

## Contents

Fund's Information	01
Directors' Report	02
Statement of Assets and Liabilities	05
Income Statement	06
Distribution Statement	07
Statement of Movement in Unit Holders' Fund	08
Cash Flow Statement	09
Notes to the Financial Statements	10

## Fund's Information

### Management Company

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

### Board of Directors of the Management Company

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

### Chief Financial Officer & Company Secretary

Mirza Mahmood ul Hasan

### Trustee

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

### Distributors

IGI Investment Bank Limited  
Foundation Securites (Pvt) Limited  
Atlas Capital Markets (Pvt) Limited  
Pak Oman Investment Company  
KASB Securities

### Auditors

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

### Legal Advisor

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

### Bankers

Allied Bank Limited  
Prime Commercial Bank Limited  
MCB Bank Limited  
NIB Bank Limited  
KASB Bank Limited  
Bank Alfalah Limited  
Bank of Khyber  
Crescent Commercial Bank  
Atlas Bank Limited  
JS Bank Limited

### Audit Committee

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

## Directors' Report

The Board of Directors of IGI Funds Limited is pleased to presents to you the first quarterly financial statements of IGI Income Fund for the period ended September 30, 2007.

### Money Market

A very significant event for the first quarter of FY08 with respect to the financial institutions and markets was the announcement of the half yearly Monetary Policy Statement by the State Bank of Pakistan that dictates the SBP's game plan to achieve set targets in line with the budget forecasts. The SBP further tightened its monetary stance by increasing the discount rate by 50 bps from 9.50% to 10.00%. SBP expects many challenges during FY08 like monetary stress generated from capital inflows, sizeable demand pressures emanating from fiscal and external imbalances, distortions from SBP refinancing schemes as well as the impact of supply side factors like oil prices, food inflation, etc. In order to address these challenges and to allow greater scope for private sector growth, it has introduced some strategic changes in this Monetary Policy.

Money market remained under the influence of heavy borrowing and the overnight rates remained close to the discount rate. The taut market situation left borrowers with a Hobson's choice; by making frequent visits to the SBP's discount window. The SBP conducted its scheduled T-Bill auctions on the fortnightly basis, for the period under review to raise PKR 212 billion, almost 95% of the amount was raised though the 12-month bill. A PIB auction was held in the later part of August to raise PKR15.98 billion and during the process SBP increased the cut-off yields on all tenures by 8.5 to 37 bps.

Consumer Price Index (CPI) for the first two months of FY08 remained under control (July 6.4% and August 6.5%) however in September 13% food inflation did not let the CPI to settle in comfortable zone that stood at 8.4% taking the year to date average at 7.1%. Meanwhile core inflation remained at around 5%, thanks to tight monetary policy of the SBP. As the food and international oil prices are on the rise we expect the food inflation to keep CPI above the targeted levels.

Foreign Reserves were able to break and move beyond US\$16.12 billion. The SBP held more than 85% share of the total reserves in the country at US\$13.866 billion and rest were maintained by scheduled commercial banks. Workers' remittances again registered a strong year on year growth of 21% for the first two months of FY08 and stood at US\$ 985 million as against US\$ 812 million last year. As far as foreign investment is concerned the Special Convertible Rupee Account (SCRA) showed a negative balance of US\$5 million for the period under review mainly due to profit taking by foreign investors in the stock market. Current SCRA balance stands at US\$ 157 million and major contributors for the inflows were USA, UK and Hong Kong.

Broad Money (M2) for the period under review stood at PKR 58.69 billion as against PKR 24.69 billion in the corresponding period last year. Major increase in the position

## Directors' Report

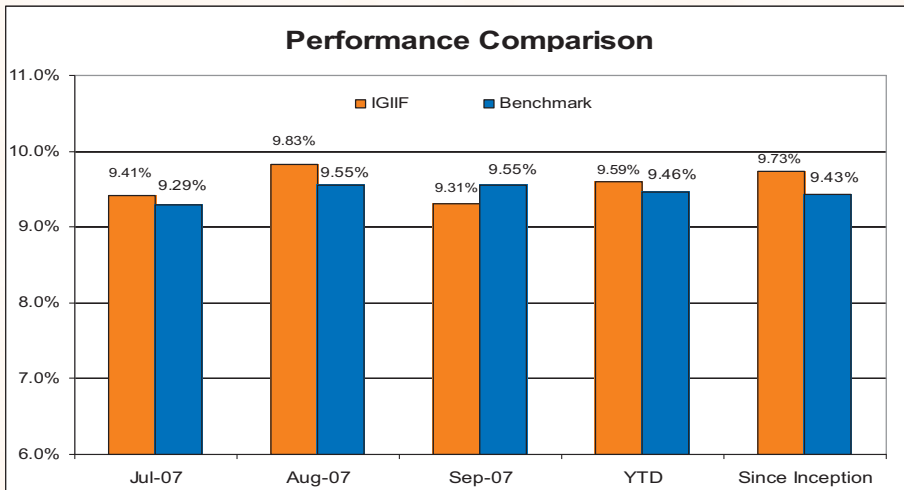
over last year was largely contributed by Total Demand & Time Deposits (excluding inter-bank deposits, deposit of government and foreign constituents).

### Fund Operations and Performance

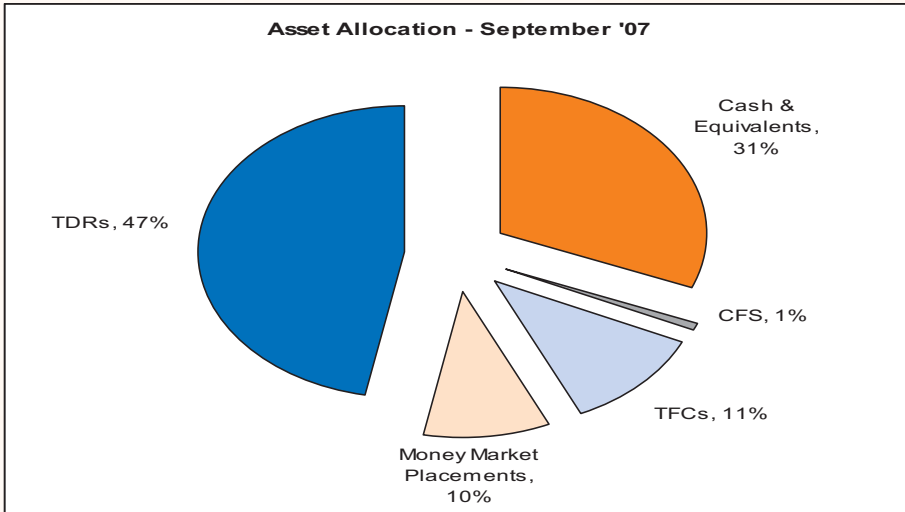
During the first quarter of the financial year 2007-08, the fund under management has increased to Rs. 3,156.64 million as against Rs. 1,677.58 million as at June 30, 2007, representing an increase of 88%. The Fund earned net income of Rs. 71.66 million for the period which translated into income per unit of Rs 2.33. Net Asset Value concluded at Rs. 102.51 with 30,792,277 units outstanding as on September 30, 2007. The key financial data of the Fund are as follows:

Net Assets at the end of financial year	Rs.3,156.64 mn
Net income for the period	Rs.71.66 mn
Income per unit	Rs.2.33
Net Asset Value per unit as on September 30, 2007	Rs.102.51
Sale of units during the period	Rs.2,612.99 mn
Redemption of units during the period	Rs.1,185.82 mn

Following are the graphs reflecting Fund's performance and asset allocation;



## Directors' Report



### Future Outlook

Your fund is poised for further growth in Net Assets and adding to its already prestigious list of investors. For FY08, IGIIF plans to introduce several new initiatives and product functionalities which will add to the attractiveness of investing in the IGI Income Fund.

### Acknowledgement

We would like to thank our valued unit holders for their confidence and trust in IGI Funds Limited. We would also place on record our acknowledgement to the Central Depository Company of Pakistan Limited – The Trustee of IGI Income Fund for their continued support and co-operation. The Board would also like to take this opportunity to express its appreciation to the employees of the company and our Group Companies for their dedication, commitment and hard work for the Company.

For or on behalf of the Board

Ali Azam Shirazee  
 Chief Executive Officer  
 Karachi: October 22, 2007

## IGI Income Fund

### Statement of Assets and Liabilities (Unaudited) As at September 30, 2007

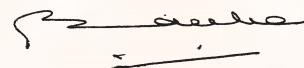
	Note	September 2007	June 2007 (Audited)
		Rupees	
<b>ASSETS</b>			
Bank balances		970,773,538	660,896,087
Balance receivable against continuous funding system		-	45,985,430
Investments	5	2,145,058,493	950,000,000
Deferred formation cost		3,265,556	3,447,256
Security deposits		1,100,000	1,100,000
Prepayments and other receivables		192,243,351	26,110,054
<b>Total assets</b>		<b>3,312,440,938</b>	<b>1,687,538,827</b>
<b>LIABILITIES</b>			
Amount payable on redemption of units		151,553,900	2,945,966
Payable to the Management Company		2,776,894	6,388,260
Remuneration payable to the Trustee		304,131	213,913
Annual Fee payable to Securities and Exchange Commission of Pakistan		848,004	301,590
Accrued and other liabilities		322,591	113,092
<b>Total liabilities</b>		<b>155,805,520</b>	<b>9,962,821</b>
Commitments	6	-	-
<b>Net assets attributable to unitholders</b>		<b>3,156,635,418</b>	<b>1,677,576,006</b>
<b>Unit holders' funds (as per statement attached)</b>		<b>3,156,635,418</b>	<b>1,677,576,006</b>
<b>Number of units in issue</b>		<b>30,792,277</b>	<b>16,440,481</b>
<b>Net assets value per unit</b>		<b>102.51</b>	<b>102.04</b>

The annexed notes 1 to 9 form an integral part of these financial statements.

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



\_\_\_\_\_  
Chief Executive



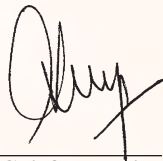
\_\_\_\_\_  
Director

## IGI Income Fund

**Income Statement (Unaudited)  
For the quarter ended September 30, 2007**

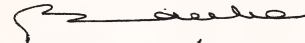
	Note	September 2007 Rupees
<b>INCOME</b>		
Interest/ mark up income	7	58,434,827
Income from equity securities (spread transactions)		354,556
Unrealized gain on investments		1,924,584
Element of income and capital gains included in prices of units sold less those in units redeemed-net		<u>19,765,428</u>
<b>Total Income</b>		<b>80,479,395</b>
<b>EXPENSES</b>		
Remuneration to the Management Company		6,830,156
Remuneration to the Trustee		797,801
Annual Fee to Securities and Exchange Commission of Pakistan		546,414
Brokerage expense and capital value tax		403,227
Bank and settlement charges		25,148
Amortization of deferred formation cost		181,700
Auditors' remuneration		16,376
NCCPL charges		<u>20,520</u>
<b>Total Expenses</b>		<b>8,821,342</b>
<b>Net income for the period</b>		<u><u>71,658,053</u></u>
 Net income per unit		 <u><u>2.33</u></u>

The annexed notes 1 to 9 form an integral part of these financial statements.



**Chief Executive**

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



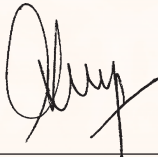
**Director**

**Distribution Statement (Unaudited)**  
**For the quarter ended September 30, 2007**

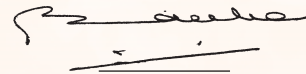
	<b>September 2007 Rupees</b>
Undistributed income brought forward	32,980,379
Final distribution of bonus units for the year ended June 30, 2007	(31,990,979)
Net income for the period	<u>71,658,053</u>
<b>Undistributed income carried forward</b>	<b><u><u>72,647,453</u></u></b>

The annexed notes 1 to 9 form an integral part of these financial statements.

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



**Chief Executive**



**Director**



**Cash Flow Statement (Unaudited)**  
**For the quarter ended September 30, 2007**

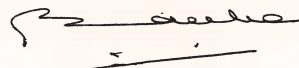
	<b>September 2007 Rupees</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Net income for the period	71,658,053
<b>Adjustments for:</b>	
Income from equity securities (spread transactions)	(354,556)
Deferred formation cost	181,700
Unrealized (gain) / loss on investments	(1,924,584)
Element of income and capital gain included in prices of units sold less those in units redeemed-net	(19,765,428)
	(21,862,868)
<b>Cash flows from operation before working capital changes</b>	49,795,185
<b>(Increase) / decrease in assets</b>	
Balance receivable against continuous funding system	45,985,430
Receivable against interest / mark up	(11,308,671)
Receivable against sale of securities	(4,904,627)
Receivable against issue of units	(149,920,000)
<b>Increase / (decrease) in liabilities</b>	
Payable to Management Company	(3,611,366)
Remuneration payable to the Trustee	90,218
Payable on redemption of units	148,607,934
Annual fee to Securities & Exchange Commission of Pakistan	546,414
Accrued and other liabilities	209,499
	25,694,831
<b>Net cash flows from operating activities</b>	75,490,016
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Proceeds from sale of investments	156,347,622
Purchase of investments	(1,349,126,974)
<b>Net cash flows from investing activities</b>	(1,192,779,352)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Amounts received on issue of units	2,612,987,000
Payment against redemption of units	(1,185,820,213)
<b>Net cash flows from financing activities</b>	1,427,166,787
<b>Net increase in cash and cash equivalents</b>	309,877,451
Cash and cash equivalents at beginning of the period	660,896,087
<b>Cash and cash equivalents at end of the period</b>	970,773,538

The annexed notes 1 to 9 form an integral part of these financial statements.



**Chief Executive**

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



**Director**

## IGI Income Fund

### Notes to the Financial Statements (Unaudited) For the quarter ended September 30, 2007

#### 1. LEGAL STATUS AND NATURE OF BUSINESS

IGI Income Fund (the Fund) has been constituted under Trust Deed dated 18 December 2006 between IGI Funds Limited (IGIFL) as Management Company, incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited (CDC) as the Trustee incorporated under the Companies Ordinance, 1984. The Fund has been established under the Rule of business applicable to open ended mutual fund of the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003 and has been approved by the Securities and Exchange Commission of Pakistan (SECP) on 16 March 2007.

The Fund invests primarily in fixed-rate securities and other avenues of investment, which include corporate debt securities and government securities, spread transactions, repurchase agreements and transactions under continuous funding system.

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

#### 2. STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with the requirements of the Trust Deed, the Non - Banking Finance Companies (Establishment & Regulation) Rules, 2003, directives issued by the SECP and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Non - Banking Finance Companies (Establishment & Regulation) Rules, 2003 and the said directives differ with the requirements of these standards, the requirements of the Non - Banking Finance Companies (Establishment & Regulation) Rules, 2003 and the said directives take precedence.

#### 3. BASIS OF PREPARATION

3.1 These financial statements have been prepared under the historical cost convention, except that investments which are stated at fair values. The financial statement are prepared in Pakistan Rupees, which is also the functional currency of the Fund.

3.2 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.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

- 4.1 The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Fund for the period ended June 30, 2007.

September 2007	June 2007
Rupees	

#### 5. INVESTMENTS

##### Financial assets at fair value through profit and loss

*Financial assets designated at the inception at fair value*

Application money for subscription of term finance certificates	5.1	257,000,000	50,000,000
Issued, subscribed and paid term finance certificates	5.2	<u>88,058,493</u>	<u>-</u>
		345,058,493	50,000,000

##### Held to maturity

Certificate of musharika	5.3	275,000,000	175,000,000
Certificate of investments	5.4	50,000,000	-
Term deposits receipts	5.5	<u>1,475,000,000</u>	<u>725,000,000</u>
		<u><u>2,145,058,493</u></u>	<u><u>950,000,000</u></u>

- 5.1 Application money for subscription of term finance certificates

Engro Chemicals Pakistan Limited		117,000,000	25,000,000
Jahangir Siddiqui & Company Limited		-	25,000,000
Pakistan Mobile Communication Limited		100,000,000	-
Orix Leasing Corporation Limited		25,000,000	-
Saudi Pak Commercial Bank Limited		<u>15,000,000</u>	<u>-</u>
		<u><u>257,000,000</u></u>	<u><u>50,000,000</u></u>

## IGI Income Fund

### 5.2 Issued, subscribed and paid term finance certificates

	As at July 01, 2007	Purchase during the period	Sold during the period	As at Sept 30, 2007	Carrying Value as at Sept 30, 2007	Percentage of net assets
-----Number of certificates-----						
<b>Quoted investments</b>						
<b>Leasing companies</b>						
Orix Lease Pakistan Ltd - II	-	3,000	-	3,000	15,506,250	0.49%
<b>Investment companies &amp; banks</b>						
Bank Alfalah Ltd - III	-	2,000	-	2,000	10,566,827	0.33%
United Bank Ltd - III	-	400	400	-	-	0.00%
					10,566,827	
<b>Unquoted investments</b>						
Jahangir Siddiqui & Co. - VI	-	5,000	-	5,000	25,895,833	0.82%
KASB Securities Ltd	-	2,000	-	2,000	10,370,833	0.33%
First Dawood Investment Bank Ltd	-	5,000	-	5,000	25,718,750	0.81%
					61,985,416	
					<u>88,058,493</u>	
				<b>September 2007</b>	<b>June 2007</b>	
					<b>Rupees</b>	
5.3 Certificates of musharika - unsecured			5.3.1	175,000,000	50,000,000	
Al Zamin Leasing Modaraba				-	25,000,000	
BRR International Modaraba			5.3.2	<u>100,000,000</u>	<u>100,000,000</u>	
First Punjab Modaraba				<u>275,000,000</u>	<u>175,000,000</u>	
5.3.1 These certificates carry rates of mark up ranging from 11.00% to 12.02% and will mature by September 07, 2010.						
5.3.2 These certificates carry rates of mark up ranging from 11.30% to 12.00% and will mature by April 16, 2008.						
<b>5.4 Certificates of investments - unsecured</b>						
First Dawood Investment Bank			5.4.1	<u>50,000,000</u>	-	
				<u>50,000,000</u>	-	
5.4.1 This certificate carry rate of mark up 10.95% and will mature by November 10, 2007.						
5.5 Term deposit accounts are maintained with various financial institutions and carry profit rates from 10.60% to 13.50% per annum. These deposits will mature from October 06, 2007 to September 17, 2009.				<u>1,475,000,000</u>	<u>725,000,000</u>	

	September 2007	June 2007
Rupees		
<b>6. COMMITMENTS</b>		
Deals in respect of Continuous Funding System (CFS) entered into by the Fund, in respect of which transactions will be settled after the period-end.		
- Sales	-	4,387,425
- Purchase	-	45,207,340
	September 2007	September 2006
	Rupees	
<b>7. INTEREST/ MARK UP INCOME</b>		
Interest / mark up Income on		
- Bank deposits	22,348,750	-
- Term Deposit Receipts	24,249,576	-
- Certificates of Musharika	5,363,329	-
- Term finance certificates	3,887,921	-
- Continuous funding system	2,585,251	-
	58,434,827	-

### 8. TRANSACTIONS WITH RELATED PARTIES

The transaction with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration payable to the Management Company and the Trustee determined in accordance with the provisions of Non - Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Trust Deed respectively.

8.1 The details of transactions with related parties during the period are as follows:

#### Associated Companies/Undertaking

<b>International General Insurance Limited</b>		
Bonus units distributed	3,952,533	-
<b>Packages Limited - Employees Gratuity Fund</b>		
Bonus units distributed	988,133	-
Sale of units	3,250,000	-
<b>Packages Limited - Employees Provident Fund</b>		
Bonus units distributed	779,173	-
Sale of units	22,000,000	-
<b>Packages Limited - Staff Pension Fund</b>		
Sale of units	92,000,000	-
<b>IGI Funds Limited - Management Company</b>		
Bonus units distributed	206,428	-
Investment in units	6,000,000	-
Redemption of units	13,000,000	-
Management fee	6,830,156	-

## IGI Income Fund

	September 2007	September 2006
	Rupees	
<b>IGI Funds Limited - Staff Provident Fund</b>		
Investment in units	1,500,000	-
Redemption of units	1,210,371	-
<b><u>Other Related Parties</u></b>		
<b>IGI Finex Securities</b>		
Brokerage paid on purchase of Term Finance Certificates	3,500	-
<b>Transactions with employees</b>		
Bonus units distributed	12,235	-
Sale of units	4,128,000	-
Redemption of units	184,608	-
<b>Treet Corporation Limited - Employees Gratuity Fund</b>		
Bonus units distributed	48,658	-
<b>Treet Corporation Limited - Employees Superannuation Fund</b>		
Bonus units distributed	48,658	-
<b>Tri Pack Films Limited - Employees Gratuity Fund</b>		
Sale of units	1,000,000	-
<b>Tri Pack Films Limited - Employees Provident Fund</b>		
Sale of units	2,000,000	-
<b>Tri Pack Films Limited</b>		
Sale of units	50,000,000	-
<b>CDCPL - Employees Gratuity Fund</b>		
Bonus units distributed	97,397	-
<b>Syed Babar Ali</b>		
Sale of units	768,787	-
<b>Ali Azam Shirazee - CEO</b>		
Bonus units distributed	193,650	-
Redemption of units	2,500,000	-
<b>Adi . J. Cawasji - Director</b>		
Bonus units distributed	32,564	-

8.2 The details of balances with related parties during the period are as follows:

	September 2007	June 2007
	Rupees	
<b><u>Associated Companies/Undertaking</u></b>		
<b>International General Insurance Limited</b>		
Investment in units	212,340,357	207,275,416
<b>Packages Limited - Employees Gratuity Fund</b>		
Investment in units	55,389,503	51,818,859
<b>Packages Limited - Employees Provident Fund</b>		
Investment in units	63,545,550	40,860,730

## IGI Income Fund

	September 2007	June 2007
	Rupees	
<b>Packages Limited - Staff Pension Fund</b>		
Investment in units	<u>92,626,463</u>	<u>-</u>
<b>IGI Funds Limited - Management Company</b>		
Investment in units	3,957,137	10,825,316
Management fee receivable	2,776,894	1,646,454
Formation cost paid	-	3,601,306
Security deposit paid	-	1,100,000
Annual listing fee to LSE	-	30,000
Initial deposit to MCB Bank Limited	-	10,000
Other payments - Bank charges	<u>-</u>	<u>500</u>
<b>IGI Funds Limited - Staff Provident Fund</b>		
Investment in units	<u>297,366</u>	<u>-</u>
<b><i>Other Related Parties</i></b>		
<b>Transaction with employees</b>		
Sale of units	<u>4,612,004</u>	<u>510,804</u>
<b>Treet Corporation Limited - Employees Gratuity Fund</b>		
Investment in units	<u>2,614,052</u>	<u>2,551,699</u>
<b>Treet Corporation Limited - Employees Superannuation Fund</b>		
Investment in units	<u>2,614,052</u>	<u>2,551,699</u>
<b>Tri Pack Films Limited - Employees Gratuity Fund</b>		
Investment in units	<u>1,006,874</u>	<u>-</u>
<b>Tri Pack Films Limited - Employees Provident Fund</b>		
Investment in units	<u>2,013,747</u>	<u>-</u>
<b>Tri Pack Films Limited</b>		
Investment in units	<u>50,264,706</u>	<u>-</u>
<b>CDCPL - Employees Gratuity Fund</b>		
Sale of units	<u>5,232,399</u>	<u>5,107,591</u>
<b>Syed Babar Ali</b>		
Investment in units	<u>41,301,236</u>	<u>40,316,081</u>
<b>Ali Azam Shirazee - CEO</b>		
Investment in units	<u>7,875,098</u>	<u>10,155,255</u>
<b>Adi . J. Cawasji - Director</b>		
Investment in units	<u>1,749,427</u>	<u>1,707,698</u>

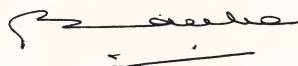
### 9. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue by Board of Directors of Management Company in their meeting held on **October 22, 2007**.

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



**Chief Executive**



**Director**