%
BMA Capital Management Limited	0.00%	5.00%
AKD Securities Limited	10.38%	14.00%
AL-Habib Capital Markets Limited	11.13%	8.00%
Concordia Securities (Private) Limited	6.19%	6.00%
Invest Capital Investment Bank Limited	0.00%	4.00%
Elixir Securities Pakistan (Private) Limited	1.72%	11.00%
Taurus Securities Limited	11.85%	8.00%
JS Global Capital Limited	0.00%	0.00%
Standard Capital Securities (Private) Limited	0.00%	0.00%
Multiline Securities (Private) Limited	0.00%	1.00%
First Capital Equities	2.19%	0.00%
Fortune Securities	6.35%	0.00%
Top Line Securities	12.54%	0.00%
Foundation Securities	11.02%	0.00%
Invest & Finance Securities	14.03%	0.00%
Arif Habib Securities Limited	0.36%	0.00%

(iii) **PARTICULARS OF MEMBERS OF THE INVESTMENT COMMITTEE**

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

- Maheen Rahman - CEO
- Muddasir Ahmed Shaikh - CIO
- Syed Muhammad Zeeshan - CFO
- Saifullah Kazmi - Fund Manager
- Mr. Nabeel Malik – Fund Manager
- Mr. Zafarullah Maqdi - Compliance Officer

Maheen Rahman - CEO

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

Muddasir Shaikh - CIO

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

Syed Muhammad Zeeshan - CFO

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

Syed Saifullah Kazmi - Fund manager

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

Mr. Nabeel Malik – Fund Manager

Mr. Nabeel Malik brings with him a rich and diversified experience in the field of fund management and fixed income trading/facilitation. Before becoming a part of IGI Funds' team, he was associated with Pak-Oman Asset Management Co, heading its Fixed Income Fund Management Department. where he proficiently handled money market trading, liquidity and funds management contributing positively towards bottom line profitability. His diverse experience in the field of finance includes names like Pak-Kuwait Investment Co, Orix Investment Bank, KASB Securities and Mobilink GSM. Mr. Malik has done his MBA from SZABIST and holds a B.Sc degree in Computing & I.T from Staffordshire University U.K.

(iv) **DIRECTOR MEETING ATTENDANCE**

Name of Director	Designation	Meetings			
		Total	Attended	"Leave Granted"	Meeting not attended
Mr. Javed Hamid	Chairman	5	5	-	-
Mr. Khalid Jacob	Director	5	5	-	-
Mr. Ahmed Alman Aslam	Director	5	4	1	38th
Mr. Abid Naqvi	Director	5	4	1	34th
Syed Javed Hassan	Director	3	3	-	-
Mr. Asif Saad	Director	5	3	2	36th & 37th
Mr. Tariq Qureshi	Director	2	2	-	-
Ms. Maheen Rahman	CEO	5	5	-	-

Mr. Javed Hassan resigned as member Board of Directors of the Management Company on December 27, 2011 and Mr. Tariq Qureshi was appointed as Member Board of Directors of the Management Company the same day.

Securities and Exchange Commission of Pakistan (SECP) approved both changes on March 02, 2012.

Dates of the meetings of the Board of Directors

Thirty-Fourth meeting	July 5, 2011
Thirty-Fifth meeting	August 23, 2011
Thirty-Sixth meeting	October 27, 2011
Thirty-Seventh meeting	January 27, 2012
Thirty-Eighth meeting	April 24, 2012

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

JCR-VIS has awarded asset manager rating of an "AM2-" to IGI Funds Limited in its report dated May 2012. The rating reflects the company's experienced and qualified management team, a structured and strong fund management function, and demonstrated support of the sponsoring Group. The rating also factors in a growing realization on part of the management to institute a strong in-house risk management, compliance and control platform, translating into an improved relative standing amongst peers.

PACRA has awarded normal rating of "4 star" to IGI Stock Fund based on the performance review for the year ended 30 June 2011 vide its report dated 03 January 2012.



Annual Report 2012

IGI

ISLAMIC INCOME FUND

Managed by
IGI FUNDS LIMITED

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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

Fund Manager's Information

Management Company

IGI Funds Limited
Rated AM 2- by JCR-VIS

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) 35301729
Email: info@igifunds.com.pk
Website: www.igifunds.com.pk

Board of Directors of the Management Company

Mr. Javid Hamid (Chairman)
Ms. Maheen Rahman (Chief Executive Officer)
Mr. Khalid Yacob
Mr. Ahmed Alman Aslam
Mr. Abid Naqvi
Mr. M. Asif Saad
Mr. Tariq Qureshi

Chief Financial Officer

Syed Muhammad Zeeshan

Company Secretary

Syed Muhammad Zeeshan

Audit Committee

Mr. Abid Naqvi (Chairman)
Mr. Khalid Yacob (Member)
Mr. Tariq Qureshi (Member)

Fund's Information

Trustee

Central Depository Company of Pakistan Limited
CDC House, 99-8, Block B, S.M.C.H.S
Main Shahra-e-Faisal, Karachi-74400, Pakistan

Distributors

Al-Habib Capital Markets (Pvt.) Ltd.
Atlas Capital Markets (Pvt.) Ltd.
BMA Financial Services Ltd.
Bulls and Bulls (Pvt.) Ltd.
Financial Avenue
Foundation Securities (Pvt.) Ltd.
IGI Investment Bank Limited
KASB Securities
Pak Oman Investment Company Ltd.
Pyramid Financial Consultant (Pvt.) Ltd
IGI Securities Ltd.
MCB Bank Ltd.
Vector Consulting (Pvt.) Ltd.

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road,
P.O.Box 15541, Karachi-75530
Pakistan

Legal Advisor

Bawany & Partners
Room No 404, 4th Floor
Beaumont Plaza. 6-CL-10
Beaumont Road, Civil Lines, Karachi

Bankers

Bank Al-falah Limited
Bank Al-Habib Limited
Dubai Islamic Bank
Al Baraka Islamic Bank
Bank of Khyber
MCB Bank Limited
Burj Bank

IGI Islamic Income Fund

Directors' Report

To our valued Unit Holders,

The Board of Directors of IGI Funds Limited is pleased to present you the Annual Report of the IGI Income Fund (the "Fund") for the year ended 30 June 2012.

FY12 Economic Review & Outlook

FY12 marked the close of five straight years of economic policy making by the current coalition government. In many respects FY12 was a continuation of challenges faced in FY11, in particular a growing power deficit, rising international commodity prices and slowdown in aid flows. Key targets were missed notably the fiscal deficit clocking in at above 8% and GDP growth at 3.7%. On a promising note overall inflation levels stayed well within the government's and the State Bank of Pakistan (SBP) targets with strong indication of lower future inflation and interest rates. The SBP loosened its monetary policy stance to support the growth trajectory bringing the key policy rate to 12% in 2QFY12.

GDP Growth

GDP growth has recovered from 1.7% in 2008-09 to 3.7% in 2011-12. Structural constraints such as growing power deficit and higher oil prices have restricted growth especially in manufacturing and services sectors. Overall investment levels have shrunk, while tax/GDP and the savings rate have dropped to all time lows. However, despite such negative indicators, corporate earnings and results showed a positive turnaround especially in banking and cement industries. These two sectors are strong leading indicators for a revival in GDP growth.

Twin Deficits and Currency Depreciation

In order to meet revenue shortfalls, the government relied heavily on borrowing from SBP and secondary sources. During the year, total government borrowing touched levels of PKR 1.2tn from banking channels. Contrary to the trend of the last few years, borrowing from the SBP has reached PKR 505bn in FY12 compared to a net retirement of PKR 8bn last year. Unless revenue shortfalls are comprehensively addressed it will be difficult to meet FY13 projected budget deficits.

The external accounts, too remained weak with a current account deficit of USD4.52bn (1.9% of GDP) as against a surplus of USD214mn (0.1% of GDP) in the corresponding period last year. This deficit was the outcome of a higher trade imbalance up by 46% YoY mainly due to international oil prices and increasing supply side constraints from power sector. Even as inbound remittances grew at a robust 18%, weak foreign aid and investment flows forced a currency depreciation of 9% over the year.

Positive suppression in Inflation and interest rates

CPI inflation surprised on the downside, averaging at 11.01% for the year. This average was well below SBP's target of 12% and was achieved on the back of lower food inflation. Given lower inflation, the SBP shifted focus to economic growth with an easing in the policy discount rate by 200bps during the year to 12%.

Looking ahead, the recent decline in oil prices will bode well for the external position as it would take pressure off the import bill. Moreover, re-opening of NATO supply routes and US assurances that USD 1.2bn of CFS funds would be disbursed by Dec12 can also prove to be the inflection point as far as the external account is concerned. However, the timing of the disbursement is essential, particularly for the exchange rate as scheduled debt repayments to IMF will continue. Although the recent ease off in inflation has created room for 50 - 100 bps cut in policy rate in the early part of FY13, inflationary central bank borrowing would be a major factor for affecting future direction of interest rates.

Equity Market:

With an absolute appreciation of 10.44% in the benchmark index levels, during FY12, the KSE was among the top performing markets globally. Performance was markedly more impressive in the 2HFY12 as the KSE 100 rose by 22% between Jan-June'12. This was in response to clarity and relief on important market taxes specially Capital Gains Tax. Average daily volumes improved to 128mn shares as against 95mn shares, a year earlier.

Corporate Profitability pushing valuations to record lows

In the first nine months of the fiscal, corporate profitability remained robust; rising by an impressive 24%YoY. Among listed sectors, profitability growth was strong in Cements, Auto, E&P, OMCs and Banking sectors. Cumulative profits of energy companies witnessed an stellar growth of 45%YoY, with E&P companies profits recording a 54%YoY increase on the back of higher realized oil and gas prices, PKR:USD depreciation and enhanced production profile. OMCs profits increased by 52%YoY largely owing to PSO booking heavy interest income passed on by the power utilities. Earnings growth in the services sector (26%YoY) was led by the banking sector (up 25%YoY) due to lower provisioning amid decline in accretion of non-performing loans. In Utilities, while KESC recorded maiden profit for the full year, PTCL's profits increased by 44%YoY owing to improvement in core operations. On the downside, manufacturing sector's overall profits plunged by 33%YoY mainly owing to a decline of 63%YoY in the profitability of fertilizer manufacturers. Lower urea offtake due to the availability of GoP's subsidized imported urea led to this earnings decline. Textile and chemical sector profitability too declined by 60%YoY and 68%YoY, respectively. However, cements and auto profits grew by a substantial 367%YoY and 118%YoY, respectively as their strong pricing power led to massive margin expansions.

In terms of price performance, Cement and Autos lead the rally with returns of 75% and 21%, respectively. Fertilizers', despite outstanding CY11 financial performance, remained under pressure owing to gas outages and rising cost burden, which translated into price performance of mere 8% returns. Despite handsome earnings growth, the Energy sector reflected subdued price performance owing to uncertainty regarding pricing of PPL's secondary offering and uncertainty on future oil price levels.

For the upcoming year, equities should post decent performance on the back of (i) double-digit corporate earnings growth of approx. 13% in FY13 (ii) relative stability in USD on the back of improved Pak-US relations and continuous aid flows (iii) decent FY13F valuations of 5.8x PE, 9% dividend yield and 25% ROE, and (iv) stable or declining interest rates owing to slowdown in inflation.

Based on the above, equities offer an attractive investment opportunity for value investors. Key challenges for market investors will be subdued sentiment, any deterioration in PKR-USD parity and continuing political noise as election year nears in 2013.

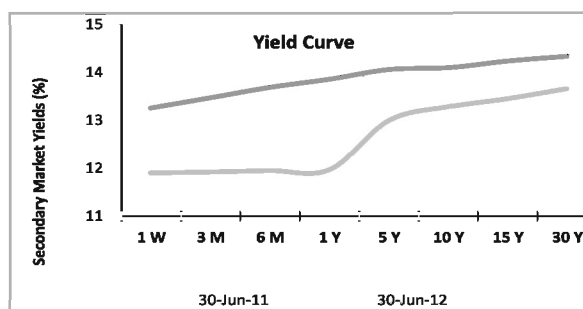
Commodities

The outgoing year witnessed risk-averse investment activity as global growth worries and sustainability of the Euro Bloc dominated sentiment. Investors opted to move away from risky asset classes as evident from price movements of global equities, USD stock indices, precious metals and industrial commodities. Gold Bullion marked an appreciation of 6.4% in FY12 whereas Crude Oil and Silver recorded a fall of 10.5% and 20.9%, respectively. Upward rallies in these commodities will depend heavily on United States Federal Reserve offering stimulus in the form of further quantitative easing (QE3). In the Euro zone, weaker economies remained major trouble points. Bailout assistance is expected to continue over FY13 with a wider list of recipients in the Eurozone.

Larger global economies are depicting fragile growth trajectories. Recent data from US and China affirms the slower recovery in economic activity which has created an expectation for monetary stimulus from Central Banks. Hence, Gold offers a preferable investment opportunity with potential upside whereas Crude Oil will remain under pressure with increased volatility.

Money Market: Interest Continues as Yields Remain High

Money market yields moved in tandem with the interest rate cycle, during the period. The SBP eased its tight monetary policy stance during the first half of the year to bolster growth and private sector credit. The apex regulator slashed the policy rate twice in 1HFY12 by a total of 200bps. Money market yields subsequently dropped with a parallel downward shift in the yield curve.



The government's rising need for liquidity resulted in higher than targeted borrowing from scheduled banks through auctions, in FY12. Throughout the better part of FY12, auction participation remained biased towards shorter tenor.

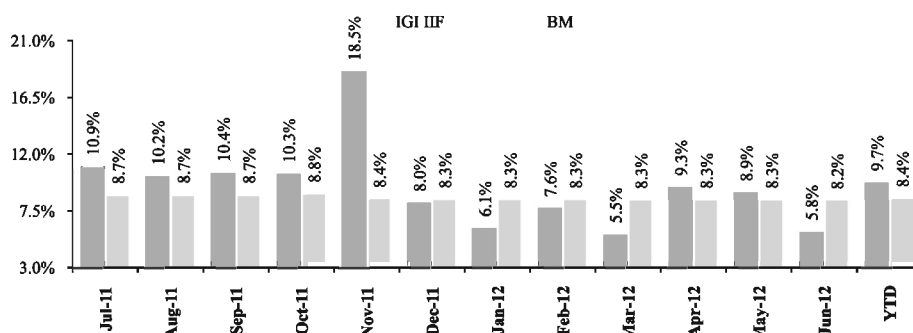
On the corporate bonds side, major activity was witnessed in the bonds with a preference for higher credit rating and wide spreads over KIBOR to secure maximum yields. Yields on such instruments remained in the vicinity of 13.50% - 14.00%.

Fund Operations and Performance; Steady returns with benchmark outperformance

During the period fund operated with the strategy of providing investors with consistent and competitive returns. In line with this strategy, the fund kept its focus on placements with Islamic Banks or Islamic windows of conventional banks and accumulation of Government Ijara Sukuks, along with high rated short term corporate SUKUKs in order to achieve consistency and higher yields.

For the year ended 30 June 2012, the Fund posted an appreciation of 9.68% in NAV and completed the period with average net assets amounting to Rs.411 millions. The Fund stability rating was maintained A+ (f) by PACRA.

Monthly & YTD Performance



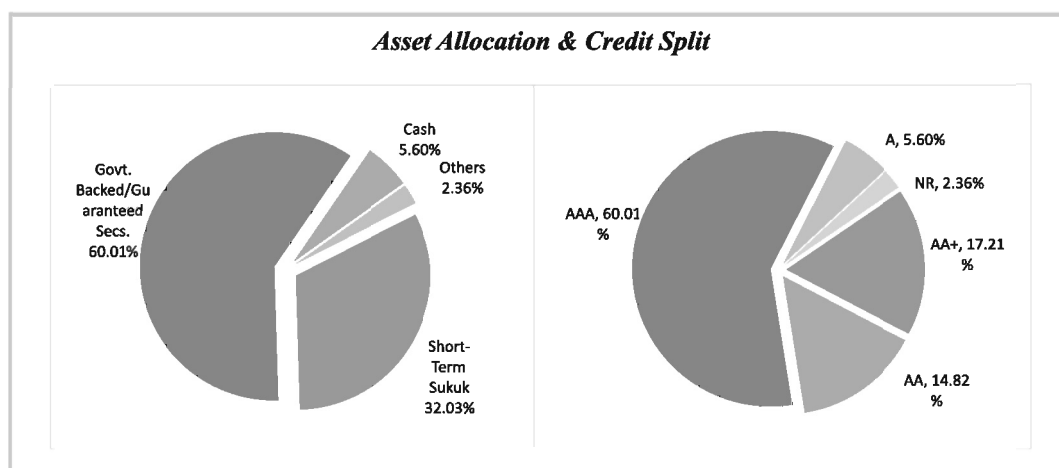
Payout

At the end of the year under review, the fund paid out final cash dividend of Rs.1.9946 per unit translating into 1.9849 bonus units for every 100 units held. This payout was in addition to interim distribution of Rs. 7.1773 per unit making the full year payout of Rs. 9.1719 per unit. This is 97% payout of total earnings as per NBFC regulations.

Cumulative interim & final payouts during the period

Interim Dividend per unit	Rs. 7.1773
Interim Bonus per 100 units	Units - 7.1181
Final Dividend per unit	Rs. 1.9946
Final Bonus per 100 units	Units - 1.9849

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 2012	For the year ended 30 June 2011	For the period from 3 December 2009 to 30 June 2010
Net Assets	202.21	680.47	399.02
Net Income	30.56	50.05	19.62
Net Assets Value per Unit (Rs.)	102.48	103.49	105.17
Issuance of units during the year	450.05	600.09	839.37
Redemption of units during the year	919.63	316.86	459.99

Future Outlook

The Fund plans to increase allocation to high yield corporate bonds, preferably short term instruments. A heavy chunk of the portfolio will continue to stay in GoP Ijara SUKUKS so as to keep credit quality in check and earn reasonable accruals. Excess liquidity will be maintained with Islamic banks.

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 Islamic Income Fund, the results of the operations, cash flow and the changes in Unit-holders funds.
- b) IGI Islamic Income 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 Islamic Income 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) The number of units of the Fund held by the Chief Executive, directors, executives and their spouses as at 30 June 2012 as given in note # 20.1;
- l) Summary of units acquired/ redeemed during the year by the Chief Executive, director, executives and their spouses as at 30 June 2012 as given in note # 20.1;

Audit Committee Meetings

Below are the detail of Audit Committee meetings held during the period and attendance of Audit Committee Members.

Member	Meetings Held	Meetings Attended
Mr. Khalid Yacob	4	4
Mr. Abid Naqvi	4	4
Mr. Tariq Hasan Quraishi (Appointment date: December 27, 211)	4	2
Mr. Javed Hassan (Resignation date: December 27, 211)	4	2

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
27 August 2012

IGI Islamic Income Fund

Annual Fund Manager's Report

Type of Fund

Open-end Scheme

Category of Fund

Shariah Compliant (Islamic) Income Scheme

Investment Objective

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

Accomplishment of Objective

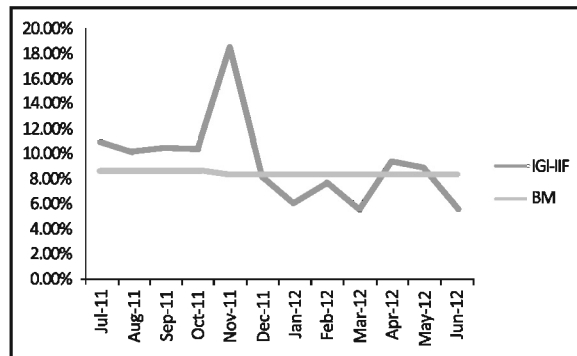
The Fund has achieved its objective as it provided the unit holders a competitive return as compared to peer funds with minimum possible risk through investing in low duration shariah compliant fixed income instruments within the guidelines provided under NBFC rules.

Benchmark

The Fund's benchmark is Average six monthly deposit rates offered by at least three Islamic Banks.

Performance comparison with Benchmark

	IGI-IIF	BM
Jul-11	10.90%	8.65%
Aug-11	10.17%	8.69%
Sep-11	10.43%	8.68%
Oct-11	10.34%	8.68%
Nov-11	18.45%	8.35%
Dec-11	8.04%	8.31%
Jan-12	6.05%	8.30%
Feb-12	7.62%	8.29%
Mar-12	5.54%	8.26%
Apr-12	9.31%	8.28%
May-12	8.87%	8.28%
Jun-12	5.75%	8.23%

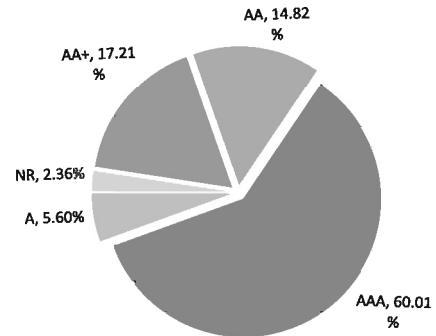
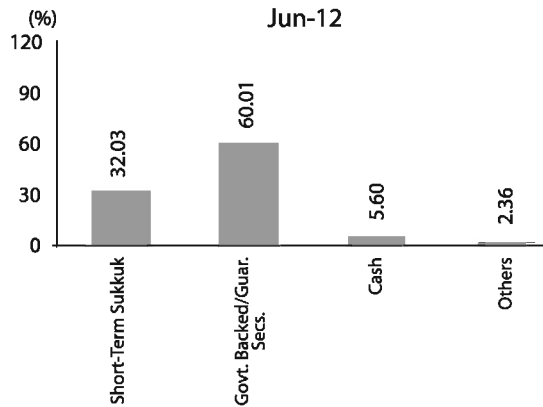


Strategies and Policies employed during the period

During the period fund strived to operate with the strategy of providing its investors with consistent and least volatile competitive returns.

In line with its strategy, the fund kept its focus on placements with Islamic Banks or Islamic windows of conventional banks and accumulation of risk-free GoP Ijara Sukuks, along with high rated short term corporate SUKUKs in order to achieve consistency and higher yields.

Portfolio Allocation / Credit Quality



Significant changes in Assets Allocation during the period

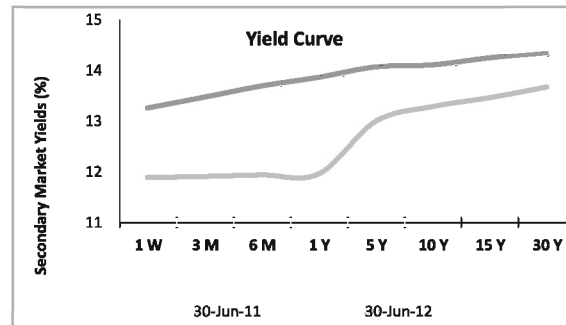
The fund built its exposure in Sukuks and diversified investments to high rated short term corporate SUKUKS, along with GoP Ijara Sukuks to avoid volatility and credit risk prevailing in Sukuk market. The excess cash was kept invested with Islamic banks.

Fund Performance

For the year ended 30 June 2012, the Fund posted an appreciation of 9.68% in NAV and completed the period with net assets amounting to Rs.202 millions.

Review of the market invested in

The money market yields moved in tandem with the interest rate cycle, during the period. The SBP eased its tight monetary policy stance during the first half of the year to bolster growth and private sector credit. The apex regulator slashed policy rate twice in 1HFY12 by a total of 200bps. Money market yields subsequently dropped with a parallel downward shift in the yield curve.



The government's rising need for liquidity resulted in higher than targeted borrowing from scheduled banks through auctions (including Ijara Sukuks), in FY12. Throughout the better part of FY12, the auction participation remained biased towards shorter tenor.

On the corporate sukuks side, activity remained focused on selected issues with total reported trade volume of PKR 199mn. The restructured sukuk issues of Cement sector attracted investor interest but the yields in most of the bids remained unmatched. The yields on the instruments remained in the vicinity of 12.50% - 13.50%.

Distribution

At the end of the year under review, the fund distribution pattern was as follows:

	BONUS	CASH
28-Sep-11	2.5536	2.5609
27-Dec-11	2.1018	2.1287
28-Mar-12	2.2040	2.2220
27-Jun-12	0.2587	0.2657

At the end of the year under review, the fund paid out final cash dividend of Rs. 1.9946 unit translating into bonus units for every 100 units held. This is 97% payout of total earnings as per NBFC regulations. The effects on NAV were as follows;

NAV (30 June 2012):	PkR	102.4824
Distribution per unit:	PkR	1.9849
Ex-NAV:	PkR	100.4878

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	11	233,482
PkR 100,000 to 1,000,000	19	7,063,760
PkR 1,000,000 to 10,000,000	10	17,753,273
PkR 10,000,000 and above	04	177,162,365
Total	44	202,212,880

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.

IGI Islamic Income Fund

Performance Table

	2012	2011	2010
Net Assets Value (mn.)	202.21	680.47	399.02
NAV per unit	102.4824	103.49	105.17
Selling price per unit	103.5072	104.52	106.22
Redemption price per unit	102.4824	103.49	105.17
Highest selling price per unit	104.4887	104.52	106.22
Highest redemption price per unit	103.4542	103.49	105.17
Lowest selling price per unit	101.2334	101.28	101.11
Lowest redemption price per unit	100.2311	100.28	100.10
Total Interim distribution per unit (Gross/ Net)	7.1773	6.54	-Nil-
Interim distribution date	29 Sep 2011	01 Oct 2010	N/A
	29 Dec 2011	29 Dec 2010	N/A
	29 Mar 2012	28 Mar 2011	N/A
	27 June 2012	N/A	N/A
Final distribution per units (Gross/ Net)	1.9946	3.26	5.02
Final distribution date	05 July 2012	05 July 2011	02 July 2010
Annualized returns	9.68	10.20%	9.21%
Income distribution	7.84%	9.80%	8.94%
Capital growth	1.84%	0.4%	0.27%
Weighted avg. portfolio duration	434 Days	623 days	216 days

Return since inception is **10.54%**

Launch date of the Fund is **03 December 2009**

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of IGI Funds Limited (the Management Company) of **IGI Islamic Income Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Lahore Stock Exchange (Guarantee) Limited where the Fund is listed.

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2012.

We draw your attention to clause 23 of the Statement which mentions certain non-compliances with the Code.

Our conclusion is not qualified in respect of the above matter.

Chartered Accountants

Date:

Karachi

Statement of Compliance with the Code of Corporate Governance
IGI Islamic Income Fund
Year ended June 30, 2012

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35 (Chapter XI) 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 Islamic 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 will encourage representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Mr. Javed Hamid, Mr. Ahmed Alman Aslam, Mr. Abid Naqvi, Mr. Asif Saad
Executive Directors	Ms. Maheen Rahman
Non-Executive Directors	Mr. Tariq Hasan Quraishi, Mr. Khalid Yacob

The independent directors will meet the criteria of independence under clause (i) b of the Code.

(This requirement will become applicable from the constitution of new Board upon expiry of term of the current Board).

2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including the Management Company.

(The requirement of not serving as a director of more than seven listed companies, excluding the listed subsidiaries of listed holding companies, will become applicable from the constitution of new Board upon expiry of term of the current Board).
3. All the resident Directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Finance Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the Board on December 27, 2011 was filled up by the directors on the same day.
5. The Management Company has prepared a 'Code of Conduct' (the Code) and has disseminated it throughout the company along with its supporting policies and procedures.
6. The Board has developed a statement of main purpose and guiding principles (vision/mission statement), overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with dates on which they were prepared or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the Board met at least once in every quarter. 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. The Board has arranged training programs for its directors as per the prescribed schedule.
10. The Board has approved appointment of CFO / Company Secretary, including his remuneration and terms and conditions of employment.

11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the units of the Fund other than those disclosed in the pattern of shareholding.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members all of whom are non-executive Directors including an independent director. However the Board has ensured that the Chairman Audit Committee is an independent director in the Board meeting held on August 27, 2012.

(This requirement will become applicable from the constitution of new Board upon expiry of term of the current Board).
16. The Board has formed an HR and Remuneration Committee. It comprises four members, of whom two are non executive directors and the chairman of the committee is an Independent Director.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the Code. The terms of reference of the Committee have been formulated and advised to the Committee for compliance.
18. The Board has outsourced its internal audit function to A.F Fergusons & Co. who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants ("IFAC") guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's units, was determined and intimated to Directors, employees and stock exchange.
21. 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.
22. Material/price sensitive information has been disseminated among all market participants at once through Stock Exchanges.
23. We confirm that all other material principles enshrined in the Code have been complied with. (Except for the followings, towards which reasonable progress is being made by the company to seek compliance by the end of the next year.)
 - a) Head of Internal Audit not appointed (Refer Para 10)
 - b) Chairman of Audit Committee not an independent director (Refer Para 15)

For and on behalf of the Board of Directors

MAHEEN RAHMAN
Chief Executive Officer

TARIQ HASAN QURAISHI
Director

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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TRUSTEE REPORT TO THE UNIT HOLDERS

IGI ISLAMIC INCOME FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of **IGI Islamic Income Fund** (the Fund) are of the opinion that IGI Funds Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 in accordance with the provisions of the following:

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

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

Karachi: October 08, 2012

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين، والصلاة والسلام على سيد الأنبياء والمرسلين، و
على آله وأصحابه أجمعين، وبعد



BankIslami

Bank Islami Pakistan Limited
11th Floor, Executive Tower, Dolmen City,
Marine Drive, Block-4, Clifton, Karachi.
Tel: 35639906 Fax: 35378373
www.bankislami.com.pk

REPORT OF THE SHARI'AH ADVISOR

We, the Shariah Advisor of the IGI Islamic Income Fund ('IGIIG') managed by IGI Fund, are issuing this report in accordance with clause 3.2.4 (vii) of the Trust deed of the said Fund. This scope of the report is to express an opinion on the Shariah Compliance of the Fund's activities.

In the capacity of Shariah Advisor, we have issued detailed guidelines in the form of Standard Operating Procedures to be followed in ensuring Shariah Compliance in every investment. In our opinion these SOPs have been followed.

It is the responsibility of the Management Company of the said Fund to establish and maintain a system of internal controls to ensure compliance with issued Shariah guidelines. Our responsibility is to express an opinion, based on our review of the representations made by the management, to the extent where such compliance can be objectively verified.

We have reviewed and approved the modes of investment of IGIIG in the light of Shariah requirement. The following avenues have been represented to us by the Management in which IGIIG made investment during the period from July 01, 2011 to June 30, 2012.

Investment Head	Investment Avenue
Term Deposit Receipt (TDR)	Islamic Commercial Bank/Windows of CBs (Licensed by SBP)
Sukuk	Gop Ijara Sukuk & Commercial Paper Sukuk Certificate (Secured)

We hereby certify that all the above mentioned investment are in accordance with rules and principles of Shariah.

May Allah (SWT) bless us with Tawfeeq to accomplish these cherished tasks, make us successful in this world and in the hereafter and forgive our mistakes.

Mufti Irshad Ahmed Aijaz

و صلى الله على نبينا محمد وآله وصحبه وبارك وسلم

■ *Serving you, the Right way*

Independent assurance report to the unit holders of the Fund in respect of the Fund's compliance with the Shariah rules and principles

We have performed an independent assurance engagement of IGI Islamic Income Fund (the Fund) to ensure that the Fund has complied with the Shariah rules and principles prescribed by the Shariah Advisor of the Fund during the year ended 30 June 2012, in accordance with clause 3.3 of the Trust Deed of the Fund.

2. Management's responsibility for Shariah compliance

It is the responsibility of the management of the Fund to ensure that the financial arrangements, contracts and transactions entered into by the Fund are, in substance and in their legal form, in compliance with the requirements of the Shariah rules and principles. The management is also responsible for design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant accounting records.

3. Our responsibility

3.1. We planned and performed our evidence gathering procedures to obtain a basis for our conclusion in accordance with International Standard for Assurance Engagements 3000 (ISAE 3000) "Assurance Engagements other than Audits or Reviews of Historical Financial information". This Standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance regarding the subject-matter i.e. the Fund's compliance with the Shariah rules and principles as determined by the Shariah Advisor.

3.2. The "Assurance Procedures" selected by us for the engagement were dependent on our judgment, including the assessment of the risks of material non-compliance with

the Shariah rules and principles. In making those risk assessments, we considered internal controls relevant to the Fund's compliance with the Shariah rules and principles in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls.

3.3. Our responsibility is to express an opinion, based on the procedures performed on the Fund's financial arrangements, contracts and transactions having Shariah implications, on a test basis whether such financial arrangements, contracts and transactions, having Shariah implications, are in line with the Shariah rules and principles as prescribed by Shariah Advisor of the Fund.

4. Our opinion

In our opinion, the Fund was, in all material respects, in compliance with the Shariah rules and principles as determined by Shariah Advisor of the Fund during the year ended 30 June 2012.

KARACHI:

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **IGI Islamic Income Fund (the Fund)**, which comprise the statement of assets and liabilities as at **30 June 2012**, and the related statements of income, comprehensive income, cash flows, distribution and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 2012 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Emphasis of matter

We draw attention to note 15 to the financial statements which explains the contingency with respect to the contribution for Workers' Welfare Fund amounting to Rs.2.004 million. In this regard, the Fund expects that the constitutional petition pending in the Honorable High Court of Sindh on the subject will be decided favorably.

Our opinion is not qualified in respect of this matter.

Other matters

The financial statements of the Fund for the year ended 30 June 2011 were audited by another firm of Chartered Accountants whose audit report dated 23 August 2011 included an emphasis of matter paragraph on uncertainty relating to the pending outcome of litigation regarding contribution towards Workers' Welfare Fund.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date:

Karachi

IGI ISLAMIC INCOME FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2012

	June 30, 2012	June 30, 2011
Note	----- (Rupees) -----	
Assets		
Bank balances	7 11,388,201	240,900,620
Investments	8 187,173,684	425,672,847
Deferred formation cost	9 1,036,616	1,465,202
Security deposits	100,000	-
Other receivables	10 3,718,939	15,696,675
Total assets	203,417,440	683,735,344
Liabilities		
Payable to the Management Company	11 335,566	2,024,464
Remuneration payable to the Trustee	12 49,177	81,043
Annual fee payable to the Securities and Exchange Commission of Pakistan	13 308,866	345,858
Amount payable on redemption of units	100,062	449,002
Accrued and other liabilities	14 410,889	360,700
Total liabilities	1,204,560	3,261,067
Net assets	202,212,880	680,474,277
Contingency	15	
Unit holders' fund	202,212,880	680,474,277
	----- (Number of units) -----	
Number of units in issue	1,973,147	6,575,506
	----- (Rupees) -----	
Net assets value per unit	102.4824	103.4862

The annexed notes from 1 to 25 form an integral part of these financial statements.

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

Chief Executive

Director

IGI ISLAMIC INCOME FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
Note	----- (Rupees) -----	
Income		
Finance income	50,713,422	54,310,363
Net loss on investments classified as 'at fair value through profit or loss' - held-for-trading		
- Net capital loss on sale of investments	(1,365,418)	-
- Net unrealised loss on revaluation of investments	(54,114)	(567,903)
	(1,419,532)	(567,903)
Total income	49,293,890	53,742,460
Expenses		
Remuneration of the Management Company	6,177,314	6,917,168
Sales tax on management fee	988,378	-
Remuneration of the Trustee	721,470	849,876
Annual fee of the Securities and Exchange Commission of Pakistan	308,866	345,858
Brokerage expense	62,202	31,700
Bank and settlement charges	17,054	9,277
Amortisation of deferred formation cost	428,586	398,782
Auditors' remuneration	345,092	287,400
Annual listing fee	40,109	30,000
Annual rating fee	174,948	200,000
Printing charges	127,672	90,060
Reversal of provision against Workers' Welfare Fund	-	(400,510)
Total expenses	9,391,691	8,759,611
Net income from operating activities	39,902,199	44,982,849
Element of (loss) / income and capital (losses) / gains included in prices of units sold less those in units redeemed - net	(9,344,865)	5,066,778
Net income for the year before taxation	30,557,334	50,049,627
Taxation	-	-
Net income for the year after taxation	30,557,334	50,049,627

The annexed notes from 1 to 25 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI ISLAMIC INCOME FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Net income for the year	30,557,334	50,049,627
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>30,557,334</u>	<u>50,049,627</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.

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

Chief Executive

Director

IGI ISLAMIC INCOME FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
Note	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	30,557,334	50,049,627
Adjustments for:		
Net capital loss on sale of investments classified as 'at fair value through profit or loss' - held-for-trading	1,365,418	-
Net unrealised loss on investments classified as 'at fair value through profit or loss' - held-for-trading	54,114	567,903
Amortisation of deferred formation cost	428,586	398,782
Element of loss / (income) and losses / (gains) included in prices of units sold less those in units redeemed - net	9,344,865	(5,066,778)
	<u>41,750,317</u>	<u>45,949,534</u>
Decrease / (increase) in assets		
Investments	302,231,983	(323,765,750)
Security deposits	(100,000)	-
Other receivables	11,977,736	(6,876,915)
	<u>314,109,719</u>	<u>(330,642,665)</u>
(Decrease) / increase in liabilities		
Payable to the Management Company	(1,688,898)	(606,193)
Remuneration payable to the Trustee	(31,866)	15,663
Annual fee payable to Securities and Exchange Commission of Pakistan	(36,992)	179,425
Amount payable on redemption of units	(348,940)	412,132
Accrued and other liabilities	50,058	(353,810)
	<u>(2,056,638)</u>	<u>(352,783)</u>
Net cash generated from / (used in) operating activities	<u>353,803,398</u>	<u>(285,045,914)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(2,198,311)	(871,203)
Amounts received on issue of units	403,662,942	554,206,657
Payment against redemption of units	(919,628,080)	(316,860,757)
Net cash (used in) / generated from financing activities	<u>(518,163,449)</u>	<u>236,474,697</u>
Net decrease in cash and cash equivalents during the year	<u>(164,360,051)</u>	<u>(48,571,217)</u>
Cash and cash equivalents at beginning of the year	240,900,620	289,471,837
Cash and cash equivalents at end of the year	<u>18</u> <u>76,540,569</u>	<u>240,900,620</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.

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

Chief Executive

Director

IGI ISLAMIC INCOME FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Undistributed income brought forward		
Realised gains	23,491,382	19,624,990
Unrealised losses	(567,903)	-
	22,923,479	19,624,990
 Total comprehensive income for the year	 30,557,334	 50,049,627
Final distribution of bonus @ 3.2477 units for every 100 units held, approved on: July 05, 2011 (2010: @ 5.0098 units for every 100 units held, approved on: July 02, 2010)	(21,398,120)	(19,036,369)
Final distribution of cash dividend @ Rs.3.2552 per unit held, approved on: July 05, 2011 (2010: Nil)	(6,482)	-
	(21,404,602)	(19,036,369)
 Interim distribution of bonus @ 2.5536 units for every 100 units held, approved on: September 29, 2011 (2010: @ 2.2703 units for every 100 units held, approved on: October 01, 2010)	 (9,994,131)	 (9,912,406)
Interim distribution of cash dividend @ Rs.2.5609 per unit held, approved on: September 29, 2011 (2010: Nil)	(67,123)	-
 Interim distribution of bonus @ 2.1018 units for every 100 units held, approved on: December 29, 2011 (2010: @ 2.0606 units for every 100 units held, approved on: December 29, 2010)	 (7,227,028)	 (8,114,012)
Interim distribution of cash dividend @ Rs.2.1287 per unit held, approved on: December 29, 2011 (2010: Nil)	(1,041,255)	-
 Interim distribution of bonus @ 2.2040 units for every 100 units held, approved on: March 29, 2012 (2011: @ 2.1926 units for every 100 units held, approved on: March 28, 2011)	 (7,241,962)	 (8,817,148)
Interim distribution of cash dividend @ Rs.2.2220 per unit held, approved on: March 29, 2012 (2011: @ 2.1774 per unit held, approved on: March 28, 2011)	(1,083,451)	(871,203)
 Interim distribution of bonus @ Rs.0.2587 units for every 100 units held, approved on: June 27, 2012 (2011: Nil)	 (523,041)	 -
Interim distribution of cash dividend @ Rs.0.2657 per unit held, approved on: June 27, 2012 (2011: Nil)	(131)	-
	(48,582,724)	(46,751,138)
 Undistributed income carried forward	 4,898,089	 22,923,479
 Undistributed income carried forward at end of the year		
Realised gains	4,952,203	23,491,382
Unrealised losses	(54,114)	(567,903)
	4,898,089	22,923,479

The annexed notes from 1 to 25 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI ISLAMIC INCOME FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Net assets at beginning of the year [Net asset value: Rs.103.49 per unit (2011: Rs.105.17 per unit)]	680,474,277	399,016,731
Amount realised / unrealised on issuance of 3,952,121 units (2011: 5,433,015 units)	403,662,942	554,206,657
Issuance of 461,429 bonus units in respect of final and interim distributions (2011: 457,233 units)	46,384,266	45,879,935
Amount paid / payable on redemption of 9,015,909 units (2011: 3,108,661 units)	(919,628,080)	(316,860,757)
	210,893,405	682,242,566
Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed - net	9,344,865	(5,066,778)
Total comprehensive income for the year before capital gains - realised and unrealised	31,976,866	50,617,530
Net capital loss on sale of investments classified as 'at fair value through profit or loss' - held-for-trading	(1,365,418)	-
Net unrealised loss on investments classified as at fair value through profit or loss' - held-for-trading	(54,114)	(567,903)
Total comprehensive income for the year	30,557,334	50,049,627
Distributions made during the year		
Final distribution of bonus units	(21,398,120)	(19,036,369)
Final distribution of cash dividend	(6,482)	-
Interim distribution of bonus units	(24,986,162)	(26,843,566)
Interim distribution of cash dividend	(2,191,960)	(871,203)
	(48,582,724)	(46,751,138)
	(18,025,390)	3,298,489
Net assets at end of the year [Net asset value: Rs.102.48 per unit (2011: Rs.103.49 per unit)]	202,212,880	680,474,277

The annexed notes from 1 to 25 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI ISLAMIC INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

IGI Islamic Income Fund (the Fund) has been established under the Non-Banking Finance Companies (Establishment and Regulation), Rules 2003 (the NBFC Rules) and has been authorised as a unit trust scheme by the Securities and Exchange Commission of Pakistan (SECP) on July 01, 2008. It has been constituted under a Trust Deed, dated July 03, 2008 between IGI Funds Limited (the Management Company), a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited (CDC) as the Trustee, also incorporated under the Companies Ordinance, 1984.

The Fund is an open ended sharia compliant (Islamic) Fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund, except for the units issued to core investors which are not redeemable for a period of two years from the date of initial public offer. The units are listed on the Lahore Stock Exchange (Guarantee) Limited (LSE). The Fund was launched on December 03, 2009.

The scheme seeks to provide good total return through a combination of current income and long-term capital appreciation, consistent with reasonable investment risk in a shariah compliant manner. The Fund invests in shariah compliant deposits, profit bearing accounts, certificate of investments, Musharika and Morabaha arrangements and debt securities.

Title to the assets of the Fund is held in the name of CDC as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention, except for investments and derivatives which are accounted for as stated in notes 4.2 and 4.3 below.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described in note 4.1.

4.1 New and amended standards and interpretations

During the year, following amendments, interpretations and improvements to the accounting standards became effective:

- IFRS 7 – Financial Instruments: Disclosures (Amendment)
- IAS 24 – Related Party Disclosures (Revised)
- IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 – Financial Instruments: Disclosures - Clarification of disclosures

IAS 1 – Presentation of Financial Statements - Clarification of statement of changes in equity

IAS 34 – Interim Financial Reporting - Significant events and transactions

IFRIC 13 – Customer Loyalty Programmes - Fair value of award credits

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements of the Fund.

4.2 Investments

The investments of the Fund, upon initial recognition, are classified as investment at fair value through profit or loss or held to maturity investments as appropriate.

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

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

- 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 Government of Pakistan (GoP) Ijarah Sukuk.

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

After initial measurement, these are carried at fair value and the gains or losses on revaluation are recognised in the income statement.

- Held to maturity

Investment securities with fixed maturities and fixed or determinable payments are classified as 'held-to-maturity investments' when management has both the intention and ability to hold till maturity. After initial measurement, such investments are carried at amortised cost less any provision for impairment except for in case of debt securities and government securities, which are carried at fair value in accordance with the requirements of the NBFC Regulations.

Fair value of investments is determined as follows:

Government securities

These are valued by reference to the quotations obtained from the Reuters page.

4.3 Derivative financial instruments

Derivative instruments held by the Fund generally comprise of futures contracts, options and forward contracts etc in the capital market. These are initially recognised at cost and are subsequently remeasured at their fair value. The fair value of derivative instruments is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the instrument. Derivative with positive market values (un-realised gains) are included in other assets and derivatives with negative market values (un-realised losses) are included in other liabilities in the statement of asset and liabilities. The resultant gains and losses are included in the income currently.

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

4.4 Impairment of financial assets

An assessment is made at each statement of assets and liabilities date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss, is recognised in the income statement.

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 profit 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.

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

4.5 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.

4.6 Issue and redemption of units

Units issued are recorded at the offer price prevalent on the day on which application form, (complete in all respects) is received. The offer price represents the net asset value of units at the end of the day plus the allowable sales load. The sales load is payable to the Management Company as processing fee. Issue of units is recorded on acceptance of application for sale.

Units redeemed are recorded at the redemption price, prevalent on the day on which the redemption form (complete in all respects) is accepted. The redemption price represents the net asset value of units at the end of the day. Redemption of units is recorded on acceptance of application for redemption.

4.7 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 at year end.

4.8 Revenue recognition

- Gains or losses arising on sale of investments are included in the income statement in the period in which they arise.
- Unrealised gains or 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.
- Profit from Shariah Compliant debt securities and return on bank balances is recognised on a time proportion basis using effective profit rate method.

4.9 Element of income / loss and capital gains / losses included in prices of units sold less those in units redeemed

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

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

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

4.10 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates, if any. The Fund is exempt from taxation under clause 99 of Part I of the 2nd Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income excluding realised and unrealised capital gains for the year is distributed amongst the unit holders.

4.11 Financial assets and financial liabilities

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

Financial assets carried in the statement of assets and liabilities include bank balances, investments, security deposits and profit receivable on bank balances and Government of Pakistan Ijarah Sukuk.

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

4.12 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.

4.13 Provision

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

4.14 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 commencing from December 04, 2009 (the date of the end of initial public offer period of the Fund) as stated in the Trust Deed of the Fund approved by the Securities and Exchange Commission of Pakistan.

4.15 Cash and cash equivalents

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

4.16 Distribution to unit holders

Distribution to unit holders made subsequent to the statement of assets and liabilities date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared and approved by the Board of Directors of the Management Company.

4.17 Other assets

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

4.18 Liabilities

All expenses including management fee and trustee fee are recognised in the income statement as and when incurred.

5. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in the relevant accounting policies / notes to the financial statements.

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

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

Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments : Disclosures – (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 1 Presentation of Financial Statements – Presentation of items of comprehensive income	July 01, 2012
IAS 12 Income Taxes (Amendment) - Recovery of Underlying Assets	January 01, 2012
IAS 19 Employee Benefits – (Amendment)	January 01, 2013
IAS 32 Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Fund expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Fund's financial statements in the period of initial application except of certain additional disclosures.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

	Note	June 30, 2012 ----- (Rupees) -----	June 30, 2011
7. BANK BALANCES			
Bank balances - local currency	7.1	<u>11,388,201</u>	<u>240,900,620</u>
7.1	The deposit accounts with the banks carry profit at the rates ranging from 5% to 11.75% per annum (June 30, 2011: 5% to 12% per annum).		
8. INVESTMENTS			
Financial asset classified as 'at fair value through profit or loss' - held-for-trading			
Government of Pakistan Ijarah Sukuk	8.1	122,021,316	425,672,847
Held to maturity			
Commercial papers	8.2	<u>65,152,368</u>	-
		<u>187,173,684</u>	<u>425,672,847</u>

8.1 Government securities - Ijarah Sukuk

Particulars	Yield per annum	Face value					Carrying value as at June 30, 2012	Net assets on the basis of carrying value	Total investment on the basis of carrying value
		As at July 01, 2011	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2012			
		----- (Rupees) -----					----- (%) -----		
GOP Ijara Sukuk - IV	-	100,000,000	-	100,000,000	-	-	-	-	
GOP Ijara Sukuk - V	-	60,000,000	-	60,000,000	-	-	-	-	
GOP Ijara Sukuk - VII	11.81%	178,500,000	50,000,000	145,000,000	-	83,500,000	84,008,558	41.54%	
GOP Ijara Sukuk - VIII	11.94%	85,000,000	-	62,000,000	-	23,000,000	23,000,000	11.37%	
GOP Ijara Sukuk - IX	11.94%	-	15,000,000	-	-	15,000,000	15,012,758	7.42%	
		<u>423,500,000</u>	<u>65,000,000</u>	<u>367,000,000</u>	<u>-</u>	<u>121,500,000</u>	<u>122,021,316</u>	<u>60.33%</u>	
								<u>65.19%</u>	

8.2 Commercial papers - Sukuk certificates (secured) - held to maturity

Name of the investee company	Rate of Return per annum	Face value				Balance as at June 30, 2012			Net assets on the basis of face value	Total investment on the basis of face value
		As at July 01, 2011	Purchased during the period	Sold during the year	As at June 30, 2012	Carrying value	Maturity	Rating		
		----- (Rupees) -----							----- (%) -----	
Hub Power Company Limited	13.09%	-	35,000,000	-	35,000,000	36,870,248	Aug. 03, 2012	AA+	17.31%	18.70%
Engro Fertilizers Limited	13.55%	-	27,260,000	-	27,260,000	28,282,120	Sep. 22, 2012	AA-	13.48%	14.56%
		-	<u>62,260,000</u>	-	<u>62,260,000</u>	<u>65,152,368</u>			<u>30.79%</u>	<u>33.26%</u>

8.3 Non compliant investments

Name of non compliant investment / placement	Note	Type of investment	Rating	Value of investment before provision	Provision held if any	Value of investment after provisioning	Gross assets	Net assets	
				----- (Rupees) -----				----- (%) -----	
Hub Power Company Limited	8.3.1	Commercial papers	AA+	35,000,000	-	35,000,000	17.21%	17.31%	

8.3.1 The above exposure is in excess of the limit of 10% prescribed by the NBFC Regulations and disclosure for breach of exposure limit is made as required by the Circular No. 16 of 2010 dated July 07, 2010 by the SECP.

June 30, 2012
June 30, 2011
----- (Rupees) -----

9. DEFERRED FORMATION COST

Unamortised cost at the beginning of the year	1,465,202	1,863,984
Amortised during the year	<u>(428,586)</u>	<u>(398,782)</u>
Unamortised cost at the end of the year	<u>1,036,616</u>	<u>1,465,202</u>

Formation cost represents expenditure incurred prior to the commencement of operations of the Fund as incurred by the Management Company and are being amortised over a period of five years commencing from December 04, 2009.

10. OTHER RECEIVABLES

Profit receivable on:		
- bank balances	208,479	1,510,753
- Government of Pakistan Ijarah Sukuk	<u>3,510,460</u>	<u>14,185,922</u>
	<u>3,718,939</u>	<u>15,696,675</u>

11. PAYABLE TO MANAGEMENT COMPANY

Remuneration payable to the Management Company	11.1	289,223	715,058
Sales tax payable on management fees		46,274	-
Other payables		69	1,309,406
		<u>335,566</u>	<u>2,024,464</u>

11.1 The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the NBFC Regulations, of an amount not exceeding 3% 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 2% per annum of such assets of the Fund. Currently, the management fee is charged @ 1.5% (June 30, 2011: 1.5%) of the average daily net assets of the Fund.

12. REMUNERATION PAYABLE TO THE TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund calculated at the rate of 0.17% per annum on amount upto Rs.1 billion of the daily average net assets of the Fund or Rs.0.6 million, whichever is higher, and Rs.1.7 million plus 0.085% per annum of net asset value exceeding Rs.1 billion when daily average net assets of the Fund exceeds Rs.1 billion.

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

This represents annual fee payable to the Securities and Exchange Commission of Pakistan (SECP) in accordance with Regulation 62 of the NBFC Regulations, whereby the Fund is required to pay SECP an amount at the rate of 0.075% (June 30, 2011: 0.075%) of the average daily net assets of the Fund.

14. ACCRUED AND OTHER LIABILITIES

Dividend payable to unit holders	131	-
Brokerage expense	7,701	10,700
Auditors' remuneration	250,000	200,000
Annual rating fee payable	86,165	100,000
Printing charges payable	66,772	50,000
Capital gains tax payable	120	-
	<u>410,889</u>	<u>360,700</u>

15. CONTINGENCY - CONTRIBUTION TO WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action through letter dated October 06, 2010. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter dated January 04, 2011 subsequently cancelled ab-initio the clarification letter dated October 06, 2010 on applicability of WWF on mutual funds.

On December 14, 2010, the Ministry filed its response against the constitutional petition requesting the SHC to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the SHC.

During the current year, the Honourable Lahore High Court (LHC) in a similar Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the constitutional petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the Fund is not liable to contribute to WWF. Hence, aggregate unrecognised amount of WWF as at June 30, 2012 amounted to Rs.2.004 million (June 30, 2011: Rs.1.393 million). Had the provision been made the net asset value per unit of the Fund would have been lower by Rs.1.016 per unit (June 30, 2011: Rs.0.212 per unit).

16. SALES TAX ON MANAGEMENT FEE

During the current year, an amount of Rs.0.988 million (June 30, 2011: Rs.Nil) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

17. 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. The Management Company intends to distribute not less than 90% of its annual accounting income, if any, to comply with the above clause at year end. Accordingly, no provision for current and deferred tax has been made in these financial statements.

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
18. CASH AND CASH EQUIVALENTS		
Bank balances	11,388,201	240,900,620
Commercial papers maturing within 3 months	65,152,368	-
	<u>76,540,569</u>	<u>240,900,620</u>
19. NON SHARIAH COMPLIANT INCOME		

According to the instructions of the Shariah Advisor if any income is earned by the fund from the investments whereby a portion of income of such investees has been derived from prohibited sources, such proportion of income of the Fund should be donated to charitable purposes. However, during the year ended June 30, 2012, no such income is earned.

20. TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS

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

Remuneration payable to the Management Company and the Trustee are determined in accordance with the provisions of NBFC Regulations and the Trust Deed respectively.

21. FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund has exposure to following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

The Fund primarily invests in specified shariah compliant money market investments such as investment-grade sukuk certificates etc. Such investments are subject to varying degrees of risk.

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

21.1 Credit risk

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

Management of credit risk

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

Exposure to credit risk

The table below analyses the Fund's maximum exposure to credit risk. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements at reporting date:

	Carrying amount	
	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Bank balances	11,388,201	240,900,620
Investments classified as		
- held to maturity	65,152,368	-
Security deposits	100,000	-
Profit receivable on:		
- bank balances	208,479	1,510,753
	<u>76,849,048</u>	<u>242,411,373</u>

Credit quality of bank balances

Details of credit rating of banks holding balances / deposits (including mark-up / return receivable thereon) are as follows:

	Rating	June 30,	June 30,
		2012	2011
		----- (%) -----	
Al-Baraka Islamic Bank	A/A1	0.04	-
Dubai Islamic Bank (Pakistan) Limited	A/A1	-	-
Bank Alfalah Limited	A1+/AA	0.13	-
Bank of Khyber	A2/A-	0.05	58.00
MCB Bank Limited	A1+/AA+	0.01	42.00
Burj Bank Limited	A/A1	99.77	-
		<u>100.00</u>	<u>100.00</u>

Credit quality of held-for-trading investments

Investment in government securities i.e. ijarah sukuku are not exposed to credit risks.

Past due or impaired financial assets

None of the financial assets are considered to be past due or impaired as at June 30, 2012 and June 30, 2011.

Credit quality of Held to Maturity (HTM) investments

The table below analyses the Fund's investment in held to maturity investments on the basis of short-term rating given to the issuer by the credit rating agencies.

Rating	June 30, 2012		June 30, 2011	
	Amount of credit exposure -- (Rupees) --	% of HTM investments	Amount of credit exposure -- (Rupees) --	% of HTM investments
Held to maturity investment neither past due nor impaired				
A1 / A1+	<u>65,152,368</u>	<u>100%</u>	-	-
	<u>65,152,368</u>	<u>100%</u>	-	-

Credit quality of profit receivable on bank deposits and other receivables

Profit receivable on bank deposits and other receivables were received subsequent to the year end.

Concentration of the credit risk

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

21.2 Liquidity risk

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

Management of liquidity risk

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

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

Maturity analysis for financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the statement of assets and liabilities 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:

	June 30, 2012			
	Carrying amount and contractual cash flows	Less than a month	More than one month and upto three months	More than three months and upto one year
----- (Rupees) -----				
Financial liabilities				
Payable to the Management Company	335,566	335,566	-	-
Remuneration payable to the Trustee	49,177	49,177	-	-
Amount payable on redemption of units	100,062	100,062	-	-
Accrued and other liabilities	410,889	410,889	-	-
	<u>895,694</u>	<u>895,694</u>	<u>-</u>	<u>-</u>
	June 30, 2011			
	Carrying amount and contractual cash flows	Less than a month	More than one month and upto three months	More than three months and upto one year
----- (Rupees) -----				
Financial liabilities				
Payable to the Management Company	2,024,464	2,024,464	-	-
Remuneration payable to the Trustee	81,043	81,043	-	-
Amount payable on redemption of units	449,002	449,002	-	-
Accrued and other liabilities	360,700	360,700	-	-
	<u>2,915,209</u>	<u>2,915,209</u>	<u>-</u>	<u>-</u>

Above financial liabilities do not carry any mark-up.

21.3 Market risk

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

Management of market risks

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

Profit rate risk

Profit rate risk arises from the effects of fluctuations in the prevailing levels of markets profit rates on the fair value of financial instruments and future cash flows. The profit rate environment is monitored on a regular basis and the portfolio mix of fixed and floating rate securities is altered. The Fund's investments in variable profit rate securities expose the Fund to cash flow interest rate risk. The Fund is not exposed to fair value profit rate risk.

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

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Variable rate instruments		
Bank balances	11,388,201	240,900,620
Government of Pakistan Ijarah Sukuk	122,021,316	425,672,847
Commercial papers	65,152,368	-
	<u>198,561,885</u>	<u>666,573,467</u>

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

Cash flow sensitivity analysis for variable rate instruments

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 lower / higher by Rs. 1.951 million (June 30, 2011: Rs.6.644 million). This analysis assumes that all other variables remain constant. The analysis for year ended June 30, 2011 is performed on the same basis.

21.4 Unit Holders' Fund risk management

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

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

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

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

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

21.5 Fair value hierarchy

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

- Level 1:** quoted prices in active markets for identical assets.
- Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3:** techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at June 30, 2012, the Fund held the following financial instruments which were measured at fair value:

	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Investments classified as 'at fair value through profit or loss' - held-for-trading				
Government securities				
- Ijarah Sukuk	<u>-</u>	<u>122,021,316</u>	<u>-</u>	<u>122,021,316</u>

As at June 30, 2011, the Fund held the following financial instruments which were measured at fair value:

	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Investments classified as 'at fair value through profit or loss' - held-for-trading				
Government securities				
- Ijarah Sukuk	<u>-</u>	<u>425,672,847</u>	<u>-</u>	<u>425,672,847</u>

During the year ended June 30, 2012, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

21.6 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value as the items are short term in nature.

22. SUBSEQUENT EVENT

The Board of Directors of the Management Company have approved distributions of 1.9849 units (June 30, 2011: 3.2477 units) for every 100 units (Growth units) held and Rs. 1.9946 per unit (June 30, 2011: Rs.3.2552 per unit) (Income units) for the year ended June 30, 2012 amounting to Rs. 3.94 million (June 30, 2011: Rs.21.404 million) in total, in their meeting held on July 05, 2012. These financial statements do not reflect these distributions which will be accounted for subsequent to the year end.

23. 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 the NBFC Regulations has been disclosed in Annexure I to the financial statements.

24. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by Board of Directors of the Management Company on 27th Aug'2012.

25. GENERAL

Figures are rounded off to the nearest rupee.

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

Chief Executive

Director

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

(i) **UNIT HOLDING PATTERN OF THE FUND**

As at 30 June 2012				
Category	Number of unit holders	Number of units held	Amount Rupees	% of total
Individuals	39	319,163	32,708,622	16.18%
Associated Companies / Directors	1	1,103,216	113,060,258	55.91%
Insurance Companies	-	-	-	0.00%
Banks/ Financial institutions	-	-	-	0.00%
Retirement and Other Funds	1	22,918	2,348,721	1.16%
Others	3	527,849	54,095,279	26.75%
	<u>44</u>	<u>1,973,147</u>	<u>202,212,879</u>	<u>100%</u>

As at 30 June 2011				
Category	Number of unit holders	Number of units held	Investment amount	% of total
Individuals	27	2,104,224	217,758,218	32.00%
Associated Companies / Directors	1	566,736	58,649,370	8.62%
Insurance Companies	4	148,506	15,368,332	2.26%
Banks/ Financial Institution	2	1,619,595	167,605,801	24.63%
Retirement and other Funds	3	1,532,060	158,547,110	23.30%
Others	2	604,384	62,545,447	9.19%
	<u>39</u>	<u>6,575,505</u>	<u>680,474,278</u>	<u>100%</u>

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

Name of broker	Percentage of commission	
	2012	2011
IGI Finex Securities	0%	2%
ICON Securities	0%	28%
Al-Falah Security Pvt Ltd	8%	38%
Elixir Securities	0%	32%
Invest & Finance (Pvt) Ltd	20%	
Invest One Markets (Pvt.) Ltd	33%	
JS Global Capital Ltd	26%	
KASB Securities (Pvt.) Ltd	13%	
	<u>100%</u>	<u>100%</u>

(iii) **PARTICULARS OF MEMBERS OF THE INVESTMENT COMMITTEE**

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

- Maheen Rahman - CEO
- Muddasir Ahmed Shaikh - CIO
- Syed Muhammad Zeeshan - CFO
- Syed Saifullah Kazmi - Fund Manager
- Mr. Nabeel Malik – Fund Manager
- Mr. Zafarullah Maqdi - Compliance Officer

Maheen Rahman - CEO

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

Muddasir Shaikh - CIO

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

Syed Muhammad Zeeshan - CFO

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

Syed Saifullah Kazmi - Fund manager

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

Mr. Nabeel Malik – Fund Manager

Mr. Nabeel Malik brings with him a rich and diversified experience in the field of fund management and fixed income trading/facilitation. Before becoming a part of IGI Funds' team, he was associated with Pak-Oman Asset Management Co, heading its Fixed Income Fund Management Department. where he proficiently handled money market trading, liquidity and funds management contributing positively towards bottom line profitability. His diverse experience in the field of finance includes names like Pak-Kuwait Investment Co, Orix Investment Bank, KASB Securities and Mobilink GSM. Mr. Malik has done his MBA from SZABIST and holds a B.Sc degree in Computing & I.T from Staffordshire University U.K.

(iv) **DIRECTOR MEETING ATTENDANCE**

Name of Director	Designation	Meetings			
		Total	Attended	"Leave Granted"	Meeting not attended
Mr. Javed Hamid	Chairman	5	5	-	-
Mr. Khalid Jacob	Director	5	5	-	-
Mr. Ahmed Alman Aslam	Director	5	4	1	38th
Mr. Abid Naqvi	Director	5	4	1	34th
Syed Javed Hassan	Director	3	3	-	-
Mr. Asif Saad	Director	5	3	2	36th & 37th
Mr. Tariq Qureshi	Director	2	2	-	-
Ms. Maheen Rahman	CEO	5	5	-	-

Mr. Javed Hassan resigned as member Board of Directors of the Management Company on December 27, 2011 and Mr. Tariq Qureshi was appointed as Member Board of Directors of the Management Company the same day.

Securities and Exchange Commission of Pakistan (SECP) approved both changes on March 02, 2012.

Dates of the meetings of the Board of Directors

Thirty-Fourth meeting	July 5, 2011
Thirty-Fifth meeting	August 23, 2011
Thirty-Sixth meeting	October 27, 2011
Thirty-Seventh meeting	January 27, 2012
Thirty-Eighth meeting	April 24, 2012

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

JCR-VIS has awarded asset manager rating of an "AM2-" to IGI Funds Limited in its report dated May 2012. The rating reflects the company's experienced and qualified management team, a structured and strong fund management function, and demonstrated support of the sponsoring Group. The rating also factors in a growing realization on part of the management to institute a strong in-house risk management, compliance and control platform, translating into an improved relative standing amongst peers.

PACRA has awarded normal rating of "A+ (f)" to IGI Islamic Income Fund based on the performance review for the year ended 30 June 2012 vide its report dated 28 June 2012.



Annual Report 2012

IGI

MONEY MARKET FUND

Managed by
IGI FUNDS LIMITED

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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

Fund Manager's Information

Management Company

IGI Funds Limited
Rated AM 2- by JCR-VIS

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) 35301729
Email: info@igifunds.com.pk
Website: www.igifunds.com.pk

Board of Directors of the Management Company

Mr. Javid Hamid (Chairman)
Ms. Maheen Rahman (Chief Executive Officer)
Mr. Khalid Yacob
Mr. Ahmed Alman Aslam
Mr. Abid Naqvi
Mr. M. Asif Saad
Mr. Tariq Qureshi

Chief Financial Officer

Syed Muhammad Zeeshan

Company Secretary

Syed Muhammad Zeeshan

Audit Committee

Mr. Abid Naqvi (Chairman)
Mr. Khalid Yacob (Member)
Mr. Tariq Qureshi (Member)

Fund's Information

Trustee

Central Depository Company of Pakistan Limited
CDC House, 99-8, Block B, S.M.C.H.S
Main Shahra-e-Faisal, Karachi-74400, Pakistan

Distributors

Al-Habib Capital Markets (Pvt.) Ltd.
Atlas Capital Markets (Pvt.) Ltd.
BMA Financial Services Ltd.
Bulls and Bulls (Pvt.) Ltd.
Financial Avenue
Foundation Securities (Pvt.) Ltd.
IGI Investment Bank Limited
KASB Securities
Pak Oman Investment Company Ltd.
Pyramid Financial Consultant (Pvt.) Ltd
IGI Securities Ltd.
MCB Bank Ltd.
Vector Consulting (Pvt.) Ltd.

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road,
P.O.Box 15541, Karachi-75530
Pakistan

Legal Advisor

Bawany & Partners
Room No 404, 4th Floor
Beaumont Plaza. 6-CL-10
Beaumont Road, Civil Lines, Karachi

Bankers

Bank Al-falah Limited
Bank Al-Habib Limited
MCB Bank Limited
Allied bank Limited

IGI Money Market Fund

Directors' Report

To our valued Unit Holders,

The Board of Directors of IGI Funds Limited is pleased to present you the Annual Report of the IGI Income Fund (the "Fund") for the year ended 30 June 2012.

FY12 Economic Review & Outlook

FY12 marked the close of five straight years of economic policy making by the current coalition government. In many respects FY12 was a continuation of challenges faced in FY11, in particular a growing power deficit, rising international commodity prices and slowdown in aid flows. Key targets were missed notably the fiscal deficit clocking in at above 8% and GDP growth at 3.7%. On a promising note overall inflation levels stayed well within the government's and the State Bank of Pakistan (SBP) targets with strong indication of lower future inflation and interest rates. The SBP loosened its monetary policy stance to support the growth trajectory bringing the key policy rate to 12% in 2QFY12.

GDP Growth

GDP growth has recovered from 1.7% in 2008-09 to 3.7% in 2011-12. Structural constraints such as growing power deficit and higher oil prices have restricted growth especially in manufacturing and services sectors. Overall investment levels have shrunk, while tax/GDP and the savings rate have dropped to all time lows. However, despite such negative indicators, corporate earnings and results showed a positive turnaround especially in banking and cement industries. These two sectors are strong leading indicators for a revival in GDP growth.

Twin Deficits and Currency Depreciation

In order to meet revenue shortfalls, the government relied heavily on borrowing from SBP and secondary sources. During the year, total government borrowing touched levels of PKR 1.2tn from banking channels. Contrary to the trend of the last few years, borrowing from the SBP has reached PKR 505bn in FY12 compared to a net retirement of PKR 8bn last year. Unless revenue shortfalls are comprehensively addressed it will be difficult to meet FY13 projected budget deficits.

The external accounts, too remained weak with a current account deficit of USD4.52bn (1.9% of GDP) as against a surplus of USD214mn (0.1% of GDP) in the corresponding period last year. This deficit was the outcome of a higher trade imbalance up by 46% YoY mainly due to international oil prices and increasing supply side constraints from power sector. Even as inbound remittances grew at a robust 18%, weak foreign aid and investment flows forced a currency depreciation of 9% over the year.

Positive suppression in Inflation and interest rates

CPI inflation surprised on the downside, averaging at 11.01% for the year. This average was well below SBP's target of 12% and was achieved on the back of lower food inflation. Given lower inflation, the SBP shifted focus to economic growth with an easing in the policy discount rate by 200bps during the year to 12%.

Looking ahead, the recent decline in oil prices will bode well for the external position as it would take pressure off the import bill. Moreover, re-opening of NATO supply routes and US assurances that USD 1.2bn of CFS funds would be disbursed by Dec12 can also prove to be the inflection point as far as the external account is concerned. However, the timing of the disbursement is essential, particularly for the exchange rate as scheduled debt repayments to IMF will continue. Although the recent ease off in inflation has created room for 50 - 100 bps cut in policy rate in the early part of FY13, inflationary central bank borrowing would be a major factor for affecting future direction of interest rates.

Equity Market:

With an absolute appreciation of 10.44% in the benchmark index levels, during FY12, the KSE was among the top performing markets globally. Performance was markedly more impressive in the 2HFY12 as the KSE 100 rose by 22% between Jan-June'12. This was in response to clarity and relief on important market taxes specially Capital Gains Tax. Average daily volumes improved to 128mn shares as against 95mn shares, a year earlier.

Corporate Profitability pushing valuations to record lows

In the first nine months of the fiscal, corporate profitability remained robust; rising by an impressive 24%YoY. Among listed sectors, profitability growth was strong in Cements, Auto, E&P, OMCs and Banking sectors. Cumulative profits of energy companies witnessed an stellar growth of 45%YoY, with E&P companies profits recording a 54%YoY increase on the back of higher realized oil and gas prices, PKR:USD depreciation and enhanced production profile. OMCs profits increased by 52%YoY largely owing to PSO booking heavy interest income passed on by the power utilities. Earnings growth in the services sector (26%YoY) was led by the banking sector (up 25%YoY) due to lower provisioning amid decline in accretion of non-performing loans. In Utilities, while KESC recorded maiden profit for the full year, PTCL's profits increased by 44%YoY owing to improvement in core operations. On the downside, manufacturing sector's overall profits plunged by 33%YoY mainly owing to a decline of 63%YoY in the profitability of fertilizer manufacturers. Lower urea offtake due to the availability of GoP's subsidized imported urea led to this earnings decline. Textile and chemical sector profitability too declined by 60%YoY and 68%YoY, respectively. However, cements and auto profits grew by a substantial 367%YoY and 118%YoY, respectively as their strong pricing power led to massive margin expansions.

In terms of price performance, Cement and Autos lead the rally with returns of 75% and 21%, respectively. Fertilizers', despite outstanding CY11 financial performance, remained under pressure owing to gas outages and rising cost burden, which translated into price performance of mere 8% returns. Despite handsome earnings growth, the Energy sector reflected subdued price performance owing to uncertainty regarding pricing of PPL's secondary offering and uncertainty on future oil price levels.

For the upcoming year, equities should post decent performance on the back of (i) double-digit corporate earnings growth of approx. 13% in FY13 (ii) relative stability in USD on the back of improved Pak-US relations and continuous aid flows (iii) decent FY13F valuations of 5.8x PE, 9% dividend yield and 25% ROE, and (iv) stable or declining interest rates owing to slowdown in inflation.

Based on the above, equities offer an attractive investment opportunity for value investors. Key challenges for market investors will be subdued sentiment, any deterioration in PKR-USD parity and continuing political noise as election year nears in 2013.

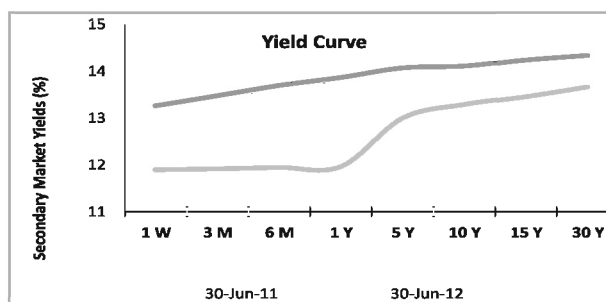
Commodities

The outgoing year witnessed risk-averse investment activity as global growth worries and sustainability of the Euro Bloc dominated sentiment. Investors opted to move away from risky asset classes as evident from price movements of global equities, USD stock indices, precious metals and industrial commodities. Gold Bullion marked an appreciation of 6.4% in FY12 whereas Crude Oil and Silver recorded a fall of 10.5% and 20.9%, respectively. Upward rallies in these commodities will depend heavily on United States Federal Reserve offering stimulus in the form of further quantitative easing (QE3). In the Euro zone, weaker economies remained major trouble points. Bailout assistance is expected to continue over FY13 with a wider list of recipients in the Eurozone.

Larger global economies are depicting fragile growth trajectories. Recent data from US and China affirms the slower recovery in economic activity which has created an expectation for monetary stimulus from Central Banks. Hence, Gold offers a preferable investment opportunity with potential upside whereas Crude Oil will remain under pressure with increased volatility.

Money Market: Interest Continues as Yields Remain High

Money market yields moved in tandem with the interest rate cycle, during the period. The SBP eased its tight monetary policy stance during the first half of the year to bolster growth and private sector credit. The apex regulator slashed the policy rate twice in 1HFY12 by a total of 200bps. Money market yields subsequently dropped with a parallel downward shift in the yield curve.



The government's rising need for liquidity resulted in higher than targeted borrowing from scheduled banks through auctions, in FY12. Throughout the better part of FY12, auction participation remained biased towards shorter tenor.

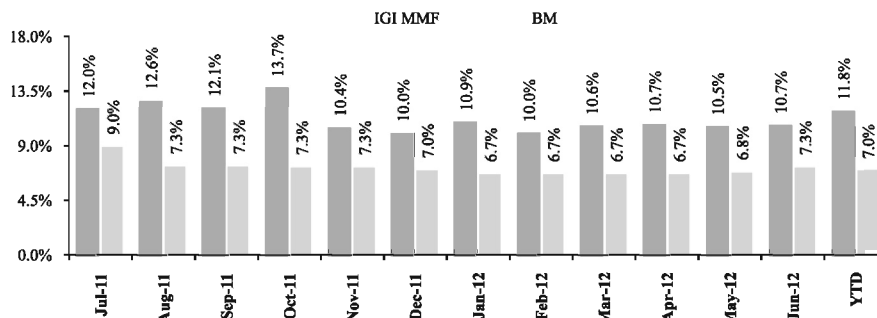
On the corporate bonds side, major activity was witnessed in the bonds with a preference for higher credit rating and wide spreads over KIBOR to secure maximum yields. Yields on such instruments remained in the vicinity of 13.50% - 14.00%.

Fund Operations and Performance; top of its class!

IGI MMF completed the year with a YTD return of 11.79% and an average fund size of PKR 1,721 Mn. IGIMMF not only outperformed its benchmark of 6.96% but also placed at the top of funds returns of its category. The fund maintained a strong position in T-Bills of short to mid term duration throughout the period. Short term placements with Banks and DFIs took place at attractive rates with minimum cash balance holdings. The fund also focused on Commercial Papers for a period of 6 Months that provided an above par return.

IGI MMF maintained its strategy of maintaining very low cash reserves, instead opting to maintain exposure in short term treasury bills. This allowed maximization of returns.

Monthly & YTD Performance



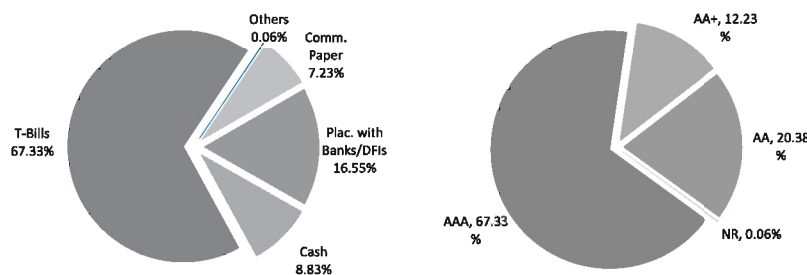
Payout

At the end of the year under review, the fund paid out final cash dividend of Rs. 1.13 per unit translating into 1.13 bonus units for every 100 units held. This is 97% payout of total earnings compared to 90% requirement by law. IGI MMF had the following interim payout distribution:

	BONUS	CASH
28-Jul-11	1.0339	1.0351
28-Aug-11	0.7707	0.7739
28-Sep-11	1.0457	1.0498
27-Oct-11	0.9119	0.9174
29-Nov-11	0.9396	0.9449
27-Dec-11	0.7686	0.7732
27-Jan-12	0.7818	0.7877
28-Feb-12	0.7539	0.7596
28-Mar-12	0.8312	0.8384
28-Apr-12	0.7569	0.7644
28-May-12	0.7132	0.7216
27-Jun-12	0.6118	0.6206

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

Asset Allocation & Credit Split



(Rupees in millions)

Description	For the year ended 30 June 2012	For the year ended 30 June 2011	For the period from 28 May 2010 to 30 June 2010
Net Assets	2,901.17	2,694.68	816.49
Net Income	374.40	201.39	8.04
Net Assets Value per Unit (Rs.)	101.53	101.75	100.99
Issuance of units during the Year	6,888.74	6,177.06	1,741.37
Redemption of units during the Year	6,690.59	4,329.81	933.55

Future Outlook

Going forward, the Fund plans to maintain its position in risk-free treasury securities while raising its duration as interest rates are expected to decline. The fund will maintain low cash reserves, opting for short term T-Bills and high yielding placements, such as CODs and CPs, to bolster the bottom line.

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 Money Market Fund, the results of the operations, cash flow and the changes in Unit-holders funds.
- b) IGI Money Market 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 Money Market 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) The number of units of the Fund held by the Chief Executive, directors, executives and their spouses as at 30 June 2012 as given in note # 14.1;
- l) Summary of units acquired/ redeemed during the year by the Chief Executive, director, executives and their spouses as at 30 June 2012 as given in note # 14.1;

Audit Committee Meetings

Below are the detail of Audit Committee meetings held during the period and attendance of Audit Committee Members.

Member	Meetings Held	Meetings Attended
Mr. Khalid Yacob	4	4
Mr. Abid Naqvi	4	4
Mr. Tariq Hasan Quraishi (Appointment date: December 27, 211)	4	2
Mr. Javed Hassan (Resignation date: December 27, 211)	4	2

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
27 August 2012

IGI Money Market Fund

Annual Fund Manager's Report

Type of Fund

Open-end Scheme

Category of Fund

Money Market Scheme

Investment Objective

To generate competitive returns consistent with low risk fro a portfolio constituted of short term instruments including cash deposits, money market placements, and government securities.

Accomplishment of Objective

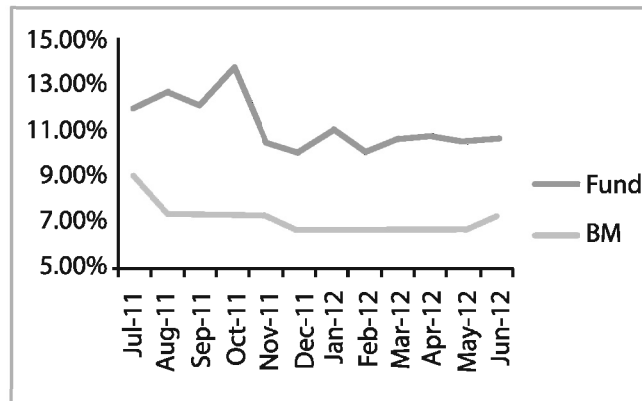
The Fund has achieved its objective of generating regular income by investing in low duration fixed income instruments within the guidelines provided under NBFC rules.

Benchmark

The Fund's benchmark is Average of 3-Month deposit rate of AA and above rated scheduled banks.

Performance comparison with Benchmark

Month	Fund	BM
Jul-11	11.99%	8.95%
Aug-11	12.64%	7.33%
Sep-11	12.08%	7.33%
Oct-11	13.69%	7.33%
Nov-11	10.44%	7.25%
Dec-11	9.98%	6.67%
Jan-12	10.90%	6.67%
Feb-12	9.99%	6.67%
Mar-12	10.57%	6.67%
Apr-12	10.69%	6.67%
May-12	10.54%	6.67%
Jun-12	10.67%	7.25%



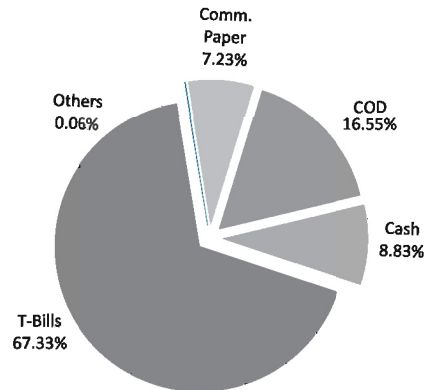
Strategies and Policies employed during the period

The fund maintained a strong position in T-Bills of short to mid term duration throughout the period. Short term placements with Banks and DFIs took place at attractive rates with minimum cash balance holdings. The fund also focused on Commercial Papers for a period of 6 Months that provided an above par return.

IGI MMF maintained its strategy of maintaining very low cash reserves, instead opting to maintain exposure in short term papers. Liquidity was generated by offloading T-Bills. This allowed maximization of returns.

Portfolio Allocation

COD	16.55%
Cash	8.83%
T-Bills	67.33%
Others	0.06%
Commercial Paper	7.23%



Significant changes in Assets Allocation during the period

IGI MMF shifted its main focus from T-Bills onto placements with DFI's and Commercial Papers of rated entities. The major portion of the portfolio remained with T-Bills.

Fund Performance

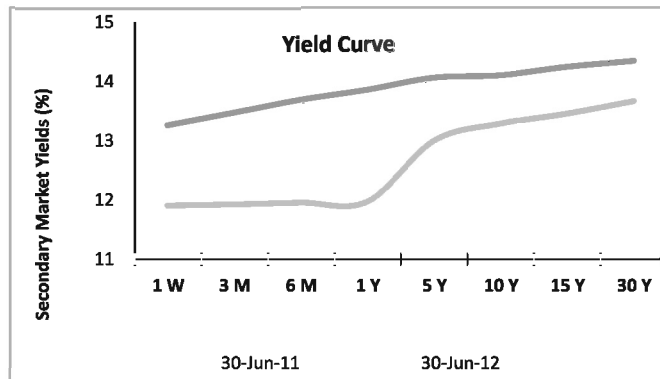
For the period ended 30 June 2012, the Fund posted an appreciation of 11.79% (FY10:11.89% p.a.) in NAV and completed the period with net assets amounting to PKR 2,901 million (FY10:Rs. 2,695 million)

Review of the market invested in

The money market yields moved in tandem with the interest rate cycle, during the period. The SBP eased its tight monetary policy stance during the first half of the year to bolster growth and private sector credit. The apex regulator slashed policy rate twice in 1HFY12 by a total of 200bps. Money market yields subsequently dropped with a parallel downward shift in the yield curve.

The government's rising need for liquidity resulted in higher than targeted borrowing from scheduled banks through auctions, in FY12. Throughout the better part of FY12, the auction participation remained biased towards shorter tenor.

On the corporate bonds side, major activity was witnessed in the bonds with higher-rated issuers such as Commercial Banks. The investors preferred issues with higher credit rating and higher spreads over KIBOR to secure maximum yields. The yields on the instruments remained in the vicinity of 13.50% - 14.00%.



Distribution

IGI MMF had the following payout distribution:

	BONUS	CASH
28-Jul-11	1.0339	1.0351
28-Aug-11	0.7707	0.7739
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28-Apr-12	0.7569	0.7644
28-May-12	0.7132	0.7216
27-Jun-12	0.6118	0.6206

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	20	599,145
PkR 100,000 to 1,000,000	49	19,602,865
PkR 1,000,000 to 10,000,000	42	171,291,038
PkR 10,000,000 and above	39	2,709,678,278
Total	150	2,901,171,326

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

IGI Money Market Fund

Performance Table

	2012	2011	2010
Net Assets Value (mn.)	2901.1713	2,694.68	816.49
NAV per unit	101.5329	101.7529	100.9946
Selling price per unit	102.5482	102.7704	100.9946
Redemption price per unit	101.5329	101.7529	100.9946
Highest selling price per unit	103.0854	103.4317	100.9946
Highest redemption price per unit	102.0648	103.4317	100.9946
Lowest selling price per unit	101.1161	100.0298	100.0264
Lowest redemption price per unit	100.1150	100.0298	100.0264
Total Interim distribution per unit (Gross/ Net)	9.9866	9.6865	-Nil-
Interim distribution date	29 July 2011	01 Oct 2010	N/A
	29 Aug 2011	29 Dec 2010	N/A
	29 Sep 2011	28 Mar 2011	N/A
	28 Oct 2011	28 Apr 2011	N/A
	29 Nov 2011	29 May 2011	N/A
	29 Dec 2011	N/A	N/A
	30 Jan 2012	N/A	N/A
	27 Feb 2012	N/A	N/A
	28 March 2012	N/A	N/A
	27 April 2012	N/A	N/A
	28 May 2012	N/A	N/A
	28 June 2012	N/A	N/A
Final distribution per units (Gross/ Net)	1.13	1.5240	0.9648
Final distribution date	05 July 2012	05 July 2011	02 July 2010
Annualized returns	11.79	11.89%	11.21%
Income distribution	9.11%	11.21%	10.86%
Capital growth	2.68%	0.68%	0.35%
Weighted avg. portfolio duration	38 Days	52 days	54 days

Return since inception is **12.58%**

Launch date of the Fund is **27 May 2010**

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of IGI Funds Limited (the Management Company) of **IGI Money Market Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Lahore Stock Exchange (Guarantee) Limited where the Fund is listed.

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2012.

We draw your attention to clause 23 of the Statement which mentions certain non-compliances with the Code.

Our conclusion is not qualified in respect of the above matter.

Chartered Accountants

Date:

Karachi

Statement of Compliance with the Code of Corporate Governance
IGI Money Market Fund
Year ended June 30, 2012

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35 (Chapter XI) 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 Money Market 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 will encourage representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Mr. Javed Hamid, Mr. Ahmed Alman Aslam, Mr. Abid Naqvi, Mr. Asif Saad
Executive Directors	Ms. Maheen Rahman
Non-Executive Directors	Mr. Tariq Hasan Quraishi, Mr. Khalid Yacob

The independent directors will meet the criteria of independence under clause (i) b of the Code.

(This requirement will become applicable from the constitution of new Board upon expiry of term of the current Board).

2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including the Management Company.

(The requirement of not serving as a director of more than seven listed companies, excluding the listed subsidiaries of listed holding companies, will become applicable from the constitution of new Board upon expiry of term of the current Board).

3. All the resident Directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Finance Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the Board on December 27, 2011 was filled up by the directors on the same day.
5. The Management Company has prepared a 'Code of Conduct' (the Code) and has disseminated it throughout the company along with its supporting policies and procedures.
6. The Board has developed a statement of main purpose and guiding principles (vision/mission statement), overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with dates on which they were prepared or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the Board met at least once in every quarter. 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. The Board has arranged training programs for its directors as per the prescribed schedule.
10. The Board has approved appointment of CFO / Company Secretary, including his remuneration and terms and conditions of employment.

11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the units of the Fund other than those disclosed in the pattern of shareholding.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members all of whom are non-executive Directors including an independent director. However the Board has ensured that the Chairman Audit Committee is an independent director in the Board meeting held on August 27, 2012.

(This requirement will become applicable from the constitution of new Board upon expiry of term of the current Board).

16. The Board has formed an HR and Remuneration Committee. It comprises four members, of whom two are non executive directors and the chairman of the committee is an Independent Director.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the Code. The terms of reference of the Committee have been formulated and advised to the Committee for compliance.
18. The Board has outsourced its internal audit function to A.F Fergusons & Co. who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants ("IFAC") guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's units, was determined and intimated to Directors, employees and stock exchange.
21. 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.
22. Material/price sensitive information has been disseminated among all market participants at once through Stock Exchanges.
23. We confirm that all other material principles enshrined in the Code have been complied with. (Except for the followings, towards which reasonable progress is being made by the company to seek compliance by the end of the next year.)
 - a) Head of Internal Audit not appointed (Refer Para 10)
 - b) Chairman of Audit Committee not an independent director (Refer Para 15)

For and on behalf of the Board of Directors

MAHEEN RAHMAN
Chief Executive Officer

TARIQ HASAN QURAISHI
Director

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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Karachi - 74400. Pakistan.
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Fax: (92-21) 34326020 - 83
URL: www.cdcPakistan.com
Email: info@cdcpak.com

TRUSTEE REPORT TO THE UNIT HOLDERS

IGI MONEY MARKET FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of **IGI Money Market Fund** (the Fund) are of the opinion that IGI Funds Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 in accordance with the provisions of the following:

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

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

Karachi: October 08, 2012

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of IGI Money Market Fund (the Fund), which comprise the statement of assets and liabilities as at 30 June 2012, and the related statements of income, comprehensive income, cash flows, distribution and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 2012 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Emphasis of matter

We draw attention to note 14 to the financial statements which explains the contingency with respect to the contribution for Workers' Welfare Fund amounting to Rs.11.677 million. In this regard, the Fund expects that the constitutional petition pending in the Honorable High Court of Sindh on the subject will be decided favorably.

Our opinion is not qualified in respect of this matter.

Other matters

The financial statements of the Fund for the year ended 30 June 2011 were audited by another firm of Chartered Accountants whose audit report dated 23 August 2011 included an emphasis of matter paragraph on uncertainty relating to the pending outcome of litigation regarding contribution towards Workers' Welfare Fund.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: 27th August 2012.

Karachi

IGI MONEY MARKET FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2012

	June 30, 2012	June 30, 2011
Note	----- (Rupees) -----	
Assets		
Bank balances	7 257,013,308	189,593,270
Investments	8 2,653,346,353	2,312,254,450
Deferred formation cost	9 1,125,339	1,515,129
Receivable against sale of investments	-	195,261,800
Interest receivable on bank deposits	707,791	1,589,192
Total assets	<u>2,912,192,791</u>	<u>2,700,213,841</u>
Liabilities		
Payable to the Management Company	10 2,297,016	1,603,328
Remuneration payable to the Trustee	11 277,825	237,572
Annual fee payable to the Securities and Exchange Commission of Pakistan	12 2,590,933	1,275,939
Amount payable on redemption of units	4,351,017	1,631,400
Accrued and other liabilities	13 1,504,674	786,411
Total liabilities	<u>11,021,465</u>	<u>5,534,650</u>
Net assets	<u>2,901,171,326</u>	<u>2,694,679,191</u>
Contingency	14	
Unit holders' fund	<u>2,901,171,326</u>	<u>2,694,679,191</u>
	----- (Number of units) -----	
Number of units in issue	<u>28,573,697</u>	<u>26,482,588</u>
	----- (Rupees) -----	
Net assets value per unit	<u>101.5329</u>	<u>101.7529</u>

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

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

Chief Executive

Director

IGI MONEY MARKET FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
Note	----- (Rupees) -----	
Income		
Finance income	15 424,758,947	215,097,005
Net gain / (loss) on investments classified as 'at fair value through profit or loss' - held-for-trading		
- Net capital gain / (loss) on sale of investments	721,498	(1,804,289)
- Net unrealised gain / (loss) on revaluation of investments	48,566	(304,267)
	770,064	(2,108,556)
Total income	425,529,011	212,988,449
Expenses		
Remuneration of the Management Company	27,636,739	13,770,038
Sales tax on management fee	4,421,862	-
Remuneration of the Trustee	3,786,476	2,467,526
Annual fee of the Securities and Exchange Commission of Pakistan	2,590,933	1,272,461
Brokerage expense	427,460	626,987
Bank and settlement charges	252,567	59,193
Amortization of deferred formation cost	389,790	388,725
Auditors' remuneration	324,800	173,750
Legal and professional charges	35,325	60,000
Annual listing fee	40,000	91,285
Annual rating fee	150,000	150,000
Printing charges	108,400	138,760
Reversal of provision against Workers' Welfare Fund	-	(159,860)
Total expenses	40,164,352	19,038,865
Net income from operating activities	385,364,659	193,949,584
Element of (loss) / income and capital (losses) / gains included in prices of units sold less those in units redeemed - net	(10,963,660)	7,443,202
Net income for the year before taxation	374,400,999	201,392,786
Taxation	-	-
Net income for the year after taxation	374,400,999	201,392,786

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

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI MONEY MARKET FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Net income for the year	374,400,999	201,392,786
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>374,400,999</u>	<u>201,392,786</u>

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

For IGI Funds Limited
(Management Company)

 Chief Executive

 Director

IGI MONEY MARKET FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

Note	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	374,400,999	201,392,786
Adjustments for:		
Net capital (gain) / loss on sale of investments classified as 'at fair value through profit or loss' - held-for-trading	(721,498)	1,804,289
Net unrealised (gain) / loss on investments classified as 'at fair value through profit or loss' - held-for-trading	(48,566)	304,267
Amortisation of deferred formation cost	389,790	388,725
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed - net	10,963,660	(7,443,202)
	<u>384,984,385</u>	<u>196,446,865</u>
Decrease / (increase) in assets		
Investments	175,746,069	(131,494,556)
Receivable against sale of investments	195,261,800	-
Interest receivable on bank deposits	881,401	(190,847,612)
	<u>371,889,270</u>	<u>(322,342,168)</u>
Increase / (decrease) in liabilities		
Payable to the Management Company	693,688	(854,545)
Remuneration payable to the Trustee	40,253	78,383
Annual fee payable to the Securities and Exchange Commission of Pakistan	1,314,994	1,215,595
Amount payable on redemption of units	2,719,617	(1,513,954)
Accrued and other liabilities	(194,263)	592,237
	<u>4,574,289</u>	<u>(482,284)</u>
Net cash generated from / (used in) operating activities	<u>761,447,944</u>	<u>(126,377,587)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(51,092,586)	(18,110,466)
Amount received on issuance of units	6,563,725,791	6,032,162,542
Payment against redemption of units	(6,690,593,203)	(4,329,814,665)
Net cash (used in) / generated from financing activities	<u>(177,959,998)</u>	<u>1,684,237,411</u>
Cash and cash equivalents at beginning of the year	<u>2,229,885,649</u>	<u>672,025,825</u>
Cash and cash equivalents at end of the year	<u>18 2,813,373,595</u>	<u>2,229,885,649</u>

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

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI MONEY MARKET FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Undistributed income brought forward		
Realised gains	46,725,485	8,168,359
Unrealised losses	<u>(304,267)</u>	<u>(127,504)</u>
	46,421,218	8,040,855
 Total comprehensive income for the year	 374,400,999	 201,392,786
 Final distribution of bonus @ 1.5210 units for every 100 units held, approved on: July 05, 2011 (2010: @ 0.9645 units for every 100 units held, approved on: August 24, 2010)	 (34,655,893)	 (7,317,537)
 Final distribution of cash dividend @ Rs.1.5245 per unit held, approved on: July 05, 2011 (2010: @ Rs.0.9648 per unit held, approved on: August 24, 2010)	 (5,716,812) (40,372,705)	 (482,200) (7,799,737)
 Interim distribution of bonus @ 1.0339 units for every 100 units held, approved on: July 29, 2011 (2010: Nil)	 (29,802,235)	 -
 Interim distribution of cash dividend @ Rs.1.0351 per unit held, approved on: July 29, 2011 (2010: Nil)	 (3,881,582)	 -
 Interim distribution of bonus @ 0.7707 units for every 100 units held, approved on: August 29, 2011 (2010: Nil)	 (25,043,054)	 -
 Interim distribution of cash dividend @ Rs.0.7739 per unit held, approved on: August 29, 2011 (2010: Nil)	 (3,672,949)	 -
 Interim distribution of bonus @ 1.0457 units for every 100 units held, approved on: September 29, 2011 (2010: Nil)	 (26,246,851)	 -
 Interim distribution of cash dividend @ Rs.1.0498 per unit held, approved on: September 29, 2011 (2010: Nil)	 (4,976,850)	 -
 Interim distribution of bonus @ 0.9119 units for every 100 units held, approved on: October 28, 2011 (2010: @ 2.3941 units for every 100 units held, approved on: October 01, 2010)	 (28,792,820)	 (23,126,113)
 Interim distribution of cash dividend @ Rs.0.9174 per unit held, approved on: October 28, 2011 (2010: @ Rs.2.4008 per unit held, approved on: October 01, 2010)	 (4,352,319)	 (1,200,400)
 Interim distribution of bonus @ 0.9396 units for every 100 units held, approved on: November 29, 2011 (2010: Nil)	 (30,489,166)	 -
 Interim distribution of cash dividend @ Rs.0.9449 per unit held, approved on: November 29, 2011 (2010: Nil)	 (4,943,053)	 -
 Interim distribution of bonus @ 0.7686 units for every 100 units held, approved on: December 29, 2011 (2010: @ 2.5046 units for every 100 units held, approved on: December 29, 2010)	 (24,005,512)	 (28,518,447)
 Interim distribution of cash dividend @ Rs.0.7732 per unit held, approved on: December 29, 2011 (2010: @ Rs.2.5276 per unit held, approved on: December 29, 2010)	 (4,044,840)	 (1,258,800)

IGI MONEY MARKET FUND

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Interim distribution of bonus @ 0.7818 units for every 100 units held, approved on: January 30, 2012 (2011: Nil)	(22,306,174)	
Interim distribution of cash dividend @ Rs.0.7877 per unit held, approved on: January 30, 2012 (2011: Nil)	(4,120,693)	-
Interim distribution of bonus @ 0.7539 units for every 100 units held, approved on: February 27, 2012 (2011: Nil)	(23,867,377)	-
Interim distribution of cash dividend @ Rs.0.7596 per unit held, approved on: February 27, 2012 (2011: Nil)	(3,375,958)	-
Interim distribution of bonus @ 0.8312 units for every 100 units held, approved on: March 28, 2012 (2011: @ 2.7857 units for every 100 units held, approved on: March 28, 2011)	(25,536,692)	(46,467,025)
Interim distribution of cash dividend @ Rs.0.8384 per unit held, approved on: March 28, 2012 (2011: @ Rs.2.8032 per unit held, approved on: March 28, 2011)	(3,726,176)	(8,917,872)
Interim distribution of bonus @ 0.7569 units for every 100 units held, approved on: April 27, 2012 (2011: @ 1.0188 units for every 100 units held, approved on: April 28, 2011)	(21,331,707)	(19,457,012)
Interim distribution of cash dividend @ Rs.0.7644 per unit held, approved on: April 27, 2012 (2011: @ Rs.1.0258 per unit held, approved on: April 28, 2011)	(4,150,647)	(3,263,708)
Interim distribution of bonus @ 0.7132 units for every 100 units held, approved on: May 28, 2012 (2011: @ 0.9325 units for every 100 units held, approved on: May 29, 2011)	(17,729,336)	(20,015,823)
Interim distribution of cash dividend @ Rs.0.7216 per unit held, approved on: May 28, 2012 (2011: @ Rs.0.9391 per unit held, approved on: May 29, 2011)	(4,130,708)	(2,987,486)
Interim distribution of bonus @ 0.6118 units for every 100 units held, approved on: June 28, 2012 (2011: Nil)	(15,207,816)	-
Interim distribution of cash dividend @ Rs.0.6206 per unit held, approved on: June 28, 2012 (2011: Nil)	(912,526)	-
	(377,019,746)	(163,012,423)
Undistributed income carried forward	43,802,471	46,421,218
Undistributed income carried forward at end of the year		
- Realised gains	43,753,905	46,725,485
- Unrealised gains / (losses)	48,566	(304,267)
	43,802,471	46,421,218

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

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

Chief Executive

Director

IGI MONEY MARKET FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Net assets at beginning of the year [Net asset value: Rs.101.75 per unit (2011: Rs.100.99 per unit)]	2,694,679,191	816,492,196
Amount realised / unrealised on issuance of 64,908,440 units (2011: 59,547,064 units)	6,563,725,791	6,032,162,542
Issuance of 3,230,119 bonus units in respect of final and interim distributions (2011: 1,441,258 units)	325,014,634	144,901,957
Amount paid / payable on redemption of 66,047,450 units (2011: 42,590,246 units)	(6,690,593,203)	(4,329,814,665)
	2,892,826,413	2,663,742,030
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed - net	10,963,660	(7,443,202)
Total comprehensive income for the year before capital gains - realised and unrealised	373,630,935	203,501,342
Net capital gain / (loss) on sale of investments classified as 'at fair value through profit or loss' - held-for-trading	721,498	(1,804,289)
Net unrealised gain / (loss) on investments classified as 'at fair value through profit or loss' - held-for-trading	48,566	(304,267)
Total comprehensive income for the year	374,400,999	201,392,786
Distributions made during the year		
Final distribution of bonus units	(34,655,893)	(7,317,537)
Final distribution of cash dividend	(5,716,812)	(482,200)
Interim distribution of bonus units	(290,358,740)	(137,584,420)
Interim distribution of cash dividend	(46,288,301)	(17,628,266)
	(377,019,746)	(163,012,423)
Net total comprehensive income less distributions for the year	(2,618,747)	38,380,363
Net assets at end of the year	2,901,171,326	2,694,679,191
[Net asset value: Rs.101.53 per unit (2011: Rs.101.75 per unit)]		

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

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI MONEY MARKET FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

IGI Money Market Fund (the Fund) has been established under the Non-Banking Finance Companies (Establishment and Regulation), Rules 2003 (the NBFC Rules) and has been authorised as a unit trust scheme by the Securities and Exchange Commission of Pakistan (SECP) on February 24, 2010. It has been constituted under a Trust Deed, dated March 04, 2010 between IGI Funds Limited (the Management Company), a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited (CDC) as the Trustee, also incorporated under the Companies Ordinance, 1984.

The Fund is an open ended money market fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore Stock Exchange (Guarantee) Limited (LSE). The Fund was launched on May 27, 2010.

The Fund primarily invests in Government Securities, Certificates of Investment, Certificates of Deposits, Certificates of Musharika, Term Deposit Receipts, Commercial Papers, reverse repo, etc.

Title to the assets of the Fund is held in the name of CDC as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention, except for investments and derivatives which are accounted for as stated in notes 4.2 and 4.3 below.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described in note 4.1.

4.1 New and amended standards and interpretations

During the year, following amendments, interpretations and improvements to the accounting standards became effective:

- IFRS 7 – Financial Instruments: Disclosures (Amendment)
- IAS 24 – Related Party Disclosures (Revised)
- IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 – Financial Instruments: Disclosures - Clarification of disclosures

IAS 1 – Presentation of Financial Statements - Clarification of statement of changes in equity

IAS 34 – Interim Financial Reporting - Significant events and transactions

IFRIC 13 – Customer Loyalty Programmes - Fair value of award credits

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements of the Fund.

4.2 Investments

The investments of the Fund, upon initial recognition, are classified as investment at fair value through profit or loss or held to maturity investments as appropriate.

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

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

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

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

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

After initial measurement, these are carried at fair value and the gains or losses on revaluation are recognised in the income statement.

- Held to maturity

Investment securities with fixed maturities and fixed or determinable payments are classified as 'held-to-maturity investments' when management has both the intention and ability to hold to maturity. After initial measurement, such investments are carried at amortised cost less any provision for impairment except for in case of debt securities and government securities, which are carried at fair value in accordance with the requirements of the NBFC Regulations.

Fair value of investments is determined as follows:

Government securities

These are valued by reference to the quotations obtained from the Reuters page.

4.3 Derivative Financial Instruments

Derivative instruments held by the Fund generally comprise of futures contracts, options and forwards contracts etc in the capital market. These are initially recognised at cost and are subsequently remeasured at their fair value. The fair value of derivative instruments is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the instrument. Derivative with positive market values (un-realised gains) are included in other assets and derivatives with negative market values (un-realised losses) are included in other liabilities in the statement of asset and liabilities. The resultant gains and losses are included in the income currently.

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

4.4 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repos) are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.

Transactions of sale under repurchase (repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be 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.

4.5 Impairment of financial assets

An assessment is made at each statement of assets and liabilities date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss, is recognised in the income statement.

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.

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

4.6 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.

4.7 Issue and redemption of units

Units issued are recorded at the offer price prevalent on the day on which application form, (complete in all respects) is received. The offer price represents the net asset value of units at the end of the day. Issue of units is recorded on acceptance of application for sale.

Units redeemed are recorded at the redemption price, prevalent on the day on which the redemption form (complete in all respects) is accepted. The redemption price represents the net asset value of units at the end of the day. Redemption of units is recorded on acceptance of application for redemption.

4.8 Net asset value per unit

The net assets value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at year end.

4.9 Revenue recognition

- Gains or losses arising on sale of investments are included in the income statement in the period in which they arise.
- Unrealised gains or 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 term deposit receipts, government securities, certificates of investment, letters of placement, commercial papers and bank balances are recognised on a time proportionate basis using effective interest rate method.

4.10 Element of income / loss and capital gains / losses included in prices of units sold less those in units redeemed

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

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

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

4.11 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates, if any. The Fund is exempt from taxation under clause 99 of Part I of the 2nd Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income excluding realised and unrealised capital gains for the year is distributed amongst the unit holders.

4.12 Financial assets and financial liabilities

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

Financial assets carried in the statement of assets and liabilities include bank balances, investments and return on bank balances.

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

4.13 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.

4.14 Provision

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

4.15 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 commencing from May 28, 2010 (the date of the end of initial public offer period of the Fund) as stated in the Trust Deed of the Fund approved by the Securities and Exchange Commission of Pakistan.

4.16 Cash and cash equivalents

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

4.17 Distribution to unit holders

Distributions declared including the bonus units are recorded in the period in which they are approved. Regulation 63 of the NBFC Regulations, requires the Fund to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders.

4.18 Other assets

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

4.19 Liabilities

All expenses including management fee and trustee fee are recognised in the income statement as and when incurred.

5. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in the relevant accounting policies / notes to the financial statements.

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

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

Standard, interpretation or amendment		Effective date (accounting periods beginning on or after)
IFRS 7	- Financial Instruments : Disclosures – (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 1	Presentation of Financial Statements – Presentation of items of comprehensive income	July 01, 2012
IAS 12	Income Taxes (Amendment) - Recovery of Underlying Assets	January 01, 2012
IAS 19	Employee Benefits – (Amendment)	January 01, 2013
IAS 32	Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Fund expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Fund's financial statements in the period of initial application except for certain additional disclosures.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

	June 30, 2012	June 30, 2011
Note	----- (Rupees) -----	
7. BANK BALANCES		
Bank balances - local currency	<u>257,013,308</u>	<u>189,593,270</u>

The deposit accounts with the banks carry profit at the rate ranging from 5% to 11.7% per annum (June 30, 2011: 5% to 11.5% per annum).

8. INVESTMENTS

Financial assets classified as
'at fair value through profit or loss' - held-for-trading

Treasury bills	8.1	1,960,688,990	2,092,981,928
Held to maturity			
Certificates of investment		-	219,272,522
Commercial papers	8.2	210,687,174	-
Letters of placement	8.3	301,846,852	-
Term deposit receipts	8.4	180,123,337	-
		<u>2,653,346,353</u>	<u>2,312,254,450</u>

8.1 Treasury Bills

Issue date	Note	As at July 01, 2011	Purchased during the year	Sold / matured during the year	As at June 30, 2012	Carrying value as at June 30, 2012	Market value as at June 30, 2012	Unrealised gain / (loss) on revaluation	Net assets on the basis of market value	Total Investment on the basis of market value
		----- (Number of Certificates) -----				----- (Rupees) -----			----- (%) -----	
Treasury Bills - having face value of Rs.100 each										
Maturity upto 3 months	8.1.1	16,420,000	76,980,000	82,800,000	10,600,000	1,047,937,395	1,047,834,935	(102,460)	36.12%	39.49%
Maturity upto 6 months	8.1.2	4,990,000	100,465,300	101,955,300	3,500,000	346,951,639	346,876,071	(75,568)	11.96%	13.07%
Maturity upto 12 months	8.1.3	-	23,517,500	17,767,500	5,750,000	566,055,657	565,977,984	(77,673)	19.51%	21.33%
		<u>21,410,000</u>	<u>200,962,800</u>	<u>202,522,800</u>	<u>19,850,000</u>	<u>1,960,944,691</u>	<u>1,960,688,990</u>	<u>(255,701)</u>		

8.1.1 These represent treasury bills having face value of Rs.1.060 billion (June 30, 2011: Rs.1.642 billion) and carrying purchase yield ranging between 11.64% and 11.92% per annum (June 30, 2011: 12.05% to 13.49% per annum). These treasury bills have maturity upto September 20, 2012 (June 30, 2011: September 08, 2011)

8.1.2 These represent treasury bills having face value of Rs.350 million (June 30, 2011: Rs.499 million) and carrying purchase yield ranging between 11.52% and 11.87% per annum (June 30, 2011: 12.16% to 13.67% per annum). These treasury bills have maturity upto August 09, 2012 (June 30, 2011: December 15, 2011).

8.1.3 These represent treasury bills having face value of Rs.575 million (June 30, 2011: Rs.Nil) and carrying purchase yield ranging between 11.81% and 11.93% per annum (June 30, 2011: Nil). These treasury bills have maturity upto October 04, 2012 (June 30, 2011: Nil).

- 8.2** These carry mark-up rate of 13.09% per annum (June 30, 2011: Nil) maturing on August 03, 2012 and have a credit rating of AA+. Investment in commercial papers of Hub Power Company Limited represent 7.53% (June 30, 2011: Nil) of total investment on the basis of face value and 6.89% (June 30, 2011: Nil) of net assets on the basis of face value.
- 8.3** These carry mark-up rate ranging from 12.40% to 12.45% per annum (June 30, 2011: Nil) maturing on August 15, 2012 and September 19, 2012 (June 30, 2011: Nil) and have a credit rating of AA+. Investment in letters of placement of Pak Brunei Investment Company Limited and Pak Oman Investment Company Limited represent 5.65% and 5.65% (June 30, 2011: Nil) of total investment on the basis of face value and 5.17% and 5.17% (June 30, 2011: Nil) of net assets on the basis of face value respectively.
- 8.4** Term deposit receipt is maintained with Bank Alfalah Limited and carry profit rate of 12.25% per annum (June 30, 2011: Nil). This deposit will mature on July 18, 2012 (June 30, 2011: Nil). Investment in term deposit receipts represent 6.78% (June 30, 2011: Nil) of total investment on the basis of face value and 6.20% (June 30, 2011: Nil) of net assets on the basis of face value.

	Note	June 30, 2012	June 30, 2011
		----- (Rupees) -----	
9. DEFERRED FORMATION COST			
Unamortised cost at the beginning of the year		1,515,129	1,903,854
Amortised during the year		(389,790)	(388,725)
Unamortised cost at the end of the year		1,125,339	1,515,129
Formation cost represents expenditure incurred prior to the commencement of operations of the Fund as incurred by the Management Company and are being amortised over a period of five years commencing from May 28, 2010.			
10. PAYABLE TO THE MANAGEMENT COMPANY			
Remuneration payable to the Management Company	10.1	1,958,637	1,578,328
Sales tax payable on management fees		313,379	-
Other payables		25,000	25,000
		2,297,016	1,603,328
10.1	The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the NBFC Regulations, of an amount not exceeding 3% 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 2% per annum of such assets of the Fund. Currently the management fee is charged @ 0.8% (June 30, 2011: 0.8%) of the average daily net assets of the Fund.		
11. REMUNERATION PAYABLE TO THE TRUSTEE			
The Trustee is entitled to a monthly remuneration for services rendered to the Fund by the Trustee, calculated at the rate 0.17% per annum on amount upto Rs.1 billion of the daily average net assets of the Fund or Rs.0.6 million, whichever is higher, and Rs.1.7 million plus 0.085% per annum of net asset value exceeding Rs.1 billion when daily average net assets of the Fund exceeds Rs.1 billion.			

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

This represents annual fee payable to the Securities and Exchange Commission of Pakistan (SECP) in accordance with Regulation 62 of the NBFC Regulations, whereby the Fund is required to pay SECP an amount at the rate of 0.075% (June 30, 2011: 0.075%) of the average daily net assets of the Fund.

June 30, 2012	June 30, 2011
----- (Rupees) -----	

13. ACCRUED AND OTHER LIABILITIES

Dividend payable to unit holders	912,526	-
Brokerage expense	60,196	172,091
Auditors' remuneration	261,000	120,000
Legal and professional charges payable	-	35,000
Printing charges payable	50,000	50,000
Withholding and capital gains tax payable	220,952	197,569
Unearned income	-	211,751
	<u>1,504,674</u>	<u>786,411</u>

14. CONTINGENCY - CONTRIBUTION TO WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action through letter dated October 06, 2010. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter dated January 04, 2011 subsequently cancelled ab-initio the clarification letter dated October 06, 2010 on applicability of WWF on mutual funds.

On December 14, 2010, the Ministry filed its response against the constitutional petition requesting the SHC to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the SHC.

During the current year, the Honourable Lahore High Court (LHC) in a similar Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the constitutional petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the Fund is not liable to contribute to WWF. Hence, aggregate unrecognised amount of WWF as at June 30, 2012 amounted to Rs.11.677 million (June 30, 2011: Rs.4.189 million). Had the provision been made the net asset value per unit of the Fund would have been lower by Rs.0.409 per unit (June 30, 2011: Rs.0.158 per unit).

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
15. FINANCE INCOME		
Interest income on:		
Investments classified as		
'At fair value through profit and loss' - held-for-trading		
- Treasury bills	380,040,361	152,198,715
Held to maturity		
- Certificates of investment	12,445,860	4,261,785
- Commercial papers	10,687,174	-
- Letters of placement	4,864,135	2,220,437
- Term deposit receipts	8,310,395	18,019,863
Others		
- Bank deposits	8,411,022	38,396,205
	<u>424,758,947</u>	<u>215,097,005</u>

16. SALES TAX ON MANAGEMENT FEE

During the current year, an amount of Rs.4.422 million (June 30, 2011: Rs.Nil) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

17. 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. The Management Company intends to distribute not less than 90% of its annual accounting income, if any, to comply with the above clause at year end. Accordingly, no provision for current and deferred tax has been made in these financial statements.

18. CASH AND CASH EQUIVALENTS

Bank balances	257,013,308	189,593,270
Treasury bills maturing within 3 months	1,863,702,924	1,821,019,857
Certificates of Investment maturing within 3 months	-	219,272,522
Commercial papers maturing within 3 months	210,687,174	-
Letters of placement maturing within 3 months	301,846,852	-
Term deposit receipts maturing within 3 months	180,123,337	-
	<u>2,813,373,595</u>	<u>2,229,885,649</u>

19. TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS

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

Remuneration payable to the Management Company and the Trustee are determined in accordance with the provisions of NBFC Regulations and the Trust Deed respectively.

19.1 Unit Holders' Fund

June 30, 2012

	As at July 01, 2011	Issued for cash / conversion In / transfer In	Bonus	Redeemed / conversion out / transfer out	As at June 30, 2012	As at July 01, 2011	Issued for cash / conversion In / transfer In	Bonus	Redeemed / conversion out / transfer out	Net asset value as at June 30, 2012
	----- (Units) -----				----- (Rupees) -----					
Associated companies / undertakings										
IGI Investment Bank Limited	552,802	3,525,050	69,917	2,177,409	1,970,360	56,249,207	258,920,882	7,036,566	221,613,767	200,056,352
IGI Investment Bank Limited - Group Provident Fund	22,490	-	2,712	-	25,202	2,288,423	-	272,954	-	2,558,855
IGI Finex Securities Limited	-	571,382	-	571,382	-	-	57,797,538	-	57,816,451	-
IGI Funds Limited - Management Company Packages Limited	166,288	171,054	26,924	21,614	342,652	16,920,287	17,300,000	2,711,252	2,200,000	34,790,477
IGI Funds Limited - Management Company Packages Limited	-	980,077	5,996	-	986,073	-	100,000,000	608,236	-	100,118,827
Other related parties										
Syednawala Agricultural Farm	503,226	-	55,184	59,537	498,873	51,204,748	-	5,552,570	6,000,000	50,652,071
Tri-Pack Films Limited	-	3,969,260	168,825	4,138,085	-	-	400,000,000	16,983,374	417,439,709	-
Directors										
Syed Babar Ali - Group Chairman	1,005,441	322,763	68,412	1,305,077	91,539	102,306,538	32,500,000	6,869,577	131,911,604	9,294,234
Khalid Yacob	2,951	2,945	374	-	6,270	300,264	300,000	37,642	-	636,551
Syed Javed Hasan	2,976	-	214	3,190	-	302,817	-	21,520	322,216	-
Adi Jehangir Cawasji	67,353	38,881	4,812	49,576	61,470	6,853,410	3,927,957	484,306	5,000,000	6,241,212
Key Management Personnel										
Maheen Rehman - CEO	15,115	-	1,720	16,835	-	1,537,995	-	172,995	1,715,434	-
Other employees	22,215	28,511	1,566	52,292	-	2,260,441	1,665,894	157,237	5,279,334	-

June 30, 2011

	As at July 01, 2011	Issued for cash / conversion In / transfer In	Bonus	Redeemed / conversion out / transfer out	As at June 30, 2012	As at July 01, 2011	Issued for cash / conversion In / transfer In	Bonus	Redeemed / conversion out / transfer out	Net asset value as at June 30, 2012
	----- (Units) -----				----- (Rupees) -----					
Associated companies / undertakings										
IGI Investment Bank Limited	995,076	2,313,976	47,009	2,803,259	552,802	560,491,435	234,092,668	4,721,147	283,451,076	56,249,207
IGI Investment Bank Limited - Group Provident Fund	-	21,716	774	-	22,490	-	2,200,000	77,911	-	2,288,423
IGI Insurance Limited	249,411	-	2,406	251,817	-	24,985,000	-	240,632	25,252,510	-
IGI Finex Securities Limited	-	514,796	12,986	527,782	-	-	52,514,874	1,296,276	54,123,948	-
IGI Funds Limited - Management Company	-	159,796	6,492	-	166,288	-	16,200,000	653,526	-	16,920,286
IGI Funds Limited - Staff Provident Fund of Management Company	-	7,395	136	7,531	-	-	750,000	13,640	774,023	-
Packages Limited	-	10,890,219	-	10,890,219	-	-	1,100,233,854	-	1,107,349,213	-
Other related parties										
Syednawala Agricultural Farm	453,116	-	50,110	-	503,226	45,762,352	-	5,035,362	-	51,204,748
Directors										
Syed Babar Ali - Group Chairman	469,770	1,480,792	44,506	989,627	1,005,441	47,133,799	150,000,000	4,468,897	46,953,596	102,306,538
Khalid Yacob	-	2,951	-	-	2,951	-	300,000	-	-	300,264
Syed Javed Hasan	-	2,976	-	-	2,976	-	302,970	-	-	302,817
Key Management Personnel										
Maheen Rehman - CEO	-	14,824	291	-	15,115	-	1,500,000	29,269	-	1,537,995
Other employees	11,614	36,562	1,947	27,908	22,215	1,151,313	3,744,483	195,947	2,798,841	2,260,441

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
19.2 Other transactions		
Associated companies / undertakings		
IGI Funds Limited - Management Company		
Remuneration of the Management Company	<u>27,636,739</u>	<u>13,770,038</u>
Sales tax on management fee	<u>4,421,862</u>	<u>-</u>
Sales load	<u>1,474,660</u>	<u>-</u>
Printing charges paid	<u>-</u>	<u>48,700</u>
Formation cost paid	<u>-</u>	<u>1,940,156</u>
Others	<u>-</u>	<u>175,000</u>
IGI Investment Bank Limited		
Treasury Bills - purchased	<u>101,902,386</u>	<u>299,695,200</u>
Treasury Bills - sold	<u>-</u>	<u>485,838</u>
IGI Income Fund - (Common Management)		
Treasury Bills - purchased	<u>19,839,010</u>	<u>298,144,364</u>
Treasury Bills - sold	<u>123,438,474</u>	<u>480,952,910</u>
IGI Aggressive Income Fund - (Common Management)		
Treasury Bills - purchased	<u>17,904,780</u>	<u>-</u>
Treasury Bills - sold	<u>-</u>	<u>9,789,230</u>
IGI Capital Protected Fund - (Common Management)		
Treasury Bills - purchased	<u>29,636,837</u>	<u>-</u>

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
IGI Finex Securities Limited		
Brokerage charges	-	25,545
IGI Funds Limited - Staff Provident Fund		
Treasury Bills - sold	-	3,892,032
IGI Investment Bank limited		
Treasury Bills - sold	-	5,851,092
Other related parties		
Central Depository Company of Pakistan Limited - (Trustee of the Fund)		
Remuneration of the Trustee	<u>3,786,476</u>	<u>2,467,526</u>
19.3 Other balances		
Associated companies / undertakings		
IGI Funds Limited - Management Company		
Remuneration payable to the Management Company	<u>1,958,637</u>	<u>1,578,328</u>
Sales tax payable on management fees	<u>313,379</u>	-
Other payables	<u>25,000</u>	<u>25,000</u>
Other related parties		
Central Depository Company of Pakistan Limited - (Trustee of the Fund)		
Remuneration payable to the Trustee	<u>277,825</u>	<u>237,572</u>
19.4 Unit holder holding 10% or more units		
Habib Metropolitan Bank Limited		
Units in issue 3,279,422 (June 30, 2011: Nil)	<u>332,969,184</u>	-
Pakistan Petroleum Limited		
Units in issue 3,124,274 (June 30, 2011: Nil)	<u>317,216,591</u>	-

20. FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund has exposure to following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

The Fund primarily invests in a portfolio of money market investments such as investment-grade debt securities, secured privately placed instruments, spread transactions and investments in other money market instruments (including the clean placements). Such investments are subject to varying degrees of risk.

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

20.1 Credit risk

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

Management of credit risk

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

Exposure to credit risk

The table below analyses the Fund's maximum exposure to credit risk. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements at reporting date:

	Carrying amount	
	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Bank balances	257,013,308	189,593,270
Investments classified as - held to maturity	692,657,363	219,272,522
Receivable against sale of investments	-	195,261,800
Interest receivable on bank deposits	707,791	1,589,192
	<u>950,378,462</u>	<u>605,716,784</u>

Credit quality of bank balances

Details of credit rating of banks holding balances / deposits (including mark-up / return receivable thereon) are as follows:

Name of Bank	Rating	June 30,	June 30,
		2012	2011
		----- (%) -----	
Allied Bank Limited	A1+/AA	99.62	0.15
Bank Alfalah Limited	A1+/AA	0.18	0.40
Bank Al-Habib Limited	A1+/AA+	-	0.01
MCB Bank Limited	A1+/AA+	0.20	99.44
		<u>100.00</u>	<u>100.00</u>

Credit quality of held-for-trading investments

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

Credit quality of Held to Maturity (HTM) investments

Rating	June 30, 2012		June 30, 2011	
	Amount of credit exposure (Rupees)	% of HTM Investments	Amount of credit exposure (Rupees)	% of HTM Investments
A1 / A1+	692,657,363	100%	219,272,522	100%
A2	-	-	-	-
	<u>692,657,363</u>	<u>100%</u>	<u>219,272,522</u>	<u>100%</u>

Credit quality of interest receivable on bank deposits

Interest income receivable on bank deposits were received subsequent to the year end.

Past due or impaired financial assets

None of the financial assets are considered to be past due or impaired as at June 30, 2012 and June 30, 2011.

Concentration of the credit risk

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

20.2 Liquidity risk

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

Management of liquidity risk

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

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

Maturity analysis for financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the statement of assets and liabilities 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:

	June 30, 2012			
	Carrying amount and contractual cash flows	Less than a month	More than one month and upto three months	More than three months and upto one year
----- (Rupees) -----				
Financial liabilities				
Payable to the Management Company	2,297,016	2,272,016	25,000	-
Remuneration payable to the Trustee	277,825	277,825	-	-
Amount payable on redemption of units	4,351,017	4,351,017	-	-
Accrued and other liabilities	1,283,722	1,283,722	-	-
	<u>8,209,580</u>	<u>8,184,580</u>	<u>25,000</u>	<u>-</u>
	June 30, 2011			
	Carrying amount and contractual cash flows	Less than a month	More than one month and upto three months	More than three months and upto one year
----- (Rupees) -----				
Financial liabilities				
Payable to the Management Company	1,603,328	1,578,328	25,000	-
Remuneration payable to the Trustee	237,572	237,572	-	-
Amount payable on redemption of units	1,631,400	1,631,400	-	-
Accrued and other liabilities	588,842	588,842	-	-
	<u>4,061,142</u>	<u>4,036,142</u>	<u>25,000</u>	<u>-</u>

Above financial liabilities do not carry any mark-up.

20.3 Market risk

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

Management of market risks

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

Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial instruments and future cash flows. The interest rate environment is monitored on a regular basis and the portfolio of fixed rate securities is altered. The Fund's investment in fixed interest rate securities expose Fund to fair value interest rate risk. The Fund has no variable interest rate instruments.

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

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Fixed rate instruments		
Bank balances	257,013,308	189,593,270
Treasury Bills	1,960,688,990	2,092,981,928
Certificates of deposit	-	219,272,522
Commercial papers	210,687,174	-
Letters of placement	301,846,852	-
Term deposit receipts	180,123,337	-
	<u>2,910,359,661</u>	<u>2,501,847,720</u>

Fair value sensitivity analysis for fixed rate instruments

In case of 100 basis points increase / decrease in interest rates on year end, the net assets attributable to unit holders of the Fund and net income for the year would have been lower / higher by Rs.29.220 million (June 30, 2011: Rs.25.405 million). This analysis assumes that all other variables remain constant. The analysis for year ended June 30, 2011 is performed on the same basis.

20.4 Unit Holders' Fund risk management

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

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

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

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

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

20.5 Fair value hierarchy

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

- Level 1:** quoted prices in active markets for identical assets.
- Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3:** techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at June 30, 2012, the Fund held the following financial instruments which were measured at fair value:

	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Investments classified as 'at fair value through profit or loss' - held-for-trading				
Government securities				
- Treasury Bills	<u>-</u>	<u>1,960,688,990</u>	<u>-</u>	<u>1,960,688,990</u>

As at June 30, 2011, the Fund held the following financial instruments which were measured at fair value:

	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Investments classified as 'at fair value through profit or loss' - held-for-trading				
Government securities				
- Treasury Bills	<u>-</u>	<u>2,092,981,928</u>	<u>-</u>	<u>2,092,981,928</u>

During the year ended June 30, 2012, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

20.6 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values as the items are short-term in nature.

21. SUBSEQUENT EVENT

The Board of Directors of the Management Company have approved distribution of 1.1274 units (June 30, 2011: 1.521 units) for every 100 units held and Rs.1.1319 per unit (June 30, 2011: Rs.1.524 per unit) for the year ended June 30, 2012, amounting to Rs.32.34 million (June 30, 2011: Rs.40.373 million) in total, in their meeting held on July 05, 2012. These financial statements do not reflect this distributions which 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 the NBFC Regulations 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 27th August 2012.

24. GENERAL

Figures are rounded off to the nearest rupee.

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

Chief Executive

Director

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

(i) UNIT HOLDING PATTERN OF THE FUND

Category	As at 30 June 2012			
	Number of unit holders	Number of units held	Amount Rupees	% of total
Individuals	98	3,078,611	312,580,464	10.77%
Associated Co./ Directors	7	4,073,175	413,561,403	14.25%
Insurance Co.	11	3,653,483	370,948,896	12.79%
Banks/ DFIs	3	5,247,340	532,777,808	18.36%
NBFC/ NBFI				0.00%
Retirement & Other Funds	4	225,694	22,915,330	0.79%
Others	27	12,295,394	1,248,387,424	43.03%
	150	28,573,697	2,901,171,325	100%

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

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

Name of broker	Percentage of commission	
	2012	2011
IGI Finex Securities	0%	6%
ICON Securities	15%	6%
BMA Capital Management	14%	18%
GLOBAL Securities Pakistan Ltd	0%	27%
Invisor Security Pvt Ltd	0%	15%
Al-Falah Security Pvt Ltd	3%	1%
JS Global Capital Ltd	4%	1%
KASB Securities	4%	7%
Elixir Securities	0%	5%
Invest & Finance Securities	43%	14%
Invest One Markets (Pvt.) Ltd	15%	0%
PAK BRUNEI Investments	2%	0%
Summit Capital (Pvt.) Ltd	0%	0%
Vector Capital (Pvt.) Ltd	0%	0%
	100%	100%

(iii) **PARTICULARS OF MEMBERS OF THE INVESTMENT COMMITTEE**

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

- Maheen Rahman - CEO
- Muddasir Ahmed Shaikh - CIO
- Syed Muhammad Zeeshan - CFO
- Syed Saifullah Kazmi - Fund Manager
- Mr. Nabeel Malik – Fund Manager
- Mr. Zafarullah Maqdi - Compliance Officer

Maheen Rahman - CEO

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

Muddasir Shaikh - CIO

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

Syed Muhammad Zeeshan - CFO

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

Syed Saifullah Kazmi - Fund manager

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

Mr. Nabeel Malik – Fund Manager

Mr. Nabeel Malik brings with him a rich and diversified experience in the field of fund management and fixed income trading/facilitation. Before becoming a part of IGI Funds' team, he was associated with Pak-Oman Asset Management Co, heading its Fixed Income Fund Management Department. where he proficiently handled money market trading, liquidity and funds management contributing positively towards bottom line profitability. His diverse experience in the field of finance includes names like Pak-Kuwait Investment Co, Orix Investment Bank, KASB Securities and Mobilink GSM. Mr. Malik has done his MBA from SZABIST and holds a B.Sc degree in Computing & I.T from Staffordshire University U.K.

(iv) **DIRECTOR MEETING ATTENDANCE**

Name of Director	Designation	Meetings			
		Total	Attended	"Leave Granted"	Meeting not attended
Mr. Javed Hamid	Chairman	5	5	-	-
Mr. Khalid Yacob	Director	5	5	-	-
Mr. Ahmed Alman Aslam	Director	5	4	1	38th
Mr. Abid Naqvi	Director	5	4	1	34th
Syed Javed Hassan	Director	3	3	-	-
Mr. Asif Saad	Director	5	3	2	36th & 37th
Mr. Tariq Qureshi	Director	2	2	-	-
Ms. Maheen Rahman	CEO	5	5	-	-

Mr. Javed Hassan resigned as member Board of Directors of the Management Company on December 27, 2011 and Mr. Tariq Qureshi was appointed as Member Board of Directors of the Management Company the same day.

Securities and Exchange Commission of Pakistan (SECP) approved both changes on March 02, 2012.

Dates of the meetings of the Board of Directors

Thirty-Fourth meeting	July 5, 2011
Thirty-Fifth meeting	August 23, 2011
Thirty-Sixth meeting	October 27, 2011
Thirty-Seventh meeting	January 27, 2012
Thirty-Eighth meeting	April 24, 2012

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

JCR-VIS has awarded asset manager rating of an "AM2-" to IGI Funds Limited in its report dated May 2012. The rating reflects the company's experienced and qualified management team, a structured and strong fund management function, and demonstrated support of the sponsoring Group. The rating also factors in a growing realization on part of the management to institute a strong in-house risk management, compliance and control platform, translating into an improved relative standing amongst peers.

JCR-VIS has awarded normal rating of "AA+ (f)" to IGI Money Market Fund based on the performance review for the year ended 30 June 2012 vide its report dated 11 May 2012.



Annual Report 2012

IGI

AGGRESSIVE INCOME FUND

Managed by
IGI FUNDS LIMITED

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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

Fund Manager's Information

Management Company

IGI Funds Limited
Rated AM 2- by JCR-VIS

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) 35301729
Email: info@igifunds.com.pk
Website: www.igifunds.com.pk

Board of Directors of the Management Company

Mr. Javid Hamid (Chairman)
Ms. Maheen Rahman (Chief Executive Officer)
Mr. Khalid Yacob
Mr. Ahmed Alman Aslam
Mr. Abid Naqvi
Mr. M. Asif Saad
Mr. Tariq Qureshi

Chief Financial Officer

Syed Muhammad Zeeshan

Company Secretary

Syed Muhammad Zeeshan

Audit Committee

Mr. Abid Naqvi (Chairman)
Mr. Khalid Yacob (Member)
Mr. Tariq Qureshi (Member)

Fund's Information

Trustee

Central Depository Company of Pakistan
Limited
CDC House, 99-8, Block B, S.M.C.H.S
Main Shahra-e-Faisal, Karachi-74400,
Pakistan

Distributors

Al-Habib Capital Markets (Pvt.) Ltd.
Atlas Capital Markets (Pvt.) Ltd.
BMA Financial Services Ltd.
Bulls and Bulls (Pvt.) Ltd.
Financial Avenue
Foundation Securities (Pvt.) Ltd.
IGI Investment Bank Limited
KASB Securities
Pak Oman Investment Company Ltd.
Pyramid Financial Consultant (Pvt.) Ltd
IGI Securities Ltd.
MCB Bank Ltd.
Vector Consulting (Pvt.) Ltd.

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road,
P.O.Box 15541, Karachi-75530
Pakistan

Legal Advisor

Bawany & Partners
Room No 404, 4th Floor
Beaumont Plaza. 6-CL-10
Beaumont Road, Civil Lines, Karachi

Bankers

Bank Al-falah Limited
Bank Al-Habib Limited
Bank of Punjab
Allied Bank Limited

IGI Aggressive Income Fund Directors' Report

To our valued Unit Holders,

The Board of Directors of IGI Funds Limited is pleased to present you the Annual Report of the IGI Income Fund (the "Fund") for the year ended 30 June 2012.

FY12 Economic Review & Outlook

FY12 marked the close of five straight years of economic policy making by the current coalition government. In many respects FY12 was a continuation of challenges faced in FY11, in particular a growing power deficit, rising international commodity prices and slowdown in aid flows. Key targets were missed notably the fiscal deficit clocking in at above 8% and GDP growth at 3.7%. On a promising note overall inflation levels stayed well within the government's and the State Bank of Pakistan (SBP) targets with strong indication of lower future inflation and interest rates. The SBP loosened its monetary policy stance to support the growth trajectory bringing the key policy rate to 12% in 2QFY12.

GDP Growth

GDP growth has recovered from 1.7% in 2008-09 to 3.7% in 2011-12. Structural constraints such as growing power deficit and higher oil prices have restricted growth especially in manufacturing and services sectors. Overall investment levels have shrunk, while tax/GDP and the savings rate have dropped to all time lows. However, despite such negative indicators, corporate earnings and results showed a positive turnaround especially in banking and cement industries. These two sectors are strong leading indicators for a revival in GDP growth.

Twin Deficits and Currency Depreciation

In order to meet revenue shortfalls, the government relied heavily on borrowing from SBP and secondary sources. During the year, total government borrowing touched levels of PKR 1.2tn from banking channels. Contrary to the trend of the last few years, borrowing from the SBP has reached PKR 505bn in FY12 compared to a net retirement of PKR 8bn last year. Unless revenue shortfalls are comprehensively addressed it will be difficult to meet FY13 projected budget deficits.

The external accounts, too remained weak with a current account deficit of USD4.52bn (1.9% of GDP) as against a surplus of USD214mn (0.1% of GDP) in the corresponding period last year. This deficit was the outcome of a higher trade imbalance up by 46% YoY mainly due to international oil prices and increasing supply side constraints from power sector. Even as inbound remittances grew at a robust 18%, weak foreign aid and investment flows forced a currency depreciation of 9% over the year.

Positive suppression in Inflation and interest rates

CPI inflation surprised on the downside, averaging at 11.01% for the year. This average was well below SBP's target of 12% and was achieved on the back of lower food inflation. Given lower inflation, the SBP shifted focus to economic growth with an easing in the policy discount rate by 200bps during the year to 12%.

Looking ahead, the recent decline in oil prices will bode well for the external position as it would take pressure off the import bill. Moreover, re-opening of NATO supply routes and US assurances that USD 1.2bn of CFS funds would be disbursed by Dec12 can also prove to be the inflection point as far as the external account is concerned. However, the timing of the disbursement is essential, particularly for the exchange rate as scheduled debt repayments to IMF will continue. Although the recent ease off in inflation has created room for 50 - 100 bps cut in policy rate in the early part of FY13, inflationary central bank borrowing would be a major factor for affecting future direction of interest rates.

Equity Market:

With an absolute appreciation of 10.44% in the benchmark index levels, during FY12, the KSE was among the top performing markets globally. Performance was markedly more impressive in the 2HFY12 as the KSE 100 rose by 22% between Jan-June'12. This was in response to clarity and relief on important market taxes specially Capital Gains Tax. Average daily volumes improved to 128mn shares as against 95mn shares, a year earlier.

Corporate Profitability pushing valuations to record lows

In the first nine months of the fiscal, corporate profitability remained robust; rising by an impressive 24%YoY. Among listed sectors, profitability growth was strong in Cements, Auto, E&P, OMCs and Banking sectors. Cumulative profits of energy companies witnessed an stellar growth of 45%YoY, with E&P companies profits recording a 54%YoY increase on the back of higher realized oil and gas prices, PKR:USD depreciation and enhanced production profile. OMCs profits increased by 52%YoY largely owing to PSO booking heavy interest income passed on by the power utilities. Earnings growth in the services sector (26%YoY) was led by the banking sector (up 25%YoY) due to lower provisioning amid decline in accretion of non-performing loans. In Utilities, while KESC recorded maiden profit for the full year, PTCL's profits increased by 44%YoY owing to improvement in core operations. On the downside, manufacturing sector's overall profits plunged by 33%YoY mainly owing to a decline of 63%YoY in the profitability of fertilizer manufacturers. Lower urea offtake due to the availability of GoP's subsidized imported urea led to this earnings decline. Textile and chemical sector profitability too declined by 60%YoY and 68%YoY, respectively. However, cements and auto profits grew by a substantial 367%YoY and 118%YoY, respectively as their strong pricing power led to massive margin expansions.

In terms of price performance, Cement and Autos lead the rally with returns of 75% and 21%, respectively. Fertilizers', despite outstanding CY11 financial performance, remained under pressure owing to gas outages and rising cost burden, which translated into price performance of mere 8% returns. Despite handsome earnings growth, the Energy sector reflected subdued price performance owing to uncertainty regarding pricing of PPL's secondary offering and uncertainty on future oil price levels.

For the upcoming year, equities should post decent performance on the back of (i) double-digit corporate earnings growth of approx. 13% in FY13 (ii) relative stability in USD on the back of improved Pak-US relations and continuous aid flows (iii) decent FY13F valuations of 5.8x PE, 9% dividend yield and 25% ROE, and (iv) stable or declining interest rates owing to slowdown in inflation.

Based on the above, equities offer an attractive investment opportunity for value investors. Key challenges for market investors will be subdued sentiment, any deterioration in PKR-USD parity and continuing political noise as election year nears in 2013.

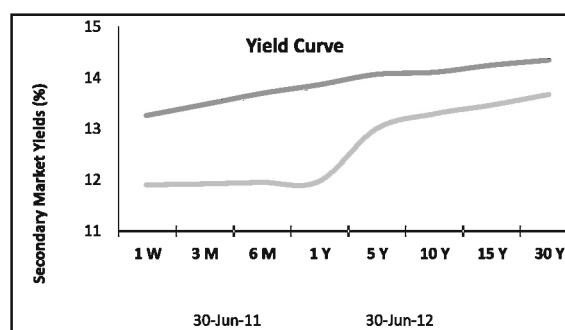
Commodities

The outgoing year witnessed risk-averse investment activity as global growth worries and sustainability of the Euro Bloc dominated sentiment. Investors opted to move away from risky asset classes as evident from price movements of global equities, USD stock indices, precious metals and industrial commodities. Gold Bullion marked an appreciation of 6.4% in FY12 whereas Crude Oil and Silver recorded a fall of 10.5% and 20.9%, respectively. Upward rallies in these commodities will depend heavily on United States Federal Reserve offering stimulus in the form of further quantitative easing (QE3). In the Euro zone, weaker economies remained major trouble points. Bailout assistance is expected to continue over FY13 with a wider list of recipients in the Eurozone.

Larger global economies are depicting fragile growth trajectories. Recent data from US and China affirms the slower recovery in economic activity which has created an expectation for monetary stimulus from Central Banks. Hence, Gold offers a preferable investment opportunity with potential upside whereas Crude Oil & Silver will remain under pressure with increased volatility.

Money Market: Interest Continues as Yields Remain High

Money market yields moved in tandem with the interest rate cycle, during the period. The SBP eased its tight monetary policy stance during the first half of the year to bolster growth and private sector credit. The apex regulator slashed the policy rate twice in 1HFY12 by a total of 200bps. Money market yields subsequently dropped with a parallel downward shift in the yield curve.



The government's rising need for liquidity resulted in higher than targeted borrowing from scheduled banks through auctions, in FY12. Throughout the better part of FY12, auction participation remained biased towards shorter tenor.

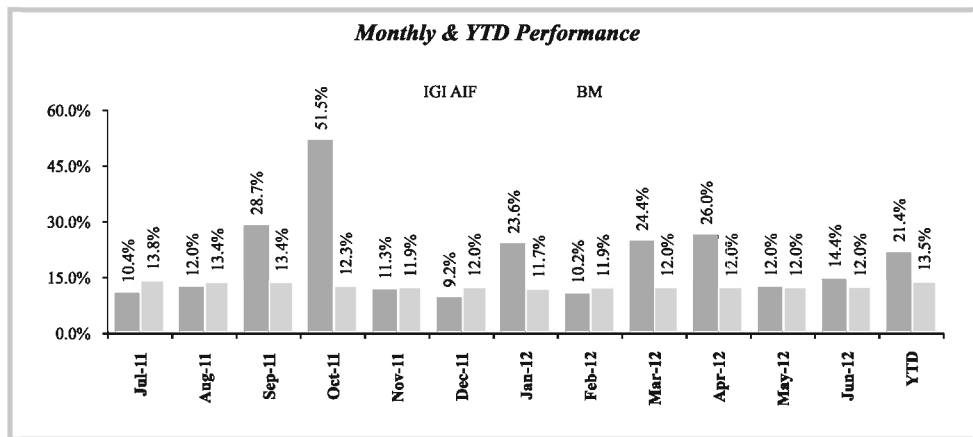
On the corporate bonds side, major activity was witnessed in the bonds with a preference for higher credit rating and wide spreads over KIBOR to secure maximum yields. Yields on such instruments remained in the vicinity of 13.50% - 14.00%.

Fund Operations and Performance; Aggressive strategy yields results

The Fund enjoyed robust returns of 21.6% during the period under review which depicted a benchmark outperformance of 9.14% and placed the fund on the second position in its category. The majority of the portfolio was kept exposed to corporate bonds (TFCs and Sukuks) which posted price appreciation during the year; key non-performing bonds were restructured and the market presented opportunities to dispose off other non performing bonds which contributed positively to the bottom line. The liquidity generated was channeled into money market placements government securities and high quality TFCs'.

Since IGI Funds takeover of this fund, there has been strong recovery of the net assets value due to better yield management and an aggressive trading strategy on the money market. Going forward, the Fund plans to further reduce exposure in its troubled corporate bonds portfolio. Key challenges remain restructuring of SPLC COI of PKR 130mn. Management expects to complete this within 1QFY13.

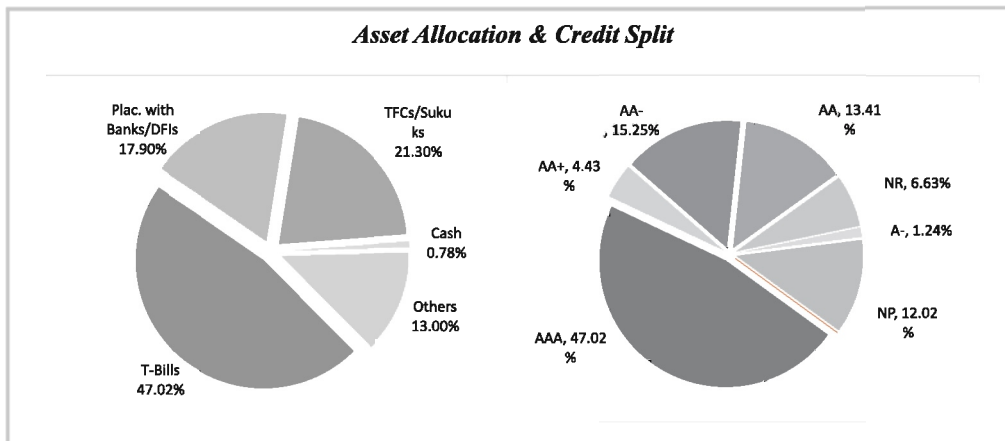
For the year ended 30 June 2012, the Fund completed another year of its operations posting an appreciation of 21.36% in NAV (2011: -12.23%) with average net assets amounting to Rs.752 millions (2011: Rs. 722 millions). The Fund rating was upgraded to BBB+ (Triple B Plus) by PACRA.



Payout

At the end of the year under review, the fund paid out final cash dividend of Rs.0.5752 per unit translating into 1.3592 bonus units for every 100 units held. This payout was in addition to interim distribution of Rs. 4.0993 per unit making the full year payout of Rs. 7.7771 per unit. This is 92% 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 2012	For the year ended 30 June 2011	For the year ended 30 June 2010	For the year ended 30 June 2009	For the period from 27 October 2007 to 30 June 2008
Net Assets	788.00	721.73	809.47	1,367.51	2,281.13
Net Income	137.58	(87.72)	(73.59)	5.25	145.56
Net Assets Value per Unit (Rs.)	42.89	41.51	46.55	50.69	53.41
Issuance of units during the year	240.66	-	60.20	798.73	6,644.69
Redemption of units during the year	193.63	0.02	551.09	1,684.19	4,523.52

Future Outlook

The Fund will continue with its aggressive trading strategy with increased allocation to high yield, and high rated instruments such as corporate bonds (both long and short term) and money market placements. Also the focus will be to disinvest from non performing TFCs entirely if the market presents an opportunity. The prevailing interest rate environment favors investment in floating rate instruments, the Fund will raise its exposure in the corporate bonds having higher credit rating and floating profit rates.

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 Aggressive Income Fund, the results of the operations, cash flow and the changes in Unit-holders funds.
- b) IGI Aggressive Income 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 Aggressive Income 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) The number of units of the Fund held by the Chief Executive, directors, executives and their spouses as at 30 June 2012 as given in note # 22.1;
- l) Summary of units acquired/ redeemed during the year by the Chief Executive, director, executives and their spouses as at 30 June 2012 as given in note # 22.1;

Audit Committee Meetings

Below are the detail of Audit Committee meetings held during the period and attendance of Audit Committee Members.

Member	Meetings Held	Meetings Attended
Mr. Khalid Yacob	4	4
Mr. Abid Naqvi	4	4
Mr. Tariq Hasan Quraishi (Appointment date: December 27, 211)	4	2
Mr. Javed Hassan (Resignation date: December 27, 211)	4	2

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
27 August 2012

IGI Aggressive Income Fund (Formerly POBOP Advantage Plus Fund)

Annual Fund Manager's Report

Type of Fund

Open-end Scheme

Category of Fund

Aggressive Fixed Income Scheme

Investment Objective

The investment objective of the Scheme is to provide a stable stream of income with moderate level of risk by primarily investing in fixed income securities and offering prospects of income and capital growth.

Accomplishment of Objective

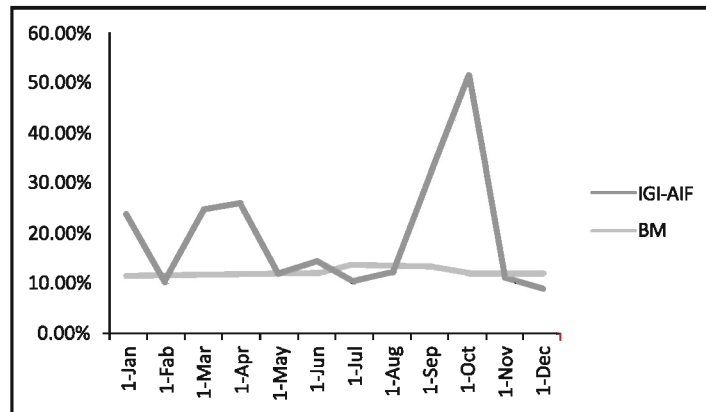
The Fund managed to achieve its objective of generating stable stream of income with a moderate to high level of risk by investing in fixed income instruments.

Benchmark

The Fund's benchmark is 6 month KIBOR.

Performance comparison with Benchmark

	IGI-AIF	BM
11-Jul	10.43%	13.80%
11-Aug	12.01%	13.37%
11-Sep	28.68%	13.38%
11-Oct	51.50%	12.28%
11-Nov	11.30%	11.91%
11-Dec	9.17%	11.98%
12-Jan	23.61%	11.65%
12-Feb	10.18%	11.90%
12-Mar	24.37%	11.95%
12-Apr	26.04%	12.00%
12-May	12.02%	12.01%
12-Jun	14.39%	12.03%

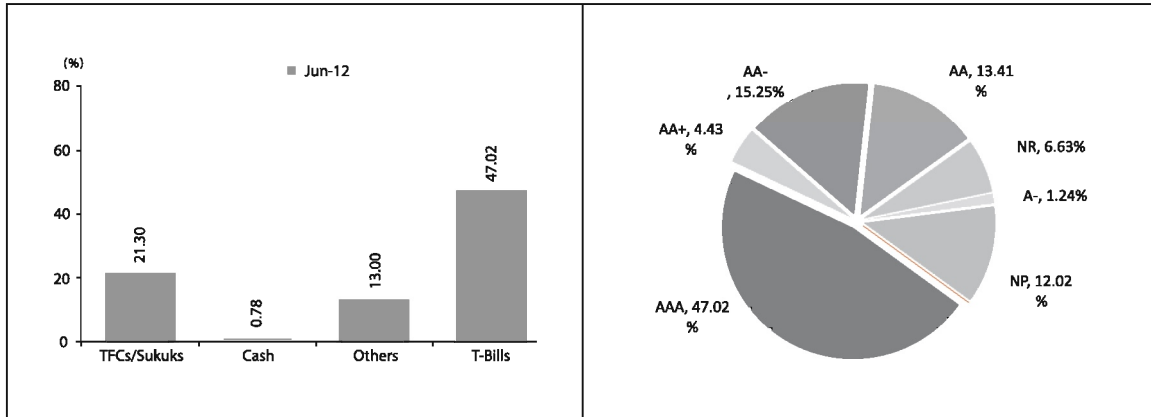


Strategies and Policies employed during the period

The majority of the portfolio was kept exposed to corporate bonds (TFCs and Sukuks) which posted price appreciation during the year; key non-performing bonds were restructured and the market presented opportunities to dispose off other non performing bonds which contributed positively to the bottom line. The liquidity generated was channeled into money market placements and government securities.

Since IGI Funds takeover of this fund, there has been strong recovery of the net assets value due to better yield management and an aggressive trading strategy on the money market. Going forward, the Fund plans to further reduce exposure in its troubled corporate bonds portfolio. Key challenges remain restructuring of SPLC COI of PKR 130mn. Management expects to complete this within 1QFY13.

Assets Allocation / Credit Quality



Significant changes in Assets Allocation during the period

During the year under review, the portfolio enhanced its exposure in government securities, followed by an increase in money market placements.

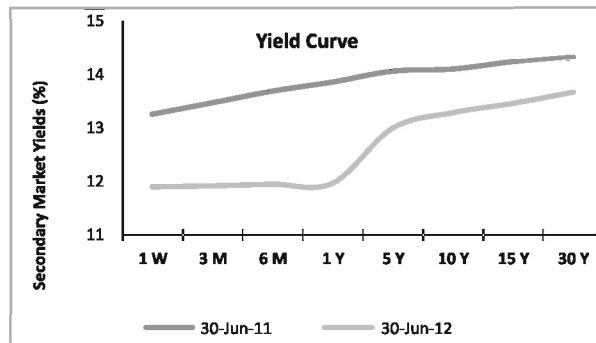
Fund Performance

For the year ended 30 June 2011, the Fund completed another year of its operations posting an appreciation of 21.36% in NAV (2011: -12.23%) with net assets amounting to Rs.799 millions (2011: Rs. 722 millions).

Review of the market invested in

The money market yields moved in tandem with the interest rate cycle, during the period. The SBP eased its tight monetary policy stance during the first half of the year to bolster growth and private sector credit. The apex regulator slashed policy rate twice in 1HFY12 by a total of 200bps. Money market yields subsequently dropped with a parallel downward shift in the yield curve.

The government's rising need for liquidity resulted in higher than targeted borrowing from scheduled banks through auctions, in FY12. Throughout the better part of FY12, the auction participation remained biased towards shorter tenor.



On the corporate bonds side, major activity was witnessed in the bonds with higher-rated issuers such as Commercial Banks. The investors preferred issues with higher credit rating and higher spreads over KIBOR to secure maximum yields. The yields on the instruments remained in the vicinity of 13.50% - 14.00%.

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	06	136,351
PkR 100,000 to 1,000,000	05	1,653,825
PkR 1,000,000 to 10,000,000	01	5,476,125
PkR 10,000,000 and above	04	780,734,901
Total	16	788,001,202

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.

IGI Aggressive Income Fund

Performance Table

	2012	2011
Net Assets Value (mn.)	788.00	721.73
NAV per unit	42.8948	41.5056
Selling price per unit	43.3237	41.9207
Redemption price per unit	42.8948	41.5056
Highest selling price per unit	47.6091	46.2638
Highest redemption price per unit	47.1377	45.7792
Lowest selling price per unit	41.9206	41.8861
Lowest redemption price per unit	41.5056	41.4714
Total Interim distribution per unit (Gross/ Net)	4.0993	NIL
Interim distribution date	NIL	N/A
Final distribution per units (Gross/ Net)	NIL	NIL
Final distribution date	NIL	N/A
Annualized returns	21.36	-12.26%
Income distribution	22.31%	N/A
Capital growth	-0.95%	N/A
Weighted avg. portfolio duration	326 Days	996 days

Return since acquisition is **5.31%**

IGI FL Acquisition date of the Fund is **06 August 2010**

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of IGI Funds Limited (the Management Company) of **IGI Aggressive Income Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited where the Fund is listed.

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2012.

We draw your attention to clause 23 of the Statement which mentions certain non-compliances with the Code.

Our conclusion is not qualified in respect of the above matter.

Chartered Accountants

Date:

Karachi

Statement of Compliance with the Code of Corporate Governance
IGI Aggressive Income Fund
Year ended June 30, 2012

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35 (Chapter XI) of Listing Regulations of Karachi 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 Aggressive 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 Karachi Stock Exchange, in the following manner:

1. The Management Company will encourage representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Mr. Javed Hamid, Mr. Ahmed Alman Aslam, Mr. Abid Naqvi, Mr. Asif Saad
Executive Directors	Ms. Maheen Rahman
Non-Executive Directors	Mr. Tariq Hasan Quraishi, Mr. Khalid Yacob

The independent directors will meet the criteria of independence under clause (i) b of the Code.

(This requirement will become applicable from the constitution of new Board upon expiry of term of the current Board).

2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including the Management Company.

(The requirement of not serving as a director of more than seven listed companies, excluding the listed subsidiaries of listed holding companies, will become applicable from the constitution of new Board upon expiry of term of the current Board).
3. All the resident Directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Finance Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the Board on December 27, 2011 was filled up by the directors on the same day.
5. The Management Company has prepared a 'Code of Conduct' (the Code) and has disseminated it throughout the company along with its supporting policies and procedures.
6. The Board has developed a statement of main purpose and guiding principles (vision/mission statement), overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with dates on which they were prepared or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the Board met at least once in every quarter. 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. The Board has arranged training programs for its directors as per the prescribed schedule.
10. The Board has approved appointment of CFO / Company Secretary, including his remuneration and terms and conditions of employment.

11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the units of the Fund other than those disclosed in the pattern of shareholding.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members all of whom are non-executive Directors including an independent director. However the Board has ensured that the Chairman Audit Committee is an independent director in the Board meeting held on August 27, 2012.
(This requirement will become applicable from the constitution of new Board upon expiry of term of the current Board).
16. The Board has formed an HR and Remuneration Committee. It comprises four members, of whom two are non executive directors and the chairman of the committee is an Independent Director.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the Code. The terms of reference of the Committee have been formulated and advised to the Committee for compliance.
18. The Board has outsourced its internal audit function to A.F Fergusons & Co. who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants ("IFAC") guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's units, was determined and intimated to Directors, employees and stock exchange.
21. 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.
22. Material/price sensitive information has been disseminated among all market participants at once through Stock Exchanges.
23. We confirm that all other material principles enshrined in the Code have been complied with. (Except for the followings, towards which reasonable progress is being made by the company to seek compliance by the end of the next year.)
 - a) Head of Internal Audit not appointed (Refer Para 10)
 - b) Chairman of Audit Committee not an independent director (Refer Para 15)

For and on behalf of the Board of Directors

MAHEEN RAHMAN
Chief Executive Officer

TARIQ HASAN QURAISHI
Director

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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TRUSTEE REPORT TO THE UNIT HOLDERS

IGI AGGRESSIVE INCOME FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of **IGI Aggressive Income Fund** (the Fund) are of the opinion that IGI Funds Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 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.

We would like to draw unit holders attention towards the directives of the Securities and Exchange Commission of Pakistan issued vide Circular # 1 of 2009 and 3 of 2012, which require that the debt securities shall only be reclassified as performing on receipt of all arrears i.e. principal as well as interest for the next two installments. The sukuk certificates of Kohat Cement Company Limited were classified as performing in June 2010 based on its restructured plan approved in February 2010.

The Management Company while complying partially with directives has reclassified these sukuk certificates as performing, however, recorded mark-up received up to June 30, 2012 on receipt basis. The plea being taken is to follow prudence, considering the underlying risk of realization of the deferred mark-up which will be received in Future periods.

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

Karachi: October 08, 2012

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of IGI Aggressive Income Fund (the Fund), which comprise the statement of assets and liabilities as at 30 June 2012, and the related statements of income, comprehensive income, cash flows, distribution and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 qualified audit opinion.

Basis for qualified opinion

As disclosed in note 8.1.2 to the accompanying financial statements, the Fund has not accrued mark-up on performing sukuk certificates of Kohat Cement Company Limited aggregating to Rs.13.186 million, which is contrary to the directives issued by the Securities and Exchange Commission of Pakistan vide Circular No.1 of 2009 and Circular No.3 of 2010. Had the Fund accrued the above mark-up, the finance income in the income statement and other receivables and net assets in the statement of assets and liabilities would have been higher by the above amount.

Qualified opinion

In our opinion, except for the effects of the matter described in the basis of qualified opinion paragraph, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2012 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Emphasis of matter

We draw attention to:

- a) note 1.3 to the financial statements. As more fully explained in the said note, a single unit holder holds 91.1% of the investment (units in issue) of the Fund as of 30 June 2012. Therefore, the future operations of the Fund are dependent upon the continuity of the said unit holder; and
- b) note 17 to the financial statements which explains the contingency with respect to the contribution for Workers' Welfare Fund amounting to Rs.2.752 million. In this regard, Management Company of the Fund expects that the constitutional petition pending in the Honorable High Court of Sindh on the subject will be decided favorably.

Our opinion is not qualified in respect of above matters.

Other matters

The financial statements of the Fund for the year ended 30 June 2011 were audited by another firm of Chartered Accountants whose audit report dated 23 August 2011 contain an emphasis of matter paragraph relating to the Fund's ability to continue as a going concern.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date:

Karachi

IGI AGGRESSIVE INCOME FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2012

	June 30, 2012	June 30, 2011
Note	----- (Rupees) -----	
Assets		
Bank balances	7 6,197,982	16,922,104
Investments	8 681,342,645	587,601,989
Placement with financial institution	9 95,000,000	95,000,000
Deferred formation cost	11 200,248	826,840
Security deposits	100,000	100,000
Other receivables	12 7,393,057	23,971,692
Total assets	790,233,932	724,422,625
Liabilities		
Payable to the Management Company	13 1,004,370	1,468,279
Remuneration payable to the Trustee	14 109,018	102,665
Annual fee payable to the Securities and Exchange Commission of Pakistan	15 515,384	566,479
Accrued and other liabilities	16 603,958	559,091
Total liabilities	2,232,730	2,696,514
Net assets	788,001,202	721,726,111
Contingency	17	
Unit holders' fund	788,001,202	721,726,111
	----- (Number of units) -----	
Number of units in issue	18,370,554	17,388,633
	----- (Rupees) -----	
Net assets value per unit	42.8948	41.5056

The annexed notes from 1 to 27 form an integral part of these financial statements.

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

Chief Executive

Director

IGI AGGRESSIVE INCOME FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
Note	----- (Rupees) -----	
Income		
Finance income	18 70,865,881	80,784,431
Net gain / (loss) on investments classified as 'at fair value through profit or loss'		
- Net capital gain / (loss) on sale of Investments	68,675,617	(19,495,886)
- Net unrealised gain on revaluation of Investments	4,290,102	7,623,212
- Provision against non-performing assets	-	(135,373,531)
	72,965,719	(147,246,205)
Provision for impairment in the value of placement	-	(2,000,000)
Total income / (loss)	143,831,600	(68,461,774)
Expenses		
Remuneration of the Management Company	19 7,525,476	15,106,357
Sales tax on management fee	1,204,069	-
Remuneration of the Trustee	1,168,281	1,399,275
Annual fee to the Securities and Exchange Commission of Pakistan	515,384	566,479
Brokerage expense	196,061	136,478
Bank and settlement charges	71,257	17,229
Amortisation of deferred formation cost	626,592	664,953
Auditors' remuneration	599,505	532,500
Legal and professional charges	-	420,500
Annual listing fee	40,000	40,000
Annual rating fee	200,000	200,000
Clearing charges	184,872	30,000
CDS transaction fee	6,088	5,622
Printing charges	194,400	98,760
Others	-	43,349
	12,531,985	19,261,502
Net income / (loss) from operating activities	131,299,615	(87,723,276)
Element of income and capital gains included in prices of units sold less those in units redeemed - net	6,276,235	2,885
Net income / (loss) for the year before taxation	137,575,850	(87,720,391)
Taxation	20 -	-
Net income / (loss) for the year after taxation	137,575,850	(87,720,391)

The annexed notes from 1 to 27 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI AGGRESSIVE INCOME FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Net income / (loss) for the year	137,575,850	(87,720,391)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	<u><u>137,575,850</u></u>	<u><u>(87,720,391)</u></u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI AGGRESSIVE INCOME FUND
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
Note	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the year before taxation	137,575,850	(87,720,391)
Adjustments for:		
Net capital (gain) / loss on sale of investments classified as 'at fair value through profit or loss' - held-for-trading	(68,675,617)	19,495,886
Net unrealised gain on investments classified as 'at fair value through profit or loss' - held-for-trading	(4,290,102)	(7,623,212)
Provision against non performing assets	-	135,373,531
Provision for impairment of placement	-	2,000,000
Amortisation of deferred formation cost	626,592	664,953
Element of income and capital gains included in prices of units sold less those in units redeemed - net	(6,276,235)	(2,885)
	<u>58,960,488</u>	<u>62,187,882</u>
Decrease / (increase) in assets		
Investments	387,672,144	(154,799,083)
Placement with financial institution	-	25,000,000
Other receivables	16,578,635	(9,874,692)
	<u>404,250,779</u>	<u>(139,673,775)</u>
Increase / (decrease) in liabilities		
Payable to the Management Company	(463,909)	(980,721)
Remuneration payable to the Trustee	6,353	(26,335)
Annual fee payable to the Securities and Exchange Commission of Pakistan	(51,095)	(148,521)
Accrued and other liabilities	44,867	(55,893)
	<u>(463,784)</u>	<u>(1,211,470)</u>
Net cash generated from / (used in) operating activities	<u>462,747,483</u>	<u>(78,697,363)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	-
Amounts received on issue of units	128,602,717	-
Payment against redemption of units	(193,627,241)	(16,825)
Net cash used in financing activities	<u>(65,024,524)</u>	<u>(16,825)</u>
Net increase / (decrease) in cash and cash equivalents during the year	<u>397,722,959</u>	<u>(78,714,188)</u>
Cash and cash equivalents at beginning of the year	16,922,104	95,636,292
Cash and cash equivalents at end of the year	<u>21 414,645,063</u>	<u>16,922,104</u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

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

Chief Executive

Director

IGI AGGRESSIVE INCOME FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Undistributed losses brought forward		
Realised gains	245,343,928	203,314,000
Unrealised losses	(393,049,669)	(263,299,350)
	(147,705,741)	(59,985,350)
Total comprehensive income / (loss) for the year	137,575,850	(87,720,391)
Final distribution of bonus: Nil (2010: Nil)	-	-
Final distribution of cash dividend: Nil (2010: Nil)	-	-
	-	-
Interim distribution of bonus @ 9.5247 units for every 100 units held, approved on: January 27, 2012 (2011: Nil)	(58,923,703)	-
Interim distribution of bonus @ 7.2728 units for every 100 units held, approved on: June 27, 2012 (2011: Nil)	(53,132,275)	-
Undistributed losses carried forward	(122,185,869)	(147,705,741)
Undistributed losses carried forward at end of the year		
Realised gains	266,573,698	245,343,928
Unrealised losses	(388,759,567)	(393,049,669)
	(122,185,869)	(147,705,741)

The annexed notes from 1 to 27 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI AGGRESSIVE INCOME FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Net assets at beginning of the year [Net asset value: Rs.41.51 per unit (2011: Rs.46.55 per unit)]	721,726,111	809,466,212
Amount realised / unrealised on issuance of 2,892,660 units (2011: Nil units)	128,602,717	-
Issuance of 2,614,570 bonus units in respect of final and interim distribution (2011: Nil units)	112,055,978	-
Amount paid / payable on redemption of 4,525,309 units (2011: 394 units)	(193,627,241)	(16,825)
	768,757,565	809,449,387
Element of income and capital gains included in prices of units sold less those in units redeemed - net	(6,276,235)	(2,885)
Total comprehensive income for the year before capital gains / losses - realised and unrealised and provisions	64,610,131	61,525,814
Net capital gain / (loss) on sale of investments classified as 'at fair value through profit or loss' - held-for-trading	68,675,617	(19,495,886)
Net unrealised gain on investments classified as 'at fair value through profit or loss' - held-for-trading	4,290,102	7,623,212
Provision against non performing assets	-	(135,373,531)
Provision for impairment of placement	-	(2,000,000)
Total comprehensive income / (loss) for the year	137,575,850	(87,720,391)
Distributions made during the year		
Final distribution of bonus units	-	-
Final distribution of cash dividend	-	-
Interim distribution of bonus units	(112,055,978)	-
Interim distribution of cash dividend	-	-
	(112,055,978)	-
Net total comprehensive income / (loss) less distributions for the year	25,519,872	(87,720,391)
Net assets at end of the year [Net asset value: Rs.42.89 per unit (2011: Rs.41.51 per unit)]	788,001,202	721,726,111

The annexed notes from 1 to 27 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI AGGRESSIVE INCOME FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** IGI Aggressive Income Fund (the Fund) has been established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and has been authorised as a unit trust scheme by the Securities and Exchange Commission of Pakistan (SECP) on July 12, 2007. It has been constituted under a Trust Deed, dated July 16, 2007, between Pak Oman Asset Management Company Limited (former Management Company) and Central Depository Company of Pakistan Limited (CDC) as the Trustee till August 05, 2010 and thereafter between Faysal Asset Management Limited (the Management Company) and CDC as the Trustee, also incorporated under the Companies Ordinance, 1984.

The Fund is an open-end aggressive fixed income fund and is listed on the Karachi Stock Exchange (Guarantee) Limited (KSE). Units are offered for public subscription on a continuous basis and the units are transferable and can be redeemed by surrendering them to the Fund.

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

- 1.3** The Fund is an open-end fund listed on the Karachi Stock Exchange and was launched on October 25, 2007. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the units holders. As at June 30, 2012 the Bank of Punjab (the Bank) held 16,883,722 units (June 30, 2011: 14,370,315 units) representing holding of 91.91% (June 30, 2011: 82.64%) in the Fund. The Management Company based on discussions with the Bank considers that the Bank will continue its investment in the Fund, as the Fund has disposed off or fully provided against its ill-liquid portfolio of investments and has made profit during this period and is confident that this trend will continue in the future. The Management Company also contends that the fair values of recorded assets and liabilities are not materially different from their carrying values. In addition, the Management Company is also making a strategy and planning to invite other investors in the future and is confident about the entrance of new investors. Therefore, the Management Company considers that the Fund would be able to continue as a going concern.

Title to the assets of the Fund is held in the name of CDC as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

- 3.1** These financial statements have been prepared under the historical cost convention, except for investments and derivatives which are accounted for as stated in notes 4.3 and 4.4 below.
- 3.2** The financial statements are presented in pak rupees, which is the Fund's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described in notes 4.1 and 4.2.

4.1 New and amended standards and interpretations

During the year, following amendments, interpretations and improvements to the accounting standards became effective:

- IFRS 7 – Financial Instruments: Disclosures (Amendment)
- IAS 24 – Related Party Disclosures (Revised)
- IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 7 – Financial Instruments: Disclosures - Clarification of disclosures

IAS 1 – Presentation of Financial Statements - Clarification of statement of changes in equity

IAS 34 – Interim Financial Reporting - Significant events and transactions

IFRIC 13 – Customer Loyalty Programmes - Fair value of award credits

The adoption of the above standards, amendments, interpretations and improvements did not have any material effect on the financial statements of the Fund.

4.2 Element of income / loss and capital gains / losses included in prices of units sold less those in units redeemed

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

During the year, the Fund has revised the method of computation of the Element. As per revised method, the Element is arrived at by comparing the unit prices with opening Ex - NAV at the beginning of the financial year. The Element so computed is recognised in the income statement except to the extent that the amount represented by unrealised appreciation / diminution arising on available for sale securities is included in distribution statement. Previously, the Fund used to calculate the Element by comparing unit prices with the face value of the units.

The revised methodology, in opinion of the management, would ensure that the continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. Since the Element is an equalisation account between income for the period and undistributed income, the change did not have any impact on Net Asset Value (NAV) of the Fund. Had the methodology not been changed, the net income for the year ended June 30, 2012 would have been lower by Rs.8.341 million.

4.3 Investments

The investments of the Fund, upon initial recognition, are classified as investment at fair value through profit or loss or held to maturity investments as appropriate.

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

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

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

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

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

After initial measurement, these are carried at fair value and the gains or losses on revaluation are recognised in the income statement.

- **Held to maturity**

Investment securities with fixed maturities and fixed or determinable payments are classified as 'held-to-maturity investments' when management has both the intention and ability to hold to maturity. After initial measurement, such investments are carried at amortised cost less any provision for impairment except for in case of debt securities and government securities, which are carried at fair value in accordance with the requirements of the NBFC Regulations.

Fair value of investments is determined as follows:

Debt securities

These are valued at the rates quoted by Mutual Funds Association of Pakistan (MUFAP) in accordance with the SECP's Circular No. 1 of 2009 dated January 06, 2009, read with Regulation 66(b) of the NBFC Regulations.

Government securities

These are valued by reference to the quotations obtained from the Reuters page.

4.4 Derivative Financial Instruments

Derivative instruments held by the Fund generally comprise of futures contracts, options and forwards contracts etc in the capital market. These are initially recognised at cost and are subsequently remeasured at their fair value. The fair value of derivative instruments is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the instrument. Derivative with positive market values (un-realised gains) are included in other assets and derivatives with negative market values (un-realised losses) are included in other liabilities in the statement of asset and liabilities. The resultant gains and losses are included in the income currently.

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

4.5 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repos) are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.

Transactions of sale under repurchase (repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be 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.

4.6 Impairment of financial assets

An assessment is made at each statement of assets and liabilities date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss, is recognised in the income statement.

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.

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

4.7 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.

4.8 Issue and redemption of units

Units issued are recorded at the offer price prevalent on the day on which application form, (complete in all respects) is received. The offer price represents the net asset value of units at the end of the day. Issue of units is recorded on acceptance of application for sale.

Units redeemed are recorded at the redemption price, prevalent on the day on which the redemption form (complete in all respects) is accepted. The redemption price represents the net asset value of units at the end of the day. Redemption of units is recorded on acceptance of application for redemption.

4.9 Net asset value per unit

The net assets value per unit disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at year end.

4.10 Revenue recognition

- Gains or losses arising on sale of investments are included in the income statement in the period in which they arise.
- Unrealised gains or 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 on bank balances, sukuk certificates and term finance certificates is recognised on a time proportion basis using effective interest rate method.

4.11 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates, if any. The Fund is exempt from taxation under clause 99 of Part I of the 2nd Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income excluding realised and unrealised capital gains for the year is distributed amongst the unit holders.

4.12 Financial assets and financial liabilities

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

Financial assets carried in the statement of assets and liabilities include bank balances, investments, placement with financial institutions, security deposits and other receivables.

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

4.13 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.

4.14 Provision

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

4.15 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 commencing from October 25, 2007 (the date of the end of initial public offer period of the Fund) as stated in the Trust Deed of the Fund approved by the Securities and Exchange Commission of Pakistan.

4.16 Cash and cash equivalents

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

4.17 Distribution to unit holders

Distributions declared including the bonus units are recorded in the period in which they are approved. Regulation 63 of the NBFC Regulations, requires the Fund to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders.

4.18 Other assets

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

4.19 Liabilities

All expenses including management fee and trustee fee are recognised in the income statement as and when incurred.

5. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in the relevant accounting policies / notes to the financial statements.

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

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

Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments : Disclosures – (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 1 Presentation of Financial Statements – Presentation of items of comprehensive income	July 01, 2012
IAS 12 Income Taxes (Amendment) - Recovery of Underlying Assets	January 01, 2012
IAS 19 Employee Benefits – (Amendment)	January 01, 2013
IAS 32 Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Fund expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Fund's financial statements in the period of initial application except for certain additional disclosures.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

	Note	June 30, 2012	June 30, 2011
		----- (Rupees) -----	
7. BANK BALANCES			
Bank balances - local currency	7.1	<u>6,197,982</u>	<u>16,922,104</u>

7.1 This represents balance in deposit accounts with banks and carry profit at rates ranging from 5% to 11% per annum (June 30, 2011: 5% to 11% per annum).

8. INVESTMENTS

Financial assets classified as 'at fair value through profit or loss' - held-for-trading

Sukuk certificates	8.1	26,047,500	74,210,786
Term finance certificates	8.2	142,266,089	420,598,033
Treasury Bills	8.3	371,547,051	92,793,170

Held to maturity

Letter of placements	8.4	71,434,030	-
Term deposit receipts	8.5	70,047,975	-
		<u>681,342,645</u>	<u>587,601,989</u>

8.1 Sukuk Certificates

Name of the Investee company	Maturity	Profit / mark-up rate	As at July 01, 2011	Purchased during the year	Sold during the year	As at June 30, 2012	Carrying value as at June 30, 2012	Market value as at June 30, 2012 (net of provision)	Net assets on the basis of market value	Total Investments on the basis of market value
			----- (Number of Certificates) -----					----- (Rupees) -----		----- (%) -----
Kohat Cement Company Limited (refer note 8.1.1 and 8.1.2)*	December 20, 2015	3months KIBOR plus base rate of 1.8%	23,000	-	-	23,000	34,730,000	26,047,500	3.31%	3.82%
New Allied Electronics Industries (Private) Limited (refer note 8.1.3)	July 25, 2012	3months KIBOR plus base rate of 2.6%	192,000	-	-	192,000	60,093,264	-	-	-
Three Star Hosiery Mills Limited (refer note 8.1.4)	August 05, 2013	3months KIBOR plus base rate of 3.25%	12,000	-	-	12,000	60,000,000	-	-	-
							<u>154,823,264</u>	<u>26,047,500</u>		
								<u>120,093,264</u>		
Provision for impairment against sukuk certificates										

8.1.1 Kohat Cement Company Limited (KCCL) had entered into a financial restructuring plan with the Sukuk investors on May 11, 2009. As per the financial restructuring plan the repayments were scheduled to begin from December 20, 2009 which were not honoured and consequently, the investment was classified as non-performing debt security by MUFAP on January 15, 2010. However, the certificates were subsequently classified as performing by MUFAP in June 2010 on payment of the coupons due in March 2010 and June 2010.

KCCL, before the payment due date on September 20, 2011, entered into another restructuring agreement with the sukuk investors on September 14 which specified that:

- KCCL, sukuk certificates will carry mark-up at the base rate of 1.5% plus 3 months KIBOR starting from June 20, 2011.
- Outstanding profit for the previous periods and the first 4 quarters (i.e. from September 20, 2011 to June 20, 2012) will be paid from September 20, 2014 to June 20, 2016.
- Profit for the subsequent quarters i.e. from September 20, 2012 till June 20, 2016 will be paid on a quarterly basis.
- Principal outstanding will be paid in twenty one quarterly installments commencing from September 20, 2011 to September 20, 2016.

In addition to the payment of installment due on December 20, 2011, KCCL has exercised the call option in accordance with Clause 6 of "Second Master Addendum to transaction documents" and has paid amount of Rs.20.70 million to the Fund on December 20, 2011, Rs.11.50 million on January 20, 2012, Rs.19.78 million on March 20, 2012, and Rs.15.18 million on June 20, 2012.

- 8.1.2** The Fund has not accrued mark-up on these sukuk certificates aggregating to Rs.13.186 million which is not in accordance with the directives issued by the Securities and Exchange Commission of Pakistan vide Circular No. 1 of 2009 and Circular No. 3 of 2010, which require that mark-up on a debt security can only be recorded on non-accrual basis if the underlying security is classified as non-performing. The Management Company has adopted the above treatment based on prudence, considering the underlying risk of realisability of the deferred mark-up which will be received in future periods.
- 8.1.3** On October 25, 2008, the scheduled redemption date, principal repayment of Rs.19.5313 per certificate (aggregating to Rs.3.750 million) was not received by the Fund. Further, subsequent principal redemptions of Rs.22.500 million along with mark-up due on January 25, April 25, July 25 and October 25, 2009 and January 25, 2010 were also not received by the Fund. Accordingly, the Management Company has fully provided the outstanding balance of Rs.60.093 million in accordance with the Circular No. 1 of 2009 and provisioning policy of the Fund.
- 8.1.4** On August 05, 2009, i.e. the scheduled redemption date, the installment due was not received by the Fund. Subsequent thereto, an amount of Rs.4.5 million was received, however, Rs.0.674 million, representing a portion of accrued profit, was not received by the Fund. Further, an amount of Rs.27 million was provided for against the outstanding principal upto June 30, 2010. Subsequent to June 30, 2010, the Management Company has fully provided the outstanding balance of Rs.33 million in accordance with the Circular No. 1 of 2009 and provisioning policy of the Fund.

8.2 Term Finance Certificates

Name of the investee company	Maturity	Profit / mark-up rate	As at July 01, 2011	Purchased during the year	Sold during the year	As at June 30, 2012	Carrying value as at June 30, 2012	Market value as at June 30, 2012 (net of provision)	% of Net assets on the basis of market value	% of Total Invest. on the basis of market value	
(Number of Certificates)						(Rupees)		(%)			
Agritech Limited	-	-	14,000	-	14,000	-	-	-	-	-	
Azgard Nine Limited (refer note 8.2.1)	December 04, 2014	6months KIBOR plus base rate of 2.25%	7,500	-	5,000	2,500	12,512,307	-	-	-	
"Pakistan Mobile Communication Limited"	October 28, 2013	6months KIBOR plus base rate of 1.65%	33,500	-	14,200	19,300	96,500,000	95,237,008	12.09%	13.98%	
Gharibwal Cement Limited	-	-	8,000	-	8,000	-	-	-	-	-	
"Pak Hy Oils Limited (refer note 8.2.4)"	-	-	3,923	-	3,923	-	-	-	-	-	
Balance c/f							109,012,307	95,237,008			
(Number of Certificates)							(Rupees)		(%)		
Balance b/f							109,012,307	95,237,008			
2.28%	2.64%		Vision Developers (Pvt) Ltd. November 30, 2013	6months KIBOR plus base rate of 2.5%	6,000	-	-	6,000	24,000,000	18,000,000	
United Bank Limited IV	-	-	14,600	-	14,600	-	-	-	-	-	
Bank Alfalah Limited	-	-	3,000	-	3,000	-	-	-	-	-	
Bank Alfalah Limited	December 02, 2017	15.00%	12,000	8,600	19,980	620	3,042,437	3,243,789	0.41%	0.48%	
NIB Bank Limited	-	-	9,000	-	9,000	-	-	-	-	-	
Askari Bank Limited	-	-	6,000	-	6,000	-	-	-	-	-	
Summit Bank Limited	October 27, 2021	6months KIBOR plus base rate of 3.25%	-	4000	2000	2,000	9,997,700	9,822,740	1.25%	1.44%	
Bank Al Habib Limited	June 30, 2021	15.00%	4,000	-	1,000	3,000	14,997,000	15,962,552	2.03%	2.34%	
Provision for impairment against term finance certificates							161,049,444	142,266,089			
								12,512,307			

8.2.1 On June 04, 2010, i.e. the scheduled redemption date, principal repayment of Re.499.6 per certificate (aggregating to Rs.3.747 million) and accrued profit aggregating to Rs.2.739 million were not received by the Fund and therefore these term finance certificates have been classified as non-performing by MUFAP and no rates are being quoted by MUFAP. Consequently these are stated at cost less provision made there against. Accordingly, the Management Company has fully provided against the outstanding balance of Rs.12.512 million in accordance with the Circular No. 1 of 2009 and provisioning policy of the Fund.

8.3 Treasury Bills

Issue Date	As at July 01, 2011	Purchased during the year	Sold/matured during the year	As at June 30, 2012	Carrying value as at June 30, 2012	Market value as at June 30, 2012	Unrealised gain/(loss) on revaluation	Net assets on the basis of market value	Total Investments on the basis of market value	
Note	(Number of Certificates)				(Rupees)			(%)		
Treasury Bills having face value of Rs.100 each										
Maturity upto 3 months	8.3.1	950,000	4,460,000	5,060,000	350,000	34,721,396	34,716,187	(5,209)	4.41%	5.10%
Maturity upto 6 months	-	-	1,900,000	1,900,000	-	-	-	-	-	-
Maturity upto 12 months	8.3.2	-	4,522,500	1,072,500	3,450,000	336,959,320	336,830,864	(128,456)	42.74%	49.44%
		<u>950,000</u>	<u>10,882,500</u>	<u>8,032,500</u>	<u>3,800,000</u>	<u>371,680,716</u>	<u>371,547,051</u>	<u>(133,665)</u>		

8.3.1 These represent treasury bills having face value of Rs.35 million (June 30, 2011: Rs.95 million) and carrying purchase yield ranging between 11.75% to 11.87% per annum (June 30, 2011: 13.32% to 13.41% per annum). These treasury bills have maturity upto July 26, 2012 (June 30, 2011: September 08, 2011).

8.3.2 These represent treasury bills having face value of Rs.345 million (June 30, 2011: Rs.Nil) and carrying purchase yield ranging between 11.75% to 11.94% per annum (June 30, 2011: Nil). These treasury bills have maturity upto February 07, 2013 (June 30, 2011: Nil).

8.4 These carry mark-up rate ranging from 12.35% to 12.45% (June 30, 2011: Nil) maturing on August 15, 2012 and September 19, 2012 (June 30, 2011: Nil) and have a credit rating AA+. Investment in letters of placement of Pak Oman Investment Company Limited and Pak Brunei Investment Company Limited represents 5.14% and 5.28% (June 30, 2011: Nil) of total investment on the basis of face value and 4.44% and 4.57% (June 30, 2011: Nil) of net assets on the basis of face value respectively.

8.5 Term deposit receipt is maintained with Bank Alfalah Limited and carry profit rate of 12.25% per annum (June 30, 2011: Nil). This deposit will mature on July 18, 2012 (June 30, 2011: Nil). Investment in term deposit receipts represent 10.27% (June 30, 2011: Nil) of total investment on the basis of face value and 8.88% (June 30, 2011: Nil) of net assets on the basis of face value. Term deposit receipt is maintained with a financial institution and carry profit rate of 10.28% per annum (June 30, 2011: Nil).

	June 30, 2012	June 30, 2011
	————— (Rupees) —————	
9. PLACEMENT WITH FINANCIAL INSTITUTION		
Saudi Pak Leasing Company Limited	125,000,000	125,000,000
Less: Provision for impairment	<u>(30,000,000)</u>	<u>(30,000,000)</u>
	<u>95,000,000</u>	<u>95,000,000</u>

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

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

SPLCL through its letter dated December 17, 2009 advised about its inability to comply with the aforementioned repayment schedule and proposed certain repayment options for the settlement of this placement. Subsequent to the transfer of management rights of the Fund from Pak Oman Asset Management Company Limited (former management company) to IGI Funds Limited, revised arrangements for payment have been agreed and signed by concerned parties with the approval of Securities and Exchange Commission of Pakistan. Under the agreed arrangements the settlement is required to be made through transfer of an immovable property and payment of Rs.25 million in cash. The Fund has received a sum of Rs.25 million under such arrangement, however, the process of transferring immovable property to the Fund is in progress and the expected date for transfer of property is September 30, 2012.

As per the property valuation report dated June 29, 2012, the forced sale value of the above mentioned immovable property amounts to Rs. 97.327 million. Consequently the Management Company estimates that the Fund would be able to recover the remaining balance of placement of Rs.95 million, therefore, a provision of Rs.30 million (June 30, 2011: Rs.30 million) has been maintained.

As at June 30, 2012 the placement with financial institution represents 12.06% (June 30, 2011: 13.16%) of net assets on the basis of carrying amount.

10. NON COMPLIANT INVESTMENTS / PLACEMENTS

Name of non compliant Investment / placement	Note	Type of Investment	Rating	Value of	Provision	Value of	Gross assets	Net assets
				Investment before provision	held if any	Investment after provisioning		
				————— (Rupees) —————			————— (%) —————	
Saudi Pak Leasing Company Limited	10.1	Placement	Not rated	125,000,000	(30,000,000)	95,000,000	12.02%	12.06%
Pakistan Mobile Communication Limited	10.1	Term finance certificates	AA-	96,500,000	-	96,500,000	12.21%	12.25%

10.1 The above exposure is in excess of the limit prescribed by the NBFC Regulations and disclosure for breach of exposure limit is made as required by the Circular No. 16 of 2010 dated July 07, 2010 by the SECP.

	June 30, 2012	June 30, 2011
	————— (Rupees) —————	
11. DEFERRED FORMATION COST		
Unamortised cost at the beginning of the year	826,840	1,491,793
Amortised during the year	<u>(626,592)</u>	<u>(664,953)</u>
Unamortised cost at the end of the year	<u>200,248</u>	<u>826,840</u>

Formation cost represents expenditure incurred prior to the commencement of operations of the Fund as incurred by the Management Company and are being amortised over a period of five years commencing from October 25, 2007.

12. OTHER RECEIVABLES

Mark-up / return receivable on:

Considered good

- bank balances	98,311	165,017
- sukuk certificates	1,614,519	8,976,592
- term finance certificates	<u>5,680,227</u>	<u>14,830,083</u>
	<u>7,393,057</u>	<u>23,971,692</u>

13. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable to the Management Company	13.1	641,266	1,207,779
Sales tax payable on management fee		102,604	-
Others		<u>260,500</u>	<u>260,500</u>
		<u>1,004,370</u>	<u>1,468,279</u>

13.1 The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the NBFC Regulations, of an amount not exceeding 3% 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 2% per annum of such assets of the Fund. Currently, the management fee is charged @ 1% (June 30, 2011: 2%) of the average daily net assets of the Fund.

14. REMUNERATION PAYABLE TO THE TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund, calculated at the rate of 0.17% per annum on amount upto Rs.1 billion of the daily average net assets of the Fund or Rs.0.6 million, whichever is higher and Rs.1.7 million plus 0.085% per annum of net assets exceeding Rs.1 billion when daily average net assets of the Fund exceeds Rs.1 billion.

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

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Regulation 62 of the NBFC Regulations, whereby the Fund is required to pay SECP an amount at the rate of 0.075% (June 30, 2011: 0.075%) of the average daily net assets of the Fund.

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
16. ACCRUED AND OTHER LIABILITIES		
Brokerage expense payable	32,982	24,091
Auditors' remuneration	380,000	365,000
Clearing charges payable	15,000	15,000
Printing charges payable	70,000	50,000
Withholding tax payable	976	-
Payable to Workers' Welfare Fund	105,000	105,000
	<u>603,958</u>	<u>559,091</u>

17. CONTINGENCY - CONTRIBUTION TO WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action through letter dated October 06, 2010. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter dated January 04, 2011 subsequently cancelled ab-initio the clarification letter dated October 06, 2010 on applicability of WWF on mutual funds.

On December 14, 2010, the Ministry filed its response against the constitutional petition requesting the SHC to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the SHC.

During the current year, the Honourable Lahore High Court (LHC) in a similar Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the Fund is not liable to contribute to WWF and, hence, further provision in respect of WWF has not been made by the management. However, the amount already provided for in prior periods amounting to Rs.0.105 million has been retained in the books. The unrecognised amount of WWF as at June 30, 2012 amounts to Rs.2.752 million (June 30, 2011: Rs.Nil). Had the provision been made, the net asset value per unit of the Fund would be lower by Rs.0.150 per unit (June 30, 2011: Rs.Nil).

	June 30, 2012	June 30, 2011
	----- (Rupees)-----	
18. FINANCE INCOME		
Interest income on;		
Investments classified as		
'at fair value through profit or loss' - held-for-trading		
- Sukuk and term finance certificates	39,843,828	68,739,418
- Treasury Bills	18,268,088	6,561,449
- Pakistan Investment Bonds	10,040,330	-
Held to maturity		
- Certificates of deposit	-	736,438
- Letters of placement	431,630	-
- Term deposit receipts	307,092	-
- Certificates of musharika	89,753	453,753
	828,475	1,190,191
Others		
- Bank deposits	1,874,669	4,293,373
- Others	10,491	-
	<u>70,865,881</u>	<u>80,784,431</u>
19. SALES TAX ON MANAGEMENT FEE		

During the current year, an amount of Rs.1.204 million (June 30, 2011: Rs.Nil) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.

20. 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. The Management Company intends to distribute not less than 90% of its annual accounting income, if any, to comply with the above clause at year end. Accordingly, no provision for current and deferred tax has been made in these financial statements.

21. CASH AND CASH EQUIVALENTS

Bank balances	6,197,982	16,922,104
Treasury Bills maturing within 3 months	266,965,076	-
Letters of placement maturing within 3 months	71,434,030	-
Term deposit receipts maturing within 3 months	70,047,975	-
	<u>414,645,063</u>	<u>16,922,104</u>

22. TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS

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

Remuneration payable to the Management Company and the Trustee are determined in accordance with the provisions of NBFC Regulations and the Trust Deed respectively.

22.1 Unit Holders' Fund

June 30, 2012

	As at July 01, 2011	Issued for cash / conversion in	Bonus	Redeemed / conversion out / transfer out / transfer in	As at June 30, 2012	As at July 01, 2011	Issued for cash / conversion in / transfer in	Bonus	Redeemed / conversion out / transfer out	Net asset value as at June 30, 2012
	----- Units -----					----- (Rupees) -----				
Key Management Personnel										
Employees	-	26,112	-	26,112	-	-	1,132,223	-	1,152,000	-

June 30, 2011

	As at July 01, 2011	Issued for cash / conversion in	Bonus	Redeemed / conversion out / transfer out / transfer in	As at June 30, 2012	As at July 01, 2011	Issued for cash / conversion in / transfer in	Bonus	Redeemed / conversion out / transfer out	Net asset value as at June 30, 2012
	----- Units -----					----- (Rupees) -----				
Key Management Personnel										
Employees	-	-	-	-	-	-	-	-	-	-

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
22.2 Other transactions		
Associated companies / undertakings		
IGI Funds Limited - Management Company		
Remuneration to the Management Company	<u>7,525,476</u>	<u>13,472,345</u>
Sales tax on management fee	<u>1,204,069</u>	<u>-</u>
Sales load	<u>11,486</u>	<u>-</u>
Others	<u>-</u>	<u>2,813,889</u>
IGI Investment Bank Limited		
Placement in certificates of deposit	<u>-</u>	<u>70,000,000</u>
Certificates of deposit matured	<u>-</u>	<u>70,000,000</u>
Interest income from certificates of deposit	<u>-</u>	<u>736,438</u>
Pakistan Investment Bonds - purchased	<u>92,320,635</u>	<u>-</u>
IGI Income Fund - (Common Management)		
Term finance certificates - sold	<u>94,531,475</u>	<u>-</u>
Term finance certificates - purchased	<u>-</u>	<u>39,846,658</u>
Treasury Bills - purchased	<u>4,964,150</u>	<u>10,810,602</u>
Treasury Bills - sold	<u>6,803,146</u>	<u>-</u>
IGI Money Market Fund - (Common Management)		
Treasury Bills - purchased	<u>-</u>	<u>9,789,230</u>
Treasury Bills - sold	<u>17,904,780</u>	<u>-</u>
IGI Finex Securities Limited		
Brokerage charges	<u>26,518</u>	<u>22,311</u>
Other related parties		
Tetra Pak - Staff Gratuity Fund		
Term finance certificates - sold	<u>11,452,603</u>	<u>-</u>
Tetra Pak - Staff Pension Fund		
Term finance certificates - sold	<u>2,602,865</u>	<u>-</u>
Tetra Pak - Provident Fund		
Term finance certificates - sold	<u>7,548,307</u>	<u>-</u>
Pak Oman Asset Management Company Ex-Management Company		
Remuneration to the Management Company	<u>-</u>	<u>1,634,000</u>
Central Depository Company of Pakistan Limited - (Trustee of the Fund)		
Remuneration of the Trustee	<u>1,168,281</u>	<u>1,399,275</u>

22.3 Other balances

Associated companies / undertakings

IGI Funds Limited - Management Company

Remuneration payable to the Management Company	<u>641,266</u>	<u>1,207,779</u>
Sales tax payable on management fee	<u>102,604</u>	<u>-</u>
Others	<u>260,500</u>	<u>260,500</u>

Other related parties

Central Depository Company of Pakistan Limited (Trustee of the Fund)

Remuneration payable to the Trustee	<u>109,018</u>	<u>102,665</u>
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22.4 Unit holder holding 10% or more units

The Bank of Punjab

Units in issue 16,883,722 (June 30, 2011: 14,370,315 units)	<u>724,223,868</u>	<u>596,448,932</u>
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23. FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund has exposure to following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

The Fund primarily invests in a portfolio of money market investments such as investment-grade debt securities, secured privately placed instruments, spread transactions and investments in other money market instruments (including the clean placements). Such investments are subject to varying degrees of risk.

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

23.1 Credit risk

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

Management of credit risk

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

Exposure to credit risk

The table below analyses the Fund's maximum exposure to credit risk. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements at reporting date:

	Carrying amount	
	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Bank balances	6,197,982	16,922,104
Investments classified as:		
- 'At fair value through profit and loss' -		
held-for trading	168,313,589	494,808,819
- Held to maturity	141,482,005	-
	309,795,594	494,808,819
Placement with financial institution	95,000,000	95,000,000
Security deposits	100,000	100,000
Mark-up / return receivable on:		
bank balances	98,311	165,017
sukuk certificates	1,614,519	8,976,592
term finance certificates	5,680,227	14,830,083
	<u>418,486,633</u>	<u>630,802,615</u>

Credit quality of bank balances

Details of credit rating of banks holding balances / deposits (including mark-up / return receivable thereon) are as follows:

Name of Bank	Rating	June 30,	June 30,
		2012	2011
		----- (%) -----	
Allied Bank Limited	A1+/AA	3.60	0.31
Bank Alfalah Limited	A1+/AA	1.02	0.37
Bank Al-Habib Limited	A1+/AA+	0.10	0.05
The Bank of Punjab	A1+/AA-	95.28	99.27
		<u>100.00</u>	<u>100.00</u>

Credit quality of held-for-trading investments

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

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

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

Rating	June 30, 2012		June 30, 2011	
	Amount of credit exposure (Rupees)	% of held-for-trading investments	Amount of trading exposure (Rupees)	% of held-for-trading investments
AA+/AA/AA-	114,443,349	68%	177,081,565	36%
A+/A/A-	9,822,740	6%	201,016,468	40%
BBB+/BBB/BBB-	-	-	-	-
Non investment grade	44,047,500	26%	116,710,786	24%
	<u>168,313,589</u>	<u>100%</u>	<u>494,808,819</u>	<u>100%</u>

Past due and impaired

Held-for-trading investment of the Fund in term finance certificates was past due and impaired by an amount of Rs.132.605 million as at June 30, 2012 (June 30, 2011: Rs.286.359 million).

Credit quality of Held to Maturity (HTM) investments

The table below analyses the Fund's Investments in held to maturity investments on the basis of short term rating given to the issuer by the credit rating agencies.

Rating	June 30, 2012		June 30, 2011	
	Amount of credit exposure (Rupees)	% of HTM investments	Amount of trading exposure (Rupees)	% of HTM investments
Held to maturity investment neither past due nor impaired	141,482,005	100%	-	-
A1 / A1+	-	-	-	-
A2	-	-	-	-
	<u>141,482,005</u>	<u>100%</u>	<u>-</u>	<u>-</u>

Credit quality of interest receivable on bank deposits and other receivables

Interest income receivable on bank deposits and other receivables were received subsequent to the year end.

Concentration of the credit risk

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

23.2 Liquidity risk

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

Management of liquidity risk

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

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

Maturity analysis for financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the statement of assets and liabilities 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:

	June 30, 2012			
	Carrying amount and contractual cash flows	Less than a month	More than one month and upto three months	More than three months and upto one year
	----- (Rupees) -----			
Financial liabilities				
Payable to the Management Company	1,004,370	1,004,370	-	-
Remuneration payable to the Trustee	109,018	109,018	-	-
Accrued and other liabilities	602,982	497,982	-	105,000
	<u>1,716,370</u>	<u>1,611,370</u>	<u>-</u>	<u>105,000</u>
	June 30, 2011			
	Carrying amount and contractual cash flows	Less than a month	More than one month and upto three months	More than three months and upto one year
	----- (Rupees) -----			
Financial liabilities				
Payable to the Management Company	1,468,279	1,468,279	-	-
Remuneration payable to the Trustee	102,665	102,665	-	-
Accrued and other liabilities	559,091	454,091	-	105,000
	<u>2,130,035</u>	<u>2,025,035</u>	<u>-</u>	<u>105,000</u>

Above financial liabilities do not carry any mark-up.

23.3 Market risk

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

Management of market risks

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

Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial instruments and future cash flows. The interest rate environment is monitored on a regular basis and the portfolio mix of fixed and floating rate securities is altered. The Fund's investment in fixed interest rate securities expose it to fair value interest rate risk and investments in variable interest rate securities expose the Fund to cash flow interest rate risk.

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

	June 30, 2012	June 30, 2011
	----- (Rupees) -----	
Fixed rate instruments		
Bank balances	6,197,982	16,922,104
Term finance certificates	19,206,341	78,894,000
Treasury Bills	371,547,051	92,793,170
Letters of placement	71,434,030	-
Term deposit receipts	70,047,975	-
	<u>538,433,379</u>	<u>188,609,274</u>
Variable rate instruments		
Sukuk certificates	26,047,500	74,210,786
Term finance certificates	123,059,748	341,704,033
	<u>149,107,248</u>	<u>415,914,819</u>

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

Fair value sensitivity analysis for fixed rate instruments

In case of 100 basis points increase / decrease in current interest rate (determine by market forces) on year end, the net assets attributable to unit holders of the Fund and net income for the year would have been lower / higher by Rs.5.452 million (June 30, 2011: Rs.1.198 million). This analysis assumes that all other variables remain constant. The analysis for year ended June 30, 2011 is performed on the same basis.

Cash flow sensitivity analysis for variable rate instruments

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.2.978 million (June 30, 2011: Rs.5.954 million) of rated and non-rated sukuk and term finance certificates. This analysis assumes that all other variables remain constant. The analysis for year ended June 30, 2011 is performed on the same basis.

23.4 Unit Holders' Fund risk management

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

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

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

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

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

23.5 Fair value hierarchy

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

- Level 1:** quoted prices in active markets for identical assets
- Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3:** techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at June 30, 2012, the Fund held the following financial instruments which were measured at fair value:

	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Investments classified as				
'at fair value through profit or loss'				
- held-for-trading				
- Sukuk certificates	-	26,047,500	-	26,047,500
- Term finance certificates	-	142,266,089	-	142,266,089
- Treasury Bills	-	371,547,051	-	371,547,051
	-----	539,860,640	-----	539,860,640
	=====	=====	=====	=====

As at June 30, 2011, the Fund held the following financial instruments which were measured at fair value:

	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Investments classified as				
'at fair value through profit or loss'				
- held-for-trading				
- Sukuk certificates	-	74,210,786	-	74,210,786
- Term finance certificates	-	398,098,033	22,500,000	420,598,033
- Treasury Bills	-	<u>92,793,170</u>	-	<u>92,793,170</u>
	<u>-</u>	<u>565,101,989</u>	<u>22,500,000</u>	<u>587,601,989</u>

During the year ended June 30, 2012, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements except as follows:

	June 30, 2012 (Rupees)
Opening balance	22,500,000
Transfer from level 3 to level 2	(22,500,000)
Balance as at June 30, 2012	<u>-</u>

In accordance with Circular No. 1 of 2009 issued by SECP, all traded debt securities are valued on the basis of their volume weighted average price during the last 15 days while thinly traded and non traded debt securities are valued using a valuation methodology devised by MUFAP which includes variables including yields on government securities, Karachi Inter Bank Offer Rates and credit ratings. As the valuation techniques use inputs from observable market data, these securities are classified as Level 2. Rates for non-performing securities, however, are not quoted by MUFAP and are valued using the provisioning criteria prescribed by the abovementioned Circular and are hence classified as Level 3.

Hence, default on installment amounts by investee companies results in transfer into Level 3 while subsequent classification of a defaulting security as performing will result in transfer from Level 3 to Level 2.

23.6 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value as the items are short term in nature.

24. SUBSEQUENT EVENT

The Board of Directors of the Management Company have approved distributions of 1.3592 units (June 30, 2011: Nil) for every 100 units (Growth units) held for the year ended June 30, 2012 amounting to Rs. 10.57 million (June 30, 2011: Nil) in total, in their meeting held on July 05, 2012. These financial statements do not reflect these distributions which will be accounted for subsequent to the year end.

25. 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 the NBFC Regulations has been disclosed in Annexure I to the financial statements.

26. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by Board of Directors of the Management Company on 27th Aug'2012.

27. GENERAL

Figures are rounded off to the nearest rupee.

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

Chief Executive

Director

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

(i) UNIT HOLDING PATTERN OF THE FUND

Category	As at 30 June 2012			
	Number of unit holders	"Number of units held"	"Amount (Rupees in '000)"	% of total
Individuals	13	1,483,265	63,624,339	8.074%
Banks/ DFIs	2	16,883,722	724,223,836	91.906%
Others	1	3,567	153,026	0.019%
	<u>16</u>	<u>18,370,554</u>	<u>788,001,201</u>	<u>100%</u>

Category	As at 30 June 2011			
	Number of unit holders	"Number of units held"	"Amount (Rupees in '000)"	% of total
Individuals	3	738	31	0.004%
Banks/ DFIs	3	17,384,859	721,569	99.978%
Others	1	3,036	126	0.017%
	<u>7</u>	<u>17,388,633</u>	<u>721,726</u>	<u>100%</u>

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

2012	2011
Alfalah Securities (Private) Limited	Alfalah Securities (Private) Limited
JS Global Capital Ltd	JS Global Capital Ltd
IGI Finex Securities Ltd	IGI Finex Securities Ltd
Invest and Finance Securities Limited	Invest and Finance Securities Limited
BMA Capital Management	BMA Capital Management
Invest Capital and Securities (Private) Limited	Invest Capital and Securities (Private) Limited
Invisor Securities (Pvt) Ltd	Invisor Securities (Pvt) Ltd
KASB Securities Ltd	KASB Securities Ltd
ICON Securities Ltd	
BURJ Capital Pakistan Ltd	
Invest One Markets	
Summit Capital (Pvt) Ltd	
ELIXIR Securities (Pvt) Ltd	

(iii) PARTICULARS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

- Maheen Rahman - CEO
- Muddasir Shaikh - CIO
- Syed Muhammad Zeeshan - CFO
- Syed Saifullah Kazmi - Fund manager
- Mr. Nabeel Malik – Fund Manager
- Mr. Zafarullah Maqdi - Compliance Officer

Maheen Rahman - CEO

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

Muddasir Shaikh - CIO

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

Syed Muhammad Zeeshan - CFO

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

Syed Saifullah Kazmi - Fund manager

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

Mr. Nabeel Malik – Fund Manager

Mr. Nabeel Malik brings with him a rich and diversified experience in the field of fund management and fixed income trading/facilitation. Before becoming a part of IGI Funds' team, he was associated with Pak-Oman Asset Management Co, heading its Fixed Income Fund Management Department. where he proficiently handled money market trading, liquidity and funds management contributing positively towards bottom line profitability. His diverse experience in the field of finance includes names like Pak-Kuwait Investment Co, Orix Investment Bank, KASB Securities and Mobilink GSM. Mr. Malik has done his MBA from SZABIST and holds a B.Sc degree in Computing & I.T from Staffordshire University U.K.

(iv) **DIRECTOR MEETING ATTENDANCE**

Name of Director	Designation	Meetings			
		Total	Attended	"Leave Granted"	Meeting not attended
Mr. Javed Hamid	Chairman	5	5	-	-
Mr. Khalid Jacob	Director	5	5	-	-
Mr. Ahmed Alman Aslam	Director	5	4	1	38th
Mr. Abid Naqvi	Director	5	4	1	34th
Syed Javed Hassan	Director	3	3	-	-
Mr. Asif Saad	Director	5	3	2	36th & 37th
Mr. Tariq Qureshi	Director	2	2	-	-
Ms. Maheen Rahman	CEO	5	5	-	-

Mr. Javed Hassan resigned as member Board of Directors of the Management Company on December 27, 2011 and Mr. Tariq Qureshi was appointed as Member Board of Directors of the Management Company the same day.

Securities and Exchange Commission of Pakistan (SECP) approved both changes on March 02, 2012.

Dates of the meetings of the Board of Directors

Thirty-Fourth meeting	July 5, 2011
Thirty-Fifth meeting	August 23, 2011
Thirty-Sixth meeting	October 27, 2011
Thirty-Seventh meeting	January 27, 2012
Thirty-Eighth meeting	April 24, 2012

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

JCR-VIS has awarded asset manager rating of an "AM2-" to IGI Funds Limited in its report dated May 2012. The rating reflects the company's experienced and qualified management team, a structured and strong fund management function, and demonstrated support of the sponsoring Group. The rating also factors in a growing realization on part of the management to institute a strong in-house risk management, compliance and control platform, translating into an improved relative standing amongst peers.

PACRA has awarded normal rating of "BBB+ (f)" to IGI Aggressive Income Fund based on performance review for the year ended 30 June 2010 vide its report dated 28 June 2012.



Annual Report 2012

IGI

CAPITAL PROTECTED FUND

Managed by
IGI FUNDS LIMITED

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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

Fund Manager's Information

Management Company

IGI Funds Limited
Rated AM 2- by JCR-VIS

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) 35301729
Email: info@igifunds.com.pk
Website: www.igifunds.com.pk

Board of Directors of the Management Company

Mr. Javid Hamid (Chairman)
Ms. Maheen Rahman (Chief Executive Officer)
Mr. Khalid Yacob
Mr. Ahmed Alman Aslam
Mr. Abid Naqvi
Mr. M. Asif Saad
Mr. Tariq Qureshi

Chief Financial Officer

Syed Muhammad Zeeshan

Company Secretary

Syed Muhammad Zeeshan

Audit Committee

Mr. Abid Naqvi (Chairman)
Mr. Khalid Yacob (Member)
Mr. Tariq Qureshi (Member)

Fund's Information

Trustee

Central Depository Company of Pakistan Limited
CDC House, 99-8, Block B, S.M.C.H.S
Main Shakra-e-Faisal, Karachi-74400, Pakistan

Distributors

Al-Habib Capital Markets (Pvt.) Ltd.
Atlas Capital Markets (Pvt.) Ltd.
BMA Financial Services Ltd.
Bulls and Bulls (Pvt.) Ltd.
Financial Avenue
Foundation Securities (Pvt.) Ltd.
IGI Investment Bank Limited
KASB Securities
Pak Oman Investment Company Ltd.
Pyramid Financial Consultant (Pvt.) Ltd
IGI Securities Ltd.
MCB Bank Ltd.
Vector Consulting (Pvt.) Ltd.

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road,
P.O.Box 15541, Karachi -75530
Pakistan

Legal Advisor

Bawany & Partners
Room No 404, 4th Floor
Beaumont Plaza. 6-CL-10
Beaumont Road, Civil Lines, Karachi

Bankers

Bank of Panjab
Standard Chartered Bank Limited

IGI Capital Protected Fund

Directors' Report

To our valued Unit Holders,

The Board of Directors of IGI Funds Limited is pleased to present you the Annual Report of the IGI Income Fund (the "Fund") for the year ended 30 June 2012.

FY12 Economic Review & Outlook

FY12 marked the close of five straight years of economic policy making by the current coalition government. In many respects FY12 was a continuation of challenges faced in FY11, in particular a growing power deficit, rising international commodity prices and slowdown in aid flows. Key targets were missed notably the fiscal deficit clocking in at above 8% and GDP growth at 3.7%. On a promising note overall inflation levels stayed well within the government's and the State Bank of Pakistan (SBP) targets with strong indication of lower future inflation and interest rates. The SBP loosened its monetary policy stance to support the growth trajectory bringing the key policy rate to 12% in 2QFY12.

GDP Growth

GDP growth has recovered from 1.7% in 2008-09 to 3.7% in 2011-12. Structural constraints such as growing power deficit and higher oil prices have restricted growth especially in manufacturing and services sectors. Overall investment levels have shrunk, while tax/GDP and the savings rate have dropped to all time lows. However, despite such negative indicators, corporate earnings and results showed a positive turnaround especially in banking and cement industries. These two sectors are strong leading indicators for a revival in GDP growth.

Twin Deficits and Currency Depreciation

In order to meet revenue shortfalls, the government relied heavily on borrowing from SBP and secondary sources. During the year, total government borrowing touched levels of PKR 1.2tn from banking channels. Contrary to the trend of the last few years, borrowing from the SBP has reached PKR 505bn in FY12 compared to a net retirement of PKR 8bn last year. Unless revenue shortfalls are comprehensively addressed it will be difficult to meet FY13 projected budget deficits.

The external accounts, too remained weak with a current account deficit of USD4.52bn (1.9% of GDP) as against a surplus of USD214mn (0.1% of GDP) in the corresponding period last year. This deficit was the outcome of a higher trade imbalance up by 46% YoY mainly due to international oil prices and increasing supply side constraints from power sector. Even as inbound remittances grew at a robust 18%, weak foreign aid and investment flows forced a currency depreciation of 9% over the year.

Positive suppression in Inflation and interest rates

CPI inflation surprised on the downside, averaging at 11.01% for the year. This average was well below SBP's target of 12% and was achieved on the back of lower food inflation. Given lower inflation, the SBP shifted focus to economic growth with an easing in the policy discount rate by 200bps during the year to 12%.

Looking ahead, the recent decline in oil prices will bode well for the external position as it would take pressure off the import bill. Moreover, re-opening of NATO supply routes and US assurances that USD 1.2bn of CFS funds would be disbursed by Dec12 can also prove to be the inflection point as far as the external account is concerned. However, the timing of the disbursement is essential, particularly for the exchange rate as scheduled debt repayments to IMF will continue. Although the recent ease off in inflation has created room for 50 - 100 bps cut in policy rate in the early part of FY13, inflationary central bank borrowing would be a major factor for affecting future direction of interest rates.

Equity Market:

With an absolute appreciation of 10.44% in the benchmark index levels, during FY12, the KSE was among the top performing markets globally. Performance was markedly more impressive in the 2HFY12 as the KSE 100 rose by 22% between Jan-June'12. This was in response to clarity and relief on important market taxes specially Capital Gains Tax. Average daily volumes improved to 128mn shares as against 95mn shares, a year earlier.

Corporate Profitability pushing valuations to record lows

In the first nine months of the fiscal, corporate profitability remained robust; rising by an impressive 24%YoY. Among listed sectors, profitability growth was strong in Cements, Auto, E&P, OMCs and Banking sectors. Cumulative profits of energy companies witnessed an stellar growth of 45%YoY, with E&P companies profits recording a 54%YoY increase on the back of higher realized oil and gas prices, PKR:USD depreciation and enhanced production profile. OMCs profits increased by 52%YoY largely owing to PSO booking heavy interest income passed on by the power utilities. Earnings growth in the services sector (26%YoY) was led by the banking sector (up 25%YoY) due to lower provisioning amid decline in accretion of non-performing loans. In Utilities, while KESC recorded maiden profit for the full year, PTCL's profits increased by 44%YoY owing to improvement in core operations. On the downside, manufacturing sector's overall profits plunged by 33%YoY mainly owing to a decline of 63%YoY in the profitability of fertilizer manufacturers. Lower urea offtake due to the availability of GoP's subsidized imported urea led to this earnings decline. Textile and chemical sector profitability too declined by 60%YoY and 68%YoY, respectively. However, cements and auto profits grew by a substantial 367%YoY and 118%YoY, respectively as their strong pricing power led to massive margin expansions.

In terms of price performance, Cement and Autos lead the rally with returns of 75% and 21%, respectively. Fertilizers', despite outstanding CY11 financial performance, remained under pressure owing to gas outages and rising cost burden, which translated into price performance of mere 8% returns. Despite handsome earnings growth, the Energy sector reflected subdued price performance owing to uncertainty regarding pricing of PPL's secondary offering and uncertainty on future oil price levels.

For the upcoming year, equities should post decent performance on the back of (i) double-digit corporate earnings growth of approx. 13% in FY13 (ii) relative stability in USD on the back of improved Pak-US relations and continuous aid flows (iii) decent FY13F valuations of 5.8x PE, 9% dividend yield and 25% ROE, and (iv) stable or declining interest rates owing to slowdown in inflation. Based on the above, equities offer an attractive investment opportunity for value investors. Key challenges for market investors will be subdued sentiment, any deterioration in PKR-USD parity and continuing political noise as election year nears in 2013.

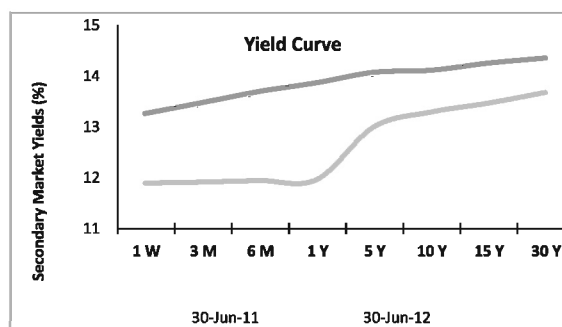
Commodities

The outgoing year witnessed risk-averse investment activity as global growth worries and sustainability of the Euro Bloc dominated sentiment. Investors opted to move away from risky asset classes as evident from price movements of global equities, USD stock indices, precious metals and industrial commodities. Gold Bullion marked an appreciation of 6.4% in FY12 whereas Crude Oil and Silver recorded a fall of 10.5% and 20.9%, respectively. Upward rallies in these commodities will depend heavily on United States Federal Reserve offering stimulus in the form of further quantitative easing (QE3). In the Euro zone, weaker economies remained major trouble points. Bailout assistance is expected to continue over FY13 with a wider list of recipients in the Eurozone.

Larger global economies are depicting fragile growth trajectories. Recent data from US and China affirms the slower recovery in economic activity which has created an expectation for monetary stimulus from Central Banks. Hence, Gold offers a preferable investment opportunity with potential upside whereas Crude Oil will remain under pressure with increased volatility.

Money Market: Interest Continues as Yields Remain High

Money market yields moved in tandem with the interest rate cycle, during the period. The SBP eased its tight monetary policy stance during the first half of the year to bolster growth and private sector credit. The apex regulator slashed policy rate twice in 1HFY12 by a total of 200bps. Money market yields subsequently dropped with a parallel downward shift in the yield curve.



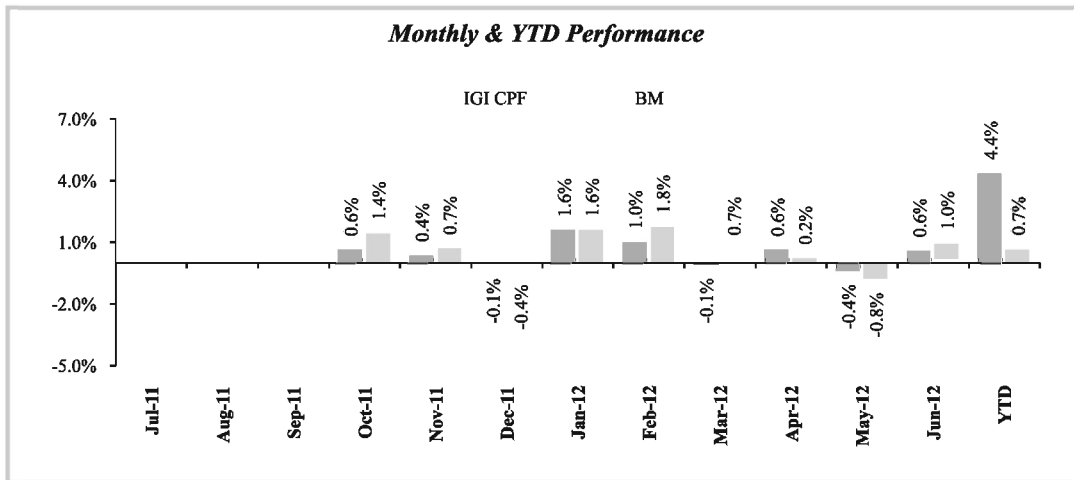
The government's rising need for liquidity resulted in higher than targeted borrowing from scheduled banks through auctions, in FY12. Throughout the better part of FY12, auction participation remained biased towards shorter tenor.

On the corporate bonds side, major activity was witnessed in the bonds with a preference for higher credit rating and wide spreads over KIBOR to secure maximum yields. Yields on such instruments remained in the vicinity of 13.50% - 14.00%.

Fund Operations and Performance; Beating global Commodities benchmark

During the period under review, IGI CPF gained from investment in commodities while guaranteeing the capital invested. In order to secure the invested capital, the Fund parked 82% of the assets in a mix of long term and short term government treasuries. Remaining portfolio allocation was directed to commodities contracts. The Fund strategically allocated the investment segment portfolio to Gold, Crude Oil and Silver contracts. The emphasis was kept on investment in Gold contracts as the weaker global economic scenario coupled with global investors' preference for risk-averse avenues. The relative strength of USD compared to Euro and increasing fragility of EU economies led to sharp corrections in precious metal prices. On the other hand, weak economic outlook for major economies suppressed the performances of industrial commodities; negatively affecting the overall portfolio position.

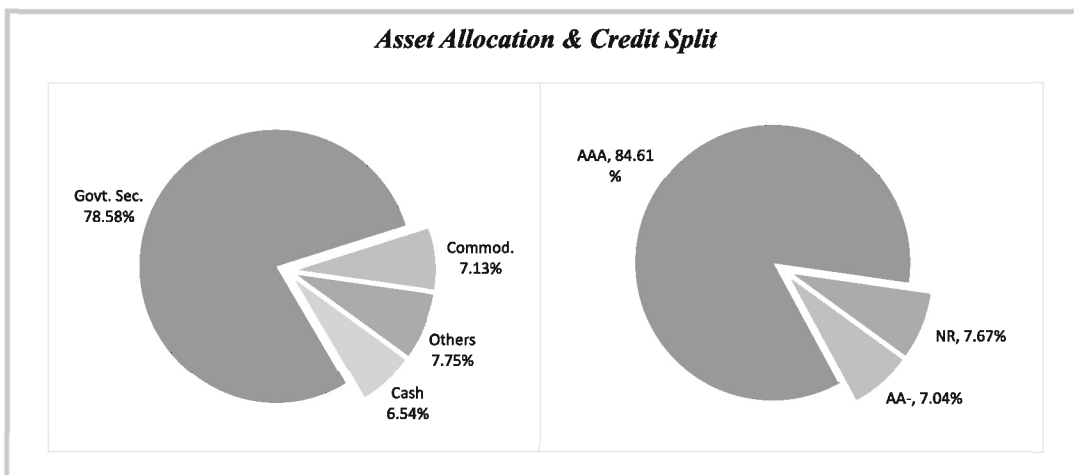
Nevertheless for the period ended 30 June 2012, the Fund posted an appreciation of 4.37% in NAV and completed the period with an average net assets amounting to Rs. 200 million. This reflects an outperformance of the benchmark by 3.68%.



Payout

At the end of the period under review, the fund paid out 3.6434 bonus units for every 100 units held. This is 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 period from 06 October 2011 to 30 June 2012
Net Assets	276.71
Net Income	11.59
Net Assets Value per Unit (Rs.)	104.37
Issuance of units during the year	368.65
Redemption of units during the year	103.58

Future Outlook

The recent slowdown in global economies, especially the developed nations', has heightened the need for extra fiscal measures to support global growth. Weak economic data issued by major economies such as US and China strengthens the possibility that the decision for a fresh round of global monetary easing is inevitable.

The Fund plans to maintain its focus on Gold as the commodity seems to offer preferable investment with potential upside whereas Crude Oil & Silver will remain under pressure with increased volatility.

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 Capital Protected Fund, the results of the operations, cash flow and the changes in Unit-holders funds.
- b) IGI Capital Protected 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 Capital Protected 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) The number of units of the Fund held by the Chief Executive, directors, executives and their spouses as at 30 June 2012 as given in note # 21.1;
- l) Summary of units acquired/ redeemed during the year by the Chief Executive, director, executives and their spouses as at 30 June 2012 as given in note # 21.1;

Audit Committee Meetings

Below are the detail of Audit Committee meetings held during the period and attendance of Audit Committee Members.

Member	Meetings Held	Meetings Attended
Mr. Khalid Yacob	4	4
Mr. Abid Naqvi	4	4
Mr. Tariq Hasan Quraishi (Appointment date: December 27, 211)	4	2
Mr. Javed Hassan (Resignation date: December 27, 211)	4	2

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
27 August 2012

IGI Capital Protected Fund

Annual Fund Manager's Report

Type of Fund

Open-end Scheme

Category of Fund

Capital Guarantee Scheme

Investment Objective

To provide investors comparable risk-free return with exposure to attractive international commodities while ensuring that 100% principle is protected.

Accomplishment of Objective

The Fund managed to outperform the set benchmark with strong capital guarantee structure through allocation to government treasuries and careful trading the Commodities. The deterioration in the global economic scenario and investors' preference for holding risk-free assets globally has led to decline in commodities' prices internationally. The management is hopeful to achieve the set goal despite all the challenges imposed by the global commodity price trends. The strategy will focus on active trading at PMEX to benefit from higher volatility and raise yield. On the other hand, the capital guarantee segment will emphasize on risk free investments to secure the invested capital.

Benchmark

The Fund's benchmark is **80% 2-Yr TDR with AA- or above rated Banks + 20% PMEX Commodity Index Perform.**

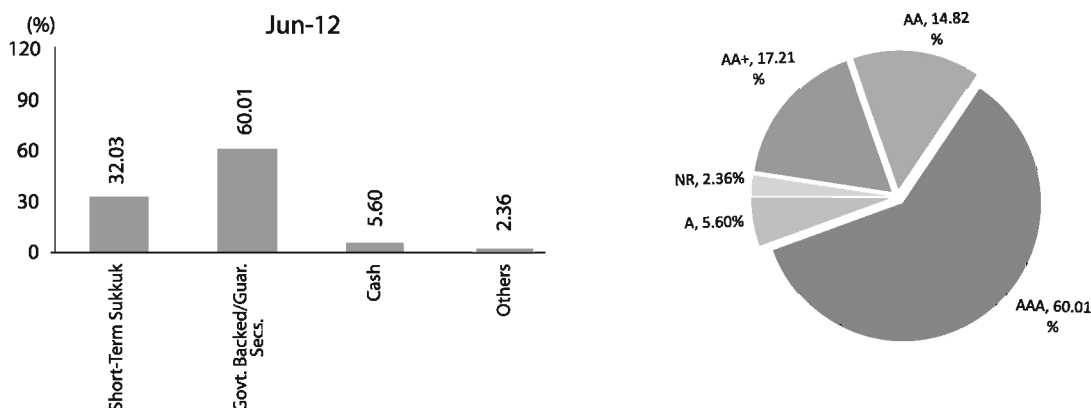
Performance comparison with Benchmark

	IGI-IIF	BM
Oct-11	0.64%	1.42%
Nov-11	0.37%	0.71%
Dec-11	-0.07%	-0.37%
Jan-12	1.58%	1.58%
Feb-12	0.99%	1.75%
Mar-12	-0.06%	0.68%
Apr-12	0.63%	0.23%
May-12	-0.36%	-0.76%
Jun-12	0.59%	0.95%

Strategies and Policies employed during the period

During the period under review, IGI CPF strived to gain from investment in commodities while guaranteeing the capital invested. In order to secure the invested capital, the Fund parked 82% of the assets in a mix of long term and short term government treasuries. Remaining of the portfolio allocation was directed to commodities contracts. The Fund strategically allocated the investment segment portfolio to Gold, Crude Oil and Silver contracts. The emphasis was kept on investment in Gold contracts as the weaker global economic scenario coupled with global investors' preference for risk-averse avenues support the commodity. The relative strength of USD compared to Euro and increasing fragility of EU economies led to sharp corrections in precious metal prices whereas slowdown in global growth. On the other hand, weak economic outlook for major economies suppressed the performances of industrial commodities; negatively affecting the overall portfolio position.

Portfolio Allocation / Credit Quality



Significant changes in Assets Allocation during the period

The Fund built its exposure in Government securities to ensure capital protection and the rest of the portfolio was allocated to commodity contracts. The excess cash was kept in daily profit accounts.

Fund Performance

For the period ended 30 June 2012, the Fund posted an appreciation of 4.37% in NAV and completed the period with net assets amounting to Rs. 277 million.

Review of the market invested in

Commodities

The outgoing year witnessed risk-averse investment activity as the global growth worries and sustainability of the Euro Bloc dominated sentiment. Investors opted to move away from risky asset classes as evident from price movements of global equities, USD index, precious metals and industrial commodities. Gold Bullion marked an appreciation of 6.4% in FY12 whereas Crude Oil and Silver recorded a fall of 10.5% and 20.9%, respectively. Upward rallies in these commodities will depend heavily on Fed stimulus in the form of QE3. US and Chinese economic data indicated a slower recovery in these regions which led to expectations that Fed will announce or at least provide hints regarding QE3. The Fed, on the contrary, extended the Operation Twist program till year end in a bid to ramp up monetary stimulus. In the Euro zone, weaker economies remained major trouble points. Bailout assistance is expected to continue over FY13 with a wider list of receipts in the Eurozone.

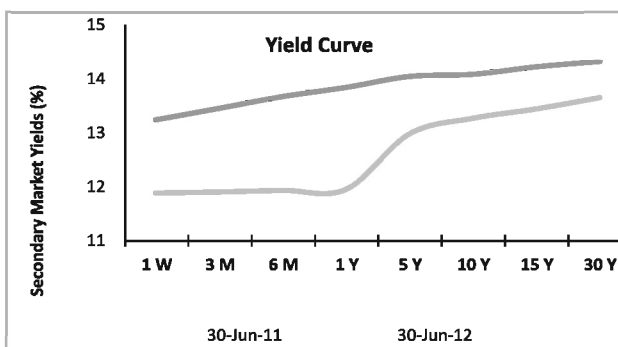
Larger global economies are depicting a fragile growth trajectory. Recent data from US and China affirms the slower recovery in economic activity which creates expectation for monetary stimulus from Central Banks around the world. The Euro zone economic crisis still persists with the sustainability of the Euro bloc under question. Looking ahead, the slower economic recovery in US and China makes further monetary stimulus decisions such as QE3 inevitable which will be supportive for commodities. As for now, Gold offers preferable investment with potential upside whereas Crude Oil & Silver will remain under pressure with increased volatility.

Money Market: Interest Continues as Yields Remain High

The money market yields moved in tandem with the interest rate cycle, during the period. The SBP eased its tight monetary policy stance during the first half of the year to bolster growth and private sector credit. The apex regulator slashed policy rate twice in 1HFY12 by a total of 200bps. Money market yields subsequently dropped with a parallel downward shift in the yield curve.

The government's rising need for liquidity resulted in higher than targeted borrowing from scheduled banks through auctions, in FY12. Throughout the better part of FY12, the auction participation remained biased towards shorter tenor.

On the corporate bonds side, major activity was witnessed in the bonds with higher-rated issuers such as Commercial Banks. The investors preferred issues with higher credit rating and higher spreads over KIBOR to secure maximum yields. The yields on the instruments remained in the vicinity of 13.50% - 14.00%.



Distribution

At the end of the year under review, the fund paid out final payout of 3.6434 bonus units for every 100 units held. This is 97% payout of total earnings as per NBFC regulations. The effects on NAV were as follows;

NAV (30 June 2012):	PkR	104.3772
Distribution per unit:	PkR	3.6690
Ex-NAV:	PkR	100.7032

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	-	-
PkR 100,000 to 1,000,000	-	-
PkR 1,000,000 to 10,000,000	07	32,367,304
PkR 10,000,000 and above	12	244,344,820
Total	19	276,712,124

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.

IGI Capital Protected Fund

Performance Table

	2012
Net Assets Value (mn.)	276.7121
NAV per unit	104.3722
Selling price per unit	106.4596
Redemption price per unit	99.1536
Highest selling price per unit	106.7207
Highest redemption price per unit	104.6282
Lowest selling price per unit	97.1127
Lowest redemption price per unit	95.2085
Total Interim distribution per unit (Gross/ Net)	
Interim distribution date	NIL
Final distribution per units (Gross/ Net)	
Final distribution date	NIL
Annualized returns	4.37
Income distribution	3.80%
Capital growth	0.57%
Weighted avg. portfolio duration	

Return since acquisition is **4.37%**

IGI FL Acquisition date of the Fund is **06 August 2010**

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of IGI Funds Limited (the Management Company) of **IGI Capital Protected Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Lahore Stock Exchange (Guarantee) Limited where the Fund is listed.

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code in respect of the Fund for the year ended 30 June 2012.

We draw your attention to clause 23 of the Statement which mentions certain non-compliances with the Code.

Our conclusion is not qualified in respect of the above matter.

Chartered Accountants

Date:

Karachi

**Statement of Compliance with the Code of Corporate Governance
IGI Capital Protected Fund
Year ended June 30, 2012**

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35 (Chapter XI) 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 Capital Protected 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 will encourage representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Mr. Javed Hamid, Mr. Ahmed Alman Aslam, Mr. Abid Naqvi, Mr. Asif Saad
Executive Directors	Ms. Maheen Rahman
Non-Executive Directors	Mr. Tariq Hasan Quraishi, Mr. Khalid Yacob

The independent directors will meet the criteria of independence under clause (i) b of the Code. (This requirement will become applicable from the constitution of new Board upon expiry of term of the current Board).

2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including the Management Company.

(The requirement of not serving as a director of more than seven listed companies, excluding the listed subsidiaries of listed holding companies, will become applicable from the constitution of new Board upon expiry of term of the current Board).
3. All the resident Directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Finance Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the Board on December 27, 2011 was filled up by the directors on the same day.
5. The Management Company has prepared a 'Code of Conduct' (the Code) and has disseminated it throughout the company along with its supporting policies and procedures.
6. The Board has developed a statement of main purpose and guiding principles (vision/mission statement), overall corporate strategy and significant policies of the Fund. A complete record of particulars of significant policies along with dates on which they were prepared or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the Board met at least once in every quarter. 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. The Board has arranged training programs for its directors as per the prescribed schedule.
10. The Board has approved appointment of CFO / Company Secretary, including his remuneration and terms and conditions of employment.

11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the units of the Fund other than those disclosed in the pattern of shareholding.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members all of whom are non-executive Directors including an independent director. However the Board has ensured that the Chairman Audit Committee is an independent director in the Board meeting held on August 27, 2012.
(This requirement will become applicable from the constitution of new Board upon expiry of term of the current Board).
16. The Board has formed an HR and Remuneration Committee. It comprises four members, of whom two are non executive directors and the chairman of the committee is an Independent Director.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Fund as required by the Code. The terms of reference of the Committee have been formulated and advised to the Committee for compliance.
18. The Board has outsourced its internal audit function to A.F Fergusons & Co. who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants ("IFAC") guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Fund's units, was determined and intimated to Directors, employees and stock exchange.
21. 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.
22. Material/price sensitive information has been disseminated among all market participants at once through Stock Exchanges.
23. We confirm that all other material principles enshrined in the Code have been complied with. (Except for the followings, towards which reasonable progress is being made by the company to seek compliance by the end of the next year.)
 - a) Head of Internal Audit not appointed (Refer Para 10)
 - b) Chairman of Audit Committee not an independent director (Refer Para 15)

For and on behalf of the Board of Directors

MAHEEN RAHMAN
Chief Executive Officer

TARIQ HASAN QURAIISHI
Director

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

CDC House, 99-B, Block 'B'
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Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
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TRUSTEE REPORT TO THE UNIT HOLDERS

IGI CAPITAL PROTECTED FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of **IGI Capital Protected Fund** (the Fund) are of the opinion that IGI Funds Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 in accordance with the provisions of the following:

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

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

Karachi: October 08, 2012

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **IGI Capital Protected Fund** (the Fund), which comprise the statement of assets and liabilities as at 30 June 2012, and the related statements of income, comprehensive income, cash flows, distribution and movement in unit holders' fund for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 2012 and of its financial performance, cash flows and transactions for the period then ended in accordance with approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: 27th August 2012

Karachi

IGI CAPITAL PROTECTED FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2012

	Note	June 30, 2012 ---- (Rupees) ----
Assets		
Capital Protected Segment		
Investments	7	234,459,504
Investment Segment		
Bank balances	8	39,537,039
Margin deposits		2,057,978
Prepayments and other receivables	9	2,746,605
		44,341,622
Deferred formation cost	10	1,136,852
Total assets		279,937,978
Liabilities		
Payable to the Management Company	11	2,259,390
Remuneration payable to the Trustee	12	55,491
Annual fee payable to the Securities and Exchange Commission of Pakistan	13	150,087
Unrealised loss on valuation of derivatives	14	326,756
Accrued and other liabilities	15	434,130
Total liabilities		3,225,854
Net assets		276,712,124
Contingencies and commitments	16	
Unit holders' fund		276,712,124
		(Number of units)
Number of units in issue		2,651,205
		---- (Rupees) ----
Net assets value per unit		104.3722

The annexed notes from 1 to 26 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI CAPITAL PROTECTED FUND
INCOME STATEMENT
FOR THE PERIOD ENDED JUNE 30, 2012

	Note	For the period from October 06, 2011 to June 30, 2012 ---- (Rupees) ----
Income		
Finance income	17	20,245,086
Net loss on investments classified as 'at fair value through profit or loss' - held-for-trading		
- Net capital loss on sale of investments		(3,975,826)
- Net unrealised gain on revaluation of investments		1,563,575
		<u>(2,412,251)</u>
Total income		17,832,835
Expenses		
Remuneration of the Management Company		3,502,094
Sales tax on management fee	18	560,339
Remuneration of the Trustee		512,684
Annual fee to the Securities and Exchange Commission of Pakistan		150,087
Brokerage expense		157,305
Bank and settlement charges		12,247
Amortisation of deferred formation cost		662,278
Auditors' remuneration		211,854
Annual listing fee		96,046
Annual rating fee		200,000
Printing charges		125,600
Total expenses		<u>6,190,534</u>
Net income from operating activities		11,642,301
Element of loss and capital losses included in prices of units sold less those in units redeemed - net		<u>(50,717)</u>
Net income for the period before taxation		11,591,584
Taxation	19	-
Net income for the period after taxation		<u><u>11,591,584</u></u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive

Director

IGI CAPITAL PROTECTED FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED JUNE 30, 2012

	For the period from October 06, 2011 to June 30, 2012 ---- (Rupees) ----
Net income for the period	11,591,584
Other comprehensive income	-
Total comprehensive income for the period	<u>11,591,584</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

Chief Executive

Director

IGI CAPITAL PROTECTED FUND
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2012

	Note	For the period from October 06, 2011 to June 30, 2012 --- (Rupees) ---
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation		11,591,584
Adjustments for:		
Net capital loss on sale of investments classified as 'at fair value through profit or loss' - held-for-trading		3,975,826
Net unrealised gain on revaluation investments classified as 'at fair value through profit or loss' - held-for-trading		(1,563,575)
Amortisation of deferred formation cost		662,278
Element of loss and capital losses included in prices of units sold less those in units redeemed - net		50,717
Unrealised loss on valuation of derivatives		326,756
		<u>15,043,586</u>
Increase in assets		
Investments		(119,442,337)
Margin deposits		(2,057,978)
Prepayments and other receivables		(2,746,605)
		<u>(124,246,920)</u>
Decrease in liabilities		
Payable to the Management Company		460,260
Remuneration payable to the Trustee		55,491
Annual fee payable to the Securities and Exchange Commission of Pakistan		150,087
Accrued and other liabilities		434,130
		<u>1,099,968</u>
Net cash used in operating activities		<u>(108,103,366)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received on issue of units		368,649,062
Payment against redemption of units		(103,579,239)
Net cash generated from financing activities		<u>265,069,823</u>
Net increase in cash and cash equivalents during the period		<u>156,966,457</u>
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of the period	20	<u><u>156,966,457</u></u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

Chief Executive

Director

**IGI CAPITAL PROTECTED FUND
DISTRIBUTION STATEMENT**
FOR THE PERIOD ENDED JUNE 30, 2012

	For the period from October 06, 2011 to June 30,2012 ---- (Rupees) ----
Undistributed income brought forward	-
Total comprehensive income for the period	11,591,584
Undistributed income carried forward	<u>11,591,584</u>
Undistributed income carried forward at the end of period	
- Realised gains	10,028,009
- Unrealised gains	1,563,575
	<u>11,591,584</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

Chief Executive

Director

IGI CAPITAL PROTECTED FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE PERIOD ENDED JUNE 30, 2012

	For the period from October 06, 2011 to June 30, 2012 --- (Rupees) ---
Net assets at beginning of the period	-
Amount realised on issuance of 3,623,674 units	362,475,386
Amount realised on issuance of 61,737 bonus units	6,173,676
Amount paid / payable on redemption of 1,034,205 units	(103,579,239)
	265,069,823
Element of loss and capital losses included in prices of units sold less those in units redeemed - net	50,717
Total comprehensive income for the period before capital gains and losses - realised and unrealised	14,003,835
Net capital loss on sale of investments classified as 'at fair value through profit or loss' - held-for-trading	(3,975,826)
Net unrealised gain on investments classified as 'at fair value through profit or loss' - held-for-trading	1,563,575
Total comprehensive income for the period	11,591,584
Net assets at end of the period	276,712,124
[Net asset value: Rs.104.37 per unit]	

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

Chief Executive

Director

IGI CAPITAL PROTECTED FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

IGI Capital Protected Fund (the Fund) has been established under the Non-Banking Finance Companies (Establishment and Regulation), Rules 2003 (the NBFC Rules) and has been authorised as a unit trust scheme by the Securities and Exchange Commission of Pakistan (SECP) on June 13, 2011. It has been constituted under a Trust Deed, dated June 17, 2011 between IGI Funds Limited (the Management Company), a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited (CDC) as the Trustee, also incorporated under the Companies Ordinance, 1984.

The Fund is an open end mutual fund and is listed on Lahore Stock Exchange. The duration of the Fund is two years following the last day of initial offering period i.e. October 05, 2011. Accordingly, the Fund shall automatically stand dissolved after completion of minimum period under the terms of the Offering Document. However, the management considers that the said dissolution of the Fund would not result in any adjustment to the carrying values of assets and liabilities reported in these financial statements as the same are being stated at their respective fair values.

IGI Capital Protected Fund (IGI CPF) aims to protect investors' capital at maturity through the investment structure by placing a minimum 80% of the Initial Fund Size to be called the Capital Protected Segment, in equal proportion in Pakistan Investment Bonds (PIBs) and Treasury Bills (T-Bills). The Fund may also opt to invest the Capital Protected Segment in bank deposits including term deposits, with any Scheduled Commercial Bank(s) having a minimum long term rating of 'AA-' (Double A Minus). Remaining funds to be called Investment Segment will be utilized to gain exposure to listed Commodity Futures Contracts (cash settled only) traded at Commodity Exchange(s) in Pakistan and other avenues as explained in clause 16.6 of the Offering Document.

Title to the assets of the Fund is held in the name of CDC as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been adopted by the Fund during the current period:

4.1 Investments

The investments of the Fund, upon initial recognition, are classified as investment at fair value through profit or loss or held to maturity investments as appropriate.

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

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

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

After initial measurement, these are carried at fair value and the gains or losses on revaluation are recognised in the income statement.

- **Held to maturity**

Investment securities with fixed maturities and fixed or determinable payments are classified as 'held-to-maturity investments' when management has both the intention and ability to hold to maturity. After initial measurement, such investments are carried at amortised cost less any provision for impairment except in case of debt securities and government securities, which are carried at fair value in accordance with the requirements of the NBFC Regulations.

Basis of valuation of investments

Fair value of investments is determined as follows:

Government securities

These are valued by reference to the quotations obtained from the Reuters page.

4.2 Derivative Financial Instruments

Derivative instruments that are held by the Fund primarily comprise of futures commodity contracts in the commodities market. These are measured initially at fair value and revalued at each subsequent measurement date 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 commodities. Derivatives with positive market values (unrealised gains) are included in assets and derivatives with negative market values (unrealised losses) are included in liabilities in the Statement of Assets and Liabilities. The resultant gains and losses are included in the income currently.

4.3 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repos) are not recognised in the statement of assets and liabilities. Amounts paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.

Transactions of sale under repurchase (repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be 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.

4.4 Impairment of financial assets

An assessment is made at each statement of assets and liabilities date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss, is recognised in the income statement.

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.

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

4.5 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.

4.6 Issue and redemption of units

Units issued are recorded at the offer price prevalent on the day on which application form, (complete in all respects) is received. The offer price represents the net asset value of units at the end of the day. Issue of units is recorded on acceptance of application for sale.

Units redeemed are recorded at the redemption price, prevalent on the day on which the redemption form (complete in all respects) is accepted. The redemption price represents the net asset value of units at the end of the day. Redemption of units is recorded on acceptance of application for redemption.

4.7 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 at period end.

4.8 Revenue recognition

- Gains or losses arising on sale of investments are included in the income statement in the period in which they arise.
- Unrealised gains or 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 term deposit receipts, government securities, certificates of investment, letters of placement, commercial papers and bank balances are recognised on a time proportionate basis using effective interest rate method.

4.9 Element of income / loss and capital gains / losses included in prices of units sold less those in units redeemed

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

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

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

4.10 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates, if any. The Fund is exempt from taxation under clause 99 of Part I of the 2nd Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income excluding realised and unrealised capital gains for the period is distributed amongst the unit holders.

4.11 Financial assets and financial liabilities

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

Financial assets carried in the statement of assets and liabilities include bank balances, investments and return on bank balances.

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

4.12 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.

4.13 Provision

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

4.14 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 commencing from May 28, 2010 (the date of the end of initial public offer period of the Fund) as stated in the Trust Deed of the Fund approved by the Securities and Exchange Commission of Pakistan.

4.15 Cash and cash equivalents

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

4.16 Distribution to unit holders

Distributions declared including the bonus units are recorded in the period in which they are approved. Regulation 63 of the NBFC Regulations, requires the Fund to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders.

4.17 Other assets

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

4.18 Liabilities

All expenses including management fee and trustee fee are recognised in the income statement as and when incurred.

5. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in the relevant accounting policies / notes to the financial statements.

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

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

Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments : Disclosures – (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 1 Presentation of Financial Statements – Presentation of items of comprehensive income	July 01, 2012
IAS 12 Income Taxes (Amendment) - Recovery of Underlying Assets	January 01, 2012
IAS 19 Employee Benefits – (Amendment)	January 01, 2013
IAS 32 Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Fund expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Fund's financial statements in the period of initial application except for certain additional disclosures.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

7. INVESTMENTS	Note	June 30, 2012 ---- (Rupees) ----
7.1 Capital protected segment		
Financial assets as 'at fair value through profit or loss' - held-for-trading		
Treasury Bills	7.1.1	117,429,418
Pakistan Investment Bonds	7.1.2	117,030,086
		<u>234,459,504</u>

Issue date	As at October 06, 2011	Purchased during the period	Sold / matured during the period	Balance as at June 30, 2012	Carrying value as at June 30, 2012	Market value as at June 30, 2012	Unrealised gain / (loss) on revaluation	Net assets on the basis of market value	Total Investment on the basis of market value
	----- (Number of certificates) -----				----- (Rupees) -----			----- (%) -----	

7.1.1 Treasury Bills - having face value of Rs.100 each

Maturity upto 1 year	-	1,660,000	(460,000)	1,200,000	117,534,084	117,429,418	(104,666)	42.44%	50.09%
	-	1,660,000	(460,000)	1,200,000	117,534,084	117,429,418	(104,666)		

These represent Market Treasury Bills having face value of Rs.120 million and carrying purchase yield of 11.91% per annum. These treasury bills have maturity upto September 06, 2012.

7.1.2 Pakistan Investment Bonds

Issue date	As at October 06, 2011	Purchased during the period	Sold / matured during the period	Balance as at June 30, 2012	Carrying value as at June 30, 2012	Market value as at June 30, 2012	Unrealised gain / (loss) on revaluation	Net assets on the basis of market value	Total Investment on the basis of market value
	----- (Number of certificates) -----				----- (Rupees) -----			----- (%) -----	
Maturity upto 5 years	-	50,000	-	50,000	4,981,906	4,952,580	(29,326)	1.79%	2.11%
Maturity upto 10 years	-	1,180,000	-	1,180,000	112,868,782	112,077,506	(791,276)	40.50%	47.80%
	-	1,230,000	-	1,230,000	117,850,688	117,030,086	(820,602)		

These represent Pakistan Investment Bonds having face value of Rs.118 million and carrying purchase yield ranging between 11.90% to 12.07% per annum. These Pakistan Investment Bonds have maturity upto October 06, 2013.

7.2 Investment segment

Issue date	As at October 06, 2011	Purchased during the period	Sold / matured during the period	Balance as at June 30, 2012	Carrying value as at June 30, 2012	Market value as at June 30, 2012	Unrealised gain / (loss) on revaluation	Net assets on the basis of market value	Total Investment on the basis of market value
	----- (Number of certificates) -----				----- (Rupees) -----			----- (%) -----	

7.2.1 Treasury bills - having face value of Rs.100 each

Maturity upto 6 months	-	31,000,000	(31,000,000)	-	-	-	-	-	-
Maturity upto 1 year	-	15,000,000	(15,000,000)	-	-	-	-	-	-
	-	46,000,000	(46,000,000)	-	-	-	-	-	-

		June 30, 2012
		---- (Rupees) ----
8.	BANK BALANCES	Note
	Bank balances - local currency	8.1 <u><u>39,537,039</u></u>
	8.1 The deposit accounts with banks carry profit rates ranging from 5% to 12.75% per annum.	
9.	PREPAYMENTS AND OTHER RECEIVABLES	
	Prepayments	
	Annual listing fee	3,084
	Mark-up / return receivable on:	
	- bank balances	<u>333,744</u>
	- Pakistan Investment Bonds	<u>2,409,777</u>
		<u>2,743,521</u>
		<u>2,746,605</u>
10.	DEFERRED FORMATION COST	
	Unamortised cost at the beginning of the period	1,799,130
	Amortised during the period	<u>(662,278)</u>
	Unamortised cost at the end of the period	<u>1,136,852</u>
	10.1 Formation cost represents expenditure incurred prior to the commencement of operations of the Fund as incurred by the Management Company and are being amortised over a period of five years commencing from October 06, 2011.	
11.	PAYABLE TO THE MANAGEMENT COMPANY	
	Remuneration payable to the Management Company	396,774
	Sales tax payable on management fee	63,486
	Formation cost payable	<u>1,799,130</u>
		<u>2,259,390</u>
	11.1 The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the NBFC Regulations, of an amount not exceeding 3% 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 2% per annum of such assets of the Fund. Currently the management fee is charged @ 1.75% of the average daily net assets of the Fund.	
12.	REMUNERATION PAYABLE TO THE TRUSTEE	
	The Trustee is entitled to a monthly remuneration for services rendered to the Fund under provisions of the trust deed and offering document at Rs.0.7 million per annum or 0.13% per annum, whichever is higher.	

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

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

14. UNREALISED LOSS ON VALUATION OF DERIVATIVES

This represents net unrealised loss on cash settled futures gold contracts with settlement date of July 27, 2012.

	June 30, 2012
	---- (Rupees) ----
15. ACCRUED AND OTHER LIABILITIES	
Auditors' remuneration	150,000
Annual rating fee payable	200,000
Printing charges payable	80,000
Others	4,130
	<u>434,130</u>
16. CONTINGENCIES AND COMMITMENTS	
16.1 Contingency - Workers' Welfare Fund	

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the 'WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

In July 2011, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action through letter dated October 06, 2010. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter dated January 04, 2011 subsequently cancelled ab-initio the clarification letter dated October 06, 2010 on applicability of WWF on mutual funds.

On December 14, 2010, the Ministry had filed its response against the constitutional petition requesting the SHC to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the SHC.

During the current period, the Honourable Lahore High Court (LHC) in a similar Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the constitutional petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the Fund is not liable to contribute to WWF. Hence, aggregate unrecognised amount of WWF as at June 30, 2012 amounted to Rs.0.232 million. Had the provision been made the net asset value per unit of the Fund would have been lower by Rs.0.088 per unit.

		June 30, 2012 ---- (Rupees) ----
16.2	Commitments	
	Purchase of:	
	One Ounce Futures Gold Contracts - cost USD 236,780 (market value USD 233,325)	<u>22,070,212</u>
	This represents gross fair value of the gold futures contracts held by the Fund at the close of the period. All these contracts could be settled in cash either by paying or receiving the difference between the original contract price and the settlement price prevailing on the date of maturity of the respective contracts. The maturity of the above contracts is falling on July 27, 2012.	
		For the period from October 06, 2011 to June 30, 2012 ---- (Rupees) ----
17.	FINANCE INCOME	
	Interest income on:	
	Investments classified as 'at fair value through profit or loss' - held-for-trading	
	Treasury Bills - Capital Protected Segment	9,678,372
	Pakistan Investment Bonds - Capital Protected Segment	6,896,046
	Others	
	Bank deposits	<u>3,670,668</u>
		<u>20,245,086</u>
18.	SALES TAX ON MANAGEMENT FEE	
	During the current period, an amount of Rs.0.560 million was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011.	
19.	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 period as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. The Management Company intends to distribute not less than 90% of its annual accounting income, if any, to comply with the above clause at year end. Accordingly, no provision for current and deferred tax has been made in these financial statements.	
20.	CASH AND CASH EQUIVALENTS	
	Bank balances	39,537,039
	Treasury Bills maturing within 3 months	<u>117,429,418</u>
		<u>156,966,457</u>
21.	TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS	
	Related parties include IGI Funds Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, IGI Investment Bank Limited being the holding company of the Management Company, IGI Finex Securities Limited being the subsidiary of IGI Investment Bank Limited, IGI Insurance Limited being the associated company of the IGI Investment Bank Limited and Packages Limited being the holding company of IGI Insurance Limited, Tri Pack Films Limited, Tetra Pak Pakistan Limited being the associates of IGI Insurance Limited and Key Management personnel. Transactions with these related parties involve issue and redemption of units and issue of bonus units.	
	Remuneration payable to the Management Company and the Trustee are determined in accordance with the provisions of NBFC Regulations and the Trust Deed respectively.	

21.1 Unit Holders' Fund

For the period from October 06, 2011 to June 30, 2012

	As at October 06, 2011	Issued for cash / conversion in / transfer in	Bonus	Redeemed / conversion out / transfer out	As at June 30, 2011	As at October 06, 2011	Issued for cash / conversion in / transfer in	Bonus	Redeemed / conversion out / transfer out	"Net asset value as at June 30, 2011"
	Units				(Rupees)					
Associated companies / undertakings										
IGI Investment Bank Limited Packages Limited - Employees Gratuity Fund	-	1,533,618	-	1,034,205	499,413	-	153,420,488	-	103,579,239	52,124,853
IGI Investment Bank Limited Packages Limited - Employees Provident Fund	-	119,976	-	-	119,976	-	11,997,607	-	-	12,522,166
IGI Investment Bank Limited Packages Limited - Management Staff Pension Fund	-	337,560	-	-	337,560	-	33,755,970	-	-	35,231,849
IGI Investment Bank Limited Packages Limited - Management Staff Pension Fund	-	559,210	-	-	559,210	-	55,921,045	-	-	58,366,025
Other related parties										
Tetra Pak Pakistan Limited - Employees Gratuity Fund	-	91,603	-	-	91,603	-	9,160,337	-	-	9,560,845
Tetra Pak Pakistan Limited - Employees Provident Fund	-	122,138	-	-	122,138	-	12,213,782	-	-	12,747,793
Tetra Pak Pakistan Limited - Employees Pension Fund	-	91,603	-	-	91,603	-	9,160,337	-	-	9,560,845
Nestle Pakistan Limited - Managerial Staff Pension Fund	-	99,903	-	-	99,903	-	10,000,000	-	-	10,427,116
Nestle Pakistan Limited - Employees Provident Fund	-	299,710	-	-	299,710	-	30,000,000	-	-	31,281,348
Nestle Pakistan Limited - Employees Gratuity Fund	-	99,903	-	-	99,903	-	10,000,000	-	-	10,427,116
Directors										
Adi Jehangir Cawasji	-	51,318	-	-	51,318	-	5,131,827	-	-	5,356,173

For the period from October 06, 2011 to June 30, 2012

21.2 Other transactions

Associated companies / undertakings

IGI Funds Limited - Management Company

Remuneration of the Management Company	3,502,094
Sales tax on management fee	560,339
Formation cost paid	1,799,130
Sales load	149,507

IGI Income Fund - (Common Management)

Treasury Bill - sold	13,714,320
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IGI Money Market Fund - (Common Management)

Treasury Bill - sold	29,636,837
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IGI Flnex Securities Limited - Associated Company

Brokerage charges	83,324
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Other related parties

Central Depository Company of Pakistan Limited - (Trustee of the Fund)

Remuneration of the Trustee	512,684
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21.3 Other balances

June 30, 2012
---- (Rupees) ----

Associated companies / undertakings

IGI Funds Limited - Management Company

Remuneration payable to the Management Company	396,774
Sales tax payable on management fee	63,486
Formation cost payable	1,799,130

IGI Flnex Securities Limited - Associated Company

Brokerage charges payable	1,125
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Other related parties

Central Depository Company of Pakistan Limited (Trustee of the Fund)

Remuneration payable to the Trustee	55,491
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22. FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund has exposure to following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

The Fund primarily invests in a portfolio of money market investments such as investment-grade debt securities, secured privately placed instruments, spread transactions and investments in other money market instruments (including the clean placements), and commodity market investments which include gold, silver, crude oil, palm oil, rice and any other future contracts introduced by the commodity exchange with the approval of the Securities and Exchange Commission of Pakistan. Such investments are subject to varying degrees of risk.

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

22.1 Credit risk

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

Management of credit risk

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

Exposure to credit risk

The table below analyses the Fund's maximum exposure to credit risk. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements at reporting date:

	Carrying amount June 30, 2012 ---- (Rupees) ----
Bank balances	39,537,039
Margin deposits	2,057,978
Interest receivable on bank deposits	333,744
	<u>41,928,761</u>

Credit quality of bank balances

Details of credit rating of banks holding balances / deposits (including mark-up / return receivable thereon) are as follows:

Name of Bank	Rating	June 30, 2012 %
The Bank of Punjab	A1+/AA-	99.81
Standard Chartered Bank (Pakistan) Limited	A1+/AAA	0.19
		<u>100.00</u>

Credit quality of held-for-trading investments

Investments in government securities i.e. treasury bills are not exposed to credit risk.

Credit quality of interest receivable on bank deposits

Interest income receivable on bank deposits were received subsequent to the period end.

Past due or impaired financial assets

None of the financial assets are considered to be past due or impaired as at June 30, 2012 and June 30, 2011.

Concentration of the credit risk

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

22.2 Liquidity risk

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

Management of liquidity risk

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

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

Maturity analysis for financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the statement of assets and liabilities 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:

	June 30, 2012			
	Carrying amount and contractual cash flows	Less than a month	More than one month and upto three months	More than three months and upto one year
	----- (Rupees) -----			
Financial liabilities				
Payable to the Management Company	2,259,390	2,259,390	-	-
Remuneration payable to the Trustee	55,491	55,491	-	-
Unrealised loss on valuation of derivatives	326,756	326,756	-	-
Accrued and other liabilities	434,130	434,130	-	-
	<u>3,075,767</u>	<u>3,075,767</u>	<u>-</u>	<u>-</u>

Above financial liabilities do not carry any mark-up.

22.3 Market risk

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

Management of market risks

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

Currency risk

Currency risk is the risk that the value of the financial instrument may fluctuate as a result of changes in foreign exchange rates. As at June 30, 2012, the Fund has investment in Future Gold Contract denominated in US Dollars that exposes the Fund to foreign currency risk, which may affect the value of the Fund's net assets due to favorable or unfavorable fluctuations in currency rates.

As at June 30, 2012, if the PKR was strengthened / weakened by 10% against the US Dollar with all other variables held constant, the net income for the period would have been higher / lower by Rs.2.21 million with corresponding effect on net assets attributable to unit holders.

Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial instruments and future cash flows. The interest rate environment is monitored on a regular basis and the portfolio mix of fixed and floating rate securities is altered. The Fund's investment in fixed interest rate securities expose Fund to fair value interest rate risk. The Fund has no variable interest rate instruments.

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

	June 30, 2012 --- (Rupees) ---
Fixed rate instruments	
Treasury Bills	117,429,418
Pakistan Investment Bonds	117,030,086
	<u>234,459,504</u>

Fair value sensitivity analysis for fixed rate instruments

In case of 100 basis points increase / decrease in interest rate on period end, the net assets attributable to unit holders of the Fund and net income for the period would have been lower / higher by Rs.2.430 million. This analysis assumes that all other variables remain constant.

Other price risk

Other price risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market.

As at June 30, 2012, the exposure of the Fund to other price risk was Rs.22.070 million. A decrease / increase of 10% in the quoted price of Future Gold Contracts of Pakistan Mercantile Exchange would have an impact of approximately Rs.2.21 million on the net income for the period with consequent effect on net assets of the Fund. The sensitivity analysis is based on the Fund's commodity securities at each Statement of Assets and Liabilities date, with all other variables held constant.

22.4 Unit Holders' Fund risk management

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

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

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

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

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

22.5 Fair value hierarchy

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

- Level 1:** quoted prices in active markets for identical assets.
- Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3:** techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at June 30, 2012, the Fund held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Investments classified as 'at fair value through profit or loss' - held-for-trading				
Capital protected segment				
Government securities				
- Treasury bills	-	117,429,418	-	117,429,418
- Pakistan Investment Bonds	-	117,030,086	-	117,030,086
	<u>-</u>	<u>234,459,504</u>	<u>-</u>	<u>234,459,504</u>

During the period ended June 30, 2012, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

22.6 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value as the items are short term in nature.

23. SUBSEQUENT EVENT

The Board of Directors of the Management Company have approved distributions of 3.6434 units for every 100 units (Growth units) held for the period ended June 30, 2012 amounting to Rs.9.73 million in total, in their meeting held on July 05, 2012. These financial statements do not reflect these distributions which will be accounted for subsequent to the period end.

24. 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 the NBFC Regulations has been disclosed in Annexure I to the financial statements.

25. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by Board of Directors of the Management Company on 27th Aug' 2012.

26. GENERAL

26.1 Being the first accounting period of the Fund, there are no corresponding figures to report.

26.2 Figures are rounded off to the nearest rupee.

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

Chief Executive

Director

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

(i) UNIT HOLDING PATTERN OF THE FUND

Category	As at 30 June 2012			
	Number of unit holders	"Number of units held"	"Amount Rupees"	% of total
Individuals	5	126,908	13,245,615	4.79%
Associated Co./ Directors	13	2,321,020	242,249,941	87.55%
Insurance Co.	-	-	-	-
Banks/ DFIs	-	-	-	-
NBFC/ NBFIs	1	203278	21216568	7.67%
Retirement & Other Funds	-	-	-	-
Others	-	-	-	-
	19	2,651,206	276,712,124	100%

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

Name of broker	Percentage of commission paid	
	2012	2011
IGI Finex Securities Ltd	75.30%	0.00%
Invest & Finance Securities	23.80%	0.00%
Invest One Markets (Pvt) Ltd	0.90%	0.00%
	100%	0%

(iii) PARTICULARS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

- Maheen Rahman - CEO
- Muddasir Ahmed Shaikh - CIO
- Syed Muhammad Zeeshan - CFO
- Syed Saifullah Kazmi - Fund Manager
- Mr. Nabeel Malik – Fund Manager
- Mr. Zafarullah Maqdi - Compliance Officer

Maheen Rahman - CEO

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

Muddasir Shaikh - CIO

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

Syed Muhammad Zeeshan - CFO

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

Syed Saifullah Kazmi - Fund manager

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

Mr. Nabeel Malik – Fund Manager

Mr. Nabeel Malik brings with him a rich and diversified experience in the field of fund management and fixed income trading/facilitation. Before becoming a part of IGI Funds' team, he was associated with Pak-Oman Asset Management Co, heading its Fixed Income Fund Management Department. where he proficiently handled money market trading, liquidity and funds management contributing positively towards bottom line profitability. His diverse experience in the field of finance includes names like Pak-Kuwait Investment Co, Orix Investment Bank, KASB Securities and Mobilink GSM. Mr. Malik has done his MBA from SZABIST and holds a B.Sc degree in Computing & I.T from Staffordshire University U.K.

(iv) **DIRECTOR MEETING ATTENDANCE**

Name of Director	Designation	Meetings			
		Total	Attended	"Leave Granted"	Meeting not attended
Mr. Javed Hamid	Chairman	5	5	-	-
Mr. Khalid Yacob	Director	5	5	-	-
Mr. Ahmed Alman Aslam	Director	5	4	1	38th
Mr. Abid Naqvi	Director	5	4	1	34th
Syed Javed Hassan	Director	3	3	-	-
Mr. Asif Saad	Director	5	3	2	36th & 37th
Mr. Tariq Qureshi	Director	2	2	-	-
Ms. Maheen Rahman	CEO	5	5	-	-

Mr. Javed Hassan resigned as member Board of Directors of the Management Company on December 27, 2011 and Mr. Tariq Qureshi was appointed as Member Board of Directors of the Management Company the same day.

Securities and Exchange Commission of Pakistan (SECP) approved both changes on March 02, 2012.

Dates of the meetings of the Board of Directors

Thirty-Fourth meeting	July 5, 2011
Thirty-Fifth meeting	August 23, 2011
Thirty-Sixth meeting	October 27, 2011
Thirty-Seventh meeting	January 27, 2012
Thirty-Eighth meeting	April 24, 2012

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

JCR-VIS has awarded asset manager rating of an "AM2-" to IGI Funds Limited in its report dated May 2012. 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.