Contents

IGI Islamic Income Fund

IGI Money Market Fund

IGI Aggressive Income Fund (Formerly POBOP Advantage Plus Fund)

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

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: (92-2l) 35301729
Email: info@igifunds.com.pk
Website: www.igifunds.com.pk

Board of Directors of the Management Company

Mr. Javed Hamid (Chairman)
Ms. Maheen Rahman (Chief ExecutiveOfficer)
Mr. Khalid Yacob
Mr. Ahmed Alman Aslam
Mr. Abid Naqvi
Mr. M. Asif Saad
Syed Javed Hassan

Chief Financial Officer

Syed Muhammad Zeeshan

Company Secretary

Ms. Farheen Atique

Audit Committee

Mr. Khalid Yacob (Chairman)
Mr. Abid Naqvi (Member)
Syed Javed Hassan (Member)

IGI

Funds

IGI INCOME FUND

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.
Alfalah Securities (Pvt.) Ltd.
Allied Bank Limited
Atlas Capital Markets (Pvt.) Ltd.
BMA Financial Services Ltd.
Bulls and Bulls (Pvt) Ltd.
Financial Avenue
Foundation Securities (Pvt) Ltd.
IGI Investment Bank Limited
Invest Capital and securities (Pvt.) Ltd.
JS Global Capital Limited
KASB Securities
Mybank Limited
National Clearing Company of Pakistan Limited
Pak Oman Investement Company Ltd.
Pyramid Financiol Consultant (Pvt.) Ltd.
Siza Commodites (Pvt.) Ltd.
The Bank of Khyber
Vector Consulting (Pvt) Ltd.

Auditors

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

Legal Advisor

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

Bankers

Bank Alfalah Limited
Bank Al-Habib Limited
Bank of Punjab
JS Bank Limited
NIB Bank Limited
Royal Bank of Scotland
Standard Chartered Bank

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 2010. The Financial Statements of the Schemes prepared by the Management Company present true and fair view of the state of affairs of the Scheme and results of its operations, cash flows and movement in unit holders' fund.

Economic Review

The FY10 was closed in greener pastures, compared to the forecasts at the start of the outgoing fiscal year. Country's GDP growth was witnessed provisionally at 4%, compared to earlier estimate of 3.30%. Services sector stands out as the major contributor to GDP with 53% contribution, followed by 25% and 21% from Industry and Agriculture Sectors, respectively.

Trade deficit for FY10 was witnessed at USD 11,367 m; however, the final figures have improved gradually in the last three consecutive fiscal years. Trade deficit witnessed recovery as growth in exports was fractionally higher than the fall in imports. Home Remittances depicted a robust growth of 14% in FY10 (USD $8.9bn), compared to the corresponding period in FY09 (USD $7.8bn). UAE topped the list of contributors, with Saudi Arabia and USA following the list of contribution. Strong home remittances and lower trade deficit coupled with the IMF program helped the country's curtailment of current account deficit. Inflation figure for the fiscal also showed improvement as in FY10 the CPI inflation curtailed to 11.70% almost half of previous year's 20.80%.

Furthermore, the country experienced a reduction in borrowing for budgetary support to PkR407bn for FY10 (provisional) compared to PkR526bn in FY09. Of which, major borrowing was represented from scheduled banks, rather than direct SBP borrowing. Net Foreign Assets (NFA) of the banking system stood at PkR152bn; whereas, Net Domestic Assets (NDA) stood at PkR488bn for FY10 (provisional). Private sector credit off take improved in FY10 to PkR113bn compared to PkR17bn in FY09, representing improvement in economic activities.

As of the position of Jul-May '10, domestic debt of the country increased to PkR4,633bn. Of which, floating and unfunded debts increased substantially in issuance to Treasury Bills and National Savings Schemes. Lately, the investments were directed to government securities rather than direct advances in the market, ensuring principal guarantee compared to past two years defaults by the DFI and NBFI sectors.

During the period under review, KIBOR lending rates for 1-mth and 6-mth averaged 12.45% and 12.39% respectively. Money Market rates remained volatile in the last quarter of the fiscal year. Major activity was witnessed in government securities because of the stagnant private credit off take. Banks also concentrated their investments in risk-free or government guaranteed securities.

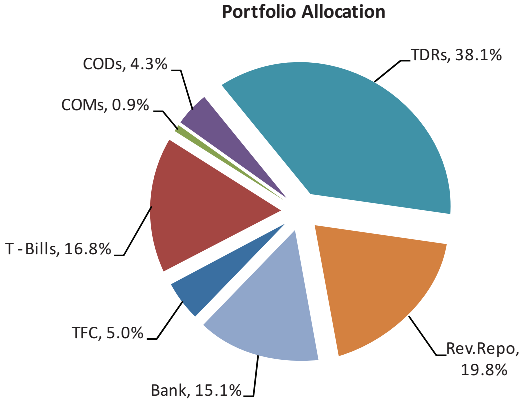
Fund Operations and Performance

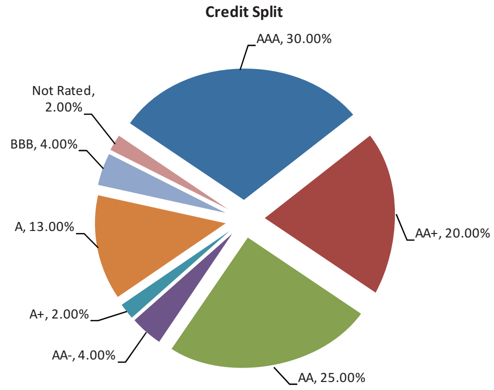
During the year your Fund continues to perform well with consistent returns and generate positive month-to-date and year-to-date yields despite of unpredictable and volatile political and market conditions dominated throughout. For the year ended 30 June 2010, the Fund posted an appreciation of 11.12% in NAV (2009: 6.40%) and completed the 3rd year of its operations with net assets amounting to Rs.2,436 millions (2009: Rs. 2,050 millions).

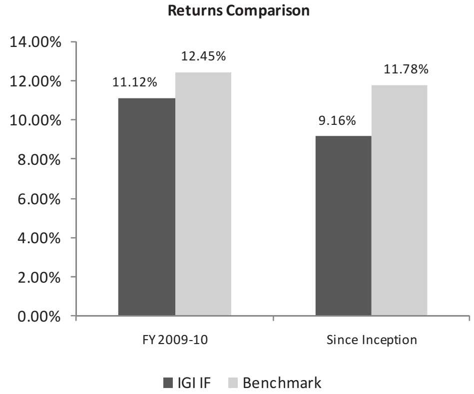
Payout

At the end of the year under review, the fund paid out final cash dividend of Rs.5.7615 per unit translating into 5.7434 bonus units for every 100 units held. This payout was in addition to interim distribution of Rs.4.9854 per unit making the full year payout of 10.7469. 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 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	2,436.44	2,049.60	3,668.17	1,677.58
Net Income	237.13	122.02	362.27	32.98
Net Assets Value per Unit (Rs.)	106.08	106.49	102.73	102.04
Issuance of units during the period	6,998.28	4,864.41	8,584.58	2,139.42
Redemption of units during the period	6,649.91	6,544.90	6,585.83	490.34

Future Outlook

The pressing demand for more money in the system and prevailing high yields on long term government securities are likely to escalate interest rates further upwards. Perhaps a little fine tuning in the discount rate is expected to maintain the historical co-relation between the discount rate and secondary market yields.

The upcoming maturity of the 23-month SBA (Stand-by Agreement) with IMF, exerting pressure of loosing foreign exchange, is also keeping the pressure on interest rates intact. Government is likely to announce a higher borrowing auction pattern from the various instruments for the FY11. Bank rates are expected to follow suit, as major pressure starts to creep in, for the December (financial year close) period. Banks would need to borrow at premiums to the markets yields available. Hence, placements are expected to materialize from the rising interest rates scenario.

TFCs volatility is expected to stabilize, once the liquidity management settles, and the KIBOR rates are likely to adjust upwards due to the rise in borrowing by financial institutions.

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 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 2010 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 2010 as given in note # 19.1;

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

Name	Category	Shares Acquired	Shares Held
IGI Investment Bank	Holding Co.	Nil	23,494,004
Syed Javed Hassan	Director	Nil	1,332
Abid Naqvi	Director	Nil	1,332
Ahmad Alman Aslam	Director	Nil	500

Acknowledgement

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

For and behalf of the Board

Chief Executive Officer
24 August 2010

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

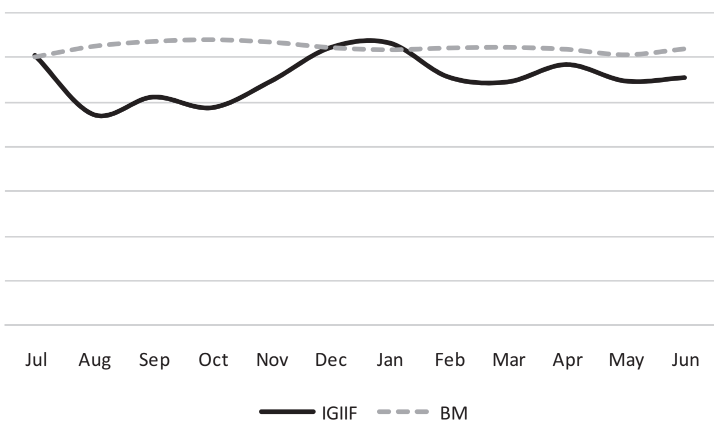
The Fund has achieved its objective of generating regular income by investing in low duration fixed income instruments within the guidelines provided under NBFC rules.

Benchmark

The Fund's benchmark is **1 month KIBOR.**

Performance comparison with Benchmark

Month	IGI IF	1month KIBOR
July 09	12.09%	12.02%
August 09	9.46%	12.51%
September 09	10.24%	12.73%
October 09	9.77%	12.81%
November 09	10.95%	12.70%
December 09	12.43%	12.45%
January 10	12.64%	12.35%
February 10	11.13%	12.43%
March 10	10.91%	12.46%
April 10	11.68%	12.37%
May 10	10.95%	12.12%
June 10	11.10%	12.39%



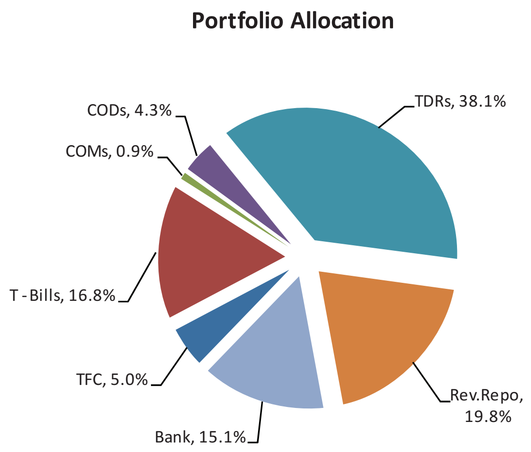
Strategies and Policies employed during the period

During the period, the main aim was at reducing volatility in the NAV and risk to fund. The fund focused mainly on keeping liquid cash in daily profit accounts and placements with high rated commercial banks as these offer attractive rates with no volatility. The strategy proved appropriate in times when fixed income asset prices, in the secondary market, were highly volatile. Because of the same reason, the fund also kept its TFC exposure at lower levels.

In order to safeguard returns to unit holders, the fund diversified its exposure to include government securities with the clarity in the interest rates scenario. The fund gradually enhanced its exposure in T-Bills and PIBs and explored placement opportunities in Reverse repo market, also.

Portfolio Allocation

Description	(%)
TDRs	38.1%
CODs	4.3%
COMs	0.9%
T-Bills	16.8%
TFCs	5.0%
Bank	15.1%
Rev. Repo	19.8%



Significant changes in Assets Allocation during the period

When compared with start of the year, the Fund has diversified its asset mix with reduced exposure in TDRs and cash accounts while reallocation of funds was done to include Government Securities and reverse repos.

Fund Performance

For the year ended 30 June 2010, the Fund posted an appreciation of 11.12% in NAV (2009: 6.40%) and completed the 3rd year of its operations with net assets amounting to Rs.2,436 millions (2009: Rs. 2,050 millions).

Review of the market invested in

The Fund carried a mix between portfolio assets for the period under review. Volatility in the T-Bill portfolio was witnessed, as random sale and purchase were executed during the period to take advantage of limited cash parking, in addition to better yields against savings accounts. The Fund also took exposure in liquid TFCs, and partial revaluation losses were witnessed due to the MUFAP prices. TDR placements yielded attractive returns, barring volatility in the returns. However, a dip in the NAV price was witnessed due to the cumulative WWF charge in the Fund. However the case is expected to be rested, and provision in the Fund is likely to be reversed.

Distribution

At the end of the year under review, the fund paid out final cash dividend of Rs.5.7615 per unit translating into 5.7434 bonus units for every 100 units held. This payout was in addition to interim distribution of Rs.4.9854 per unit making the full year payout of 10.7469. This is 97% payout of total earnings as per NBFC regulations. The effects on NAV were as follows;

Final

NAV (30 June 2010):	PkR	106.0761
Distribution:	PkR	5.7615
Ex-NAV:	PkR	100.3146

Interim

NAV (31 December 2009):	PkR	105.5393
Distribution:	PkR	4.9854
Ex-NAV:	PkR	100.5539

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	64	1,642,710
PkR 100,000 to 1,000,000	79	27,447,946
PkR 1,000,000 to 10,000,000	36	118,860,511
PkR 10,000,000 and above	40	2,288,485,445
Total	219	2,436,436,612

Unit Splits

There were no unit splits during the period.

Circumstances materially affecting the interest of unit holders

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

Soft Commission

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

Performance Table

	2010	2009	2008	2007
Net Assets Value (mn.)	2,436.44	2,049.60	3,668.17	1,677.58
NAV per unit	106.08	106.49	102.73	102.04
Selling price per unit	106.08	106.49	102.73	102.04
Redemption price per unit	106.08	106.49	102.73	102.04
Highest selling price per unit	106.08	106.49	107.46	102.04
Highest redemption price per unit	106.08	106.49	107.46	102.04
Lowest selling price per unit	100.49	100.08	100.09	100.00
Lowest redemption price per unit	100.49	100.08	100.09	100.00
Interim distribution per unit (Gross/ Net)	4.99	Nil	7.06	N/A
Interim distribution date	02 January	N/A	03 April 2008	N/A
Final distribution per units (Gross/ Net)	5.76	6.29	2.65	1.95
Final distribution date	02 July 2010	02 July 2009	03 July 2008	03 July 2007
Annualized returns	11.12%	6.40%	9.83%	9.67%
Income distribution	10.22%	6.21%	9.86%	9.24%
Capital growth	0.90%	0.19%	(0.03%)	0.43%
Weighted avg. portfolio duration	500 days	43 days	104 days	71 days

Return since inception is **9.16%**

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 of IGI Income Fund "the Fund" on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of IGI Funds Limited, "the Management Company" of the Fund to comply with the Listing Regulations of Lahore Stock Exchange, where the Fund is listed.

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

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

Further sub-regulation (xiii-a) of Listing Regulations 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 procedures to determine whether the related party transactions were under taken 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 of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

KPMG Taseer Hadi & Co.
Chartered Accountants

Statement of Compliance by the IGI Income Fund with the Code of Corporate Governance for the period ended 30 June 2010

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

1. The management company encourages representation of non-executive directors. All the directors, except the Chief Executive Officer are non-executive directors.

2. The existing directors have confirmed that none of them are serving as a director in more than ten listed companies, including the management company.

3. All the resident directors of the management company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.

4. During the period under review no casual vacancy occurred on the Board.

5. The management company has prepared a 'Code of Conduct' describing ethics and business practices for the Fund, which has been approved by the Board and duly signed by all the employees of the Management Company.

6. The management company has prepared a vision/ mission statement, corporate strategy and significant policies for the Fund which has been approved by the Board. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment of the CEO and CFO and the Company Secretary have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met as required by the Code of Corporate Governance. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In order to apprise the directors for their duties and responsibilities and the requirement of the Code they have been kept updated with the change in relevant laws applicable to the management company. Directors are conversant of the relevant laws applicable to the management company, its policies and procedures and provisions of memorandum and article of association and are aware of their duties and responsibilities.

10. The directors' report relating to the Fund for the period ended June 30, 2010 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

11. The financial statements of the Fund were duly endorsed by the CEO and CFO of the management company before approval of the Board.

12. The related party transaction with details of pricing methods have been placed before the Audit Committee and approved by the Board of Directors.

13. The directors, CEO, and executives do not hold any interest in the units of the fund and shares of the management company other than disclosed in the Directors Report.

14. The management company has complied with all the applicable 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 of the management company including the chairman of the committee.

16. The meetings of the audit committee were held and prior to the approval of final results of the Fund as required by the Code of Corporate Governance.

17. The Directors have approved the term of reference of Audit Committee in the light of Code of Corporate Governance.

18. The management company has now in-house internal audit function of the Fund headed by Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund. Previously the same function was outsourced to M/s. M. Yousuf Adil Saleem & Co.

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 shares of the management company or units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. 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.

21. We confirm that all other material principles contained in the Code have been complied with.

Chief Executive Officer

Trustee Report to the Unit Holders

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

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

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

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

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

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

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

Independent Auditors' Report to the Unit Holders

We have audited the accompanying financial statements of IGI Income Fund ("the Fund"), which comprises the statement of assets and liabilities as at 30 June 2010, and the income statement, statement of comprehensive income, cash flow statement, distribution statement and statement of movement in unit holders' funds for the year that ended, and a summary of significant accounting policies and other explanatory notes.

Management 's responsibility for the financial statements

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

Auditors' responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2010, and of its financial performance, cash flows and transactions for the year that ended in accordance with approved accounting standards as applicable in Pakistan.

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

Other Matters

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

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Nadeem

Statement of Assets and Liabilities

As at 30 June 2010

	Note	2010	2009
Assets			
Bank balances	4	**385,846,626**	668,658,623
Investments	5	**1,658,828,884**	1,366,957,242
Receivable under reverse repurchase transactions	6	**505,811,993**	-
Deferred formation cost	7	**1,282,656**	2,003,531
Security deposits	8	**2,600,000**	2,600,000
Other receivables	9	**15,743,326**	19,284,160
Total assets		**2,570,113,485**	2,059,503,556
Liabilities			
Amount payable on redemption of units		**120,449,624**	4,935,293
Payable to the Management Company	10	**2,953,100**	2,402,653
Remuneration payable to the Trustee	11	**316,718**	274,413
Annual fee payable to Securities and Exchange Commission of Pakistan	12	**1,858,367**	1,843,319
Accrued and other liabilities	13	**8,099,064**	450,824
Total liabilities		**133,676,873**	9,906,502
Net assets attributable to unit holders	Rupees	**2,436,436,612**	2,049,597,054
Unit holders' funds (as per statement attached)	Rupees	**2,436,436,612**	2,049,597,054
Number of units in issue	Number	**22,968,763**	19,247,247
Net assets value per unit	Rupees	**106.08**	106.49

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

For IGI Funds Limited
(Management Company)

Chief Executive | **Director**

Income Statement

For the year ended 30 June 2010

	Note	2010	2009
Income			
Financial income	14	**301,676,987**	303,240,554
Net Capital losses on sale of investments classified as 'at fair value through profit or loss- held for trading'		**(1,021,683)**	(53,873,683)
Net unrealised diminution appreciation in fair value of investments classified as 'at fair value through profit or loss- held for trading'		**(8,014,775)**	(24,383,600)
Provision for non performing term finance certificate classified as held for trading and interest accrued thereon	15	**(7,974,874)**	-
Reversal / (provision) for impairment in valuation of investments classified as 'held to maturity'	16	**22,267,468**	(22,267,468)
Element of income and capital gains included in prices of units sold less those in units redeemed - net		**(23,778,937)**	(34,529,586)
Total income		**283,154,186**	168,186,217
Expenses			
Remuneration to the Management Company		**30,972,898**	26,147,221
Remuneration to the Trustee		**3,477,934**	3,080,536
Annual fee to the Securities and Exchange Commission of Pakistan		**1,858,367**	1,843,319
Mark-up on credit finance facility		**-**	12,427,593
Brokerage expense and capital value tax		**594,879**	366,968
Bank and settlement charges		**42,163**	114,078
Amortisation of deferred formation cost		**720,875**	720,875
Auditors' remuneration		**373,000**	276,560
National Clearing Company of Pakistan Limited charges		**135,000**	871,605
CDS transaction fee		**7,715**	-
Annual listing fee		**30,000**	15,000
Printing charges		**82,061**	206,262
Credit rating fee		**210,000**	100,000
Stability rating fee		**200,000**	-
Workers' Welfare Fund	17	**7,321,275**	-
Total expenses		**46,026,167**	46,170,017
Net income for the year	*Rupees*	**237,128,019**	122,016,200

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

For IGI Funds Limited
(Management Company)

Chief Executive | **Director**

Statement of Comprehensive Income

For the year ended 30 June 2010

		2010	2009
Net income for the year		**237,128,019**	122,016,200
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year	*Rupees*	**237,128,019**	122,016,200

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

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Statement of Cash Flows

For the period ended 30 June 2010

	Note	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		**237,128,019**	122,016,200
Adjustments for:			
Net Capital losses on sale of investments classified as 'at fair value through profit or loss-held for trading'		**1,021,683**	53,873,683
Net unrealised diminution appreciation in fair value of investments classified as 'at fair value through profit or loss-held for trading'		**8,014,775**	24,383,600
Provision for non performing term finance certificate classified as held for trading and interest accrued thereon		**7,974,874**	-
Reversal / (provision) for impairment in valuation of investments classified as 'held to maturity'		**(22,267,468)**	22,267,468
Amortisation of deferred formation cost		**720,875**	720,875
Element of income and capital gains included in prices of units sold less those in units redeemed		**23,778,937**	34,529,586
		256,371,695	257,791,412
Change in:			
Investments - net		**(180,580,150)**	1,998,706,547
Security deposits		**-**	1,000,000
Markup / return receivable		**3,463,994**	6,877,021
Receivable against sale of securities		**-**	31,560,025
Other receivable		**76,840**	865,740
Payable to the Management Company		**550,447**	(901,339)
Remuneration payable to the Trustee		**42,305**	(83,213)
Annual fee payable to Securities and Exchange Commission of Pakistan		**15,048**	(1,242,815)
Accrued and other liabilities		**7,648,240**	(384,402)
Net cash from operating activities		**87,588,419**	2,294,188,976
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions paid		**(44,337,956)**	(35,236,215)
Amounts received on issue of units		**6,820,180,147**	4,804,944,529
Payment against redemption of units		**(6,534,395,258)**	(6,551,027,398)
Net cash from / (used in) financing activities		**241,446,933**	(1,781,319,084)
Net increase in cash and cash equivalents during the year		**329,035,352**	512,869,892
Cash and cash equivalents at beginning of the year		**1,740,955,950**	1,228,086,058
Cash and cash equivalents at end of the year	*Rupees* 18	**2,069,991,302**	1,740,955,950

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

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Distribution Statement

For the year ended 30 June 2010

		2010	2009
Undistributed income brought forward at the beginning of the year			
- Realized gains		**146,399,800**	94,320,516
- Unrealized gains		**(21,527,121)**	3,156,848
		124,872,679	97,477,364
Total comprehensive income for the year		**237,128,019**	122,016,200
Distributions made during the year			
Final distribution of cash dividend @ Rs.6.2932 per unit for the year ended 30 June 2009, approved on 2 July 2009 (30 June 2008: Rs. 2.6479 per unit for every 100 units held, approved on 3 July 2008)		**(29,669,137)**	(35,236,215)
Final distribution of bonus @ 6.281 units for every 100 units held, for the year ended 30 June 2009, approved on 2 July 2009 (30 June 2008: 2.6479 units for every 100 units held, approved on 3 July 2008)		**(91,457,618)**	(59,384,670)
Interim distribution of cash dividend @ Rs. 4.9854 per unit for the six months period ended 31 December 2009, approved on 3 January 2010 (31 December 2008: Nil)		**(14,668,819)**	-
Interim distribution of bonus @ 4.9579 units for every 100 units held, for the six months period ended 31 December 2009, approved on 3 January 2010 (31 December 2008: Nil)		**(86,644,447)**	-
Undistributed income carried forward	*Rupees*	**139,560,677**	124,872,679
Undistributed income brought forward at end of the year			
- Realized gains		**147,575,452**	146,399,800
- Unrealized gains		**(8,014,775)**	(21,527,121)
	Rupees	**139,560,677**	124,872,679

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

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Statement of Movement in Unit Holder's Fund

For the period ended 30 June 2010

		2010	2009
Net assets at beginning of the year		**2,049,597,054**	3,668,171,057
Amount realized / unrealized on issuance of 65,948,045 units (2009: 46,337,484 units)		**6,820,180,147**	4,805,021,369
Issuance of 1,774,527 bonus units in respect of final and interim distribution (2009: 593,372 units)		**178,102,065**	59,384,670
Amount paid / payable on redemption of 64,001,056 units (2009 : 63,389,603 units)		**(6,649,909,589)**	(6,544,904,943)
		2,397,969,677	1,987,672,153
Element of income and capital gains included in prices of units sold less those in units redeemed - net		**23,778,937**	34,529,586
Total comprehensive income for the year before capital gains- realised and unrealised and provision for impairment		**231,871,883**	222,540,951
Net Capital losses on sale of investments classified as 'at fair value through profit or loss- held for trading'		**(1,021,683)**	(53,873,683)
Provision for non performing term finance certificate classified as held for trading and interest accrued thereon		**(7,974,874)**	-
Reversal / (provision) for impairment in valuation of investments classified as 'held to maturity'		**22,267,468**	(22,267,468)
Net unrealised diminution appreciation in fair value of investments classified as 'at fair value through profit or loss- held for trading'		**(8,014,775)**	(24,383,600)
Total comprehensive income for the year		**237,128,019**	122,016,200
Distributions made during the year			
Final distribution of bonus units		**(91,457,618)**	(59,384,670)
Final distribution of cash dividend		**(29,669,137)**	(35,236,215)
Interim distribution of bonus units		**(86,644,447)**	-
Interim distribution of cash dividend		**(14,668,819)**	-
		(222,440,021)	(94,620,885)
Total Comprehensive income less distributions for the year		**14,687,998**	27,395,315
Net assets at end of the year	*Rupees*	**2,436,436,612**	2,049,597,054

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

For IGI Funds Limited
(Management Company)

Chief Executive

Director

Notes to and forming part of the Financial Statements

For the year ended 30 June 2010

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

2 BASIS OF PRESENTATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Changes in accounting policies and disclosures as a result of adoption of new and amended accounting standards

Starting 1 July 2009, the Company has changed its accounting policy for presentation of financial statements and has applied "Revised IAS 1 Presentation of Financial Statements (2007)" which became effective from 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income).

Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company has opted to present two statements; a income statement and a statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

2.5 Other accounting developments

2.5.1 Disclosures pertaining to fair values and liquidity risk for financial instruments

The Fund has applied Improving Disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are required to be disclosed for each class of financial instruments.

Further, the definition of liquidity risk has been amended and it is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contracts, the amendments require the maximum amount of the guarantee to be disclosed in the earliest period in which the guarantee could be called.

Increased disclosures in respect of fair values of financial instruments and liquidity risk are included in note 20.6.

2.5.2 Standards, Interpretations and Amendments not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2010.

- Improvements to IFRSs 2009 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5. These amendments are unlikely to have an impact on the Fund’s financial statements.

- Improvements to IFRSs 2009 – Amendments to IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2010) . The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker. The amendment is not relevant to the Fund’s operations.

- Improvements to IFRSs 2009 – Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments. These amendments are unlikely to have an impact on the Fund's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 7 Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities. These amendments are unlikely to have a significant impact on the Fund's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 17 Leases (effective for annual periods beginning on or after 1 January 2010). The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 – 13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. The amendment is not relevant to the Fund's operations.

- Improvements to IFRSs 2009 – Amendments to IAS 36 Impairment of Assets (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively. The amendment is not relevant to the Fund's operations.

- Improvements to IFRSs 2009 – Amendments to IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010). The amendments provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; clarify that the scope exemption in IAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss. The amendments apply prospectively to all unexpired contracts from the date of adoption. These amendments are unlikely to have an impact on the Fund's financial statements.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010). The IASB provided additional optional exemptions for first-time adopters of IFRSs that will permit entities to not reassess the determination of whether an arrangement contains a lease if the same assessment as that required by IFRIC 4 was made under previous GAAP; and allow entities in the oil and gas industry to use their previous GAAP carrying amounts as deemed cost at the date of transition for oil and gas assets. The amendment is not relevant to the Fund's operations.

- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Amendment provides guidance on the accounting for share based payment transactions among group entities. The amendment is not relevant to the Fund's operations.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 January 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. These amendments are unlikely to have an impact on the Fund's financial statements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. The amendment is not relevant to the Fund's operations.

- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for accounting periods beginning on or after 1 July 2010). The amendment provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the Amendments to IFRS 7. The amendment also clarifies the transitional provisions of the Amendments to IFRS 7. The amendment is not relevant to the Fund's operations.

Improvements to IFRSs 2010 (effective for annual periods beginning on or after 1 July 2010). The IASB issued amendments to various standards effective. Below is a summary of the amendments that are effective for either annual periods beginning on or after 1 July 2010 or annual periods beginning on or after 1 January 2011.

- Improvements to IFRSs 2010 – Amendments to IFRS 3 Business Combinations (effective for accounting periods beginning on or after 1 July 2010). The amendments clarify that contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 (2004) that remains outstanding at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004); limit the accounting policy choice to measure non- interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards. These amendments are unlikely to have an impact on the Fund's financial statements.

- Improvements to IFRSs 2010 – Amendments to IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2010). The amendments clarify that the consequential amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 and IAS 31 resulting from IAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering. These amendments are unlikely to have an impact on the Fund's financial statements.

- IAS 24 Related Party Disclosures (revised 2009) (effective for accounting periods beginning on or after 1 January 2011). The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. These amendments are unlikely to have an impact on the Fund's financial statements other than increase in disclosures.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding .Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. These amendments are unlikely to have any significant impact on the Fund's financial statements.

- Improvements to IFRSs 2010 – IFRS 1 First-time Adoption of IFRSs (effective for periods beginning on or after 1 January 2011). The amendments clarify that IAS 8 is not applicable to changes in accounting policies occurring during the period covered by an entity's first IFRS financial statements; introduce guidance for entities that publish interim financial information under IAS 34 Interim Financial Reporting and change either their accounting policies or use of the IFRS 1 exemptions during the period covered by their first IFRS financial statements; extend the scope of paragraph D8 of IFRS 1 so that an entity is permitted to use an event-driven fair value measurement as deemed cost for some or all of its assets when such revaluation occurred during the reporting periods covered by its first IFRS financial statements; and introduce an additional optional deemed cost exemption for entities to use the carrying amounts under previous GAAP as deemed cost at the date of transition to IFRSs for items of property, plant and equipment or intangible assets used in certain rate-regulated activities. The amendment is not relevant to the Fund's operations.

- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1 January 2011). The amendments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. These amendments would result in increase in disclosures in the financial statements of the Fund.

- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes. These amendments are unlikely to have an impact on the Fund's financial statements other than increase in disclosures.

- Improvements to IFRSs 2010 – IAS 34 Interim Financial Reporting (effective for accounting periods beginning on or after 1 January 2011). The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures. These amendments are unlikely to have an impact on the Fund's financial statements other than increase in disclosures.

- Improvements to IFRSs 2010 – IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

2.6 Accounting estimates and judgments

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

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

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

Held-to-maturity investment

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

Investment stated at fair value

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

Impairment of investment

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

Other assets

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented except as explained in note 2.4.

3.1 Investments

The Fund classifies its investments in the following categories:

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

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

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

- ***Held to maturity***

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

- ***Available-for-sale***

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

Basis of valuation

Debt Securities

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

The SECP vide its circular no. 1/2009 dated 06 January, 2009 has changed the methodology for valuation of debt securities. Under the said directive, investment in TFCs and sukkuk certificates have to be valued on the basis of rates quoted by the Mutual Fund Association of Pakistan (MUFAP). Accordingly, investment in TFCs and sukkuk certificates have been valued at the rates determined and announced by MUFAP based on the methodology prescribed in the circular. Prior to the issuance of the said directive investments in TFCs and sukuk certificates were valued at the lower of discounted redeemable face value of TFCs and sukkuk certificates and the market value as determined using the rates notified by MUFAP in accordance with the SECP circular no. 26/2008 dated 05 November 2008.

Date of Recognition

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

Derecognition

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

3.2 Derivative Financial Instruments

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

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

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

Transactions of sale under repurchase (repo) of marketable and government securities are entered into at contracted rates for specified periods of time. Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of assets and liabilities and are measured in accordance with accounting policies for investment securities. The counterparty liabilities for amounts received under these transactions are recorded as financial liabilities. The difference between sale and repurchase price is treated as borrowing charges and accrued over the life of the repo agreement. All reverse repo / continuous funding system transactions are accounted for on the settlement date.

3.4 Impairment

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

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

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

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

3.5 Unit holders' fund

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

3.6 Issue and redemption of units

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

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

3.7 Net asset value per unit

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

3.8 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets at fair value through profit or loss are included in the Income Statement in the period in which they arise.

- Interest income from reverse repurchase transactions and continuous funding system lending arrangements, returns on certificates of investment, placements, certificates of musharika, term deposits and investments in debt securities are recognised at rate of return implicit in the instrument on a time proportionate basis.

- Dividend income is recognised in Income Statement on the date that the Fund's right to receive payment is established.

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

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

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

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

3.10 Taxation

Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 provides exemption from tax to any income derived by a Mutual Fund, if not less than ninety percent of its accounting income of a year as reduced by capital gains whether realize or unrealized is distributed among the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. The Management Company has distributed a sufficient accounting income of the Fund (including final distributions declared subsequent to reporting date refer note 21) for the year ended 30 June 2010 in order to comply with the above stated clause and regulation. Accordingly, no tax provision has been made in these financial statements for the year ended 30 June 2010.

3.11 Financial instruments

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

3.12 Offsetting of financial assets and liabilities

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

3.13 Provision

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

3.14 Deferred formation cost

Expenses incurred on the formation of the Fund have been recognised as deferred formation cost. Deferred formation cost is amortised over a period of five years starting from 15 April 2007 (the date of the end of initial period of the Fund) as stated in the Trust Deed of the Fund approved by the Securities and Exchange Commission of Pakistan.

3.15 Cash and cash equivalents

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

3.16 Distributions

Distributions declared (cash dividend and bonus units) are recorded in the period in which they are approved.

3.17 Other assets

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

3.18 Liabilities

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

4 BANK BALANCES - local currency

This represents balance in deposit accounts with banks and carry profit rates ranging from 5.00% to 11.60% (2009: 12.50 % to 14%) per annum. As at 30 June 2010, bank balances amounted to Rs. 385.85 million (2009: 668.66 million) represent 15.83% (2009: 32.62%) of the net assets.

5 INVESTMENTS

	Note	2010	2009
Financial asset at fair value through profit or loss- *Held for trading*			
Term finance certificates	5.1	**127,657,216**	189,977,400
Treasury bills	5.2	**427,608,200**	-
		555,265,416	189,977,400
Held to maturity			
Certificates of investment		**-**	19,274,857
Certificates of musharika	5.3	**22,143,446**	58,457,658
Certificates of deposit	5.4	**108,553,789**	232,077,801
Term deposits	5.5	**972,866,233**	867,169,526
		1,103,563,468	1,176,979,842
	Rupees	**1,658,828,884**	1,366,957,242

5.1 Term finance certificates

Name of the investee company	Profit / mark-up rate	As at 30 June 2009	Additions during the year	Sold during the year	As at 30June 2010	Cost as at 30 June 2010	Market value as at 30 June 2010	% of net assets on the basis of market value	% of total investment on the basis of market value	% of issued debt of issuer on the basis of outstanding principal
		(Number of Certificates)				(Rupees)		(%age)		
Quoted investments										
Commercial banks										
Askari Bank Limited	**15.25%**	-	15,800	15,800	**-**	**-**	**-**	**-**	**-**	**-**
Bank Al- Habib Limited - II	**14.05%**	-	20,000	20,000	**-**	**-**	**-**	**-**	**-**	**-**
NIB Bank Limited	**13.54%**	-	20,000	10,000	**10,000**	**47,961,600**	**47,969,694**	**1.97%**	**2.89%**	**1.20%**
United Bank Limited - IV	**13.14%**	-	40,000	30,000	**10,000**	**47,462,000**	**47,496,972**	**1.95%**	**2.86%**	**0.79%**
						95,423,600	**95,466,666**			
Miscellaneous										
Pace Pakistan Limited	**15.78%**	10,000	-	10,000	**-**	**-**	**-**	**-**	**-**	**-**
Unquoted investments										
Commercial banks										
Bank Al- Habib Limited - III	**15.05%**	10,000	28,848	38,848	**-**	**-**	**-**	**-**	**-**	**-**
Fertilizer										
Engro Chemicals Pakistan Limited I	**14.14%**	18,400	-	18,400	**-**	**-**	**-**	**-**	**-**	**-**
Engro Chemicals Pakistan Limited II	**13.69%**	4,000	-	4,000	**-**	**-**	**-**	**-**	**-**	**-**
Miscellaneous - Refer note 16 & 5.4.2										
Bunnys Limited	**14.91%**	-	4,022	-	**4,022**	**20,110,000**	**15,082,500**	**0.62%**	**0.91%**	**15.47%**
Pak Hy Oils Limited	**14.64%**	-	3,000	-	**3,000**	**15,000,000**	**11,250,000**	**0.46%**	**0.68%**	**3.41%**
Vision Developers Private Limited	**14.91%**	-	2,327	-	**2,327**	**11,635,000**	**8,726,250**	**0.36%**	**0.53%**	**13.69%**
						46,745,000	**35,058,750**			
						142,168,600	**130,525,416**			
Less: Provision for impairment against term finance certificates					5.4.2		**(2,868,200)**			
							127,657,216			

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

Name of the investee company	Secured / Unsecured	Mark-up		Principle redemption	Maturity date
		Kibor plus basis points	Receivable		
Quoted investments					
Commercial banks					
NIB Bank Limited	Secured	6 months + 115	Semi annually	Principal to be repaid in ten equal semi-annual instalments of 0.02% for the first five years and six equal semi annual installments of 16.63% for next three years.	March 2016
United Bank Limited - IV	Secured	6 months + 115	Semi annually	The instrument is structured to redeem the Principal amount Outstanding at maturity or at the exercise of the Call Option or Partial Call Option (exercisable at any time after first five years), as per redemption schedule.	February 2018
Unquoted investments					
Miscellaneous					
Bunnys Limited	Secured	6 months + 250	Semi annually	0.1% in the first 2.5 years and remaining 99.90% in five equal semi annual installments in the next three years.	November 2013
Pak Hy Oils Limited	Secured	6 months + 225	Semi annually	0.1% in the first 2.5 years and remaining 99.90% in five equal semi annual installments in the next three years.	December 2013
Vision Developers Private Limited	Secured	6 months + 250	Semi annually	0.1% in the first 2.5 years and remaining 99.90% in five equal semi annual installments in the next three years.	November 2013

5.2 Treasury Bills

Issue date	Yield	Purchased during the year	Sold during the year	As at 30 June 2010	Cost as at 30 June 2010	Interest accrued	Carrying amount as at 30 June 2010	Market value as at 30 June 2010	% of net assets on the basis of market value	% of total investment on the basis of market value
		---------- (No. of Certificates)	----------	----------		---------- (Rupees)	----------	----------	---------- (%age)	----------
Treasure bills face value - face value of Rs. 100 each issued on										
8 April 2009	12.60%	1,000,000	1,000,000	-	-	-	-	-	-	-
10 September 2009	12.52%	1,000,000	1,000,000	-	-	-	-	-	-	-
10 September 2009	12.05%	300,000	300,000	-	-	-	-	-	-	-
26 September 2009	12.58%	800,000	800,000	-	-	-	-	-	-	-
26 September 2009	12.00%	200,000	200,000	-	-	-	-	-	-	-
8 October 2009	12.52%	2,000,000	2,000,000	-	-	-	-	-	-	-
8 October 2009	12.05%	2,500,000	2,500,000	-	-	-	-	-	-	-
11 February 2010	12.04%	3,000,000	3,000,000	-	-	-	-	-	-	-
11 February 2010	12.17%	2,000,000	2,000,000	-	-	-	-	-	-	-
11 February 2010	12.37%	4,000,000	4,000,000	-	-	-	-	-	-	-
11 March 2010	12.04%	1,500,000	1,500,000	-	-	-	-	-	-	-
11 March 2010	12.21%	3,000,000	3,000,000	-	-	-	-	-	-	-
8 April 2010	12.15%	1,500,000	-	1,500,000	149,651,250	298,879	149,950,129	149,951,700	6.15%	9.04%
6 May 2010	12.30%	1,000,000	-	1,000,000	89,992,400	632,920	90,625,320	90,541,400	3.72%	5.46%
20 May 2010	12.17%	1,500,000	1,500,000	-	-	-	-	-	-	-
3 June 2010	12.30%	2,000,000	2,000,000	-	-	-	-	-	-	-
4 June 2010	12.15%	2,000,000	2,000,000	-	-	-	-	-	-	-
17 June 2010	12.06%	1,000,000	-	1,000,000	97,300,000	444,883	97,744,883	97,726,600	4.01%	5.89%
17 June 2010	12.38%	1,000,000	-	1,000,000	89,010,000	399,459	89,409,459	89,388,500	3.67%	5.39%
		31,300,000	26,800,000	4,500,000	425,953,650	1,776,141	427,729,791	427,608,200		

Treasury bills will mature between 02 July 2010 and 16 June 2011.

5.3 Certificates of musharika - BRR Guardian Modaraba - unsecured

This certificate carry mark up rate of 14% (June 2009: 16%) per annum and will mature on 14 February 2011 (June 2009: 14 February 2011). This represents 1.33% of total investments on the basis of carrying amount and 0.91% of net assets on the basis of carrying amount.

5.3.1 As at 30 June 2009 Fund had a Musharika arrangement with BRR Guardian Modaraba (BRR). This musharika arrangement was made on 13 April 2009 to reschedule the payment term of Fund's investment in Certificate of Musharika of BRR amounting to Rs 64 million with agreed projected annual pretax profit of 16% and monthly principal repayments of Rs. 3 million each. During the year ended 30 June 2010 principal and interests payment were made by BRR as per the schedule. The rate of interest has been reduced to 14% from 16% due to reduction in KIBOR. As at 30 June 2010 total principal outstanding amounted to Rs. 22 million. No provision has been made against this exposure as the same is not required under the provisioning policy of the Fund. Subsequent to the year end, the rating of the above certificate has been down graded to non investment grade (default) rating.

5.4 Certificates of Deposit - unsecured	Notes	**2010**	2009
IGI Investment Bank Limited	*5.4.1*	**108,553,789**	205,127,801
First Dawood Investment Bank	*16 & 5.4.2*	**-**	26,950,000
	Rupees	**108,553,789**	232,077,801

5.4.1 These certificates carry mark-up rate of 12.20% to 14.50% (June 2009: 12.25% to 13%) and will mature on 5 July 2010 and 27 January 2017 (June 2009: 29 July 2009 and 30 July 2009). Investment in certificate of deposits of IGI investment Bank Limited represent 6.54% of total investment on the basis of carrying amount and 4.46% of net assets on the basis of carrying amount.

5.4.2 TFCs of Bunnys Limited, Pak Hy Oils Limited and Vision Developers (Private) Limited have been re-valued at the rates quoted by MUFAP at 30 June 2010 and accordingly unrealised loss of Rs. 7.94 million has been recorded. However, Pak Hy Oils Limited has defaulted on payment of interests on their coupon dates falling on 6 December 2009 and 5 June 2010 and therefore its TFCs has been classified as non-performing by MUFAP in the month of December 2009 and no rates are being quoted by MUFAP. The provision of Rs. 6.62 million and Rs. 1.35 million in respect of principal and interest thereon has been made in accordance with the provisioning policy of the Fund. Further, the provision of Rs. 6.62 million includes unrealised loss of Rs. 3.75 million.

5.5 Term deposit accounts are maintained with various financial institutions and carry profit rates from 11.50% to 12.40% (June 2009: 13.15% to 14.50%) per annum. These deposits will mature between 8 July 2010 to 25 August 2010 (June 2009: 02 July 2009 to 11 August 2009).

Investment in term deposit receipts represent 58.65% of total investment on the basis of carrying amount and 39.93% of net assets on the basis of carrying amount.

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

Name of non compliant investment	Type of investment	Value of investment before provision	Provision held if any	Value of investment after provisioning	% of gross assets	% of net assets
		------------- (Rupees in '000)	-------------	-------------		
- Bunnys Limited	Term finance certificates	15,082,500	-	15,082,500	0.62%	0.62%
- Pak Hy Oils Limited	Term finance certificates	11,250,000	(2,868,200)	8,381,800	0.34%	0.34%
- Vision Developers Private Limited	Term finance certificates	8,726,250	-	8,726,250	0.36%	0.36%

6 RECEIVABLE UNDER REVERSE REPURCHASE TRANSCATION

	Notes	2010	2009
Repurchase agreement lendings to:			
- Silk Bank Limited	*6.1*	**304,647,612**	-
- IGI Investment Bank Limited	*6.2*	**201,164,381**	-
	Rupees	**505,811,993**	-

6.1 This represents a transaction entered by Fund with Silk Bank Limited under which Pakistan Investment Bond of face value of Rs 300 million with a coupon rate of 12% and maturity date of 3 September 2019 was purchased and simultaneously sold on 31 May 2010 with sales settlement date of 15 July 2010.

6.2 This represents an amount of Rs 200 million lended by the Fund to IGI Investment Bank at the mark up rate of 12.50% against the collateral of 25,000 units of Term Finance Certificates each of Bank Al-Habib Limited and United Bank Limited with coupon rates of 15.15% and 13.14% having maturity dates of 15 June 2017 and 14 February 2018 with settlement date of lending on 14 July 2010.

7 DEFERRED FORMATION COST

Unamortised Cost		**2,003,531**	2,724,406
Amortised to the income statement during the period		**(720,875)**	(720,875)
Balance as at 30 June	*Rupees*	**1,282,656**	2,003,531

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

8 SECURITY DEPOSITS

National Clearing Company of Pakistan Limited		**2,500,000**	2,500,000
Central Depository Company of Pakistan Limited		**100,000**	100,000
	Rupees	**2,600,000**	2,600,000

9 OTHER RECEIVABLES - considered good

Receivable from IGI Stock Fund		**-**	76,840
Mark-up / return receivable on:			
- bank balances		**9,366,652**	10,644,231
- term finance certificates		**7,733,348**	8,563,089
Provision against accrued interest on TFC	*5.4.2*	**(1,356,674)**	-
	Rupees	**15,743,326**	19,284,160

	Notes	2010	2009

10 PAYABLE TO THE MANAGEMENT COMPANY

	Notes	2010	2009
Remuneration payable to the Management Company	*10*	**2,931,433**	2,402,653
Printing charges payable		**21,667**	-
	Rupees	**2,953,100**	2,402,653

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

11 REMUNERATION PAYABLE TO THE TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed, calculated at the rate of Rs 2 million plus 0.1% per annum on amount exceeding Rs. 1 billion of the daily average net assets of the Fund.

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

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

13 ACCRUED AND OTHER LIABILITIES

	Notes	2010	2009
Auditors' remuneration		**340,000**	
Brokerage payable		**62,789**	
Dividend received on reverse repurchase transactions		**-**	
Printing charges payable		**50,000**	
NCCPL charges		**15,000**	-
Credit rating fee		**110,000**	-
Stability fee		**200,000**	-
Workers' welfare fund	*17*	**7,321,275**	-
	Rupees	**8,099,064**	450,824

14 FINANCIAL INCOME

	2010	2009
Financial income on;		
Financial asset at fair value through profit and loss- held for trading		
- Term finance certificates	**13,374,229**	94,243,308
- Treasury bills	**24,712,644**	-
	38,086,873	94,243,308
Available-for-sale		
- Application money for subscription of TFCs	**-**	7,185,925
Held to maturity		
- Commercial papers	**-**	4,567,827
- Certificates of investments	**810,183**	7,400,758
- Certificates of deposit	**24,100,760**	9,703,849
- Certificates of musharika	**5,954,227**	20,916,841
- Letter of placements	**2,599,419**	978,455
- Term deposits	**110,268,087**	69,444,899
	143,732,676	113,012,629
Income under reverse repurchase transaction	**26,402,904**	-
Others		
- Bank deposits	**93,401,859**	88,726,977
- Others	**52,675**	71,715
Rupees	**301,676,987**	303,240,554

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

This represents term finance certificates of Pak-Hy Oils Limited amounting to Rs. 15 million against which provision of Rs. 7.975 million has been made in accordance with the provision policy of the Fund.

16 REVERSAL / (PROVISION) FOR IMPAIRMENT IN VALUATION OF INVESTMENT CLASSIFIED AS 'HELD TO MATURITY'

Upto 30 June 2009, Fund was maintaining a provision of Rs. 22.267 million against unsecured Certificate of Deposits (COD) of First Dawood Investment Bank Limited (FDIBL) amounting to Rs. 49 million and interest thereon of Rs. 0.217 million. The provision was made in accordance with the provisioning policy of the Fund. Further, an amount of Rs.5.392 million has been provided up to 13 November 2009 as per the provisioning policy of the Fund. Subsequently, the Fund opted for settlement with FDIBL and accordingly received Term Finance Certificates (TFC) of Bunnys Limited, Pak Hy Oils Limited and Vision Developers (Private) Limited amounting to Rs. 20.110 million, Rs. 15 million and Rs. 11.635 million respectively in place of unsecured certificate of deposits of FDIBL. Accordingly the aggregate provision of Rs. 27.660 million against COD of FDIBL has been reversed. The TFCs of Bunnys Limited, Pak Hy Oils Limited and Vision Developers (Private) Limited on acquisition have been classified as held for trading investments.

17 WORKERS' WELFARE FUND

The Finance Act, 2008 brought an amendment in section 2 (f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) with the intention to make the definition of "Industrial Establishment" applicable to any establishment to which the West Pakistan Shop and Establishment Ordinance, 1969 (1969 Ordinance) applies. As a result of this amendment, the WWF Ordinance has become applicable to all Collective Investment Schemes (CIS) whose income exceeds Rs. 0.5 million in a tax year, thus rendering them liable to pay two percent of their total income to Workers Welfare Fund (as defined in section 4 & 2(i) of the WWF Ordinance). The Mutual Fund Association of Pakistan (MUFAP) had filed a constitutional petition before High Court of Sindh on the major grounds that CIS are not covered under the definition of industrial establishment, CIS do not have any worker and amendment was made through money bill.

The Honourable High Court of Sindh vide its order dated 25 May 2010 has dismissed the petition on the main ground that the MUFAP (petitioner) cannot be held to be entitled to maintain a petition in respect of its members as MUFAP is not the aggrieved party in respect of its members. Consequently, few CISs have filed constitutional petitions.

However, the Management Company in pursuance of the order passed by the Honourable High Court of Sindh considers that it is prudent to record the provision for workers welfare fund for the years ended 30 June 2009 of Rs. 2.44 million and 30 June 2010 of Rs.4.88 million and accordingly provision has been recorded in these financial statements for the year ended 30 June 2010.

18 CASH AND CASH EQUIVALENTS

		2010	2009
Bank balances		**385,846,626**	668,658,623
Certificate of deposits maturing within 3 months		**55,514,750**	205,127,801
Term deposit receipts maturing within 3 months		**972,866,233**	867,169,526
Treasury Bill with maturity within 3 months		**149,951,700**	-
Receivable under reverse repurchase transaction		**505,811,993**	-
	Rupees	**2,069,991,302**	1,740,955,950

19 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

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

19.1 Unit Holder's Fund

	2010										
	As at 1 July 2009	**Issued for cash**	**Bonus**	**Redeemed**	**As at 30 June 2010**	**As at 1 July 2009**	**Issued for cash**	**Bonus**	**Redeemed**	**As at 30 June 2010**	**Net asset value as at 30 June 2010**
	------ Units ------					------ (Rupees) ------					
Associated Companies / Undertakings											
IGI Investment Bank Limited	1,878,111	17,169,882	212,118	17,373,319	1,886,792	200,000,000	1,770,610,445	21,286,339	1,777,361,033	214,535,751	200,150,929
IGI Investment Bank Limited Group Provident Fund	47,149	81,266	3,201	126,824	4,792	5,020,915	8,281,796	320,760	12,918,424	705,047	508,289
IGI Insurance Limited	-	960,743	-	-	960,743	-	100,000,000	-	-	100,000,000	101,915,670
IGI Finex Securities Limited	1,175,595	-	73,842	1,249,437	-	120,000,000	-	7,398,253	130,791,060	(3,392,807)	24
IGI Finex Securities Limited - Staff Provident Fund	-	990	-	-	990	-	100,000	-	-	100,000	104,999
Packages Limited - Employees Gratuity Fund	500,389	-	57,798	-	558,187	51,014,613	-	5,800,388	-	56,815,001	59,212,534
Packages Limited - Employees Provident Fund	383,679	-	44,317	-	427,996	38,915,136	-	4,447,506	-	43,362,642	45,401,798
Packages Limited - Staff Pension Fund	596,206	-	68,865	-	665,071	98,298,936	-	6,911,064	-	105,210,000	70,550,746
IGI Funds Limited - Management Company	884,315	675,321	94,257	882,833	771,060	91,802,490	70,364,935	9,457,741	91,700,000	79,925,166	81,794,125
IGI Funds Limited - Staff Provident Fund	5,347	-	618	726	5,239	542,926	-	61,978	75,000	529,904	555,683
Other Related Parties											
Transactions with employees	1,214	28,429	602	26,738	3,507	1,083,242	2,934,915	60,496	2,958,621	1,120,032	372,158
Treet Corporation Limited	47,286	-	5,462	52,748	-	5,000,000	-	548,125	5,330,672	217,453	-
Treet Corporation Limited - Employees Gratuity Fund	28,008	-	3,235	31,243	-	2,852,645	-	324,663	3,157,441	19,867	-
Treet Corporation Limited - Employees Superannuation Fund	37,739	-	4,359	42,098	-	3,852,645	-	437,456	4,254,386	35,715	5
Tri Pack Films Limited - Employees Gratuity Fund	10,788	-	678	11,466	-	1,097,175	-	67,892	1,189,339	(24,272)	-
Tri Pack Films Limited - Employees Provident Fund	21,576	-	2,492	-	24,068	2,194,351	-	250,105	-	2,444,456	2,553,173
Key Management Personnel											
Syed Babar Ali - Group Chairman	474,428	289,743	54,799	-	818,970	50,000,000	30,000,000	5,517,452	-	85,517,452	86,876,427

	2009										
	As at 1 July 2008	Issued for cash	Bonus	Redeemed	As at 30 June 2009	As at 1 July 2008	Issued for cash	Bonus	Redeemed	As at 30 June 2008	Net asset value as at 30 June 2009
	------ Units ------					------ (Rupees) ------					
Associated Companies / Undertakings											
IGI Investment Bank Limited	14,704	23,142,303	389	21,279,286	1,878,110	1,500,000	2,408,523,630	38,967	2,224,008,890	186,053,707	199,999,934
IGI Insurance Limited	2,070,805	1,921,599	54,832	4,047,236	-	211,227,949	195,906,995	5,487,634	413,650,285	-	-
Packages Limited	-	960,799	-	960,799	-	-	100,000,000	-	100,105,688	-	-
Packages Limited - Employees Gratuity Fund	578,159	-	15,309	93,079	500,389	58,882,492	-	1,532,121	9,400,000	51,014,613	53,286,425
Packages Limited - Employees Provident Fund	663,292	-	17,564	297,177	383,679	67,157,411	-	1,757,725	30,000,000	38,915,136	40,857,977
Packages Limited - Staff Pension Fund	966,840	-	25,601	396,236	596,205	98,298,936	-	2,562,128	40,000,000	60,861,064	63,489,870
IGI Finex Securities Limited	-	1,175,595	-	-	1,175,595	-	120,000,000	-	-	120,000,000	125,189,112
IGI Funds Limited - Management Company	1,555,024	1,144,095	41,175	1,855,979	884,315	158,381,675	116,300,000	4,120,815	187,000,000	91,802,490	94,170,704
IGI Funds Limited - Staff Provident Fund	5,209	-	138	-	5,347	529,122	-	13,804	-	542,926	569,402
Other Related Parties											
Transactions with employees	75,215	301,635	1,992	377,628	1,214	8,922,104	30,815,175	199,373	38,853,410	1,083,242	129,279
Treet Corporation Limited - Employees Gratuity Fund	27,286	-	722	-	28,008	2,780,338	-	72,307	-	2,852,645	2,982,572
Treet Corporation Limited - Employees Superannuation Fund	27,286	9,731	722	-	37,739	2,780,338	1,000,000	72,307	-	3,852,645	4,018,826
Tri Pack Films Limited - Employees Gratuity Fund	10,510	-	278	-	10,788	1,069,324	-	27,851	-	1,097,175	1,148,814
Tri Pack Films Limited - Employees Provident Fund	21,020	-	557	-	21,577	2,138,649	-	55,702	-	2,194,351	2,297,735
Tatra Pak Pakistan Limited - Employees Gratuity Fund	16,782	-	444	17,226	-	1,750,692	-	44,470	1,714,123	-	-
Tatra Pak Pakistan Limited - Employees Provident Fund	71,628	-	1,897	73,525	-	7,472,467	-	189,813	7,316,379	-	-
Tatra Pak Pakistan Limited - Employees Pension Fund	59,348	-	1,571	60,919	-	6,191,472	-	157,273	6,062,143	-	-
Central Depository Company of Pakistan Limited	201,226	245,990	5,328	452,544	-	21,327,317	25,000,000	533,248	46,720,656	-	-
CDCPL - Employees Gratuity Fund	54,616	-	1,446	56,062	-	5,565,244	-	144,733	5,679,669	-	-
Key Management Personnel											
Syed Babar Ali - Group Chairman	-	474,428	-	-	474,428	-	50,000,000	-	-	50,000,000	50,521,838
Bazl Ahmed Khan - Chairman Board of Directors	13,805	-	366	14,103	68	1,409,225	-	36,584	1,458,000	(12,191)	7,241
Adi . J . Cawasji - Director	18,261	1,999	484	12,924	7,820	1,860,712	200,000	48,391	1,300,000	809,103	832,752
Syed Mohammad Zeeshan- CFO	5,863	-	155	6,018	-	590,824	-	15,536	606,360	-	-
Syed Javed Hamid - Director	26,756	-	708	27,464	-	2,748,644	-	70,902	2,840,311	-	-
Samir Ahmed - CEO IGI Investment Bank Limited	-	19,395	-	13,940	5,455	-	2,000,000	-	1,475,000	525,000	580,903

19.2 Other transactions

		2010	2009
Associated Companies / Undertakings			
IGI Funds Limited			
Management fees	*Rupees*	**30,972,898**	26,147,221
Printing charges	*Rupees*	**43,334**	21,411
NCCPL charges	*Rupees*	**3,000**	-
IGI Investment Bank Limited			
Interest income from Certificate of Deposit placed	*Rupees*	**23,202,183**	5,629,794
Other Related Parties			
IGI Finex Securities			
Brokerage charges	*Rupees*	**127,533**	7,777
Central Depository Company of Pakistan Limited			
Trustee fee	*Rupees*	**3,477,934**	3,080,536

19.3 Other balances

Associated Companies / Undertakings			
IGI Funds Limited			
Management fee and other payable	*Rupees*	**2,953,100**	2,402,653
IGI Investment Bank Limited			
Certificates of Deposit	*Rupees*	**108,553,789**	205,127,801
Other Related Parties			
IGI Finex Securities			
Brokerage charges payable	*Rupees*	**45,234**	7,251
Central Depository Company of Pakistan Limited			
Trustee fee payable	*Rupees*	**316,718**	274,413

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 based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund.

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

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

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

20.1 Credit risk

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

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

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

Exposure to credit risk

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

	Carrying amount	
	2010	2009
Bank balances	**385,846,626**	668,658,623
Investments		
- At fair value through profit and loss account - held for trading - term finance certificates	**127,657,216**	189,977,400
- Held to maturity investments	**1,103,563,468**	1,176,979,842
	1,231,220,684	1,366,957,242
Receivable under reverse repurchase transaction	**505,811,993**	-
Security deposits	**2,600,000**	2,600,000
Other receivables	**15,743,326**	19,284,160
Rupees	**2,141,222,629**	2,057,500,025

Credit quality of bank balances

Details of credit rating of bank balances (including markup / return receivable thereon) as at 30 June 2010 are as follows:

Name of Bank	Rating	2010 %	2009 %
Allied bank Limited	A1+/AA	-	0.0009%
Atlas bank limited	A2/A-	-	0.0274%
Bank Alfalah Limited	A1+/AA	73.811%	13.1103%
Bank Al-Habib Limited	A1+/AA+	26.066%	0.0027%
The Bank of Punjab	A1+/AA-	0.019%	0.0200%
Samba Bank Limited	A-1/AA	-	0.0032%
J S Bank Limited	A1/A	0.043%	0.0188%
KASB Bank Limited	A1/A	-	0.0013%
MCB Bank Limited	A1+/AA+	-	0.0014%
Mybank Limited	A2/A-	-	86.7684%
NIB Bank Limited	A1+/AA-	0.057%	0.0427%
Royal Bank of Scotland Limited	A1+/AA	0.001%	0.0015%
Standard Chartered Bank (Pakistan) Limited	A1+/AAA	0.003%	0.0015%
		100.000%	100.000%

Credit risk arising on debt securities 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.

Credit quality of held for trading investments - Term finance certificates

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

	2010		2009	
	Amount of credit exposure (Rupees)	**% of HFT Investments**	Amount of credit exposure (Rupees)	% of HFT Investments
AA+/AA/AA-	**47,496,972**	**37%**	189,977,400	100%
A+/A/A-	**47,969,694**	**38%**	-	-
Non investment grade	**32,190,550**	**25%**	-	-
	127,657,216	**100%**	189,977,400	100%

HFT investment of the fund in TFCs of Pak Hy Oils Mills was past due and impaired by an amount of Rs 2.868 million at 30 June 2010. None of the HFT investments of the fund were past due or impaired at 30 June 2009.

Credit quality of held to maturity investments

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

	2010		2009	
	Amount of credit exposure (Rupees)	**% of HTM Investments**	Amount of credit exposure (Rupees)	% of HTM Investments
HTM investment neither past due nor impaired				
A1 / A1+	**872,106,771**	**79%**	1,067,251,642	90.70%
A2	**209,313,251**	**19%**	5,045,685	0.40%
	1,081,420,022	**98%**	1,072,297,327	91.10%
*HTM investment whose terms have been renegotiated**				
A2	**-**	**-**	58,457,658	5.00%
A3***	**22,143,446**	**2%**	19,274,857	1.60%
	22,143,446	**2%**	77,732,515	6.60%
*Impaired HTM investments***				
A3	**-**	**-**	26,950,000	2.30%
	1,103,563,468	**100%**	1,176,979,842	100%

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

** Impaired HTM investment comprise of Fund investment in Certificate of deposit (COD) of First Dawood Investment Bank. Limited (FDIBL). Refer Notes 5.4.2 and 16. Provision has been made against COD of FDIBL in accordance with provisioning policy of the Fund approved by the Board of Directors.

*** Subsequent to the year end, the rating of investment has been down graded to non investment grade (default) rating.

Credit quality of receivables under reverse repurchase transaction

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

	2010	
	Amount of credit exposure (Rupees)	**% of HTM Investments**
Receivable under reverse repurchase transaction		
A1	**201,164,381**	**39.77%**
A3	**304,647,612**	**60.23%**
	505,811,993	**100.00%**

Concentration of the credit risk

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

Settlement risk

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

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

20.2 Liquidity risk

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

Management of liquidity risk

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

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

Maturity analysis for financial liabilities

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

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

Above financial liabilities do not carry any mark-up.

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

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

Above financial liabiliteis do not carry any mark-up

The Fund is exposed to cash redemptions of its units on a regular basis. As at 30 June 2010, 22,968,763 units were in issue amounting to Rs. 2.436 billion. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

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

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on investment in debt securities, from repurchase, reverse repurchase agreements, clean placements and profit and loss sharing bank balances. Most of the Fund's interest bearing investments comprise of those classified as Held to Maturity and bank accounts which carry fixed interest rates. Currently most of these exposure in fixed rate instruments are in Certificate of Musharika, Certificate of Deposits, Term Deposits, Treasury Bills and Reverse Repurchase Agreements, however to enhance the earning potential of the Fund, the Fund also invests in variable rate instruments such as Term Finance Certificates (TFC) as most of the TFCs currently available are indexed to KIBOR. The Management Company monitors the interest rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities. The Fund's investment in fixed interest rate securities expose Fund to fair value interest rate risk and investments in variable interest rate securities expose fund to cash flow interest rate risk.

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

Fixed rate instruments		**2009**	2008
Financial assets	*Rupees*	**1,917,018,294**	1,845,638,465
Variable rate instruments			
Financial assets	*Rupees*	**127,657,216**	139,977,400

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

Fair value sensitivity analysis for fixed rate instruments

During the year Fund invested in Treasury Bills, marketed by Government as short term fixed rate financial instrument and classified them as at fair value through profit or loss. In case of 100 basis points (bp) increase / decrease in current yield (determine by market forces) on Government Securities on year end, the net assets attributable to unit holders of the Fund and net income for the year would have been lower / higher by Rs. 1.63 million (30 June 2009: Nil). This analysis assumes that all other variables remain constant. The analysis for year ended 30 June 2009 is performed on the same basis.

Cash flow sensitivity analysis for variable rate instruments

Fund investment in Term Finance Certificates amounting to Rs. 127.657 million (2009: Rs. 139.977 million) carry floating interest rate that expose the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR at year end, the net assets attributable to unit holders of the Fund and net income for the year would have been higher / lower by Rs. 50,644 (30 June 2009: Rs. 508,419) of rated TFCs and Rs 16,493 (30 June 2009: Nil) of non rated TFCs. This analysis assumes that all other variables remain constant. The analysis for year ended 30 June 2009 is performed on the same basis.

20.4 Operational risks

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

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

- requirements for appropriate segregation of duties between various functions, roles and responsibilities; documentation of controls and procedures;

- compliance with regulatory and other legal requirements; requirements for the reconciliation and monitoring of transactions;

- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified; contingency plans;

- ethical and business standards; risk mitigation, including insurance where this is effective.

20.5 Unit Holders' Fund risk management

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

The Management Company manages fund's investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The unit holders' funds structure depends on the issuance and redemption of units.

The Fund is not subject to externally imposed requirements.

20.6 Fair value of financial instruments

The Fund's accounting policy on fair value measurements is disclosed in note 3.1. The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities. The Fund has no items to report in this level.

- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	Level 2	**Level 3**	**Total**
	----------------------------(Rupees)----------------------------		
As at 30 June 2010			
At fair value through profit and loss account - held for trading			
- Term finance certificates	**119,275,416**	**8,381,800**	**127,657,216**
- Treasury bills	**427,608,200**	**-**	**427,608,200**
As at 30 June 2009			
At fair value through profit and loss account - held for trading			
- Term finance certificates	189,977,400	-	189,977,400

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

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

		30 June 2010
Balance as at 01 July 2009		-
Acquisition during the year		15,000,000
Provision made during the year		(6,618,200)
Balance as at 30 June 2010	*Rupees*	**8,381,800**

21 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company have approved distributions of 5.7434 (2009: 6.2810) units per for every 100 units (Growth units) held and Rs 5.7615 (2009: Rs. 6.2932) per unit (Income units) for the year ended 30 June 2010 amounting to Rs. 132.334 million (2009: Rs. 121.126 million) in total, in their meeting held on 02 July 2010. These financial statements do not reflect these distributions and that will be accounted for subsequent to the year end.

22 SUPPLEMENTARY NON FINANCIAL INFORMATION

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

23 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by Board of Directors of the Management Company on **24 August 2010.**

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Annexure I

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

(i) UNIT HOLDING PATTERN OF THE FUND

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

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

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

Name of broker	**Percentage of commission paid**	
	2010	2009
IGI Finex Securities Ltd	**23.36%**	0.08%
Invisor Securities (Pvt) Ltd	**20.90%**	5.39%
Alfalah Securities Private Limited	**18.18%**	-
Global Securities Pakistan Ltd	**16.30%**	2.98%
First Capital Securities Corporation Ltd	**11.06%**	14.35%
Eilixir Securities Pakistan Limited	**4.64%**	-
JS Global Capital Ltd	**4.62%**	41.84%
BMA Capital Management	**0.94%**	0.42%
Multiline Securities (Pvt) Ltd	**-**	24.45%
First Dawood Investment Bank Ltd	**-**	4.74%
Standard Capital Securities (Pvt) Ltd	**-**	4.36%
KASB Securities Ltd	**-**	1.37%

(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
- Talib Wahab Shubaily - Fund manager
- Saifullah Kazmi - Fund manager

Maheen Rahman – CEO

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

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

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

Syed Muhammad Zeeshan -CFO

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

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

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

Muddasir Ahmed Shaikh -CIO

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

Talib Wahab Shubaily - Fund manager

Mr. Shubaily has over 4 years of experience dealing in fixed income debt markets. Prior to joining IGI Funds Limited, he was working with Finex Securities Limited on the Money Market and Forex desk. Later, he also gained knowledge of the capital markets as a Research Analyst at IGI Finex Securities Limited.

Saifullah Kazmi - Fund manager

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

(iv) DIRECTOR MEETING ATTENDANCE

Name of Director	Designation	Meetings Total	Meetings Attended	Meetings Leave Granted	Meetings Meeting not attended
Mr. Javed Hamid	Chairman	6	6	-	-
Mr. Khalid Yacob	Director	6	6	-	-
Mr. Ahmed Alman Aslam	Director	6	4	2	24th & 25th
Mr. Abid Naqvi	Director	6	6	-	-
Syed Javed Hassan	Director, Ex- CEO	6	6	-	-
Syed Abdul Wahab Mehdi	Director	6	3	3	22nd, 25th & 27th
Mr. Adi J. Cawasji	Director	2	2	-	-
Ms. Maheen Rahman	CEO	6	6	-	-

Syed Javed Hassan resigned from the post of CEO of the Management Company and Ms. Maheen Rahman Appointed as CEO and member Board of Directors in his place from June 26, 2009.

Mr. Adi J. Cawasji resigned as member Board of Directors of the Management Compant from June 26, 2009.

Securities and Exchange Commission of Pakistan (SECP) approved both changes on September 15, 2009.

Dates of the meetings of the Board of Directors

Twenty second meeting	July 2, 2009
Twenty third meeting	August 12, 2009
Twenty fourth meeting	October 29, 2009
Twenty fifth meeting	January 4, 2010
Twenty sixth meeting	February 11, 2010
Twenty seventh meeting	April 27, 2010

(V) FUND AND ASSET MANAGER RATING

PACRA has awarded asset manager rating of an "AM3" to IGI Funds Limited in its report dated February 2010. The rating reflects the company's experienced and qualified management team, a structured and strong fund management function, and demonstrated support of the sponsoring Group. The rating also factors in a growing realization on part of the management to institute a strong in-house risk management, compliance and control platform, translating into an improved relative standing amongst peers.

PACRA has awarded normal rating of "3-star" to IGI Income Fund based on performance review for the year ended 30 June 2009 vide its report dated 16 October 2009.

IGI

Funds

IGI STOCK FUND

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.
Alfalah Securities (Pvt.) Ltd.
Allied Bank Limited
Atlas Capital Markets (Pvt.) Ltd.
BMA Financial Services Ltd.
Bulls and Bulls (Pvt) Ltd.
Financial Avenue
Foundation Securities (Pvt) Ltd.
IGI Investment Bank Limited
Invest Capital and securities (Pvt.) Ltd.
JS Global Capital Limited
KASB Securities
Mybank Limited
National Clearing Company of Pakistan Limited
Pak Oman Investement Company Ltd.
Pyramid Financiol Consultant (Pvt.) Ltd.
Siza Commodites (Pvt.) Ltd.
The Bank of Khyber
Vector Consulting (Pvt) Ltd.

Auditors

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

Legal Advisor

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

Bankers

Bank Alfalah Limited
Faysal Bank Limited
JS Bank Limited

Directors' Report

To our valued Unit Holders,

The Board of Directors of IGI Funds Limited is pleased to present you the Annual Report of the IGI Stock Fund (the "Fund") for the period ended 30 June 2010. The Financial Statements of the Schemes prepared by the Management Company present true and fair view of the state of affairs of the Scheme and results of its operations, cash flows and movement in unit holders' fund.

Economic Review

Pakistan closed the FY10 in greener pastures, compared to the forecasts at the start of the outgoing fiscal year. Country's GDP growth was witnessed at 4% (provisional figures), against a bench mark of 3.30%. Major contribution of 53% to GDP was realized from Services Sector, followed by 25% and 21% from Industry and Agriculture Sectors, respectively.

A robust growth of 14% was witnessed in Home Remittances in FY10 (USD $8.9Bn), compared to the corresponding period in FY09 (USD $7.8Bn). UAE topped the list of contributors, with Saudi Arabia and USA following the list of contribution. Trade deficit for FY10 was witnessed at USD $11,37Bn. However the closing figures improved gradually for the last three fiscal years. Exports increased fractionally than the fall in imports, resulting in recovery from trade deficit. Strong home remittances and lower trade deficit, coupled with the IMF program, helped the country's curtailment of current account deficit. Inflation for FY10 slashed to 11.70%, compared to 20.80% in FY09, as growth in prices was suspended from Year-on-Year.

Furthermore, the country reduced its government budgetary borrowing to PKR 407Bn for FY10 (provisional) compared to PKR 526Bn in FY09. Of this, major borrowing was represented from scheduled banks rather than direct SBP borrowing. Net Foreign Assets (NFA) of the banking system stood at PKR 152Bn, and Net Domestic Assets (NDA) stood at PKR 488Bn for FY10 (provisional). Private sector credit off take in FY10 increased to PKR 113Bn compared to PKR 17Bn in FY09, representing confidence in advances to private sector and generation of growth to the GDP.

Domestic debt of the country increased to PKR 4,6Bn, position as of Jul- May '10. Of this, floating and unfunded debts increased substantially in issuance to Treasury Bills and National Savings Schemes. Lately the investments were concentrated in government securities rather than direct advances in the market, ensuring principal guarantee compared to past two years defaults by the DFI and NBFI sectors.

Capital Market Conditions

The KSE-100 appreciated by 35.74% in FY10, recovering from the volatility that was predominant in FY09. On a quarterly basis, the performance graph shows a mixed trend with index gaining 35% and 8.57% in 1st and 3rd quarters while losing 2.34% and 5% in 4th and 5th quarters, respectively. The index crossed the 10,000 points levels but failed to sustain it owing to uncertainties regarding implication of CGT, which investors had been dodging for a number of years. But this year, the IMF led initiative to increase organic growth in revenue from taxation forced an announcement of CGT levy after July 1st 2010, applicable retrospectively.

As far as trading volume are concerned, the year witnessed a YoY improvement to the tune of 57%. During the period, international interest was considerably higher, with foreigners being the main participants in 2HFY10. According to FIPI figures, the sector had a net buy position in FY10 leading to an inflow of USD 581.7Mn in the system. The same community pulled out USD 402.3Mn in FY09. The foreign quarter continues to remain a pivotal factor for the market, as they tend to churn their positions in index weighty stocks.

Currently, the market is trading at a fundamental discount to its valuations and its regional peers. At a FY11E PER(x) of approximately 7x, KSE is at a discount to its regional peers. In addition, blue chip stocks are trading at prices that provide a significant upside potential. With uncertainty regarding CGT wearing off, increase in exposure limits for Equity funds by apex regulator and upcoming result season; we expect the market to recapture its lost glory. The index is expected to touch the elusive 11,000 level by end of CY10.

Fund Operations and Performance

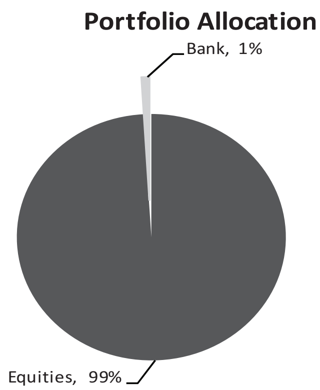
IGISF completed its second year of operation with a YoY appreciation of 26.09% and one of the highest information ratios in industry against 36.42% appreciation in KSE-100 index. The Fund announced a payout of 97% of the income which amounted to PkR34.5833/- per unit for Income unit holders and 34.2173 per 100 units for Growth unit holders. The payout is applicable to units held as on June 30, 2010 (ex-div price PkR 101.0696).

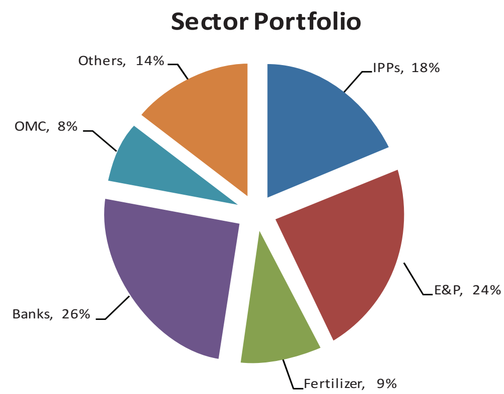
Payout

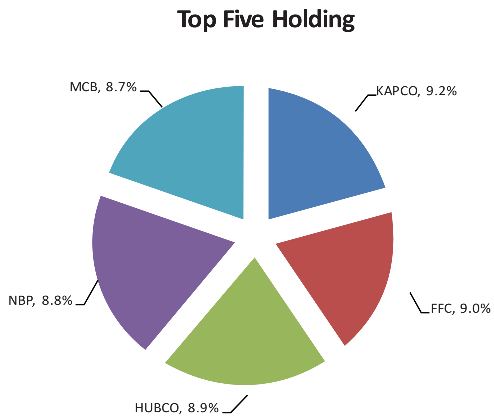
The Fund has posted cash dividend of Rs. 34.58 per unit, translating into 34.22 bonus units per 100 units. This is a 97% payout of total earnings as per NBFC regulations. The effects on NAV were as follows;

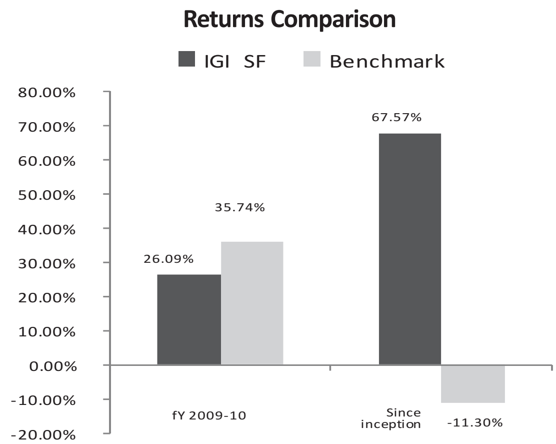
NAV (30 June 2010):	PkR 135.65
Distribution:	PkR 34.58
Ex-NAV:	PkR 101.07

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 2010	For the year ended 30 June 2009
Net Assets	427.08	249.49
Net Income	98.00	61.76
Net Assets Value per Unit (Rs.)	135.65	132.90
Issuance of units during the period	2,140.63	385.39
Redemption of units during the period	1,985.71	298.13

Future Outlook

The key sectors for growth remain Oil, Power Generation and Fertilizers as they provide stability and safety to the investors. Banks are likely to play the fence, as the stories regarding NPLs will drag the bottom-line.

The Fund's strategy will be to maintain a portfolio of fundamentally strong scrips, acquired at their lows. Gains will be realized in scrips as they near their peaks, whilst the funds will be reallocated into other growth sectors. Risk will be mitigated by proportionate exposure into stable, growth and rapidly appreciating stocks to closely reflect movements in the index. In the upcoming year, the Fund will aim at providing its investors a better return, coupled with stabled growth in the NAV.

Corporate Governance

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

a) Financial Statement represents fairly the state of affairs of IGI Stock Fund, the results of the operations, cash flow and the changes in Unit-holders funds.

b) IGI Stock Fund has maintained proper books of accounts.

c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.

e) The system of internal control is sound in design and has been effectively implemented and monitored.

f) There are no significant doubts upon IGI Stock Fund's ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.

h) The summary of key financial data is given above in this Director Report.

i) Details of meetings of the Board of Directors held and the attendance of each director for these meetings are given in note # (iv.) of supplementary non financial information of this annual report.

j) The pattern of unit holding is given in note # (i.) of supplementary non financial information of this annual report.

k) No units of the Fund held by the Chief Executive, directors, executives and their spouses as at 30 June 2010 as given in note # 13.

l) No units acquired/ redeemed during the year by the Chief Executive, director, executives and their spouses as at 30 June 2010 as given in note # 13.

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

Name	Category	Shares Acquired	Shares Held
IGI Investment Bank	Holding Co.	4,500,000	23,494,004
Syed Javed Hassan	Director	Nil	1,332
Abid Naqvi	Director	Nil	1,332
Ahmad Alman Aslam	Director	Nil	500

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
24 August 2010

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

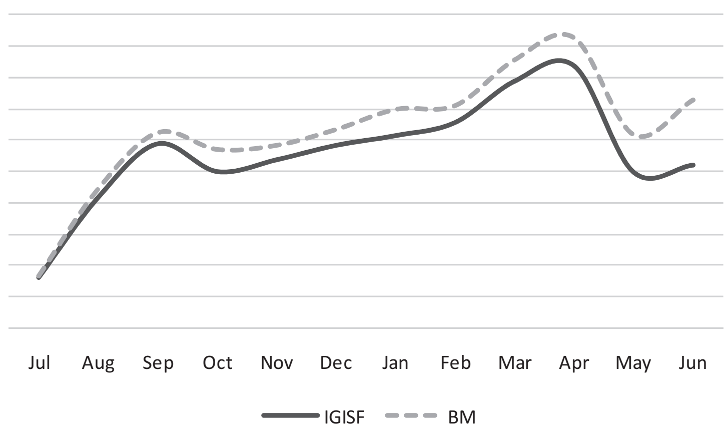
IGI SF closed the year with a growth of 71.2% growth in total net assets. The fund, similar to its peer group, registered a net return of 26.09% against the benchmark performance of 35.74%. The under performance is attributed to significant downside movement in blue chip stocks towards the end of the period. However, going forward the same scrips will lay the foundation for the market appreciating.

Benchmark

The Fund's benchmark is KSE-100 Index.

Performance comparison with Benchmark

Month	Change in NAV	Change in KSE-100
Jul-09	8.22%	8.34%
Aug-09	20.94%	22.22%
Sep-09	29.47%	31.19%
Oct-09	25.05%	28.52%
Nov-09	26.93%	29.18%
Dec-09	29.23%	31.70%
Jan-10	30.77%	34.91%
Feb-10	32.86%	35.52%
Mar-10	39.43%	42.82%
Apr-10	41.85%	46.33%
May-10	24.95%	30.87%
Jun-10	26.09%	36.42%

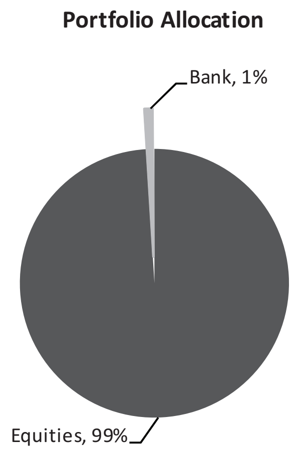


Strategies and Policies employed during the period

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

Portfolio Allocation

Description	(%)
Equities	99%
Bank	1%



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

IGISF completed its second year of operation with a YoY appreciation of 26.09% and one of the highest information ratios in industry against 36.42% appreciation in KSE-100 index. The Fund announced a payout of 97% of the income which amounted to PKR 34.5833/- per unit for Income unit holders and 34.2173 per 100 units for Growth unit holders.

Review of the market invested in

The KSE-100 appreciated by 35.74% in FY10, recovering from the volatility that was predominant in FY09. On a quarterly basis, the performance graph shows a mixed trend with index gaining 35% and 8.57% in 1st and 3rd quarters while losing 2.34% and 5% in 4th and 5th quarters, respectively. The index crossed the 10,000 points levels but failed to sustain it owing to uncertainties regarding implication of CGT, which investors had been dodging for a number of years. But this year, the IMF led initiative to increase organic growth in revenue from taxation forced an announcement of CGT levy after July 1st 2010, applicable retrospectively. Currently, the market is trading at a fundamental discount to its valuations and its regional peers. At a FY11E PER(x) of approximately 7x, KSE is at a discount to its regional peers. In addition, blue chip stocks are trading at prices that provide a significant upside potential. With uncertainty regarding CGT wearing off, increase in exposure limits for Equity funds by apex regulator and upcoming result season; we expect the market to recapture its lost glory. The index is expected to touch the elusive 11,000 level by end of CY10.

Distribution

The Fund has posted cash dividend of Rs. 34.58 per unit, translating into 34.22 bonus units per 100 units. This is a 97% payout of total earnings as per NBFC regulations. The effects on NAV were as follows;

NAV (30 June 2010):	PkR	135.65
Distribution:	PkR	34.58
Ex-NAV:	PkR	101.07

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	17	519,782
PkR 100,000 to 1,000,000	10	3,393,617
PkR 1,000,000 to 10,000,000	07	39,093,717
PkR 10,000,000 and above	05	384,074,804
Total	39	427,081,920

Unit Splits

There were no unit splits during the period.

Circumstances materially affecting the interest of unit holders

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

Soft Commission

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

Performance Table

	2010	2009
Net Assets Value (mn.)	427.08	249.49
NAV per unit	135.65	132.90
Selling price per unit	139.04	136.22
Redemption price per unit	135.65	132.90
Highest selling price per unit	161.08	142.39
Highest redemption price per unit	157.16	139.92
Lowest selling price per unit	112.26	94.96
Lowest redemption price per unit	109.53	92.64
Interim distribution per unit	NIL	NIL
Interim distribution date	N/A	N/A
Final distribution per units	34.58	25.31
Final distribution date	02 July 2010	02 July 2009
Annualized returns	26.09%	32.90%
Income distribution	32.14%	25.31%
Capital growth	-6.05%	7.59%

Return since inception is **67.57%**

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 of IGI Stock Fund "the Fund" on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of IGI Funds Limited, "the Management Company" of the Fund to comply with the Listing Regulations of Lahore Stock Exchange, where the Fund is listed.

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

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

Further sub-regulation (xiii-a) of Listing Regulations 35 notified by the Lahore Stock Exchange (Guarantee) Limited requires then 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 procedures to determine whether the related party transactions were under taken 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 of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

KPMG Taseer Hadi & Co.
Chartered Accountants

Statement of compliance by the IGI Stock Fund with the Code Of Corporate Governance for the period ended 30 June 2010

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

1. The management company encourages representation of non-executive directors. All the directors, except the Chief Executive Officer are non-executive directors.

2. The existing directors have confirmed that none of them are serving as a director in more than ten listed companies, including the management company.

3. All the resident directors of the management company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.

4. During the period under review no casual vacancy occurred on the Board.

5. The management company has prepared a 'Code of Conduct' describing ethics and business practices for the Fund, which has been approved by the Board and duly signed by all the employees of the Management Company.

6. The management company has prepared a vision/ mission statement, corporate strategy and significant policies for the Fund which has been approved by the Board. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment of the CEO and CFO and the Company Secretary have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met as required by the Code of Corporate Governance. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In order to apprise the directors for their duties and responsibilities and the requirement of the Code they have been kept updated with the change in relevant laws applicable to the management company. Directors are conversant of the relevant laws applicable to the management company, its policies and procedures and provisions of memorandum and article of association and are aware of their duties and responsibilities.

10. The directors' report relating to the Fund for the period ended June 30, 2010 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

11. The financial statements of the Fund were duly endorsed by the CEO and CFO of the management company before approval of the Board.

12. The related party transaction with details of pricing methods have been placed before the Audit Committee and approved by the Board of Directors.

13. The directors, CEO, and executives do not hold any interest in the units of the fund and shares of the management company other than disclosed in the Directors Report.

14. The management company has complied with all the applicable 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 of the management company including the chairman of the committee.

16. The meetings of the audit committee were held and prior to the approval of final results of the Fund as required by the Code of Corporate Governance.

17. The Directors have approved the term of reference of Audit Committee in the light of Code of Corporate Governance.

18. The management company has now in-house internal audit function of the Fund headed by Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund. Previously the same function was outsourced to M/s. M. Yousuf Adil Saleem & Co.

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 shares of the management company or units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. 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.

21. We confirm that all other material principles contained in the Code have been complied with.

Chief Executive Officer

Trustee Report to the Unit Holders

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

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

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

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

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

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

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

Independent Auditors' Report to the Unit Holders

We have audited the accompanying financial statements of IGI Stock Fund ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2010, and the income statement, statement of comprehensive income, cash flow statement, distribution statement and statement of movement in unit holders' funds for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2010, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

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

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Nadeem

Statement of Assets and Liabilities

As at 30 June 2010

	Note	2010	2009
ASSETS			
Bank balances	4	**4,076,938**	34,095,613
Investments - quoted	5	**422,276,803**	222,288,522
Dividend receivables		**613,500**	1,131,228
Deferred formation cost	6	**786,767**	1,045,552
Deposits	7	**6,300,000**	6,300,000
Interest income and other receivable		**272,873**	327,995
Total assets		**434,326,881**	265,188,910
LIABILITIES			
Amount payable on redemption of units		**-**	721,319
Payable to the Management Company	8	**2,146,462**	1,696,227
Remuneration payable to the Trustee	9	**76,521**	57,540
Annual fee payable to Securities and Exchange Commission of Pakistan	10	**434,335**	160,423
Accrued and other liabilities	11	**4,587,643**	13,066,229
Total liabilities		**7,244,961**	15,701,738
Net assets attributable to unit holders	*Rupees*	**427,081,920**	249,487,172
Unit holders' funds (as per statement attached)	*Rupees*	**427,081,920**	249,487,172
Number of units in issue	*Number*	**3,148,343**	1,877,323
Net assets value per unit	*Rupees*	**135.65**	132.90

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

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Income Statement

For the year ended 30 June 2010

Income	Note	2010	2009
Capital gains on sale of equity securities - net		**69,640,707**	39,472,373
Interest income on bank & other deposits		**4,524,764**	8,970,285
Interest income on investments classified as 'held to maturity'		**-**	895,422
Dividend income on equity securities		**23,733,104**	6,662,048
Net unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss- held for trading'		**(7,172,867)**	12,777,303
Element of income and capital gains included in prices of units sold less those in units redeemed - net		**27,816,876**	(461,206)
Total income		**118,542,584**	68,316,225
Expenses			
Remuneration to the Management Company		**9,143,946**	3,328,942
Remuneration to the Trustee		**932,452**	671,300
Annual fee to the Securities and Exchange Commission of Pakistan		**434,335**	160,423
Brokerage expense and other charges		**5,448,386**	1,525,372
Bank and settlement charges		**27,923**	14,438
Amortization of deferred formation cost		**258,785**	248,150
Auditors' remuneration		**363,000**	250,250
National Clearing Company of Pakistan Limited Charges		**281,156**	22,396
CDS transaction fee		**79,603**	34,403
Annual listing fee		**20,000**	97,500
Printing charges		**82,061**	199,124
Credit Rating Fees		**210,000**	-
Workers' Welfare Fund	12	**3,260,282**	-
Total expenses		**20,541,929**	6,552,298
Net income for the year	*Rupees*	**98,000,655**	61,763,927

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

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Statement of Comprehensive Income

For the year ended 30 June 2010

		2010	2009
Net income for the year		**98,000,655**	61,763,927
Other comprehensive income during the year		**-**	-
Total comprehensive income for the year	*Rupees*	**98,000,655**	61,763,927

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

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Statement of Cash Flows

For the year ended 30 June 2010

CASH FLOWS FROM OPERATING ACTIVITIES	**2010**	2009
Net income for the year	**98,000,655**	61,763,927
Adjustment for:		
Amortization of deferred formation cost	**258,785**	248,150
Capital gains on sale of equity securities - net	**(69,640,707)**	(39,472,373)
Net unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss- held for trading'	**7,172,867**	(12,777,303)
Element of income and capital gains included in prices of units sold less those in units redeemed - net	**(27,816,876)**	461,206
	7,974,724	10,223,607
Change in:		
Investments - net	**(137,520,441)**	(170,038,846)
Deferred formation cost	**-**	(7,745)
Dividend receivables	**517,728**	(1,131,228)
Deposits	**-**	(6,280,000)
Interest income and other receivable	**55,122**	772
Payable to the Management Company	**450,235**	390,270
Remuneration payable to the Trustee	**18,981**	57,540
Annual fee payable to the Securities & Exchange Commission of Pakistan	**273,912**	160,423
Accrued and other liabilities	**(8,478,586)**	12,737,462
Net cash (used in) operating activities	**(136,708,325)**	(153,887,745)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	**2,099,465,005**	385,387,414
Dividend paid	**(6,348,579)**	-
Payment against redemption of units	**(1,986,426,776)**	(297,404,056)
Net cash from financing activities	**106,689,650**	87,983,358
Net decrease in cash and cash equivalents during the year	**(30,018,675)**	(65,904,387)
Cash and cash equivalents at beginning of the year	**34,095,613**	100,000,000
Cash and cash equivalents at end of the year *Rupees*	**4,076,938**	34,095,613

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

For IGI Funds Limited
(Management Company)

Chief Executive

Director

Distribution Statement
For the year ended 30 June 2010

		2010	2009
Undistributed income brought forward at the beginning of the year			
- Realized gains		**48,986,624**	-
- Unrealized gains		**12,777,303**	-
		61,763,927	-
Total comprehensive income for the year		**98,000,655**	61,763,927
Distributions during the year			
Final distribution of cash dividend @ Rs.25.3111 per unit for the year ended 30 June 2009, declared on 02 July 2009		**(6,348,579)**	-
Final distribution of bonus @ 23.5268 units for every 100 units held, for the year ended 30 June 2009 , declared on 02 July 2009		**(41,168,522)**	-
		(47,517,101)	-
Undistributed income carried forward	*Rupees*	**112,247,481**	61,763,927
Undistributed income carried forward at end of the year			
- Realized gains		**119,420,348**	48,986,624
- Unrealized gains		**(7,172,867)**	12,777,303
	Rupees	**112,247,481**	61,763,927

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

For IGI Funds Limited
(Management Company)

Chief Executive

Director

Statement of Movement in Unit Holders' Fund

For the year ended 30 June 2010

		2010	2009
Net assets at beginning of the year		**249,487,172**	100,000,000
Amount realized on issuance of 15,228,372 units (30 June 2009: 3,310,133 units)		**2,099,465,005**	385,387,414
Amount realized on issuance of Bonus Units of 382,678 units (30 June 2009: Nil units)		**41,168,522**	-
Amount paid on redemption of 14,340,030 units (30 June 2009: 2,432,810 units)		**(1,985,705,457)**	(298,125,375)
		404,415,242	187,262,039
Element of income and capital gains included in prices of units sold less those in units redeemed - net		**(27,816,876)**	461,206
Capital gains on sale of equity securities - net		**69,640,707**	39,472,373
Net unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss- held for trading'		**(7,172,867)**	12,777,303
Others		**35,532,815**	9,514,251
Total comprehensive income for the year		**98,000,655**	61,763,927
Distributions made during the year			
Final Distribution of Cash Dividend		**(6,348,579)**	-
Final Distribution of Bonus Units		**(41,168,522)**	-
		(47,517,101)	**-**
Total comprehensive income less distributions for the year		**50,483,554**	61,763,927
Net assets at end of the year	*Rupees*	**427,081,920**	249,487,172

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

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Notes to and forming part of the Financial Statements

For the year ended 30 June 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

2 BASIS OF PRESENTATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4. Changes in accounting policies and disclosures as a result of adoption of new and amended accounting standards

Starting 1 July 2009, the Company has changed its accounting policy for presentation of financial statements and has applied "Revised IAS 1 Presentation of Financial Statements (2007)" which became effective from 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity.

All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income).

Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company has opted to present two statements; a income statement and a statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

2.5 Other accounting developments

2.5.1 Disclosures pertaining to fair values and liquidity risk for financial instruments

- The Fund has applied Improving Disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

- The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorized as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are required to be disclosed for each class of financial instruments.

- Further, the definition of liquidity risk has been amended and it is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

- The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contracts, the amendments require the maximum amount of the guarantee to be disclosed in the earliest period in which the guarantee could be called.

- Increased disclosures in respect of fair values of financial instruments and liquidity risk are included in note 14.6.

2.5.2 Standards, Interpretations and Amendments not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2010.

- Improvements to IFRSs 2009 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5. These amendments are unlikely to have an impact on the Fund's financial statements.

- Improvements to IFRSs 2009 – Amendments to IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2010) . The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker. The amendment is not relevant to the Fund's operations.

- Improvements to IFRSs 2009 – Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments. These amendments are unlikely to have an impact on the Fund's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 7 Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities. These amendments are unlikely to have a significant impact on the Fund's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 17 Leases (effective for annual periods beginning on or after 1 January 2010). The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 – 13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. The amendment is not relevant to the Fund's operations.

- Improvements to IFRSs 2009 – Amendments to IAS 36 Impairment of Assets (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively. The amendment is not relevant to the Fund's operations.

- Improvements to IFRSs 2009 – Amendments to IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010). The amendments provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; clarify that the scope exemption in IAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss. The amendments apply prospectively to all unexpired contracts from the date of adoption. These amendments are unlikely to have an impact on the Fund's financial statements.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010). The IASB provided additional optional exemptions for first-time adopters of IFRSs that will permit entities to not reassess the determination of whether an arrangement contains a lease if the same assessment as that required by IFRIC 4 was made under previous GAAP; and allow entities in the oil and gas industry to use their previous GAAP carrying amounts as deemed cost at the date of transition for oil and gas assets. The amendment is not relevant to the Fund's operations.

- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Amendment provides guidance on the accounting for share based payment transactions among group entities. The amendment is not relevant to the Fund's operations.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 January 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. These amendments are unlikely to have an impact on the Fund's financial statements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. The amendment is not relevant to the Fund's operations.

- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for accounting periods beginning on or after 1 July 2010). The amendment provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the Amendments to IFRS 7. The amendment also clarifies the transitional provisions of the Amendments to IFRS 7. The amendment is not relevant to the Fund's operations

Improvements to IFRSs 2010 (effective for annual periods beginning on or after 1 July 2010). The IASB issued amendments to various standards effective. Below is a summary of the amendments that are effective for either annual periods beginning on or after 1 July 2010 or annual periods beginning on or after 1 January 2011.

- Improvements to IFRSs 2010 – Amendments to IFRS 3 Business Combinations (effective for accounting periods beginning on or after 1 July 2010). The amendments clarify that contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 (2004) that remains outstanding at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004); limit the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquire awards. These amendments are unlikely to have an impact on the Fund's financial statements.

- Improvements to IFRSs 2010 – Amendments to IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2010). The amendments clarify that the consequential amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 and IAS 31 resulting from IAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering. These amendments are unlikely to have an impact on the Fund's financial statements.

- IAS 24 Related Party Disclosures (revised 2009) (effective for accounting periods beginning on or after 1 January 2011). The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. These amendments are unlikely to have an impact on the Fund's financial statements other than increase in disclosures.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. These amendments are unlikely to have any significant impact on the Fund's financial statements.

- Improvements to IFRSs 2010 – IFRS 1 First-time Adoption of IFRSs (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that IAS 8 is not applicable to changes in accounting policies occurring during the period covered by an entity's first IFRS financial statements; introduce guidance for entities that publish interim financial information under IAS 34 Interim Financial Reporting and change either their accounting policies or use of the IFRS 1 exemptions during the period covered by their first IFRS financial statements; extend the scope of paragraph D8 of IFRS 1 so that an entity is permitted to use an event-driven fair value measurement as deemed cost for some or all of its assets when such revaluation occurred during the reporting periods covered by its first IFRS financial statements; and introduce an additional optional deemed cost exemption for entities to use the carrying amounts under previous GAAP as deemed cost at the date of transition to IFRSs for items of property, plant and equipment or intangible assets used in certain rate-regulated activities. The amendment is not relevant to the Fund's operations.

- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1 January 2011). The amendments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. These amendments would result in increase in disclosures in the financial statements of the Fund.

- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes. These amendments are unlikely to have an impact on the Fund's financial statements other than increase in disclosures.

- Improvements to IFRSs 2010 – IAS 34 Interim Financial Reporting (effective for accounting periods beginning on or after 1 January 2011). The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures. These amendments are unlikely to have an impact on the Fund's financial statements other than increase in disclosures.

- Improvements to IFRSs 2010 – IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

2.6 Accounting estimates and judgments

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

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

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

Held-to-maturity investment

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

Investment stated at fair value

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

Other assets

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented except as explained in note 2.4.

3.1 Investments

The Fund classifies its investments in the following categories:

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

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

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

- ***Held to maturity***

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

Basis of valuation

Marketable Equity Securities

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

Held to maturity investments

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

Date of Recognition

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

Derecognition

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

3.2 Impairment

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

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

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

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

3.3 Unit holders' fund

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

3.4 Issue and redemption of units

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

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

3.5 Net asset value per unit

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

3.6 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

- Unrealised gains / (losses) arising on revaluation of investments classified as financial assets at fair value through profit or loss are included in the Income Statement in the period in which they arise.

- Interest income on deposits accounts and certificate of investments are recognised at rate of return implicit in the instrument / deposits on a time proportionate basis.

- Dividend income is recognised in Income Statement on the date that the Fund's right to receive payment is established.

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

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

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

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

3.8 Taxation

Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 provides exemption from tax to any income derived by a Mutual Fund, if not less than ninety percent of its accounting income of a year as reduced by capital gains whether realize or unrealized is distributed among the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. The Management Company has distributed a sufficient accounting income of the Fund subsequent to reporting date, refer note 15, for the year ended 30 June 2010 in order to comply with the above stated clause and regulation. Accordingly, no tax provision has been made in these financial statements for the year ended 30 June 2010.

3.9 Financial instruments

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

3.10 Offsetting of financial assets and liabilities

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

3.11 Provision

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

3.12 Deferred formation cost

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

3.13 Cash and cash equivalents

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

3.14 Distributions

Distributions declared (cash dividend and bonus units) are recorded in the period in which they are approved.

3.15 Other assets

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

3.16 Liabilities

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

4 BANK BALANCE - Local Currency

This represents balances in deposit accounts with banks and carry interest rates ranging from 5% to 11% (30 June 2009: 9%).

5 INVESTMENTS

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

5.1 Equity Securities - quoted

Name of security	As at 1 July 2009	Purchases/ Bonus shares received during the period	Sold during the period	As at 30 June 2010	Cost as at 30 June 2010	Market value (carrying value after revaluation) as at 30 June 2010	Percentage of net assets on the basis of market value	Percentage of total investment on the basis of market value	Percentage of issued capital of the issuer
	---------- (Shares) ----------				---------- (Rupees) ----------		---------- (percentage) ----------		
Commercial Bank									
Bank Al-Falah Limited	-	1,295,000	1,295,000	-	-	-	-	-	-
Bank Al- Habib Limited	-	-	-	-	-	-	-	-	-
Habib Bank Limited	-			-	-	-	-	-	-
MCB Bank Limited	96,000	1,402,590	1,307,590	191,000	37,748,691	37,090,290	8.68%	8.78%	0.537%
National Bank of Pakistan Limited	252,400	1,691,614	1,359,014	585,000	38,625,252	37,498,500	8.78%	8.88%	0.348%
NIB Bank Limited	-			-			-	-	-
United Bank Limited	381,000	2,523,633	2,240,633	664,000	38,116,849	35,995,440	8.43%	8.52%	0.323%
Allied Bank Limited	-	16,700	16,700	-	-	-	-	-	-
Atlas Bank Limited	-	20,000	20,000	-	-	-	-	-	-
Samba Bank Limited	-	100,000	100,000	-	-	-	-	-	-
Investment Bank and securities companies									
Jahangir Siddiqui & Company Limited	-	40,000	40,000	-	-	-	-	-	-
Cement									
Lucky Cement Limited	147,000	532,100	679,100	-	-	-	-	-	-
Attock Cement Pakistan Limited	-	70,000	70,000	-	-	-	-	-	-
DG Khan Cement Limited	-	170,000	170,000	-	-	-	-	-	-
Insurance									
IGI Insurance Limited	38,200	-	38,200	-	-	-	-	-	-
Adamjee Insurance Limited	-	115,000	115,000	-	-	-	-	-	-
Food and personal care products									
Nestle Pakistan Limited	3,400	-	3,400	-	-	-	-	-	-
Refinery									
Attock Refinery Limited	55,000	483,364	538,364	-	-	-	-	-	-
National Refinery Limited	-	78,401	78,401	-	-	-	-	-	-
Paper & Board									
Packages Limited	-	-	-	-	-	-	-	-	-
Textile Composite									
Nishat Mills Limited	-	414,000	414,000	-	-	-	-	-	-
Pharmaceuticals									
GlaxoSmithKline Pakistan Limited	-	-	-	-	-	-	-	-	-
Power Generation & Distribution									
Kot Addu Power Company Limited	221,400	1,273,662	555,311	939,751	38,598,094	39,225,207	9.18%	9.29%	0.446%
Hub Power Company Limited	841,000	2,608,770	2,257,869	1,191,901	37,073,874	38,093,156	8.92%	9.02%	0.329%
Nishat Chunian Power Limited	-	1,000,000	1,000,000	-	-	-	-	-	-
Oil & Gas Marketing Companies									
Attock Petroleum Limited	-	70,000	70,000	-			-		-
Pakistan State Oil Company Limited	100,400	1,007,815	980,215	128,000	35,748,116	33,305,600	7.80%	7.89%	1.942%
Shell Pakistan Limited	19,500	99,169	118,669	-	-	-	-	-	-
Oil & Gas Exploration Companies									
Oil & Gas Development Company Limited	267,500	1,353,100	1,370,000	250,600	33,433,099	35,507,534	8.31%	8.41%	0.083%
Pakistan Oilfields Limited	102,500	880,194	822,694	160,000	36,079,232	34,544,000	8.09%	8.18%	1.460%
Pakistan Petroleum Limited	105,000	836,202	756,202	185,000	35,238,833	34,062,200	7.98%	8.07%	0.410%
Fertilizer									
Engro Corporation Pakistan Limited	97,000	1,204,471	1,088,471	213,000	38,020,935	36,972,540	8.66%	8.76%	1.241%
Fauji Fertilizer Bin Qasim Limited	-	410,000	410,000	-			-		-
Fauji Fertilizer Company Limited	197,067	929,762	754,700	372,129	38,937,155	38,355,336	8.98%	9.08%	0.777%
Engro Polymer & Chemicals Limited	-	350,000	350,000	-	-	-	-	-	-
Technology & Communication									
Pakistan Telecommunication Limited	570,000	1,490,000	845,000	1,215,000	21,829,540	21,627,000	5.06%	5.12%	0.057%
Chemical									
ICI Pakistan Limited	-	132,000	132,000	-	-	-	-	-	-
Lotte Pakistan PTA Limited	-	1,501,011	1,501,011	-	-	-	-	-	-
Automobile Assemblers									
Indus Motor Company Limited	-	83,719	83,719	-	-	-	-	-	-
Pak Suzuki Motor Company Limited	-	263,749	263,749	-	-	-	-	-	-
Miscellaneous									
Tri- Pack Films Limited	-	35,879	35,879	-	-	-	-	-	-
	3,494,367	**24,481,905**	**21,880,891**	**6,095,381**	**429,449,670**	**422,276,803**			

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

	2010	2009
	(Number of shares)	
Engro Corporation Pakistan Limited	**100,000**	-
Fauji Fertilizer Company Limited	**150,000**	-
Hub Power Company Limited	**800,000**	400,000
MCB Bank Limited	**-**	25,000
Pakistan Telecommunication Limited	**-**	550,000
	1,050,000	975,000

6 DEFERRED FORMATION COST

		2010	2009
Unamortised cost at the beginning of the year		**1,045,552**	1,285,957
Addition during the year		**-**	7,745
Amortised to the income statement during the year		**(258,785)**	(248,150)
Unamortised cost at the end of the year	*Rupees*	**786,767**	1,045,552

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

7 DEPOSITS

		2010	2009
Margin deposit with NCCPL against exposure demand and mark to market losses		**3,700,000**	3,700,000
Security deposits placed with:			
- NCCPL		**2,500,000**	2,500,000
- Central Depository Company of Pakistan Limited		**100,000**	100,000
	Rupees	**6,300,000**	6,300,000

8 PAYABLE TO THE MANAGEMENT COMPANY

		2010	2009
Remuneration payable to the Management Company	*8.1*	**764,082**	372,608
Formation cost payable		**1,293,702**	1,293,702
Front end load payable		**67,011**	29,917
Printing Charges payable		**21,667**	-
	Rupees	**2,146,462**	1,696,227

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

9 REMUNERATION PAYABLE TO THE TRUSTEE

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

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

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Regulation 62 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, effective from 21 November 2008, whereby the Fund is required to pay SECP an amount equal to 0.095% of the average daily net assets of the Fund. During the prior year ended 30 June 2009, the annual fee payable to SECP was recorded at the rate of one tenth of 1% of average daily net assets of the Fund up to 21 November 2008 under Regulation 71 of the Non-Banking Finance Companies and Notified Entities Regulations, 2007.

11 ACCRUED AND OTHER LIABILITIES

		2010	2009
Payable to NCCPL on settlement of securities purchased		**-**	12,520,155
Auditors' remuneration		**340,000**	184,000
Brokerage payable		**689,714**	127,905
Capital value tax payable		**-**	19,720
Payable to IGI Income Fund		**-**	76,840
Credit Rating Fees Payable		**110,000**	-
Workers' Welfare Fund Payable	*12*	**3,260,282**	-
Others liabilities		**187,647**	137,609
	Rupees	**4,587,643**	13,066,229

12 WORKERS' WELFARE FUND

The Finance Act, 2008 brought an amendment in section 2 (f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) with the intention to make the definition of "Industrial Establishment" applicable to any establishment to which the West Pakistan Shop and Establishment Ordinance, 1969 (1969 Ordinance) applies. As a result of this amendment, the WWF Ordinance has become applicable to all Collective Investment Schemes (CIS) whose income exceeds Rs. 0.5 million in a tax year, thus rendering them liable to pay two percent of their total income to Workers Welfare Fund (as defined in section 4 & 2(i) of the WWF Ordinance). The Mutual Fund Association of Pakistan (MUFAP) had filed a constitutional petition before High Court of Sindh on the major grounds that CIS are not covered under the definition of industrial establishment, CIS do not have any worker and amendment was made through money bill.

The Honourable High Court of Sindh vide its order dated 25 May 2010 has dismissed the petition on the main ground that the MUFAP (petitioner) cannot be held to be entitled to maintain a petition in respect of its members as MUFAP is not the aggrieved party in respect of its members.

Consequently, few CISs have filed constitutional petitions. However, the Management Company in pursuance of the order passed by the Honourable High Court of Sindh considers that it is prudent to record the provision for workers welfare fund for the years ended 30 June 2009 of Rs. 1.235 million and 30 June 2010 of Rs.2.025 million and accordingly provision has been recorded in these financial statements for the year ended 30 June 2010.

13 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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

Remuneration payable to the Management Company and the Trustee are determined in accordance with the provisions of Non - Banking Finance Companies and Notified Entities Regulations, 2008, and the Trust Deed respectively. Front end load is charged to unit holder and is payable to the Management Company according to provisions of the offering document of the fund.

Investment in Certificate of Deposit of IGI Investment Bank Limited was made at interest rates prevailing in the market. Security deposit are placed with CDC under normal terms of the business.

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

13.1 Unit Holders' Fund

	2010										
	As at 1 July 2009	Issued for cash	Bonus	Redeemed	As at 30 June 2010	As at 1 July 2009	Issued for cash	Bonus	Redeemed	As at 30 June 2010	Net asset value as at 30 June 2010
	Units					(Rupees)					
Associated Companies / Undertakings											
IGI Investment Bank Limited	**876,223**	**14,274,510**	**206,155**	**13,579,626**	**1,777,262**	**86,903,451**	**2,016,158,322**	**22,178,161**	**1,476,586,653**	**648,653,281**	**241,085,590**
IGI Insurance Limited	**76,764**	**181,291**	**18,060**	**94,824**	**181,291**	**4,859,428**	**25,610,187**	**1,942,972**	**11,158,931**	**21,253,656**	**24,592,124**
IGI Finex Securities Limited	-	**869,301**	-	**869,301**	-	-	**119,423,167**		**122,990,903**	-	-
Packages Limited - Employees Provident Fund	**50,000**	-	**11,764**	-	**61,764**	**5,000,000**	-	**1,265,555**	-	**6,265,555**	**8,378,287**
IGI Investment Bank Limited - Group Provident Fund	**3,057**	**10,997**	**720**	**14,774**	-	**400,000**	**1,536,585**	**77,386**	**2,106,154**	-	-
Packages Limited - Management Staff Pension Fund	-	**69,290**	-	-	**69,290**	-	**10,244,034**	-	-	**10,244,034**	**9,399,189**
Packages Limited - Employees Gratuity fund	-	**69,764**	-	-	**69,764**	-	**10,243,670**	-	-	**10,243,670**	**9,463,487**
Other Related Parties											
Transactions with employees	**575**	**11,068**	-	**10,937**	**706**	**74,825**	**1,703,112**	-	**1,628,826**	**149,111**	**95,769**
Key Management Personnel											
Syed Babar Ali - Group Chairman	**503,474**	-	**118,456**	-	**621,930**	**50,000,000**	-	**12,743,480**	-	**62,743,480**	**84,364,805**

	2009										
	As at 1 July 2008	Issued for cash	Bonus	Redeemed	As at 30 June 2009	As at 1 July 2008	Issued for cash	Bonus	Redeemed	As at 30 June 2009	Net asset value as at 30 June 2009
	Units					(Rupees)					
Associated Companies / Undertakings											
IGI Investment Bank Limited	1,000,000	2,027,799		2,151,576	876,223	100,000,000	250,790,554		263,887,103	86,903,451	116,450,037
IGI Insurance Limited	-	319,129		242,365	76,764	-	35,000,000		30,140,572	4,859,428	10,201,936
Packages Limited - Employees Provident Fund	-	50,000		-	50,000	-	5,000,000		-	5,000,000	6,645,000
IGI Investment Bank Limited - Group Provident Fund	-	3,057		-	3,057	-	400,000		-	400,000	406,275
Other Related Parties											
Transactions with employees	-	767		192	575	-	100,000		25,175	74,825	76,418
Key Management Personnel											
Syed Babar Ali - Group Chairman	-	503,474		-	503,474	-	50,000,000		-	50,000,000	66,911,695

13.2 Other transactions

	2010	2009
Associated Companies / Undertakings	----------- (Rupees)	-----------
IGI Funds Limited - Management Company		
Formation cost paid	-	7,745
Management fee	9,143,946	3,328,942
Load on units	37,095	29,917
Security deposit paid	-	100,000
Printing charges paid	43,334	14,274
Repayment of deposit paid on behalf of fund	-	20,000
IGI Investment Bank Limited		
Interest income from investments in Certificate of Deposits	-	895,422
IGI Finex Securities Limited		
Brokerage / Commission	776,172	317,594
Federal excise duty / capital value tax	124,188	38,198
Other Related Parties		
Central Depository Company of Pakistan Limited		
Trustee fee	932,452	671,300

13.3 Other balances

	2010	2009
Associated Companies / Undertakings		
IGI Funds Limited - Management Company		
Remuneration payable to the Management Company	764,082	372,608
Formation cost payable	1,293,702	1,293,702
Front end load payable	67,011	29,917
Printing Charges payable	21,667	-
IGI Finex Securities Limited		
Brokerage / Commission	95,724	38,145
Federal excise duty / capital value tax	23,124	6,616
Other Related Parties		
Central Depository Company of Pakistan Limited		
Trustee fee payable	76,521	57,540
Security deposit placed	100,000	100,000

14 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 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 marketenvironment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund.

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

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

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

14.1 Credit risk

Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties to fulfill their obligations. There is a possibility of default by financial institutions, counter parties, participants and of failure of the financial markets / stock exchanges, the depositories, the settlements or the clearing system etc.

Management of credit risk

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

Exposure to credit risk

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

		Carrying amount	
		2010	2009
Bank Balances		**4,076,938**	34,095,613
Dividend receivables		**613,500**	1,131,228
Deposits		**6,300,000**	6,300,000
Interest income and other receivable		**272,873**	327,995
	Rupees	**11,263,311**	41,854,836

Bank Balances are kept with and interest is receivable from a commercial banks with long term credit rating of AA and short term credit rating of A1+ respectively as at 30 June 2010 and as at 30 June 2009 as per credit rating issued by Pakistan Credit Rating Agency Limited (PACRA).

Dividend and interest income receivable were received subsequently.

Past due or impaired financial assets

None of the financial assets are considered to be past due or impaired as at 30 June 2010 and 30 June 2009.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Concentration of credit risk is determined with references to the individual counter parties as well as industry segment of the counter party as defined by stock exchange. As at 30 June 2010 Fund's exposure to credit risk in respect of bank balances kept with and interest receivables from a commercial bank amounted to Rs. 4.267 million (2009: Rs.34.423 million) out of total credit risk exposure of the Fund. The concentration of investment in equity securities is stated in note 5.1.

14.2 Liquidity risk

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

Management of liquidity risk

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

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

Maturity analysis for financial liabilities

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

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

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

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

Above financial liabilities do not carry any mark-up.

The Fund is exposed to cash redemptions of its units on a regular basis. As at 30 June 2010, 3,148,343 units were in issue amounting to Rs. 427.081 million. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down SECP. As per offering document, the Fund is allowed to withhold daily redemption request in excess of ten percent of the units in issue and such requests are be treated as redemption request qualifying for being processed on the next business day. Such procedure is continued until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund may also suspend the redemption of the units if the redemption request exceed 10% of unit in issue with prior approval of the trustees and notification to SECP.

14.3 Market risk

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

Management of market risks

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

Currency risk

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

Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial instrument and future cash flows. The Fund does not have any financial assets or liabilities with floating interest rate that expose it to interest rate risk in respect of future cash flows. The fund does not have any financial instrument with fixed interest rates except fixed interest rate deposit accounts with certain banks amounting to Rs. 4.077 million (2009: Rs. 34.095 million). However since the Fund does not account for any fixed rate financial assets and liabilities at fair value through profit and loss or as available for sale financial instruments, any change in interest rates at the reporting date would not affect Income Statement and Net Assets of the Fund.

Equity price risk

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

A summary analysis of investments by industry sector, the percentage in relation to Fund's own net assets, total investment and the issued capital of the investee company and their fair values as at 30 June 2010 are stated in note 5.1.

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

In case of 5% increase / decrease in Karachi-100 index at year end the net assets attributable to unit holders of the Fund and net income for the year would have been higher / lower by Rs. 22.415 million (30 June 2009: Rs. 23.315 million).

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

14.4 Operational risks

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

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities; documentation of controls and procedures;

- compliance with regulatory and other legal requirements; requirements for the reconciliation and monitoring of transactions;

- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified; contingency plans;

- ethical and business standards; risk mitigation, including insurance where this is effective.

14.5 Unit Holders' Fund risk management

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

The Management Company manages fund's investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The unit holders' funds structure depends on the issuance and redemption of units. Under regulation 43(e) of the Non Banking Finance Companies and Notified Entities Regulations, 2008 the Management Company is required to invest or arrange an investment of at least Rs. 50 million in the Fund for a period of two years from the date of close of initial offer period i.e. 15 July 2008. However, the Fund has complied with risk management.

14.6 Fair value of financial instruments

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities. Investment of the Fund carried at fair value are categorised in this level. Refer note 5.1.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The Fund has no items to report in this level.

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Fund has no items to report in this level.

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

15 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company have approved distribution of 34.2173 (2009: 23.5268) units per for every 100 units (Growth units) held and Rs. 34.583 (2009: Rs 25.3111) per unit (Income units) for the year ended 30 June 2010 amounting to Rs. 108.88 million (2009: Rs. 47.517 million) in total, in their meeting held on 02 July 2010. These financial statements do not reflect these distribution and that will be accounted for subsequent to the year end.

16 SUPPLEMENTARY NON FINANCIAL INFORMATION

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

17 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by Board of Directors of the Management Company on **24 August 2010.**

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Annexure I

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

(i) UNIT HOLDING PATTERN OF THE FUND

	As at 30 June 2010			
Category	**Number of unit holders**	**Number of units held**	**Amount Rupees**	**% of total**
Individuals	31	738,115	100,127,420	23.445%
Associated Co./ Directors	5	2,159,372	292,925,114	68.588%
Banks/ DFIs	1	250,822	34,024,720	7.967%
Retirement & Other Funds	1	34	4,668	0.001%
	38	**3,148,343**	**427,081,922**	**100.0%**

	As at 30 June 2009			
Category	Number of unit holders	Number of units held	Amount Rupees	% of total
Individuals	13	17,966	2,387,551	0.957%
Associated Co./ Directors	6	1,509,518	200,607,697	80.408%
Banks/ DFIs	1	250,822	33,333,040	13.361%
Retirement & Other Funds	1	88,994	11,826,875	4.740%
Others	1	10,023	1,332,009	0.534%
	22	1,877,323	249,487,172	100.0%

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

Name of broker	**Percentage of commission paid**	
	2010	**2009**
IGI Finex Securities Limited	**16.52%**	22.79%
BMA Capital Management Limited	**14.50%**	3.95%
AKD Securities Limited	**11.92%**	11.26%
AL-Habib Capital Markets Limited	**9.15%**	6.93%
Concordia Securities (Private) Limited	**7.38%**	-
Invest Capital Investment Bank Limited	**7.19%**	5.06%
Elixir Securities Pakistan (Private) Limited	**6.98%**	3.72%
Taurus Securities Limited	**6.32%**	8.40%
JS Global Capital Limited	**5.43%**	14.70%
Standard Capital Securities (Private) Limited	**3.45%**	6.43%
Multiline Securities (Private) Limited	**-**	8.75%

(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
- Talib Wahab Shubaily - Fund manager
- Saifullah Kazmi - Fund manager

Maheen Rahman – CEO

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

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

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

Syed Muhammad Zeeshan -CFO

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

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

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

Muddasir Ahmed Shaikh -CIO

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

Prior to joining IGI Funds Limited, he has been associated with Atlas Asset Management Limited, National Investment Trust Limited, and JS Investments Limited (Formerly JS Abamco Ltd.). Mr. Muddasir holds a Masters degree in Business Administration from Institute of Business Administration, Karachi.

Talib Wahab Shubaily - Fund Manager

Mr. Shubaily has over 4 years of experience dealing in fixed income debt markets. Prior to joining IGI Funds Limited, he was working with Finex Securities Limited on the Money Market and Forex desk. Later, he also gained knowledge of the capital markets as a Research Analyst at IGI Finex Securities Limited.

Saifullah Kazmi - Fund Manager

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

(iv) DIRECTOR MEETING ATTENDANCE

Name of Director	Designation	Meetings Total	Attended	Leave Granted	Meeting not attended
Mr. Javed Hamid	Chairman	6	6	-	-
Mr. Khalid Yacob	Director	6	6	-	-
Mr. Ahmed Alman Aslam	Director	6	4	2	24th & 25th
Mr. Abid Naqvi	Director	6	6	-	-
Syed Javed Hassan	Director, Ex- CEO	6	6	-	-
Syed Abdul Wahab Mehdi	Director	6	3	3	22nd, 25th & 27th
Mr. Adi J. Cawasji	Director	2	2	-	-
Ms. Maheen Rahman	CEO	6	6	-	-

Syed Javed Hassan resigned from the post of CEO of the Management Company and Ms. Maheen Rahman Appointed as CEO and member Board of Directors in his place from June 26, 2009.

Mr. Adi J. Cawasji resigned as member Board of Directors of the Management Company from June 26, 2009.

Securities and Exchange Commission of Pakistan (SECP) approved both changes on September 15, 2009.

Dates of the meetings of the Board of Directors	
Twenty-second meeting	July 2, 2009
Twenty-third meeting	August 12, 2009
Twenty-fourth meeting	October 29, 2009
Twenty-fifth meeting	January 4, 2010
Twenty-sixth meeting	February 11, 2010
Twenty-seventh meeting	April 27, 2010

(V) FUND AND ASSET MANAGER RATING

PACRA has awarded asset manager rating of an "AM3" to IGI Funds Limited in its report dated February 2010.

The rating reflects the company's experienced and qualified management team, a structured and strong fund management function, and demonstrated support of the sponsoring Group. The rating also factors in a growing realization on part of the management to institute a strong in-house risk management, compliance and control platform, translating into an improved relative standing amongst peers.

PACRA has awarded normal rating of "5-star" to IGI Stock Fund based on performance review for the year ended 30 June 2009 vide its report dated 16 October 2009.

IGI

Funds

IGI ISLAMIC INCOME FUND

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.
Alfalah Securities (Pvt.) Ltd.
Allied Bank Limited
Atlas Capital Markets (Pvt.) Ltd.
BMA Financial Services Ltd.
Bulls and Bulls (Pvt) Ltd.
Financial Avenue
Foundation Securities (Pvt) Ltd.
IGI Investment Bank Limited
Invest Capital and securities (Pvt.) Ltd.
JS Global Capital Limited
KASB Securities
Mybank Limited
National Clearing Company of Pakistan Limited
Pak Oman Investement Company Ltd.
Pyramid Financiol Consultant (Pvt.) Ltd.
Siza Commodites (Pvt.) Ltd.
The Bank of Khyber
Vector Consulting (Pvt) Ltd.

Auditors

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

Legal Advisor

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

Bankers

Bank Alfalah Limited
Bank Al-Habib Limited
Dubai Islamic Bank
Al Baraka Islamic Bank

Directors' Report

To our valued Unit Holders,

The Board of Directors of IGI Funds Limited is pleased to present you the Financial Report of the IGI Islamic Income Fund (the "Fund") for the period ended from 16 September 2009 to 30 June 2010. The Financial Statements of the Schemes prepared by the Management Company present true and fair view of the state of affairs of the Scheme and results of its operations, cash flows and movement in unit holders' fund.

Economic Review

The FY10 was closed in greener pastures, compared to the forecasts at the start of the outgoing fiscal year. Country's GDP growth was witnessed provisionally at 4%, compared to earlier estimate of 3.30%. Services sector stands out as the major contributor to GDP with 53% contribution, followed by 25% and 21% from Industry and Agriculture Sectors, respectively.

Trade deficit for FY10 was witnessed at USD 11,367 mn; however, the final figures have improved gradually in the last three consecutive fiscal years. Trade deficit witnessed recovery as growth in exports was fractionally higher than the fall in imports. Home Remittances depicted a robust growth of 14% in FY10 (USD $8.9bn), compared to the corresponding period in FY09 (USD $7.8bn). UAE topped the list of contributors, with Saudi Arabia and USA following the list of contribution. Strong home remittances and lower trade deficit coupled with the IMF program helped the country's curtailment of current account deficit. Inflation figure for the fiscal also showed improvement as in FY10 the CPI inflation curtailed to 11.70% almost half of previous year's 20.80%.

Furthermore, the country experienced a reduction in borrowing for budgetary support to PkR407bn for FY10 (provisional) compared to PkR526bn in FY09. Of which, major borrowing was represented from scheduled banks, rather than direct SBP borrowing. Net Foreign Assets (NFA) of the banking system stood at PkR152bn; whereas, Net Domestic Assets (NDA) stood at PkR488bn for FY10 (provisional). Private sector credit off take improved in FY10 to PkR113bn compared to PkR17bn in FY09, representing improvement in economic activities.

As of the position of Jul-May '10, domestic debt of the country increased to PkR4,633bn. Of which, floating and unfunded debts increased substantially in issuance to Treasury Bills and National Savings Schemes. Lately, the investments were directed to government securities rather than direct advances in the market, ensuring principal guarantee compared to past two years defaults by the DFI and NBFI sectors.

During the period under review, KIBOR lending rates for 1-mth and 6-mth averaged 12.45% and 12.39% respectively. Money Market rates remained volatile in the last quarter of the fiscal year. Major activity was witnessed in government securities because of the stagnant private credit off take. Banks also concentrated their investments in risk-free or government guaranteed securities.

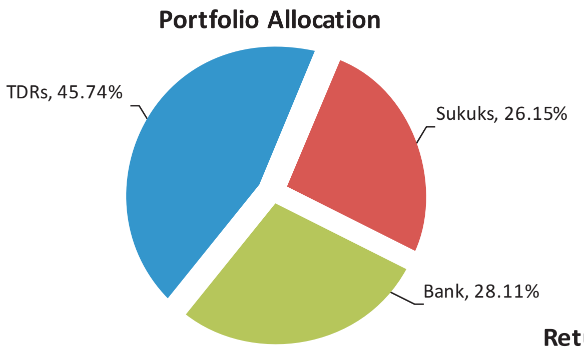
Fund Operations and Performance

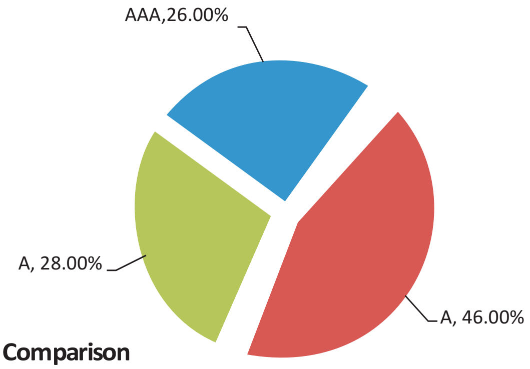
For the year ended 30 June 2010, the Fund posted an appreciation of 9.21% in NAV and completed the period with net assets amounting to Rs.399 millions.

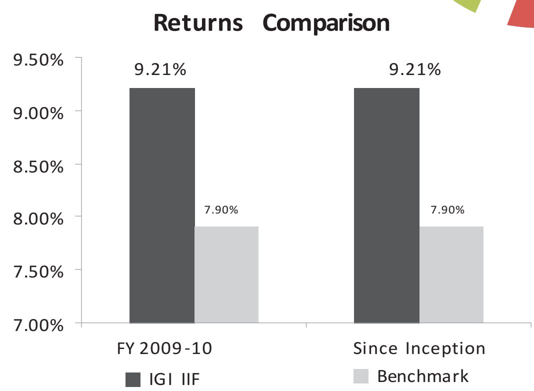
Payout

At the end of the year under review, the fund paid out final cash dividend of Rs.5.0176 per unit translating into 5.0098 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 3 December 2009 to 30 June 2010
Net Assets	399.02
Net Income	19.62
Net Assets Value per Unit (Rs.)	105.17
Issuance of units during the period	839.37
Redemption of units during the period	459.99

Future Outlook

The pressing demand for more money in the system and prevailing high yields on long term government securities are likely to escalate interest rates further upwards. Perhaps a little fine tuning in the discount rate is expected to maintain the historical co-relation between the discount rate and secondary market yields.

The upcoming maturity of the 23-month SBA (Stand-by Agreement) with IMF, exerting pressure of loosing foreign exchange, is also keeping the pressure on interest rates intact. Government is likely to announce a higher borrowing auction pattern from the various instruments for the FY11. Bank rates are expected to follow suit, as major pressure starts to creep in, for the December (financial year close) period. Banks would need to borrow at premiums to the markets yields available. Hence, placements are expected to materialize from the rising interest rates scenario.

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 as at 30 June 2010 are given in note # 14.1;

l) Summary of units acquired/ redeemed during the year by the Chief Executive, director, executives as at 30 June 2010 are given in note # 14.1;

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

Name	Category	Shares Acquired	Shares Held
IGI Investment Bank	Holding Co.	Nil	23,494,004
Syed Javed Hassan	Director	Nil	1,332
Abid Naqvi	Director	Nil	1,332
Ahmad Alman Aslam	Director	Nil	500

Acknowledgement

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

For and behalf of the Board

Chief Executive Officer
24 August 2010

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

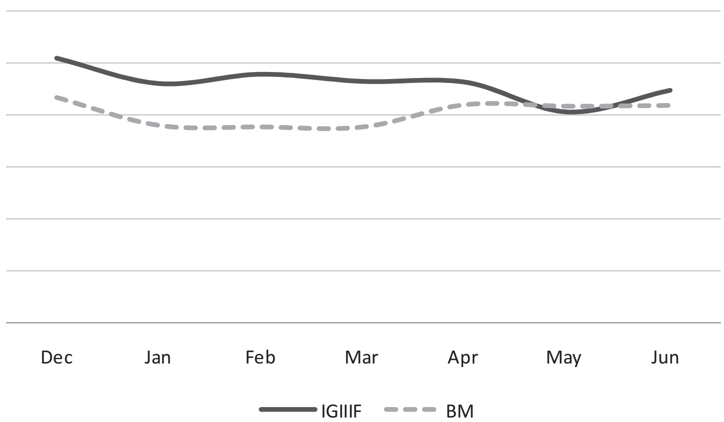
The Fund has achieved its objective as it provided the unit holders a competitive return as compared to peer funds with minimum possible risk through investing in low duration shariah compliant fixed income instruments within the guidelines provided under NBFC rules.

Benchmark

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

Performance comparison with Benchmark

Month	IGI IIF	BM
July 09	-	-
August 09	-	-
September 09	-	-
October 09	-	-
November 09	-	-
December 09	10.19%	8.64%
January 10	9.21%	7.59%
February 10	9.57%	7.53%
March 10	9.29%	7.53%
April 10	9.26%	8.38%
May 10	8.11%	8.32%
June 10	8.95%	8.35%



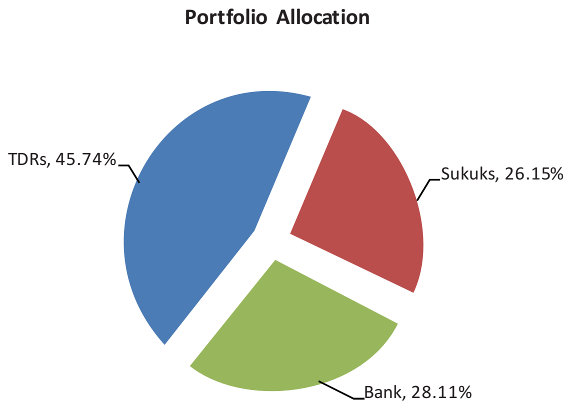
* Launch date: 03 December 2010

Strategies and Policies employed during the period

IGIIIF was launched during the period under review. The fund operated with the strategy of providing its investors consistent 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 in order to achieve consistency and higher yields.

Portfolio Allocation

Description	(%)
Cash & Equi.	28.11%
TDRs	45.74%
Sukuks	26.15%



Significant changes in Assets Allocation during the period

The fund built its exposure in Sukuks but kept investments limited to GoP Ijara Sukuks to avoid volatility and credit risk prevailing in Sukuk market. The excess cash was kept invested in TDRs with Islamic banks.

Fund Performance

For the year ended 30 June 2010, the Fund posted an appreciation of 9.21% in NAV and completed the period with net assets amounting to Rs.399 millions.

Review of the market invested in

The Fund placed greater emphasis to execute placements with good rated entities. Furthermore, the credit splits were improved by taking exposures in GoP Ijara Sukuks (AAA rated, government secured). These Ijara Sukuks yielded higher than TDRs; therefore secured yields were enjoyed with divestment from cash positions. Exposure in Ijara Sukuks was limited to the extent, with keeping in mind the liquidity risk.

Distribution

At the end of the year under review, the fund paid out final cash dividend of Rs.5.0176 per unit translating into 5.0098 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 2010):	PkR	105.1727
Distribution:	PkR	5.0176
Ex-NAV:	PkR	100.1551

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	426,298
PkR 100,000 to 1,000,000	13	3,875,804
PkR 1,000,000 to 10,000,000	09	20,609,395
PkR 10,000,000 and above	08	374,105,234
Total	41	399,016,731

Unit Splits

There were no unit splits during the period.

Circumstances materially affecting the interest of unit holders

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

Soft Commission

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

Performance Table

	2010
Net Assets Value (mn.)	399.02
NAV per unit	105.17
Selling price per unit	106.22
Redemption price per unit	105.17
Highest selling price per unit	106.22
Highest redemption price per unit	105.17
Lowest selling price per unit	101.11
Lowest redemption price per unit	100.10
Interim distribution per unit (Gross/ Net)	-Nil-
Interim distribution date	N/A
Final distribution per units (Gross/ Net)	5.02
Final distribution date	02 July 2010
Annualized returns	9.21%
Income distribution	8.94%
Capital growth	0.27%
Weighted avg. portfolio duration	216 days

Return since inception is **9.21%**

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 of IGI Islamic Income Fund "the Fund" on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of IGI Funds Limited, "the Management Company" of the Fund to comply with the Listing Regulations of Lahore Stock Exchange, where the Fund is listed.

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

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

Further sub-regulation (xiii-a) of Listing Regularities 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 procedures to determine whether the related party transactions were under taken 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 of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

KPMG Taseer Hadi & Co.
Chartered Accountants

Statement of compliance by the IGI Islamic Income Fund with the Code Of Corporate Governance for the period ended 30 June 2010

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Chapter XIII of Listing Regulations of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance. The Board of Directors (the Board) of IGI Funds Limited, the management company, which is an unlisted public company, manages the affairs of IGI 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 encourages representation of non-executive directors. All the directors, except the Chief Executive Officer are non-executive directors.

2. The existing directors have confirmed that none of them are serving as a director in more than ten listed companies, including the management company.

3. All the resident directors of the management company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.

4. During the period under review no casual vacancy occurred on the Board.

5. The management company has prepared a 'Code of Conduct' describing ethics and business practices for the Fund, which has been approved by the Board and duly signed by all the employees of the Management Company.

6. The management company has prepared a vision/ mission statement, corporate strategy and significant policies for the Fund which has been approved by the Board. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment of the CEO and CFO and the Company Secretary have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met as required by the Code of Corporate Governance. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In order to apprise the directors for their duties and responsibilities and the requirement of the Code they have been kept updated with the change in relevant laws applicable to the management company. Directors are conversant of the relevant laws applicable to the management company, its policies and procedures and provisions of memorandum and article of association and are aware of their duties and responsibilities.

10. The directors' report relating to the Fund for the period ended June 30, 2010 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

11. The financial statements of the Fund were duly endorsed by the CEO and CFO of the management company before approval of the Board.

12. The related party transaction with details of pricing methods have been placed before the Audit Committee and approved by the Board of Directors.

13. The directors, CEO, and executives do not hold any interest in the units of the fund and shares of the management company other than disclosed in the Directors Report.

14. The management company has complied with all the applicable 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 of the management company including the chairman of the committee.

16. The meetings of the audit committee were held and prior to the approval of final results of the Fund as required by the Code of Corporate Governance.

17. The Directors have approved the term of reference of Audit Committee in the light of Code of Corporate Governance.

18. The management company has now in-house internal audit function of the Fund headed by Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund. Previously the same function was outsourced to M/s. M. Yousuf Adil Saleem & Co.

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 shares of the management company or units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. 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.

21. We confirm that all other material principles contained in the Code have been complied with.

Chief Executive Officer

Trustee Report to the Unit Holders

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

The IGI Islamic Income Fund (the Fund), an open-end fund was established under a trust deed dated July 03, 2008, executed between IGI Funds Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund for the period from September 16, 2009 to June 30, 2010 in accordance with the provisions of the following:

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

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

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

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

Review report of the Shari'ah Advisor

We, the Shari'ah Adviser of the IGI Islamic income Fund ('IGIIIF') managed by IGI Fund, are issuing this report in accordance with clause 3.2.4 (vii) of the Trust deed of the said Fund. The scope of the report is to express an opinion on the Shari'ah Compliance of the Fund's activities.

In the capacity of S!'.ari'ah Adviser, we have issued detailed guidelines in the form of Standard Operating Procedures to be followed in ensuring Shari'ah Compliance in every investment.

It is the responsibility of the Management Company of the said Fund to establish and maintain a system of internal controls to ensure eompliance with issued Shari'ah 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.

The following is a list of investments of IGIIIF made during the period from December 5, 2009 to June 30, 2010.

Investment	**Amount**
Term Deposit Receipt (TDR)	
Islamic Commercial Banks	Rs. 550,000,000
Sukuk	
GoP Ijara Sukuk	Rs. 102,475,000
Total	Rs. 652,475,000

In the light of above scope, we hereby certify that all the above mentioned investments made by the Fund are in compliance with Shari'ah principles.

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.

Irshad Ahmed Aijaz
Shari'ah Advisor

Independent Assurance Report on Shariah Compliance to the Unit holders of IGI Islamic Income Fund

We have performed our independent assurance engagement of **IGI Islamic Income Fund** ("the Fund") to provide assurance on the Fund's compliance with the Shariah Guidelines prescribed by the Shariah Advisor of the Fund for the year ended 30 June 2010.

Management Company

Management Company of the Fund is responsible for the appointment of Shariah Advisor of the Fund and for compliance with the Shariah Guidelines prescribed by the Shariah Advisor. This responsibility includes: designing, implementing and maintaining internal control to ensure compliance with the Shariah Guidelines issued by the Shariah Advisor of the Fund.

Responsibility of Independent assurance Providers

Our responsibility is to carry out a reasonable assurance engagement and to express a conclusion based on work performed. We conducted our engagement in accordance with the International Standards on Assurance Engagements (ISAE 3000) 'Assurance Engagement other than Audits or Review of Historical Financial Information'. This standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance whether the Fund has complied in all material respects with the Shariah Guidelines issued by the Shariah Advisor.

A reasonable assurance engagement in respect of compliance of Shariah Guidelines issued by Shariah advisor involves performing procedures on a test basis to obtain evidence about compliance of Shariah Guidelines. The procedures selected depend on our judgement, including the assessment of the risks of material non-compliances with the Shariah guidelines. In making those risk assessments, we have considered internal controls relevant to the entity's compliance with the Shariah Guidelines in order to design our procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence whether the Fund was not materially non-compliant with the Shariah Guidelines. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Conclusion

In our opinion, the Fund was in all material respects, in compliance with the Shariah Guidelines issued by the Shariah Advisor of the Fund for the year ended 30 June 2010.

KPMG Taseer Hadi & Co.
Chartered Accountants

Independent Auditors' Report to the Unit Holders

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 2010, and the income statement, statement of comprehensive income, cash flow statement, distribution statement and statement of movement in unit holders' funds for the period from 16 September 2009 to 30 June 2010 and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors ' responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the fund's affairs as at 30 June 2010, and of its financial performance, cash flows and transactions for the period from 16 September 2009 to 30 June 2010 in accordance with approved accounting standards as applicable in Pakistan.

Other matters

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

KPMG Taseer Hadi A Co.
Chartered Accountants
Mohammad Nadeem

Statement of Assets and Liabilities

As at 30 June 2010

Assets	*Note*	**2010**
Bank balances	4	**110,179,030**
Investments	5	**281,767,807**
Deferred formation cost	6	**1,863,984**
Income receivable	7	**8,819,760**
Total assets		**402,630,581**
Liabilities		
Amount payable on redemption of units		**36,870**
Payable to the Management Company	8	**2,630,657**
Remuneration payable to the Trustee	9	**65,380**
Annual fee payable to Securities and Exchange Commission of Pakistan	10	**166,433**
Accrued and other liabilities	11	**714,510**
Total liabilities		**3,613,850**
Net assets attributable to unit holders	*Rupees*	**399,016,731**
Unit holders' funds (as per statement attached)	*Rupees*	**399,016,731**
Number of units in issue	*Numbers*	**3,793,919**
Net assets value per unit	*Rupees*	**105.17**

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

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Income Statement

For the period from 16 September 2009 to 30 June 2010

	Note	2010
Income		
Profit on bank and other deposits		**24,080,666**
Income on Government of Pakistan Ijara Sukuk		**587,335**
Element of income and capital gains included in prices of units sold less those in units redeemed - net		**(12,705)**
Total income		**24,655,296**
Expenses		
Remuneration to the Management Company		**3,328,686**
Remuneration to the Trustee		**446,388**
Annual fee to the Securities and Exchange Commission of Pakistan		**166,433**
Brokerage expense		**4,000**
Bank charges		**5,917**
Amortization of deferred formation cost		**273,372**
Auditors' remuneration		**210,000**
Annual listing fee		**95,000**
Credit rating fee		**100,000**
Workers' Welfare Fund	*12*	**400,510**
Total expenses		**5,030,306**
Net income for the period	*Rupees*	**19,624,990**

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

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Statement of Comprehensive Income

For the period from 16 September 2009 to 30 June 2010

		2010
Net income for the period		19,624,990
Other comprehensive income during the period		-
Total comprehensive income for the period	*Rupees*	**19,624,990**

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

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Statement of Cash Flows

For the period from 16 September 2009 to 30 June 2010

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2010
Net income for the period		19,624,990
Adjustments for:		
Amortization of deferred formation cost		273,372
Element of income and capital gains included in prices of units sold less those in units redeemed - net		12,705
		19,911,067
Change in:		
Investments - net		(102,475,000)
Deferred formation cost		(2,137,356)
Income receivable		(8,819,760)
Payable to the Management Company		2,630,657
Remuneration payable to the Trustee		65,380
Annual fee payable to Securities and Exchange		166,433
Commission of Pakistan		714,510
		(109,855,136)
Net cash used in operating activities		(89,944,069)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units (including units issued to core and pre-IPO investors against accrued interest before initial period)		839,369,027
Payment against redemption of units		(459,953,121)
Net cash from financing activities		379,415,906
Cash and cash equivalents at end of the period *Rupees*	13	289,471,837

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

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Distribution Statement

For the period from 16 September 2009 to 30 June 2010

		2010
Total comprehensive income for the period		**19,624,990**
Undistributed income carried forward		**19,624,990**
Undistributed income carried forward at end of the period		
- Realized gains		**19,624,990**
- Unrealized gains		**-**
	Rupees	**19,624,990**

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

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Statement of Movement in Unit Holders' Fund

For the period from 16 September 2009 to 30 June 2010

		2010
Amount realized on issuance of 8,302,487 units		**839,369,027**
Amount paid / payable on redemption of 4,508,568 units		**(459,989,991)**
		379,379,036
Element of income and capital gains included in prices of units sold less those in units redeemed - net		**12,705**
Total comprehensive income for the period		**19,624,990**
Net assets at end of the peirod	*Rupees*	**399,016,731**

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

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Notes to and forming part of the Financial Statements

For the period from 16 September 2009 to 30 June 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

IGI Islamic Income Fund ("the Fund") was constituted under Trust Deed dated 03 July 2008, between IGI Funds Limited (IGIFL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The trust deed was registered with Sub-Registrar on 12 July 2008. The Management Company incurred certain expenses for the registration of Scheme with Securities and Exchange Commission of Pakistan (SECP) on 15 July 2008 and the core investment of the Fund was received from IGI Investment Bank Limited amounting to Rs.100 million on 1 August 2008. However, the Fund was not launched due to depressed market conditions and the core investment was refunded to IGI Investment Bank Limited.

The Fund was registered by the SECP as a notified entity under Regulation 44 of the NBFC Regulations vide its letter No. NBFC-II/DD/IGIFL/573/2008 dated 29 July 2008. The Trust deed was subsequently amended through first supplemental trust deed executed on 23 September 2008.

Subsequently, the SECP required the Management Company to make certain amendments in the Trust deed to bring it in line with Non Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) and accordingly, the Trust deed was amended through second supplemented trust deed executed on 16 September 2009. Offering Document of the Fund was approved by SECP under Regulation 54 of the NBFC Regulations, vide its letter No. NBFC/MF/AD-IGI/IIF/1023/2009 dated 20 November 2009.

The initial period of the Fund ended on 3 December 2009. Up to the end of initial period all expenses / costs inclusive of expenses incurred in respect of offering document and amendments amounting to Rs.2.387 million have been treated as formation costs and interest accrued / received of Rs.0.663 million up to such date is treated as obligation towards core investors including interest accrued on the investment which was refunded in December 2008. Therefore, units were issued subsequent to initial period end to core investors against principal and interest accrued/received. The commercial activities of the Fund started from the end of initial period. Therefore this Statement of Net Income and Gains has been prepared for the period starting from the date of 2nd supplemental deed i.e. period from 16 September 2009 to 30 June 2010.

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

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

The registered office of the Management Company is situated at 5 F.C.C., Syed Maratib Ali Road, Gulberg, Lahore Pakistan.

2. BASIS OF PRESENTATION

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

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4. Changes in accounting policies and disclosures as a result of adoption of new and amended accounting standards

Starting 1 July 2009, the Company has changed its accounting policy for presentation of financial statements and has applied "Revised IAS 1 Presentation of Financial Statements (2007)" which became effective from 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income).

Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company has opted to present two statements; a income statement and a statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

2.5 Other accounting developments

2.5.1 Disclosures pertaining to fair values and liquidity risk for financial instruments

The Fund has applied Improving Disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are required to be disclosed for each class of financial instruments.

Further, the definition of liquidity risk has been amended and it is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contracts, the amendments require the maximum amount of the guarantee to be disclosed in the earliest period in which the guarantee could be called.

Increased disclosures in respect of fair values of financial instruments and liquidity risk are included in note 15.6.

2.5.2 Standards, Interpretations and Amendments not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2010.

- Improvements to IFRSs 2009 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5. These amendments are unlikely to have an impact on the Fund's financial statements.

- Improvements to IFRSs 2009 – Amendments to IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2010) . The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker. The amendment is not relevant to the Fund's operations.

- Improvements to IFRSs 2009 – Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments. These amendments are unlikely to have an impact on the Fund's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 7 Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities. These amendments are unlikely to have a significant impact on the Fund's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 17 Leases (effective for annual periods beginning on or after 1 January 2010). The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 – 13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. The amendment is not relevant to the Fund's operations.

- Improvements to IFRSs 2009 – Amendments to IAS 36 Impairment of Assets (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively. The amendment is not relevant to the Fund's operations.

- Improvements to IFRSs 2009 – Amendments to IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010). The amendments provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; clarify that the scope exemption in IAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss. The amendments apply prospectively to all unexpired contracts from the date of adoption. These amendments are unlikely to have an impact on the Fund's financial statements.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010). The IASB provided additional optional exemptions for first-time adopters of IFRSs that will permit entities to not reassess the determination of whether an arrangement contains a lease if the same assessment as that required by IFRIC 4 was made under previous GAAP; and allow entities in the oil and gas industry to use their previous GAAP carrying amounts as deemed cost at the date of transition for oil and gas assets. The amendment is not relevant to the Fund's operations.

- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Amendment provides guidance on the accounting for share based payment transactions among group entities. The amendment is not relevant to the Fund's operations.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 January 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. These amendments are unlikely to have an impact on the Fund's financial statements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. The amendment is not relevant to the Fund's operations.

- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for accounting periods beginning on or after 1 July 2010). The amendment provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the Amendments to IFRS 7. The amendment also clarifies the transitional provisions of the Amendments to IFRS 7. The amendment is not relevant to the Fund's operations.

Improvements to IFRSs 2010 (effective for annual periods beginning on or after 1 July 2010). The IASB issued amendments to various standards effective. Below is a summary of the amendments that are effective for either annual periods beginning on or after 1 July 2010 or annual periods beginning on or after 1 January 2011.

- Improvements to IFRSs 2010 – Amendments to IFRS 3 Business Combinations (effective for accounting periods beginning on or after 1 July 2010). The amendments clarify that contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 (2004) that remains outstanding at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004); limit the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquire awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards. These amendments are unlikely to have an impact on the Fund's financial statements.

- Improvements to IFRSs 2010 – Amendments to IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2010). The amendments clarify that the consequential amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 and IAS 31 resulting from IAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering. These amendments are unlikely to have an impact on the Fund's financial statements.

- IAS 24 Related Party Disclosures (revised 2009) (effective for accounting periods beginning on or after 1 January 2011). The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. These amendments are unlikely to have an impact on the Fund's financial statements other than increase in disclosures.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. These amendments are unlikely to have any significant impact on the Fund's financial statements.

- Improvements to IFRSs 2010 – IFRS 1 First-time Adoption of IFRSs (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that IAS 8 is not applicable to changes in accounting policies occurring during the period covered by an entity's first IFRS financial statements; introduce guidance for entities that publish interim financial information under IAS 34 Interim Financial Reporting and change either their accounting policies or use of the IFRS 1 exemptions during the period covered by their first IFRS financial statements; extend the scope of paragraph D8 of IFRS 1 so that an entity is permitted to use an event-driven fair value measurement as deemed cost for some or all of its assets when such revaluation occurred during the reporting periods covered by its first IFRS financial statements; and introduce an additional optional deemed cost exemption for entities to use the carrying amounts under previous GAAP as deemed cost at the date of transition to IFRSs for items of property, plant and equipment or intangible assets used in certain rate-regulated activities. The amendment is not relevant to the Fund's operations.

- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1 January 2011). The amendments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. These amendments would result in increase in disclosures in the financial statements of the Fund.

- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes. These amendments are unlikely to have an impact on the Fund's financial statements other than increase in disclosures.

- Improvements to IFRSs 2010 – IAS 34 Interim Financial Reporting (effective for accounting periods beginning on or after 1 January 2011). The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures. These amendments are unlikely to have an impact on the Fund's financial statements other than increase in disclosures.

- Improvements to IFRSs 2010 – IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

2.6 Accounting estimates and judgments

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

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

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

Investment stated at fair value

Fair value estimates are made at a specific point in time, based on market conditions and informations about the financial instrument. These estimates are subjective in nature and involve uncertainties and matter of judgment (e.g. valuation, interest rates, etc.) and therefore can not be determined with precision.

Held-to-maturity investment

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

Impairment of investment

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

Other assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented except as explained in note 2.4.

3.1 Investments

The Fund classifies its investments in the following categories:

- Fair value through profit or loss - held for trading

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

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

- Held to maturity

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

Basis of valuation

Held to maturity investments

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

Date of Recognition

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

Derecognition

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

3.2 Impairment

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

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

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

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

3.3 Unit holders' fund

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

3.4 Issue and redemption of units

Units are allocated at the offer price prevalent on the day on which applications for the purchase of units are received (however units are issued on the realisation of funds). The offer price represents the net assets value of units at the end of the day plus the allowable front end load and any provision for duties and charges and transaction cost, if applicable. The front end load is payable to the Management Company. As per Offering Document of the Fund the Management Company is entitled to a maximum front end load of 5% of the Net Asset Value per unit prevailing on the subscription date. Currently the frond end load is being charged at 1% of NAV per unit on the discretion of the Management Company.

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

3.5 Net asset value per unit

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

3.6 Revenue recognition

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

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

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

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

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

3.8 Taxation

Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 provides exemption from tax to any income derived by a Mutual Fund, if not less than ninety percent of its accounting income of a year as reduced by capital gains whether realize or unrealized is distributed among the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. The Management Company has distributed a sufficient accounting income of the Fund subsequent to the reporting period, refer note 16, for the period from 16 September 2009 to 30 June 2010 in order to comply with the above stated clause and regulation. Accordingly, no tax provision has been made in these financial statements for the period then ended.

3.9 Financial instruments

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

3.10 Offsetting of financial assets and liabilities

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

3.11 Provision

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

3.12 Deferred formation cost

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

3.13 Cash and cash equivalents

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

3.14 Distributions

Distributions declared (cash dividend and bonus units) are recorded in the period in which they are approved.

3.15 Other assets

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

3.16 Trade and other liabilities

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

4. BANK BALANCES - Local Currency

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

5. INVESTMENTS

		2010
Financial asset at fair value through profit and loss - ***held for trading***		
- Government of Pakistan Ijarah Sukuk Bonds	*5.1*	**102,475,000**
Held to maturity		
- Term deposits receipts of Bank Alfalah Limited	*5.2*	**179,292,807**
	Rupees	**281,767,807**

5.1 These carry income rate of 12.25% with maturity on 17 September, 2012. This represents 25.68% of net assets on the basis of carrying amount. The investment is carried at cost being its fair value.

5.2 Term deposit receipts carry profit rates from 11.35% to 11.50% per annum. These deposits will mature in the month of July 2010. Term deposits represent 44.93% of net assets on the basis of carrying amount.

6. DEFERRED FORMATION COST

Formation cost incurred		**2,137,356**
Amortised to the income statement during the period		**(273,372)**
Unamortised cost at the end of the period	*Rupees*	**1,863,984**

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

7. INCOME RECEIVABLE

Income / Profit receivable on:		
- bank balances		**5,262,220**
- Government of Pakistan Ijarah Sukuk Bonds		**3,557,540**
	Rupees	**8,819,760**

8. PAYABLE TO MANAGEMENT COMPANY

Remuneration payable to the Management Company	*8.1*	**493,301**
Formation cost payable		**2,137,356**
	Rupees	**2,630,657**

8.1 The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding three percent per annum of the average daily net assets of the Fund during first five years of the Fund's existence and thereafter an amount equal to two percent per annum of such assets of the Fund. Currently, the Management Fee is charged @ 1.5% of the average daily net assets of the Fund. Remuneration to the Management Company has been calculated after the end of initial period (i.e. 4 December 2009).

9. REMUNERATION PAYABLE TO THE TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed, calculated at the rate 0.2% per annum on amount up to 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% p.a. of NAV exceeding Rs. 1,000 million when daily average net assets of the Fund exceeds Rs. 1 billion. Remuneration to the Trustee has been calculated after the end of initial period (i.e. 4 December 2009).

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

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Regulation 62 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, at the rate of 0.075% of the average daily net assets of the Fund. Annual fee to the SECP has been calculated after the end of initial period (i.e. 4 December 2009).

11. ACCRUED AND OTHER LIABILITIES

		2010
Credit rating fee payable		**100,000**
Auditors' remuneration		**210,000**
Brokerage payable		**4,000**
Workers' Welfare Fund Payable	*12*	**400,510**
	Rupees	**714,510**

12. WORKERS' WELFARE FUND

The Finance Act, 2008 brought an amendment in section 2 (f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) with the intention to make the definition of "Industrial Establishment" applicable to any establishment to which the West Pakistan Shop and Establishment Ordinance, 1969 (1969 Ordinance) applies. As a result of this amendment, the WWF Ordinance has become applicable to all Collective Investment Schemes (CIS) whose income exceeds Rs. 0.5 million in a tax year, thus rendering them liable to pay two percent of their total income to Workers Welfare Fund (as defined in section 4 & 2(i) of the WWF Ordinance). The Mutual Fund Association of Pakistan (MUFAP) had filed a constitutional petition before High Court of Sindh on the major grounds that CIS are not covered under the definition of industrial establishment, CIS do not have any worker and amendment was made through money bill.

The Honourable High Court of Sindh vide its order dated 25 May 2010 has dismissed the petition on the main ground that the MUFAP (petitioner) cannot be held to be entitled to maintain a petition in respect of its members as MUFAP is not the aggrieved party in respect of its members. Consequently, few CISs have filed constitutional petitions.

However, the Management Company in pursuance of the order passed by the Honourable High Court of Sindh considers that it is prudent to record the provision for workers welfare fund for the period from 16 September 2009 to 30 June 2010 of Rs.0.4 million and accordingly provision has been recorded in these financial statements for the period then ended.

13. CASH AND CASH EQUIVALENTS

		2010
Bank balances		**110,179,030**
Term deposits receipts maturing within three months		**179,292,807**
	Rupees	**289,471,837**

14. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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

Remuneration payable to the Management Company and the Trustee are determined in accordance with the provisions of Non - Banking Finance Companies and Notified Entities Regulations, 2008, and the Trust Deed respectively. Front end load is charged to unit holder and is payable to the Management Company according to provisions of the offering document of the fund.

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

14.1 Unit Holders' Fund

	For the period from 16 September 2009 to 30 June 2010							
	Issued for cash / conversion in / transfer in	Redeemed / conversion out / transfer out	As at 30 June 2010	As at 01 July 2009	Issued for cash / conversion in / transfer in	Redeemed / conversion out / transfer out	As at 30 June 2010	Net asset value as at 30 June 2010
	---------- Units ----------				----------Rupees----------			
Associated Companies / Undertakings								
IGI Investment Bank Limited	1,014,176	514,176	500,000	-	101,417,617	51,535,878	49,881,739	52,585,000
IGI Insurance Limited	251,021	251,021	-	-	25,102,055	25,189,912	-	-
IGI Funds Limited - Staff Provident Fund	5,340	-	5,340	-	555,446	-	555,446	561,608
IGI Funds Limited - Management Company	499,500	499,500	-	-	50,000,000	50,064,935	-	-
Transactions with employees	13,242	9,038	4,204	-	1,352,227	917,587	434,640	442,135
Key Management Personnel								
Syed Babar Ali - Group Chairman	401,631	-	401,631	-	40,163,138	-	40,163,138	42,239,532
Syed Javed Hassan	6,000	6,000	-	-	600,000	606,837	-	-

15. 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 based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund.

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

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

The management of these risks is carried out by the Investment Committee (IC) under policies approved by the Board of Directors of the Management Company and guidelines issued by advisor. 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 and shariah advisor's guidelines in addition to Fund's internal risk management policies.

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

15.1 Credit risk

Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties to fulfill their obligations. There is a possibility of default of issuers of the instrument, financial institutions or counter parties.

Management of credit risk

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

The credit risk of the Fund mainly arises from its only investment in Term deposits. The Fund is also exposed to counterparty credit risk on cash and cash equivalents and other receivable balances.

Exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at 30 June 2010 is the carrying amount of the financial assets as set out below:

	Carrying amount
Bank balances	**110,179,030**
Held to maturity investments - Term Deposits	**179,292,807**
Held for trading Investment - Government of Pakistan Ijarah Sukuk Bonds	**102,475,000**
Other Receivables	**8,819,760**
Rupees	**400,766,597**

Credit Quality of Bank deposits and Held for trading investments

Investment in GOP jarah sukuk bonds (including income / profit receivable thereon) do not expose the Fund to credit risk as the counter party is the Government of Pakistan. Income / profit receivable on bank deposits was received subsequently. The analysis below summarises the credit quality of the banks with which Fund has deposit accounts and placement under term deposit receipts arrangements.

	(%)	Short term	Long term
- Al-Baraka Islamic Bank	38.002	A-1	A
- Dubai Islamic Bank (Pakistan) Limited	0.004	A-1	A
- Bank Alfalah Limited	61.992	A1+	AA
- Bank Al-Habib Limited	0.002	A1+	AA+

Past due or impaired financial assets

None of the investments of the fund were past due or impaired at 30 June 2010.

Concentration of the credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Concentration of credit risk is determined with references to the individual counter parties. As at 30 June 2010 Fund's exposure to credit risk in respect of the assets other than investment in GOP Ijarah sukuk bonds was amounted to Rs. 298.327 million.

15.2 Liquidity risk

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

Management of liquidity risk

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

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

Maturity analysis for financial liabilities

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

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

	2010		
	Carrying amount and contractual cash flows	**upto three months**	**More than three months**
Non-derivative liabilities	-------------------	**(Rupees)**	-------------------
Payable to the Management Company	**2,630,657**	**(526,131)**	**(2,104,526)**
Remuneration payable to the Trustee	**65,380**	**(65,380)**	**-**
Annual fee payable to Securities and Exchange Commission of Pakistan	**166,433**	**(166,433)**	**-**
Accrued and other liabilities	**314,000**	**(314,000)**	**-**
	3,176,470	**(1,071,944)**	**(2,104,526)**

Above financial liabilities do not carry any mark-up.

The Fund is exposed to cash redemptions of its units on a regular basis. As at 30 June 2010, 3,793,919 units were in issue amounting to Rs. 399.017 million. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

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

15.3 Market risk

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

Management of market risks

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

Profit rate risk

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

Majority of the profit rate risk exposure arises on investment in Term deposits with Islamic banks classified as held to maturity, GOP Ijarah sukuk bonds and Term deposits held with Islamic banks amounting to Rs. 179.293 million, Rs. 102.475 million and Rs. 110.179 million respectively which carry fixed profit rates. The Fund has no variable profit rate instruments.

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

Fair value sensitivity analysis for fixed rate instruments

The Fund's investment in GOP Ijarah sukuk bonds exposes Fund to fair value risk. In case of 100 basis points (bp) increase / decrease in interest rates on year end, the net assets attributable to unit holders of the fund and net income for the period would have been higher / lower by Rs. 7.7 million. This analysis assumes that all other variables remain constant.

15.4 Operational risks

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

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

- requirements for appropriate segregation of duties between various functions, roles and responsibilities; documentation of controls and procedures;

- compliance with regulatory and other legal requirements; requirements for the reconciliation and monitoring of transactions;

- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified; contingency plans;

- ethical and business standards; risk mitigation, including insurance where this is effective.

15.5 Unit Holders' Fund risk management

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

The Management Company manages fund's investment portfolio and other assets in accordance with Shariah advisor guidelines and monitors return on net assets and makes adjustments to it in the light of changes in markets' conditions. The unit holders' funds structure depends on the issuance and redemption of units.

Under regulation 43(e) of the Non Banking Finance Companies and Notified Entities Regulations, 2008 the Management Company is required to invest or arrange an investment of at least Rs. 50 million in the Fund for a period of two years from the date of close of initial offer period i.e. 3

December 2009. However, the Fund has complied with risk management.

15.6 Fair value of financial instruments

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities. The Fund has no items to report in this level.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). Investment of the Fund carried at fair value are categorised in this level.

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Fund has no items to report in this

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

16. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company have approved distributions of 5.0098 units per for every 100 units held and Rs 5.0176 per unit for the period from 3 December 2009 to 30 June 2010, amounting to Rs. 19.036 million in total, in their meeting held on 02 July 2010. These financial statements do not reflect this distributions and that will be accounted for subsequent to the year end.

17. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

18. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by Board of Directors of the Management Company on **24 August 2010.**

For IGI Funds Limited
(Management Company)

Chief Executive	**Director**

Annexure I

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

(i) UNIT HOLDING PATTERN OF THE FUND

	As at 30 June 2010			
Category	Number of unit holders	Number of units held	Investment Amount	% of total
Individuals	23	742,534	78,094,273	19.57%
Associated Companies	2	505,340	53,148,006	13.32%
Banks/ Financial Institution	2	1,391,135	146,309,427	36.67%
Insurance Companies	4	117,040	12,309,427	3.08%
Retirement Funds	3	29,313	3,082,919	0.77%
Others	7	1,008,557	106,072,679	26.58%
	41	**3,793,919**	**399,016,731**	**100.0%**

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

Name of broker	Percentage of commission paid
BMA Capital Management Limited	**100%**

(iii) PARTICULARS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

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

Maheen Rahman – CEO

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

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

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

Muddasir Ahmed Shaikh -CIO

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

Prior to joining IGI Funds Limited, he has been associated with Atlas Asset Management Limited, National Investment Trust Limited, and JS Investments Limited (Formerly JS Abamco Ltd.). Mr. Muddasir holds a Masters degree in Business Administration from Institute of Business Administration, Karachi.

Syed Muhammad Zeeshan -CFO

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

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

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

Talib Wahab Shubaily - Fund Manager

Mr. Shubaily has over 4 years of experience dealing in fixed income debt markets. Prior to joining IGI Funds Limited, he was working with Finex Securities Limited on the Money Market and Forex desk. Later, he also gained knowledge of the capital markets as a Research Analyst at IGI Finex Securities Limited.

Saifullah Kazmi - Fund Manager

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

(iv) DIRECTOR MEETING ATTENDANCE

		Meetings			
Name of Director	**Designation**	**Total**	**Attended**	**Leave Granted**	**Meeting not attended**
Mr. Javed Hamid	Chairman	6	6	-	-
Mr. Khalid Yacob	Director	6	6	-	-
Mr. Ahmed Alman Aslam	Director	6	4	2	24th & 25th
Mr. Abid Naqvi	Director	6	6	-	-
Syed Javed Hassan	Director	6	6	-	-
Syed Abdul Wahab Mehdi	Director	6	3	3	22nd, 25th & 27th
Mr. Adi J. Cawasji	Director	2	2	-	-
Ms. Maheen Rahman	Chief Executive Officer	6	6	-	-

Syed Javed Hassan resigned from the post of CEO of the Management Company and Ms. Maheen Rahman Appointed as CEO and member Board of Directors in his place from June 26, 2009.

Mr. Adi J. Cawasji resigned as member Board of Directors of the Management Company from June 26, 2009.

Securities and Exchange Commission of Pakistan(SECP) approved both changes on September 15, 2009.

Dates of the meetings of the Board of Directors

Twenty-second meeting	July 2, 2009
Twenty-third meeting	August 12, 2009
Twenty-fourth meeting	October 29, 2009
Twenty-fifth meeting	January 4, 2010
Twenty-sixth meeting	February 11, 2010
Twenty-seventh meeting	April 27, 2010

(V) FUND AND ASSET MANAGER RATING

PACRA has awarded asset manager rating of an "AM3" to IGI Funds Limited in its report dated February 2010. The rating reflects the company's experienced and qualified management team, a structured and strong fund management function, and demonstrated support of the sponsoring Group. The rating also factors in a growing realization on part of the management to institute a strong in-house risk management, compliance and control platform, translating into an improved relative standing amongst peers.

The fund has not yet obtained its rating from any Credit Rating agency as the Fund has not completed its first year.

IGI

Funds

IGI MONEY MARKET FUND

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.
Alfalah Securities (Pvt.) Ltd.
Allied Bank Limited
Atlas Capital Markets (Pvt.) Ltd.
BMA Financial Services Ltd.
Bulls and Bulls (Pvt) Ltd.
Financial Avenue
Foundation Securities (Pvt) Ltd.
IGI Investment Bank Limited
Invest Capital and securities (Pvt.) Ltd.
JS Global Capital Limited
KASB Securities
Mybank Limited
National Clearing Company of Pakistan Limited
Pak Oman Investement Company Ltd.
Pyramid Financiol Consultant (Pvt.) Ltd.
Siza Commodites (Pvt.) Ltd.
The Bank of Khyber
Vector Consulting (Pvt) Ltd.

Auditors

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

Legal Advisor

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

Bankers

Bank Alfalah Limited
Bank Al-Habib Limited

Directors' Report

To our valued Unit Holders,

The Board of Directors of IGI Funds Limited is pleased to present you the Financial Report of the IGI Money Market Fund (the "Fund") for the period from 4 March 2010 to 30 June 2010. The Financial Statements of the Schemes prepared by the Management Company present true and fair view of the state of affairs of the Scheme and results of its operations, cash flows and movement in unit holders' fund.

Economic Review

The FY10 was closed in greener pastures, compared to the forecasts at the start of the outgoing fiscal year. Country's GDP growth was witnessed provisionally at 4%, compared to earlier estimate of 3.30%. Services sector stands out as the major contributor to GDP with 53% contribution, followed by 25% and 21% from Industry and Agriculture Sectors, respectively.

Trade deficit for FY10 was witnessed at USD 11,367 mn; however, the final figures have improved gradually in the last three consecutive fiscal years. Trade deficit witnessed recovery as growth in exports was fractionally higher than the fall in imports. Home Remittances depicted a robust growth of 14% in FY10 (USD $8.9bn), compared to the corresponding period in FY09 (USD $7.8bn). UAE topped the list of contributors, with Saudi Arabia and USA following the list of contribution. Strong home remittances and lower trade deficit coupled with the IMF program helped the country's curtailment of current account deficit. Inflation figure for the fiscal also showed improvement as in FY10 the CPI inflation curtailed to 11.70% almost half of previous year's 20.80%.

Furthermore, the country experienced a reduction in borrowing for budgetary support to PkR407bn for FY10 (provisional) compared to PkR526bn in FY09. Of which, major borrowing was represented from scheduled banks, rather than direct SBP borrowing. Net Foreign Assets (NFA) of the banking system stood at PkR152bn; whereas, Net Domestic Assets (NDA) stood at PkR488bn for FY10 (provisional). Private sector credit off take improved in FY10 to PkR113bn compared to PkR17bn in FY09, representing improvement in economic activities.

As of the position of Jul-May '10, domestic debt of the country increased to PkR4,633bn. Of which, floating and unfunded debts increased substantially in issuance to Treasury Bills and National Savings Schemes. Lately, the investments were directed to government securities rather than direct advances in the market, ensuring principal guarantee compared to past two years defaults by the DFI and NBFI sectors.

During the period under review, KIBOR lending rates for 1-mth and 6-mth averaged 12.45% and 12.39% respectively. Money Market rates remained volatile in the last quarter of the fiscal year. Major activity was witnessed in government securities because of the stagnant private credit off take. Banks also concentrated their investments in risk-free or government guaranteed securities.

Fund Operations and Performance

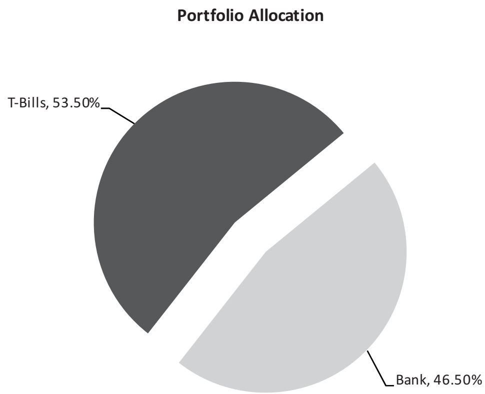
For the period ended 30 June 2010, the Fund posted an appreciation of 11.26% p.a. in NAV and completed the period with net assets amounting to Rs.816 millions.

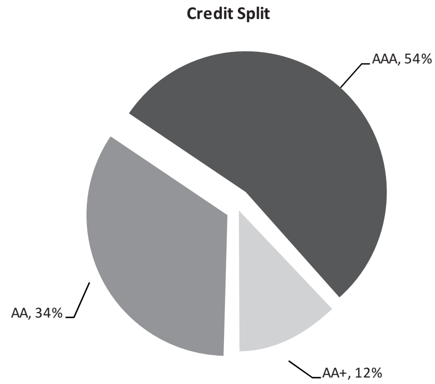
Payout

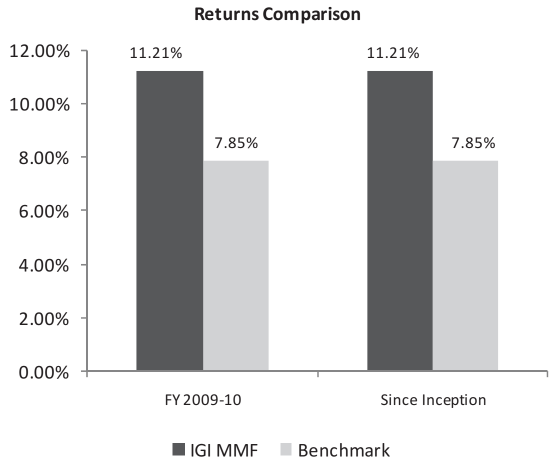
At the end of the year under review, the fund paid out final cash dividend of Rs.0.9648 per unit translating into 0.9645 bonus units for every 100 units held. This is 97% payout of total earnings as per NBFC regulations. The effects on NAV were as follows;

NAV (30 June 2010):	PkR	100.9946
Distribution:	PkR	0.9648
Ex-NAV:	PkR	100.0298

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 period from 4th March 2010 to 30 June 2010
Net Assets	816.49
Net Income	8.04
Net Assets Value per Unit (Rs.)	100.9946
Issuance of units during the period	1,741.37
Redemption of units during the period	933.55

Future Outlook

The pressing demand for more money in the system and prevailing high yields on long term government securities are likely to escalate interest rates further upwards. Perhaps a little fine tuning in the discount rate is expected to maintain the historical co-relation between the discount rate and secondary market yields.

The upcoming maturity of the 23-month SBA (Stand-by Agreement) with IMF, exerting pressure of loosing foreign exchange, is also keeping the pressure on interest rates intact. Government is likely to announce a higher borrowing auction pattern from the various instruments for the FY11. Bank rates are expected to follow suit, as major pressure starts to creep in, for the December (financial year close) period. Banks would need to borrow at premiums to the markets yields available. Hence, placements are expected to materialize from the rising interest rates scenario.

TFCs volatility is expected to stabilize, once the liquidity management settles, and the KIBOR rates are likely to adjust upwards due to the rise in borrowing by financial institutions.

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 2010 as given in note # 13.1;

l) Summary of units acquired/ redeemed during the year by the Chief Executive, director, executives and their spouses as at 30 June 2010 as given in note # 13.1;

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

Name	Category	Shares Acquired	Shares Held
IGI Investment Bank	Holding Co.	Nil	23,494,004
Syed Javed Hassan	Director	Nil	1,332
Abid Naqvi	Director	Nil	1,332
Ahmad Alman Aslam	Director	Nil	500

Acknowledgement

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

For and behalf of the Board

Chief Executive Officer
24 August 2010

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 for a portfolio constituted of short term instruments including cash deposits, money market placements, and government securities.

Accomplishment of Objective

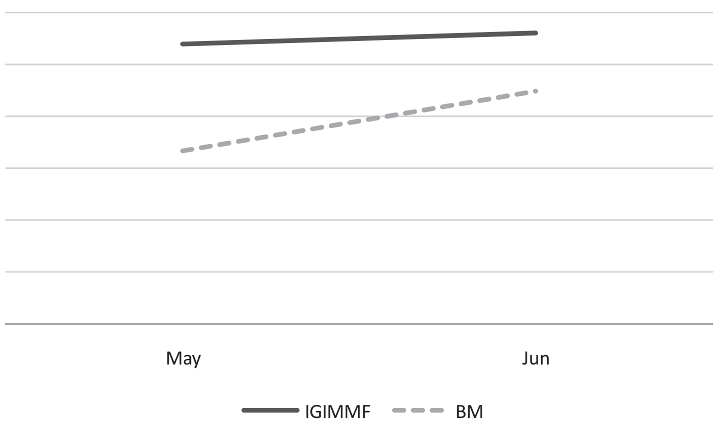
The Fund has achieved its objective of generating regular income by investing in low duration fixed income instruments within the guidelines provided under NBFC rules.

Benchmark

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

Performance comparison with Benchmark

Month	IGI MMF	BM
July 09	-	-
August 09	-	-
September 09	-	-
October 09	-	-
November 09	-	-
December 09	-	-
January 10	-	-
February 10	-	-
March 10	-	-
April 10	-	-
May 10	10.81%	6.69%
June 10	11.26%	9.00%



* Launch date: 27 May 2010

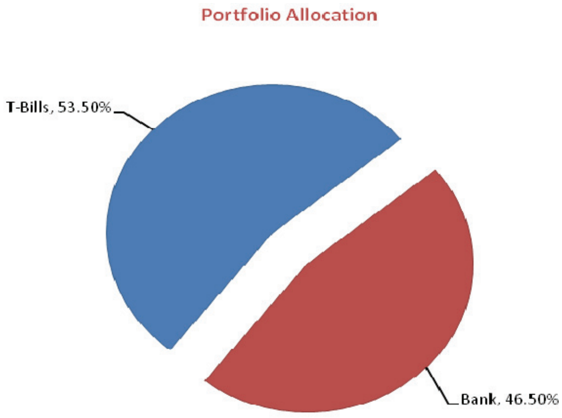
Strategies and Policies employed during the period

IGI MMF was launched in 2H of May, 2010. During the period under review, the fund operated with the strategy of providing its investors competitive returns generated through investment in low duration-liquid instruments.

In line with its strategy, the fund kept its focus on placements at attractive rates with high rated commercial Banks. The portfolio was diversified to include short term T-Bills to avail higher accruals.

Portfolio Allocation

Description	(%)
Bank	46.5%
T-Bills	53.5%



Significant changes in Assets Allocation during the period

The fund maintained higher exposure in short term placements with high rated commercial banks while continue to build its exposure in government securities in a gradual manner.

Fund Performance

For the period ended 30 June 2010, the Fund posted an appreciation of 11.26% p.a. in NAV and completed the period with net assets amounting to Rs.816 millions.

Review of the market invested in

The Fund was launched close to the year-end, where market rates started moving upwards on T-Bills. Money market placements concentrated in T-Bills, repo and LoP placements. Therefore the Fund allocated funds in overnight placements and short term T-Bills. Emphasis for the Fund lied in maintaining as liquid portfolio as possible, to meet redemption requests easily.

Distribution

At the end of the year under review, the fund paid out final cash dividend of Rs.0.9648 per unit translating into 0.9645 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 2010):	PkR	100.9946
Distribution:	PkR	0.9648
Ex-NAV:	PkR	100.0298

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	9	316,451
PkR 100,000 to 1,000,000	16	6,470,699
PkR 1,000,000 to 10,000,000	28	105,895,277
PkR 10,000,000 and above	21	703,809,770
Total	74	816,492,196

Unit Splits

There were no unit splits during the period.

Circumstances materially affecting the interest of unit holders

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

Soft Commission

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

Performance Table

	2010
Net Assets Value (mn.)	816.49
NAV per unit	100.9946
Selling price per unit	100.9946
Redemption price per unit	100.9946
Highest selling price per unit	100.9946
Highest redemption price per unit	100.9946
Lowest selling price per unit	100.0264
Lowest redemption price per unit	100.0264
Interim distribution per unit (Gross/ Net)	-Nil-
Interim distribution date	N/A
Final distribution per units (Gross/ Net)	0.9645
Final distribution date	02 July 2010
Annualized returns	11.21%
Income distribution	10.86%
Capital growth	0.35%
Weighted avg. portfolio duration	54 days.

Return since inception is **11.21%**

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 of IGI Money Market Fund "the Fund" on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of IGI Funds Limited, "the Management Company" of the Fund to comply with the Listing Regulations of Lahore Stock Exchange, where the Fund is listed.

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

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

Further sub-regulation (xiii-a) of Listing Regulations 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 procedures to determine whether the related party transactions were under taken 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 of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

KPMG Taseer Hadi & Co.
Chartered Accountants

Statement of compliance by the IGI Money Market Fund with the Code Of Corporate Governance for the period ended 30 June 2010

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Chapter XIII of Listing Regulations of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance. The Board of Directors (the Board) of IGI Funds Limited, the management company, which is an unlisted public company, manages the affairs of IGI 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 encourages representation of non-executive directors. All the directors, except the Chief Executive Officer are non-executive directors.

2. The existing directors have confirmed that none of them are serving as a director in more than ten listed companies, including the management company.

3. All the resident directors of the management company are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.

4. During the period under review no casual vacancy occurred on the Board.

5. The management company has prepared a 'Code of Conduct' describing ethics and business practices for the Fund, which has been approved by the Board and duly signed by all the employees of the Management Company.

6. The management company has prepared a vision/ mission statement, corporate strategy and significant policies for the Fund which has been approved by the Board. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment of the CEO and CFO and the Company Secretary have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met as required by the Code of Corporate Governance. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In order to apprise the directors for their duties and responsibilities and the requirement of the Code they have been kept updated with the change in relevant laws applicable to the management company. Directors are conversant of the relevant laws applicable to the management company, its policies and procedures and provisions of memorandum and article of association and are aware of their duties and responsibilities.

10. The directors' report relating to the Fund for the period ended June 30, 2010 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

11. The financial statements of the Fund were duly endorsed by the CEO and CFO of the management company before approval of the Board.

12. The related party transaction with details of pricing methods have been placed before the Audit Committee and approved by the Board of Directors.

13. The directors, CEO, and executives do not hold any interest in the units of the fund and shares of the management company other than disclosed in the Directors Report.

14. The management company has complied with all the applicable 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 of the management company including the chairman of the committee.

16. The meetings of the audit committee were held and prior to the approval of final results of the Fund as required by the Code of Corporate Governance.

17. The Directors have approved the term of reference of Audit Committee in the light of Code of Corporate Governance.

18. The management company has now in-house internal audit function of the Fund headed by Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund. Previously the same function was outsourced to M/s. M. Yousuf Adil Saleem & Co.

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 shares of the management company or units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. 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.

21. We confirm that all other material principles contained in the Code have been complied with.

Chief Executive Officer

Trustee Report to the Unit Holders

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

The IGI Money (the Fund), an open-end fund was established under a trust deed dated March 4, 2010, executed between IGI Funds Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended May 28, 2010 to June 30 2010 in accordance with the provisions of the following:

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

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

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

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

Independent Auditors' Report to the Unit Holders

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 2010, and the income statement, statement of comprehensive income, cash flow statement, distribution statement and statement of movement in unit holders' funds for the period from 28 May 2010 to 30 June 2010 and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2010, and of its financial performance, cash flows and transactions for the 28th may 2010 to 30 June 2010 in accordance with approved accounting standards as applicable in Pakistan.

Other matters

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

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Nadeem

Statement of Assets and Liabilities

As at 30 June 2010

	Note	2010
ASSETS		
Bank balances	4	**378,799,546**
Investments	5	**435,802,350**
Deferred formation cost	6	**1,903,854**
Interest receivable on bank deposits		**5,912,095**
Other assets		**91,285**
Total assets		**822,509,130**
LIABILITIES		
Amount payable on redemption of units		**3,145,354**
Payable to the Management Company	7	**2,457,873**
Remuneration payable to the Trustee	8	**159,189**
Annual fee payable to Securities and Exchange Commission of Pakistan	9	**60,344**
Accrued and other liabilities	10	**194,174**
Total liabilities		**6,016,934**
Net assets attributable to unit holders	*Rupees*	**816,492,196**
Unit holders' funds (as per statement attached)	*Rupees*	**816,492,196**
Number of units in issue	*Numbers*	**8,084,512**
Net assets value per unit	*Rupees*	**100.99**

The annexed notes from 1 to 17 and Annexure I form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Income Statement

For the period from 04 March 2010 to 30 June 2010

	Note	2010
Income		
Interest income on bank deposits		**7,195,455**
Interest income on investments classified as 'at fair value through profit or loss- held for trading'		**2,436,354**
Interest income on investments classified as held to maturity'		**100,334**
Net unrealised diminution in fair value of investments classified as 'at fair value through profit or loss- held for trading'	5	**(127,504)**
Element of income and capital gains included in prices of units sold less those in units redeemed		**(626,445)**
Total income		**8,978,194**
Expenses		
Remuneration to the Management Company		**483,790**
Remuneration to the Trustee		**159,189**
Annual fee to the Securities and Exchange Commission of Pakistan		**60,344**
Brokerage expense		**650**
Bank charges		**3,489**
Amortization of deferred formation cost		**36,302**
Auditors' remuneration		**30,000**
Annual listing fee		**3,715**
Workers Welfare Fund	11	**159,860**
Total expenses		**937,339**
Net income for the period	*Rupees*	**8,040,855**

The annexed notes from 1 to 17 and Annexure I form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Statement of Comprehensive Income

For the period from 04 March 2010 to 30 June 2010

		2010
Net income for the period		**8,040,855**
Other comprehensive income during the period		**-**
Total comprehensive income for the period	*Rupees*	**8,040,855**

The annexed notes from 1 to 17 and Annexure I form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Statement of Cash Flows

For the period from 04 March 2010 to 30 June 2010

		Note	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period			8,040,855
Adjustments for:			
Amortization of deferred formation cost			36,302
Net unrealised diminution in fair value of investments classified as 'at fair value through profit or loss- held for trading'			127,504
Element of income and capital gains included in prices of units sold less those in units redeemed			626,445
			8,831,106
Change in:			
Investments - net			(142,703,575)
Deferred formation cost			(1,940,156)
Interest receivable on bank deposits			(5,912,095)
Other assets			(91,285)
Amount payable on redemption of units			3,145,354
Payable to the Management Company			2,457,873
Remuneration payable to the Trustee			159,189
Annual fee to the Securities & Exchange Commission of Pakistan			60,344
Accrued and other liabilities			194,174
			(144,630,177)
Net cash (used in) operating activities			(135,799,071)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of units (including units issued to core and pre-IPO investors against accrued interest before initial period)			1,741,370,744
Payment against redemption of units			(933,545,848)
Net cash from financing activities			807,824,896
Cash and cash equivalents at end of the period	*Rupees*	12	672,025,825

The annexed notes from 1 to 17 and Annexure I form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Distribution Statement

For the period from 04 March 2010 to 30 June 2010

		2010
Total comprehensive income for the period		**8,040,855**
Undistributed income carried forward	*Rupees*	**8,040,855**
Undistributed income carried forward at end of the period		
- Realized gains		**8,168,359**
- Unrealized gains		**(127,504)**
	Rupees	**8,040,855**

The annexed notes from 1 to 17 and Annexure I form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Statement of Movement in Unit Holders' Fund

For the period from 04 March 2010 to 30 June 2010

		2010
Amount realized on issuance of 17,351,177 units		**1,741,370,744**
Amount paid / payable on redemption of 9,266,665 units		**(933,545,848)**
		807,824,896
Element of income and capital gains included in prices of units sold less those in units redeemed - net		**626,445**
Net unrealised diminution in fair value of investments classified as 'at fair value through profit or loss- held for trading'		**(127,504)**
Others		**8,168,359**
Total comprehensive income for the period		**8,040,855**
Net assets at end of the peirod	*Rupees*	**816,492,196**

The annexed notes from 1 to 17 and Annexure I form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Notes to and forming part of the Financial Statements

For the period from 04 March 2010 to 30 June 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

The initial period of the Fund ended on 28 May 2010. Up to the end of initial period all expenses / costs inclusive of expenses incurred in respect of offering document amounted to Rs.1.940 million have been treated as formation costs and interest accrued / received of Rs.5.405 million up to such date is treated as obligation towards core and pre-IPO investors. Therefore, units were issued subsequent to initial period end to core and pre-IPO investors against principal and interest accrued / received. The commercial activities of the Fund started from the end of initial period. This statement is prepared for the first time for the period starting from 28 May 2010 to 30 June 2010.

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

The Fund invests primarily in the money market and more specifically in cash and near cash instruments such as cash in bank account (excluding TDRs), treasury bills, money market placement, and deposits, certificates of deposits, certificate of musharika (COM), TDRs, commercial papers, and reverse repos. The Fund will not take any direct or indirect exposures to equities. Moreover, the Fund maintains a minimum twenty percent (20%) of total assets in cash in order to maintain liquidity and meet redemption requests.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4. Changes in accounting policies and disclosures as a result of adoption of new and amended accounting standards

Starting 1 July 2009, the Company has changed its accounting policy for presentation of financial statements and has applied "Revised IAS 1 Presentation of Financial Statements (2007)" which became effective from 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income).

Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company has opted to present two statements; a income statement and a statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

2.5 Other accounting developments

2.5.1 Disclosures pertaining to fair values and liquidity risk for financial instruments

The Fund has applied Improving Disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are required to be disclosed for each class of financial instruments.

Further, the definition of liquidity risk has been amended and it is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contracts, the amendments require the maximum amount of the guarantee to be disclosed in the earliest period in which the guarantee could be called.

Increased disclosures in respect of fair values of financial instruments and liquidity risk are included in note 14.6.

2.5.2 Standards, Interpretations and Amendments not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2010.

- Improvements to IFRSs 2009 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5. These amendments are unlikely to have an impact on the Fund's financial statements.

- Improvements to IFRSs 2009 – Amendments to IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2010) . The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker. The amendment is not relevant to the Fund's operations.

- Improvements to IFRSs 2009 – Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments. These amendments are unlikely to have an impact on the Fund's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 7 Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities. These amendments are unlikely to have a significant impact on the Fund's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 17 Leases (effective for annual periods beginning on or after 1 January 2010). The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 – 13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. The amendment is not relevant to the Fund's operations.

- Improvements to IFRSs 2009 – Amendments to IAS 36 Impairment of Assets (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively. The amendment is not relevant to the Fund's operations.

- Improvements to IFRSs 2009 – Amendments to IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010). The amendments provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; clarify that the scope exemption in IAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss. The amendments apply prospectively to all unexpired contracts from the date of adoption. These amendments are unlikely to have an impact on the Fund's financial statements.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010). The IASB provided additional optional exemptions for first-time adopters of IFRSs that will permit entities to not reassess the determination of whether an arrangement contains a lease if the same assessment as that required by IFRIC 4 was made under previous GAAP; and allow entities in the oil and gas industry to use their previous GAAP carrying amounts as deemed cost at the date of transition for oil and gas assets. The amendment is not relevant to the Fund's operations.

- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Amendment provides guidance on the accounting for share based payment transactions among group entities. The amendment is not relevant to the Fund's operations.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 January 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. These amendments are unlikely to have an impact on the Fund's financial statements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. The amendment is not relevant to the Fund's operations.

- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for accounting periods beginning on or after 1 July 2010). The amendment provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the Amendments to IFRS 7. The amendment also clarifies the transitional provisions of the Amendments to IFRS 7. The amendment is not relevant to the Fund's operations.

Improvements to IFRSs 2010 (effective for annual periods beginning on or after 1 July 2010). The IASB issued amendments to various standards effective. Below is a summary of the amendments that are effective for either annual periods beginning on or after 1 July 2010 or annual periods beginning on or after 1 January 2011.

- Improvements to IFRSs 2010 – Amendments to IFRS 3 Business Combinations (effective for accounting periods beginning on or after 1 July 2010). The amendments clarify that contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 (2004) that remains outstanding at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004); limit the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards. These amendments are unlikely to have an impact on the Fund's financial statements.

- Improvements to IFRSs 2010 – Amendments to IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2010). The amendments clarify that the consequential amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 and IAS 31 resulting from IAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering. These amendments are unlikely to have an impact on the Fund's financial statements.

- IAS 24 Related Party Disclosures (revised 2009) (effective for accounting periods beginning on or after 1 January 2011). The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. These amendments are unlikely to have an impact on the Fund's financial statements other than increase in disclosures.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. These amendments are unlikely to have any significant impact on the Fund's financial statements.

- Improvements to IFRSs 2010 – IFRS 1 First-time Adoption of IFRSs (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that IAS 8 is not applicable to changes in accounting policies occurring during the period covered by an entity's first IFRS financial statements; introduce guidance for entities that publish interim financial information under IAS 34 Interim Financial Reporting and change either their accounting policies or use of the IFRS 1 exemptions during the period covered by their first IFRS financial statements; extend the scope of paragraph D8 of IFRS 1 so that an entity is permitted to use an event-driven fair value measurement as deemed cost for some or all of its assets when such revaluation occurred during the reporting periods covered by its first IFRS financial statements; and introduce an additional optional deemed cost exemption for entities to use the carrying amounts under previous GAAP as deemed cost at the date of transition to IFRSs for items of property, plant and equipment or intangible assets used in certain rate-regulated activities. The amendment is not relevant to the

- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1 January 2011). The amendments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. These amendments would result in increase in disclosures in the financial statements of the Fund.

- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes. These amendments are unlikely to have an impact on the Fund's financial statements other than increase in disclosures.

- Improvements to IFRSs 2010 – IAS 34 Interim Financial Reporting (effective for accounting periods beginning on or after 1 January 2011). The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures. These amendments are unlikely to have an impact on the Fund's financial statements other than increase in disclosures.

- Improvements to IFRSs 2010 – IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

2.6 Accounting estimates and judgments

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

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

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

Held-to-maturity investment

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

Investment stated at fair value

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

Impairment of investment

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

Other assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented except as explained in note 2.4.

3.1 Investments

The Fund classifies its investments in the following categories:

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

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

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

- ***Held to maturity***

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

Basis of valuation

Investment stated at fair value

Government security - treasury bills

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

Held to maturity investments

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

Date of Recognition

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

Derecognition

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

3.2 Impairment

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

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

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

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

3.3 Unit holders' fund

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

3.4 Issue and redemption of units

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

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

3.5 Net asset value per unit

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

3.6 Revenue recognition

Interest income from treasury bills, letter of placements and bank deposits are recognised at rate of return implicit in the instruments / deposits on a time proportionate basis.

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

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

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

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

3.8 Taxation

Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 provides exemption from tax to any income derived by a Mutual Fund, if not less than ninety percent of its accounting income of a year as reduced by capital gains whether realize or unrealized is distributed among the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. The Management Company has distributed a sufficient accounting income of the Fund subsequent to the reporting date, refer note 15, for the period from 28 May 2010 to 30 June 2010 in order to comply with the above stated clause and regulation. Accordingly, no tax provision has been made in these financial statements for the period then ended.

3.9 Financial instruments

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

3.10 Offsetting of financial assets and liabilities

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

3.11 Provision

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

3.12 Deferred formation cost

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

3.13 Cash and cash equivalents

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

3.14 Distributions

Distributions declared (cash dividend and bonus units) are recorded in the period in which they are approved.

3.15 Other assets

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

3.16 Accrued and other liabilities

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

4. BANK BALANCES - Local Currency

This represents balances in deposit accounts with banks and carry interest rates ranging from 9% to 10.50%.

5. INVESTMENTS

		2010
Financial asset at fair value through profit and loss-*held for trading*		
Investment in treasury Bills	*5.1*	**435,929,854**
Less: Net unrealised diminution in fair value		**(127,504)**
	Rupees	**435,802,350**

5.1 Treasury Bills

Issue date	Maturity date	Yield	Purchased during the year	Sold / matured during the period	As at 30 June 2010	Cost as at 30 June 2010	Interest accrued	Carrying amount as at 30 June 2010	Market value as at 30 June 2010	% of net assets on the basis of market value	% of total investment on the basis of market value
			-------------(No. of Certificates)-------------			---------------------(Rupees)-------------------				-------------(%age)-------------	
Treasure bills face value - face value of Rs. 100 each issued on											
1 June 2010	-	12.15%	2,000,000	2,000,000	-	-	-	-	-	-	-
10 June 2010	2 December 2010	12.16%	1,500,000	-	1,500,000	141,736,500	967,075	142,703,575	142,622,550	17.47%	32.73%
17 June 2010	9 September 2010	12.10%	1,000,000	-	1,000,000	97,290,000	446,512	97,736,512	97,726,600	11.97%	22.42%
17 June 2010	9 September 2010	12.06%	2,000,000	-	2,000,000	194,600,000	889,767	195,489,767	195,453,200	23.94%	44.85%
			6,500,000	2,000,000	4,500,000	433,626,500	2,303,354	435,929,854	435,802,350		

6. DEFERRED FORMATION COST

Formation cost incurred		**1,940,156**
Amortised to the income statement during the period		**(36,302)**
Unamortised cost at the end of the period	*Rupees*	**1,903,854**

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

7. PAYABLE TO MANAGEMENT COMPANY

Remuneration payable to the Management Company	*7.1*	**422,717**
Formation cost payable		**1,940,156**
Other payables		**95,000**
	Rupees	**2,457,873**

7.1 The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding three percent per annum of the average daily net assets of the Fund during first five years of the Fund's existence and thereafter an amount equal to two percent per annum of such assets of the Fund. Currently, the Management Fee is charged @ 0.8% of the average daily net assets of the Fund less charge of workers' welfare fund (WWF) calculated on daily basis. WWF has been determined at period end and any change from WWF recorded on daily basis has been adjusted with management fee for the period. Remuneration to the Management Company has been calculated after the end of initial period (i.e. 28 May 2010).

8. REMUNERATION PAYABLE TO THE TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed, calculated at the rate 0.2% per annum on amount up to 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% p.a. of NAV exceeding Rs. 1,000 million when daily average net assets of the Fund exceeds Rs. 1 billion. Remuneration to the Trustee has been calculated after the end of initial period (i.e. 28 May 2010).

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

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with Regulation 62 of the NBFC Regulations, 2008, whereby the Fund is required to pay SECP an amount at the rate of 0.075% of the average daily net assets of the Fund. Annual fee to the SECP has been calculated after the end of initial period (i.e. 28 May 2010).

10. ACCRUED AND OTHER LIABILITIES

Withholding tax payable		**3,664**
Auditors' remuneration		**30,000**
Brokerage payable		**650**
Workers' Welfare Fund Payable	*11*	**159,860**
	Rupees	**194,174**

11. WORKERS' WELFARE FUND

The Finance Act, 2008 brought an amendment in section 2 (f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) with the intention to make the definition of "Industrial Establishment" applicable to any establishment to which the West Pakistan Shop and Establishment Ordinance, 1969 (1969 Ordinance) applies. As a result of this amendment, the WWF Ordinance has become applicable to all Collective Investment Schemes (CIS) whose income exceeds Rs. 0.5 million in a tax year, thus rendering them liable to pay two percent of their total income to Workers Welfare Fund (as defined in section 4 & 2(i) of the WWF Ordinance). The Mutual Fund Association of Pakistan (MUFAP) had filed a constitutional petition before High Court of Sindh on the major grounds that CIS are not covered under the definition of industrial establishment, CIS do not have any worker and amendment was made through money bill.

The Honourable High Court of Sindh vide its order dated 25 May 2010 has dismissed the petition on the main ground that the MUFAP (petitioner) cannot be held to be entitled to maintain a petition in respect of its members as MUFAP is not the aggrieved party in respect of its members. Consequently, few CISs have filed constitutional petitions.

However, the Management Company in pursuance of the order passed by the Honourable High Court of Sindh considers that it is prudent to record the provision for workers welfare fund for the period from 28 May 2010 to 30 June 2010 of Rs.0.160 million and accordingly provision has been recorded in these financial statements for the period then ended.

12. CASH AND CASH EQUIVALENTS

		2010
Bank balances		378,799,546
Treasury Bill with maturity within 3 months		293,226,279
	Rupees	672,025,825

13. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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

Remuneration payable to the Management Company and the Trustee are determined in accordance with the provisions of non-banking Finance Companies and Notified Entities Regulations, 2008, and the Trust Deed respectively.

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

13.1 Unit Holders' Fund

	For the period from 28 May 2010 to 30 June 2010						
	Issued for cash/ conversion in/ transfer in	Redeemed/ conversion out / transfer out	As at 30 June 2010	Issued for cash/ conversion in / transfer in	Redeemed/ conversion out / transfer out	As at 30 June 2010	Net asset value as at 30 June 2010
	---------------- Units ----------------			----------------------------------Rupees------------------------------			
Associated companies / undertakings							
IGI Investment Bank Limited	2,022,503	1,027,405	995,098	663,796,972	103,305,537	560,491,435	100,494,947
IGI Insurance Limited	749,401	500,000	249,401	75,000,000	50,015,000	24,985,000	25,187,007
Other Related Parties							
Transactions with employees	14,671	3,057	11,614	1,469,509	318,196	1,151,313	1,172,898
Key Management Personnel							
Syed Babar Ali - Group Chairman	469,770	-	469,770	47,133,799	-	47,133,799	47,442,072

14. 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 based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund.

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

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

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

14.1 Credit risk

Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties to fulfill their obligations. There is a possibility of default of issuers of the instrument, financial institutions or counter parties.

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

Exposure to credit risk

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

		Carrying Amount
Bank balances		**378,799,546**
Investments - Treasury bills		**435,802,350**
Interest receivable on bank deposits		**5,912,095**
Other assets		**91,285**
	Rupees	**820,605,276**

Bank Balances are kept with and interest is receivable from a commercial banks with credit rating was A1+ / AA as at 30 June 2010 as per credit rating issued by Pakistan Credit Rating Agency (PACRA). Interest income receivable on bank deposits was received subsequently. Investments in Treasury Bills do not expose the Fund to credit risk as the counter party is the Government of Pakistan.

Past due or impaired financial assets

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

Concentration of the credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Concentration of credit risk is determined with references to the individual counter parties. As at 30 June 2010 Fund's exposure to credit risk in respect of the assets other than investment in treasury bills was amounted to Rs. 384.605 million.

14.2 Liquidity risk

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

Management of liquidity risk

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

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

Maturity analysis for financial liabilities

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

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

	2010			
	Contractual Cash flows and carrying amount	**Up to 8 days**	**8 days to one months**	**later than one month and not later than three months**
Non-derivative liabilities	-----------------------------------(Rupees)-----------------------------------			
Amount payable on redemption of units	**3,145,354**	**(3,145,354)**	**-**	**-**
Payable to the Management Company	**2,457,873**	**-**	**(2,457,873)**	**-**
Remuneration payable to the Trustee	**155,711**	**-**	**(155,711)**	**-**
Annual fee payable to Securities and Exchange Commission of Pakistan	**63,822**	**-**	**(63,822)**	**-**
Accrued and other liabilities	**34,314**	**-**	**(4,314)**	**(30,000)**
	5,857,074	**(3,145,354)**	**(2,681,720)**	**(30,000)**

Above financial liabilities do not carry any mark-up.

The Fund is exposed to cash redemptions of its units on a regular basis. As at 30 June 2010, 8,084,512 units were in issue amounting to Rs. 816.492 million. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

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

14.3 Market risk

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

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk (equity price risk). The Fund is exposed to interest rate risk only.

Management of market risks

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

Interest rate risk

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

Majority of the interest rate risk exposure arises on investment in treasury bills classified as held for trading and deposit accounts held with commercial banks amounting to Rs. 378.8 million and Rs. 435.8 million respectively which carry fixed interest rates. The Fund has no variable interest rate instruments.

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

Fair value sensitivity analysis for fixed rate instruments

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

14.4 Operational risks

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

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

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

14.5 Unit Holders' Fund risk management

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

The Management Company manages fund's investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The unit holders' funds structure depends on the issuance and redemption of units.

Under regulation 43(e) of the Non Banking Finance Companies and Notified Entities Regulations, 2008 the Management Company is required to invest or arrange an investment of at least Rs. 50 million in the Fund for a period of two years from the date of close of initial offer period i.e. 28 May 2010. However, the Fund has complied with risk management.

14.6 Fair value of financial instruments

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

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

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

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

15. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company have approved distribution of 0.9645 units per for every 100 units held and Rs 0.9648 per unit for the period from 28 May 2010 to 30 June 2010, amounting to Rs. 7.8 million in total, in their meeting held on 02 July 2010. These financial statements do not reflect this distributions and that will be accounted for subsequent to the year end.

16. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

17. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by Board of Directors of the Management Company on **24 August 2010.**

For IGI Funds Limited
(Management Company)

Chief Executive	**Director**

Annexure I

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

(i) UNIT HOLDING PATTERN OF THE FUND

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

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

Name of broker	Percentage of commission
IGI Finex Securities Limited	**100%**

(iii) PARTICULARS OF MEMBERS OF THE INVESTMENT COMMITTEE

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

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

Maheen Rahman - CEO

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

Talib Wahab Shubaily - Fund manager

Mr. Shubaily has over 4 years of experience dealing in fixed income debt markets. Prior to joining IGI Funds Limited. He was working with Finex Securities Limited on the Money Market and Forex desk.

Later, he also gained knowledge of the capital markets as a research Analyst at IGI Finex Securities Limited.

Syed Saifullah Kazmi - Fund manager

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

(iv) DIRECTOR MEETING ATTENDANCE

Name of Director	Designation	Meetings Total	Meetings Attended	Meetings Leave Granted	Meetings Meeting not attended
Mr. Javed Hamid	Chairman	6	6	-	-
Mr. Khalid Yacob	Director	6	6	-	-
Mr. Ahmed Alman Aslam	Director	6	4	2	24th & 25th
Mr. Abid Naqvi	Director, Ex-CEO	6	6	-	-
Syed Javed Hassan	Director	6	6	-	-
Syed Abdul Wahab Mehdi	Director	6	3	3	22nd, 25th & 27th
Mr. Adi J. Cawasji	Director	2	2	-	-
Ms. Maheen Rahman	Chief Executive Officer	6	6	-	-

Syed Javed Hassan resigned from the post of CEO of the Management Company and Ms. Maheen Rahman Appointed as CEO and member Board of Directors in his place from June 26, 2009.

Mr. Adi J. Cawasji resigned as member Board of Directors of the Management Company from June 26, 2009.

Securities and Exchange Commission of Pakistan(SECP) approved both changes on September 15, 2009.

Dates of the meetings of the Board of Directors

Twenty-second meeting	July 2, 2009
Twenty-third meeting	August 12, 2009
Twenty-fourth meeting	October 29, 2009
Twenty-fifth meeting	January 4, 2010
Twenty-sixth meeting	February 11, 2010
Twenty-seventh meeting	April 27, 2010

(V) FUND AND ASSET MANAGER RATING

PACRA has awarded asset manager rating of an "AM3" to IGI Funds Limited in its report dated February 2010. The rating reflects the company's experienced and qualified management team, a structured and strong fund management function, and demonstrated support of the sponsoring Group. The rating also factors in a growing realization on part of the management to institute a strong in-house risk management, compliance and control platform, translating into an improved relative standing amongst peers.

The fund has not yet obtained its rating from any Credit Rating agency as the Fund has not completed its first year.

IGI

Funds

IGI AGGRESSIVE INCOME FUND

(Formerly POBOP Advantage Plus Fund)

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.
Alfalah Securities (Pvt.) Ltd.
Allied Bank Limited
Atlas Capital Markets (Pvt.) Ltd.
BMA Financial Services Ltd.
Bulls and Bulls (Pvt) Ltd.
Financial Avenue
Foundation Securities (Pvt) Ltd.
IGI Investment Bank Limited
Invest Capital and securities (Pvt.) Ltd.
JS Global Capital Limited
KASB Securities
Mybank Limited
National Clearing Company of Pakistan Limited
Pak Oman Investement Company Ltd.
Pyramid Financiol Consultant (Pvt.) Ltd.
Siza Commodites (Pvt.) Ltd.
The Bank of Khyber
Vector Consulting (Pvt) Ltd.

Auditors

A.F. Ferguson & Co.
Chartered Accountants
State Life Building No. 1-C
I. I. Chundrigar Road, Karachi.

Legal Advisor

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

Bankers

Bank Alfalah Limited
Bank of Punjab
Al Baraka Islamic Bank
United Bank Limited

Directors' Report

To our valued Unit Holders,

The Board of Directors of IGI Funds Limited is pleased to present you the Annual Report of the IGI Aggressive Income Fund – Formerly POBOP Advantage Plus Fund (the "Fund") for the year ended 30 June 2010. The Financial Statements of the Schemes prepared by the Management Company present true and fair view of the state of affairs of the Scheme and results of its operations, cash flows and movement in unit holders' fund.

Economic Review

The FY10 was closed in greener pastures, compared to the forecasts at the start of the outgoing fiscal year. Country's GDP growth was witnessed provisionally at 4%, compared to earlier estimate of 3.30%. Services sector stands out as the major contributor to GDP with 53% contribution, followed by 25% and 21% from Industry and Agriculture Sectors, respectively.

Trade deficit for FY10 was witnessed at USD 11,367 mn; however, the final figures have improved gradually in the last three consecutive fiscal years. Trade deficit witnessed recovery as growth in exports was fractionally higher than the fall in imports. Home Remittances depicted a robust growth of 14% in FY10 (USD $8.9bn), compared to the corresponding period in FY09 (USD $7.8bn). UAE topped the list of contributors, with Saudi Arabia and USA following the list of contribution. Strong home remittances and lower trade deficit coupled with the IMF program helped the country's curtailment of current account deficit. Inflation figure for the fiscal also showed improvement as in FY10 the CPI inflation curtailed to 11.70% almost half of previous year's 20.80%.

Furthermore, the country experienced a reduction in borrowing for budgetary support to PkR407bn for FY10 (provisional) compared to PkR526bn in FY09. Of which, major borrowing was represented from scheduled banks, rather than direct SBP borrowing. Net Foreign Assets (NFA) of the banking system stood at PkR152bn; whereas, Net Domestic Assets (NDA) stood at PkR488bn for FY10 (provisional). Private sector credit off take improved in FY10 to PkR113bn compared to PkR17bn in FY09, representing improvement in economic activities.

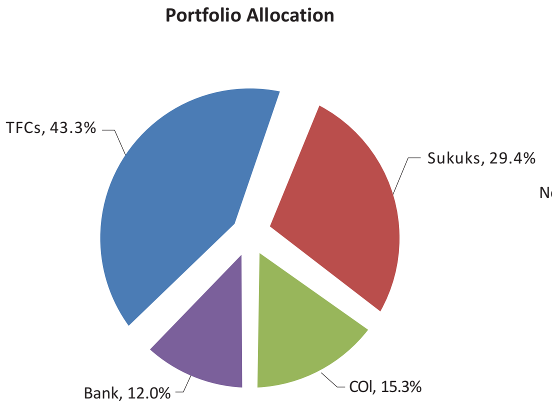
As of the position of Jul-May '10, domestic debt of the country increased to PkR4,633bn. Of which, floating and unfunded debts increased substantially in issuance to Treasury Bills and National Savings Schemes. Lately, the investments were directed to government securities rather than direct advances in the market, ensuring principal guarantee compared to past two years defaults by the DFI and NBFI sectors.

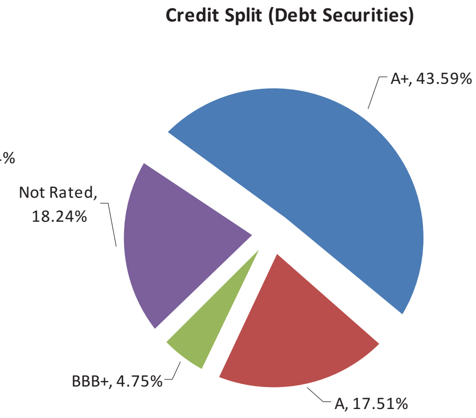
During the period under review, KIBOR lending rates for 1-mth and 6-mth averaged 12.45% and 12.39% respectively. Money Market rates remained volatile in the last quarter of the fiscal year. Major activity was witnessed in government securities because of the stagnant private credit off take. Banks also concentrated their investments in risk-free or government guaranteed securities.

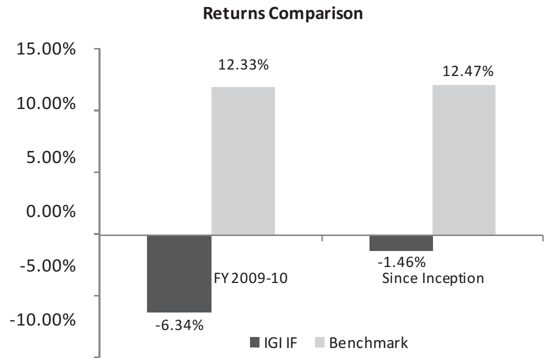
Fund Operations and Performance

During the period under review, the Fund's returns were prone to series of volatility due to the provisioning against TFCs and volatile MUFAP prices. The Fund started the year (2009 – 2010) with healthy returns but later tumbled to negative successively in the wake of provisioning on poor-rated TFCs. Almost three-quarter of the Fund remained invested in TFCs during the period.

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 2010	For the year ended 30 June 2009	For the period from 25 October 2007 to 30 June 2008
Net Assets	809.47	1,367.51	2,281.13
Net Income	(73.59)	5.25	145.56
Net Assets Value per Unit (Rs.)	46.5504	50.6891	53.4080
Issuance of units during the period	60.20	798.73	6,644.69
Redemption of units during the period	(551.09)	(1,684.19)	(4,523.52)

Future Outlook

The presence of inflation fueling factors in a scenario where already inflationary pressure is quite high, hike in discount rates becomes almost inevitable. The Discount rate (DR) is expected to move upwards in the coming months with the rationale to avoid abnormally high inflation scenario which was prevailing last year. The high discount rate is likely to translate into higher placement rates in the money market. This will be a breather for fixed income funds which are already suffering from higher taxes at the investors' level.

Furthermore, in the rising rate scenario government securities would trade at discounts, indicating expectation of higher demand for government securities. On the other hand, demand for corporate TFCs is expected to lose strength initially providing high yielding investment opportunities for the funds.

IGI Funds Limited acquired the management rights of the Fund on 6th August, 2010 from Pak Oman Asset Management Company Limited under a 2nd Supplemental Trust Deed registered at Karachi on 6th August 2010. The liabilities and responsibilities of Pak Oman Asset Management Company Limited and IGI Funds Limited have been mentioned in Clause #3 of the 2nd Supplemental Trust Deed. The Fund is currently in restructuring phase where the preference lies with liquidity generation through offloading previously held investments. The restructuring also involves steps aimed at improving overall NAV appreciation. The investment focus will remain on high yielding government bonds as well as high quality corporate bonds trading at abnormal discounts. The discounts are expected to adjust with the passage of time creating opportunities of handsome capital gains.

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 of Pak Oman

j) Asset Management Company Limited held and the attendance of each director for these meetings are given in note # 26 of this annual report.

k) The pattern of unit holding is given in note # 22 of this annual report.

l) No units of the Fund are held by the Chief Executive, directors, executives of Pak Oman Asset Management Company Limited and their spouses as at 30 June 2010.

m) Summary of units acquired/ redeemed during the year by the Chief Executive, director, executives of Pak Oman Asset Management Company Limited and their spouses as at 30 June 2010 as given in note # 19;

Auditors

The Audit Committee of Board of Directors recommended the appointment of M/s KPMG Taseer Hadi & Co. – Chartered Accountants as auditors of IGI Aggressive Income Fund (Formerly – POBOP Advantage Plus Fund) for the financial year ending June 30, 2011. The Board has approved the appointment.

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
24 August 2010

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

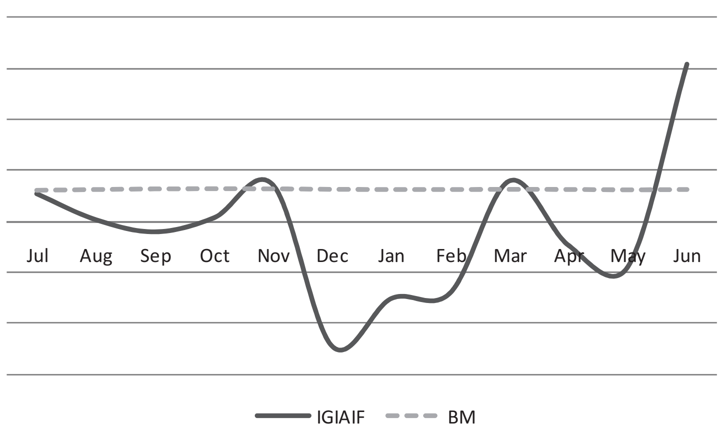
The Fund failed to achieve its objective of generating stable stream of income with a moderate level of risk by investing in fixed income instruments owing to increased volatility in prices of the instruments and higher provisioning requirement.

Benchmark

The Fund's benchmark is **3 month KIBOR**

Performance comparison with Benchmark

Month	IGI AIF	3 month KIBOR
July 09	10.77%	11.87%
August 09	0.60%	12.26%
September 09	-4.17%	12.58%
October 09	1.35%	12.67%
November 09	14.14%	12.61%
December 09	-49.07%	12.36%
January 10	-30.29%	12.24%
February 10	-28.00%	12.26%
March 10	15.82%	12.35%
April 10	-9.52%	12.29%
May 10	-17.87%	12.12%
June 10	61.56%	12.27%



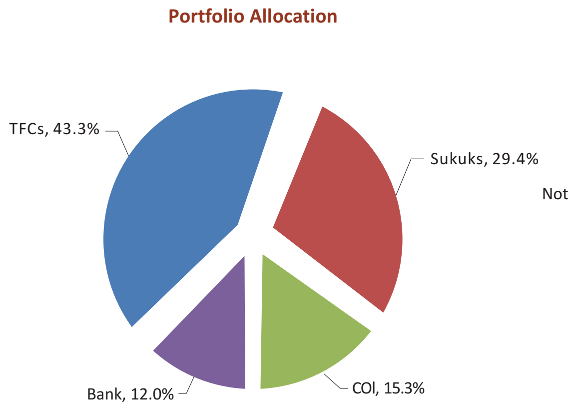
Strategies and Policies employed during the period

The Fund suffered from continuous volatility during the period under review. Majority of the portfolio (more than 70%) was exposed to corporate bonds (TFCs and Sukuks) which were subject to price volatility during the year. Furthermore, few of the bonds were prone to provisioning on their default of coupons.

Going forward, the Fund planned to reduce exposures in troubled corporate bonds as soon as possible. The new management of the Fund faces the task of restructuring the portfolio in order to improve yield and build a new portfolio high yielding instruments (TFCs and Sukuks).

Portfolio Allocation

Description	(%)
TFCs	43.3%
Sukuks	29.4%
COI	15.3%
Bank	12.0%



Significant changes in Assets Allocation during the period

During the year under review, the portfolio enhanced its exposure in corporate bonds. The increase in corporate bonds was followed by increase in money market placements. The maturity of CP and CFS was adjusted in to increase in corporate bonds and money market placements.

Fund Performance

For the year ended 30 June 2010, the Fund completed another year of its operations posting a decline of 6.34% in NAV (2009: 0.75%) with net assets amounting to Rs.809 millions (2009: Rs. 1,368 millions).

Review of the market invested in

During the period under review, the Fund's returns were prone to series of volatility due to the provisioning against TFCs and volatile MUFAP prices. The Fund started the year (2009 – 2010) with healthy returns but later tumbled to negative successively in the wake of provisioning on poor-rated TFCs. Almost three-quarter of the Fund remained invested in TFCs during the period.

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	4	52,687
PkR 100,000 to 1,000,000	1	141,346
PkR 1,000,000 to 10,000,000	0	-
PkR 10,000,000 and above	3	809,272,128
Total	8	809,466,161

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.

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of IGI Funds Limited (the. Management Company) of POBOP Advantage Plus Fund (now 'IGI Aggressive Income Fund'), here-in-after referred to as the Fund, to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange where the Fund is listed:

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

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

Further, Sub - Regulation (xiii a) of the Listing Regulations No. 35 of the Karachi Stock Exchange requires the company to place before the Board of Directors for their consideration and approval the related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail on arm's length and those which are not executed at arm's length prices and recording proper justification for using such alternate pricing mechanism. Further, all such transactions are required to be separately placed before the audit committee. We are only required and have ensured compliance of the subject requirement to the extent of approval of the related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

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

A.F. Ferguson & Co.
Chartered Accountants

Statement of Compliance by the IGI Aggressive Income Fund with the Code of Corporate Governance for the year ended 30 June 2010

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in 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. POBOP Advantage Plus Fund (now IGI Aggressive Income Fund) here-in-after referred to as "the Fund" was managed by Pak Oman Asset Management Company Limited (POAMC) upto August 5, 2010. Effective August 6, 2010 the Fund's management rights have been transferred to IGI Funds Limited (IGIFL) which is an unlisted public company. The Fund being a unit trust scheme does not have its own Board of Directors (the Board). The management companies have applied the principles contained in the Code to the Fund, whose units are listed on the Karachi Stock Exchange, in the following manner:

1. The management companies encourage representation of non-executive directors. All the directors, except the Chief Executive Officer, are non-executive directors in IGIFL. In case of POAMC all directors, except for the CEO and a director, were non-executive directors.

2. The directors have confirmed that none of them are serving as a director in more than ten listed companies, including the management company.

3. All the resident directors of the management companies are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, have been declared as a defaulter by that stock exchange.

4. During the year a casual vacancy occurred on the Board of IGI which was duly filled out by the directors within thirty days. In case of POAMC, no casual vacancy occurred during the year.

5. IGIFL has prepared a 'Code of Conduct' describing ethics and business practices for the Fund, which has been approved by the Board and duly signed by all the employees. In case of POAMC the aforementioned statement was in the process of being signed by its directors and employees.

6. The management companies have prepared a vision/ mission statement, corporate strategy and significant policies for the Fund which has been approved by the Board. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.

7. All the powers of the Board of management companies have been duly exercised and decisions on material transactions, including appointment and terms and conditions of employment of the CEO and CFO and the Company Secretary have been taken by the Board.

8. The meetings of the Board of POAMC during the year were presided over by the Chairman and the Board met as required by the Code of Corporate Governance. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In order to apprise the directors for their duties and responsibilities and the requirement of the Code they have been kept updated with the change in relevant laws applicable to the management companies. Directors are conversant of the relevant laws applicable to the management companies, its policies and procedures and provisions of memorandum and article of association and are aware of their duties and responsibilities.

10. The directors' report relating to the Fund for the year ended June 30, 2010 has been prepared by IGIFL in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

11. The financial statements of the Fund were duly endorsed by the CEO and CFO of POAMC and IGIFL respectively before approval of the Board.

12. The directors, CEO, and executives do not hold any interest in the units of the Fund.

13. The management companies have complied with all the applicable corporate and financial reporting requirements of the Code.

14. The Board of IGIFL has formed an audit committee. It comprises of three members, all of whom are non-executive directors of the management company including the chairman of the committee.

15. The meetings of the audit committee were held once in every quarter prior to the approval of final results of the Fund as required by the Code of Corporate Governance.

16. The directors of the management companies have approved the term of reference of Audit Committee in the light of Code of Corporate Governance.

17. IGIFL has an in-house internal audit function of the Fund headed by a Chartered Accountant who is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Fund. Previously the same function was outsourced to M/s. M. Yousuf Adil Saleem & Co.

18. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the management company or units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with.

Chief Executive Officer

Trustee Report to the Unit Holders

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

The POBOP Advantage Plus Income Fund (now 'IGI Aggressive Income Fund')(the fund), and open-end fund was established under a trust deed dated July 16, 2007, executed between Pak Oman Asset management Company Limited (POAMCL), as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee. Subsequent to year end a second supplemental trust deed dated August 6, 2010 has been signed whereby the management rights of teh Fund have been transferred From POAMCL to IGI Funds Limited.

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

(i) Limitations imposed on teh 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 teh requirements of the constitutive documents of teh 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 Office
Central Depository Company of Pakistan Limited

Independent Auditors' Report to the Unit Holders

We have audited the accompanying financial statements of POBOP Advantage Plus Fund (now 'IGI Aggressive Income Fund') (the Fund), which comprise the statement of assets and liabilities as at June 30, 2010, and the related income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement of the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statement based on our audit. We conducted our audit in accordance with the 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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, inclu8ding 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 account 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 June 30, 2010 and of its financial performance, cash flows and transactions for the year then ended in accordance with the requirements of the approved accounting standards as applicable in Pakistan.

Other Matters

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

A.F. Ferguson & Co.
Chartered Accountants
Saad Kaliya

Statement of Assets and Liabilities

As at 30 June, 2010

	Note	2010	2009
		(Rupees in '000)	
Assets			
Balances with banks	6	**95,636**	139,280
Placements with financial institutions	7	**122,000**	265,000
Investments	8	**580,049**	932,829
Receivable against sale of investments		**-**	93
Profit receivable	9	**13,371**	32,816
Deposits, prepayments and other receivables	10	**826**	2,668
Preliminary expenses and floatation cost	11	**1,491**	2,237
Total assets		**813,373**	1,374,923
Liabilities			
Payable to Pak Oman Asset Management Company Limited - Management Company of the Fund as at June 30, 2010	12	**2,449**	5,247
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	13	**129**	198
Payable to Securities and Exchange Commission of Pakistan	14	**715**	1,265
Accrued expenses and other liabilities	15	**614**	700
Total liabilities		**3,907**	7,410
Net assets		**809,466**	1,367,513
Unitholders' fund (as per statement attached)		**809,466**	1,367,513
		(Units)	
Number of units in issue		**17,389,027**	26,978,438
		(Rupees)	
Net asset value per unit		**46.5504**	50.6891

The annexed notes 1 to 29 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Income Statement

For the year ended 30 June 2010

	Note	2010	2009
		(Rupees in '000)	
Income			
Profit on deposit accounts with banks		**10,058**	10,269
Profit on placements with financial institutions		**13,546**	42,426
Profit on sukuk and term finance certificates		**73,894**	152,845
Profit on commercial papers		**-**	4,696
Profit on government securities		**-**	102
Income from continuous funding system transactions		**-**	6,397
Income / (loss) from sale of investments		**2,508**	(35,602)
Dividend income		**-**	39
Other income		**2**	71
		100,008	181,243
Unrealised (loss) on investments 'at fair value through profit or loss' - upon initial recognition		**(18,923)**	(67,694)
Provision for impairment	7.1	**(28,000)**	-
Reversal of provision on an investment		**106,318**	
Provision against non-performing debt securities		**(200,158)**	(61,950)
		(140,763)	(129,644)
Total (loss) / income		**(40,755)**	51,599
Expenses			
Remuneration to Pak Oman Asset Management Company Limited - Management Company of the Fund as at June 30, 2010		**19,076**	25,200
Remuneration to Central Depository Company of Pakistan Limited - Trustee of the Fund		**1,833**	2,449
Securities and Exchange Commission of Pakistan - annual fee		**715**	1,265
Auditors' remuneration	17	**670**	576
Fees and subscription		**158**	957
Amortisation of preliminary expenses and floatation cost	11	**746**	746
Workers' Welfare Fund - prior year		**103**	-
Brokerage		**73**	95
Bank, settlement and other charges		**185**	850
Total expenses		**23,559**	32,138
Element of loss included in prices of units sold less those in units redeemed		**(9,271)**	(14,208)
Net (loss) / income		**(73,585)**	5,253

The annexed notes 1 to 29 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Statement of Cash Flow

For the year ended 30 June 2010

	Note	2010	2009
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / income		**(73,585)**	5,253
Adjustments for non-cash items and other items			
Profit on deposit accounts with banks		**(10,058)**	(10,269)
Profit on placements with financial institutions		**(13,546)**	(42,426)
Profit on sukuk and term finance certificates		**(73,894)**	(152,845)
Profit on commercial papers		**-**	(4,696)
Profit on government securities		**-**	(102)
Income from continuous funding system transactions		**-**	(6,397)
(Income) / loss from sale of investments		**(2,508)**	35,602
Dividend income		**-**	(39)
Unrealised (loss) on investments 'at fair value through profit or loss'			
- upon initial recognition		**18,923**	67,694
Provision for impairment		**28,000**	-
Reversal of provision on an investment		**(106,318)**	-
Provision against non-performing debt securities		**200,158**	61,950
Amortisation of preliminary expenses and floatation cost		**746**	746
Element of loss included in prices of units sold less those in units redeemed		**9,271**	14,208
		(22,811)	(31,321)
Decrease in assets			
Placements with financial institutions		**20,000**	205,000
Investments (net)		**240,017**	453,778
Receivable against continuous funding system transactions		**-**	84,515
Deposits, prepayments and other receivables		**1,842**	3,682
Receivable against sale of investments		**93**	-
		261,952	746,975
(Decrease) / increase in liabilities			
Payable to Pak Oman Asset Management Company Limited		**(2,798)**	(1,391)
Payable to Central Depository Company of Pakistan Limited		**(69)**	(78)
Payable to Securities and Exchange Commission of Pakistan		**(550)**	(408)
Accrued expenses and other liabilities		**(86)**	414
		(3,503)	(1,463)
Dividend received		**-**	39
Profit received on deposit accounts with banks		**9,547**	12,530
Profit received (net) on sukuk and term finance certificates		**90,601**	147,798
Profit received on placements with financial institutions		**16,795**	45,673
Profit received on government securities		**-**	102
Income received on continuous funding system transactions		**-**	6,944
Income received / (loss realised) from sale of investments		**2,508**	(35,695)
Net cash inflow from operating activities		**355,089**	891,582
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(2,845)**	(47,612)
Net of payments and receipts against issue and redemption of units		**(490,888)**	(885,465)
Net decrease in cash and cash equivalents during the year		**(138,644)**	(41,495)
Cash and cash equivalents at the beginning of the year		**234,280**	275,775
Cash and cash equivalents at the end of the year	18	**95,636**	234,280

The annexed notes 1 to 29 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Distribution Statement

For the year ended 30 June 2010

	2010	2009
	(Rupees in '000)	
Undistributed income brought forward:		
- Realised income	**141,127**	138,452
- Unrealised (loss) / income	**(122,536)**	7,108
	18,591	145,560
Final distribution in the form of cash for the year ended June 30, 2009 @ Rs 0.1850 per unit (for October 25, 2007 to June 30, 2008 @ Rs 3.0957 per unit)	**(2,845)**	(47,612)
Final distribution in the form of issuance of 42,486 bonus units for the year ended June 30, 2009 (for October 25, 2007 to June 30, 2008: 1,681,695 bonus units)	**(2,146)**	(84,610)
Net (loss) / income for the year	**(73,585)**	5,253
	(78,576)	(126,969)
Accumulated (loss) / Undistributed income carried forward	**(59,985)**	18,591
Undistributed (loss) / income carried forward:		
- Realised income	**203,314**	141,127
- Unrealised loss	**(263,299)**	(122,536)
	(59,985)	18,591

The annexed notes 1 to 29 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Statement of Movement in Unit Holders' Fund

For the year ended 30 June 2010

	2010	2009
	(Rupees in '000)	
Net assets as at the beginning of the year	**1,367,513**	2,281,129
Issue of 1,178,552 units (2009: 16,122,180 units)	**60,200**	798,725
Redemption of 10,810,449 units (2009: 33,536,824 units)	**(551,088)**	(1,684,190)
	(490,888)	(885,465)
Element of loss included in prices of units sold less those in units redeemed	**9,271**	14,208
Net loss / income less distribution for the year	**(78,576)**	(126,969)
Final distribution in the form of issuance of 42,486 bonus units for the year ended June 30, 2009 @ Rs 0.1850 per unit (for October 25, 2007 to June 30, 2008: 1,681,695 bonus units)	**2,146**	84,610
Net assets at the end of the year	**809,466**	1,367,513
	(Rupees)	
Net asset value per unit	**46.5504**	50.6891

The annexed notes 1 to 29 form an integral part of these financial statements.

For IGI Funds Limited
(Management Company)

Chief Executive **Director**

Notes to and forming part of the Financial Statements

For the year ended June 30, 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

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

The Management Company of the Fund is registered with the SECP as a Non-Banking Finance Company. The registered office of the Management Company is situated at First Floor, Tower A, Finance and Trade Centre, Sharah-e-Faisal, Karachi.

1.2 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 unit holders.

1.3 The policy of the Fund is to invest in a mix of investment-grade money market instruments, debt securities, government securities and derivative transactions.

1.4 Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.

1.5 Going concern assumption

On September 28, 2009 one of the joint venture unit holders of the Fund (core investor) having a holding of 14,370,314.8425 units as of July 1, 2009, had filed a request for redemption of 9,370,314.8425 units representing its non core holding. Out of the aforementioned total holding of the core investor 5,000,000 units represented its core investment which was not redeemable upto October 24, 2009. Subsequently, on October 5 and 14, 2009 the core investor filed redemptions requests of 958,022.0000 units each. The core investor and the management of the Management Company have now reached an understanding that the management of the Fund shall be transferred to another asset management company based on which the its units will not be redeemed. Further, a no-objection-certificate dated June 1, 2010 in this regard has been obtained from the SECP wherein the SECP has interalia directed the Management Company and the other asset management company to execute supplemental constitutive documents so as to incorporate the amendments due to change in the management company. Subsequent to the year end a second supplemental trust deed dated August 6, 2010 has now been signed whereby the management rights of the Fund have been transferred from Pak Oman Asset Management Company Limited to IGI Funds Limited.

Further, two of the major unitholders have given assurance that they will not redeem their respective investments for one year after the transfer of Fund's management to the new asset management company.

Accordingly, these financial statements have been prepared on a 'going concern' basis.

2. BASIS OF PRESENTATION AND ACCOUNTING CONVENTION

These financial statements are presented in Pakistani Rupees which is the functional currency of the Fund and the figures have been rounded off to the nearest thousand Rupees. These financial statements have been prepared under the historical cost convention unless otherwise specifically stated.

3. STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations and the directives issued by the SECP. Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the said directives differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the said directives take precedence.

3.2 Standard and interpretations effective from July 1, 2009:

IAS 1 (revised), 'Presentation of financial statements' (effective July 1, 2009 for the Fund). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in statement of other comprehensive income, but entities can choose either to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of other comprehensive income).

Further, where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning of the earliest comparative period, in addition to the current requirement to present statement of financial position at the end of the current period and comparative period. The Fund has applied IAS 1 (revised) from July 1, 2009 and elected to present one performance statement (i.e. the income statement). However, since there is no 'other comprehensive income', there is no impact of such revised standard on these financial statements, except for change in an accounting policy relating to 'available for sale' investments (see note 5.1.3 below).

Certain other standards, amendments and interpretations to the approved accounting standards were mandatory for accounting periods beginning on or before July 1, 2009 but were considered not to be relevant or did not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

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

Certain standards, amendments and interpretations to the approved accounting standards are mandatory for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of these financial statements in conformity with the approved accounting standards requires the Management Company to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense.

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

In particular, information about significant areas of estimation and critical judgment in applying accounting policies that have significant effect on the amounts recognised in these financial statements are as follows:

(a) Classification and valuation of financial instruments (notes 5.1 and 8)
(b) Recognition of provision for current and deferred taxation (note 5.7)
(c) Amortisation of preliminary expenses and floatation cost (note 5.8)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

5.1 Financial instruments

5.1.1 Classification

The Fund classifies its financial assets in the following categories:

(a) Investments 'at fair value through profit or loss':

- Financial assets 'held-for-trading'

  These include financial assets acquired principally for the purpose of generating profit from short-term fluctuations in prices or dealers' margins or are securities included in a portfolio in which a pattern of short-term profit taking exists.

- Financial assets 'at fair value through profit or loss upon initial recognition'

  Any financial asset within the scope of IAS 39 - Financial Instruments: Recognition and Measurement (IAS 39) may be designated when initially recognised as a financial asset at fair value through profit or loss except for investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

  All purchases and sales of investments in this category are recognised using trade date accounting.

(b) Held to maturity

These are securities acquired by the Fund with the intention and ability to hold them upto maturity. All purchases and sales of investments in this category are recognised using trade date accounting.

(c) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as at fair value through profit or loss or available for sale.

All purchases and sales of investments in this category are recognised using trade date accounting.

(d) Available for sale

These financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

All purchases and sales of investments in this category are recognised using trade date accounting.

5.1.2 *Recognition*

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

5.1.3 *Measurement*

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities 'at fair value through profit or loss' are expensed immediately.

Subsequent to initial recognition, instruments classified as 'financial assets at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising, from changes in the fair value of the 'financial assets at fair value through profit or loss' are recognised in the 'income statement' for the year. Effective July 1, 2009, changes in the fair value of instruments classified as 'available for sale' are recognised in the 'income statement' as 'other comprehensive income' until derecognised or impaired when the accumulated fair value adjustments recognised in 'other comprehensive income' are included in the 'income statement' .

Previously, changes in the fair value of instruments classified as 'available for sale' were recognised in equity until derecognised or impaired when the accumulated fair value adjustments recognised in equity were included in the income statement. Such change in the accounting policy has been made consequent to the introduction of IAS 1 (revised), ‘Presentation of financial statements’ (see note 3.2 above). However, there is no effect of such change on these financial statements since the Fund does not have any 'available for sale investment'.

Financial assets classified as 'loans and receivables' and 'held to maturity' are carried at amortised cost using the effective yield method, less impairment losses, if any.

Financial liabilities, other than those at 'fair value through profit or loss', are measured at amortised cost using the effective yield method.

5.1.4 *Fair value measurement principles*

The fair value of debt securities and derivatives were determined as follows:

- Based on their prices quoted by Mutual Funds Association of Pakistan (MUFAP) during the period from July 1, 2008 upto November 4, 2008.

- The SECP through its circular No. 26/2008 dated November 5, 2008 has directed that for valuation of debt securities a fixed discount rate be applied on the face value of the securities based on the security / entity rating. Accordingly, subsequent to the date of the circular No. 26/2008 upto January 9, 2009 valuation of debt securities was based on the discounted value.

- Effective January 10, 2009 the carrying value of debt securities is based on the value determined and announced by MUFAP in accordance with the criteria laid down in circular No. 1/2009 dated January 6, 2009 (the Circular No.1) and circular No.3/2010 dated January 20, 2010 (the Circular No.3) issued by the SECP.

The fair value of equity securities is based on the prices quoted by the relevant stock exchanges.

5.1.5 Impairment

Financial assets not carried 'at fair value through profit or loss' are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the income statement as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective yield rate.

If in a subsequent period, the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the impairment is reversed through the income statement.

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under the Circulars No.1 and 3. The Management Company may also make provision against debt securities over and above the minimum provision requirements prescribed in the aforesaid circulars, in accordance with the provisioning policy approved by the board of directors.

5.1.7 Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flow from the financial asset expires or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

5.2 Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Derivative financial instruments entered into by the Fund do not meet the hedging criteria as defined by IAS 39, consequently hedge accounting is not used by the Fund.

5.3 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors before cut off time on the date when the application is received. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision of duties and charges and provision for transaction costs, if applicable. The sales load is payable to the distributors and the Management Company.

Units redeemed are recorded at the redemption price prevalent on the date on which the distributors receive redemption application before cut off time on that date. The redeemed price represents the net asset value per unit less any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

5.4 Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed.

An equalisation account called the 'element of income / (loss) and capital gains / (losses) in prices of units sold less those in units redeemed' is set up in order to prevent the dilution of income per unit and distribution of income already paid out on redemption.

The net element of accrued income / (loss) and realised capital gains / (losses) relating to units issued and redeemed during an accounting period is taken to the income statement.

5.5 Provisions

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

5.6 Net asset value per unit

The net asset value (NAV) per unit is calculated by dividing the net assets of the Fund by the number of units in issue at year end.

5.7 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I to the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unitholders. Accordingly, the Fund has not recorded a tax liability in respect of income relating to the current period as the Fund intends to avail this exemption.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that these will be available for set off against future taxable profits. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least 90 percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised to its unitholders every year.

5.8 Preliminary expenses and floatation cost

Preliminary expenses and floatation cost represent expenditure incurred prior to the commencement of the operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirement of the Trust Deed of the Fund.

5.9 Distribution and appropriation

Distribution and appropriation are recognised in the Fund's financial statements in the period in which these are approved.

5.10 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the statement of assets and liabilities if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

5.11 Zakat

Units held by resident Pakistani unitholders are subject to Zakat at 2.5% of the face value or redemption value, whichever is lower, of units under the Zakat and Ushr Ordinance, 1980 (XVII of 1980), except those exempted. Zakat is deducted at source from the dividend amount or from the redemption payment, if units are redeemed during the Zakat year before payment of dividend after it becomes leviable.

5.12 Revenue recognition

(i) Gains / (losses) arising on disposal of investments are included in the income statement currently and are recognised on the date when the transaction takes place.

(ii) Income on debt instruments is recognised on an accrual basis using the effective interest rate method except for income on non-performing assets which is recognised on receipt basis.

(iii) Profits on commercial papers, government securities, term deposit receipts, placements with financial institutions and bank deposits are recorded on an accrual basis.

(iv) Unrealised gains / (losses) arising on revaluation of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.

(v) Dividend income is recognised when the Fund's right to receive dividend is established.

5.13 Expenses

All expenses, including management fee and trustee fee, are recognised in the income statement on an accrual basis.

5.14 Cash and cash equivalents

Cash and cash equivalents comprise of deposits with banks and short-term highly liquid investments, with original maturity of three months or less, that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

6. BALANCES WITH BANKS

	2010	2009
	(Rupees in '000)	
Balances with banks - Deposit accounts	**95,636**	139,280

6.1 This represents balances with the following connected persons:

The Bank of Punjab	-	138,293
Bank Al-Falah Limited	-	987
	-	139,280

6.2 These carry mark up rates ranging from 6% to 10.15% (2009: 3.5% to 17%).

6.3 As at June 30, 2010, the balances with banks represent 11.81% and 11.76% of net and total assets of the Fund.

7. PLACEMENTS WITH FINANCIAL INSTITUTIONS

Name	Placement Date	Maturity Date	Markup	2010	2009
				(Rupees in '000)	
Saudi Pak Leasing Company Limited - see note 7.1	January 1, 2009	December 31, 2009	13.24%	**150,000**	170,000
IGI Investment Bank Limited - unsecured	June 10, 2009	July 10, 2009	13.50%	-	15,000
Bank Al Falah Limited - unsecured	June 8, 2009	July 8, 2009	13.80%	-	80,000
				150,000	265,000
Less: Provision for impairment				**(28,000)**	-
				122,000	265,000

7.1 Upto August 2009 the payments were received from Saudi Pak Leasing Company Limited (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 and thereafter no further accrual of profit has been made.

SPLCL through its letter dated December 17, 2009 has advised about its inability to comply with the aforementioned repayment schedule and has proposed certain repayment options for the settlement of this placement which are at present under consideration of the Management Company.

In accordance with the requirements of International Accounting Standard 39 'Financial Instruments: Recognition and Measurement' the management has determined the recoverable amount of such investment by applying the discounted cashflow technique and using the proposed repayment schedule. Accordingly, an impairment charge of Rs 28 million has been recognised as at June 30, 2010.

7.2 As at June 30, 2010, the placement with financial institution represents 15.07% and 15% of net and total assets of the Fund.

8. INVESTMENTS

'Financial assets at fair value through profit or loss' - upon initial recognition

	Note	2010	2009
		(Rupees in '000)	
Shares of listed companies	8.1	-	1,840
Sukuk certificates	8.2	**234,352**	297,595
Term finance certificates	8.3	**345,697**	633,394
		580,049	932,829

8.1 Shares of listed companies

Name of the investee company	As at June 30, 2009	Bonus / right issue	Sales during the year	As at June 30, 2010	Cost as at June 30, 2010	Market value as at June 30, 2010	Percentage of total investments
	Number of shares				(Rupees in '000)		%
Financial Services							
Arif Habib Securities Limited	19,079	-	19,079	-	-	-	-
First National Equities Limited	47	-	47	-	-	-	-
Jahangir Siddiqui & Company Limited	11,393	-	11,393	-	-	-	-
Banks							
Bank Al Falah Limited	26,843	-	26,843	-	-	-	-
The Bank of Punjab - connected person	46,522	-	46,522	-	-	-	-
Non Life Insurance							
Adamjee Insurance Company Limited	1,753	-	1,753	-	-	-	-
Real Estate Investment And Services							
Pace (Pakistan) Limited	19,105	-	19,105	-	-	-	-

8.2 Sukuk certificates

Name of the investee company	Maturity	Mark-up rate	Balance as at July 1, 2009	Purchases during the year	Sales / redemptions during the year	Balance as at June 30, 2010	Amortised cost as at June 30, 2010	Fair value as at June 30, 2010 - net of provision (see note 5.1.4)	Percentage of net assets on the basis of fair value
			------------- Number of certificates --------------				----- (Rupees in '000) -----		---- % ----
Kohat Cement Company Limited (see note 8.2.1)	December 20, 2015	3 months KIBOR plus base rate of 1.80%	23,000	-	-	23,000	111,090	83,318	14.36
New Allied Electronics Industries (Private) Limited - secured (see note 8.2.2)	July 25, 2012	3 months KIBOR plus base rate of 2.60%	192,000	-	-	192,000	60,104	-	-
Pak Elektron Limited - secured	September 28, 2012	3 months KIBOR plus base rate of 1.75%	1,500	-	-	1,500	4,840	4,726	0.81
House Building Finance Corporation Limited - secured	May 8, 2014	6 months KIBOR plus base rate of 1.00%	22,500	-	-	22,500	90,000	85,766	14.79
B.R.R Guardian Modarba - secured	July 7, 2014	6 months KIBOR plus base rate of 1.30%	6,300	-	-	6,300	31,500	27,542	4.75
Three Stars Hosiery Mills Limited - secured (see note 8.2.3)	August 5, 2013	3 months KIBOR plus base rate of 3.25%	12,000	-	-	12,000	60,000	33,000	5.69
							357,534	234,352	40.40

8.2.1 On December 20, 2009, i.e. the scheduled redemption date in accordance with the revised repayment terms implemented through supplemental trust deed dated May 11, 2009, accrued profit aggregating Rs 7.615 million relating to the period June 20 to December 19, 2009 alongwith the principal repayment of Rs 340 per certificate (aggregating Rs 7.820 million) was not received by the Fund.

Further, on February 15, 2010 a 'master addendum transaction documents' (the master addendum) was signed between Kohat Cement Company Limited and the trustee of the issue whereby certain terms included in the first supplement trust deed dated May 11, 2009 were amended, including the repayment period which was extended from June 20, 2013 to December 20, 2015.

As the first two installments aggregating Rs 2.3 million in accordance with the master addendum due on March 20 and June 20, 2010 were received on a timely basis on March 24 and June 24, 2010, therefore, these sukuk certificates have been re-classified as 'performing' in accordance with the requirements of Circulars No. 1 and 3 and the provision of Rs 106.318 million relating to these sukuk certificates has been reversed.

8.2.2 On October 25, 2008, i.e. the scheduled redemption date, principal repayment of Rs 19.5313 per certificate (aggregating Rs 3.750 million) was not received by the Fund. Further, subsequent principal redemptions of Rs 22.500 million alongwith mark up due on January 25, April 25, July 25 and

October 25, 2009 and January 25 and April 25, 2010 were also not received by the Fund. Accordingly, the Management Company in accordance with the requirements of Circular No. 1, has fully provided for the Fund's investment in such sukuk certificates resulting in aggregate provision of Rs 60 million as at June 30, 2010.

8.2.3 On August 5, 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. Accordingly, accrued profit Rs 0.674 million has been reversed and no profit has been accrued thereafter. Further, an amount of Rs 27 million has been provided for against the outstanding principal as at June 30, 2010.

8.3 Term finance certificates

Name of the investee company	Maturity	Profit rate	Balance as at July 1, 2009	Purchases during the year	Sales / redemptions during the year	Balance as at June 30, 2010	Amortised cost as at June 30, 2010	Fair value as at June 30, 2010 - net of provision (see note 5.1.4)	Percentage of net assets on the basis of fair value
			-------------- Number of certificates ------------				-- (Rupees in '000) --		---- % ----
Engro Chemical Limited - secured	November 30, 2015	6 months KIBOR plus base rate of 1.55%	6,403	-	6,403	-	-	-	-
Pak American Fertilizers Limited - secured (see note 8.3.1)	November 28, 2014	6 months KIBOR plus base rate of 1.75%	16,800	-	-	16,800	84,175	52,878	9.12
Azgard Nine Limited - secured (see note 8.3.2)	December 4, 2014	6 months KIBOR plus base rate of 2.25%	7,500	-	-	7,500	37,540	23,606	4.06
Pak Arab Fertilizers Limited - secured	February 28, 2013	6 months KIBOR plus base rate of 1.50%	15,846	-	15,846	-	-	-	-
NIB Bank Limited - unsecured	March 5, 2016	6 months KIBOR plus base rate of 1.15%	-	5,000	5,000	-	-	-	-
Pakistan Mobile Communication Limited - secured	October 28, 2013	6 months KIBOR plus base rate of 1.65%	40,000	-	2,500	37,500	187,347	162,336	27.99
World Call Telecom Limited - secured	October 7, 2013	6 months KIBOR plus base rate of 1.60%	15,250	-	5,000	10,250	51,219	48,665	8.39
Gharibwal Cement Limited - secured (see note 8.3.3)	January 18, 2013	6 months KIBOR plus base rate of 3.00%	8,000	-	-	8,000	39,968	21,982	3.79
Pak Hy Oils Limited - secured (see note 8.3.4)	December 1, 2013	6 months KIBOR plus base rate of 2.25%	3,923	-	-	3,923	19,615	13,730	2.37
Vision Developers (Private) Limited - secured	November 30, 2013	6 months KIBOR plus base rate of 2.50%	6,000	-	-	6,000	30,000	22,500	3.88
Orix Leasing Pakistan Limited - secured	May 25, 2012	6 months KIBOR plus base rate of 1.50%	5,000	-	5,000	-	-	-	-
Bank Al Habib Limited - unsecured	June 15, 2017	15.50% per annum	10,000	-	10,000	-	-	-	-
							449,864	345,697	59.60

8.3.1 On May 29, 2010, i.e. the scheduled redemption date, principal repayment of Rs 499.6 per certificate (aggregating Rs 8.393 million) and accrued profit aggregating Rs 5.894 million were not received by the Fund. In accordance with the requirements of Circular No. 1 the sukuk certificates have been classified as 'non performing assets'. Accordingly principal repayment of Rs 8.393 million was provided for and accrued profit of Rs 5.894 million was reversed and no further profit has been accrued thereafter. Further, an amount of Rs 22.662 million has been provided for against the outstanding principal.

8.3.2 On June 4, 2010, i.e. the scheduled redemption date, principal repayment of Re 499.6 per certificate (aggregating Rs 3.747 million) and accrued profit aggregating Rs 2.739 million were not received by the Fund. In accordance with the requirements of Circular No. 1 the term finance certificates have been classified as 'non performing assets'. Accordingly principal repayment of Rs 3.747 million was provided for and accrued profit of Rs 2.739 million was reversed and no further profit has been accrued thereafter. Further, an amount of Rs 10.117 million has been provided for against the outstanding principal.

8.3.3 On July 18, 2009, i.e. the scheduled redemption date, principal repayment of Re 1 per certificate (aggregating Rs 0.008 million) and accrued profit aggregating Rs 3.286 million were not received by the Fund. In accordance with the requirements of the Circular No. 1 the sukuk certificates have been classified as 'non performing assets'. Accordingly principal repayment of Rs 0.008 million was provided for and accrued profit of Rs 3.286 million was reversed and no further profit has been accrued thereafter. Further, an amount of Rs 17.986 million has been provided for against the outstanding principal.

8.3.4 On December 1, 2009, i.e. the scheduled redemption date, accrued profit aggregating Rs 1.573 million was not received by the Fund. In accordance with the requirements of the Circular No. 1 the sukuk certificates have been classified as 'non performing assets'. Accordingly accrued profit of Rs 1.573 million was reversed and no further profit has been accrued thereafter. Further, an amount of Rs 5.885 million has been provided for against the outstanding principal.

8.4 Following investments of the Fund are in sukuk and term finance certificates which are below 'investment grade' securities:

Name of Investee Company	Type of investments	Value of investment before provision	Provision held	Value of investment after provision	Percentage of net assets	Percentage of total assets
		----------------	Rs '000	-------------------	---------%	--------
Kohat Cement Company Limited	Non-traded sukuk certificates	83,318	-	83,318	10.29	10.24
New Allied Electronics Industries (Private) Limited	- do -	60,000	60,000	-	-	-
Three Stars Hosiery Mills Limited	- do -	60,000	27,000	33,000	4.08	4.06
Pak American Fertilizers Limited	Non-traded term finance certificates	83,933	31,055	52,878	6.53	6.50
Azgard Nine Limited	- do -	37,470	13,864	23,606	2.92	2.90
Gharibwal Cement Limited	- do -	39,968	17,986	21,982	2.72	2.70
Pak Hy Oils Limited	- do -	19,615	5,885	13,730	1.70	1.69
Vision Developers (Private) Limited	- do -	22,500	-	22,500	2.78	2.77
		406,804	155,790	251,014	31.02	30.86

8.4.1 As at June 30, 2010, the Fund's investments in non-traded sukuk and term finance certificates represent 51.6% and 51.35% of net and total assets of the Fund.

	Note	2010	2009
		(Rupees in '000)	

9. PROFIT RECEIVABLE

On sukuk and term finance certificates		**11,298**	28,005
On placements with financial institutions		**-**	3,249
On deposit accounts with banks		**2,073**	1,562
		13,371	32,816

10. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Security deposits with Central Depository Company of Pakistan Limited		**100**	100
Security deposits with National Clearing Company of Pakistan Limited		**-**	2,500
Prepayments		**-**	68
Other receivables		**726**	-
		826	2,668

11. PRELIMINARY EXPENSES AND FLOATATION COST

Preliminary expenses and floatation cost - opening balance		**2,237**	2,983
Less: amortisation for the year		**(746)**	(746)
		1,491	2,237

12. PAYABLE TO PAK OMAN ASSET MANAGEMENT COMPANY LIMITED - MANAGEMENT COMPANY OF THE FUND AS AT JUNE 30, 2010

Remuneration	12.1	**212**	2,264
Preliminary expenses and floatation cost		**2,237**	2,983
		2,449	5,247

12.1 The remuneration of the Management Company is being charged at a rate of 2% (2009: 2%) on average annual net assets of the Fund.

13. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE OF THE FUND

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

14. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents proportionate annual fee at a rate of 0.075% (2009: 0.075%) of the average annual net assets of the Fund payable to the SECP under regulation 62 of the NBFC Regulations 2008.

15. ACCRUED EXPENSES AND OTHER LIABILITIES

	2010	2009
	(Rupees in '000)	
Auditors' remuneration	**450**	350
Others	**164**	350
	614	700

15.1 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) whereby the definition of "Industrial Establishment" was amended to include therein any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it may be construed that all Collective Investment Schemes (CIS) whose income exceeds Rs 0.5 million in a tax year have been brought within the purview and 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. During the current year, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the High Court of Sindh praying it to declare that CIS are not liable to pay contribution to the WWF on the ground that CIS do not have any workers or employees. The petition of MUFAP was dismissed based on some technical grounds. However, the Management Company has decided to recognise WWF charge in the books of the Fund.

16. CLASSES OF UNITS IN ISSUE

16.1 The Fund has issued the following classes of units:

Class	Description
A	Units issued to the core investor (Bank of Punjab) with no sales load. These units cannot be redeemed for a period of two years from the date of closure of Initial Offer.
B	Units issued to Pre-IPO and IPO investors with no front-end load
C	Units issued after the IPO

16.2 As per the First Supplemental Trust Deed dated May 26, 2008, Management Company of the Fund may issue the following classes of units:

- Growth units which shall be entitled to bonus units in case of any distribution by the Fund. Bonus units issued to growth unitholders shall also be the growth units.

- Income units which shall be entitled to cash dividend in case of any distribution by the Fund.

16.3 The units in issue as at June 30, 2010 and 2009 in each class and their par values were as follows:

Class	2010 Number of units in issue	2010 (Rs '000)	2009 Number of units in issue	2009 (Rs '000)
A				
- Income units	**5,000,000**	**250,000**	5,000,000	250,000
B				
- Growth units	**3,014,544**	**150,727**	6,755,850	337,793
- Income units	**9,370,315**	**468,516**	10,379,942	518,997
C				
- Growth units	**4,168**	**208**	4,842,646	242,132
Total	**17,389,027**	**869,451**	26,978,438	1,348,922

The par value of each unit is Rs 50. The management company of the Fund has set a minimum initial investment limit of Rs 5,000. All units carry equal rights and are entitled to dividends and payment of net asset value on liquidation.

17. AUDITORS' REMUNERATION

	Note	2010 (Rupees in '000)	2009 (Rupees in '000)
Annual audit fee		**365**	265
Half year review fee		**150**	150
Others		**85**	85
Out of pocket expenses		**70**	76
		670	576

18. CASH AND CASH EQUIVALENTS

	Note	2010	2009
Balances with banks	6	**95,636**	139,280
Placements with financial institutions	7	**-**	95,000
		95,636	234,280

19. TRANSACTIONS WITH CONNECTED PERSONS

The connected persons include Pak Oman Asset Management Company Limited being the Management Company as at June 30, 2010, Central Depository Company of Pakistan Limited being the Trustee, Pak Oman Investment Company Limited being the holding company of Management Company as at June 30, 2010, The Bank of Punjab (core investor) being holders of more than ten percent of the units of the Fund outstanding as on June 30, 2010 and executives of the Management Company.

Transactions with connected persons are entered into in the normal course of business, at contracted rates and terms determined in accordance with market rates. The remuneration to the Management Company and the Trustee is payable in accordance with the NBFC Regulations.

Details of transactions with connected persons and balance with them at year end are as follows:

	2010		2009	
	(Units)	**(Rs in '000)**	(Units)	(Rs in '000)
Units outstanding at the beginning of the year:				
Pak Oman Investment Company Limited	**3,003,542**	**152,247**	5,832,037	311,477
The Bank of Punjab	**14,370,315**	**728,418**	14,370,315	767,490
National Industrial Parks Development and Management Company Limited	**3,226,487**	**163,548**	3,039,469	162,332
Pak Oman Asset Management Company Limited - Provident Fund	**16,195**	**821**	-	-
Executives	**9,652**	**489**	975	52
Units sold to:				
Pak Oman Investment Company Limited	**-**	**-**	3,234,334	150,000
Pak Oman Asset Management Company Limited	**-**	**-**	928,256	48,000
Pak Oman Asset Management Company Limited	**-**	**-**	32,442	1,608
Executives	**16,625**	**851**	9,652	489
Bonus units issued to:				
Pak Oman Investment Company Limited	**11,002**	**556**	358,843	18,054
The Bank of Punjab	**-**	**-**	884,201	44,486
National Industrial Parks Development and Management Company Limited	**11,819**	**597**	187,018	9,409
Pak Oman Asset Management Company Limited	**59**	**3**	-	-
Executives	**35**	**2**	60	3
Units redeemed by:				
Pak Oman Investment Company Limited	**-**	**-**	6,421,672	300,000
The Bank of Punjab	**-**	**-**	884,201	44,486
National Industrial Parks Development and Management Company Limited	**3,238,306**	**164,568**	-	-
Pak Oman Asset Management Company Limited	**-**	**-**	928,256	48,188
Pak Oman Asset Management Company Limited	**16,254**	**829**	16,247	796
Executives	**26,312**	**1,345**	1,035	51
Units outstanding at the end of the year:				
Pak Oman Investment Company Limited	**3,014,544**	**140,328**	3,003,542	152,247
The Bank of Punjab	**14,370,315**	**668,944**	14,370,315	728,418
National Industrial Parks Development and Management Company Limited	**-**	**-**	3,226,487	163,548
Pak Oman Asset Management Company Limited	**-**	**-**	16,195	821
Executives	**-**	**-**	9,652	489

	2010	2009
	(Rupees in '000)	
Pak Oman Asset Management Company Limited - Management Company of the Fund as at June 30, 2010		
Remuneration for the year	**19,076**	25,200
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration for the year	**1,833**	2,449
CDS charges	**7**	65
	1,840	2,514
The Bank of Punjab		
Deposit with bank	**5**	138,293
Profit on bank deposit	**-**	9,941
Pak Oman Advantage Stock Fund - fund managed by the same management company		
Sale of sukuk certificates	**-**	10,324
Sale of term finance certificates	**-**	43,558
	-	53,882
Pak Oman Advantage Islamic Fund - fund managed by the same management company		
Sale of sukuk certificates	**-**	10,548
Pak Oman Advantage Islamic Income Fund - fund managed by the same management company		
Sale of sukuk certificates	**-**	21,096
Pak Oman Advantage Fund - fund managed by the same management company		
Sale of sukuk certificates	**-**	72,525
Sale of term finance certificates	**-**	156,950
	-	229,475

The status of outstanding balances with connected persons as at June 30, 2010 and 2009 is stated in 'Statement of assets and liabilities'.

20. RISK MANAGEMENT

The Fund primarily invests in a portfolio of money market and debt instruments. Such investments are subject to varying degrees of risk. These risks emanates from various factors that include, but are not limited to:

20.1 Market risk

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

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

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

20.1.1 Currency risk

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

20.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

- Cash flow sensitivity analysis for variable rate instruments

  Presently, the Fund holds KIBOR based interest bearing sukuk and term finance certificates that expose the Fund to cash flow interest rate risk. In case of 50 basis points increase / decrease in KIBOR on June 30, 2010, with all other variables held constant, the net assets of the Fund would have been higher / lower by Rs 4.036 million (2009: Rs 5.262 million) primarily as a result of mark up income.

- Fair value sensitivity analysis for variable rate instruments

  Presently, the Fund holds KIBOR based interest bearing sukuk and term finance certificates that expose the Fund to cash flow interest rate risk. In case of 50 basis points increase / decrease in KIBOR on June 30, 2010, with all other variables held constant, the net assets of the Fund would have been higher / lower by Rs 1.088 million (2009: Rs 2.021 million) primarily as a result of fair value movement.

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Mutual Funds Association of Pakistan (MUFAP) is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2010 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

20.1.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Fund's other price risk is represented by equity price risk. At present the fund is not exposed to price risk as its investment in equity instruments as at June 30, 2010 is nil.

20.2 Credit risk

Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of reverse repurchase transactions and receivable against continuous funding system or other arrangements, to fulfill their obligations. The risk is generally limited to principal amounts and accrued interest thereon, if any.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits, obtaining adequate collaterals and by following strict credit evaluation criteria laid down by the management. The Fund does not expect to incur material credit losses on its financial assets.

The analysis below summarises the credit quality of the Fund's performing investment in sukuk and term finance certificates as at June 30, 2010 and 2009:

Debt securities by rating	**Percentage of total debt**	
	2010	2009
AA	**-**	52.43
A	**17.51**	23.20
A +	**43.59**	-
BBB +	**4.75**	-
BBB	**-**	3.82
BB	**-**	4.83
Non rated	**18.24**	4.00

Further, an analysis of the credit quality of the Fund's placements in NBFCs and bank as at June 30, 2010 and 2009 are as follows:

Placements by rating	**Percentage of total debt**	
	2010	2009
A - 1 +	**-**	30.19
A - 1	**-**	5.66
A - 3	**-**	64.15
Non rated	**100.00**	-

Moreover, the analysis of the credit quality of the balances with banks maintained by the Fund are as follows:

Balances with banks by rating	**Percentage of total balances with banks**	
	2010	2009
A - 1 +	**2.77**	100.00
A - 1	**97.23**	-

20.2.1 The maximum exposure to credit risk before any credit enhancements as at June 30, 2009 is the carrying amount of the financial assets as set out in note 20.6.

20.3 Concentration of credit risk

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

20.4 Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments. The Fund is exposed to daily cash redemptions, if any. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The maximum amount of borrowing available to the Fund is restricted by the NBFC Regulations 2008 to fifteen percent of the net assets upto 90 days and should be secured by the assets of the Fund. The facility would bear interest at commercial rates.

The analysis below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts below represent the contractual undiscounted cash flows.

	2010	2009
	Total (Upto three	
	(Rupees in '000)	
Financial liabilities		
Payable to Pak Oman Asset Management Company Limited		
- Management Company of the Fund as at June 30, 2010	**2,449**	5,247
Payable to Central Depository Company of Pakistan Limited		
- Trustee of the Fund	**129**	198
Accrued expenses and other liabilities	**614**	700
	3,192	6,145

20.5 Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or 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.

The fair value of financial assets and liabilities traded in active markets (e.g. listed shares) are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by the Fund is the current bid price. The financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets (e.g. sukuks) that are not traded in an active market is determined with reference to the values quoted by MUFAP. The fair values quoted by MUFAP is calculated in accordance with valuation methodology prescribed by the Circular No. 1.

If a security is not quoted by MUFAP due to it being 'non-investment' grade, its values is determined by applying discount in accordance with the Circular No. 1. The estimated fair value of all other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

The Fund adopted the amendment to IFRS 7, effective July 1, 2009. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted price (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market date (i.e. unobservable inputs).

The following table analysis within the fair value hierarchy the Fund's financial assets (by class) measured at fair value at June 30, 2010:

Financial asset	**Level 1**	**Level 2**	**Level 3**
		(Rupees in '000)	
Financial assets 'at fair value through profit or loss upon initial recognition' - debt securities	-	329,035	251,014

The aforementioned table comprises of debt securities aggregating Rs 167.696 million which have been transferred during the year from level 2 to level 3.

20.6 Financial instruments by category

	Loans and receivables	Financial assets at fair value through profit or loss	Financial liabilities measured at amortised cost	Total
		2010		
On balance sheet - financial assets		(Rupees in '000)		
Balances with banks	95,636	-	-	95,636
Placements with financial institutions	122,000	-	-	122,000
Investments	-	580,049	-	580,049
Profit receivable	13,371	-	-	13,371
Deposits and other receivables	826	-	-	826
	231,833	580,049	-	811,882
On balance sheet - financial liabilities				
Payable to Pak Oman Asset Management Company Limited - Management Company of the Fund as at June 30, 2010	-	-	2,449	2,449
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	-	-	129	129
Accrued expenses and other liabilities	-	-	614	614
	-	-	3,192	3,192

On balance sheet - financial assets	2009			
	(Rupees in '000)			
Balances with banks	139,280	-	-	139,280
Placements with financial institutions	265,000	-	-	265,000
Investments	-	932,829	-	932,829
Receivable against sale of investments	93	-	-	93
Profit receivable	32,816	-	-	32,816
Deposits and other receivables	2,600	-	-	2,600
	439,789	932,829	-	1,372,618
On balance sheet - financial liabilities				
Payable to Pak Oman Asset Management Company Limited - Management Company of the Fund as at June 30, 2010	-	-	5,247	5,247
Payable to Central Depository Company of Pakistan Limited - Trustee of the Fund	-	-	198	198
Accrued expenses and other liabilities	-	-	700	700
	-	-	6,145	6,145

21. CAPITAL RISK MANAGEMENT

The capital of the Fund is represented by the net assets attributable to the unitholders of the Fund. The amount of net assets attributable to the unitholders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of the unitholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain or adjust the capital structure, the Fund performs the following:

(i) Monitors the level of daily issuance and redemptions relative to the liquid assets.

(ii) Primarily invests in liquid assets easily convertible into cash to mitigate liquidity risk.

22. UNIT HOLDING PATTERN OF THE FUND

Category	No. of unitholders	Investment (Rupees in '000)	Percentage of total investments %
	2010		
Individuals	4	53	0.01
Associated companies / directors	1	668,944	82.64
Banks / DFIs	2	140,328	17.34
Others	1	141	0.01
	8	809,466	100.00
	2009		
Individuals	44	9,761	0.71
Associated companies / directors	3	1,044,213	76.36
Banks / DFIs	4	228,963	16.74
NBFCs	1	2,036	0.15
Retirement funds	7	82,540	6.04
	59	1,367,513	100.00

23. LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION

2010	2009
KASB Securities Limited	KASB Securities Limited
Al Falah Securities (Private) Limited	JS Global Capital Limited
First Capital Securities Corporation	Invisor Securities (Private) Limited
JS Global Capital Limited	Intermarket Securities (Private) Limited
DJM Securities (Private) Limited	DJM Securities (Private) Limited
	Atlas Capital Markets (Private) Limited
	Global Securities Pakistan Limited
	Elixir Securities Pakistan (Private) Limited
	AMZ Securities (Private) Limited
	Growth Securities (Private) Limited

23.1 During the year ended June 30, 2010 transactions had taken place with only the five brokers mentioned above.

24. DETAILS OF MEMBERS OF BOARD INVESTMENT COMMITTEE

Members	Qualification	Experience
Mr. Ali Said Ali (Chairman)	MBA & B.Sc. Mechanical	23 years
Mr. Zafar Iqbal	FCA	21 years
Mr. Sulaiman Hammad Al Harty	MBA	21 years
Agha Ahmed Shah, Esq.,	MBA	26 years

25. DETAILS OF FUND MANAGER

Name	Qualification	Funds managed
Mr. Nabeel Malik	MBA	POBOP Advantage Plus Fund
		Pak Oman Advantage Fund
		Pak Oman Advantage Islamic Income Fund

26. DETAILS OF ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY (AS AT JUNE 30, 2010)

Name	Designation	Dates of Board of Directors meetings and directors present				
		July 6, 2009	August 18, 2009	October 20, 2009	February 9, 2010	April 18, 2010
H. E. Yahya Bin Said Bin Abdullah Al-Jabri	Chairman	P	P	P	P	P
Mr. Zafar Iqbal	Director	O	P	P	P	P
Mr. Javed Mahmood	Director	O	P	O	P	P
Mr. Sulaiman Hammad Al Harty	Director	O	P	P	P	P
Mr. Ali Said Ali	Director	P	P	P	P	P
Mr. Humayun Murad	Director	O	P	O	O	P
Agha Ahmed Shah, Esq.,	Director	P	P	P	P	P
Maj. General Imtiaz Ahmed, Esq.,	Director	O	O	O	O	O
Mr. Parveiz Usman	Director	O	P	O	O	P
Ms. Hina Ghazanfar	MD & CEO	P	P	P	O	P

27. RATING OF THE FUND AND THE MANAGEMENT COMPANY (AS AT JUNE 30, 2010)

The Fund's stability rating is 'A-', as assigned by PACRA.

JCR-VIS has assigned an AM3 rating to the Management Company which is defined as good management quality.

28. PERFORMANCE TABLE

	2010	2009	2008
Details of total net assets and net asset value per unit			
- Net assets as at year / period end (Rupees in '000)	809,466	1,367,513	2,281,129
- Net asset value per unit as at year / period end (Rupees)	46.5504	50.6891	53.4080
Selling price per unit as at year / period end (Rupees)	47.0206	51.2011	53.9475
Repurchase price per unit as at year / period end (Rupees)	46.5504	50.6891	53.4080
Highest selling price per unit during the year / period (Rupees)	52.1954	52.8675	53.9475
Lowest selling price per unit during the year / period (Rupees)	43.0271	45.9320	50.0100
Highest repurchase price per unit during the year / period (Rupees)	51.6734	52.3388	53.4080
Lowest repurchase price per unit during the year / period (Rupees)	42.5968	45.9320	50.0100
Return of the fund annualised	-7.83%	0.75%	10.02%
Income distribution (Rupees in '000)	-	2,845	47,612
Growth distribution (Rupees in '000)	-	2,146	84,610
Distribution per unit (Rupees)	-	0.1850	3.0957
Distribution date	-	July 6, 2009	July 7, 2008
Fund's launch date		October 25, 2007	
	Three years	Two years	One year
Average annual return (%)	-0.13%	4.50%	10.02%

Investment portfolio composition of the Fund

	2010		2009	
	(Rs in '000)	**Percentage of total investment**	(Rs in '000)	Percentage of total investment
Shares				
- Financial services	-	-	791	0.08
- Banks	-	-	795	0.09
- Non life insurance	-	-	147	0.02
- Real estate investment and services	-	-	107	0.01
	-	-	1,840	0.20
Sukuk certificates				
- Construction and materials	83,318	14.36	77,452	8.30
- Household goods	4,726	0.81	6,830	0.73
- Others	146,308	25.22	213,313	22.87
	234,352	40.39	297,595	31.90
Term finance certificates				
- Chemicals	52,878	9.12	112,894	12.10
- Personal goods	23,606	4.07	36,952	3.96
- Fixed line telecommunication	48,665	8.39	72,557	7.78
- Construction and materials	21,982	3.79	35,562	3.81
- Banks	-	-	50,000	5.36
- Financial Services	-	-	20,644	2.21
- Others	198,566	34.24	304,785	32.68
	345,697	59.61	633,394	67.90
Total	580,049	100.00	932,829	100.00

28.1 Past performance of the Fund is not necessarily indicative of future performance and that unit prices and investment returns may go down as well as up.

28.2 Weighted average portfolio duration of the Fund is 2.94 months (2009: 3.48 months).

29. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on **24 August 2010** by the Board of Directors of the Management Company.

For IGI Funds Limited
(Management Company)

Chief Executive **Director**