



Investment Bank

Auditors' Report to the Members

We have audited the annexed balance sheet of IGI Investment Bank Limited (Formerly First International Investment Bank Limited) as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the change as stated in note 2.4 to the financial statements, with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required, and respectively give a true and fair view of the state of the company's affairs as at June 30, 2007 and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

A.F. Fergusons & Co.
Chartered Accountants
Karachi

Balance Sheet As at June 30, 2007

	Note	2007	2006 (Restated)
(Rupees in thousand)			
ASSETS			
Non-current assets			
Fixed assets			
Property and equipment	3.1	85,573	40,369
Intangible assets	3.2	21,958	50,714
		107,531	91,083
Long-term investments	4	682,571	182,571
Long-term loans - net	5	467,608	369,825
Net investment in finance lease	6	1,409,702	1,233,578
Long-term deposits	7	1,150	3,707
Deferred tax assets - net	23	4,772	-
		2,673,334	1,880,764
Current assets			
Current maturity of long-term loans	5	137,705	176,729
Current maturity of net investment in finance lease	6	749,134	695,624
Short-term loans	8	197,979	273,252
Receivable against continuous funding system transactions / carry over transactions	9	556,265	419,418
Short-term investments	10	1,545,850	1,046,910
Taxation - net		228,896	220,594
Advances, deposits and prepayments	11	143,715	151,704
Interest, mark-up and profit accrued	12	78,274	28,326
Trade debts	13	-	187,848
Other receivables	14	67,898	19,888
Cash and bank balances	15	269,966	196,978
		3,975,682	3,417,271
TOTAL ASSETS		6,649,016	5,298,035
EQUITY & LIABILITIES			
Capital and reserves			
Share capital	16	922,184	419,175
Reserves	17	145,351	226,425
		1,067,535	645,600
Deficit on revaluation of investments - net	18	(17,977)	(30,605)
Non-current liabilities			
Term finance certificates / Pre-IPO subscription	19	434,356	369,950
Long-term finance	20	781,669	693,333
Long-term certificates of deposit	21	528,055	289,059
Long-term deposits on lease contracts	22	429,731	367,452
Deferred tax liabilities - net	23	-	40,994
		2,173,811	1,760,788
Current liabilities			
Current maturity of term finance certificates	19	61,565	-
Current maturity of long-term finance	20	421,666	615,000
Current maturity of long-term certificates of deposit	21	359,316	39,467
Current maturity of deposits on lease contracts	22	85,497	53,315
Short-term finance	24	77	237
Short-term certificates of deposit	25	1,840,159	1,709,714
Borrowings from financial institutions	26	465,000	294,347
Interest and mark-up accrued	27	103,217	59,937
Accrued expenses and other liabilities	28	89,150	150,235
		3,425,647	2,922,252
		6,649,016	5,298,035
Contingencies and commitments	29		

The annexed notes 1 to 55 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

SAMIR AHMED
Managing Director & Chief Executive

Cash Flow Statement for the year Ended June 30, 2007

	Note	2007	2006 (Restated) (Rupees in thousand)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	44	(268,911)	164,332
Disbursements of long-term loans - net		(60,098)	(141,220)
Net investment in finance lease		(237,868)	(261,794)
Long-term deposits and prepayments		2,557	(71)
Repayments of long-term certificates of deposit - net		558,845	11,908
Receipts from deposits on lease contracts - net		94,461	80,830
Interest, mark-up and profit received		460,463	418,599
Dividend received		17,679	10,876
Financial cost paid		(439,593)	(321,426)
Income tax paid		(13,910)	(13,281)
Gratuity paid		(2,377)	(1,500)
Net cash generated from / (used in) operating activities		111,248	(52,747)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(76,734)	(53,332)
Long-term investments		(500,000)	(182,571)
Proceeds from disposal of fixed assets		12,351	2,462
Proceeds from disposal of brokerage assets		45,658	-
Net cash outflow on investing activities		(518,725)	(233,441)
CASH FLOWS FROM FINANCING ACTIVITIES			
Term finance certificates / Pre-IPO subscription		124,961	369,950
Proceeds from issue of right shares		461,092	-
Long-term finance - net		(104,998)	275,000
Payment of dividend		(430)	(58,684)
Net cash inflow from financing activities		480,625	586,266
Net increase in cash and cash equivalents		73,148	300,078
Cash and cash equivalents at the beginning of the year		196,741	(103,329)
Net effect of exchange rate changes on cash and cash equivalents		-	(8)
Cash and cash equivalents at the end of the year	45	269,889	196,741

The annexed notes 1 to 55 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

SAMIR AHMED
Managing Director & Chief Executive

Company Information

Audit Committee

Khalid Yacob, Chairman
Farid Khan
Syed Javed Hassan

Auditors

M/s A.F. Ferguson & Co.,
Chartered Accountants

Legal Advisors

M/s Hassan & Hassan
M/s Mohsin Tayebaly & Co.
M/s Orr, Dignam & Co.

Bankers

Allied Bank Limited
Atlas Bank Limited
Bank AL Habib Limited
JS Bank Limited
MCB Bank Limited
Metropolitan Bank Limited
My Bank Limited
NIB Bank Limited
Soneri Bank Limited
United Bank Limited

Shares Registrar

Noble Computer Services (Private) Limited
Sohni Centre BS 5 & 6, Main Karimabad,
Block 4, Federal B. Area, Karachi.
Telephone: (021) 6801880-82, 6801610-11
Fax: (021) 6801129

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Islamabad Office

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Fax: (051) 2273861

Faisalabad Office

9th Floor, State Life Building, Faisalabad.
Telephone: (041) 2540811-14, 2540841-45
Fax: (041) 2540815

Universal Access Number

Tel: 111-234-234
Fax: 111-567-567

Website

www.igiinvestmentbank.com.pk

Email

contact.center@igi.com.pk



Consolidated Financial Statements

Auditors Report to the Member

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of IGI Investment Bank Limited (formerly First International Investment Bank Limited) and its subsidiary companies, IGI Finex Securities Limited (formerly Finex Securities Limited) and IGI Funds Limited as at June 30, 2007 and the related consolidated Profit and Loss account, consolidated Cash Flow Statement of and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of IGI Investment Bank Limited (formerly First International Investment Bank Limited) and its subsidiary companies IGI Finex Securities Limited (formerly Finex Securities Limited) and IGI Funds Limited. These financial statements are the responsibility of the Holding Company's management. 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly the financial position of IGI Investment Bank Limited (formerly First International Investment Bank Limited) and its subsidiary companies as at June 30, 2007 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

A.F.Fergusons & Co.
Chartered Accountants
Karachi.

Consolidated Balance Sheet As at June 30, 2007

	Note	2007	2006 (Restated)
(Rupees in thousand)			
ASSETS			
Non-current assets			
Fixed assets			
Property and equipment	3.1	132,889	59,582
Capital work-in-progress	3.2	9,332	3,706
Intangible assets	3.3	177,618	183,581
		319,839	246,869
Long-term loans - net	4	467,626	332,403
Net investment in finance lease	5	1,409,702	1,233,578
Long-term deposits	6	6,306	5,358
Deferred tax assets - net	24	16,442	-
		2,219,915	1,818,208
Current assets			
Current maturity of long-term loans	4	137,945	177,209
Current maturity of net investment in finance lease	5	749,134	695,624
Short-term loans	7	197,979	273,252
Receivable against continuous funding system transactions / carry over transactions	8	758,409	419,418
Short-term investments	9	1,564,754	1,072,217
Taxation - net		230,851	220,248
Advances, deposits and prepayments	10	383,648	62,778
Interest, mark-up and profit accrued	11	85,261	28,268
Trade debts	12	641,971	338,906
Other receivables	13	44,248	18,561
Cash and bank balances	14	361,766	315,856
		5,155,966	3,622,337
		7,375,881	5,440,545
TOTAL ASSETS			
EQUITY & LIABILITIES			
Capital and reserves			
Share capital	15	922,184	419,175
Reserves	16	116,067	229,249
		1,038,251	648,424
Minority Interest	17	19,863	-
		1,058,114	648,424
Deficit on revaluation of investments	18	(17,451)	(30,299)
Non-current liabilities			
Term finance certificates / Pre-IPO subscription	19	434,356	369,950
Long-term finance	20	781,669	693,333
Long-term certificates of deposit	21	528,055	289,059
Long-term deposits on lease contracts	22	429,731	367,452
Liabilities against assets subject to finance lease	23	3,517	2,298
Deferred tax liabilities - net	24	-	40,877
		2,177,328	1,762,969
Current liabilities			
Current maturity of term finance certificates	19	61,565	-
Current maturity of long-term finance	20	421,666	615,000
Current maturity of long-term certificates of deposit	21	359,316	39,467
Current maturity of deposits on lease contracts	22	85,497	53,315
Current maturity of liabilities against assets subject to finance lease	23	757	378
Short-term finance	25	160,027	237
Short-term certificates of deposit	26	1,840,159	1,709,714
Borrowings from financial institutions	27	465,000	294,347
Interest and mark-up accrued	28	103,463	59,937
Accrued expenses and other liabilities	29	660,440	287,056
		4,157,890	3,059,451
		7,375,881	5,440,545
Contingencies and commitments			
	30		

The annexed notes 1 to 58 form an integral part of these financial statements.

Consolidated Profit and Loss Account for the Year Ended June 30, 2007

	Note	2007	2006 (Restated)
(Rupees in thousand)			
Income			
Income from investments	31	105,241	129,046
Income from loans	32	119,236	90,205
Income from lease finance	33	230,548	176,253
Income from fund placements	34	109,605	87,240
Remuneration from fund under management	35	3,770	-
Income from fees, commission and brokerage	36	115,412	46,782
		683,812	529,526
Finance costs	37	483,933	338,034
		199,879	191,492
Administrative and general expenses	38	333,261	156,666
		(133,382)	34,826
Other operating income	40	38,009	6,154
		(95,373)	40,980
Other operating expenses	41	3,538	6,175
Operating (loss) / profit before provisions		(98,911)	34,805
Provision for bad and doubtful loans / potential lease losses - general - net	4.6 & 5.5	4,260	5,689
Provision for bad and doubtful loans / lease losses - specific - net	4.6 & 5.5	5,313	2,017
(Loss) / profit before taxation		(108,484)	27,099
Taxation - net	42	(32,317)	(7,062)
(Loss) / profit after taxation		(76,167)	34,161
(Loss) / profit attributable to minority interest	17	(4,902)	-
(Loss) / profit attributable to ordinary shareholders		(71,265)	34,161
-----Rupees-----			
(Loss) / earnings per share - basic and diluted	43	(1.19)	0.57

The annexed notes 1 to 58 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

SAMIR AHMED
Managing Director & Chief Executive



Investment Bank

Consolidated Cash Flow Statement for the Year Ended June 30, 2007

	Note	2007	2006 (Restated)
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	46	(857,643)	220,934
Disbursements of long-term loans - net		(97,298)	(104,278)
Net investment in finance lease		(237,868)	(261,794)
Long-term deposits and prepayments		(948)	(1,722)
Repayments of long-term certificates of deposit - net		558,845	(8,092)
Receipts from deposits on lease contracts - net		94,461	80,830
Interest, mark-up and profit received		488,706	418,120
Dividend received		10,218	10,876
Financial cost paid		(439,921)	(321,490)
Income tax paid		(35,557)	(14,513)
Gratuity paid		(2,823)	(1,500)
Net cash (used in) / generated from operating activities		<u>(519,828)</u>	<u>17,371</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Finex Securities Limited - net of cash acquired		-	(132,571)
Fixed capital expenditure incurred		(114,739)	(54,572)
Proceeds from disposal of fixed assets		11,134	2,462
Net cash outflow on investing activities		<u>(103,605)</u>	<u>(184,681)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Term finance certificates / Pre-IPO subscription		124,961	369,950
Proceeds from issue of right shares		461,092	-
Proceeds from issue of shares to minority interest		30,000	-
Long-term finance - net		(104,998)	275,000
Lease rental paid		(1,072)	-
Payment of dividend		(430)	(58,684)
Net cash inflow from financing activities		<u>509,553</u>	<u>586,266</u>
Net increase in cash and cash equivalents		<u>(113,880)</u>	<u>418,956</u>
Cash and cash equivalents at the beginning of the year		315,619	(103,329)
Net effect of exchange rate changes on cash and cash equivalents		-	(8)
Cash and cash equivalents at the end of the year	47	<u><u>201,739</u></u>	<u><u>315,619</u></u>

The annexed notes 1 to 58 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

SAMIR AHMED
Managing Director & Chief Executive

Consolidated Statement of Changes in Equity for the Year Ended June 30, 2007

	Reserves						Minority interest	Total
	Issued, subscribed and paid-up capital	Capital reserves		General reserve	Unappropriated profit / (loss)	Total reserves		
		Reserve for issue of bonus shares	Statutory reserve					
----- (Rupees in thousand) -----								
Balance as at June 30, 2005 as reported earlier	419,175	-	89,636	97,325	59,806	246,767	-	665,942
Effect of change in accounting policy relating to recognition of investment from settlement date accounting to trade date accounting - note 2.9	-	-	-	-	7,006	7,006	-	7,006
Balance as at June 30, 2005 - restated	419,175	-	89,636	97,325	66,812	253,773	-	672,948
Final dividend for the year ended June 30, 2005 @ Rs. 1.40 per share declared subsequent to the year end	-	-	-	-	(58,685)	(58,685)	-	(58,685)
Profit after taxation for the year ended June 30, 2006 - restated	-	-	-	-	34,161	34,161	-	34,161
Transfer to statutory reserve	-	-	7,462	-	(7,462)	-	-	-
Balance as at June 30, 2006 - restated	419,175	-	97,098	97,325	34,826	229,249	-	648,424
Transferred to reserve for issue of bonus shares made subsequent to the year	-	41,917	-	(41,917)	-	-	-	-
Issue of bonus shares	41,917	(41,917)	-	-	-	(41,917)	-	-
Issue of right shares	461,092	-	-	-	-	-	-	461,092
Loss after taxation for the year ended June 30, 2007	-	-	-	-	(76,167)	(76,167)	-	(76,167)
Loss attributable to minority interest	-	-	-	-	4,902	4,902	(4,902)	-
Transfer of resources to the shareholders of the Group consequent to deemed partial disposal of shareholding in IGI Founds Limited - note 17	-	-	-	-	-	-	(5,235)	(5,235)
Issue of shares to minority interest - note 17	-	-	-	-	-	-	30,000	30,000
Balance as at June 30, 2007	922,184	-	97,098	55,408	(36,439)	116,067	19,863	1,058,114

The annexed notes 1 to 58 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

SAMIR AHMED
Managing Director & Chief Executive



Investment Bank

Director's Report

The Board of Directors of IGI Investment Bank Limited presents herewith the annual report and audited financial statements for the year ended June 30, 2007 to the Seventeenth Annual General Meeting of the shareholders.

General Overview

The Year 2006-2007 has been a challenging and an important one for IGI Investment Bank Limited. We focused our efforts towards further refining the strategic direction and building a strong foundation to project the company on a progressive trajectory within the Investment Banking arena.

In an effort to establish a strong brand presence and collectively offer a range of financial services under the IGI umbrella, the company changed its name to IGI Investment Bank Limited in December 2006.

In order to concentrate its resources on core Investment Banking services, we discontinued the consumer finance operations which was dealing with Personal Loans and Auto Finance. Although this move forewent short-term revenue, we feel that in the long-run, it allows us to channel our resources towards moving the company closer to its objective.

This year, IGI Investment Bank Limited continued to invest in human resource, support infrastructure, marketing and IT. This was done to upgrade the capabilities of the organization itself and provide a strong base to our two subsidiaries: IGI Funds Limited and IGI Finex Securities Limited.

During the year we also doubled our paid-up capital through a 100% rights issue. This was necessary in order to have the requisite balance sheet size and strength to achieve our strategic objectives.

The profits for the year 2006-2007 showed a decline in the face of structural changes and continuing investment in the organization and somewhat due to the variance between business projections and achievements.

Financial Highlights			
-----Rs. in million-----			
	2007	2006	Growth (%)
Gross Revenue	624.4	516.2	20.9
Profit for the year before taxation	(79.2)	22.8	(460)
Less: Taxation	(40.1)	(8.5)	370
Profit for the year after taxation	(39.1)	31.3	(225)
Total Assets	6,649	5,298	25.5
Earnings / Share	(0.65)	0.53	(222)

Our income from fund placements and financing, including lease finance, increased from Rs. 354.4 million to Rs. 437.9 million and is in line with the strategy of the bank. Our fund based income increased from Rs. 483.3 million from last year to Rs 558.5 million for the current year. The income from investments decreased from Rs. 128.8 million to Rs. 120.6 million. The revenue generated from fee based lines of business i.e. brokerage, corporate finance & advisory and portfolio management also contributed to our non fund based income which increased from Rs. 27.1 million to Rs. 27.3 million.

Expenditure for the year increased by 42.9% with increase in financial charges from Rs. 337.9 million to Rs. 482.8 million and increase in Administrating and Operating expenses from Rs. 147.7 million to Rs. 211.2 million.

We are very confident that the strategic investments made and necessary restructuring done will fulfill the expectations of the shareholders in future.

Strategic Investments

IGI Funds Limited

IGI Funds Limited a subsidiary of IGI Investment Bank was established as an Asset Management Company to capture the growth potential of the asset management industry, which is still in the nascent stages.

We are pleased to inform our shareholders that the company became operational during the year and was also able to launch its first fund 'IGI Income Fund' in April 2007.

Financial Summary,		
-----Rs. in thousands-----		
	2007	2006
Gross Revenue	6,884	178
Administrative & other expenses	(38,283)	(1,276)
Loss before taxation	(31,399)	(1,098)
Loss after taxation	(19,313)	(981)
Loss per share	(4.76)	(0.33)

The above figures only reflect revenue for 3 months. Given growth plans of IGI Funds and the targeted growth in Funds under management, IGI Funds is expected to show strong growth in coming years, with first dividend inflows to IGI Bank expected in FY 2008-2009.

Assessing the potential of growth, quality of the management team, IT and other infrastructure PACRA has assigned a Management Quality Rating of AM 3- to IGI Funds.

IGI Funds Limited entered the marketplace with the launch of IGI Income Fund in an effort to provide investors with a liquid fixed income product. The investment objective of the fund is to minimize risk through a liquid portfolio of fixed income instruments and provide competitive returns.

IGI Income Fund was able to generate Rs. 1.1 billion in the Pre IPO. The fund was launched in a record time as the necessary approvals were obtained in December 2006 and the fund was launched in April 2007. The Fund size as at June 30, 2007 stood at Rs.1,677.58 million.

In continuation, of its strategy to provide a full spectrum of Investment options, IGI funds intends to launch a stock market fund and a Shariah-compliant fund during the financial year 2007-08. The guiding premise for IGI Fund's business growth model is providing investment solutions and products designed to address investor needs at both, the retail and institutional levels.

IGI Funds is committed to provide quality service to clients by utilizing modern techniques of portfolio management, asset allocation and security selection, while maintaining high standards of ethical and professional conduct.

IGI Finex Securities

Last year your company had acquired 100% of the shareholding of Finex Securities Limited a full service brokerage firm. In the current period, IGI Bank has also transferred its brokerage business to IGI Finex Securities Limited. IGI Bank has also sold the related assets of its brokerage business to IGI Finex Securities Limited. The transfer of business & acquisition of 100% of the shareholding was carried out in order to expand the services being provided and take advantage of the expertise already available in the group.

The company has now been re-named as IGI Finex Securities. It is a corporate member of Karachi and Lahore Stock Exchanges and of National Commodity Exchange Limited (NCEL) and Financial Markets Association. The company serves customers across the spectrum including retail, institutional and foreign clients, through its offices in Karachi, Lahore, Islamabad, Faisalabad and Sialkot. The strategic acquisition of the company offers complimentary distribution strength and expanded market coverage to IGI Investment Bank in the financial markets. IGI Finex Securities, with more than one decade of presence in the financial markets has always been in the forefront in equity, money market and forex broking business in Pakistan and its key strength is the in-depth knowledge and expertise of its employees in their respective business areas and its blue-chip institutional client-base.

IGI Finex Securities has launched an on-line trading platform "I-Trade" with cutting edge advanced trading systems in place. I-Trade connects people anywhere, anytime to the opportunities of investment through the internet. The purpose of this facility is to deliver service and expertise to further clients' investment goals through the intelligent application of technology.

I-Trade provides its investors with advanced features like current market information for different stocks and exchange statistics, Buy/Sell orders, modify/cancel orders, outstanding orders, transaction list, daily trades, stock & index graphs as well as client's portfolio view through various reports. All the views can be customized according to the investor's preference. This innovative service has received tremendous response from investors.

Financial Summary			
-----Rs. in million-----			
	2006-2007	2005-2006	Growth %
Gross Revenue	156.6	48.1	225.57
Profit before taxation	46.7	6.0	678.33
Less: Taxation	19.8	3.8	421.00
Profit for the year after taxation	26.9	2.2	1,112.72
Total Assets	1,589.8	320.9	395.42
Earning per share	0.76	1.11	(31.53)

Gross revenue, Rs.156.6 million exhibited an impressive increase of more than twice as compared to the last financial year. The profit after tax for the year has increased by 11 times as compared to last year.

In view of the rapidly evolving capital market scenario in Pakistan, it became evident that scale of operations will be of vital importance in the future. With this in view, IGI Investment Bank Limited further invested in Rs. 500 million in IGI Finex Securities in November 2006 increasing the paid up capital from 20 million to 520 million.

IGI Finex Securities Limited is committed to deliver quality, expertise and innovation in everything it does. The strategic objective of the firm is to be recognized as one of the leading brokerage firms.

Segments at a glance

Cash & Treasury Management

The Treasury at IGI Investment Bank this year also played a vital role in increasing the Balance Sheet size from PKR 5.29 billion as at June 30, 2006 to PKR 6.6 billion as at June 30, 2007. The deposit base of the bank increased from Rs 2.03 billion as at June 30, 2006 to Rs. 2.7 billion as at June 30, 2007. The Treasury Department made efforts to effectively and efficiently mobilize low cost deposits which can be witnessed by a 33% growth in the deposit base. The flagship department contributed 32% to the revenues with Rs. 203.52 million out of a total of Rs. 624.4 million. There was a conscious decision on part of Treasury and the Management not to invest heavily in the Government Securities portfolio during the year on account of a tight monetary stance of SBP, which proved to be a good decision.

However, depending on monetary policy and market conditions the activity in this area may be scaled up in future. We also expect increased investment in TFC's , money market mutual funds and in equities.

Fund Select

Fund Select is the investment advisory and mutual fund distribution arm of IGI Investment Bank. It has done extremely well since its launch in April 2006. Fund Select now represents 43 funds out of the 45 funds existing in the market and has distribution agreements with all but one of the major Asset Management Companies. The team was able to generate funds of Rs. 10 billion for various AMC's in the first full year of operation.

This year the department booked a revenue of Rs. 12.3 million. This is expected to increase significantly in future years.

Commercial Financing and Leasing

IGI investment bank is one of the only investment banks to actively promote corporate lending and leasing business.

In order to concentrate resources on core Investment Banking services, restructuring was carried out in the financing and leasing business which entailed discontinuing of the consumer finance services.

The commercial financing and leasing department focused its efforts on the SME sector in pursuit of better returns with good credit quality. The business performed well due to its network which provides accessibility to all the major markets of Pakistan. However, due to reduced credit off take in the economy generally and discommodation of our concomer finance business our disbursements of Rs. 1.6 were short of the target of Rs. 2.5 million.

The department contributed revenues worth Rs. 355.06 million which is a 56% of the total revenue of the bank.

Corporate Finance

The corporate finance was re-initiated as the backbone of the investment banking operations in 2004-2005. Today it participates in primary markets through investments in Pre-IPO investment opportunities and as an underwriter. Most recently IGI Bank was a Co-Lead Underwriter to the public issue of Sitara Peroxide Limited which was oversubscribed by a multiple of over 5 times the IPO issue size.

The department is building a solid reputation as advisors and arrangers for select private equity transactions as well as catering towards advising medium enterprises on how to finance their growth. This has provided a constant flow of business for the bank and opportunities for repeat business.

In the year 2006-07, corporate finance began offering trustee services for TFC issues. In a span of 3 months, it has received mandates for 3 TFC issues of 'A' brand rated TFCs and the management is working to increase the size of the portfolio.

The department contributed revenues of 8.6 million.

Summary Of The Key Operating And Financial Data

A summary of the key operating and financial data for the last six years appears at the beginning of this annual report.

Credit Rating

In Dec, 2006 the Pakistan Credit Rating Agency (PACRA) assigned the long term and short term entity ratings of IGI Investment bank at 'A' (single A) and 'A1' (A one) respectively with negative outlook.

Directors

During the year following changes occurred in the Board of Directors of IGI Investment Bank.

OUTGOING DIRECTORS	INCOMING DIRECTORS
Mr. Nadeem Karamat	Mr. Arif Farooque
Mr. Nasim Baig	Mr. Farid Khan
Mr. Naveed Qazi	Mr. Adi J. Cawasji
Mr. Adi J. Cawasji	Mr.S.Javed Hassan

During the year under review, the Board met 6 times. The attendance of each Director at the Board meetings is given below.

Directors	Number Of Board Meetings Attended
Syed Babar Ali - Chairman	5
Mr. Nasim Beg	2
Mr. Nadeem Karamat	2
Mr. Khalid Yacob	5
Mr. Naveed Qazi	1
Mr. Samir Ahmed - Managing Director & Chief Executive	6
Mr. Towfiq H. Chinoy	4
Mr.Farid Khan	1
Mr.Adi J. Cawasji	4

Auditors

The present auditors A.F. Ferguson & Co., Chartered Accountants, retire and have offered themselves for re-appointment. The Board as well as the Audit Committee of IGI Investment Bank has recommended their reappointment.

Staff Retirement Benefits

IGI Investment Bank operates a contributory provident fund for all its permanent employees. Equal monthly contributions are made, both by IGI Investment Bank and the employee, to the fund at 10% of basic salary. Based on latest audited financial statements of the provident fund and gratuity fund for the year ended June 30, 2004, the investments of the fund amount to Rs. 14,747,287 and Rs. Nil respectively

IGI Investment Bank also has a funded staff gratuity scheme for its permanent employees who complete the qualifying period of service. Provision in the books of account has been made in accordance with actuarial recommendations.

Code of Corporate Governance

The Board of Directors has adopted the Code of Corporate Governance, as per the listing regulations of the stock exchanges. As required by the Code, it is stated that:

- These financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows, and changes in equity.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements, except for changes stated in note 2.4 to the financial statements, and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented & monitored.
- There are no doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The company has not declared dividend or issued shares consequent to the loss for the year-ended June 30, 2007.
- There were no statutory payments outstanding on account of taxes, duties, levies other than those disclosed in the financial statements.

Future

Our focus will continue to be on profitable growth in the existing lines of business with the ultimate objective of long term shareholder value creation. Needless to say that we will continue to observe our core values of integrity, innovation and fairness, which have always, been a hall mark of all Packages group companies.

Pattern of shareholding

The pattern of shareholding, disclosing the aggregate number of shares held by various categories of shareholders, appears at the end of this annual report. There were no trades in the shares of IGI Investment Bank during the year, carried out by its Chief Executive, Directors, Chief Financial Officer, Company Secretary and their spouses

Acknowledgement

The Board of Directors acknowledges and deeply appreciates the contribution of all the employees towards the achievement of the Company's goals.

For & on behalf of the Board

Information for Shareholders

Registered Office

5 FC.C. Ground Floor, Syed
Maratib Ali Road, Gulberg,
Lahore.
Tel.: (042) - 5753414-16, 5710597
Fax: (042) - 5762790

Shares Registrar

Noble Computer Services (Pvt.) Limited
2nd Floor, Sohni Centre, BS 5 & 6
Main Karimabad, Block- 4, Federal B. Area
Karachi - 75950
Tel.: (021) - 6801880 (3 lines)
Fax: (021) - 6801129
E-mail: nctl@noble-computers.com

Listing on Stock Exchanges

Shares of IGI Investment Bank Limited ("IGIIB") are quoted on the Karachi and Lahore Stock Exchanges.

Listing Fees

The stock code for dealing in shares of IGI Investment Bank at the Stock Exchanges is IGIBL.

Shares Registrar

IGI Investment Bank's shares department is operated by Noble Computer Services (Pvt.) Limited and services over 2581 shareholders. It is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function.

The Shares Registrar has online connectivity with Central Depository Company of Pakistan Limited. It undertakes activities pertaining to dematerialisation of shares, share transfers, transmissions, issue of duplicate/re-validated dividend warrants, issue of duplicate/ replaced share certificates, change of addresses and other related matters.

For assistance, shareholders may contact either the Registered Office or the Shares Registrar.

Contact persons:

Ms. Saira Shaikh
Assistant Vice President - Lahore Office, IGI Investment Bank
Tel.: (042) - 5753414-16, 5710597
Fax: (042) - 5762790

Ali Raza Rehman
Manager Shares - Noble Computer Services (Pvt.) Ltd.
Tel.: (021) - 6801880 (3 lines)
Fax: (021) - 6801129

Service Standards

IGI Investment Bank has always endeavored to provide investors with prompt services. Listed below are various investor services and the maximum time limits set internally for their execution:

Service	Maximum Time as per Law	Interbank's Standard
Transfer/transmission of shares in physical form	45 days after completion of required formalities	30 days
Dematerialisation of physical scrips	5 days after completion of required formalities	5 days
Conversion from dematerialised shares to physical scrips	45 days after completion of required formalities	30 days
Splitting of physical scrips	45 days after completion of required formalities	30 days
Consolidation of physical scrips	45 days after completion of required formalities	30 days
Replacement of lost/mutilated/undelivered physical scrips	45 days after completion of required formalities	30 days
Issue of duplicate dividend warrants	7 days after completion of required formalities	7 days
Re-validation of dividend warrants	-	7 days
Verification of signatures on transfer deeds	2 days after completion of required formalities	1 day
Acknowledgement of nomination of successor	-	1 day
Acknowledgement of Zakat Exemption Form	-	1 day
Acknowledgement of change of address by shareholder.	-	1 day

Well-qualified personnel of the Shares Registrar have been entrusted with the responsibility of ensuring that services are rendered within the set time limits.

Statutory Compliance

During the year, IGI Investment Bank has complied with all applicable provisions, filed all returns/forms and furnished all the relevant particulars as required under the Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the listing requirements.

Dematerialisation of Shares

The shares of IGI Investment Bank are under the compulsory dematerialisation category. As of date approximately 45% of the equity shares of IGI Investment Bank have been dematerialized by the shareholders. Shareholders holding shares in physical form are requested to dematerialise their holdings at the earliest by approaching the depository participants registered with the CDC.

Book Closure Dates

The Register of Members and Share Transfer Books of IGI Investment Bank will remain closed from September 28, 2007 to October 5, 2007 both days inclusive.

Annual General Meeting and Voting Rights

Pursuant to section 158 of the Companies Ordinance, 1984, IGI Investment Bank holds a General Meeting of shareholders at least once a year. Every shareholder has a right to attend the General Meeting. The notice of such Meeting is sent to all the shareholders at least 21 days before the Meeting and also advertised in at least one English and one Urdu newspaper having circulation in Sindh and Punjab.

All shares issued by IGI Investment Bank carry equal voting rights. Generally, matters at the General Meetings are decided by a show of hands in the first instance. Voting by show of hands operates on the principle of "One Member-One Vote". If majority of shareholders raise their hands in favour of a particular resolution, it is taken as passed, unless a poll is demanded.

Since the fundamental voting principle in a company is "One Share-One Vote", voting takes place by a poll, if demanded. On a poll being taken, the decision arrived by poll is final, overruling any decision taken on a show of hands.

Proxies

Pursuant to Section 161 of the Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of IGI Investment Bank, every shareholder of IGI Investment Bank who is entitled to attend and vote at a General Meeting of IGI Investment Bank can appoint another person as his/her proxy to attend and vote instead of him/her. Every notice calling a General Meeting of IGI Investment Bank contains a statement that a shareholder entitled to attend and vote is entitled to appoint a proxy, who needs not be a member of IGI Investment Bank.

The instrument appointing a proxy (duly signed by the shareholder appointing that proxy) should be deposited at the office of IGI Investment Bank not less than 48 hours before the meeting.

Shareholders' Grievances

IGI Investment Bank received the following correspondence! Complaints during the year:

Nature of correspondence/ complaint by shareholders	Received during the year	Redressed during the year	Complaints pending as on June 30, 2007
Non-receipt of right share certificates	2	2	0
Non-receipt of dividend warrants	1	1	0
Non-receipt of annual! half-yearly/ quarterly reports	1	1	0

Web Presence

Updated information regarding IGI Investment Bank can be accessed at its website, www.igiinvestmentbank.com.pk. The website contains IGI Investment Bank's profile and introduction to its major products and services.



Investment Bank

Notes to the Consolidated Financial Statements for the year Ended June 30, 2007

1 THE GROUP AND ITS OPERATIONS

The Group consists of :

Holding company

- IGI Investment Bank Limited (Formerly First International Investment Bank Limited)

Percentage holding of

Subsidiary companies

- | | |
|---|--------|
| - IGI Finex Securities Limited (Formerly Finex Securities Limited) | 100% |
| - IGI Funds Limited (Formerly First International Capital Management Limited) | 50.05% |

IGI Investment Bank Limited (Formerly First International Investment Bank Limited)

IGI Investment Bank Limited (Formerly First International Investment Bank Limited) ("IGI BANK") is a public limited company incorporated in Pakistan on February 7, 1990 under the Companies Ordinance, 1984. IGI BANK is licensed to carry out investment finance activities and leasing operations as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. IGI BANK's shares are quoted on the Karachi and Lahore Stock Exchanges. The registered office of IGI BANK is situated at 5 F.C.C., Syed Maratib Ali Road, Gulberg, Lahore. The principal place of business is situated at 7th Floor, The Forum, Suite No. 701 to 713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi.

Based on the financial results for the year ended June 30, 2006, the Pakistan Credit Rating Agency (PACRA) maintained the long-term credit rating of IGI BANK at 'A' and the short-term rating at 'A1'.

IGI Finex Securities Limited (Formerly Finex Securities Limited)

IGI Finex Securities Limited (Formerly Finex Securities Limited) is a public limited company incorporated in Pakistan on June 28, 1994 under the Companies Ordinance, 1984. The registered office of the company is situated at 7th Floor, Nacon House, MDM Wafai Road, Karachi. The company is a public unlisted company and a corporate member of the Karachi Stock Exchange (Guarantee) Limited, the Lahore Stock Exchange (Guarantee) Limited and National Commodity Exchange Limited. The principal activities of the company include shares brokerage and money market operations.

IGI Funds Limited (Formerly First International Capital Management Limited)

IGI Funds Limited (Formerly First International Capital Management Limited) ("IGI Funds Limited") company was incorporated in Pakistan on January 18, 2006 under the Companies Ordinance, 1984. The company is licensed to carry out Asset Management Service and Investment Advisory Services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The principal activities of the company are floating and managing mutual funds and investment advisory services. The registered office of the company is situated at 5 F.C.C Ground Floor, Syed Maratib Ali Road Gulberg, Lahore.

Presently, the company is managing the IGI Income Fund; (an open-end mutual fund). The units of the fund were offered to the public during the current year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Presentation

- a) The consolidated financial statements include the financial statements of IGI Investment Bank Limited, IGI Finex Securities Limited and IGI Funds Limited.

-
- b) Subsidiaries are entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the audited financial statements for the year ended June 30, 2007 and the carrying value of investments held by IGI BANK is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statements. Intra-Group balances and transactions have been eliminated.
- c) Minority interests are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the group.

2.2 Statement of compliance

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

The SECP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' through Circular No. 19 dated August 13, 2003 to Non-Banking Finance Companies (NBFCs) providing investment finance services, discounting services and housing finance services. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

2.3 Accounting Convention

These financial statements have been prepared under the historical cost convention except that certain investments classified as 'held for trading' and 'available for sale' and certain derivative financial instruments have been marked to market and are carried at fair value.

2.4 Amendments to published accounting standards that are effective in the current period

IAS-19 (Amendment), Employee Benefit is mandatory for the Group's accounting periods beginning on or after January 1, 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements. As the Group has not changed the accounting policy adopted for recognition of actuarial gains and losses, adoption of this amendment only impacts the format and extent of disclosures presentation in the financial statements.

The other standards, amendments and interpretations that are effective in the current period but are considered not to be relevant or to have any significant effect on the Group's operations are therefore not detailed here.

2.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following standards, interpretations and amendments of approved accounting standards are effective for the Group's accounting periods beginning July 1, 2007. These standards are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than increase in disclosures in certain cases:

IAS 1 - Presentation of financial statements - amendments relating to capital disclosures	effective from accounting period beginning on or after January 1, 2007
IFRS 2 - Share-based payment	effective from accounting period beginning on or after January 1, 2007
IFRS 3 - Business combinations	effective from accounting period beginning on or after January 1, 2007
IFRS 5 - Non-current assets held for sale and discontinued operations	effective from accounting period beginning on or after January 1, 2007
IFRS 6 - Exploration for and evaluation of mineral resources	effective from accounting period beginning on or after January 1, 2007
IFRIC 10 - Interim financial reporting and impairment	effective from accounting period beginning on or after November 1, 2006
IFRIC 11 - Group and treasury share transactions	effective from accounting period beginning on or after March 1, 2007
IFRIC 12 - Services concession arrangements	effective from accounting period beginning on or after January 1, 2008
IFRIC 13 - Customer loyalty programme	effective from accounting period beginning on or after January 1, 2008

2.6 Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with approved Accounting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. It also requires the management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements of the Group are disclosed in Note 55 to the financial statements.

2.7 Fixed assets

Tangible

These are stated at cost less accumulated depreciation and accumulated impairment losses, (if any).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that future benefit associated with the asset will flow to the Group and the cost of the item can be measured reliably.

Depreciation on all tangible fixed assets is charged using the straight line method in accordance with the rates specified in note 3.1 to the financial statements after taking into account residual value, if material. The residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on all additions to fixed asset is charged from the month in which the assets become available for use, while in case of assets disposed of, no depreciation is charged in the month of disposal.

Gains or losses on disposal of fixed assets, if any, are taken to profit and loss account currently.

Maintenance and normal repairs are charged to profit and loss account as and when incurred.

Intangible

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. These are amortised from the month when they are available for use using the straight line method in accordance with the rates specified in note 3.3 to the financial statements whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Group. The residual values and useful lives are reviewed and adjusted, if appropriate at each balance sheet date.

Intangible assets having an indefinite useful life are stated at acquisition cost. Provisions are made for permanent impairment in the value of the assets, if any. Gains or losses on disposals, if any, are taken to the profit and loss account.

Assets acquired on finance lease

The Group recognises finance leases as assets and liabilities in the balance sheet at amounts equal to the present values of minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease. Initial direct costs incurred are included as part of the cost of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Depreciation on leased assets is charged at the rates used for similar owned assets, so as to depreciate the assets over their estimated useful lives in view of the certainty of ownership of the assets at the end of the lease term.

2.8 Investments

The management of the Group determines the appropriate classification of its investments at the time of purchase of investment and re-evaluates this classification on a regular basis. The existing investments portfolio of the Group has been categorised as follows:

(a) Held for trading

These are investments which are acquired principally for the purpose of generating profits from short-term fluctuations in market prices, interest rate movements, dealer's margin or are investments included in a portfolio in which a pattern of short-term profit taking exists.

(b) Available for sale

These are investments which are intended to be held for an indefinite period of time which may be sold in response to need for liquidity or changes to interest rates, exchange rates or equity prices.

(c) Held-to-maturity

These are investments with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

All investments are initially recognised at cost, being the fair value of the consideration given. Cost includes transaction costs associated with the investment.

Subsequent to initial recognition, investments in quoted securities are marked to market, in accordance with the guidelines contained in the State Bank of Pakistan's BSD Circular No. 20 dated August 4, 2000 using rates quoted on Reuters, stock exchange quotes and brokers' quotations. Any difference between the carrying amount (representing cost adjusted for amortisation of premium or discount, if any) and market value is taken to surplus / (deficit) on revaluation of investments account and shown separately in the balance sheet below shareholders' equity. At the time of disposal the respective surplus or deficit is transferred to the profit and loss account currently.

Unquoted investments are carried at cost less accumulated impairment losses, if any, in accordance with the requirements of the above mentioned circular.

Impairment of investments is recognised when there is a permanent diminution in their values. Provision for impairment in value of investment, if any, is taken to the profit and loss account.

Investments are derecognised when the right to receive the cash flows from the investments has expired, has been realised or transferred and the Group has transferred substantially all risks and rewards of ownership.

Gain or loss on sale of investments is included in the profit and loss account.

2.9 Trade and settlement date accounting

During the year the Group has decided to change the accounting policy in respect of recognition of investments from settlement date accounting to trade date accounting. As per the new policy all purchases and sales of investments that require delivery within the time frame established by the regulations or market conventions are recognised at the trade date. Trade date is the date on which IGI BANK commits to purchase or sell the investment. Previously all purchases and sales of investments that required delivery within the time frame established by the regulation or market conventions were recognised at the settlement date. This change has been made as in the opinion of the management the revised accounting policy would result in a more accurate presentation of these transactions in the Groups' financial statements.

In accordance with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the effect of the change in accounting policy has been adjusted in the opening balance of unappropriated profit as at July 1, 2005 and the comparative information has been restated.

The effect of the change in accounting policy for 2007 and 2006 is tabulated below :

	2007	2006
	(Rupees in thousand)	
Investments would have been higher by	2,824	104,396
Trade debts would have been lower by	440,715	246,299
Accrued expenses and other liabilities would have been higher / (lower) by	(437,915)	(142,546)
Deficit on revaluation of investments would have been higher / (lower) by	374	1,676
Income and (loss) / profit after taxation would have been higher / (lower) by	(350)	5,973
	-----Rupees-----	
Basic and diluted earnings per share would have been higher / (lower) by	(0.006)	0.10

2.10 Derivatives

Derivative instruments held by the Group generally comprise of forward contracts in the capital and money markets. Derivatives are stated at fair value at the balance sheet date, if any. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates. 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 surplus or deficit on revaluation of investments account in accordance with requirements of BSD Circular No. 20 dated August 4, 2000 issued by the State Bank of Pakistan until the derivatives are settled.

Hedging

For the purposes of hedge accounting, hedges existing at the Group are classified as fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability.

Where a fair value hedge meets the conditions for special hedge accounting, the hedged instrument is remeasured to fair value and the resultant gain or loss is immediately recognised in the profit and loss account. Similarly, any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and is taken to profit and loss account.

2.11 Securities repurchase / resale agreements

Transactions of repurchase / resale of investment securities are entered into at contracted rates for specified periods of time and are accounted for as follows:

a) Sale of securities under repurchase obligations

Securities sold with a simultaneous commitment to repurchase (repo) at a specified future date continue to be recognised in the balance sheet as investment and are measured in accordance with accounting policies for investments. Amounts received under these agreements are included in borrowings from institutions. The difference between sale and repurchase price is amortised as expense over the life of the repo agreement.

b) Purchase of securities under resale obligations

Securities purchased with a corresponding commitment to resell (reverse repo) at a specified future date are not recognised in the financial statements as investments. The difference between purchase and resale price is accrued as income over the life of the reverse repo agreement.

2.12 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.13 Finances

Finances in the form of long-term loans and short-term loans include demand finance, installment finance, inter swift loan and term finance. These are stated at cost less any write-offs and provision for doubtful finance, if any.

2.14 Net investment in lease finance

Leases where the Group transfers substantially all the risks and rewards incidental to the ownership of the assets to the lessee are classified as finance lease. Net investment in lease finance is stated at an amount equal to the aggregate value of the present value of minimum lease payments receivable, including guaranteed residual value, if any, less any write-offs and provision for potential lease losses, if any.

2.15 Provision for bad and doubtful loans / potential lease losses and write offs

The specific provision for bad and doubtful loans / potential lease losses, if any, is made in accordance with the requirements of Prudential Regulations for Non-Banking Financial Companies issued by the Securities and Exchange Commission of Pakistan.

The Group also maintains general provisions at an amount equivalent to 1.5% of the secured consumer portfolio and an amount equivalent to 5% of the unsecured consumer portfolio, to protect them from the risks associated with the economic cyclical nature of the business in accordance with the requirements of SECP circulars No. 1 dated January 9, 2006. In addition to the general reserve specified by the SECP, the Group also maintains a general provision to provide for potential lease losses on the Group's loans / lease portfolio which have not been specifically identified. This provision is calculated based on management's best estimate.

Loans and outstanding balances in net investment in finance lease are written off when there is no realistic prospect of recovery.

2.16 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits, rebates and tax exemption available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessment framed / finalised during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. A deferred tax asset is recognised for all deductible temporary differences and the tax losses, if any, to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and the tax losses can be utilised. The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance sheet date. The Group also recognises deferred tax asset / liability on deficit / surplus on revaluation of investments which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standards (IAS)-12 'Income taxes'.

2.17 Assets acquired in satisfaction of claims

The Group acquires certain vehicles and assets in settlement of non-performing loans / leases. These are stated at lower of the original cost of the related asset, exposure to the Group and the net realisable value. The net gains or losses on disposal of these assets are taken to the profit and loss account.

2.18 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include cash in hand and balances with banks in current accounts, saving accounts and short-term running finances.

2.19 Impairment

The carrying amount of the Group's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment loss. Any impairment loss arising is recognised as expense in the profit and loss account.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the outflow can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.21 Long term financing - term finance certificates (TFCs)

Term finance certificates are initially recognised at its fair value less transaction costs that are directly attributable to the issue of TFCs. The transaction costs are amortised over the term of TFCs using the effective interest method.

2.21.1 Employee retirement benefits

2.21.2 Defined contribution plan

IGI BANK operates an approved contributory provident fund for all its permanent employees. Equal monthly contributions are made, both by IGI BANK and the employee, to the fund at the rate of 10% of basic salary. IGI Finex Securities Limited operates a recognised provident fund scheme for all its employees for which equal monthly contributions are made both by the company and the employees to the fund at the rate of 8.33% of basic salary of the employees. With effect from November 1, 2006, the contribution rate has been increased to 10% of basic salary of employee.

IGI Funds Limited operates an approved contributory provident fund for all eligible employees. Equal monthly contributions are made, both by IGI Funds Limited and the employee, to the fund at the rate of 10% of basic salary.

2.21.3 Defined benefit plan

IGI BANK and IGI Finex Securities Limited operate approved funded employee gratuity schemes for all permanent employees, who have completed the qualifying period of service. Annual contributions and provisions in respect of the schemes are made in accordance with actuarial recommendations. The actuarial valuation is carried out using the Projected Unit Credit Method. Actuarial gains and losses at each valuation date are amortised over the average expected remaining lives of the employees participating in the plans.

IGI Funds Limited operates an unfunded gratuity scheme for all its permanent employees. Contributions are made to the scheme to cover the obligation on the basis of management's best estimate.

2.22 Employees' compensated absences

IGI BANK provides for liability in respect of employees' compensated absences in the year in which these are earned.

2.23 Proposed dividend and transfer between reserves

Dividends declared and transfer between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in such dividends are declared / transfers are made.

2.24 Revenue recognition

- Mark-up / interest on loans and returns on investments are recognised on a time proportion basis except that mark-up / interest / returns on classified loans and investments which are recognised on receipt basis.
- Finance method is used in accounting for recognition of income from lease financing. Under this method, the unearned lease income (the excess of aggregate lease rentals and the residual value over the cost of leased asset) is deferred and then taken to profit and loss account over the term of lease period, applying the annuity method so as to produce a constant rate of return on the outstanding balance in net investment in lease. Front-end fees, documentation charges, gains / losses on termination of lease contracts and other lease related income are taken to profit and loss account when they are realised.
- Income on Continuous Funding System (CFS) is recognised on accrual basis.
- Gains / losses arising on sale of investments are included in the profit and loss account in the period in which they arise.

-
- Dividend from equity securities is recognised when the Group's right to receive the dividend is established.
 - Commission income and fees are taken to the profit and loss account when the services are provided.
 - Premium or discount on acquisition of debt investments is capitalised and amortised through the profit and loss account over the remaining period till maturity.
 - Remuneration for investment advisory and asset management services are recognised on an accrual basis.
 - Return on bank deposits are recognised on an accrual basis.
 - Brokerage income is recognised as and when such services are rendered.
 - Other income is recognised as and when earned.

2.25 Borrowing cost

Borrowing costs are recognised as an expense in the year in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of the relevant asset.

2.26 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates. The financial statements are presented in Pakistani Rupees, which is the Group functional and presentation currency.

2.27 Foreign currency transactions

Transactions in foreign currencies are accounted for in rupees at the foreign exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the foreign exchange rates approximating those prevailing at the balance sheet date. Exchange differences are taken to the profit and loss account.

2.28 Segment reporting

A segment is a distinguishable component that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. As the operations of the Group are carried out in Pakistan, information relating to geographical segment is not considered relevant.

Assets, liabilities, capital expenditures and other balances which are directly attributable to the segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to the segments on a reasonable basis. Assets, liabilities, capital expenditure and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

2.29 Financial instruments

2.29.1 Financial asset and financial liability

Financial assets carried on the balance sheet include investments, loans, net investment in finance lease, deposits, receivable against continuous funding system transactions, interest, mark-up and profit accrued, cash and bank balance and other receivables.

Financial liabilities include liability against term finance certificates, borrowings, certificate of deposits and other liabilities. At the time of initial recognition, all financial assets and liabilities are recognised at fair value. The particular recognition method for subsequent measurement is given in the individual policy statement associated with each item.

2.29.2 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Group has a legally enforceable right to set-off the recognised amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expense arising from such asset and liabilities are also offset with each other.

	Note	2007 (Rupees in thousand)	2006
3 FIXED ASSETS			
Property and equipment	3.1	132,889	59,582
Capital work-in-progress	3.2	9,332	3,706
Intangible assets	3.3	177,618	183,581
		<u>319,839</u>	<u>246,869</u>

3.1 Property and equipment

	Owned assets				Leased assets			Total
	Lease hold premises	Lease hold improvements	Office equipment	Computer equipment	Furniture, fixture and fittings	Motor vehicles	Motor vehicles	
	(Rupees in thousand)							
As at July 1, 2006								
Cost	8,939	5,794	11,313	21,493	8,141	31,785	-	87,465
Accumulated depreciation	(259)	(1,630)	(5,464)	(8,085)	(3,251)	(9,194)	-	(27,883)
Net book value	8,680	4,164	5,849	13,408	4,890	22,591	-	59,582
Additions (at cost)	-	13,418	10,247	17,396	15,455	42,853	4,915	104,284
Disposals (at net book value)	-	-	(31)	-	-	(8,514)	-	(8,545)
Depreciation charge for the year	(621)	(1,620)	(2,434)	(6,279)	(1,251)	(9,516)	(711)	(22,432)
Closing net book value	8,059	15,962	13,631	24,525	19,094	47,414	4,204	132,889
As at June 30, 2007								
Cost	8,939	19,212	21,423	38,889	23,596	58,364	4,915	175,338
Accumulated depreciation	(880)	(3,250)	(7,792)	(14,364)	(4,502)	(10,950)	(711)	(42,449)
Net book value	8,059	15,962	13,631	24,525	19,094	47,414	4,204	132,889
Depreciation rate % per annum	5	10-20	10-20	20-33.33	10-20	20	20	

	Owned assets					Leased assets		Total
	Lease hold premises	Lease hold improvements	Office equipment	Computer equipment	Furniture, fixture and fittings	Motor vehicles	Motor vehicles	
As at July 1, 2005	(Rupees in thousand)							
Cost	-	4,327	8,262	11,631	5,485	17,945	-	47,650
Accumulated depreciation	-	(752)	(4,193)	(5,571)	(2,483)	(6,930)	-	(19,929)
Net book value		3,575	4,069	6,060	3,002	11,015	-	27,721
Additions (at cost)	-	-	1,212	7,948	1,856	10,938	-	21,954
Acquisition through business combinations	8,939	1,467	1,909	1,914	800	5,818	-	20,847
Disposals (at net book value)	-	-	(30)	-	-	(1,136)	-	(1,166)
Depreciation charge for the year	(259)	(878)	(1,311)	(2,514)	(768)	(4,044)	-	(9,774)
Closing net book value	8,680	4,164	5,849	13,408	4,890	22,591	-	59,582
As at June 30, 2006								
Cost	8,939	5,794	11,313	21,493	8,141	31,785	-	87,465
Accumulated depreciation	(259)	(1,630)	(5,464)	(8,085)	(3,251)	(9,194)	-	(27,883)
Net book value	8,680	4,164	5,849	13,408	4,890	22,591	-	59,582
Depreciation rate % per annum	5	10-20	10-20	20-33.33	10-20	20		

3.1.1 Cost and accumulated depreciation at the end of the year include Rs. 11,203 thousand (2006: Rs. 12,146 thousand) and Rs. 11,183 thousand (2006: Rs. 11,753 thousand) respectively in respect of fully depreciated assets still in use.

3.2 Capital work-in-progress

	2007	2006
	(Rupees in thousand)	
Civil works	5,505	-
Advance for purchase of computer software	1,575	1,000
Advance for purchase of vehicles	2,252	2,706
	<u>9,332</u>	<u>3,706</u>

3.3 Intangible assets

Description	Goodwill	Membership card and room (Note 3.3.1)	Non-competition agreement (Note 3.3.2)	Computer software	Total
(Rupees in thousand)					
As at July 1, 2006					
Cost	26,407	126,000	30,000	8,098	190,505
Accumulated amortisation	-	-	(4,167)	(2,757)	(6,924)
Net book value	26,407	126,000	25,833	5,341	183,581
Additions (at cost)	-	-	-	7,013	7,013
Amortisation charge for the year	-	-	(10,000)	(2,976)	(12,976)
Closing net book value	<u>26,407</u>	<u>126,000</u>	<u>15,833</u>	<u>9,378</u>	<u>177,618</u>

As at June 30, 2007

Cost	26,407	126,000	30,000	15,111	197,518
Accumulated amortisation	-	-	(14,167)	(5,733)	(19,900)
Net book value	<u>26,407</u>	<u>126,000</u>	<u>15,833</u>	<u>9,378</u>	<u>177,618</u>
Amortisation rate % per annum	-	-	33.33	20 - 33.33	

Description	Goodwill	Membership card and room (Note 3.3.1)	Non-competition agreement (Note 3.3.1)	Computer softwares	Total
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----- (Rupees in thousand) -----

As at July 1, 2005

Cost	-	21,000	-	4,744	25,744
Accumulated amortisation	-	-	-	(1,431)	(1,431)
Net book value	-	21,000	-	3,313	24,313

Additions (at cost)	-	-	30,000	1,588	31,588
Acquisition through business combinations	26,407	105,000	-	1,766	133,173
Amortisation charge for the year	-	-	(4,167)	(1,326)	(5,493)
Closing net book value	<u>26,407</u>	<u>126,000</u>	<u>25,833</u>	<u>5,341</u>	<u>183,581</u>

As at June 30, 2006

Cost	26,407	126,000	30,000	8,098	190,505
Accumulated amortisation	-	-	(4,167)	(2,757)	(6,924)
Net book value	<u>26,407</u>	<u>126,000</u>	<u>25,833</u>	<u>5,341</u>	<u>183,581</u>

Amortisation rate % per annum - - 33.33 20-33.33

Note 2007 2006
(Rupees in thousand)

3.3.1 Membership cards and room comprises of:

Membership card and room of Karachi Stock Exchange (Guarantee) Limited	80,000	80,000
Membership card and room of Lahore Stock Exchange (Guarantee) Limited	21,000	21,000
Membership of National Commodity Exchange Limited	25,000	25,000
	<u>126,000</u>	<u>126,000</u>

3.3.2 This represents consideration in respect of a three year agreement with Mr. Ali Azam Shirazee (Ex-Director and Chief Executive Officer of Finex Securities Limited) for not competing with IGI BANK in the financial brokerage business in Pakistan.

3.3.3 Cost and accumulated amortisation as at the end of the year include Rs. 987 thousand (2006: Rs. 784 thousand) in respect of fully depreciated assets still in use.

3.4 Particulars of disposal of fixed assets

Particulars of fixed assets having net book value exceeding Rs. 50,000 disposed of during the year are as follows:

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser
----- (Rupees in thousand) -----							
Vehicles							
Honda city	765	676	89	76	(13)	As per policy	Zafarullah Maqdi - Executive*
Honda city	765	676	89	76	(13)	As per policy	Tariq Qureshi - Executive*
Honda city	886	106	780	775	(5)	Tender	Sardar Ahmed
Honda city	1,288	136	1,152	1,026	(126)	Tender	Khurram Zaman
Suzuki alto	481	352	129	328	199	Tender	Javed Muhammad Khan
Hyundai santro	519	192	327	312	(15)	Tender	Waseem Mirza
Honda city	795	281	514	608	94	Tender	Imran Ahmed Farooqui
Honda city	831	277	554	690	136	Tender	Aijaz Ali
Honda city	835	200	635	660	25	Tender	Shahzad Usman
Honda city	936	162	774	770	(4)	Tender	Sardar Ahmed
Suzuki cultus	560	90	470	515	45	Tender	Captain Rifaqat Ali Khan
Suzuki cultus	580	449	131	363	232	Tender	Zahid Qadri
Suzuki alto	469	206	263	353	90	Tender	Shakil Khan
Suzuki alto	469	274	195	335	140	Tender	Mrs. Mahwish Tabbasum
Honda accord	1,043	125	918	1,036	118	Negotiation	NAFA
Mitsubishi lancer	999	380	619	680	61	Negotiation	Packages Limited*
Honda city	795	357	438	620	182	As per policy	Amir khanzada-Executive
Honda Civic	995	846	149	650	501	Negotiation	Salman Mobeen
Honda City	785	602	183	551	368	Negotiation	Noman Shafee
Toyota Corolla	939	861	78	381	303	As per policy	Abdul Majeed
June 30, 2007	15,735	7,248	8,487	10,805	2,318		

* represent related parties

	Note	2007 (Rupees in thousand)	2006
4 LONG-TERM LOANS - NET			
Secured - Due from others			
Executives - considered good	4.1 & 4.2	2,465	1,760
Employees - considered good	4.2	960	1,354
Companies, organisations and individuals	4.4 & 4.5	550,404	470,909
Unsecured - Due from others			
Companies, organisations and individuals	4.4	62,059	44,567
Less: provision for bad and doubtful loans	4.6	<u>10,317</u>	<u>8,978</u>
		605,571	509,612
Less: current maturity of long-term loans		<u>137,945</u>	<u>177,209</u>
		<u>467,626</u>	<u>332,403</u>

4.1 Reconciliation of carrying amount of loans to executives:

Opening balance - July 1, 2006	1,760	3,758
Disbursements during the year	1,000	-
Transfer from employee cadre to executives	308	-
Receipts during the year	<u>(603)</u>	<u>(1,998)</u>
Closing Balance - June 30	<u>2,465</u>	<u>1,760</u>

4.2 These represent loans provided to executives and employees of the Group for the purchase of house, vehicles and for other general purposes. These loans carry mark-up at 0% to 10.09% (2006: 0% to 2.5%) per annum and are repayable on monthly basis over a period ranging from 2 years to 16 years. These loans are secured against mortgage of house properties and hypothecation of vehicles.

4.3 The maximum aggregate amount due from executive at the end of any month during the year was Rs. 2,615 thousand (2006: Rs. 3,703 thousand).

4.4 These loans carry mark-up at rates ranging from 7.25% to 20% (2006: 7.25% to 25%) per annum and are repayable over periods ranging from 1 to 7 years (2006: 1 to 7 years) from the date of disbursement. Repayment terms vary from monthly basis to repayments at maturity.

4.5 These loans are secured against mortgage of properties and hypothecation of vehicles.

4.6 Long-term loans include Rs. 42,504 thousand (2006: Rs. 9,688 thousand) which have been classified as non-performing as per the requirements of the Prudential Regulations issued by the Securities and Exchange Commission of Pakistan. The provisioning requirement against these loans are as follows:

	2007			2006		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in thousand) -----					
Opening balance	2,789	6,189	8,978	1,713	3,050	4,763
Charge for the year	3,536	537	4,073	1,453	3,139	4,592
Reversal during the year	<u>(813)</u>	<u>(1,921)</u>	<u>(2,734)</u>	<u>(377)</u>	<u>-</u>	<u>(377)</u>
Closing balance	<u>5,512</u>	<u>4,805</u>	<u>10,317</u>	<u>2,789</u>	<u>6,189</u>	<u>8,978</u>

	Note	2007 (Rupees in thousand)	2006
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5 NET INVESTMENT IN FINANCE LEASE

Net investment in finance lease	5.1	2,158,836	1,929,202
Less: current maturity of net investment in finance lease		<u>749,134</u>	<u>695,624</u>
		<u>1,409,702</u>	<u>1,233,578</u>

5.1 Particulars of net investment in finance lease

	2007				2006			
	Not later than one year	Later than one year but not later than five years	Later than five years	Total	Not later than one year	Later than one year but not later than five years	Later than five years	Total
----- (Rupees in thousand) -----								
Lease rental receivable	919,224	1,089,410	-	2,008,634	819,572	1,036,950	185	1,856,707
Add: residual value of leased assets	85,497	435,565	-	521,062	53,439	369,569	1,567	424,575
Gross investment in finance lease	1,004,721	1,524,975	-	2,529,696	873,011	1,406,519	1,752	2,281,282
Less: unearned finance income	221,028	115,273	-	336,301	151,062	174,667	26	325,755
Net investment in finance lease - note 5.2, 5.3 & 5.4	783,693	1,409,702	-	2,193,395	721,949	1,231,852	1,726	1,955,527
Less: provision for lease losses - note 5.5	34,559	-	-	34,559	26,325	-	-	26,325
Net investment in finance lease - net of provision	749,134	1,409,702	-	2,158,836	695,624	1,231,852	1,726	1,929,202

5.2 Net investment in finance lease includes Rs. NIL (2006: Rs. 453 thousand) due from a related party. Maximum aggregate amount due from the related parties at the end of any month during the year was Rs. NIL (2006: Rs. 598 thousand).

5.3 IGI Bank has entered into various lease agreements for periods ranging from three to seven years (2006: three to seven years). Security deposits ranging from 0% to 40% (2006: 0% to 79%) are obtained at the time of disbursement of the lease amount. The rate of return implicit in the leases ranges from 6.4% to 23.4% (2006: 1.94% to 20.35%) per annum.

5.4 Net investment in finance lease includes Rs. 1,058 thousand (2006: Rs. 782,081 thousand) respectively in respect of leases which have been entered into at SBP's discount rate and KIBOR plus margins, ranging from 5% to 6% (2006: 0.5% to 5%) per annum, with floor ranging from 6.5% to 10% (2006: 6.5% to 10%) per annum and ceilings ranging from 7.5% to 12% (2006: 7.5% to 12%) per annum. The mark-up rates on these leases are revised periodically (every three to six months) in line with the changes to the KIBOR rates.

5.5 Provisions for lease losses

	2007			2006		
	Specific	General	Total	Specific	General	Total
Opening balance	6,838	19,487	26,325	5,897	16,937	22,834
Charge for the year	2,590	5,644	8,234	1,631	2,550	4,181
Reversal during the year	-	-	-	(690)	-	(690)
Closing balance	9,428	25,131	34,559	6,838	19,487	26,325

5.5.1 Net investment in finance lease include Rs. 168,370 thousand (2006: Rs. 46,099 thousand) which have been classified as non-performing as per the requirements of the Prudential Regulations issued by the Securities and Exchange Commission of Pakistan.

6 LONG-TERM DEPOSITS

	2007 (Rupees in thousand)	2006
Security deposits	1,150	1,057
Deposits with:		
Karachi Stock Exchange (Guarantee) Limited	1,200	700
National Commodity Exchange Limited	3,250	3,250
Deposits against assets leased vehicles	489	271
Others	217	80
	<u>6,306</u>	<u>5,358</u>

6.1 This includes an amount of Rs. 2,500 thousand (2006: Rs. 2,500 thousand) in respect of an advance given to National Commodity Exchange Limited for acquiring office premises.

7 SHORT-TERM LOANS

Note 2007 2006
(Rupees in thousand)

Secured

Short-term loans - considered good 7.1 197,979 273,252

7.1 These loans carry interest at rates ranging from 13.4% to 16.2% (2006: 8.5% to 16.25%) per annum and are repayable over periods ranging from 1 month to 1 year (2006: 2 months to 1 year). These are secured against mortgage of properties, hypothecation of vehicles, lien on certificates of deposits, pledge of securities and personal guarantees of the borrowers.

8 RECEIVABLE AGAINST CONTINUOUS FUNDING SYSTEM TRANSACTIONS / CARRY OVER TRANSACTIONS

Note 2007 2006
(Rupees in thousand)

Receivable against continuous funding system transactions / carry over transactions 8.1 758,409 419,418

8.1 These carry yields ranging from 11.28% to 19.78% (2006: 13% to 25%) per annum. The market value of the securities held has collateral against this receivables amounted to Rs. 769,213 thousand (2006: Rs. 445,204 thousand).

9 SHORT-TERM INVESTMENTS

9.1 Particulars of investments by category

----- Restated -----

	2007			2006		
	Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
----- (Rupees in thousand) -----						
Held to maturity						
Certificate of investments	-	-	-	50,000	-	50,000
Fund placements	240,000	-	240,000	40,149	-	40,149
Term deposit receipts	100,000	-	100,000	300,000	-	300,000
	340,000	-	340,000	390,149	-	390,149
Held for trading						
Federal investment bonds	2,103	-	2,103	2,378	-	2,378
Pakistan investment bonds	1,392	-	1,392	1,482	-	1,482
Market treasury bills	197,759	-	197,759	-	97,372	97,372
Mutual fund units (open ended)	17,910	-	17,910	-	-	-
	219,164	-	219,164	3,860	97,372	101,232
Available-for-sale						
Listed term finance certificates	152,579	-	152,579	235,900	-	235,900
Unlisted term finance certificates	59,995	-	59,995	14,445	-	14,445
Pre-IPO investment in term finance certificates	50,000	-	50,000	-	-	-
Mutual fund units (open ended)	514,163	-	514,163	121,166	-	121,166
Listed shares / certificates	166,071	-	166,071	87,006	59,537	146,543
Unlisted shares / certificates	62,782	-	62,782	62,782	-	62,782
	1,005,590	-	1,005,590	521,299	59,537	580,836
	<u>1,564,754</u>	-	<u>1,564,754</u>	<u>915,308</u>	<u>156,909</u>	<u>1,072,217</u>

	Note	2007	2006 (Restated)
9.2 Particulars of investments by type		(Rupees in thousand)	
Investments in:			
Certificate of investments	9.2.1	-	50,000
Fund placements	9.2.1	240,000	40,149
Term deposit receipts	9.2.1	100,000	300,000
Government securities	9.2.2	201,254	101,232
Listed term finance certificates	9.2.3	152,579	235,900
Unlisted term finance certificates	9.2.3	59,995	14,445
Pre-IPO investment in term finance certificates	10.2.3	50,000	-
Mutual fund units (open ended)	9.2.5	532,073	121,166
Listed shares / certificates	9.2.6	166,071	146,543
Unlisted shares / certificates	9.2.6	62,782	62,782
		<u>1,564,754</u>	<u>1,072,217</u>

9.2.1 These carry rate of return ranging from 10.25% to 10.8% (2006: 10.90% to 23%) per annum and are maturing on various dates by September 27, 2007.

9.2.2

Particulars	2007			2006		
	Maturity date	Face Value Rupees in thousand	Coupon rate	Maturity date	Face Value Rupees in thousand	Coupon rate
Federal investment bonds	12-Jan-2008	2,200	15% per annum paid semi-annually	12-Jan-2008	2,200	15% per annum paid semi-annually
Pakistan investment bonds	18-Jun-2012	1,400	11% per annum paid semi-annually	18-Jun-2012	1,400	11% per annum paid semi-annually
Treasury bills	16-Aug-2007	200,000	8.79	26-Oct-2006	100,000	8.59%

9.2.3 Particulars of TFCs: *

Number of certificates	Particulars	2007				2006			
		2007		2006		2006		2005	
		(Rupees in thousand)							
		Amortised cost	Market value	Amortised cost	Market value	Amortised cost	Market value	Amortised cost	Market value
LISTED TFCs									
Investment banks and companies									
-	1,000	-	-	5,059	5,075	-	-	-	-
Commercial banks									
2,000	2,000	6,765	5,707	10,456	10,086	-	-	-	-
4587	4587	22,907	21,981	22,917	21,771	-	-	-	-
2,000	2,000	9,996	10,296	10,000	10,000	-	-	-	-
6,352	6,352	31,757	30,487	31,759	30,171	-	-	-	-
-	-	-	-	49,990	50,240	-	-	-	-
Leasing									
190	190	950	893	950	912	-	-	-	-
Refinery									
1,448	1,448	5,749	5,907	6,603	6,570	-	-	-	-
5,913	5,913	18,057	18,463	24,430	24,674	-	-	-	-

		Miscellaneous						
5,903	5,903	Searle Pakistan Limited	29,503	29,503	29,515	29,588		
897	897	Pakistan Services Limited	1,921	1,950	3,202	3,242		
8,715	8,715	TeleCard Limited	31,754	26,991	43,557	39,202		
2,000	2,000	WorldCALL Telecom Limited	1,350	401	4,393	4,369		
			<u>160,709</u>	<u>152,579</u>	<u>242,831</u>	<u>235,900</u>		
							2007	2006
							(Rupees in thousand)	Amortised cost
		UNLISTED TFCs						
-	2,000	Development Securitisation Trust			-	4,445		
5,000	-	Jahangir Siddiqui & Co.			24,995	-		
5,000	-	Three Stars (Pvt.) Limited			25,000	-		
2,000	2,000	Security Leasing Corporation Limited			<u>10,000</u>	<u>10,000</u>		
					<u>5,995</u>	<u>14,445</u>		
		Pre-IPO investments in TFCs						
5,000	-	Pak Electron			25,000	-		
5,000	-	Shahmurad Sugar Mills Limited			25,000	-		
					<u>50,000</u>	<u>-</u>		

* Secured, unless specified otherwise.

9.2.4 Other particulars of TFCs are as follows:

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Redemption terms
Standard Chartered Bank (Pakistan) Limited (I)	5,000	Cut off yield of latest auction of 5-years PIB + 2.25% p.a. (floor 11.00%, cap 15.50%).	Semi-annually	Redemption will commence from the 54th month of the issue date.
Standard Chartered Bank (Pakistan) Limited (II)	5,000	Floor 5%, cap 10.75%, cut off yield of 5-years PIB + 0.75%.	Semi-annually	Redemption will commence from the 54th month of the issue date.
Standard Chartered Bank (Pakistan) Limited (III)	5,000	Six months KIBOR + 2% .	Semi-annually	Redemption of Re. 1 in the first 8 semi-annual instalments. The remaining principal will be redeemed in six semi-annual instalments.
United Bank Limited (II)	5,000	1.35% p.a. + Trading yield 8 year PIBs.	Semi-annually	Bullet redemption at the end of 8th year.
Al-Zamin Leasing Modaraba	5,000	Floor of 9.5% p.a. or profit expected to be around 1.5% p.a.	Profit on half-yearly basis, final profit will be paid on the basis of annual audited financial statements.	Payable in 3 installments starting from 3rd, 4th & 5th year.
Chanda Oil & Gas Securitization Company Limited	5,000	Last 7 days average ask side of 3 months KIBOR + 3.25 bps floor 8.95% cap 13%.	Quarterly	Redemption will commence after a grace period of 6 months.
Naimat Basal Oil & Gas Securitization Company Limited	5,000	Ask side of six-month KIBOR + 2.5%, (floor 7.5%, cap 13%).	Monthly	Payable in 60 monthly installments. During 1st six months, only 3% of the principal will be redeemed, and 97% of the principal will be redeemed in 54 equal monthly installments after 6th months.
Searle Pakistan Limited	5,000	Average ask rate of six months KIBOR + 2.5%..	Semi-annually	0.04% of the principal will be redeemed within 12 months and the remaining principal will be redeemed in 8 equal semi-annual installments of 12.495 % of the principal each.
Pakistan Services Limited	5,000	2.25% over SBP's discount rate per annum (floor of 9.75% cap of 13.75%.)	Semi-annually	Principal redemption will take place in seven equal semi annual installments and will commence from the 24th month of the date of public subscription after a grace period of 18 months.
TeleCard Limited	5,000	Floating rate of Base rate (base rate = average of 6 month KIBOR) + 3.75 % p.a (with no floor and cap)	Semi-annually	Ten equal semi-annual installments commencing from 18 months from the issue date.
WorldCALL Telecom Limited	5,000	1.75% over SBP's discount rate with a floor of 12.25% and a ceiling of 16.25%.	Semi-annually	Redemption of Re 1 in the first 3 semi annual installments. Rest of the principal will be redeemed in 7 equal semi annual installments.

Jahangir Siddiqui & Co	5,000	Average ask rate of six months KIBOR + 2.5%. (Floor 6 % and ceiling 16%)	Semi-annually	Principal redemption will be as follows: a) 6-54th month 0.18% of the principal b) 60th month 49.91% of the principal c) 66th month 49.91% of the principal
Three Stars (Pvt.) Limited	5,000	Average ask rate of six months KIBOR + 2.5%.	Quarterly	Bullet payment at the time of maturity.
Security Leasing Corporation Limited	5,000	Average ask rate of six months KIBOR + 2.45%.	Semi-annually	Eight equal semi-annual installments commencing from 18 months from the date of issue.
Pak Electron	5,000	Average ask rate of six months KIBOR + 2.5%. (with no floor and no cap)	Semi-annually	Principal will be repaid in 60 equal monthly installments.
Shahmurad Sugar Mills Limited	5,000	Average ask rate of six months KIBOR + 3.25%. (with no floor and no cap)	Quarterly	Principal will be repaid in 6 equal semi-annual installments after a grace period of 2 years from the issue date.

9.2.5 Particulars of investment in mutual fund units (open ended)

No. of Units		Particulars	2007		2006	
2007	2006		Average cost	Market value	Average cost	Market value
----- (Rupees in thousand) -----						
Held for trading						
100,000	-	Alfalah GHP Fund Income Fund (Face value Rs. 50 each)	5,000	5,019	-	-
18,612	-	KASB Liquid Fund (Face value Rs. 100 each)	2,000	2,066	-	-
106,089	-	IGI Income Fund	10,599	10,825	-	-
			17,599	17,910	-	-
Available-for-sale						
200,000	-	Alfalah GHP Fund Income Fund (Face value Rs. 50 each)	10,000	10,033	-	-
900,131	-	AMZ Plus Income Fund (Face value Rs. 100 each)	100,000	100,919	-	-
-	423,714	AKD Opportunity Fund (Face value Rs. 50 each)	-	-	20,000	18,516
901,347	190,458	Askari Income Fund (Face value Rs. 100 each)	100,000	100,617	20,000	19,983
-	9,002	Atlas Income Fund (Face value Rs. 500 each)	-	-	5,000	4,903
-	20,000	Atlas Stock Market Funds (Face value Rs. 500 each)	-	-	10,000	13,096
406,771	89,849	Dawood Money Market Fund (Face value Rs. 100 each)	45,000	45,241	10,000	9,985
391,196	-	HBL Income Fund (Face value Rs. 100 each)	40,000	40,168	-	-
918,127	198,478	KASB Liquid Fund (Face value Rs. 100 each)	100,885	101,885	20,000	20,137
4,098,958	2,955,758	NAFA Cash Fund (Face value Rs. 10 each)	45,000	45,355	30,000	29,491
156,617	-	National Investment Trust	10,000	9,655	-	-
547,097	45,860	United Money Market Fund (Face value Rs. 100 each)	60,000	60,290	5,001	5,055
			510,885	514,163	120,001	121,166
			528,484	532,073	120,001	121,166

9.2.6 Particulars of listed shares / certificates

No. of ordinary shares / certificates of Rs. 10/- each		Particulars	2007		2006 (Restated)	
2007	2006		Average cost	Market value	Average cost	Market value
----- (Rupees in thousand) -----						
Mutual fund (closed ended)						
500,000	500,000	PICIC Investment Fund	9,311	7,625	9,311	7,300
950,000	950,000	Atlas Fund of Funds	9,048	8,740	9,048	9,262
999,500	1,000,000	Meezan Balance Fund	9,995	10,245	10,000	10,050
4,215,359	3,665,704	First Dawood Mutual Fund	35,447	37,940	35,446	34,091
404,850	1,089,850	AKD Index Tracker Fund	4,051	5,547	10,899	10,245
500,226	500,226	UTP Growth Fund	9,116	7,003	9,116	6,503
3,403,765	-	Safeway Mutual Fund	41,866	40,845	-	-
Leasing						
78,200	78,200	ORIX Leasing Pakistan Limited	2,715	2,326	2,715	2,006
Investment Banks / Companies / Securities						
-	29,000	International Housing Finance Limited	-	-	218	180
500	-	Arif Habib Securities Limited	48	59	-	-
950	-	Bank Alfalah Limited	49	62	-	-
Commercial banks						
-	1,000	PICIC Commercial Bank Limited	-	-	30	25
-	103,500	Bank of Punjab	-	-	8,587	8,559
-	500	National Bank of Pakistan Limited	-	-	92	108
Balance c/f			121,646	120,392	95,462	88,329

No. of ordinary shares / certificates of Rs. 10/- each		Particulars	2007		2006 (Restated)	
2007	2006		(Rupees in thousand)			
			Average cost	Market value	Average cost	Market value
		Balance b/f	121,646	120,392	95,462	88,329
		Textile spinning				
1,200,326	1,200,326	Dewan Farooque Spinning Mills Limited	12,003	10,743	12,003	8,042
605,302	500,302	Zephyr Textiles Limited	5,732	4,963	5,003	3,502
		Textile composite				
-	2,000	Nishat Mills Limited	-	-	210	210
1,758,280	-	Hira Textile Mills Limited	21,979	17,583	-	-
221,551	201,410	Kohinoor Textile Mills Limited	10,887	5,926	10,887	6,395
		Cement				
-	26,000	Lucky Cement Limited	-	-	2,782	2,692
		Refinery				
43,975	41,980	Attock Refinery Limited	5,117	5,125	6,037	3,640
		Power generation and distribution				
-	100,000	HUB Power Company Limited	-	-	4,217	2,300
1,500	-	Kot Addu Power Company Limited	85	90	-	-
		Oil and gas exploration				
2,200	29	Oil and Gas Development Company Limited	262	264	3	4
1,700	23,500	Pakistan Oilfield Limited	555	539	8,093	7,867
1,700	-	Pakistan Petroleum Limited	436	446	-	-
-	21,500	Sui Southern Gas Company Limited	-	-	685	621
		Technology and communication				
-	978,233	Eye Television Network Limited	-	-	9,782	6,848
-	1,173,500	Telecard Limited	-	-	14,180	13,319
-	316	World call Telecom Limited	-	-	3	3
		Paper & Board				
-	12,700	Packages Limited (a related party)	-	-	2,113	2,659
		Synthetic and Rayon				
-	10,000	Dewan Salman Fibre Limited	-	-	112	112
			<u>178,702</u>	<u>166,071</u>	<u>171,572</u>	<u>146,543</u>
		UNLISTED SHARES			2007	2006
					(Rupees in thousand)	
					Cost	
		Miscellaneous				
4,000,000	4,000,000	DHA Cogen Limited			40,000	40,000
216,216	216,216	System Ltd			10,000	10,000
1,123,318	1,123,318	Techlogix Limited			12,782	12,782
					<u>62,782</u>	<u>62,782</u>

10 ADVANCES, DEPOSITS AND PREPAYMENTS	Note	2007 (Rupees in thousand)	2006
Advance against leases	10.1	1,903	18,545
Exposure deposits with Karachi Stock Exchange (Guarantee) Limited	10.2	343,892	25,451
Exposure deposits with Lahore Stock Exchange (Guarantee) Limited	10.2	5,000	-
Advance to suppliers		17,288	5,534
Advance to employees		11	-
Prepaid expenses	10.3	12,191	12,054
Receivable from NCCPL / CDC		1,400	-
Margin deposit with National Commodity Exchange		1,540	-
Others		423	953
		<u>383,648</u>	<u>62,778</u>

10.1 These represent advances paid to suppliers against assets to be leased out and carry mark-up at rates ranging from 14.95% to 15.41% (2006: 12.5% to 15%).

10.2 These represent the deposit held at the year end with the exchange against exposures arising out of trading in securities in accordance with the regulations of the Exchange. Interest is earned on the deposits at rates as decided by the Exchange.

10.3 This includes Rs. 7,446 thousand (2006: Rs. 8,495 thousand) in respect of advance rent of premises utilised by the Group.

11 INTEREST, MARK-UP AND PROFIT ACCRUED	Note	2007 (Rupees in thousand)	2006
Investments			
- government securities		160	160
- term finance certificates		6,709	5,935
		6,869	6,095
Finances		68,111	20,491
Fund placements		3,640	1,443
Deposits with banks		6,641	239
		<u>85,261</u>	<u>28,268</u>

12 TRADE DEBTS	Note	2007	2006 Restated
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Secured - considered good

Against purchase of shares on behalf of clients/ clearing balances with National Clearing Company of Pakistan Limited

12.1 640,158 336,606

Unsecured - considered good

Commission receivable

1,813
641,971 2,300
338,906

12.1 This includes an amount of Rs. 97,257 thousand (2006: Rs 22,904 thousand) receivable from National Clearing Company of Pakistan Limited in respect of trading in securities which was settled subsequent to the year end.

13 OTHER RECEIVABLES	Note	2007 (Rupees in thousand)	2006
Secured - considered good			
Assets repossessed in respect of terminated lease contracts		12,272	5,967
Unsecured - considered good			
Dividend receivable		100	2,501
Receivable against tender offer	13.1	6,240	-
Excise duty paid on behalf of customers		4,471	4,471
Positive fair value of derivative financial instruments		-	792
Due from related parties:			
Packages Limited		-	988
IGI Income Fund	13.2	6,388	-
IGI Insurance Limited		-	1,092
		6,388	2,080
Others		14,777	2,750
Unsecured - considered doubtful			
Receivable from lessees in satisfaction of claims		6,539	5,094
		<u>50,787</u>	<u>23,655</u>
Less: provision for bad and doubtful receivables		(6,539)	(5,094)
		<u>44,248</u>	<u>18,561</u>
13.1 This represents amount receivable in respect of sale of shares of a listed company pursuant to a tender offer made by a financial institution.			
13.2 This includes:			
- an amount of Rs. 1,646 thousand (2006: Rs. Nil) in respect of remuneration for services rendered by IGI Funds Limited (management company).			
- an amount of Rs. 3,602 thousand (2006: Rs. Nil) in respect of expenditure incurred on the incorporation and floatation of IGI Income Fund. These expenses are recoverable from the fund within a year and do not carry any mark-up.			
- an amount of Rs. 1,140 thousand (2006: Rs. Nil) in respect of security deposits paid to various entities on behalf of the IGI Income Fund before its floatation. These expenses are recoverable from the fund within a year and do not carry any mark-up.			
14 CASH AND BANK BALANCES	Note	2007 (Rupees in thousand)	2006
In hand		51	91
In current accounts			
- State Bank of Pakistan		278	649
- Others			
local currency		14,506	178,658
foreign currencies		950	342
		15,456	179,000
Term deposit receipt- having maturity upto three months	14.1	50,000	
In saving accounts			
local currency		295,981	136,116
		<u>361,766</u>	<u>315,856</u>

- 14.1 This carries interest at 9.75% and is maturing on July 25, 2007. This TDR pledged against the running finance facility availed by the Group as disclosed in note 25 to these financial statements.

15 SHARE CAPITAL

Authorised capital

2007 ----- Number of shares -----	2006	2007 (Rupees in thousand)	2006 (Rupees in thousand)
100,000,000	100,000,000	<u>1,000,000</u>	<u>1,000,000</u>

Issued, subscribed and paid-up capital

2007			2006				
Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		
----- No. of shares -----							
25,000,000	-	25,000,000	25,000,000	-	25,000,000	250,000	250,000
-	16,917,500	16,917,500	-	16,917,500	16,917,500	169,175	169,175
25,000,000	16,917,500	41,917,500	25,000,000	16,917,500	41,917,500	419,175	419,175
-	4,191,750	4,191,750	-	-	-	41,917	-
46,109,250	-	46,109,250	-	-	-	461,092	-
<u>71,109,250</u>	<u>21,109,250</u>	<u>92,218,500</u>	<u>25,000,000</u>	<u>16,917,500</u>	<u>41,917,500</u>	<u>922,184</u>	<u>419,175</u>

- 15.1 IGI Insurance Limited, a related party, holds 11,523 thousand (2006: 14,667 thousand) ordinary shares of Rs. 10 each of IGI BANK as at June 30, 2007.

	Note	2007	2006 Restated
		(Rupees in thousand)	
16 RESERVES			
Capital reserve			
Statutory reserve		97,098	97,098
Revenue reserves			
General reserve		55,408	97,325
Unappropriated (loss) / profit		<u>(36,439)</u>	34,826
		<u>116,067</u>	<u>229,249</u>
17 Minority Interest			
Share of minority in:			
Share capital		30,000	-
Loss for the year		(4,902)	-
Transfer of resources to the minority consequent to deemed partial disposal of shareholding in IGI Funds Limited		<u>(5,235)</u>	-
		<u>19,863</u>	<u>-</u>

	Note	2007	2006 Restated
18 DEFICIT ON REVALUATION OF INVESTMENTS - NET		(Rupees in thousand)	
Net deficit on revaluation of:			
- government securities		(592)	(455)
- term finance certificates		(8,130)	(6,931)
- mutual funds units (open ended)		3,589	1,165
- quoted shares and certificates		(12,631)	(25,029)
- forward sale of quoted shares and certificates		-	792
	18.1	<u>(17,764)</u>	<u>(30,458)</u>
Related deferred tax asset - net	24	207	159
Minority interest thereon		(106)	-
		<u>(17,451)</u>	<u>(30,299)</u>
	Note	2007	2006 Restated
18.1 Particulars of (deficit) / surplus on revaluation of investments - net		(Rupees in thousand)	
Opening balance		(30,458)	(55,791)
Surplus arising on revaluation of investments during the year		44,127	58,121
Transferred to the profit and loss account on disposal of investments		<u>(31,433)</u>	<u>(32,788)</u>
Closing balance		<u>(17,764)</u>	<u>(30,458)</u>
	Note	2007	2006 Restated
19 TERM FINANCE CERTIFICATES / PRE-IPO SUBSCRIPTION		(Rupees in thousand)	
Pre-IPO subscription towards term finance certificates	19.1	-	375,000
Term finance certificates	19.1	499,961	-
Less: transaction costs	19.2	<u>4,040</u>	<u>5,050</u>
		<u>495,921</u>	<u>369,950</u>
Less: current maturity of term finance certificates and transaction costs		<u>61,565</u>	<u>-</u>
		<u>434,356</u>	<u>369,950</u>
19.1	<p>These represent listed Term Finance Certificates (TFCs) issued by IGI BANK in July 10, 2006 having tenor of 5 years. The total issue comprises of Private Placement (Pre-IPO) of Rs 375 million and Initial Public Offering (IPO) of Rs. 125 million. These TFC's are secured against the present and future movable fixed assets and current assets of IGI BANK and carry mark-up at KIBOR + 225 basis points (2.25%) per annum payable semi-annually with no floor and cap. The principal amount of these TFCs is redeemable within 5 years in 8 equal semi-annual instalments in arrears after a grace period of 12 months from the date of issue. The issue of these TFCs has been approved by the Securities and Exchange Commission of Pakistan vide their letter No. SMD/Co.57 (1)/06/2006 dated June 26, 2006 and by the Lahore Stock Exchange (Guarantee) Limited vide their letter No. LSE/12935 dated May 29, 2006 and letter No. 14147 dated June 27, 2006.</p>		
19.2	<p>Transaction cost incurred on issue of TFCs has been adjusted from the related liability and is amortised over the term of TFCs using the effective interest method.</p>		
	Note	2007	2006 Restated
20 LONG-TERM FINANCE		(Rupees in thousand)	
Secured			
Local currency - banking companies	20.1	1,203,335	1,308,333
Less: current maturity of long-term finance		<u>421,666</u>	<u>615,000</u>
		<u>781,669</u>	<u>693,333</u>

20.1 This includes:

- Financing facility of Rs. 300,000 thousand obtained from a banking company in three tranches of Rs. 100,000 thousand each. The principal amount is repayable in four equal semi-annual instalments commencing from eighteen months after disbursement of each tranche and carries floating mark-up rate calculated every six months on the basis of the last six months market treasury bills auctioned cut-of yield plus 3% per annum, with a floor of 5% per annum and a ceiling of 8% per annum. The facility is secured by a first pari passu registered charge on IGI BANK'S present and future assets, with a margin of 25%.
- Financing facility of Rs. 200,000 thousand obtained from a banking company with a tenor of three years, repayable in four equal semi-annual instalments commencing from eighteen months from the date of disbursement. The principal carries mark-up at the rate of 6-month KIBOR ask side (average) plus 1.25% p.a. payable semi-annually. The facility is secured by a first pari passu charge on IGI BANK's present and future assets, with a margin of 25%.
- Financing facility of Rs. 200,000 thousand obtained from a banking company with a tenor of three years, repayable in six equal semi-annual instalments. The principal carries mark-up at the rate of 6-months KIBOR (ask side) average + 1.50% per annum. The facility is secured by first pari passu charge on leased assets, book debts, receivables and securities amounting to Rs. 271 million.
- Financing facility of Rs. 100,000 thousand obtained from a banking company with a tenor of three years, repayable in four equal semi-annual instalments of Rs. 25,000 thousand starting from 18 months from the date of disbursement. The finance carries mark-up at a floating rate of 6-month KIBOR (ask side) + 1.75% per annum payable semi-annually. The facility is secured by a first pari passu charge on leased assets amounting to Rs. 135 million.
- Financing facility of Rs. 200,000 thousand obtained from a banking company with a tenor of three years, repayable in five equal semi-annual instalments of Rs. 40,000 thousand starting from 13 months from the date of disbursement. The principal carries mark-up at a floating rate of 6-month KIBOR (ask side) average + 2% per annum payable semi-annually. The facility is secured by a first pari passu charge on IGI BANK'S movable assets, receivables, leased assets and leased receivables amounting to Rs.267 million with a margin of 25%.
- Financing facility of Rs. 200,000 thousand obtained from a banking company with a tenor of three years, repayable in twelve equal quarterly instalments of Rs. 16,667 thousand starting from the date of disbursement. The finance carries mark-up at a floating rate of 6-month KIBOR (ask side) average + 2% per annum payable quarterly. The facility is secured by a first pari passu charge on all present and future leased assets, hypothecation of movable assets and receivables of IGI BANK'S with a margin as prescribed in SBP's Prudential Regulations or the banking company's practice whichever is higher.
- Financing facility of Rs. 200,000 thousand obtained from a banking company with a tenor of three years repayable in four equal semi-annual instalments commencing from eighteen months from the date of disbursement. The principal carries mark-up at a floating rate of 6- months KIBOR (ask side) + 2% per annum payable semi-annually. The facility is secured by a first pari passu charge on all present and future assets and receivables of IGI BANK with a margin of 25%.
- Financing facility of Rs. 250,000 thousand obtained from a banking company with a tenor of three years repayable in four equal semi-annual instalments commencing eighteen months from the date of disbursement. The finance carries mark-up at a floating rate of 6-months KIBOR (ask side) + 1.90% per annum payable semi-annually. The facility is secured by a first pari passu charge on all present and future assets and receivables of IGI BANK with a margin of 25%.
- Financing facility of Rs. 300,000 thousand obtained from a banking company with a tenor of three years repayable in four equal semi-annual instalments commencing eighteen months from the date of disbursement. The finance carries mark-up at a floating rate of 6-months KIBOR (ask side) + 2% per annum payable semi-annually. The facility is secured by a first pari passu charge on all present and future assets and receivables of IGI BANK with a margin of 25%.

21 LONG-TERM CERTIFICATES OF DEPOSITS	Note	2007 (Rupees in thousand)	2006 (Rupees in thousand)
Unsecured			
Local currency			
- Financial institutions		400,000	-
- Individuals	21.1	420,375	284,741
- Others		66,996	43,785
	21.2	887,371	328,526
Less: current maturity of long-term certificates of deposit		359,316	39,467
		528,055	289,059

21.1 These includes certificates of deposit amounting to Rs. 1,600 thousand (2006: Rs. 500 thousand) issued to employees at mark-up rate of 10.5% to 11.50% (2006: 11.25%) and certificates of deposit amounting to Rs. 16,688 thousand (2006: Rs. 20,000 thousand) payable in respect of acquisition of IGI Finex Securities Limited.

21.2 These certificates of deposit have contractual maturities ranging from 1 to 5 years (2006: 1 to 5 years) from the contract date. Expected rates of return payable on these certificates of deposits are 4.75% to 13% (2006: 4.75% to 17.75%) per annum.

22 LONG-TERM DEPOSITS ON LEASE CONTRACTS	Note	2007 (Rupees in thousand)	2006 (Rupees in thousand)
Deposits on lease contracts	22.1	515,228	420,767
Less: current maturity of deposits on lease contracts		85,497	53,315
		429,731	367,452

22.1 These represent interest free security deposits received against lease contracts which are repayable / adjustable at the expiry / termination of the respective leases.

23 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2007		2006	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
------(Rupees in thousand)-----				
Not later than one year	1,188	757	661	378
Later than one year and not later than five years	4,154	3,517	2,867	2,298
	5,342	4,274	3,528	2,676
Less: Finance charge not yet due	1,068	-	852	-
	4,274	4,274	2,676	2,676
Less: current maturity of liabilities against assets subject to finance lease	757	757	378	378
	3,517	3,517	2,298	2,298

23.1 Mark-up rate on these liabilities is 12.5% (2006: 12.5%).

	Note	2007 (Rupees in thousand)	2006 (Rupees in thousand)
24 DEFERRED TAX (ASSETS) / LIABILITIES - NET			
Deferred tax assets arising in respect of			
- Provision for bad and doubtful loans / potential lease losses	24.1	(15,707)	(12,356)
- Carry forward of assessed income tax losses		(195,597)	(102,831)
- Deficit on revaluation of investments	18	(207)	(159)
- Provision for defined benefit obligation		(112)	-
- Others		(185)	-
		<u>(211,808)</u>	<u>(115,346)</u>
Deferred tax liabilities arising in respect of			
- Accelerated tax depreciation		193,952	154,455
- Transaction costs in respect of TFCs issued		1,414	1,768
	24.2	<u>(16,442)</u>	<u>40,877</u>
24.1 The Group has an aggregate amount of Rs. 558,850 thousand (2006: 293,804 thousand) in respect of unabsorbed tax losses as at June 30, 2007 on which the management has recognised deferred tax debit balance amounting Rs. 195,597 thousand (2006: 102,831 thousand). This represents the management's best estimate of probable benefit expected to be realised in future years in the form of reduced tax liability as the Group would be able to set off the profit earned in these years against losses carried forward from prior years. The amount of this benefit has been determined based on the projected financial statements of the bank for the next five years.			
	Note	2007 (Rupees in thousand)	2006 (Rupees in thousand)
24.2 Movement in deferred tax (asset) / liability			
Opening balance		40,877	42,570
Reversal during the year		<u>(57,271)</u>	<u>(18,044)</u>
		(16,394)	24,526
Deferred tax impact on (deficit) / surplus on revaluation of investments		(48)	16,351
		<u>(16,442)</u>	<u>40,877</u>
25 SHORT-TERM FINANCE - secured			
Running finance utilised under mark-up arrangement	25.1	<u>160,027</u>	<u>237</u>
25.1 This includes			
an amount of Rs. 77 thousand (2006: Rs. 237 thousand) borrowed from commercial banks against short term running finance facilities amounting to Rs. 200,000 thousand (2006: Rs. 200,000 thousand). The amount is secured by a first pari passu charge and hypothecation on the group's present and future assets. These facilities carries mark-up at rates ranging from 1 month KIBOR rates plus 1.5% per annum (2006: 1-month KIBOR rate plus 1.5% per annum).			
an amount of Rs. 159,950 thousand (2006: Rs. Nil) borrowed from various commercial banks against short-term running finance facilities amounting to Rs. 400,000 thousand (2006: Rs. Nil). These carry mark-up rates ranging from 3 months KIBOR + 2% - 3% (2006: Nil) and are repayable by January 31, 2008. These facilities are secured by the pledge of a term deposit receipt of Rs. 50,000 thousand, listed shares held by IGI Finex Securities Limited and hypothecation of book debts of IGI Finex Securities Limited.			
26 SHORT-TERM CERTIFICATES OF DEPOSIT			
Unsecured			
Local currency			
- Financial institutions		1,350,000	1,250,000
- Individuals		296,416	183,155
- Others		193,743	276,559
	26.1	<u>1,840,159</u>	<u>1,709,714</u>

26.1 These certificates of deposits have contractual maturities ranging from 1 to 12 months (2006: 1 to 12 months) from the contract date. Expected rates of return payable on these certificates of deposits are 8.75% to 11.65% (2006: 6.25% to 14.25%) per annum.

2007 **2006**
(Rupees in thousand)

27 BORROWINGS FROM FINANCIAL INSTITUTIONS

Securities sold under repurchase agreement	-	97,347	
Unsecured borrowings	<u>465,000</u>	<u>197,000</u>	
27.1	<u>465,000</u>	<u>294,347</u>	

27.1 These borrowings carry mark-up at rates ranging from 8.80% to 9.75% (2006: 8.00% to 9.50%) per annum and are repayable on various dates by July 17, 2007.

2007 **2006**
(Rupees in thousand)

28 INTEREST AND MARK-UP ACCRUED

Interest and mark-up accrued on:

- Long-term finance	11,939	7,732	
- Short-term finance	577	331	
- Borrowings from financial institutions	2,319	10	
- Term finan certificates	30,178	435	
- Certificates of deposit	<u>58,450</u>	<u>51,429</u>	
	<u>103,463</u>	<u>59,937</u>	

Note **2007** **2006**
(Rupees in thousand)
Restated

29 ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses	11,854	9,469	
Payable to customers on account of excess recoveries	3,028	3,028	
Payable to customers in respect of brokerage business			
- Related parties	16,721	27,163	
- Others	517,448	203,298	
Payable to National Clearing Company of Pakistan	-	-	
Distribution commission payable	2,896	-	
Unclaimed dividends	347	777	
Payable against services received	577	-	
Payable to EOBI and provident fund	98	-	
Payable against purchase of fixed assets	1,688	-	
Payable to employee gratuity scheme of			
IGI Bank and IGI Finex Securities Limited	39.1 3,700	3,338	
Payable to employee gratuity scheme of IGI Funds Limited	39.2 320	-	
Advances from lessees	35,428	7,617	
Advance insurance recoveries from customers	14,799	10,263	
Payable in respect of non-competition fee	-	15,000	
Creditors	2,440	-	
Payable to IGI Insurance	38,332	-	
Others	<u>10,764</u>	<u>7,103</u>	
	<u>660,440</u>	<u>287,056</u>	

30 CONTINGENCIES AND COMMITMENTS

30.1 Taxation

- (a) The provision for taxation has been computed by IGI BANK at the rate applicable to a public company. In the original assessments made by the Deputy Commissioner of Income Tax (DCIT), the rate for the assessment years 1991-1992 to 2000-2001 and 2002-2003 applied in computing the tax liability was that applicable to a banking company. However, in the appeals filed against the original assessments upto the assessment year 1997-1998, the Commissioner of Income Tax (Appeals) [CIT(A)] directed the DCIT to apply the rate applicable to a public company. Subsequent to the order of CIT(A) the Income Tax Department filed various appeals before the Income Tax Appellate Tribunal (ITAT) against the directions of CIT(A). The ITAT, in its decisions in respect of assessment years 1991-1992 to 1997-1998 held that investment banks are not banking companies and therefore the rate of tax applicable to a public company should be applied while determining the tax liability. Subsequent to the decision of ITAT, the department had filed appeals against the ITAT orders before the honourable Lahore High Court which are pending to date. In respect of the aforementioned matters the Federal Board of Revenue had given its consent to the proposal of Director General, LTU, Lahore to withdraw the appeals relating to the tax status of investment banks.

In the original assessment made by the DCIT for the assessment years 1995-96 to 2000-2001, dividend income was taxed by applying the tax rate applicable to the business income of a banking company instead of applying the reduced tax rate of 5% as prescribed by the law. The CIT (A) and the ITAT through its various orders have confirmed that such income is taxable at the reduced rate of 5% in respect of assessment years 1995-96 to 1997-98. However the tax authorities have filed appeals against the orders of ITAT before the Lahore High Court which are pending to date. In similar appeals of other investment banks, the Lahore High Court has already decided the matter of taxation of dividend income against the taxation authorities. In addition to the above matters, the taxation authorities have also disallowed certain expenses and made additions to taxable income on account of lease key money, lease rentals, excess perquisites and miscellaneous expenses in respect of various assessment years against which IGI BANK has filed appeals which are currently pending.

If the provision for taxation were to be made at the rate applicable to a banking company, taxation of dividend income as mentioned above and disallowance of expenses / add backs to income is decided against IGI BANK, the additional provision for all assessment years upto the tax year 2005 amounts to Rs 166 million (2006: Rs 166 million). Based on the previous decisions, the management is confident that the eventual outcome of the above matters will be decided in favour of IGI BANK and the possibility of any liability arising is considered remote.

- (b) Income tax return for tax year 2003 was filed and deemed to be assessed under section 120 of the Income Tax Ordinance, 2001. However, by resorting to the powers given under section 177 of the Ordinance, the CIT had selected the aforementioned tax return for audit. Against the said selection, IGI BANK had filed a writ petition in the Lahore High Court and the court had held the selection to be defective on the basis that while making this selection, the essentials required by the law were not followed by the department. It was also mentioned in the order that the CIT could initiate fresh proceedings against IGI BANK strictly in accordance with law. The Income Tax Department had filed an appeal against the decision of the Lahore High Court before the Supreme Court of Pakistan. The Supreme Court in its decision dated March 1, 2006 had directed that the department should issue fresh notices to IGI BANK in terms of Section 177 of the Ordinance disclosing criteria / reasons for selecting the above tax return for audit purposes. Pursuant to this order, IGI BANK had received notice from the department for selection of case in this regard under section 177 of the Ordinance.

30.2 Commitments

	2007	2006
	(Rupees in thousand)	
- Forward sale of shares	-	29,292
- Underwriting commitments	75,000	115,000
- Commitments in respect of capital expenditure	5,960	6,310

31	INCOME FROM INVESTMENTS	2007			2006			Total
		Held to maturity	Held for trading	Available for sale	Held to maturity	Held for trading	Available for sale	
								----- Restated -----
								(Rupees in thousand)
Interest / mark-up / profit from:								
TDRs / COIs / fund placements	30,134	-	-	30,134	53,627	-	-	53,627
Government securities	-	225	8,686	8,911	-	3,805	2,023	5,828
US dollar bonds	-	-	-	-	-	-	2,645	2,645
TFCs	-	-	26,946	26,946	-	-	20,781	20,781
	30,134	225	35,632	65,991	53,627	3,805	25,449	82,881
Dividend income	-	-	7,817	7,817	-	523	12,854	13,377
Gain / (loss) on disposal of:								
Government securities	-	-	-	-	-	(17,617)	(28,680)	(46,297)
TFCs	-	-	464	464	-	-	52	52
Mutual fund units (open-end)	-	453	16,933	17,386	-	-	10,253	10,253
Listed shares / certificates	-	8,120	5,463	13,583	-	27	68,753	68,780
	-	8,573	22,860	31,433	-	(17,590)	50,378	32,788
	30,134	8,798	66,309	105,241	53,627	(13,262)	88,681	129,046
								2007
								2006
								(Rupees in thousand)
32	INCOME FROM LOANS							
	Mark-up / interest on loans	116,406						86,922
	Documentation charges and other loan related income	2,830						3,283
		<u>119,236</u>						<u>90,205</u>
33	INCOME FROM LEASE FINANCE							
	Mark-up on lease finance	224,979						164,602
	Front-end fees, documentation charges and other lease related income	5,569						11,651
		<u>230,548</u>						<u>176,253</u>
34	INCOME FROM FUND PLACEMENTS							
	Securities purchased under resale agreements with financial institutions	72						29,563
	Income from continuous funding system transactions / carry over transactions	109,533						57,677
		<u>109,605</u>						<u>87,240</u>
35	REMUNERATION FROM FUND UNDER MANAGEMENT							
	Open end funds							
	IGI Income Fund	3,770						-
36	INCOME FROM FEES, COMMISSION AND BROKERAGE							
	Commitment and under writing fee	2,568						1,668
	Corporate finance and advisory fee	3,289						2,167
	Commission	9,740						6,026
	Brokerage income	85,290						34,329
	Distribution and sales income	12,317						1,220
	Others	2,208						1,372
		<u>115,412</u>						<u>46,782</u>
37	FINANCE COSTS							
	Mark-up on term finance certificates	61,051						-
	Mark-up on long-term borrowings	129,920						93,854
	Mark-up on certificates of deposits	255,173						215,117
	Mark-up on short-term finances	528						2,586
	Mark-up on borrowings from financial institutions	36,293						26,100
	Finance charge on leases	486						46
	Bank charges	482						331
		<u>483,933</u>						<u>338,034</u>

38 ADMINISTRATION AND GENERAL EXPENSES	Note	2007 (Rupees in thousand)	2006
Salaries, allowances and benefits		149,894	67,445
Honorarium to Chairman of IGI Funds Limited		212	-
Contribution to provident fund		5,625	2,590
Gratuity scheme expense			
- IGI Bank and IGI Finex Securities Limited	39.1.6	3,231	2,021
- IGI Funds Limited	39.2	320	-
Contribution to employees' old-age benefit institution		381	176
Depreciation on property and equipment	3.3	22,432	9,774
Amortisation on intangible assets	3.4	12,976	5,493
Pre-incorporation expenses		-	765
Rent, rates and taxes		23,905	11,950
Travelling and entertainment		9,768	4,466
Telephone, telex and fax		10,311	5,033
Printing, postage and stationery		7,975	4,812
Staff training and development		565	-
Insurance		3,145	1,613
Lighting, heating and cooling		6,776	3,040
Repairs and maintenance		4,892	2,374
Brokerage and commission		4,558	16,256
Legal and professional fees		12,788	9,825
Subscriptions		20,726	2,035
Computer expenses		4,897	-
Advertisement		20,306	1,710
Bad debts written off		520	-
Donations		-	209
Other expenses		7,058	5,079
		<u>333,261</u>	<u>156,666</u>

39 EMPLOYEE BENEFITS

39.1 Gratuity scheme

As mentioned in note 2.21.3, the Group operates two funded gratuity schemes and one unfunded gratuity scheme for all its permanent employees.

In respect IGI Bank Limited and IGI Finex Securities Limited, annual provisions are based on the actuarial valuation and the latest valuations of the scheme were carried out as at June 30, 2007 using Projected Unit Credit Method. In IGI Funds Limited, annual provisions to cover the obligation are based on the management's best estimates.

39.1.1 Principal actuarial assumptions

The following principal actuarial assumptions were used for the valuation of gratuity scheme:

	-----2007-----		-----2006-----	
	IGI Bank	IGI Finex Securities Limited	IGI BANK	IGI Finex Securities Limited
	-----Per annum-----			
Expected rate of increase in salary	8.89%	10.00%	9.52%	9.00%
Discount rate	11.00%	9.00%	11.65%	9.00%
Expected rate of return on plan assets	11.00%	10.00%	11.65%	9.00%

39.1.2 Amount recognised in the balance sheet

	Note	2007 (Rupees in thousand)	2006
Present value of defined benefit obligation	39.1.3	12,164	9,686
Fair value of plan assets	39.1.4	(8,377)	(6,839)
Unrecognised actuarial (gain) / loss (net)		(24)	617
Past service cost		(63)	(126)
		<u>3,700</u>	<u>3,338</u>

	Note	2007	2006		
		(Rupees in thousand)			
39.1.3 Movement in the defined benefit obligation:					
Present value of defined benefit obligation at the beginning of the year		9,686	5,797		
Liability assumed in respect of business combination		-	3,742		
Interest cost		940	892		
Current service cost		3,222	1,761		
Benefits paid		(1,515)	(2,506)		
Settlement cost		(261)	-		
Actuarial gain on obligation		529	-		
Benefits payable to outgoing members		(437)	-		
Present value of defined benefit obligation at the end of the year		<u>12,164</u>	<u>9,686</u>		
39.1.4 Movement in the fair value of plan assets					
Fair value of plan asset at the beginning of the year		6,839	6,762		
Expected return on plan assets		726	713		
Contributions to the fund		2,823	1,500		
Benefits paid		(1,515)	(2,506)		
Actuarial gain / (loss) on plan assets		(59)	370		
Benefits payable to outgoing members		(437)	-		
Fair value of plan assets at the end of the year		<u>8,377</u>	<u>6,839</u>		
39.1.5 Movement of liability					
Balance at the beginning of the year		3,338	2,817		
Expense for the year	39.1.6	3,231	2,021		
Contributions during the year		(2,823)	(1,500)		
Adjustment		(46)	-		
Balance at the end of the year		<u>3,700</u>	<u>3,338</u>		
39.1.6 Gratuity scheme expense recognised in the profit and loss account					
Current service cost		3,222	1,761		
Interest cost		940	892		
Expected return on plan assets		(726)	(713)		
Settlement cost		-	-		
Net actuarial (gain) / loss recognised during the year		(241)	18		
Past service cost		36	63		
		<u>3,231</u>	<u>2,021</u>		
39.1.7 Plan assets comprised of following:					
	-----2007-----		-----2006-----		
	(Rupees in thousand)	Percentage composition	(Rupees in thousand)	Percentage composition	
Mutual fund units / shares	5,033	60%	4,029	59%	
Bank account and short term deposits	5,356	64%	3,621	53%	
Benefits due	(2,012)	(24%)	(811)	-12%	
	<u>8,377</u>	<u>100%</u>	<u>6,839</u>	<u>100%</u>	
39.1.8 5 years data in respect of (surplus) / deficit on the plan assets is as follows:					
	2007	2006	2005	2004	2003
Present value of defined benefit obligation	12,164	9,686	5,797	5,481	7,269
Fair value of plan assets	<u>(8,377)</u>	<u>(6,839)</u>	<u>(3,542)</u>	<u>(3,149)</u>	-
Deficit	<u>3,787</u>	<u>2,847</u>	<u>2,255</u>	<u>2,332</u>	<u>7,269</u>
39.1.9 5 years data in respect of experience adjustments is as follows:					
	2007	2006	2005	2004	2003
Experience adjustments on plan liabilities	(580)	(339)	(249)	(250)	(249)
Experience adjustments on plan assets	592	(281)	(73)	(74)	-

39.1.10 Actual return on plan assets during the year was Rs. 667 thousand (2006: Rs. 1,083 thousand).

39.1.11 Based on actuarial advice IGI BANK and IGI Finex Securities Limited intends to charge an amount of approximately Rs. 2,031 thousand in the financial statements for the year ending June 30, 2008.

39.1.12 The information provided in notes 39.1.1 to 39.1.11 has been obtained from the valuation carried out by an independent actuary as at June 30, 2007.

39.2 Defined benefit plan-IGI Funds Limited

An amount of Rs 320 thousand (2006: Rs. Nil) has been charged during the year in respect of defined gratuity scheme operated by IGI Funds Limited which is based on the management's best estimate.

39.3 Defined contribution plan

An amount of Rs. 5,625 thousand (2006: Rs. 2,940 thousand) has been charged during the year in respect of contributory provident fund maintained by the Group.

	Note	2007 (Rupees in thousand)	2006
40 OTHER OPERATING INCOME			
Income from financial assets			
Income from deposits with banks		28,718	4,202
Income from non-financial assets			
Income from deemed partial disposal of sharholding in subsidiary		5,235	-
Income from advisory service		393	-
Gain on disposal of fixed assets		2,589	1,326
Other income		1,074	626
		<u>38,009</u>	<u>6,154</u>
41 OTHER OPERATING EXPENSES			
Net exchange loss		-	8
Fixed assets written off		-	30
Provision against other assets		1,470	5,094
Auditors' remuneration	41.1	1,058	1,043
Amortisation of transaction cost on TFCs		1,010	-
		<u>3,538</u>	<u>6,175</u>

41.1 Auditors' remuneration

Audit fee
Half yearly review fee
Special certification and other services
Out of pocket expenses

2007			
AF Ferguson & Co			
IGI Bank	IGI Funds Limited	IGI Finex Securities Limited	Total
450	60	125	635
100	-	-	100
100	25	50	175
120	3	25	148
<u>770</u>	<u>88</u>	<u>200</u>	<u>1,058</u>

Audit fee
Half yearly review fee
Special certification and other services
Out of pocket expenses

2006			
AF Ferguson & Co		M Yousuf Adil Saleem & Co	Total
IGI Bank	IGI Funds Limited	IGI Finex Securities Limited	
450	30	31	486
100	-	-	100
363	-	-	363
54	-	40	94
<u>942</u>	<u>30</u>	<u>71</u>	<u>1,043</u>

42 TAXATION

Current

- For the year
- For prior years

Deferred

	28,165	10,954
	(3,211)	28
	24,954	10,982
24.2	(57,271)	(18,044)
	<u>(32,317)</u>	<u>(7,062)</u>

	Note	2007 (Rupees in thousand)	2006 (Rupees in thousand)
42.1 Relationship between tax expense and accounting profit			
Profit for the year before taxation		(108,484)	27,099
Tax at the applicable rate of 35% (2006: 35%)		(37,969)	9,485
Tax effect of income / expenses that are exempted / not allowed in determining taxable income		(7,224)	(23,736)
Tax effect of income taxed under Final Tax Regime		4,496	1,229
Prior years reversal		(3,211)	28
Tax effect of dividend income taxed at a lower rate		(10,043)	(4,013)
Minimum tax under section 113 of the Income Tax Ordinance, 2001		6,395	5,092
Other computational adjustments		15,239	4,853
Tax expense for the year		(32,317)	(7,062)
		2007	2006 Restated
43 (LOSS) / EARNINGS PER SHARE			(Rupees in thousand)
(Loss) / profit after taxation		(71,265)	34,161
		Number of shares	
Weighted average number of ordinary shares outstanding during the year		59,811,643	59,633,093
		Rupees	
(Loss) / earnings per share - basic and diluted		(1.19)	0.57

44 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

IGI Investment Bank Limited

- 44.1 The aggregate amounts charged in the financial statements for the year for remuneration, including all benefits, to the chief executive and executives of IGI Investment Bank Limited were as follows:

	Chief Executive		Executives		Directors		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
----- (Rupees in thousand) -----								
Short-term employee benefit (including bonus)								
Managerial remuneration (including bonus)	4,500	4,224	20,297	14,685	-	-	24,797	18,909
House rent	-	-	8,123	5,529	-	-	8,123	5,529
Utilities	417	320	1,805	1,294	-	-	2,222	1,614
Medical expenses	424	354	601	619	-	-	1,025	973
Conveyance	125	196	2,897	2,134	-	-	3,022	2,330
Others	381	60	1,983	2,673	-	-	2,364	2,733
Post employment benefits								
Retirement benefits	755	586	3,560	2,075	-	-	4,315	2,661
	6,602	5,740	39,266	29,009	-	-	45,868	34,749
Number of persons	1	1	29	22	7	7	37	30

- 44.2 The chief executive and certain executives are also provided with free unfurnished accommodation in lieu of house rent allowance. The chief executive and certain senior executives are provided with free use of IGI BANK'S owned and maintained cars.

- 44.3 IGI BANK has also bears the travelling expenses of the Chief Executive and Directors relating to travel for official purposes including expenses incurred in respect of attending board meetings.

44.4 No meeting fees were paid to any of the Directors for attending the board meetings (2006: Rs Nil).

44.4 No meeting fees were paid to any of the Directors for attending the board meetings (2006: Rs Nil).

IGI Finex Securities Limited

44.5 The aggregate amounts charged in the financial statements for the year for remuneration, including all benefits, to the chief executive and executives of IGI Finex Securities were as follows:

	Chief Executive		Executives		Directors		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
----- (Rupees in thousand) -----								
Short-term employee benefit (including bonus)								
Managerial remuneration (including bonus)	2,551	800	537	1,052	5,176	-	8,264	1,852
House rent	955	360	219	448	2,045	-	3,219	808
Utilities	271	40	44	50	454	-	769	90
Others	524	1,211	508	1,784	2,389	-	3,421	2,995
Post employment benefits								
Retirement benefits	239	-	47	-	475	-	761	-
	<u>4,540</u>	<u>2,411</u>	<u>1,355</u>	<u>3,334</u>	<u>10,539</u>	<u>-</u>	<u>16,434</u>	<u>5,745</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>4</u>	<u>11</u>	<u>4</u>	<u>13</u>	<u>9</u>

44.6 The Chief Executive Officer, Director and certain Executives of the company are provided with free use of company owned and maintained vehicles. The Chief Executive Officer and one executive are also provided free use of residential telephones

44.7 In October 2006, the Chief Executive Officer was disbursed a housing loan of Rs. 11,500 thousand at a mark-up rate of 10.09% repayable in monthly installments over 24 years. This loan has been recorded in the financial statements of the parent company, IGI BANK Limited.

44.8 No meeting fees were paid to any of the Directors for attending the Board meetings (2006: Rs Nil).

IGI Fund Limited

44.9 The aggregate amounts charged in the financial statements for the period January 28, 2006 to June 30, 2006 for remuneration, including all benefits, to the chief executive and directors of IGI Funds Limited were as follows:

	Chief Executive		Executives		Total	
	2007	2006	2007	2006	2007	2006
-----Rupees in thousands-----						
Short-term employee benefit (including bonus)						
Managerial remuneration (including bonus)	3,512	-	5,820	-	9,332	-
House rent	1,580	-	2,369	-	3,949	-
Utilities						
Medical expenses	-	-	243	-	243	-
Others	627	-	1,706	-	2,333	-
Post employment benefits						
Retirement benefits	338	-	224	-	562	-
	<u>6,057</u>	<u>-</u>	<u>10,362</u>	<u>-</u>	<u>16,419</u>	<u>-</u>
Number of persons	<u>1</u>	<u>4</u>	<u>5</u>	<u>4</u>	<u>6</u>	<u>8</u>

44.10 The Chief Executive and certain executives of the company are provided with free use of company owned and maintained vehicles.

45 TRANSACTIONS WITH RELATED PARTIES

Description	2007		
	Other related parties including associated undertakings	Key Management personnel	Total
	----- (Rupees in thousand) -----		
Transactions during the year			
Certificate of deposits issued and markup paid thereon	714,161	1,000	715,161
Purchase of marketable securities	11,721,011	1,277	11,722,288
Sale of marketable securities	11,852,076	1,316	11,853,392
Insurance premium paid	14,208	-	14,208
Brokerage income earned	4,328	5	4,333
Income from finance	-	326	326
Gain on sale of investments	4,955	-	4,955
Return on deposits	20,870	-	20,870
Rent expense	1,155	-	1,155
Insurance expense	182	-	182
Travelling and lodging	1,135	-	1,135
Expenses incurred by IGI Insurance	3,328	-	3,328
Remuneration received from IGI Income Fund	3,770	-	3,770
Purchase of units of IGI Income Fund	31,500	-	31,500
Sale of units of IGI Income Fund	21,200	-	21,200
Remuneration to key management personnel	-	39,714	39,714
Balance outstanding as at year end			
Certificates of deposit	485,696	-	485,696
Accrued expenses and other liabilities	52,506	3,062	55,568
Remuneration receivable from IGI Income Fund	1,646	-	1,646
Formation cost receivable from IGI Income Fund	3,602	-	3,602
Trade debt	3,654	48	3,702
Other receivables	1,140	-	1,140
Insurance premium prepaid	18	-	18
Payable in respect of advertisement expenses	1,105	-	1,105
Mark-up accrued - certificate of deposits	430	3	433

Description	2006		
	Other related parties including associated undertakings	Key Management personnel	Total
	----- (Rupees in thousand) -----		
Transactions during the year			
Certificate of deposits issued	1,721,908	-	1,721,908
Insurance premium paid	1,074	-	1,074
Finance provided	-	6,386	6,386
Income from finances	-	249	249
Brokerage income	2,827	346	3,173
Lawyer fee paid on behalf of IGI Insurance	50	-	50
Return on deposits	29,669	-	29,669
Rent expense	2,882	-	2,882
Insurance expense	1,155	-	1,155

	2006		Total
	Other related parties including associated undertakings	Key Management personnel	
	(Rupees in thousand)		
Travelling and lodging	721	-	721
Remuneration to key management personnel	-	32,638	32,638
Balance outstanding as at year end			
Loans	-	3,554	3,554
Deposit accounts	(517)	-	(517)
Certificates of deposits	148,295	-	148,295
Other receivables	2,080	-	2,080
Trade debts	21,022	-	21,022
Mark-up accrued - certificate of deposits	1,485	-	1,485
Mark-up accrued - finances	-	4	4
Other liabilities	23,036	4,573	27,609

The Group has related personnel relationship with its associated undertakings, employee benefit plans and its directors and key management personnel. Transactions with employee benefit funds are carried out based on the terms of employment of the employees and according to actuarial advice. All other transactions are carried out on commercial terms and conditions and on actual basis.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. The Group considers all members of their management team, including the Chief Executive Officer and Directors to be its key management personnel.

All balances outstanding from related parties are interest free (except for certificates of deposits), unsecured and repayable / receivable on demand. Particulars of disposal of fixed assets, transactions with staff retirement benefit funds and other outstanding balances and transactions relating to the related parties are disclosed in notes 3.4, 9.25, 9.26, 13, 15, 29, 37, 39 and note 44 to the financial statements.

	Note	2007	2006
		(Restated)	
		(Rupees in thousand)	
(Loss) / profit for the year		(108,484)	27,099
Adjustments for non cash and other items:			
Gain on disposal of fixed assets		(2,589)	(1,326)
Net exchange loss		-	8
Fixed assets written off		-	30
Depreciation on property and equipment		22,432	9,774
Amortisation of intangible assets		12,976	5,493
Amortisation of transaction cost on TFCs		1,010	-
Gratuity scheme expense			
- IGI Bank and IGI Finex Securities Limited		3,231	2,021
- IGI Funds Limited		320	-
Interest, mark-up and profit income		(545,699)	(425,847)
Income from deemed partial disposal of subsidiary		(5,235)	-
Dividend income		(7,817)	(13,377)
Finance cost		483,933	338,034
Provision for bad and doubtful loans / potential lease losses - general		4,260	5,689
Provision for bad and doubtful loans lease losses - specific - net		5,313	2,017
Working capital changes	46.1	(721,273)	271,319
		(749,159)	193,835
		(857,643)	220,934

46.1 Working capital changes

(Increase) / decrease in current assets:

Short-term loans	75,273	(105,230)
Receivable against continuous funding system transactions / carry over transactions	(338,991)	(70,139)
Short-term investments	(479,737)	309,745
Trade debts	(303,065)	(297,656)
Advances, deposits, prepayments and other receivables	(348,958)	376
	(1,395,478)	(162,904)

Increase / (decrease) in current liabilities:

Short-term certificates of deposits	130,445	539,644
Borrowings from financial institutions	170,653	(305,271)
Accrued expenses and other liabilities	373,086	199,850
	674,184	434,223

	<u>(721,294)</u>	<u>271,319</u>
Note	2007	2006
	(Rupees in thousand)	

47 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

Cash and bank balances	14	361,766	315,856
Short-term running finance utilised under mark-up arrangements	25	<u>(160,027)</u>	<u>(237)</u>
		<u>201,739</u>	<u>315,619</u>

48 LIQUIDITY RISK

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet the commitments associated with financial instruments. To safeguard this risk, The Group has diversified its funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile of assets and liabilities is monitored to ensure adequate liquidity is maintained. The Group has the ability to mitigate any short-term liquidity gaps by disposal of short-term investments and the availability of liquid funds at short notice.

The table below summarises the maturity profile of The Group's assets and liabilities. The contractual maturities of assets and liabilities at the year-end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by The Group's history and the availability of liquid funds. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets / liabilities will be realised / settled.

As at June 30, 2007

Assets

Fixed assets
Investments
Loans - net
Net investment in lease finance - net
Deposits
Deferred tax assets - net
Receivable against continuous funding system transactions / carry over transactions
Taxation - net
Advances, deposits and prepayments
Interest, mark-up and profit accrued
Trade debts
Other receivables
Cash and bank balances

Total	Within one year	More than one year and less than five years	More than five years
----- (Rupees in thousand) -----			
319,839	60,067	98,590	161,182
1,564,754	1,357,657	108,988	98,109
803,550	335,924	467,626	-
2,158,836	749,134	1,409,702	-
6,306	-	-	6,306
16,442	16,442	-	-
758,409	758,409	-	-
230,851	230,851	-	-
383,648	383,648	-	-
85,261	85,261	-	-
641,971	641,971	-	-
44,248	44,248	-	-
361,766	361,766	-	-
7,375,881	5,025,378	2,084,906	265,597
495,921	61,565	434,356	-
1,363,362	581,693	781,669	-
2,727,530	2,199,475	528,055	-
4,274	757	3,517	-
465,000	465,000	-	-
515,228	85,497	429,731	-
103,463	103,463	-	-
660,440	660,440	-	-
6,335,218	4,157,890	2,177,328	-
1,040,663	867,488	(92,422)	265,597

Liabilities

Term finance certificates / Pre-IPO subscription Finance
Certificates of deposit
Deposits on lease contracts
Liabilities against assets subject to finance lease
Borrowings from financial institutions
Interest and mark-up accrued
Accrued expenses and other liability

As at June 30, 2006

Assets

Fixed assets
Investments
Loans - net
Net investment in lease finance - net
Deposits
Receivable against continuous funding system transactions / carry over transactions
Taxation - net
Advances, deposits and prepayments
Interest, mark-up and profit accrued
Trade debts
Other receivables
Cash and bank balances

Total	Within one year	More than one year and less than five years	More than five years
----- (Rupees in thousand) -----			
246,869	25,651	61,461	159,757
1,072,217	844,650	135,000	92,567
782,864	450,461	329,578	2,825
1,929,202	695,624	1,231,852	1,726
5,358	-	-	5,358
419,418	419,418	-	-
220,248	220,248	-	-
62,778	62,778	-	-
28,268	28,268	-	-
338,906	338,906	-	-
18,561	18,561	-	-
315,856	315,856	-	-
5,440,545	3,420,421	1,757,891	262,233
369,950	369,950	-	-
1,308,570	615,237	693,333	-
2,038,240	1,749,181	289,059	-
420,767	53,315	365,885	1,567
2,676	378	2,298	-
40,877	40,877	-	-
294,347	294,347	-	-
59,937	59,937	-	-
287,056	287,056	-	-
4,822,420	3,470,278	1,350,575	1,567
618,125	(49,857)	407,316	260,666

Liabilities

Term finance certificates / Pre-IPO subscription Finance
Certificates of deposits
Deposits on lease contracts
Liabilities against assets subject to finance lease
Deferred tax liabilities- net
Borrowings from financial institutions
Interest and mark-up accrued
Accrued expenses and other liabilities

49 USE OF COLLATERAL AND TRADING SECURITIES

The Group utilises customers marginable securities to meet the exposure deposit requirements of Karachi Stock Exchange (Guarantee) Limited. These securities are utilised by the Group with the consent of the customers in accordance with the rules and regulation of the Karachi Stock Exchange (Guarantee) Limited. As at June 30, 2007, securities amounting to Rs Nil were pledged / utilised by the group for meeting the exposure deposit requirement by the Karachi Stock Exchange (Guarantee) Limited.

50 FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISKS

- a) The Group purchases and sells securities as either principal or agents on behalf of its customers. If either the customer or a counterparty fails to perform, the Group may be required to discharge the obligation on behalf of the non-performing party. In such circumstances, the Group may sustain a loss if the market value of the security is different from the contracted value of the transaction less any margin deposits that the company has on hand. Where the customer operates through institutional delivery system, the Group is not exposed to this risk.

The majority of the Group's transactions, and consequently, the concentration of its credit exposure are with the customers (except for customers operating through institutional delivery system) and other financial institutions in case of money market brokerage. The Group seeks to control its credit risk through a variety of reporting and controls procedures, including establishing credit limits based upon a review of the counterparties' financial condition. The Group monitors collateral levels on a regular basis and requests changes in collateral level as appropriate or if considered necessary.

- b) The Group enters into security transactions on behalf of its clients involving future settlement. The Group has entered into transactions that gives rise to future settlement, the unsettled amount as on June 30, 2007 of these future transactions is Rs. 313,274 thousand. Transactions involving future settlement give rise to market risk, which represents the potential loss that can be caused by a change in the market value of a particular financial instrument. The credit risk for these transactions is limited to the unrealised market valuation losses which have been recorded in the statement of accounts of the customers. As explained above, credit risk is controlled through a variety of reporting and controls procedures.

51 YIELD / MARKET RATE RISK

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Market rate risk arises from the possibility that changes in market rates of return will affect the value of the financial instruments. An entity is exposed to yield / market rate risk as a result of mismatches or gaps in the amounts of financial assets and financial liabilities that mature or reprice in a given period. The Group manages this risk by matching the repricing of financial assets and liabilities through risk management strategies.

The Group's exposure to yield / market rate risk and the effective rates on its financial assets and liabilities are summarised as follows:

As at June 30, 2007

	Effective rate	Total	Exposed to yield / market rate risk			Not exposed to yield / market rate risk
			Within one year	More than one year and less than five years	More than five years	
(Rupees in thousand)						
FINANCIAL ASSETS	%					
Loans - net	14.80%	803,550	335,684	467,608	-	258
Net investment in lease finance - net	15.20%	2,158,836	749,134	1,409,702	-	-
Deposits	-	358,572	-	-	-	358,572
Receivable against continuous funding system transactions / carry over transactions	12.62%	758,409	758,409	-	-	-
Investments	10.64%	1,564,754	596,731	108,988	98,109	760,926
Interest, mark-up and profit accrued	-	85,261	-	-	-	85,261
Trade debts	-	641,971	-	-	-	641,971
Other receivables	-	44,248	-	-	-	44,248
Cash and bank balances	9.01%	361,766	345,982	-	-	15,784
		6,777,367	2,785,940	1,986,298	98,109	1,907,020
FINANCIAL LIABILITIES						
Term finance certificates / Pre-IPO subscription	12.79%	495,921	61,565	434,356	-	-
Finance	12.15%	1,363,362	581,693	781,669	-	-
Certificates of deposit	10.43%	2,727,530	2,199,475	528,055	-	-
Liabilities against assets subject to finance lease	12.50%	4,274	757	3,517	-	-
Deposits on lease contracts	-	515,228	-	-	-	515,228
Borrowings from financial institutions	9.63%	465,000	465,000	-	-	-
Interest and mark-up accrued	-	103,463	-	-	-	103,463
Accrued expenses and other liabilities	-	625,012	-	-	-	625,012
		6,299,790	3,308,490	1,747,597	-	1,243,703
On-balance sheet gap		477,577	(522,550)	238,701	98,109	663,317
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total yield / MROR sensitivity gap		477,577	(522,550)	238,701	98,109	
Cumulative MROR sensitivity gap		477,577	(44,973)	193,728	291,837	

As at June 30, 2006

	Effective rate	Total	Exposed to yield / market rate risk			Not exposed to yield / market rate risk
			Within one year	More than one year and less than five years	More than five years	
(Rupees in thousand)						
FINANCIAL ASSETS	%					
Loans - net	13.63%	782,864	449,981	327,000	2,825	3,058
Net investment in lease finance - net	12.05%	1,929,202	695,624	1,231,852	1,726	-
Deposits	-	32,003	-	-	-	32,003
Receivable against continuous funding system transactions / carry over transactions	13.64%	419,418	419,418	-	-	-
Investments	11.59%	1,072,217	514,159	135,000	92,567	330,491
Interest, mark-up and profit accrued	-	28,268	-	-	-	28,268
Trade debts	-	338,906	-	-	-	338,906
Other receivables	-	18,561	-	-	-	18,561
Cash and bank balances	1.54%	315,856	108,526	-	-	207,330
		4,937,295	2,187,708	1,693,852	97,118	958,617
FINANCIAL LIABILITIES						
Term finance certificates / Pre-IPO subscription	11.90%	369,950	369,950	-	-	-
Finance	10.22%	1,308,570	615,237	693,333	-	-
Certificates of deposit	10.18%	2,038,240	1,749,181	289,059	-	-
Liabilities against assets subject to finance lease	12.50%	2,676	378	2,298	-	-
Deposits on lease contracts	-	420,767	-	-	-	420,767
Borrowings from financial institutions	8.91%	294,347	294,347	-	-	-
Interest and mark-up accrued	-	59,937	-	-	-	59,937
Accrued expenses and other liabilities	-	279,439	-	-	-	279,439
		4,773,926	3,029,093	984,690	-	760,143
On-balance sheet gap		163,369	(841,385)	709,162	97,118	198,474
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total MROR sensitivity gap		163,369	(841,385)	709,162	97,118	
Cumulative MROR sensitivity gap		163,369	(678,016)	31,146	128,264	

52 CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions to specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of an entity's performance to developments affecting a particular industry.

The Group follows two sets of guidelines. It has its own operating policy and also adheres to the regulations issued by the SECP. The operating policy defines the extent of fund and non-fund based exposures with reference to a particular sector or group.

The Group seeks to manage its credit risk through diversification of financing activities to avoid undue concentrations of credit risk with individuals or groups of customers in specific locations or businesses. It also obtains securities when appropriate. Details of the composition of finance and lease portfolios of the Group are given below:

	2007		2006	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Finance and leases				
Dairy and poultry	2,454	0.08	3,722	0.14
Cement	24,444	0.83	5,999	0.22
Health	41,920	1.42	20,685	0.76
Glass and ceramics	3,259	0.11	8,012	0.30
Leather	21,343	0.72	29,419	1.08
Paper and board	47,731	1.61	55,360	2.04
Construction	95,716	3.23	39,360	1.45
Energy, oil and gas	72,796	2.46	65,333	2.41
Financial institutions	89,260	3.01	39,630	1.46
Electric and electric goods	20,685	0.70	55,811	2.06
Chemicals / fertilizers / pharmaceuticals	63,207	2.13	75,707	2.79
Food, tobacco and beverages	110,240	3.72	91,607	3.38
Steel, engineering and automobiles	114,107	3.85	131,366	4.84
Transport	226,287	7.64	261,333	9.64
Textile / textile composite	360,168	12.16	515,900	19.02
Miscellaneous (including individuals)	1,668,769	56.33	1,312,822	48.41
	<u>2,962,386</u>	<u>100.00</u>	<u>2,712,066</u>	<u>100.00</u>

Sector-wise concentration of investments has been included in note 9 to these financial statements.

53 FAIR VALUE OF FINANCIAL INSTRUMENTS

53.1 As at June 30, 2007, the fair values of all financial instruments are based on the valuation methodology outlined below:

(a) Finances and certificates of deposit

For all finances (including leases and certificates of deposit) the fair values have been taken at carrying amounts as these are not considered materially different from their fair values based on the current yields / market rates and repricing profiles of similar finance and deposit portfolios.

(b) Investments

The fair values of quoted investments are based on quoted market prices or average of quotations received from the brokers. Unquoted local currency investments are stated at cost less accumulated impairment, if any, which approximates their fair value in the absence of an active market.

(c) **Other financial instruments**

The fair values of all other financial instruments are considered to approximate their carrying amounts.

54 SEGMENTAL ANALYSIS

The Group's activities are broadly categorised into three primary business segments namely financing activities, investment activities and brokerage activities within Pakistan.

Financing activities

Financing activities include providing long-term and short-term financing facilities to corporate and individual customers including lease financing.

Investment activities

Investment activities include money market activities, investment in government securities, advisory services, capital market activities and the management of the Group's liquidity.

Brokerage activities

Brokerage activities include brokerage services offered to retail and institutional clients through IGI Finex Securities Limited.

Note	Financing activities	Investment activities	Brokerage activities	Total
	----- (Rupees in thousand) -----			
Segmental information for the year ended June 30, 2007				
Segment revenue	373,147	246,758	95,031	714,936
Unallocated revenue				6,885
				<u>721,821</u>
Segment result	(41,864)	13,680	(48,901)	(77,085)
Unallocated result				(31,399)
Loss before taxation				<u>(108,484)</u>
Loss before taxation				(108,484)
Taxation				(32,317)
Loss after taxation				(76,167)
Loss attributable to minority interest				(4,902)
Loss attributable to ordinary shareholders				<u>(71,265)</u>
Segment assets	3,032,142	2,111,917	1,503,808	6,647,867
Unallocated assets				728,014
				<u>7,375,881</u>
Segment liabilities	550,656	-	727,179	1,277,835
Unallocated liabilities				5,057,383
				<u>6,335,218</u>
Capital expenditure - tangible	-	-	22,283	22,283
Unallocated capital expenditure - tangible				82,001
				<u>104,284</u>
Capital expenditure - intangible	-	-	2,480	2,480
Unallocated capital expenditure - intangible				4,533
				<u>7,013</u>
Segment depreciation and amortisation of fixed assets	13,057	7,566	13,477	34,100
Unallocated depreciation and amortisation				1,308
				<u>35,408</u>

Segmental information for the year ended June 30, 2006	Note	-----Restated-----			Total
		Financing activities	Investment activities	Brokerage activities	
----- (Rupees in thousand) -----					
Segment revenue		267,784	227,532	40,364	535,680
Segment result		(9,213)	36,313	1,274	28,374
Unallocated loss before profit					(1,275)
Profit before taxation					27,099
Profit before taxation					27,099
Taxation					(7,062)
Profit for the year after taxation					34,161
Segment assets		2,764,036	1,477,159	727,804	4,968,999
Unallocated assets					471,546
					5,440,545
Segment liabilities		428,384	-	242,184	670,568
Unallocated liabilities					4,151,852
					4,822,420
Unallocated capital expenditure - tangible					21,954
Acquisition through business combination- tangible		-	-	20,847	20,847
					42,801
Capital expenditure - intangible		-	-	30,000	30,000
Unallocated capital expenditure - intangible					1,588
					31,588
Acquisition through business combination- intangible		-	-	133,173	133,173
Segmented depreciation and amortisation		4,612	3,991	6,664	15,267

55 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) Classification and valuations of investments (notes 2.8 and 9)
- ii) Income taxes (notes 2.16, 24 and 42)
- iii) Employee benefits (notes 2.21.2 and 39)

56 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. Significant reclassifications are as follows:

-
- Receivable against continuous funding system transactions / carry over transactions amounting to Rs. 568,069 thousand (2006: Rs. 419,418 thousand) has been reclassified from fund placements and has now been shown separately on the face of the balance sheet.
 - Investments in certificates of investments, term deposits and letters of placement have been reclassified from fund placements and shown as part of short-term investments - held to maturity.
 - Earnings per share and weighted average number of shares for the prior year have been restated consequent to the issue of bonus and right shares during the current year.
 - Provision against receivable from lessees in satisfaction of claims has been reclassified from accrued expenses and shown as a deduction from other receivables
 - Income from term deposits, certificates of investments and fund placements has been reclassified and shown as part of income from investments.
 - Auditors' remuneration, fixed assets written off and provision against other assets have been reclassified from administration and general expenses and shown as part of other operating expenses.
 - Comparative information has also been restated to comply with the change in accounting policy as described in note 2.9 to the financial statements.

57 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 21, 2007 by the Board of Directors of IGI BANK.

58 GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

SYED BABAR ALI
Chairman

SAMIR AHMED
Managing Director & Chief Executive

Notes to the Financial Statements for the year Ended June 30, 2007

1 LEGAL STATUS AND OPERATIONS

IGI Investment Bank Limited (Formerly First International Investment Bank Limited) ("IGI BANK") is a public limited company incorporated in Pakistan on February 7, 1990 under the Companies Ordinance, 1984. IGI BANK is licensed to carry out investment finance activities and leasing operations as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. IGI BANK's shares are quoted on the Karachi and Lahore Stock Exchanges. The registered office of IGI BANK is situated at 5 F.C.C., Syed Maratab Ali Road, Gulberg, Lahore. The principal place of business is situated at 7th Floor, The Forum, Suite No. 701 to 713, G-20, Block-9, Khayaban-e-Jami, Clifton, Karachi.

Based on the financial results for the year ended June 30, 2006, the Pakistan Credit Rating Agency (PACRA) maintained the long-term credit rating of IGI BANK at 'A' and the short-term rating at 'A1'.

These financial statements are the separate financial statements of IGI BANK. In addition to these financial statements, consolidated financial statements of IGI BANK and its subsidiary companies, IGI Finex Securities Limited and IGI Funds Limited, have also been prepared.

1.1 Transfer of brokerage business and disposal of brokerage assets

During the current year, IGI BANK has transferred its brokerage business and sold the related assets of its brokerage business to IGI Finex Securities Limited (a wholly owned subsidiary). The details of the transfer of brokerage business and disposal of assets are disclosed in note 41 to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

2.1 Basis of preparation

a) Statement of compliance

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

The SECP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' through Circular No. 19 dated August 13, 2003 to Non-Banking Finance Companies (NBFCs) providing investment finance services, discounting services and housing finance services. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

b) Accounting convention

These financial statements have been prepared under the historical cost convention except that certain investments classified as 'held for trading' and 'available for sale' and certain derivative financial instruments have been marked to market and are carried at fair value.

c) Amendments to published accounting standards that are effective in the current period

IAS-19 (Amendment), Employee Benefit is mandatory for IGI BANK'S accounting period beginning on or after January 1, 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements. As IGI BANK has not changed the accounting policy adopted for recognition of actuarial gains and losses, adoption of this amendment only impacts the format and extent of disclosures presentation in the financial statements.

The other standards, amendments and interpretations that are effective in the current period but are considered not to be relevant or to have any significant effect on IGI BANK'S operations are therefore not detailed here.

d) Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following standards, interpretations and amendments of approved accounting standards are effective for IGI BANK'S accounting periods beginning July 1, 2007. These standards are either not relevant to IGI BANK'S operations or are not expected to have significant impact on IGI BANK'S financial statements other than increase in disclosures in certain cases:

IAS 1 - Presentation of financial statements - amendments relating to capital disclosures	effective from accounting period beginning on or after January 1, 2007
IFRS 2 - Share-based payment	effective from accounting period beginning on or after January 1, 2007
IFRS 3 - Business combinations	effective from accounting period beginning on or after January 1, 2007
IFRS 5 - Non-current assets held for sale and discontinued operations	effective from accounting period beginning on or after January 1, 2007
IFRS 6 - Exploration for and evaluation of mineral resources	effective from accounting period beginning on or after January 1, 2007
IFRIC 10 - Interim financial reporting and impairment	effective from accounting period beginning on or after November 1, 2006
IFRIC 11 - Group and treasury share transactions	effective from accounting period beginning on or after March 1, 2007
IFRIC 12 - Services concession arrangements	effective from accounting period beginning on or after January 1, 2008
IFRIC 13 - Customer loyalty programme	effective from accounting period beginning on or after January 1, 2008

e) Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements of IGI BANK are disclosed in note 51 to the financial statements.

2.2 Fixed assets

Tangible

These are stated at cost less accumulated depreciation and accumulated impairment losses, (if any).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that future benefit associated with the asset will flow to IGI BANK and the cost of the item can be measured reliably.

Depreciation on all tangible fixed assets is charged using the straight line method in accordance with the rates specified in note 3.1 to the financial statements after taking into account residual value, if material. The residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on all additions to fixed asset is charged from the month in which the assets become available for use, while in case of assets disposed off, no depreciation is charged in the month of disposal.

Gains or losses on disposal of fixed assets, if any, are taken to profit and loss account currently.

Maintenance and normal repairs are charged to profit and loss account as and when incurred.

Intangible

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. These are amortised from the month when they are available for use using the straight line method in accordance with the rates specified in note 3.2 to the financial statements whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to IGI BANK. The residual values and useful lives are reviewed and adjusted, if appropriate at each balance sheet date.

Intangible assets having an indefinite useful life are stated at acquisition cost. Provisions are made for permanent impairment in the value of the assets, if any. Gains or losses on disposals, if any, are taken to the profit and loss account.

2.3 Investments

The management of IGI BANK determines the appropriate classification of its investments at the time of purchase of investment and re-evaluates this classification on a regular basis. The existing investment portfolio of IGI BANK has been categorised as follows:

(a) Held for trading

These are investments which are acquired principally for the purpose of generating profits from short-term fluctuations in market prices, interest rate movements, dealer's margin or are investments included in a portfolio in which a pattern of short-term profit taking exists.

(b) Available for sale

These are investments other than those in subsidiaries which are intended to be held for an indefinite period of time which may be sold in response to need for liquidity or changes to interest rates, exchange rates or equity prices.

(c) Held-to-maturity

These are investments with fixed or determinable payments and fixed maturity that IGI BANK has the positive intention and ability to hold to maturity.

All investments are initially recognised at cost, being the fair value of the consideration given. Cost includes transaction costs associated with the investment.

Subsequent to initial recognition, investments in quoted securities are marked to market, in accordance with the guidelines contained in the State Bank of Pakistan's BSD Circular No. 20 dated August 4, 2000 using rates quoted on Reuters, stock exchange quotes and brokers' quotations. Any difference between the carrying amount (representing cost adjusted for amortisation of premium or discount, if any) and market value is taken to surplus / (deficit) on revaluation of investments account and shown separately in the balance sheet below shareholders' equity. At the time of disposal the respective surplus or deficit is transferred to the profit and loss account currently.

Investments in subsidiaries are stated at cost less accumulated impairment losses, if any. In arriving at the impairment loss in the value of these investments, consideration is only given if there is a permanent impairment in the value of investments.

Unquoted investments are carried at cost less accumulated impairment losses, if any, in accordance with the requirements of the above mentioned circular.

Impairment of investments is recognised when there is a permanent diminution in their values. Provision for impairment in value of investment, if any, is taken to the profit and loss account.

Investments are derecognised when the right to receive the cash flows from the investments has expired, has been realised or transferred and IGI BANK has transferred substantially all risks and rewards of ownership.

Gain or loss on sale of investments is included in the profit and loss account.

2.4 Trade and settlement date accounting

The Board of Directors in its meeting dated October 27, 2006 has decided to change the accounting policy in respect of recognition of investments from settlement date accounting to trade date accounting. As per the new policy all purchases and sales of investments that require delivery within the time frame established by the regulations or market conventions are recognised at the trade date. Trade date is the date on which

IGI BANK commits to purchase or sell the investment. Previously, all purchases and sales of investments that required delivery within the time frame established by the regulation or market conventions were recognised at the settlement date. This change has been made as in the opinion of the management the revised accounting policy would result in a more accurate presentation of these transactions in IGI BANK'S financial statements.

In accordance with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the effect of the change in accounting policy has been adjusted in the opening balance of unappropriated profit as at July 1, 2005 and the comparative information has been restated.

The effect of the change in accounting policy for 2007 and 2006 is tabulated below :

	2007	2006
	(Rupees in thousand)	
Investments would have been higher by	2,824	104,396
Trade debts would have been lower by	-	114,983
Accrued expenses and other liabilities would have been higher / (lower) by	2,800	(11,230)
Deficit on revaluation of investments would have been higher / (lower) by	374	1,676
Income and (loss) / profit after taxation would have been higher / (lower) by	(350)	5,973
	-----Rupees-----	
Basic and diluted earnings per share would have been higher / (lower) by	(0.006)	0.10

2.5 Derivatives

Derivative instruments held by IGI BANK generally comprise of forward contracts in the capital and money markets. Derivatives are stated at fair value at the balance sheet date, if any. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates. 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 surplus or deficit on revaluation of investments account in accordance with requirements of BSD Circular No. 20 dated August 4, 2000 issued by the State Bank of Pakistan until the derivatives are settled.

Hedging

For the purposes of hedge accounting, hedges existing at IGI BANK are classified as fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability.

Where a fair value hedge meets the conditions for special hedge accounting, the hedged instrument is remeasured to fair value and the resultant gain or loss is immediately recognised in the profit and loss account. Similarly, any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and is taken to profit and loss account.

2.6 Securities repurchase / resale agreements

Transactions of repurchase / resale of investment securities are entered into at contracted rates for specified periods of time and are accounted for as follows:

a) Sale of securities under repurchase obligations

Securities sold with a simultaneous commitment to repurchase (repo) at a specified future date continue to be recognised in the balance sheet as investment and are measured in accordance with accounting policies for investments. Amounts received under these agreements are included in borrowings from institutions. The difference between sale and repurchase price is amortised as expense over the life of the repo agreement.

b) Purchase of securities under resale obligations

Securities purchased with a corresponding commitment to resell (reverse repo) at a specified future date are not recognised in the financial statements as investments. The difference between purchase and resale price is accrued as income over the life of the reverse repo agreement.

2.7 Finances

Finances in the form of long-term loans and short-term loans include demand finance, installment finance, inter swift loan and term finance. These are stated at cost less any write-offs and provision for doubtful finance, if any.

2.8 Net investment in lease finance

Leases where IGI BANK transfers substantially all the risks and rewards incidental to the ownership of the assets to the lessee are classified as finance lease. Net investment in lease finance is stated at an amount equal to the aggregate value of the present value of minimum lease payments receivable, including guaranteed residual value, if any, less any write-offs and provision for potential lease losses, if any.

2.9 Provision for bad and doubtful loans / potential lease losses and write offs

The specific provision for bad and doubtful loans / potential lease losses, if any, is made in accordance with the requirements of the Prudential Regulations for Non-Banking Financial Companies issued by the Securities and Exchange Commission of Pakistan.

IGI BANK also maintains general provisions at an amount equivalent to 1.5% of the secured consumer portfolio and an amount equivalent to 5% of the unsecured consumer portfolio, to protect them from the risks associated with the economic cyclical nature of the business in accordance with the requirements of SECP circulars No. 1 dated January 9, 2006. In addition to the general reserve specified by the SECP, IGI BANK also maintains a general provision to provide for potential lease losses on IGI BANK's loans / lease portfolio which have not been specifically identified. This provision is calculated based on management's best estimate.

Loans and outstanding balances in net investment in finance lease are written off when there is no realistic prospect of recovery.

2.10 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits, rebates and tax exemption available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessment framed / finalised during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. A deferred tax asset is recognised for all deductible temporary differences and the tax losses, if any, to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and the tax losses can be utilised. The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance sheet date. IGI BANK also recognises deferred tax asset / liability on deficit / surplus on revaluation of investments which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standards (IAS)-12 'Income taxes'.

2.11 Assets acquired in satisfaction of claims

IGI BANK acquires certain vehicles and assets in settlement of non-performing loans / leases. These are stated at lower of the original cost of the related asset, exposure to IGI BANK and the net realisable value. The net gains or losses on disposal of these assets are taken to the profit and loss account.

2.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include cash in hand and balances with banks in current accounts, saving accounts and short-term running finances.

2.13 Impairment

The carrying amount of IGI BANK's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment loss. Any impairment loss arising is recognised as expense in the profit and loss account.

2.14 Provisions

Provisions are recognised when IGI BANK has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the outflow can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.15 Long term financing - term finance certificates (TFCs)

Term finance certificates are initially recognised at its fair value less transaction costs that are directly attributable to the issue of TFCs. The transaction costs are amortised over the term of TFCs using the effective interest method.

2.16 Employee retirement benefits

2.16.1 Defined contribution plan

IGI BANK operates an approved contributory provident fund for all its permanent employees. Equal monthly contributions are made, both by IGI BANK and the employee, to the fund at the rate of 10% of basic salary.

2.16.2 Defined benefit plan

IGI BANK operates an approved funded employee gratuity scheme for all its permanent employees, who have completed the qualifying period of service. Annual contributions and provisions in respect of the scheme are made in accordance with actuarial recommendations. The actuarial valuation is carried out using the Projected Unit Credit Method. Actuarial gains and losses at each valuation date are amortised over the average expected remaining lives of the employees participating in the plan.

2.17 Employees' compensated absences

IGI BANK provides for liability in respect of employees' compensated absences in the year in which these are earned.

2.18 Proposed dividend and transfer between reserves

Dividends declared and transfer between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

2.19 Revenue recognition

- Mark-up / interest on loans and returns on investments are recognised on a time proportion basis except that mark-up / interest / returns on classified loans and investments are recognised on receipt basis.
- Finance method is used in accounting for recognition of income from lease financing. Under this method, the unearned lease income (the excess of aggregate lease rentals and the residual value over the cost of leased asset) is deferred and then taken to profit and loss account over the term of lease period, applying the annuity method so as to produce a constant rate of return on the outstanding balance in net investment in lease. Front-end fees, documentation charges, gains / losses on termination of lease contracts and other lease related income are taken to profit and loss account when they are realised.
- Income on Continuous Funding System (CFS) is recognised on accrual basis.
- Gains / losses arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Dividend from equity securities is recognised when IGI BANK'S right to receive the dividend is established.
- Commission income and fees are taken to the profit and loss account when the services are provided.
- Premium or discount on acquisition of debt investments is capitalised and amortised through the profit and loss account over the remaining period till maturity.
- Return on bank deposits are recognised on an accrual basis.
- Brokerage income is recognised as and when such services are rendered.
- Other income is recognised as and when earned.

2.20 Borrowing cost

Borrowing costs are recognised as an expense in the year in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of the relevant asset.

2.21 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which IGI BANK operates. The financial statements are presented in Pakistani Rupees, which is IGI BANK'S functional and presentation currency.

2.22 Foreign currency transactions

Transactions in foreign currencies are accounted for in rupees at the foreign exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the foreign exchange rates approximating those prevailing at the balance sheet date. Exchange differences are taken to the profit and loss account.

2.23 Segment reporting

A segment is a distinguishable component that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. As the operations of IGI BANK are carried out in Pakistan, information relating to geographical segment is not considered relevant.

Assets, liabilities, capital expenditures and other balances which are directly attributable to the segments have been assigned to them while the carrying amount of certain assets used jointly by two or more segments have been allocated to the segments on a reasonable basis. Assets, liabilities, capital expenditure and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

2.24 Financial instruments

2.24.1 Financial asset and financial liability

Financial asset carried on the balance sheet include investments, loans, net investment in finance lease, deposits, receivable against continuous funding system transactions, interest, mark-up and profit accrued, cash and bank balance and other receivables.

Financial liability against term finance certificates, borrowings, certificate of deposits and other liabilities. At the time of initial recognition, all financial assets and liabilities are recognised at fair value. The particular recognition method for subsequent measurement is given in the individual policy statement associated with each item.

2.24.2 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when IGI BANK has a legally enforceable right to set-off the recognised amounts and the IGI BANK intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expense arising from such asset and liabilities are also offset with each other.

	Note	2007	2006
(Rupees in thousand)			
3 FIXED ASSETS			
Property and equipment	3.1	85,573	40,369
Intangible assets	3.2	21,958	50,714
		<u>107,531</u>	<u>91,083</u>

3.1 Property and equipment

	Lease hold improvements	Office equipment	Computer equipment	Furniture and fittings	Motor vehicles	Total
(Rupees in thousand)						
As at July 1, 2006						
Cost	4,327	9,404	19,369	7,341	25,967	66,408
Accumulated depreciation	(1,597)	(5,364)	(7,555)	(3,204)	(8,319)	(26,039)
Net book value	<u>2,730</u>	<u>4,040</u>	<u>11,814</u>	<u>4,137</u>	<u>17,648</u>	<u>40,369</u>
Additions (at cost)	12,816	6,300	6,776	14,981	31,328	72,201
Disposals (at net book value)	-	(80)	(1,421)	-	(11,003)	(12,504)
Depreciation charge for the year	(1,451)	(1,576)	(3,924)	(1,137)	(6,405)	(14,493)
Closing net book value	<u>14,095</u>	<u>8,684</u>	<u>13,245</u>	<u>17,981</u>	<u>31,568</u>	<u>85,573</u>
As at June 30, 2007						
Cost	17,143	15,589	23,824	22,322	40,771	119,649
Accumulated depreciation	(3,048)	(6,905)	(10,579)	(4,341)	(9,203)	(34,076)
Net book value	<u>14,095</u>	<u>8,684</u>	<u>13,245</u>	<u>17,981</u>	<u>31,568</u>	<u>85,573</u>
Depreciation rate % per annum	<u>20</u>	<u>20</u>	<u>20</u>	<u>10-20</u>	<u>20</u>	
As at July 1, 2005						
Cost	4,327	8,262	11,631	5,485	17,945	47,650
Accumulated depreciation	(752)	(4,193)	(5,571)	(2,483)	(6,930)	(19,929)
Net book value	<u>3,575</u>	<u>4,069</u>	<u>6,060</u>	<u>3,002</u>	<u>11,015</u>	<u>27,721</u>
Additions (at cost)	-	1,212	7,738	1,856	10,938	21,744
Disposals (at net book value)	-	(30)	-	-	(1,136)	(1,166)
Depreciation charge for the year	(845)	(1,211)	(1,984)	(721)	(3,169)	(7,930)
Closing net book value	<u>2,730</u>	<u>4,040</u>	<u>11,814</u>	<u>4,137</u>	<u>17,648</u>	<u>40,369</u>
As at June 30, 2006						
Cost	4,327	9,404	19,369	7,341	25,967	66,408
Accumulated depreciation	(1,597)	(5,364)	(7,555)	(3,204)	(8,319)	(26,039)
Net book value	<u>2,730</u>	<u>4,040</u>	<u>11,814</u>	<u>4,137</u>	<u>17,648</u>	<u>40,369</u>
Depreciation rate % per annum	<u>20</u>	<u>20</u>	<u>20</u>	<u>10-20</u>	<u>20</u>	

3.1.1 Cost and accumulated depreciation at the end of the year include Rs. 11,203 thousand (2006: Rs. 12,146 thousand) and Rs. 11,183 thousand (2006: Rs. 11,753 thousand) respectively in respect of fully depreciated assets still in use.

3.2 Intangible assets

Description	Membership card and room of Lahore Stock Exchange	Non-competition agreement (note 3.2.1)	Computer software	Total
----- (Rupees in thousand) -----				
As at July 1, 2006				
Cost	21,000	30,000	6,332	57,332
Accumulated amortisation	-	(4,167)	(2,451)	(6,618)
Net book value	<u>21,000</u>	<u>25,833</u>	<u>3,881</u>	<u>50,714</u>
Additions (at cost)	-	-	4,533	4,533
Disposals (at net book value)	(21,000)	-	(987)	(21,987)
Amortisation charge for the year	-	(10,000)	(1,302)	(11,302)
Closing net book value	<u>-</u>	<u>15,833</u>	<u>6,125</u>	<u>21,958</u>
As at June 30, 2007				
Cost	-	30,000	9,265	39,265
Accumulated amortisation	-	(14,167)	(3,140)	(17,307)
Net book value	<u>-</u>	<u>15,833</u>	<u>6,125</u>	<u>21,958</u>
Amortisation rate % per annum	-	33.33	20	
Description	Membership card and room of Lahore Stock Exchange	Non-competition agreement (note 3.2.1)	Computer software	Total
----- (Rupees in thousand) -----				
As at July 1, 2005				
Cost	21,000	-	4,744	25,744
Accumulated amortisation	-	-	(1,431)	(1,431)
Net book value	<u>21,000</u>	<u>-</u>	<u>3,313</u>	<u>24,313</u>
Additions (at cost)	-	30,000	1,588	31,588
Amortisation charge for the year	-	(4,167)	(1,020)	(5,187)
Closing net book value	<u>21,000</u>	<u>25,833</u>	<u>3,881</u>	<u>50,714</u>
As at June 30, 2006				
Cost	21,000	30,000	6,332	57,332
Accumulated amortisation	-	(4,167)	(2,451)	(6,618)
Net book value	<u>21,000</u>	<u>25,833</u>	<u>3,881</u>	<u>50,714</u>
Amortisation rate % per annum	-	33.33	20	

3.2.1 This represents consideration in respect of a three year agreement with Mr. Ali Azam Shirazee (Ex-Director and Chief Executive Officer of Finex Securities Limited) for not competing with IGI BANK in the financial brokerage business in Pakistan.

3.2.2 Cost and accumulated amortisation as at the end of the year include Rs. 987 thousand (2006:Rs. 784 thousand) in respect of fully depreciated assets still in use.

3.3 Particulars of disposal of fixed assets

Particulars of fixed assets disposed off having net book value exceeding Rs. 50,000 disposed of during the year / all assets disposed to related parties are as follows:

Particulars	Cost	Accumulated depreciation/ amortisation	Book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal / settlement	Particulars of purchaser
----- (Rupees in thousand) -----							
Property and equipment							
Office equipment	94	28	66	65	(1)	Negotiation	IGI Finex Securities Limited *
Computer equipment							
Inbox computer	636	106	530	360	(170)	Negotiation	IGI Finex Securities Limited *
Acer travel mate	81	26	55	40	(15)	Negotiation	IGI Finex Securities Limited *
J-pet	180	63	117	180	63	Negotiation	IGI Finex Securities Limited *
Inbox computer	159	27	132	90	(42)	Negotiation	IGI Finex Securities Limited *
Inbox computer	106	18	88	60	(28)	Negotiation	IGI Finex Securities Limited *
HP Compaq	400	153	247	350	103	Negotiation	IGI Finex Securities Limited *
Router Cisco	100	38	62	70	8	Negotiation	IGI Finex Securities Limited *
Personal Computer	200	200	-	150	150	Negotiation	IGI Finex Securities Limited *
Personal Computer	120	120	-	90	90	Negotiation	IGI Finex Securities Limited *
Personal Computer	40	40	-	30	30	Negotiation	IGI Finex Securities Limited *
Personal Computer	40	40	-	30	30	Negotiation	IGI Finex Securities Limited *
HP Laser Jet	20	15	5	5	-	Negotiation	IGI Finex Securities Limited *
HP Laser Jet 24360 TN	74	25	49	45	(4)	Negotiation	IGI Finex Securities Limited *
Cisco Switch	6	3	3	3	-	Negotiation	IGI Finex Securities Limited *
Inbox computer	53	9	44	30	(14)	Negotiation	IGI Finex Securities Limited *
Inbox computer	106	17	89	60	(29)	Negotiation	IGI Finex Securities Limited *
	2,321	900	1,421	1,593	172		
Vehicles							
Honda city	765	676	89	76	(13)	As per policy	Zafarullah Maqdi - Executive*
Honda city	765	676	89	76	(13)	As per policy	Tariq Qureshi - Executive*
Honda city	886	106	780	775	(5)	Tender	Sardar Ahmed
Honda city	1,288	136	1,152	1,026	(126)	Tender	Khurram Zaman
Suzuki alto	481	352	129	328	199	Tender	Javed Muhammad Khan
Hyundai santro	519	192	327	312	(15)	Tender	Waseem Mirza
Honda city	795	281	514	608	94	Tender	Imran Ahmed Farooqui
Honda city	831	277	554	690	136	Tender	Aijaz Ali
Honda city	835	200	635	660	25	Tender	Shahzad Usman
Honda city	936	162	774	770	(4)	Tender	Sardar Ahmed
Suzuki cultus	560	90	470	515	45	Tender	Captain Rifaqat Ali Khan
Suzuki cultus	580	449	131	363	232	Tender	Zahid Qadri
Suzuki alto	469	206	263	353	90	Tender	Shakil Khan
Suzuki alto	469	274	195	335	140	Tender	Mrs. Mahwish Tabbasum
Honda accord	1,043	125	918	1,036	118	Negotiation	NAFA
Suzuki cultus	560	112	448	455	7	Negotiation	IGI Finex Securities Limited *
Mitsubishi lancer	999	380	619	680	61	Negotiation	Packages Limited*
Toyota corolla	954	280	674	840	166	Negotiation	IGI Finex Securities Limited *
Honda city	795	357	438	620	182	As per policy	Amir Khanzada-Executive
Suzuki alto	469	6	463	463	-	Negotiation	IGI Finex Securities Limited *
Suzuki alto	464	19	445	445	-	Negotiation	IGI Finex Securities Limited *
Honda city	931	62	869	869	-	Negotiation	IGI Finex Securities Limited *
	16,394	5,418	10,976	12,295	1,319		
Intangible assets							
Membership card and room of Lahore Stock Exchange	21,000	-	21,000	43,000	22,000	Negotiation	IGI Finex Securities Limited *
Computer software	1,600	613	987	1,000	13	Negotiation	IGI Finex Securities Limited *
	22,600	613	21,987	44,000	22,013		
June 30, 2007	41,409	6,959	34,450	57,953	23,503		

* Represent related parties

4 LONG-TERM INVESTMENTS

	IGI Finex Securities Limited		IGI Funds Limited (Note 4.3)		Total	
	2007	2006	2007	2006	2007	2006
----- (Rupees in thousand) -----						
Opening balance	152,571	-	30,000	-	182,571	-
Investments made during the year	500,000	152,571	-	30,000	500,000	182,571
Closing balance	652,571	152,571	30,000	30,000	682,571	182,571

Investments in subsidiaries

4.1 During the year, IGI BANK has made an additional investment of Rs. 500 million in IGI Finex Securities Limited through the subscription of 50 million right shares at the rate of Rs. 10 per share. The additional investment has been approved by the Securities and Exchange Commission of Pakistan (SECP) through its letter number SEC/NBFC-I-JD/FIIBL/2006 dated October 11, 2006.

4.2 Other details of subsidiary companies are as follows:

Particulars	Country of Incorporation	Year of Incorporation	Assets	Liabilities	Net assets	Revenues*	Profit / (loss) after taxation	%age Holding
----- (Rupees in thousand) -----								
IGI Finex Securities Limited	Pakistan	1994	1,589,789	1,062,715	527,074	105,403	26,913	100%
IGI Funds Limited	Pakistan	2006	50,746	10,871	39,875	6,884	(19,313)	50.05%

* Represent revenue from all sources of activities.

4.3 Investment in IGI Funds Limited has been classified as 'investment in subsidiary' as the management maintains that IGI BANK has more than half of the voting rights in IGI Funds Limited by virtue of direct shareholding of 49.95% and indirect holding of 0.1% of the nominee directors appointed by IGI BANK.

5 LONG-TERM LOANS - NET

Note 2007 2006
(Rupees in thousand)

Secured - Due from others

Executives - considered good	5.1 & 5.2	2,207	1,760
Employees - considered good	5.2	960	796
Companies, organisations and individuals	5.4 & 5.5	550,404	508,409

Unsecured - Due from others

Companies, organisations and individuals	5.4	62,059	44,567
Less: provision for bad and doubtful loans	5.6	10,317	8,978
		605,313	546,554
Less: current maturity of long-term loans		137,705	176,729
		467,608	369,825

5.1 Reconciliation of carrying amount of loans to executives:

Opening balance	1,760	3,758
Disbursements during the year	1,000	-
Receipts during the year	(553)	(1,998)
	2,207	1,760

5.2 These represent loans provided to executives and employees of IGI BANK for the purchase of house, vehicles and for other general purposes. These loans carry mark-up at 2.5% to 10.09% (2006: 2.5%) per annum and are repayable on monthly basis over a period of 16 years. These loans are secured against mortgage of house properties and hypothecation of vehicles.

5.3 The maximum aggregate amount due from executive at the end of any month during the year was Rs. 2,307 thousand (2006: Rs. 3,703 thousand).

- 5.4 These loans carry mark-up at rates ranging from 7.25% to 20% (2006: 7.25% to 25%) per annum and are repayable over periods ranging from 1 year to 7 years from the date of disbursement. Repayment terms vary from monthly basis to repayments at maturity.
- 5.5 These loans are secured against mortgage of properties and hypothecation of vehicles.
- 5.6 Long-term loans include Rs.42,504 thousand (2006: Rs.9,689 thousand) which have been classified as non-performing as per the requirements of the Prudential Regulations issued by the Securities and Exchange Commission of Pakistan. The provisioning requirement against these loans are as follows:

	2007			2006		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in thousand) -----					
Opening balance	2,789	6,189	8,978	1,713	3,050	4,763
Charge for the year	3,536	537	4,073	1,453	3,139	4,592
Reversal during the year	(813)	(1,921)	(2,734)	(377)	-	(377)
Closing balance	<u>5,512</u>	<u>4,805</u>	<u>10,317</u>	<u>2,789</u>	<u>6,189</u>	<u>8,978</u>

	Note	2007 (Rupees in thousand)	2006 (Rupees in thousand)
6 NET INVESTMENT IN FINANCE LEASE			
Net investment in finance lease	6.1	2,158,836	1,929,202
Less: current maturity of net investment in finance lease		<u>749,134</u>	<u>695,624</u>
		<u>1,409,702</u>	<u>1,233,578</u>

6.1 Particulars of net investment in finance lease

	2007				2006			
	Not later than one year	Later than one year but not later than five years	Later than five years	Total	Not later than one year	Later than one year but not later than five years	Later than five years	Total
	----- (Rupees in thousand) -----							
Lease rental receivable	919,224	1,089,410	-	2,008,634	819,572	1,036,950	185	1,856,707
Add: residual value of leased assets	85,497	435,565	-	521,062	53,439	369,569	1,567	424,575
Gross investment in finance lease - note 6.4	<u>1,004,721</u>	<u>1,524,975</u>	<u>-</u>	<u>2,529,696</u>	<u>873,011</u>	<u>1,406,519</u>	<u>1,752</u>	<u>2,281,282</u>
Less: unearned finance income	221,028	115,273	-	336,301	151,062	174,667	26	325,755
Net investment in finance lease - note 6.2, 6.3 & 6.4	<u>783,693</u>	<u>1,409,702</u>	<u>-</u>	<u>2,193,395</u>	<u>721,949</u>	<u>1,231,852</u>	<u>1,726</u>	<u>1,955,527</u>
Less: provision for lease losses - note 6.5	34,559	-	-	34,559	26,325	-	-	26,325
Net investment in finance lease - net of provision	<u>749,134</u>	<u>1,409,702</u>	<u>-</u>	<u>2,158,836</u>	<u>695,624</u>	<u>1,231,852</u>	<u>1,726</u>	<u>1,929,202</u>

- 6.2 Net investment in finance lease includes Rs. NIL (2006: Rs. 453 thousand) due from a related party. Maximum aggregate amount due from the related parties at the end of any month during the year was Rs. NIL (2006: Rs. 598 thousand).

- 6.3 IGI Bank has entered into various lease agreements for periods ranging from three to seven years (2006: three to seven years). Security deposits ranging from 0% to 40% (2006: 0% to 79%) are obtained at the time of disbursement of the lease amount. The rate of return implicit in the leases ranges from 6.4% to 23.4% (2006: 1.94% to 20.35%) per annum.
- 6.4 Net investment in finance lease and net investment in finance lease includes Rs. 1,058 thousand (2006: Rs. 782,081 thousand) in respect of leases which have been entered into at SBP's discount rate and KIBOR plus margins, ranging from 5% to 6% (2006: 0.5% to 5%) per annum, with floor ranging from 6.5% to 10% (2006: 6.5% to 10%) per annum and ceilings ranging from 7.5% to 12% (2006: 7.5% to 12%) per annum. The mark-up rates on these leases are revised periodically (every three to six months) in line with the changes to the KIBOR rates.

6.5 Provisions for lease losses

	2007			2006		
	Specific	General	Total	Specific	General	Total
----- (Rupees in thousand) -----						
Opening balance	6,838	19,487	26,325	5,897	16,937	22,834
Charge for the year	2,590	5,644	8,234	1,631	2,550	4,181
Reversal during the year	-	-	-	(690)	-	(690)
Closing balance	9,428	25,131	34,559	6,838	19,487	26,325

- 6.5.1 Net investment in finance lease include Rs. 168,370 thousand (2006: Rs. 46,099 thousand) which have been classified as non-performing as per the requirements of the Prudential Regulations issued by the Securities and Exchange Commission.

	Note	2007 (Rupees in thousand)	2006 (Rupees in thousand)
7 LONG-TERM DEPOSITS			
Security deposits		<u>1,150</u>	<u>3,707</u>

8 SHORT-TERM LOANS

Secured

Short-term loans - considered good	8.1	<u>197,979</u>	<u>273,252</u>
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- 8.1 These loans carry interest at rates ranging from 13.4% to 16.2% (2006: 8.5% to 16.25%) per annum and are repayable over periods ranging from 1 month to 1 year (2006: 2 months to 1 year). These are secured against mortgage of properties, hypothecation of vehicles, lien on certificates of deposits, pledge of securities and personal guarantees of the borrowers.

	Note	2007 (Rupees in thousand)	2006 (Rupees in thousand)
9 RECEIVABLE AGAINST CONTINUOUS FUNDING SYSTEM TRANSACTIONS / CARRY OVER TRANSACTIONS			

Receivable against continuous funding system transactions / carry over transactions	9.1	<u>556,265</u>	<u>419,418</u>
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- 9.1 These carry yields ranging from 11.5% to 13.75% (2006: 13% to 25%) per annum. The market value of the securities held as collateral against these receivables amounted to Rs. 563,850 thousand (2006: Rs.445,204 thousand). Out of total collateral held, securities having market value of Rs. 547,933 thousand (2006: Rs 289,637 thousand) have been kept with IGI Finex Securities for onward deposit with Karachi and Lahore Exchanges for meeting the exposure deposit requirement.

10 SHORT-TERM INVESTMENTS

10.1 Particulars of investments by category

	2007			----- Restated ----- 2006		
	Held by IGI BANK	Given as collateral	Total	Held by IGI BANK	Given as collateral	Total
----- (Rupees in thousand) -----						
Held to maturity						
Certificate of investments	-	-	-	50,000	-	50,000
Fund placements	240,000	-	240,000	40,149	-	40,149
Term deposit receipts	100,000	-	100,000	300,000	-	300,000
	340,000	-	340,000	390,149	-	390,149
Held for trading						
Federal investment bonds	2,103	-	2,103	2,378	-	2,378
Pakistan investment bonds	1,392	-	1,392	1,482	-	1,482
Market treasury bills	197,759	-	197,759	-	97,372	97,372
	201,254	-	201,254	3,860	97,372	101,232
Available-for-sale						
Listed term finance certificates	152,579	-	152,579	235,900	-	235,900
Unlisted term finance certificates	59,995	-	59,995	14,445	-	14,445
Pre-IPO investment in term finance certificates	50,000	-	50,000	-	-	-
Mutual fund units (open ended)	513,169	-	513,169	95,859	-	95,859
Listed shares / certificates	166,071	-	166,071	87,006	59,537	146,543
Unlisted shares / certificates	62,782	-	62,782	62,782	-	62,782
	1,004,596	-	1,004,596	495,992	59,537	555,529
	1,545,850	-	1,545,850	890,001	156,909	1,046,910

Note 2007 2006
(Restated)
(Rupees in thousand)

10.2 Particulars of investments by type

Investments in:			
Certificate of investments		-	50,000
Fund placements	10.2.1	240,000	40,149
Term deposit receipts	10.2.1	100,000	300,000
Government securities	10.2.2	201,254	101,232
Listed term finance certificates	10.2.3	152,579	235,900
Unlisted term finance certificates	10.2.3	59,995	14,445
Pre-IPO investment in term finance certificates	10.2.3	50,000	-
Mutual fund units (open ended)	10.2.5	513,169	95,859
Listed shares / certificates	10.2.6	166,071	146,543
Unlisted shares / certificates	10.2.6	62,782	62,782
		<u>1,545,850</u>	<u>1,046,910</u>

10.2.1 These carry rate of return ranging from 10.25% to 10.8% (2006: 10.90% to 23%) per annum and are maturing on various dates by September 27, 2007.

10.2.2	Particulars	2007			2006		
		Maturity date	Face Value Rupees in thousand	Coupon rate	Maturity date	Face Value Rupees in thousand	Coupon rate
	Federal investment bonds	12-Jan-2008	2,200	15% per annum paid semi-annually	12-Jan-2008	2,200	15% per annum paid semi-annually
	Treasury bills	16-Aug-2007	200,000	8.79%	26-Oct-2006	100,000	8.59%
	Pakistan investment bonds	18-Jun-2012	1,400	11% per annum paid semi-annually	18-Jun-2012	1,400	11% per annum paid semi-annually

10.2.3 Particulars of TFCs: *

Number of certificates		Particulars	2007		2006	
2007	2006		----- (Rupees in thousand) -----			
			Amortised cost	Market value	Amortised cost	Market value
LISTED TFCs						
Investment banks and companies						
-	1,000	First Dawood Investment Bank Limited	-	-	5,059	5,075
Commercial banks						
2,000	2,000	Standard Chartered Bank (Pakistan) Limited I	6,765	5,707	10,456	10,086
4,587	4,587	Standard Chartered Bank (Pakistan) Limited II	22,907	21,981	22,917	21,771
2,000	2,000	Standard Chartered Bank (Pakistan) Limited III	9,996	10,296	10,000	10,000
6,352	6,352	United Bank Limited II	31,757	30,487	31,759	30,171
-	10,000	Bank Alfalah Limited	-	-	49,990	50,240
Leasing						
190	190	Al-Zamin Leasing Modaraba	950	893	950	912
Refinery						
1,448	1,448	Chanda Oil & Gas Securitization Company Limited	5,749	5,907	6,603	6,570
5,913	5,913	Naimat Basal Oil & Gas Securitization Company Limited	18,057	18,463	24,430	24,674
Miscellaneous						
5,903	5,903	Searle Pakistan Limited	29,503	29,503	29,515	29,588
897	897	Pakistan Services Limited	1,921	1,950	3,202	3,242
8,715	8,715	TeleCard Limited	31,754	26,991	43,557	39,202
2,000	2,000	WorldCALL Telecom Limited	1,350	401	4,393	4,369
			<u>160,709</u>	<u>152,579</u>	<u>242,831</u>	<u>235,900</u>
					2007	2006
					(Rupees in thousand)	
					Amortised cost	
UNLISTED TFCs						
-	2,000	Development Securitisation Trust			-	4,445
5,000	-	Jahangir Siddiqui & Co.			24,995	-
5,000	-	Three Stars (Pvt.) Limited			25,000	-
2,000	2,000	Security Leasing Corporation Limited			10,000	10,000
					<u>59,995</u>	<u>14,445</u>
Pre-IPO investments in TFCs						
5,000	-	Pak Electron			25,000	-
5,000	-	Shahmurad Sugar Mills Limited			25,000	-
					<u>50,000</u>	<u>-</u>

* Secured, unless specified otherwise.

10.2.4 Other particulars of TFCs are as follows:

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Redemption terms
Standard Chartered Bank (Pakistan) Limited (I)	5,000	Cut off yield of latest auction of 5-years PIB + 2.25% p.a. (floor 11.00%, cap 15.50%).	Semi-annually	Redemption will commence from the 54th month of the issue date.
Standard Chartered Bank (Pakistan) Limited (II)	5,000	Floor 5%, cap 10.75%, cut off yield of 5-years PIB + 0.75%.	Semi-annually	Redemption will commence from the 54th month of the issue date.
Standard Chartered Bank (Pakistan) Limited (III)	5,000	Six months KIBOR + 2% .	Semi-annually	Redemption of Rs. 1 in the first 8 semi-annual installments. The remaining principal will be redeemed in six semi-annual installments.
United Bank Limited (II)	5,000	1.35% p.a. + Trading yield 8 year PIBs.	Semi-annually	Bullet redemption at the end of 8th year.
Al-Zamin Leasing Modaraba	5,000	Floor of 9.5% p.a. or profit expected to be around 1.5% p.a.	Profit on half-yearly basis, final profit will be paid on the basis of annual audited financial statements.	Payable in 3 installments starting from 3rd, 4th & 5th year.
Chanda Oil & Gas Securitization Company Limited	5,000	Last 7 days average ask side of 3 months KIBOR + 3.25 bps floor 8.95% cap 13%.	Quarterly	Redemption will commence after a grace period of 6 months.
Naimat Basal Oil & Gas Securitization Company Limited	5,000	Ask side of six-month KIBOR + 2.5%, (floor 7.5%, cap 13%).	Monthly	Payable in 60 monthly installments. During 1st six months, only 3% of the principal will be redeemed, and 97% of the principal will be redeemed in 54 equal monthly installments after 6 months.
Searle Pakistan Limited	5,000	Average ask rate of six months KIBOR + 2.5%..	Semi-annually	0.04% of the principal will be redeemed within 12 months and the remaining principal will be redeemed in 8 equal semi-annual installments of 12.495 % of the principal each.
Pakistan Services Limited	5,000	2.25% over SBP's discount rate per annum (floor of 9.75% cap of 13.75%.)	Semi-annually	Principal redemption will take place in seven equal semi annual installments and will commence from the 24th month of the date of public subscription after a grace period of 18 months.
TeleCard Limited	5,000	Floating rate of Base rate (base rate = average of 6 month KIBOR) + 3.75 % p.a (with no floor and cap)	Semi-annually	Ten equal semi-annual installments commencing from 18 months from the issue date.
WorldCALL Telecom Limited	5,000	1.75% over SBP's discount rate with a floor of 12.25% and a ceiling of 16.25%.	Semi-annually	Redemption of Rs 1 in the first 3 semi annual installments. Rest of the principal will be redeemed in 7 equal semi annual installments.
Jahangir Siddiqui & Co	5,000	Average ask rate of six months KIBOR + 2.5%.(Floor 6 % and ceiling 16%)	Semi-annually	"Principal redemption will be as follows: a) 6-54th month 0.18% of the principal b) 60th month 49.91% of the principal c) 66th month 49.91% of the principal"
Three Stars (Pvt.) Limited	5,000	Average ask rate of six months KIBOR + 2.5%.	Quarterly	Bullet payment at the time of maturity.
Security Leasing Corporation Limited	5,000	Average ask rate of six months KIBOR + 2.45%.	Semi-annually	Eight equal semi-annual installments commencing from 18 months from the date of issue.
Pak Electron	5,000	Average ask rate of six months KIBOR + 2.5%.(with no floor and no cap)	Semi-annually	Principal will be repaid in 60 equal monthly installments.
Shahmurad Sugar Mills Limited	5,000	Average ask rate of six months KIBOR + 3.25%.(with no floor and no cap)	Quarterly	Principal will be repaid in 6 equal semi-annual installments after a grace period of 2 years from the issue date.

10.2.5 Particulars of investment in mutual fund units (open ended)

No. of units		Particulars	2007		2006	
2007	2006		(Rupees in thousand)			
			Average cost	Market value	Average cost	Market value
200,000	-	Alfalalah GHP Fund Income Fund (Face value Rs. 50 each)	10,000	10,033	-	-
900,131	-	AMZ Plus Income Fund (Face value Rs. 100 each)	100,000	100,919	-	-
-	423,714	AKD Opportunity Fund (Face value Rs. 50 each)	-	-	20,000	18,516
901,347	190,458	Askari Income Fund (Face value Rs. 100 each)	100,000	100,617	20,000	19,983
-	9,002	Atlas Income Fund (Face value Rs. 500 each)	-	-	5,000	4,903
-	20,000	Atlas Stock Market Funds (Face value Rs. 500 each)	-	-	10,000	13,096
406,771	89,849	Dawood Money Market Fund (Face value Rs. 100 each)	45,000	45,241	10,000	9,985
391,196	-	HBL Income Fund (Face value Rs. 100 each)	40,000	40,168	-	-
909,174	98,678	KASB Liquid Fund (Face value Rs. 100 each)	100,000	100,891	10,000	10,006
4,098,958	1,962,709	NAFA Cash Fund (Face value Rs. 10 each)	45,000	45,355	20,000	19,370
156,617	-	National Investment Trust	10,000	9,655	-	-
547,097	-	United Money Market Fund (Face value Rs. 100 each)	60,000	60,290	-	-
			<u>510,000</u>	<u>513,169</u>	<u>95,000</u>	<u>95,859</u>

10.2.6 Particulars of listed shares / certificates

No. of ordinary shares / certificates of Rs. 10/- each		Particulars	2007		2006	
2007	2006		(Rupees in thousand)			
			Average cost	Market value	Average cost	Market value
Mutual fund (closed ended)						
500,000	500,000	PICIC Investment Fund	9,311	7,625	9,311	7,300
950,000	950,000	Atlas Fund of Funds	9,048	8,740	9,048	9,262
999,500	1,000,000	Meezan Balance Fund	9,995	10,245	10,000	10,050
4,215,559	3,665,704	First Dawood Mutual Fund	35,447	37,940	35,446	34,091
404,850	1,089,850	AKD Index Tracker Fund	4,051	5,547	10,899	10,245
500,226	500,226	UTP Growth Fund	9,116	7,003	9,116	6,503
3,403,765	-	Safeway Mutual Fund	41,866	40,845	-	-
Leasing						
78,200	78,200	ORIX Leasing Pakistan Limited	2,715	2,326	2,715	2,006
Investment Banks / Companies / Securities						
-	29,000	International Housing Finance Limited	-	-	218	180
500	-	Arif Habib Securities Limited	48	59	-	-
950	-	Bank Alfalah Limited	49	62	-	-
Commercial banks						
-	1,000	PICIC Commercial Bank Limited	-	-	30	25
-	103,500	Bank of Punjab	-	-	8,587	8,559
-	500	National Bank of Pakistan Limited	-	-	92	108
Textile spinning						
1,200,326	1,200,326	Dewan Farooque Spinning Mills Limited	12,003	10,743	12,003	8,042
605,302	500,302	Zephyr Textiles Limited	5,732	4,963	5,003	3,502
Textile composite						
-	2,000	Nishat Mills Limited	-	-	210	210
1,758,280	-	Hira Textile Mills Limited	21,979	17,583	-	-
221,551	201,410	Kohinoor Textile Mills Limited	10,887	5,926	10,887	6,395
		Balance c/f	<u>172,247</u>	<u>159,607</u>	<u>123,565</u>	<u>106,478</u>

No. of ordinary shares / certificates of Rs. 10/- each		Particulars	2007		2006	
			Average cost	Market value	(Restated)	
2007	2006		(Rupees in thousand)			
					Average cost	Market value
		Balance b/f	172,247	159,607	123,565	106,478
		Cement				
-	26,000	Lucky Cement Limited	-	-	2,782	2,692
		Refinery				
43,975	41,980	Attock Refinery Limited	5,117	5,125	6,037	3,640
		Power generation and distribution				
-	100,000	HUB Power Company Limited	-	-	4,217	2,300
1,500	-	Kot Addu Power Company Limited	85	90	-	-
		Oil and gas exploration				
2,200	29	Oil and Gas Development Company Limited	262	264	3	4
1,700	23,500	Pakistan Oilfield Limited	555	539	8,093	7,867
1,700	-	Pakistan Petroleum Limited	436	446	-	-
-	21,500	Sui Southern Gas Company Limited	-	-	685	621
		Technology and communication				
-	978,233	Eye Television Network Limited	-	-	9,782	6,848
-	1,173,500	Telecard Limited	-	-	14,180	13,319
-	316	World call Telecom Limited	-	-	3	3
		Paper & Board				
-	12,700	Packages Limited (a related party)	-	-	2,113	2,659
		Synthetic and Rayon				
-	10,000	Dewan Salman Fibre Limited	-	-	112	112
			<u>178,702</u>	<u>166,071</u>	<u>171,572</u>	<u>146,543</u>
		UNLISTED SHARES			2007	2006
					(Rupees in thousand)	
					Cost	
		Miscellaneous				
4,000,000	4,000,000	DHA Cogen Limited			40,000	40,000
216,216	216,216	System Ltd			10,000	10,000
1,123,318	1,123,318	Techlogix Limited			12,782	12,782
					<u>62,782</u>	<u>62,782</u>

11 ADVANCES, DEPOSITS AND PREPAYMENTS

	Note	2007	2006
		(Rupees in thousand)	
Advance against leases	11.1	1,903	18,545
Short-term deposits	11.2	115,000	115,000
Advance to suppliers		17,288	5,534
Prepaid expenses	11.3	7,701	12,054
Receivable from NCCPL / CDC		1,400	-
Others		423	571
		<u>143,715</u>	<u>151,704</u>

- 11.1 These represent advances paid to suppliers against assets to be leased out and carry mark-up at rates ranging from 14.95% to 15.41% (2006: 12.5% to 15%).
- 11.2 This represents interest free deposit placed with IGI Finex Securities Limited (a wholly owned subsidiary) for meeting the exposure deposit requirements arising on trading in future and continuous funding system transactions.
- 11.3 This includes Rs. 7,446 thousand (2006: Rs. 8,495 thousand) in respect of advance rent of premises utilised by IGI BANK.

	2007	2006
	(Rupees in thousand)	
12 INTEREST, MARK-UP AND PROFIT ACCRUED		
Investments		
- government securities	160	160
- term finance certificates	6,709	5,935
	6,869	6,095
Finances	68,111	20,727
Fund placements	2,933	1,443
Deposits with banks	361	61
	<u>78,274</u>	<u>28,326</u>

	2007	2006
	(Rupees in thousand)	
		Restated
13 TRADE DEBTS		
Secured		
Considered good	-	187,848

	2007	2006
	(Rupees in thousand)	
14 OTHER RECEIVABLES		
Secured - considered good		
Assets repossessed in respect of terminated lease contracts	12,272	5,967
Unsecured - considered good		
Dividend receivable	14.1 18,300	2,501
Receivable against tender offer	14.2 6,240	-
Excise duty paid on behalf of customers	4,471	4,471
Positive fair value of derivative financial instruments	-	792
Due from related parties:		
Packages Limited	-	963
IGI Finex Securities Limited	20,869	-
IGI Funds Limited	2,572	1,377
IGI Insurance Limited	-	1,067
	23,441	3,407
Others	3,174	2,750
Unsecured - considered doubtful		
Receivable from lessees in satisfaction of claims	6,539	5,094
	74,437	24,982
Less: provision for bad and doubtful receivables	(6,539)	(5,094)
	<u>67,898</u>	<u>19,888</u>

- 14.1 This includes dividend amounting to Rs 18,200 thousand receivable from IGI Finex Securities Limited.
- 14.2 This represents amount receivable in respect of sale of shares of a listed company pursuant to a tender offer made by a financial institution.

	2007	2006
	(Rupees in thousand)	
15 CASH AND BANK BALANCES		
In hand	51	91
In current accounts		
- State Bank of Pakistan	278	649
- Others		
local currency	4,023	104,188
foreign currencies	950	342
	4,973	104,530
In saving accounts		
local currency	264,664	91,708
	<u>269,966</u>	<u>196,978</u>

16 SHARE CAPITAL

Authorised capital

2007	2006		2007	2006
----- Number of shares -----				
<u>100,000,000</u>	<u>100,000,000</u>		<u>1,000,000</u>	<u>1,000,000</u>
		Ordinary shares of		
		Rs 10 each		

Issued, subscribed and paid-up capital

2007			2006				2007	2006
Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total			
----- No. of shares -----								
25,000,000	-	25,000,000	25,000,000	-	25,000,000	Ordinary shares paid in cash	250,000	250,000
-	16,917,500	16,917,500	-	16,917,500	16,917,500	Ordinary shares issued as bonus shares	169,175	169,175
25,000,000	16,917,500	41,917,500	25,000,000	16,917,500	41,917,500		419,175	419,175
-	4,191,750	4,191,750	-	-	-	Bonus shares issued during the year	41,917	-
46,109,250	-	46,109,250	-	-	-	Right shares issued during the year	461,092	-
<u>71,109,250</u>	<u>21,109,250</u>	<u>92,218,500</u>	<u>25,000,000</u>	<u>16,917,500</u>	<u>41,917,500</u>		<u>922,184</u>	<u>419,175</u>

16.1 IGI Insurance Limited, a related party, holds 11,523 thousand (2006: 14,677 thousand) ordinary shares of Rs. 10 each of IGI BANK as at June 30, 2007.

	Note	2007	2006 Restated
		(Rupees in thousand)	
17 RESERVES			
Capital reserve			
Statutory reserve	17.1	97,098	97,098
Revenue reserves			
General reserve		55,408	97,325
Unappropriated profit / (loss)		<u>(7,155)</u>	32,002
		<u>145,351</u>	<u>226,425</u>

- 17.1 Statutory reserve represents 20% of the profit after taxation set aside to comply with the Regulation No. 2 of Part III of the Prudential Regulation for Non-Banking Finance Companies issued by the Securities and Exchange Commission of Pakistan.

	Note	2007	2006 Restated
18 DEFICIT ON REVALUATION OF INVESTMENTS - NET		(Rupees in thousand)	
Net deficit on revaluation of:			
- government securities		(592)	(455)
- term finance certificates		(8,130)	(6,931)
- mutual funds units (open ended)		3,169	859
- quoted shares and certificates		(12,631)	(25,029)
- forward sale of quoted shares and certificates		-	792
	18.1	<u>(18,184)</u>	<u>(30,764)</u>
Related deferred tax asset - net	23	<u>207</u>	<u>159</u>
		<u><u>(17,977)</u></u>	<u><u>(30,605)</u></u>

18.1 Particulars of (deficit) / surplus on revaluation of investments - net

Opening balance		(30,764)	(55,791)
Surplus arising on revaluation of investments during the year		33,777	57,622
Transferred to the profit and loss account on disposal of investments		<u>(21,197)</u>	<u>(32,595)</u>
Closing balance		<u><u>(18,184)</u></u>	<u><u>(30,764)</u></u>

		2007	2006
19 TERM FINANCE CERTIFICATES / PRE-IPO SUBSCRIPTION		(Rupees in thousand)	
Pre-IPO subscription towards term finance certificates	19.1	-	375,000
Term finance certificates	19.1	499,961	-
Less: transaction costs	19.2	<u>4,040</u>	<u>5,050</u>
		<u>495,921</u>	<u>369,950</u>
Less: current maturity of term finance certificates and transaction costs		<u>61,565</u>	-
		<u><u>434,356</u></u>	<u><u>369,950</u></u>

- 19.1 These represent listed Term Finance Certificates (TFCs) issued by IGI BANK in July 10, 2006 having tenor of 5 years. The total issue comprises of Private Placement (Pre-IPO) of Rs 375 million and Initial Public Offering (IPO) of Rs. 125 million. These TFC's are secured against the present and future movable fixed assets and current assets of IGI BANK and carry mark-up at KIBOR + 225 basis points (2.25%) per annum payable semi-annually with no floor and cap. The principal amount of these TFCs is redeemable within 5 years in 8 equal semi-annual installments in arrears after a grace period of 12 months from the date of issue. The issue of these TFCs has been approved by the Securities and Exchange Commission of Pakistan vide their letter No. SMD/Co.57 (1)/06/2006 dated June 26, 2006 and by the Lahore Stock Exchange (Guarantee) Limited vide their letter No. LSE/12935 dated May 29, 2006 and letter No. 14147 dated June 27, 2006.

- 19.2 Transaction cost incurred on issue of TFCs has been adjusted from the related liability and is amortised over the term of TFCs using the effective interest method.

20 LONG-TERM FINANCE	Note	2007 (Rupees in thousand)	2006
Secured			
Local currency - banking companies	20.1	1,203,335	1,308,333
Less: current maturity of long-term finance		<u>421,666</u>	<u>615,000</u>
		<u>781,669</u>	<u>693,333</u>

20.1 This includes:

- Financing facility of Rs. 300,000 thousand obtained from a banking company in three tranches of Rs. 100,000 thousand each. The principal amount is repayable in four equal semi-annual installments commencing from eighteen months after disbursement of each tranche and carries floating mark-up rate calculated every six months on the basis of the last six months market treasury bills auctioned cut-of yield plus 3% per annum, with a floor of 5% per annum and a ceiling of 8% per annum. The facility is secured by a first pari passu registered charge on IGI BANK'S present and future assets, with a margin of 25%.
- Financing facility of Rs. 200,000 thousand obtained from a banking company with a tenor of three years, repayable in four equal semi-annual installments commencing from eighteen months from the date of disbursement. The principal carries mark-up at the rate of 6-month KIBOR ask side (average) plus 1.25% p.a. payable semi-annually. The facility is secured by a first pari passu charge on IGI BANK's present and future assets, with a margin of 25%.
- Financing facility of Rs. 200,000 thousand obtained from a banking company with a tenor of three years, repayable in six equal semi-annual installments. The principal carries mark-up at the rate of 6-months KIBOR (ask side) average + 1.50% per annum. The facility is secured by first pari passu charge on leased assets, book debts, receivables and securities amounting to Rs. 271 million.
- Financing facility of Rs. 100,000 thousand obtained from a banking company with a tenor of three years, repayable in four equal semi-annual installments of Rs. 25,000 thousand starting from 18 months from the date of disbursement. The finance carries mark-up at a floating rate of 6-month KIBOR (ask side) + 1.75% per annum payable semi-annually. The facility is secured by a first pari passu charge on leased assets amounting to Rs. 135 million.
- Financing facility of Rs. 200,000 thousand obtained from a banking company with a tenor of three years, repayable in five equal semi-annual installments of Rs. 40,000 thousand starting from 13 months from the date of disbursement. The principal carries mark-up at a floating rate of 6-month KIBOR (ask side) average + 2% per annum payable semi-annually. The facility is secured by a first pari passu charge on IGI BANK'S movable assets, receivables, leased assets and leased receivables amounting to Rs.267 million with a margin of 25%.
- Financing facility of Rs. 200,000 thousand obtained from a banking company with a tenor of three years, repayable in twelve equal quarterly installments of Rs. 16,667 thousand starting from the date of disbursement. The finance carries mark-up at a floating rate of 6-month KIBOR (ask side) average + 2% per annum payable quarterly. The facility is secured by a first pari passu charge on all present and future leased assets, hypothecation of movable assets and receivables of IGI BANK with a margin as prescribed in SBP's Prudential Regulations or the banking company's practice whichever is higher.

- Financing facility of Rs. 200,000 thousand obtained from a banking company with a tenor of three years repayable in four equal semi-annual installments commencing from eighteen months from the date of disbursement. The principal carries mark-up at a floating rate of 6- months KIBOR (ask side) + 2% per annum payable semi-annually. The facility is secured by a first pari passu charge on all present and future assets and receivables of IGI BANK with a margin of 25%.
- Financing facility of Rs. 250,000 thousand obtained from a banking company with a tenor of three years repayable in four equal semi-annual installments commencing eighteen months from the date of disbursement. The finance carries mark-up at a floating rate of 6-months KIBOR (ask side) + 1.90% per annum payable semi-annually. The facility is secured by a first pari passu charge on all present and future assets and receivables of IGI BANK with a margin of 25%.
- Financing facility of Rs. 300,000 thousand obtained from a banking company with a tenor of three years repayable in four equal semi-annual installments commencing eighteen months from the date of disbursement. The finance carries mark-up at a floating rate of 6-months KIBOR (ask side) + 2% per annum payable semi-annually. The facility is secured by a first pari passu charge on all present and future assets and receivables of IGI BANK with a margin of 25%.

21 LONG-TERM CERTIFICATES OF DEPOSITS	Note	2007	2006
		(Rupees in thousand)	
Unsecured			
Local currency			
- Financial institutions		400,000	-
- Individuals	21.1	420,375	284,741
- Others		66,996	43,785
	21.2	887,371	328,526
Less: current maturity of long-term certificates of deposit		<u>359,316</u>	<u>39,467</u>
		<u>528,055</u>	<u>289,059</u>

21.1 These include certificates of deposit amounting to Rs. 1,600 thousand (2006: Rs. 500 thousand) issued to employees at mark-up rate of 10.5% to 11.50% (2006: 11.25%) and certificates of deposit amounting to Rs. 16,688 thousand (2006: Rs. 20,000 thousand) payable in respect of acquisition of IGI Finex Securities Limited.

21.2 These certificates of deposit have contractual maturities ranging from 1 to 5 years (2006: 1 to 5 years) from the contract date. Expected rates of return payable on these certificates of deposits are 4.75% to 13% (2006: 4.75% to 17.75%) per annum.

22 LONG-TERM DEPOSITS ON LEASE CONTRACTS	Note	2007	2006
		(Rupees in thousand)	
Deposits on lease contracts	22.1	515,228	420,767
Less: current maturity of deposits on lease contracts		<u>85,497</u>	<u>53,315</u>
		<u>429,731</u>	<u>367,452</u>

22.1 These represent interest free security deposits received against lease contracts which are repayable / adjustable at the expiry / termination of the respective leases.

23 DEFERRED TAX (ASSETS) / LIABILITIES - NET	Note	2007	2006
		(Rupees in thousand)	
Deferred tax assets arising in respect of			
- Provision for bad and doubtful loans / potential lease losses		(15,707)	(12,356)
- Carry forward of assessed income tax losses	23.1	(182,764)	(102,670)
- Deficit on revaluation of investments	18	(207)	(159)
		<u>(198,678)</u>	<u>(115,185)</u>
Deferred tax liabilities arising in respect of			
- Accelerated tax depreciation		192,492	154,411
- Transaction costs in respect of TFCs issued		1,414	1,768
	23.2	<u>(4,772)</u>	<u>40,994</u>

23.1 IGI BANK has an aggregate amount of Rs. 522,183 thousand in respect of unabsorbed tax losses as at June 30, 2007 on which the management has recognised deferred tax debit balance amounting Rs. 182,764 thousand. This represents the management's best estimate of probable benefit expected to be realised in future years in the form of reduced tax liability as the IGI BANK would be able to set off the profit earned in these years against losses carried forward from prior years. The amount of this benefit has been determined based on the projected financial statements of the bank for the next few years.

23.2 Movement in deferred tax (asset) / liability	Note	2007	2006
		(Rupees in thousand)	
Opening balance		40,994	42,570
Reversal during the year		<u>(45,718)</u>	<u>(17,927)</u>
		(4,724)	24,643
Deferred tax impact on (deficit) / surplus on revaluation of investments		(48)	16,351
		<u>(4,772)</u>	<u>40,994</u>

24 SHORT-TERM FINANCE - secured

Running finance utilised under mark-up arrangement	24.1	<u>77</u>	<u>237</u>
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24.1 This represents amount borrowed from a commercial banks against a short term running finance facility amounting to Rs. 200,000 thousand (2006: Rs. 200,000 thousand). The amount is secured by a first pari passu charge and hypothecation on IGI BANK's present and future receivables and book debts. This facility carries mark-up at 1-month KIBOR rate plus 1.5% per annum (2006: 1-month KIBOR rate plus 1.5% per annum).

25 SHORT-TERM CERTIFICATES OF DEPOSIT	Note	2007	2006
		(Rupees in thousand)	
Unsecured			
Local currency			
- Financial institutions		1,350,000	1,250,000
- Individuals		296,416	183,155
- Others		193,743	276,559
	25.1	<u>1,840,159</u>	<u>1,709,714</u>

25.1 These certificates of deposits have contractual maturities ranging from 1 to 12 months (2006: 1 to 12 months) from the contract date. Expected rates of return payable on these certificates of deposits are 8.75% to 11.65% (2006: 6.25% to 14.25%) per annum.

	Note	2007 (Rupees in thousand)	2006
26 BORROWINGS FROM FINANCIAL INSTITUTIONS			
Securities sold under repurchase agreement		-	97,347
Unsecured borrowings		<u>465,000</u>	<u>197,000</u>
	26.1	<u>465,000</u>	<u>294,347</u>
26.1	These borrowings carry mark-up at rates ranging from 8.80% to 9.75% (2006: 8.00% to 9.50%) per annum and are repayable on various dates by July 17, 2007.		
27 INTEREST AND MARK-UP ACCRUED		2007	2006
		(Rupees in thousand)	
Interest and mark-up accrued on:			
- Long-term finance		11,939	7,732
- Short-term finance		331	331
- Borrowings from financial institutions		2,319	10
- TFCs		30,178	435
- Certificates of deposit		<u>58,450</u>	<u>51,429</u>
		<u>103,217</u>	<u>59,937</u>
28 ACCRUED EXPENSES AND OTHER LIABILITIES		2007	2006
		Restated	
		(Rupees in thousand)	
Accrued expenses		10,750	8,036
Payable to customers on account of excess recoveries		3,028	3,028
Payable to customers in respect of brokerage business			
- Related parties		-	29,643
- Others		-	65,964
Payable to IGI Insurance limited - Related party		12,883	-
Unclaimed dividends		347	777
Payable to employee gratuity scheme	36.1.2	2,078	2,845
Advances from lessees		35,428	7,617
Advance insurance recoveries from customers		14,799	10,263
Payable in respect of non-competition fee		-	15,000
Others		<u>9,837</u>	<u>7,062</u>
		<u>89,150</u>	<u>150,235</u>

29 CONTINGENCIES AND COMMITMENTS

29.1 Taxation

- (a) The provision for taxation has been computed by IGI BANK at the rate applicable to a public company. In the original assessments made by the Deputy Commissioner of Income Tax (DCIT), the rate for the assessment years 1991-1992 to 2000-2001 and 2002-2003 applied in computing the tax liability was that applicable to a banking company. However, in the appeals filed against the original assessments upto the assessment year 1997-1998, the Commissioner of Income Tax (Appeals) [CIT(A)] directed the DCIT to apply the rate applicable to a public company. Subsequent to the order of CIT(A) the Income Tax Department filed various appeals before the Income Tax Appellate Tribunal (ITAT) against the directions of CIT(A). The ITAT, in its decisions in respect of assessment years 1991-1992 to 1997-1998 held that investment banks are not banking companies and therefore the rate of tax applicable to a public company should be applied while determining the tax liability. Subsequent to the decision of ITAT, the department had filed appeals against the ITAT orders before the honourable Lahore High Court which are pending to date.

In respect of the aforementioned matters the Federal Board of Revenue had given its consent to the proposal of Director General, LTU, Lahore to withdraw the appeals relating to the tax status of investment banks.

In the original assessment made by the DCIT for the assessment years 1995-96 to 2000-2001, dividend income was taxed by applying the tax rate applicable to the business income of a banking company instead of applying the reduced tax rate of 5% as prescribed by the law. The CIT (A) and the ITAT through its various orders have confirmed that such income is taxable at the reduced rate of 5% in respect of assessment years 1995-96 to 1997-98. However the tax authorities have filed appeals against the orders of ITAT before the Lahore High Court which are pending to date. In similar appeals of other investment banks, the Lahore High Court has already decided the matter of taxation of dividend income against the taxation authorities. In addition to the above matters, the taxation authorities have also disallowed certain expenses and made additions to taxable income on account of lease key money, lease rentals, excess perquisites and miscellaneous expenses in respect of various assessment years against which IGI BANK has filed appeals which are currently pending.

If the provision for taxation were to be made at the rate applicable to a banking company, taxation of dividend income as mentioned above and disallowance of expenses / add backs to income is decided against IGI BANK, the additional provision for all assessment years upto the tax year 2005 amounts to Rs 166 million (2006: Rs 166 million). Based on the previous decisions, the management is confident that the eventual outcome of the above matters will be decided in favour of IGI BANK and the possibility of any liability arising is considered remote.

- (b) Income tax return for tax year 2003 was filed and deemed to be assessed under section 120 of the Income Tax Ordinance, 2001. However, by resorting to the powers given under section 177 of the Ordinance, the CIT had selected the aforementioned tax return for audit. Against the said selection, IGI BANK had filed a writ petition in the Lahore High Court and the court had held the selection to be defective on the basis that while making this selection, the essentials required by the law were not followed by the department. It was also mentioned in the order that the CIT could initiate fresh proceedings against IGI BANK strictly in accordance with law. The Income Tax Department had filed an appeal against the decision of the Lahore High Court before the Supreme Court of Pakistan. The Supreme Court in its decision dated March 1, 2006 had directed that the department should issue fresh notices to IGI BANK in terms of Section 177 of the Ordinance disclosing criteria / reasons for selecting the above tax return for audit purposes. Pursuant to this order, IGI BANK had received notice from the department for selection of case in this regard under section 177 of the Ordinance.

29.2 Commitments

	2007	2006
	(Rupees in thousand)	
- Forward sale of shares	-	29,292
- Underwriting commitments	75,000	115,000
- Commitments in respect of capital expenditure	-	5,310

30 INCOME FROM INVESTMENTS

	2007				2006			
	Held to maturity	Held for trading	Available for sale	Total	Held to maturity	Held for trading	Available for sale	Total
					Restated			
	(Rupees in thousand)							
Interest / mark-up / profit from:								
TDRs / COIs / fund placements								
	30,134	-	-	30,134	53,627	-	-	53,627
Government securities	-	225	8,686	8,911	-	3,805	2,023	5,828
US dollar bonds	-	-	-	-	-	-	2,645	2,645
TFCs	-	-	26,946	26,946	-	-	20,781	20,781
	30,134	225	35,632	65,991	53,627	3,805	25,449	82,881
Dividend income	-	-	33,478	33,478	-	523	12,854	13,377
Gain / (loss) on disposal of:								
Government securities	-	-	-	-	-	(17,617)	(28,680)	(46,297)
TFCs	-	-	464	464	-	-	52	52
Mutual fund units (open end)	-	-	15,270	15,270	-	-	10,253	10,253
Listed shares / certificates	-	-	5,463	5,463	-	(166)	68,753	68,587
	-	-	21,197	21,197	-	(17,783)	50,378	32,595
	30,134	225	90,307	120,666	53,627	(13,455)	88,681	128,853

Note
2007
2006
(Rupees in thousand)

31 INCOME FROM LOANS

Mark-up / interest on loans	121,692	87,716
Documentation charges and other loan related income	2,830	3,283
	<u>124,522</u>	<u>90,999</u>

32 INCOME FROM LEASE FINANCE

Mark-up on lease finance	224,979	164,602
Front-end fees, documentation charges and other lease related income	5,569	11,651
	<u>230,548</u>	<u>176,253</u>

33 INCOME FROM FUND PLACEMENTS

Securities purchased under resale agreements with financial institutions	72	29,563
Income from continuous funding system transactions / carry over transactions	82,789	57,677
	<u>82,861</u>	<u>87,240</u>

34 FINANCE COSTS

Mark-up on term finance certificates	61,051	-
Mark-up on long-term borrowings	129,920	93,854
Mark-up on certificates of deposits	255,173	215,117
Mark-up on short-term finances	283	2,586
Mark-up on borrowings from financial institutions	36,293	26,100
Bank charges	153	313
	<u>482,873</u>	<u>337,970</u>

	Note	2007 (Rupees in thousand)	2006
35 ADMINISTRATION AND GENERAL EXPENSES			
Salaries, allowances and benefits		85,577	65,262
Contribution to provident fund		3,750	2,478
Gratuity scheme expense	36.1.6	1,610	1,528
Contribution to employees' old-age benefit institution		381	176
Depreciation on property and equipment	3.1	14,493	7,930
Amortisation on intangible assets	3.2	11,302	5,187
Rent, rates and taxes		17,218	11,935
Travelling and entertainment		6,473	3,387
Telephone, telex and fax		5,844	4,078
Printing, postage and stationery		5,447	4,167
Insurance		1,888	1,373
Lighting, heating and cooling		3,125	2,413
Repairs and maintenance		4,256	1,873
Brokerage and commission		13,841	13,200
Legal and professional fees		11,310	9,314
Subscriptions		2,142	529
Advertisement		14,680	1,701
Other expenses		4,658	5,134
		<u>207,995</u>	<u>141,665</u>

36 EMPLOYEE BENEFITS

36.1 Gratuity scheme

As mentioned in note 2.16.2, IGI BANK operates an approved funded gratuity scheme. The scheme provides for gratuity benefits for all permanent employees who have completed the prescribed qualifying period of service with IGI BANK.

Annual provision is based on actuarial valuation and the latest valuation of the scheme was carried out as at June 30, 2007 using Projected Unit Credit Method.

36.1.1 Principal actuarial assumptions

The following principal actuarial assumptions were used for the valuation of gratuity scheme:

	2007	2006
Expected rate of increase in salary	8.89%	9.52%
Discount rate	11.00%	11.65%
Expected rate of return on plan assets	11.00%	11.65%

36.1.2 Amount recognised in the balance sheet

	Note	2007 (Rupees in thousand)	2006
Present value of defined benefit obligation	36.1.3	8,059	6,462
Fair value of plan assets	36.1.4	(7,220)	(4,755)
Unrecognised actuarial gain (net)		1,239	1,138
		<u>2,078</u>	<u>2,845</u>

36.1.3 Movement in the defined benefit obligation:

Present value of defined benefit obligation at the beginning of the year	6,462	5,797
Interest cost	650	601
Current service cost	1,786	1,379
Benefits paid	(549)	(1,315)
Settlement cost	(261)	-
Actuarial gain on obligation	(29)	-
Present value of defined benefit obligation at the end of the year	<u>8,059</u>	<u>6,462</u>

	Note	2007 (Rupees in thousand)	2006
36.1.4 Movement in the fair value of plan assets			
Fair value of plan asset at the beginning of the year		4,755	3,542
Expected return on plan assets		538	423
Contributions to the fund		2,377	1,500
Benefits paid		(549)	(1,315)
Actuarial loss on plan assets		99	605
Fair value of plan assets at the end of the year		<u>7,220</u>	<u>4,755</u>

36.1.5 Movement of liability			
Balance at the beginning of the year		2,845	2,817
Expense for the year	36.1.6	1,610	1,528
Contributions during the year		<u>(2,377)</u>	<u>(1,500)</u>
Balance at the end of the year		<u>2,078</u>	<u>2,845</u>

36.1.6 Gratuity scheme expense recognised in the profit and loss account			
Current service cost		1,786	1,379
Interest cost		650	601
Expected return on plan assets		(538)	(423)
Settlement cost		(261)	-
Net actuarial gain recognised during the year		<u>(27)</u>	<u>(29)</u>
		<u>1,610</u>	<u>1,528</u>

	-----2007-----		-----2006-----	
	(Rupees in thousand)	Percentage composition	(Rupees in thousand)	Percentage composition
Mutual fund units / shares	4,801	66%	3,753	79%
Bank account and short term deposits	4,431	61%	1,813	38%
Benefits due	(2,012)	(28%)	(811)	(17%)
	<u>7,220</u>	<u>100</u>	<u>4,755</u>	<u>100</u>

36.1.8 5 years data in respect of (surplus) / deficit on the plan assets is as follows:

	2007	2006	2005	2004	2003
Present value of defined benefit obligation	8,059	6,462	5,797	5,481	7,269
Fair value of plan assets	<u>(7,220)</u>	<u>(4,755)</u>	<u>(3,542)</u>	<u>(3,149)</u>	-
Deficit	<u>839</u>	<u>1,707</u>	<u>2,255</u>	<u>2,332</u>	<u>7,269</u>

36.1.9 5 years data in respect of experience adjustments is as follows:

	2007	2006	2005	2004	2003
Experience adjustments on plan liabilities	(22)	(7)	(249)	(250)	(249)
Experience adjustments on plan assets	750	(46)	(73)	(74)	-

36.1.10 Actual return on plan assets during the year was Rs. 637 thousand (2006: Rs. 1,028 thousand).

36.1.11 Based on actuarial advice IGI BANK intends to charge an amount of approximately Rs. 2,031 thousand in the financial statements for the year ending June 30, 2008.

36.1.12 The information provided in notes 36.1.1 to 36.1.11 has been obtained from the valuation carried out by an independent actuary as at June 30, 2007.

36.2 Defined contribution plan

An amount of Rs. 3,750 thousand (2006: Rs. 2,478 thousand) has been charged during the year in respect of contributory provident fund maintained by IGI BANK.

	Note	2007 (Rupees in thousand)	2006
37 OTHER OPERATING INCOME			
Income from financial assets			
Income from deposits with banks		14,888	3,945
Income from non-financial assets			
Gain on disposal of fixed assets	37.1	23,518	1,326
Other income		28	429
		<u>38,434</u>	<u>5,700</u>
37.1 This includes Rs. 22,184 thousand in respect of gain on disposal of brokerage assets to IGI Finex Securities Limited (a wholly owned subsidiary) as more fully explained in note 41 to the financial statements.			
38 OTHER OPERATING EXPENSES	Note	2007 (Rupees in thousand)	2006
Net exchange loss		-	8
Fixed assets written off		-	30
Provision against other assets		1,470	5,094
Auditors' remuneration	38.1	770	942
Amortisation of transaction cost on TFCs		1,010	-
		<u>3,250</u>	<u>6,074</u>
38.1 Auditors' remuneration			
Statutory audit fee		450	425
Half yearly review fee		100	100
Special certification and other services		100	363
Out of pocket expenses		120	54
		<u>770</u>	<u>942</u>
39 TAXATION			
Current			
- For the year		8,811	9,404
- For prior years		(3,203)	-
		5,608	9,404
Deferred	23.2	(45,718)	(17,927)
		<u>(40,110)</u>	<u>(8,523)</u>
39.1 Relationship between tax expense and accounting profit			
Profit for the year before taxation		(79,267)	22,814
Tax at the applicable rate of 35% (2006: 35%)		(27,743)	7,985
Tax effect of income / expenses that are exempted / not allowed in determining taxable income		(5,844)	(24,003)
Tax effect of income taxed under Final Tax Regime		347	1,563
Prior years reversal		(3,203)	-
Tax effect of dividend income taxed at a lower rate		(10,043)	(4,013)
Minimum tax under section 113 of the Income Tax Ordinance, 2001		6,376	5,092
Others		-	4,853
Tax expense for the year		<u>(40,110)</u>	<u>(8,523)</u>
		2007	2006
40 (LOSS) / EARNINGS PER SHARE			Restated
(Loss) / profit after taxation		<u>(39,157)</u>	<u>31,337</u>
		Number of shares	
Weighted average number of ordinary shares outstanding during the year		<u>59,811,643</u>	<u>59,633,093</u>
		Rupees	
(Loss) / earnings per share - basic and diluted		<u>(0.65)</u>	<u>0.53</u>

41 TRANSFER OF BROKERAGE BUSINESS AND DISPOSAL OF RELATED ASSETS

IGI BANK has transferred its brokerage business including its brokerage customers and their portfolio comprising customer securities and margins to IGI Finex Securities Limited (a wholly owned subsidiary company) on September 30, 2006 (the transfer date). IGI BANK has sold the related assets of its brokerage business to IGI Finex Securities Limited at an aggregate sale consideration of Rs 45,658 thousand. The value of the assets sold to IGI Finex Securities Limited has been determined by an independent valuer listed on Pakistan Bank's Association (PBA). The transfer of business and sale of assets to IGI Finex Securities Limited has been approved by the Board of Directors of IGI BANK in its meeting dated August 28, 2006.

Details of the assets sold are as follows:

	Note	Rupees in thousand
Membership card and room of Lahore Stock Exchange (Guarantee) Limited	41.1	43,000
Computer hardware and software		2,658
		45,658
Net book value of the above assets as at September 30, 2006		23,474
Gain on disposal of assets		<u>22,184</u>

- 41.1 The transfer of membership card to IGI Finex Securities Limited has also been approved by the Lahore Stock Exchange (Guarantee) Limited. As per the terms of the agreement entered into between IGI BANK and IGI Finex Securities Limited, IGI BANK will be responsible for any and all claims subsequently made by its customers in relation to any stock exchange related transactions executed by IGI BANK prior to the transfer of the membership to IGI Finex Securities Limited.

42 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives		Directors		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
----- (Rupees in thousand) -----								
Short-term employee benefit (including bonus)								
Managerial remuneration								
(including bonus)	4,500	4,224	20,297	14,685	-	-	24,797	18,909
House rent	-	-	8,123	5,529	-	-	8,123	5,529
Utilities	417	320	1,805	1,294	-	-	2,222	1,614
Medical expenses	424	354	601	619	-	-	1,025	973
Conveyance	125	196	2,897	2,134	-	-	3,022	2,330
Others	381	60	1,983	2,673	-	-	2,364	2,733
Post employment benefits								
Retirement benefits	755	586	3,560	2,075	-	-	4,315	2,661
	<u>6,602</u>	<u>5,740</u>	<u>39,266</u>	<u>29,009</u>	<u>-</u>	<u>-</u>	<u>45,868</u>	<u>34,749</u>
Number of persons	<u>1</u>	<u>1</u>	<u>29</u>	<u>22</u>	<u>7</u>	<u>7</u>	<u>30</u>	<u>23</u>

- 42.1 The chief executive and certain executives are also provided with free unfurnished accommodation in lieu of house rent allowance. The chief executive and certain senior executives are provided with free use of IGI BANK'S owned and maintained cars.
- 42.2 IGI BANK has also bears the travelling expenses of the Chief Executive and Directors relating to travel for official purposes including expenses incurred in respect of attending board meetings.
- 42.3 No meeting fees were paid to any of the Directors for attending the board meetings (2006: Rs Nil).

43 TRANSACTIONS WITH RELATED PARTIES

Description	2007			Total
	Subsidiaries	Other related parties including associated undertakings	Key Management personnel	
(Rupees in thousand)				
Transactions during the year				
Certificate of deposits issued and markup paid thereon	-	714,161	1,000	715,161
Markup on finance provided	5,286	-	-	5,286
Insurance premium paid	-	14,124	-	14,124
Purchase of marketable securities	41,518,053	-	-	41,518,053
Sale of marketable securities	41,239,633	-	-	41,239,633
Dividend received	7,800	-	-	7,800
Income from finance	-	-	326	326
Brokerage income	17,383	-	-	17,383
Return on deposits	-	20,870	-	20,870
Rent expense	-	1,155	-	1,155
Insurance expense	-	182	-	182
Travelling and lodging	-	1,135	-	1,135
Proceed from finance provided	40,000	-	-	40,000
Remuneration to key management personnel	-	-	25,572	25,572
Balance outstanding as at year end				
Deposit against CFS and cash future	115,000	-	-	115,000
Certificates of deposit	-	485,696	-	485,696
Accrued expenses and other liabilities	-	12,883	-	12,883
Other receivables	25,106	-	-	25,106
Mark-up accrued - certificate of deposits	-	430	3	433
Description	2006			Total
	Subsidiaries	Other related parties including associated undertakings	Key Management personnel	
(Rupees in thousand)				
Transactions during the year				
Certificate of deposits issued	-	1,721,908	-	1,721,908
Insurance premium paid	-	1,074	-	1,074
Finance provided	40,000	-	6,386	46,386
Income from finances	1,905	-	249	2,154
Brokerage income	6,956	2,827	73	9,856
Commission earned	68	-	-	68
Return on deposits	-	29,669	-	29,669
Rent expense	-	2,882	-	2,882
Insurance expense	-	1,155	-	1,155
Travelling and lodging	-	721	-	721
Remuneration to key management personnel	-	-	24,745	24,745
Balance outstanding as at year end				
Loans	40,000	-	3,554	43,554
Deposit against CFS and future trading	115,000	-	-	115,000
Deposit accounts	-	(517)	-	(517)
Certificates of deposits	-	148,295	-	148,295
Trade debts	-	21,022	-	21,022
Other receivables	1,377	2,030	-	3,407
Mark-up accrued - certificate of deposits	-	1,485	-	1,485
Mark-up accrued - finances	230	-	4	234
Other liabilities	2,480	22,590	4,573	29,643

IGI BANK has related personnel relationship with its subsidiaries, associated undertakings, employee benefit plans and its directors and key management personnel. Transactions with employee benefit funds are carried out based on the terms of employment of the employees and according to actuarial advice. All other transactions are carried out on commercial terms and conditions and on actual basis.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. IGI BANK considers all members of their management team, including the Chief Executive Officer and Directors to be its key management personnel.

All balances outstanding from related parties are interest free (except for certificates of deposits), unsecured and repayable / receivable on demand. Particulars of disposal of fixed assets, transactions with staff retirement benefit funds and other outstanding balances and transactions relating to the related parties are disclosed in notes 1.2, 3.3, 4, 14, 16, 36 and note 41 to the financial statements.

IGI BANK also enters into security purchase transactions including transactions relating to cash future, continues funding system and other marketable securities through IGI Finex Securities Limited. In addition to the above, IGI BANK also charges certain expenses to group companies (including subsidiaries and associated undertakings) under Group Shared Services (GSS) agreement on actual basis.

	Note	2007 (Rupees in thousand)	(Restated) 2006
44 CASH GENERATED FROM OPERATING ACTIVITIES			
(Loss) / profit for the year from ordinary activities before taxation		(79,267)	22,814
Adjustments for non cash and other items:			
Gain on disposal of fixed assets (including Rs 22,184 thousand relating to gain on disposal of brokerage business)		(23,518)	(1,326)
Net exchange loss		-	8
Fixed assets written off		-	30
Depreciation on property and equipment		14,493	7,930
Amortisation of intangible assets		11,302	5,187
Amortisation of transaction cost on TFCs		1,010	-
Provision for gratuity scheme		1,610	1,528
Interest, mark-up and profit income		(510,411)	(426,384)
Dividend income		(33,478)	(13,377)
Finance cost		482,873	337,970
Provision for bad and doubtful loans / potential lease losses - general		4,260	5,689
Provision for bad and doubtful loans lease losses - specific - net		5,313	2,017
Working capital changes	44.1	(143,098)	222,246
		<u>(189,644)</u>	<u>141,518</u>
		<u>(268,911)</u>	<u>164,332</u>
44.1 Working capital changes			
(Increase) / decrease in current assets:			
Short-term loans		75,273	(105,230)
Receivable against continuous funding system transactions / carry over transactions		(136,847)	(70,139)
Short-term investments		(486,360)	135,613
Trade debts		187,848	52,535
Advances, deposits, prepayments and other receivables		(24,222)	(89,877)
		<u>(384,308)</u>	<u>(77,098)</u>
Increase / (decrease) in current liabilities:			
Short-term certificates of deposits		130,445	539,644
Borrowings from financial institutions		170,653	(305,271)
Accrued expenses and other liabilities		(59,888)	64,971
		<u>241,210</u>	<u>299,344</u>
		<u>(143,098)</u>	<u>222,246</u>

45 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	Note	2007 (Rupees in thousand)	2006
Cash and bank balances	15	269,966	196,978
Short-term running finance utilised under mark-up arrangements	24	(77)	(237)
		<u>269,889</u>	<u>196,741</u>

46 LIQUIDITY RISK

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet the commitments associated with financial instruments. To safeguard this risk, IGI BANK has diversified its funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile of assets and liabilities is monitored to ensure adequate liquidity is maintained. IGI BANK has the ability to mitigate any short-term liquidity gaps by disposal of short-term investments and the availability of liquid funds at short notice.

The table below summarises the maturity profile of IGI BANK's assets and liabilities. The contractual maturities of assets and liabilities at the year-end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by IGI BANK's history and the availability of liquid funds. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets / liabilities will be realised / settled.

As at June 30, 2007

	Total	Within one year	More than one year and less than five years	More than five years
	(Rupees in thousand)			
Assets				
Fixed assets	107,531	34,666	72,865	-
Investments	2,228,421	1,338,753	108,988	780,680
Loans - net	803,292	335,684	467,608	-
Net investment in lease finance - net	2,158,836	749,134	1,409,702	-
Deposits	1,150	-	-	1,150
Deferred tax assets - net	4,772	4,772	-	-
Receivable against continuous funding system transactions / carry over transactions	556,265	556,265	-	-
Taxation - net	228,896	228,896	-	-
Advances, deposits and prepayments	143,715	143,715	-	-
Interest, mark-up and profit accrued	78,274	78,274	-	-
Trade debts	-	-	-	-
Other receivables	67,898	67,898	-	-
Cash and bank balances	269,966	269,966	-	-
	<u>6,649.016</u>	<u>3,808.023</u>	<u>2,059.163</u>	<u>781.830</u>
Liabilities				
Term finance certificates / Pre-IPO subscription Finance	495,921	61,565	434,356	-
Certificates of deposit	1,203,412	421,743	781,669	-
Deposits on lease contracts	2,727,530	2,199,475	528,055	-
Borrowings from financial institutions	515,228	85,497	429,731	-
Interest and mark-up accrued	465,000	465,000	-	-
Accrued expenses and other liabilities	103,217	103,217	-	-
	89,150	89,150	-	-
	<u>5,599.458</u>	<u>3,425.647</u>	<u>2,173.811</u>	<u>-</u>
	<u>1,049,558</u>	<u>382,376</u>	<u>(114,648)</u>	<u>781,830</u>

As at June 30, 2006	-----Restated-----			
	Total	Within one year	More than one year and less than five years	More than five years
	----- (Rupees in thousand) -----			
Assets				
Fixed assets	91,083	20,501	49,582	21,000
Investments	1,229,481	819,343	135,000	275,138
Loans - net	819,806	449,981	367,000	2,825
Net investment in lease finance - net	1,929,202	695,624	1,231,852	1,726
Deposits	3,707	-	-	3,707
Receivable against continuous funding system transactions / carry over transactions	419,418	419,418	-	-
Taxation - net	220,594	220,594	-	-
Advances, deposits and prepayments	151,704	151,704	-	-
Interest, mark-up and profit accrued	28,326	28,326	-	-
Trade debts	187,848	187,848	-	-
Other receivables	19,888	19,888	-	-
Cash and bank balances	196,978	196,978	-	-
	5 298 035	3,210,205	1,783,434	304,396

Liabilities

Term finance certificates / Pre-IPO subscription	369,950	-	-	369,950
Finance	1,308,570	615,237	693,333	-
Certificates of deposits	2,038,240	1,749,181	289,059	-
Deposits on lease contracts	420,767	53,315	365,885	1,567
Deferred tax liabilities- net	40,994	40,994	-	-
Borrowings from financial institutions	294,347	294,347	-	-
Interest and mark-up accrued	59,937	59,937	-	-
Accrued expenses and other liabilities	150,235	150,235	-	-
	4,683,040	2,963,246	1,348,277	371,517
	614,995	246,959	435,157	(67,121)

47 YIELD / MARKET RATE RISK

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Market rate risk arises from the possibility that changes in market rates of return will affect the value of the financial instruments. An entity is exposed to yield / market rate risk as a result of mismatches or gaps in the amounts of financial assets and financial liabilities that mature or reprice in a given period. IGI BANK manages this risk by matching the repricing of financial assets and liabilities through risk management strategies.

IGI BANK's exposure to yield / market rate risk and the effective rates on its financial assets and liabilities are summarised as follows:

As at June 30, 2007

Effective rate	Total	Exposed to yield / market rate risk			Not exposed to yield / market rate risk
		Within one year	More than one year and less than five years	More than five years	
%	(Rupees in thousand)				
FINANCIAL ASSETS					
Loans	14.80%	803,292	335,684	467,608	-
Net investment in lease finance	15.20%	2,158,836	749,134	1,409,702	-
Receivable against continuous funding system transactions / carry over transactions	11.56%	556,265	556,265	-	-
Investments	10.64%	1,545,850	596,731	108,988	98,109
Deposits	-	117,973	-	-	117,973
Interest, mark-up and profit accrued	-	78,274	-	-	78,274
Trade debts	-	-	-	-	-
Other receivables	-	67,898	-	-	67,898
Cash and bank balances	9.62%	269,966	264,664	-	5,302
		5,598,354	2,502,478	1,986,298	98,109
					1,011,469
FINANCIAL LIABILITIES					
Term finance certificates / Pre-IPO subscription	12.79%	495,921	61,565	434,356	-
Finance	12.23%	1,203,412	421,743	781,669	-
Certificates of deposit	10.43%	2,727,530	2,199,475	528,055	-
Deposits on lease contracts	-	515,228	-	-	515,228
Borrowings from financial institutions	9.63%	465,000	465,000	-	-
Interest, mark-up accrued	-	103,217	-	-	103,217
Accrued expenses and other liabilities	-	40,894	-	-	40,894
		5,551,202	3,147,783	1,744,080	-
					659,339
On-balance sheet gap		47,152	(645,305)	242,218	98,109
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap		-	-	-	-
Total MROR sensitivity gap		47,152	(645,305)	242,218	98,109
Cumulative MROR sensitivity gap		47,152	(598,153)	(355,935)	(257,826)

As at June 30, 2006

Effective rate	Total	Exposed to yield / market rate risk			Not exposed to yield / market rate risk
		Within one year	More than one year and less than five years	More than five years	
%	(Rupees in thousand)				
FINANCIAL ASSETS					
Loans	13.63%	819,806	449,981	367,000	2,825
Net investment in lease finance	12.05%	1,929,202	695,624	1,231,852	1,726
Deposits	-	119,278	-	-	-
Receivable against continuous funding system transactions / carry over transactions	13.64%	419,418	419,418	-	-
Investments	11.59%	1,046,910	514,159	135,000	92,567
Interest, mark-up and profit accrued	-	28,326	-	-	-
Trade debts	-	187,848	-	-	-
Other receivables	-	19,888	-	-	-
Cash and bank balances	2.86%	196,978	91,708	-	-
		4,767,654	2,170,890	1,733,852	97,118
					765,794
FINANCIAL LIABILITIES					
Term finance certificates / Pre-IPO subscription	11.90%	369,950	-	-	369,950
Finance	10.22%	1,308,570	615,237	693,333	-
Certificates of deposit	10.18%	2,038,240	1,749,181	289,059	-
Deposits on lease contracts	10.22%	420,767	-	-	420,767
Borrowings from financial institutions	8.91%	294,347	294,347	-	-
Interest and mark-up accrued	-	59,937	-	-	59,937
Accrued expenses and other liabilities	-	131,737	-	-	131,737
		4,623,548	2,658,765	982,392	369,950
					630,939
On-balance sheet gap		144,106	(487,875)	751,460	(272,832)
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap		-	-	-	-
Total MROR sensitivity gap		144,106	(487,875)	751,460	(272,832)
Cumulative MROR sensitivity gap		144,106	(343,769)	407,691	134,859

48 CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. IGI BANK attempts to control credit risk by monitoring credit exposures, limiting transactions to specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of an entity's performance to developments affecting a particular industry.

IGI BANK follows two sets of guidelines. It has its own operating policy and also adheres to the regulations issued by the SECP. The operating policy defines the extent of fund and non-fund based exposures with reference to a particular sector or group.

IGI BANK seeks to manage its credit risk through diversification of financing activities to avoid undue concentrations of credit risk with individuals or groups of customers in specific locations or businesses. It also obtains securities when appropriate. Details of the composition of finance and lease portfolios of IGI BANK are given below:

	2007		2006	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Finance and leases				
Dairy and poultry	2,454	0.08	3,722	0.14
Cement	24,444	0.83	5,999	0.22
Health	41,920	1.42	20,685	0.75
Glass and ceramics	3,259	0.11	8,012	0.29
Leather	21,343	0.72	29,419	1.07
Paper and board	47,731	1.61	55,360	2.01
Construction	95,716	3.23	39,360	1.43
Energy, oil and gas	72,796	2.46	65,333	2.38
Financial institutions	89,260	3.01	79,260	2.88
Electric and electric goods	20,685	0.70	55,811	2.03
Chemicals / fertilizers / pharmaceuticals	63,207	2.13	75,707	2.75
Food, tobacco and beverages	110,240	3.72	91,607	3.33
Steel, engineering and automobiles	114,107	3.85	131,366	4.78
Transport	226,287	7.64	261,333	9.51
Textile / textile composite	360,168	12.16	515,900	18.77
Miscellaneous (including individuals)	1,668,511	56.33	1,310,134	47.66
	<u>2,962,128</u>	<u>100.00</u>	<u>2,749,008</u>	<u>100.00</u>

Sector-wise concentration of investments has been included in note 10 to these financial statements.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS

49.1 As at June 30, 2007, the fair values of all financial instruments are based on the valuation methodology outlined below:

(a) Finances and certificates of deposit

For all finances (including leases and certificates of deposit) the fair values have been taken at carrying amounts as these are not considered materially different from their fair values based on the current yields / market rates and repricing profiles of similar finance and deposit portfolios.

(b) Investments

The fair values of quoted investments are based on quoted market prices or average of quotations received from the brokers. Unquoted local currency investments are stated at cost less accumulated impairment, if any, which approximates their fair value in the absence of an active market.

(c) Other financial instruments

The fair values of all other financial instruments are considered to approximate their carrying amounts.

50 SEGMENTAL ANALYSIS

IGI BANK's activities are broadly categorised into two primary business segments namely financing activities and investment activities within Pakistan. As more fully explained in note 41 to the financial statements IGI BANK has transferred its brokerage business and sold its assets of brokerage to IGI Finex Securities on September 30, 2006. Accordingly, the segment information presented below in respect of brokerage entities reflects the brokerage results for the period from July 1, 2006 to September 30, 2006.

Financing activities

Financing activities include providing long-term and short-term financing facilities to corporate and individual customers including lease financing.

Investment activities

Investment activities include money market activities, investment in government securities, advisory services, capital market activities and the management of IGI BANK's liquidity.

	Note	Financing activities	Investment activities	Brokerage activities	Total
----- (Rupees in thousand) -----					
Segmental information for the year ended June 30, 2007					
Segment revenue		<u>376,956</u>	<u>218,443</u>	<u>29,025</u>	<u>624,424</u>
Segment result		<u>(48,550)</u>	<u>(20,716)</u>	<u>(10,001)</u>	<u>(79,267)</u>
Loss before taxation					(79,267)
Taxation					(40,110)
Loss for the year after taxation					<u>(39,157)</u>
Segment assets		<u>3,032,142</u>	<u>2,794,488</u>	<u>-</u>	5,826,630
Unallocated assets					822,386
					<u>6,649,016</u>
Segment liabilities		<u>550,656</u>	<u>-</u>	<u>-</u>	550,656
Unallocated liabilities					5,048,802
					<u>5,599,458</u>
Unallocated capital expenditure - tangible					<u>72,201</u>
Unallocated capital expenditure - intangible					<u>4,533</u>
Segment depreciation and amortisation of fixed assets	50.1	<u>13,057</u>	<u>7,566</u>	<u>5,172</u>	<u>25,795</u>

	Note	-----Restated-----			Total
		Financing activities	Investment activities	Brokerage activities	
----- (Rupees in thousand) -----					
Segmental information for the year ended June 30, 2006					
Segment revenue		268,578	226,886	20,765	516,229
Segment result		(8,419)	35,668	(4,435)	22,814
Profit before taxation					22,814
Taxation					(8,523)
Profit for the year after taxation					31,337
Segment assets		2,804,272	1,659,730	394,440	4,858,442
Unallocated assets					439,593
					5,298,035
Segment liabilities		428,384	-	105,513	533,897
Unallocated liabilities					4,149,143
					4,683,040
Segment capital expenditure - intangible		-	-	30,000	30,000
Unallocated capital expenditure - tangible					21,744
					21,744
Unallocated capital expenditure - intangible					1,588
Segmented depreciation and amortisation	50.1	4,603	3,991	4,523	13,117

50.1 Depreciation and amortisation has been allocated in the proportion of segment revenue as fixed assets are shown under unallocated assets.

51 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to IGI BANK's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) Classification and valuations of investments (notes 2.3 and 10)
- ii) Income taxes (notes 2.10, 23 and 39)
- iii) Employee benefits (notes 2.16.2 and 36)

52 NUMBER OF EMPLOYEES

The total number of employees at the year-end was 111 (2006: 140).

53 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. Significant reclassifications are as follows:

- Receivable against continuous funding system transactions / carry over transactions amounting to Rs. 556,265 (2006: Rs. 419,418 thousand) has been reclassified from fund placements and has now been shown separately on the face of the balance sheet.

-
- Investments in certificates of investments, term deposits and letters of placement have been reclassified from fund placements and shown as part of short-term investments - held to maturity.
 - Earnings per share and weighted average number of shares for the prior year have been restated consequent to the issue of bonus and right shares during the current year.
 - Provision against receivable from lessees in satisfaction of claims has been reclassified from accrued expenses and shown as a deduction from other receivables.
 - Income from term deposits, certificates of investments and fund placements has been reclassified and shown as part of income from investments.
 - Auditors' remuneration, fixed assets written off and provision against other assets have been reclassified from administration and general expenses and shown as part of other operating expenses.
 - Comparative information has also been restated to comply with the change in accounting policy as described in note 2.4 to the financial statements.

54 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 21, 2007 by the Board of Directors of IGI BANK.

55 GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

SYED BABAR ALI
Chairman

SAMIR AHMED
Managing Director & Chief Executive



Investment Bank

Profit And Loss Account for the year Ended June 30, 2007

	Note	2007	2006 (Restated) (Rupees in thousand)
Income			
Income from investments	30	120,666	128,853
Income from loans	31	124,522	90,999
Income from lease finance	32	230,548	176,253
Income from fund placements	33	82,861	87,240
Income from fees, commission and brokerage		27,393	27,184
		585,990	510,529
Finance costs	34	482,873	337,970
		103,117	172,559
Administrative and general expenses	35	207,995	141,665
		(104,878)	30,894
Other operating income	37	38,434	5,700
		(66,444)	36,594
Other operating expenses	38	3,250	6,074
Operating (loss) / profit before provisions		(69,694)	30,520
Provision for bad and doubtful loans / potential lease losses - general - net	5.5 & 6.5	4,260	5,689
Provision for bad and doubtful loans / lease losses - specific - net	5.5 & 6.5	5,313	2,017
(Loss) / profit before taxation		(79,267)	22,814
Taxation - net	39	(40,110)	(8,523)
(Loss) / profit after taxation		(39,157)	31,337
		-----Rupees-----	
(Loss) / earnings per share - basic and diluted	40	(0.65)	0.53

The annexed notes 1 to 55 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

SAMIR AHMED
Managing Director & Chief Executive

Statement of Changes in Equity for the year Ended June 30, 2007

Issued, subscribed and paid- up capital	Reserves					Total
	Capital reserves		General reserve	Unappro- priated profit / (loss)	Total reserves	
	Reserve for issue of bonus shares	Statutory reserve				

(Rupees in thousand)

Balance as at June 30, 2005 as reported earlier	419,175	-	89,636	97,325	59,806	246,767	665,942
Effect of change in accounting policy relating to recognition of investment from settlement date accounting to trade date accounting - note 2.4	-	-	-	-	7,006	7,006	7,006
Balance as at June 30, 2005 - restated	419,175	-	89,636	97,325	66,812	253,773	672,948
Final dividend for the year ended June 30, 2005 @ Rs. 1.40 per share declared subsequent to the year end	-	-	-	-	(58,685)	(58,685)	(58,685)
Profit after taxation for the year ended June 30, 2006 - restated	-	-	-	-	31,337	31,337	31,337
Transfer to statutory reserve	-	-	7,462	-	(7,462)	-	-
Balance as at June 30, 2006 - restated	419,175	-	97,098	97,325	32,002	226,425	645,600
Transferred to reserve for issue of bonus shares made subsequent to the year	-	41,917	-	(41,917)	-	-	-
Issue of bonus shares	41,917	(41,917)	-	-	-	(41,917)	-
Issue of right shares	461,092	-	-	-	-	-	461,092
Loss after taxation for the year ended June 30, 2007	-	-	-	-	(39,157)	(39,157)	(39,157)
Balance as at June 30, 2007	922,184	-	97,098	55,408	(7,155)	145,351	1,067,535

The annexed notes 1 to 55 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

SAMIR AHMED
Managing Director & Chief Executive