

Auditors' Report to the Members

We have audited the annexed balance sheet of IGI Investment Bank Limited as at June 30, 2008 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;
 - (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, 2008 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. Ferguson & Co.
Chartered Accountants
Karachi

September 5, 2008

Balance Sheet

As at June 30, 2008

	Note	2008 (Rupees in thousand)	2007
ASSETS			
Non-current assets			
Fixed assets	4	112,052	107,531
Long-term investments	5	842,511	682,571
Long-term loans - net	6	347,839	467,608
Net investment in finance lease	7	1,467,961	1,409,702
Long-term deposits	8	5,059	1,150
Deferred tax assets - net	9	58,725	4,772
		<u>2,834,147</u>	<u>2,673,334</u>
Current assets			
Current maturity of long-term loans - net	6	208,085	137,705
Current maturity of net investment in finance lease	7	990,043	749,134
Short-term loans	10	410,691	197,979
Lendings	11	900,513	-
Receivable against continuous funding system transactions	12	360,468	556,265
Short-term investments	13	2,104,179	1,545,850
Taxation - net		237,428	228,896
Advances, deposits and prepayments	14	36,462	143,715
Interest, mark-up and profit accrued	15	57,549	78,274
Receivable against sale of securities	16	806,190	-
Other receivables - net	17	35,778	67,898
Cash and bank balances	18	849,863	269,966
		<u>6,997,249</u>	<u>3,975,682</u>
TOTAL ASSETS		<u>9,831,396</u>	<u>6,649,016</u>
EQUITY & LIABILITIES			
Capital and reserves			
Share capital	19	2,121,025	922,184
Reserves - net	20	<u>123,290</u>	<u>145,351</u>
		2,244,315	1,067,535
Deficit on revaluation of investments - net	21	<u>(62,069)</u>	<u>(17,977)</u>
Non-current liabilities			
Term finance certificates	22	310,160	434,356
Long-term finance	23	408,333	781,669
Long-term certificates of deposit	24	471,898	528,055
Long-term deposits on lease contracts	25	418,221	429,731
		<u>1,608,612</u>	<u>2,173,811</u>
Current liabilities			
Current maturity of term finance certificates	22	124,950	61,565
Current maturity of long-term finance	23	481,667	421,666
Current maturity of long-term certificates of deposit	24	319,784	359,316
Current maturity of long-term deposits on lease contracts	25	156,283	85,497
Short-term finance	26	299,182	77
Short-term certificates of deposit	27	2,683,477	1,840,159
Borrowings from financial institutions	28	1,559,109	465,000
Interest and mark-up accrued	29	166,604	103,217
Payable against purchase of securities	30	65,410	-
Accrued expenses and other liabilities	31	184,072	89,150
		<u>6,040,538</u>	<u>3,425,647</u>
TOTAL EQUITY AND LIABILITIES		<u>9,831,396</u>	<u>6,649,016</u>
Contingencies and commitments			
	32		

The annexed notes 1 to 57 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, 2008

	Note	2008 (Rupees in thousand)	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	47	(164,615)	(268,911)
Disbursements of long-term loans - net		38,794	(60,098)
Net investment in finance lease		(317,745)	(237,868)
Long-term deposits and prepayments		(3,909)	2,557
Repayments of long-term certificates of deposit - net		(95,689)	558,845
Receipts from deposits on lease contracts - net		59,276	94,461
Interest, mark-up and profit received		589,916	460,463
Share issue cost		(15,675)	-
Dividend received		69,792	17,679
Financial cost paid		(507,699)	(439,593)
Income tax paid		(20,671)	(13,910)
Gratuity paid		-	(2,377)
Net cash (used in) / generated from operating activities		<u>(368,225)</u>	<u>111,248</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(49,307)	(76,734)
Long-term investments		(159,940)	(500,000)
Proceeds from disposal of fixed assets		35,425	12,351
Proceeds from disposal of brokerage assets		-	45,658
Net cash outflow on investing activities		<u>(173,822)</u>	<u>(518,725)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Term finance certificates		(62,636)	124,961
Proceeds from issue of right shares		1,198,841	461,092
Long-term finance - net		(313,335)	(104,998)
Payment of dividend		(31)	(430)
Net cash inflow from financing activities		<u>822,839</u>	<u>480,625</u>
Net increase in cash and cash equivalents		<u>280,792</u>	<u>73,148</u>
Cash and cash equivalents at the beginning of the year		269,889	196,741
Cash and cash equivalents at the end of the year	48	<u><u>550,681</u></u>	<u><u>269,889</u></u>

The annexed notes 1 to 57 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Samir Ahmed
Managing Director & Chief Executive

Company Information

Audit Committee

Mr. Khalid Yacob, Chairman
Mr. S. Javed Hassan
Mr. Farid Khan

Auditors

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

Legal Advisors

M/s Hassan & Hassan, Advocates
M/s Mohsin Tayebaly & Co.,
Advocate & Legal Consultants
M/s Orr, Dignam & Co.,
Advocates

Bankers

Allied Bank Ltd.
Atlas Bank Ltd.
Bank AL Habib Ltd.
Habib Metropolitan Bank Ltd.
JS Bank Ltd. (formerly American
Express Bank Ltd.)
MCB Bank Ltd.
My Bank Ltd.
NIB Bank Ltd.
Soneri Bank Ltd.
United Bank Ltd.

Shares Registrar

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

Lahore Registered Office

5 F.C.C. Ground Floor,
Syed Maratib Ali Road,
Gulberg, Lahore.
Tel: (042) 111-234-234
(042) 5753414-16
Fax: (042) 111-567-567
(042) 576-2790

Karachi Office

7th Floor, The Forum, Suite Nos.
701-713, G-20, Block 9,
Khayaban-e-Jami, Clifton,
Karachi-75600, Pakistan.
Tel: (021) 111-234-234
Fax: (021) 111-567-567

F-3/1, Block 9,
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Clifton, Karachi
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Fax: (021) 5301691

Islamabad Office

Mezzanine Floor, Razia Sharif
Plaza, 90, Blue Area, G / 7,
Islamabad.
Tel: (051) 111-234-234
(051) 2275256-58
Fax: (051) 2273861

Faisalabad Office

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

Multan Cantt. Office

C-2, 1st Floor, Hassan Arcade,
Multan Cantt.
Tel: (061) 4504461-62
Fax: (061) 4784403

Gujranwala Office

2nd Floor, Nasir Plaza,
Adjacent to New Railway Station,
Main GT Road, Gujranwala.
Tel: (055) 3841346
Fax: (055) 3257435

Peshawar Office

Mall Tower, 2nd Floor, 35
The Mall, Peshawar.
Tel: (091) 5253980-88
Fax: (091) 5253989

UAN

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

Website

www.igiinvestmentbank.com.pk

Email contact.center@igi.com.pk

Company Profile

IGI Investment Bank Limited was established in 1990 and provides financial solutions that cater to the financing needs of businesses throughout the country.

Pakistan Credit Rating Agency (PACRA) has awarded IGI Investment Bank a long-term credit rating of 'A' and short-term rating of 'A1'.

IGI Investment Bank is licensed by the SECP (Securities and Exchange Commission of Pakistan) to carry out and undertake Investment Finance and Leasing and Lending services as per NBFC rules. The Bank is listed on the Karachi and Lahore Stock Exchanges of Pakistan.

IGI Investment Bank Limited provides a host of specialized services designed to meet the financial needs of investors and companies:

Corporate Finance and Advisory

Corporate Finance and Advisory is involved in Arranging and Advising on Debt and Equity issues, including

Private Placements and Public Listings. Corporate Finance also deals with underwriting of Equity and Debt Issues, Lease and Debt Syndications, Corporate Restructurings, Mergers, Acquisitions and Divestitures.

Commercial Financing and Leasing

IGI Investment Bank provides financial assistance through direct lease, sale and leaseback, short-term loans for BMR, acquisition, expansion and project financing.

Cash and Treasury Management

Our Cash and Treasury Management provides clients with liquidity management solutions and sound modes of investment like Certificates of Deposit (CODs) and Corporate Government Securities.

Mutual Funds Advisory – Fund Select

Fund Select is a mutual funds advisory service that provides a one-stop solution for all mutual fund investors. Fund Select makes mutual fund selection and investment an easy task as it offers both advice and execution.

**Consolidated Financial Statements
For the year ended June 30, 2008**

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of IGI Investment Bank Limited and its subsidiary companies, IGI Finex Securities Limited and IGI Funds Limited as at June 30, 2008 and the related consolidated Profit and Loss account, consolidated Cash Flow Statement 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, IGI 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 the 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 examined by us, present fairly the financial position of IGI Investment Bank Limited and its subsidiary companies as at June 30, 2008 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

A.F. Ferguson & Co.
Chartered Accountants
Karachi
September 5, 2008

Consolidated Balance Sheet

As at June 30, 2008

	Note	2008 (Rupees in thousand)	2007
ASSETS			
Non-current assets			
Fixed assets	3	358,189	319,839
Long-term loans - net	4	331,258	467,626
Net investment in finance lease	5	1,467,961	1,409,702
Long-term deposits and other receivables	6	13,597	6,306
Deferred tax assets - net	7	84,984	16,442
		<u>2,255,989</u>	<u>2,219,915</u>
Current assets			
Current maturity of long-term loans	4	209,393	137,945
Current maturity of net investment in finance lease	5	990,043	749,134
Short-term loans	8	410,691	197,979
Lendings	9	1,025,513	-
Receivable against continuous funding system transactions	10	483,912	758,409
Short-term investments	11	2,346,236	1,564,754
Taxation - net		248,337	230,851
Advances, deposits and prepayments	12	74,862	383,648
Interest, mark-up and profit accrued	13	65,351	85,261
Trade debts	14	1,438,913	641,971
Receivable against sale of securities	15	778,234	-
Other receivables - net	16	36,787	44,248
Cash and bank balances	17	974,845	361,766
		<u>9,083,117</u>	<u>5,155,966</u>
TOTAL ASSETS		<u><u>11,339,106</u></u>	<u><u>7,375,881</u></u>
EQUITY & LIABILITIES			
Capital and reserves			
Share capital	18	2,121,025	922,184
Reserves - net	19	41,820	116,067
		<u>2,162,845</u>	<u>1,038,251</u>
Minority interest	20	23,384	19,863
		<u>2,186,229</u>	<u>1,058,114</u>
Deficit on revaluation of investments - net	21	(60,231)	(17,451)
Non-current liabilities			
Term finance certificates	22	310,160	434,356
Long-term finance	23	408,333	781,669
Long-term certificates of deposit	24	471,898	528,055
Long-term deposits on lease contracts	25	418,221	429,731
Liabilities against assets subject to finance lease	26	1,917	3,517
		<u>1,610,529</u>	<u>2,177,328</u>
Current liabilities			
Current maturity of term finance certificates	22	124,950	61,565
Current maturity of long-term finance	23	481,667	421,666
Current maturity of long-term certificates of deposit	24	319,784	359,316
Current maturity of deposits on lease contracts	25	156,283	85,497
Current maturity of liabilities against assets subject to finance lease	26	359	757
Short-term finance	27	826,061	160,027
Short-term certificates of deposit	28	2,683,477	1,840,159
Borrowings from financial institutions	29	1,559,109	465,000
Interest and mark-up accrued	30	171,714	103,463
Payable against purchase of securities		65,410	-
Accrued expenses and other liabilities	31	1,213,765	660,440
		<u>7,602,579</u>	<u>4,157,890</u>
TOTAL EQUITY AND LIABILITIES		<u><u>11,339,106</u></u>	<u><u>7,375,881</u></u>
Contingencies and commitments	32		

The annexed notes 1 to 59 form an integral part of these financial statements.

Consolidated Profit and Loss Account For the Year Ended June 30, 2008

	Note	2008 (Rupees in thousand)	2007
Income			
Income from investments- net	33	246,467	105,241
Income from loans	34	119,709	119,759
Income from lease finance	35	231,396	230,548
Income from lendings and continuous funding system transactions	36	173,133	109,605
Remuneration from funds under management	37	38,577	3,770
Income from fees, commission and brokerage	38	204,428	114,889
		<u>1,013,710</u>	<u>683,812</u>
Finance costs	39	<u>601,660</u>	<u>483,933</u>
		412,050	199,879
Administrative and general expenses	40	<u>523,708</u>	<u>333,261</u>
		(111,658)	(133,382)
Other operating income	42	<u>62,129</u>	<u>38,009</u>
		(49,529)	(95,373)
Other operating expenses	43	<u>24,853</u>	<u>3,538</u>
Operating loss before provisions		<u>(74,382)</u>	<u>(98,911)</u>
Provision for bad and doubtful loans / potential lease losses - general - net	4.7 & 5.4	(5,257)	(4,260)
Provision for bad and doubtful loans / lease losses - specific - net	4.7 & 5.4	<u>(23,915)</u>	<u>(5,313)</u>
Loss before taxation		<u>(103,554)</u>	<u>(108,484)</u>
Taxation - net	44	<u>30,911</u>	<u>32,317</u>
Loss after taxation		<u>(72,643)</u>	<u>(76,167)</u>
Loss attributable to minority interest	20	<u>14,071</u>	<u>4,902</u>
Loss attributable to shareholders		<u>(58,572)</u>	<u>(71,265)</u>
		<u><u>(0.54)</u></u>	<u><u>(1.16)</u></u>
		-----Rupees -----	Restated
Loss per share	45	<u><u>(0.54)</u></u>	<u><u>(1.16)</u></u>

The annexed notes 1 to 59 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Samir Ahmed
Managing Director & Chief Executive

Consolidated Cash Flow Statement For the Year Ended June 30, 2008

	Note	2008 (Rupees in thousand)	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	48	(555,769)	(857,643)
Repayment / (disbursements) of long-term loans - net		54,325	(97,298)
Net investment in finance lease		(317,745)	(237,868)
Long-term deposits and prepayments		(7,291)	(948)
Issuance / (repayments) of long-term certificates of deposit - net		(95,689)	558,845
Receipts from deposits on lease contracts - net		59,276	94,461
Interest, mark-up and profit received		661,894	488,706
Dividend received		20,912	10,218
Financial cost paid		(533,175)	(439,921)
Income tax paid		(52,554)	(35,557)
Gratuity paid		(1,622)	(2,823)
Net cash (used in) / generated from operating activities		<u>(767,438)</u>	<u>(519,828)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(99,341)	(114,739)
Proceeds from disposal of fixed assets		8,892	11,134
Net cash outflow on investing activities		<u>(90,449)</u>	<u>(103,605)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Term finance certificates		(62,636)	124,961
Lease rental paid		(2,232)	(1,072)
Proceeds from issue of right shares		1,198,841	461,092
Proceeds from issue of shares to minority interest		-	30,000
Long-term finance - net		(313,335)	(104,998)
Shares issue costs paid		(15,675)	-
Payment of dividend		(31)	(430)
Net cash inflow from financing activities		<u>804,932</u>	<u>509,553</u>
Net increase in cash and cash equivalents		<u>(52,955)</u>	<u>(113,880)</u>
Cash and cash equivalents at the beginning of the year		201,739	315,619
Cash and cash equivalents at the end of the year	49	<u><u>148,784</u></u>	<u><u>201,739</u></u>

The annexed notes 1 to 59 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, 2008

	Issued, subscribed and paid- up capital	Capital reserves		Reserves			Minority interest	Total
		Reserve for for issue of bonus shares	Statutory reserve	General reserve	Unappro- priated profit / (loss)	Total reserves		
(Rupees in thousand)								
Balance as at June 30, 2006	419,175	–	97,098	97,325	34,826	229,249	–	648,424
Transfer 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 Funds Limited	–	–	–	–	–	–	(5,235)	(5,235)
Issue of shares to minority interest	–	–	–	–	–	–	30,000	30,000
Balance as at June 30, 2007	<u>922,184</u>	<u>–</u>	<u>97,098</u>	<u>55,408</u>	<u>(36,439)</u>	<u>116,067</u>	<u>19,863</u>	<u>1,058,114</u>
Issue of right shares	1,198,841	–	–	–	–	–	–	1,198,841
Loss after taxation for the year ended June 30, 2008	–	–	–	–	(72,643)	(72,643)	–	(72,643)
Loss attributable to minority interest	–	–	–	–	14,071	14,071	(14,071)	–
Transfer of resources to the minority shareholders consequent to the right issue in IGI Funds Limited	–	–	–	–	–	–	17,592	17,592
Share issue expense*	–	–	–	(15,675)	–	(15,675)	–	(15,675)
Balance as at June 30, 2008	<u>2,121,025</u>	<u>–</u>	<u>97,098</u>	<u>39,733</u>	<u>(95,011)</u>	<u>41,820</u>	<u>23,384</u>	<u>2,186,229</u>

* Transaction costs incurred in connection with the issue of shares have been accounted for as deduction from general reserve, in accordance with the requirements of the International Accounting Standard (IAS) 32, 'Financial Instruments: Disclosure and Presentation'.

The annexed notes 1 to 59 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Samir Ahmed
Managing Director & Chief Executive

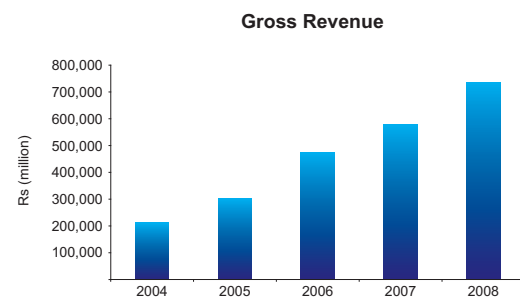
Directors' Report to the Shareholders

The Board of Directors of IGI Investment Bank Limited are pleased to present the annual report and audited financial statements for the year ended June 30, 2008 to the Eighteenth Annual General Meeting of the shareholders.

General Overview

The Year 2007-2008 has been a challenging and an important one for IGI Investment Bank Limited. This year we focused our efforts to bring growth in the existing lines of business and to channel our resources towards moving the Company closer to its objective.

This year was an eventful year. All of us were witness to the happenings in the political arena which kept business activity subdued. This in turn slowed down the pace of business generation because of the uncertain situation in the country. Further some below-expectation macro economic figures kept the investors at bay. The financial markets were also reflective of the lack luster performance of the economy in general and were unable to sustain its resilience against the ups and downs of the political situation. On the financial sector, new NBFC rules were introduced on November 21, 2007. We feel that the new rules will be instrumental in making the environment



more competitive and this would provide a level playing field for all the players in the industry

Despite the prevalent situation, your Bank continued to improve its performance and various segments showed marked improvement over the same period last year. IGI Investment Bank took the lead in ensuring compliance to the new NBFC rules and announced a 130% right share in January 2008. This has given us an edge over all our competitors to be compliant to the minimum capital requirement of 2010. Our capital base will provide us the launching pad to get ahead of the peers and will also enable the Management to focus on productive issues.

Your Bank continued to emphasize on the branding of IGI Financial Services generating Brand Visibility in the financial and corporate circles. We have launched the new IGI Financial

Directors' Report to the Shareholders

campaign to generate awareness of the brand and to capitalize on the already existing brand equity. All in all, every business activity made progress, either in financial terms or toward a Broader Strategic Goal.

Your Company ended the year with an after tax loss of Rs.6.39 million for the year ended June 30, 2008 as compared to a loss of Rs.39.16 million in the corresponding period of the last year. However, the Company has reported an after tax loss of Rs.9.47 million for the quarter ended June 30, 2008 as compared to an after tax loss of Rs.15.84 million in the corresponding period.

The Directors are very confident that your Bank is progressing in the right direction and the necessary spade work has been completed.

The results for the year 2007-2008 showed a progressive trend in the face of structural changes in the organization against the projections. Furthermore, shareholder confidence has been conclusive of the aptitude of the Group with substantial subscription of the 4th right share Issue of IGI Investment Bank.

Financial Summary

-----Rs. in millions-----

	2008	2007	Growth (%)
Gross Revenue	795.413	624.424	27.38%
Loss for the year before taxation	(45.637)	(79.267)	-42.43%
Less: Taxation	39.251	40.110	-2.14%
Profit / loss for the year after taxation	(6.386)	(39.157)	83.69%
Total Assets	9,831.396	6,649.016	47.86%
Earnings / Share	(0.06)	(0.64)	90.63%

We are very confident that the strategic investments made and necessary restructuring done will fulfill the expectations of the shareholders. The umbrella branding of IGI Financial Services has started to bear fruits. The Management team has provided the basic tools and the launching pad to take off.

Our income from fund placements and financing, including lease finance, increased from Rs.438.45

million to Rs.473.83 million and is in line with the strategy of the Bank. Our net fund based income increased from Rs.76.25 million from last year to Rs.130.41 million for the current year. The income from investments increased from Rs.120.66 million to Rs.227.67 million. The revenue generated from fee based lines of business i.e. brokerage; corporate finance, and advisory and portfolio management have significantly contributed to our non fund

Directors' Report to the Shareholders

based income which increased from Rs.26.87 million to Rs.62.64 million.

Strategic Investments IGI Funds Limited

IGI Funds Limited wholly owned 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 feel proud in informing our shareholders that, as per our expectations, IGI Funds after launching the premium IGI Income Fund became the industry standard for a well-managed fund with the standard deviation among the lowest in the industry depicting consistent performance.

The strategic investments that have been made in building the team and the necessary equipments required will bear fruit soon.

-----Rs. in millions-----

	2008	2007
Gross Revenue	42,547	6,884
Administrative & other expenses	84,857	37,791
Loss before taxation	(45,075)	(31,399)
Loss after taxation	(28,512)	(19,313)
Loss per share	(4.12)	(6.52)

IGI Funds launched the much anticipated "IGI Stock Fund" in July. The Fund aims to capture interest of investors who seek long-term capital

growth by investing primarily in a diversified pool of equities and equity related investments. The IGI Stock Fund, an open-ended scheme will provide investors an opportunity to benefit from a diversified stock market portfolio which will be prudently managed by a professional fund manager at IGI Funds.

IGI Funds has also signed a Trust Deed for the launch of the IGI Islamic Income and Growth Fund. Further it has also signed a Memorandum of Understanding (MoU) with Pak Brunei Investment Company to set up a "Hybrid Portfolio Fund" which will offer a steady income while providing a high degree of principal safety to its investors. The Fund will be unique in its nature as it is directed towards the needs of a specific investor class.

IGI Funds Ltd. in collaboration with IGI Insurance Ltd. is now offering complimentary personal accident insurance to all its investors. This offer is being extended to all existing and new investors with a maximum coverage of Rs.100,000 for personal accidents such as accidental death or permanent disablement. Investors who make an initial minimum investment of Rs.5,000 or more in the funds of IGI Funds will be able to avail the benefit of the complimentary coverage.

The future of IGI Funds looks brighter as it has plans to launch a spectrum of mutual funds intended for institutional as well as retail client base. The guiding premise for IGI Fund's business growth model is providing investment solutions and products designed to address express investor needs.

Directors' Report to the Shareholders

IGI Funds is committed to provide quality service to institutional and retail clients utilizing modern techniques of portfolio management, asset allocation and security selection, while maintaining high standards of ethical and professional conduct in line with the emphasis on business integrity by its sponsors.

Since establishment, IGIFL has developed operational and technical capabilities at an expedited pace.

Assessing the potential of growth and the management team it owns, PACRA has assigned a Management Quality Rating of AM 3- to IGI Funds. Usually PACRA assigns an AM 4 rating to new entrants, IGI Funds managed to secure AM 3- from the beginning.

IGI Finex Securities

IGI Finex Securities is a corporate member of Karachi and Lahore Stock Exchanges and also a member of National Commodity Exchange Limited. The Company serves customers across the spectrum including retail, institutional and foreign, through its offices in Karachi, Lahore, Islamabad, Faisalabad, Peshawar, Multan, Gujranwala and Sialkot. The strategic acquisition of Finex Securities offers complimentary distribution strength and expanded market coverage to IGI Investment Bank in the financial markets. 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 brokerage business in Pakistan. Finex's key strength is the in-depth knowledge and expertise of its employees in their respective business areas and its blue-chip client-base.

IGI Finex Securities has developed an on-line trading platform "I-Trade" – a true synthesis of tradition and technology 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 your 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 and 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 product has received tremendous response from investors.

The upcoming product of IGI Finex Securities is 'J-Trade'. 'J-Trade' is the commodities brokerage service of IGI Finex Securities that offers customers the opportunity to trade in commodities at the online commodity exchange of Pakistan – National Commodity Exchange Limited (NCEL). IGI Finex is registered with the National Commodity Exchange Limited to offer top of the line trading facilities for market participants interested to trade in future contracts offered by NCEL.

The Company finds its strength in its team of young, talented and confident individuals. A stringent employee selection process, focus on continuous

Directors' Report to the Shareholders

training and adoption of best management practices drive the quest to achieving our vision.

IGI Finex Securities Limited offers a complete range of brokerage services to its customers, based on integrity, trust and competence and believes in building a strong working relationship with its customers. They accomplish this by providing their customers with the most comprehensive overview of the market, timely information and maintaining a close liaison.

-----Rs. in millions-----

	2008	2007	Growth %
Gross Revenue	309.90	156.61	97.8
Profit before taxation	50.14	46.79	7.1
Less: Taxation	24.16	19.87	21.5
Profit for the year after taxation	25.98	26.92	(3.5)
Total Assets	2,129.15	1,589.79	40
Earnings per share	0.50	0.76	

Gross revenue, Rs.309.90 million exhibited an impressive increase of 98% as compared to the last financial year. The profit after tax for the year has decreased by 3.5% as compared to last year.

Total assets at year end grew 40% from last year's Rs.1,589.79 million to Rs.2,129.15 million this year.

IGI Finex Securities Limited is committed to delivering quality, experience, intellect, precision and innovation in everything it does. The strategic objective of the firm is to be recognized as one of

the leading brokerage firms. This distinction is punctuated by our corporate culture, which is depicted by a client-centric approach, ability to be flexible and innovative, and maintaining the highest level of ethical standards.

Going forward, IGI Finex will continue to strengthen their presence in their chosen areas. We have over the last years introduced a number of new products and services and do not expect any major additions. Focus will now be on profitable growth in the existing lines of business.

Segments at a glance

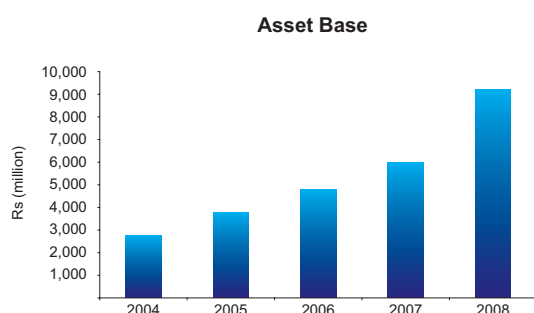
Cash & Treasury Management

The Treasury at IGI Investment Bank has always played a vital role in the over all performance. This year was no exception. During the year the team was adequately equipped with the resources it required to enhance its capabilities and the team responded by playing a vital role in increasing the Balance Sheet size from Rs.6.65 billion as at June 30, 2007 to Rs.9.83 billion as at June 30, 2008.

We strongly believe that the contribution of Treasury will continue and would grow with synergies being developed with other SBUs. The flagship department contributed 46% to the revenues with Rs.347.86 million being contributed by Treasury from a total of Rs.764 million.

Every avenue of income generation was tapped and the following table is a glimpse of the evidence:

Directors' Report to the Shareholders



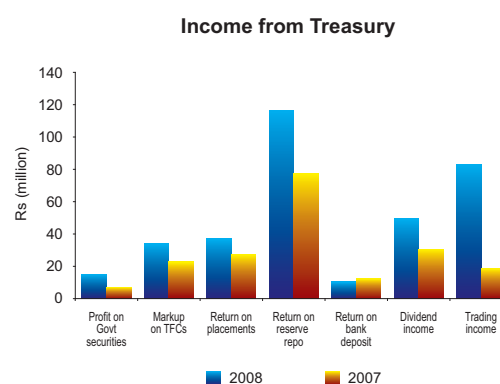
November '07. IGI Investment Bank's deposit plan is ideal for all sorts of investors (corporate as well as individual) providing the investor with the deposit duration of his / her choice, ranging from 1 month to 3 years and various profit payment frequency. With the 'Step Up Savings plan', one can enjoy guaranteed returns on the deposit with increasing returns as the duration of the deposit increases.

Rs. in thousands

Profit on PIBs / FIBs	14,971
Mark up on TFCs	35,026
Return on fund placements	39,294
Return on reverse repo arrangements	120,193
Return on bank balances	14,284
Dividend on quoted securities and mutual fund units	51,848
Trading income on PIBs / FIBs / TFCs / Securities	86,529
Total	362,145

The feather in the hat was the department's extreme efforts to effectively and efficiently mobilize low cost deposits, which can be witnessed by a 27% growth in the Deposit base of the Bank, which increased from Rs.2.73 billion as at June 30, 2007 to Rs.3.48 billion as at June 30, 2008.

IGI Investment Bank went a step forward with comprehensive solutions that best serve the investment needs of the corporate and retail investors and re-launched the "Step Up Savings Plan" in



The Step Up Savings Plan is ideal for customers who want to deposit their money for a fixed period with the security of a known return while receiving the most competitive profit rates. IGI Investment Bank provides investors the flexibility and convenience of investing for a period as little as one month and to a maximum to three years at very attractive rates, making the Plan one of the most competitive deposit schemes around.

It was a conscious decision on part of Treasury and the Management not to invest heavily in the Government Securities portfolio on account of a tight monetary stance of SBP, which proved to be a good decision after a series of SBP discount rates hikes.

Directors' Report to the Shareholders

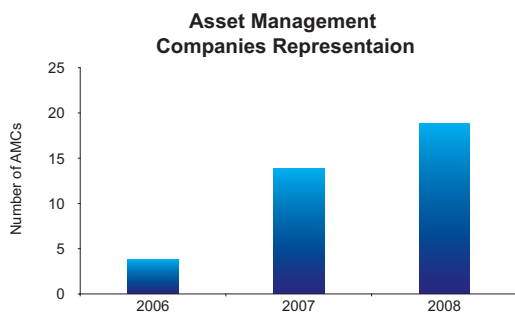
However, the Treasury and Cash Management Department has done proper homework for the next fiscal year; Treasury is decked up to build up its Government Securities portfolio. Also during this year Treasury will ramp up its investment in the equity portfolio.

Fund Select

Fund Select is a special open-end Mutual Funds Advisory Service for corporate and retail investors. IGI took the lead as an investment bank to represent 25 open funds in Pakistan which has now grown to approximately 55 funds.

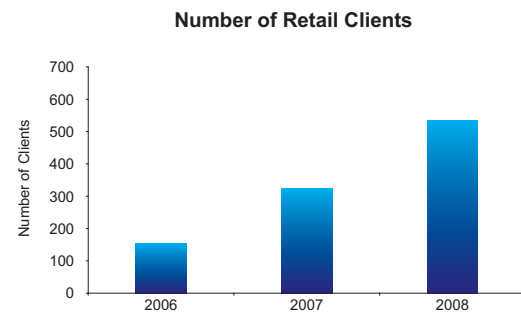
IGI Investment Bank's Fund Select Advisory Service is a representative of several asset management companies offering respective Mutual Fund products to its clients. Through this unique service, the Bank assists customers in building personal customized portfolios and also advises on how the combinations of various investment funds can provide them with incremental financial growth.

Other benefits that the customers can avail through Fund Select Advisory are access to well-recognized fund managers, a full range of investment options,



asset allocation program and portfolio optimization. In addition, customers gain the convenience of consolidated reports on multiple funds; research and information dissemination through variety of modes like call center; mails; email; SMS and website.

The Fund Select Advisors develop clients' portfolios by a combination of investments in stock markets, bonds and equity. They also offer a broad range of investment strategies, allowing clients to choose the ones, which best match, their risk profiles.



Fund Select has received an overwhelming response from investors and continues to grow on the popularity chart as it remained active with innovative products and services.

The Directors feel proud in informing the shareholders that this product of theirs has now become the leader in the industry of mutual fund advisory. Fund Select now represents all the major Asset Management Companies. The team of young energetic professionals was able to generate around Rs.22 billion in the two years of operation leaving behind the competition by a very big margin.

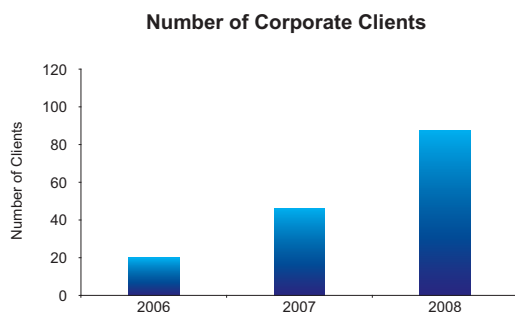
Directors' Report to the Shareholders

Keeping in mind the success of Fund Select and the phenomenal response it has received till now we expect competition cropping up this year. The team has geared up for the competition and has started providing additional services of monthly research reports, sms alerts and web based information sharing. The team also has plans to automate the system to provide on time and correct information to the customers.

The Fund Select department diversified into portfolio management, to create synergies with the existing resources available with the Bank and to capitalize on the strong relationships with the major corporate identities. This will be a front runner soon and we believe will be a symbol of success and a flag ship product for the Bank. We have some large corporates on the list of the separately managed accounts.

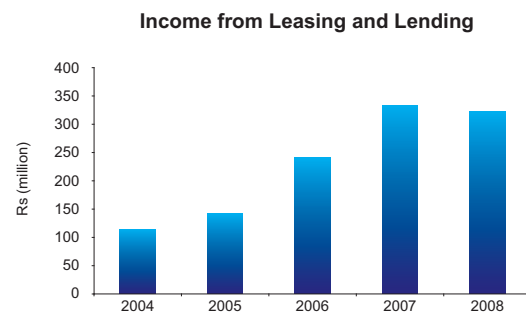
Commercial Financing & Leasing

The Bank's lending, leasing and factoring products include direct lease, sale and leaseback, short-term loans, and term loans for BMR, acquisition and expansion, and project financing.



Restructuring was carried out in the corporate marketing department in order to make sure that the steps being taken bring the department in line with the macro strategy of the Bank.

Although much needs to be done to nullify the impact of closing down unsuccessful ventures like consumer marketing which had a major impact on the top line as well as bottom line. Your Bank has been striving hard to mitigate the effects.



Presently the team at Corporate Marketing department is focused on SME sector for better returns and profit maximization leveraging the accessibility in terms of presence in all the major markets of Pakistan.

We are all geared up to introduce new specialized products in this sector and necessary steps would be taken that the requisite ground work is done to make the product contribute to the bottom line.

The team has set an ambitious target for the next year and plans to start big ticket leasing in the days to come along with specialized products using the IGI

Directors' Report to the Shareholders

brand leverage. The team plans to move out with pre-approved limits of corporate clients and maintain a balance between the large corporate and SMEs.

We can boast to be the only investment bank aggressively pursuing the corporate lending and leasing business and find ourselves to be competent and competitive both in terms of the rates as well as the team to take on the challenge head on. The team plans to use the lowest turn around time as a unique selling proposition to carve a niche in the market.

Corporate Finance

The Corporate Finance department was reinitiated as a full fledged component of the products and service offerings of IGI Investment Bank in 2004-2005. Since then it has established itself within Pakistan's financial service sector.

The successes have both been qualitative and quantitative. IGI Investment Bank receives offers to participate in equity and debt issues as both a pre IPO and as an underwriter. As the IGI Financial Services distribution capabilities have increased, the strategy would result in more business for the Bank.

An additional feature of the activity has also been that IGI Investment Bank in 2007 began offering Trustee services for TFC issues. In a short span of 3 months, it has received mandates for three TFC

issues of 'A' brand rated TFCs and the Management is working to increase the size of the portfolio.

The Bank has also built up a solid reputation in catering towards advising medium enterprises on how to finance their growth. In the process it has been able to structure transactions to suit the needs of the capital raising entities and prospective lenders. This has provided a constant deal flow for the Bank and provided opportunities.

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 2007, the Pakistan Credit Rating Agency (PACRA) maintained the long-term and short-term entity ratings of IGI Investment Bank at 'A' (single A) and 'A1' (A one) respectively with a positive outlook.

Directors

During the year there was no change in the Board of Directors of IGI Investment Bank.

During the year under review, the Board met 5 times. The attendance of each Director at the Board meetings is given below.

Directors	Number of board meetings attended
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Directors' Report to the Shareholders

Syed Babar Ali – Chairman	5
Mr. Khalid Yacob	5
Mr. Farid Khan	4
Mr. Arif Faruque	3
Mr. Towfiq H. Chinoy	3
Syed Javed Hassan – Executive Director	5
Mr. Samir Ahmed – Managing Director & Chief Executive	5

Auditors

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

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 unaudited financial statements of the provident fund and gratuity fund for the year ended June 30, 2008, the investments of the funds amount to Rs.24.3 million and Rs.8.02 million 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 account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are reasonable and on a prudent basis.
- The system of internal control, which is in place, is sound in design and has been effectively implemented and monitored.
- International Accounting Standards, as applicable in Pakistan, has been followed in preparation of financial statements and these have been effectively implemented and monitored. Timely corrective action is taken to address any exceptions that are identified.
- The reason for non-declaration of dividend / non-issuance of bonus shares is loss during the year.
- There are no doubts upon the Company's ability to continue as a going concern.

Directors' Report to the Shareholders

- There has been no material departure from the best practices of corporate governance.

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 hallmark 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 the Chief Executive, Directors, Chief Financial Officer, Company Secretary and their spouses and minor children except as follows:

- Syed Babar Ali (Chairman) bought 2,492,713 shares
- Syed Javed Hassan (Executive Director) bought 4,600 shares
- Mr. Samir Ahmed (Managing Director & Chief Executive) bought 25,000 shares

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

August 20, 2008

Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of IGI Investment Bank Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited and Chapter XIII of the Lahore Stock Exchange where the Company is listed.

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

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

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2008.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

September 5, 2008

Statement of Compliance with the Best Practices of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 (Chapter XI) and No. 43 (Chapter XIII) of listing regulations of the Karachi and Lahore Stock Exchanges respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

IGI Investment Bank Limited (“IGI Bank”) has applied the principles contained in the Code in the following manner:

1. IGI Bank encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes five non-executive Directors, including three independent Directors, and there is no director representing minority shareholders.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including IGI Bank.
3. All the resident Directors of IGI Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a development finance institution or a non-banking finance company or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. IGI Bank has prepared a ‘Statement of Ethics and Business Practices’, which has been signed by all the Directors and employees of IGI Bank.
6. The Board has developed a statement of main purpose and guiding principles (vision / mission statement), overall corporate strategy and significant policies of IGI Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive / Executive Director, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged an orientation course for its Directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointments of the Chief Financial Officer and Company Secretary, including their remuneration and terms and conditions of employment, as determined by

Statement of Compliance with the Best Practices of the Code of Corporate Governance

- the Chief Executive.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
 12. The financial statements of IGI Bank were duly endorsed by Chief Executive and Chief Financial Officer before approval of the Board.
 13. The Directors, Chief Executive and Executives do not hold any interest in the shares of IGI Bank other than that disclosed in the pattern of shareholding.
 14. IGI Bank has complied with all the corporate and financial reporting requirements of the Code.
 15. The Board has formed an Audit Committee. It comprises of three members, of whom two are non-executive Directors including the Chairman of the Committee.
 16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of IGI Bank and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
 17. The Company has an effective Internal Audit function.
 18. The statutory auditors of IGI Bank have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan,
- that they or any of the partners of the firm, their spouses and minor children do not hold shares of IGI Bank and that the firm and all its partners are in compliance with International Federation of Accountants ("IFAC") guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
 20. We confirm that all other material principles contained in the Code have been complied with.
- For and on behalf of the Board.
- | | |
|------------------------------------|--|
| <p>Syed Babar Ali
Chairman</p> | <p>Samir Ahmed
Managing Director
& Chief Executive</p> |
|------------------------------------|--|
- August 20, 2008

Information for Shareholders

Registered Office

5- F.C.C.
Ground Floor,
Syed Maratib Ali Road,
Gulberg, Lahore.
Tel (042) 111-234-234
(042)-5756701, 5777861-70
Fax (042)-111-567-567

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, 6802326
Fax (021)- 6801129
E-mail ncs1@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 3708 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 dematerialization 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
Vice President - Lahore Office, IGI Investment Bank
Tel (042) 111-234-234
(042)-5756701, 5777861-70
Fax (042)-111-567-567

Mr. Ali Raza Rehman
Manager Shares - Noble Computer Services (Pvt.) Ltd.
Tel (021) - 6801880, 6802326
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:

Information for Shareholders

Service	For request received through post	Over the counter
Transfer of shares	30 days after receipt	30 days after receipt
Transmission of shares	30 days after receipt	30 days after receipt
Issue of duplicate share certificate	30 days after receipt	30 days after receipt
Issue of duplicate dividend warrants	05 days after receipt	05 days after receipt
Issue of re-validated dividend warrants	05 days after receipt	05 days after receipt
Change pf address	02 days after receipt	15 minutes

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.

Dematerialization of Shares

The shares of IGI Investment Bank are under the compulsory dematerialization category. As of date approximately 93% of the equity shares of IGI Investment Bank have been dematerialized by the shareholders. Shareholders holding shares in physical form are requested to dematerialize 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 October 01, 2008 to October 08, 2008 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.

Information for Shareholders

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	Addressed during the year	Complaints pending as on June 30, 2008
Non-receipt of right share certificates	1	1	0
Non-receipt of annual/half-yearly/quarterly reports	2	2	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.

Pattern of Share Holding For the Year Ended June 30, 2008

NO. OF SHAREHOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	FROM	TO	
250	1	100	11,548
610	101	500	206,971
546	501	1,000	495,465
1,322	1,001	5,000	3,657,278
369	5,001	10,000	2,922,446
156	10,001	15,000	1,954,767
75	15,001	20,000	1,356,050
71	20,001	25,000	1,633,845
49	25,001	30,000	1,376,124
24	30,001	35,000	806,529
20	35,001	40,000	765,973
11	40,001	45,000	461,760
32	45,001	50,000	1,536,248
16	50,001	55,000	842,261
8	55,001	60,000	464,500
8	60,001	65,000	511,177
6	65,001	70,000	411,250
5	70,001	75,000	363,011
3	75,001	80,000	233,762
6	80,001	85,000	498,533
3	85,001	90,000	268,800
7	90,001	95,000	647,840
11	95,001	100,000	1,081,338
6	100,001	105,000	614,281
3	105,001	110,000	324,500
2	110,001	115,000	227,560
5	115,001	120,000	583,684
3	120,001	125,000	369,904
3	125,001	130,000	386,559
2	130,001	135,000	261,150
3	135,001	140,000	413,340
4	145,001	150,000	590,940
1	160,001	165,000	160,020
2	165,001	170,000	336,982
1	170,001	175,000	172,040
1	175,001	180,000	177,186
5	180,001	185,000	917,322
5	195,001	200,000	998,575
1	200,001	205,000	201,000
1	220,001	225,000	222,000
1	225,001	230,000	230,000
1	240,001	245,000	241,532
4	245,001	250,000	998,600

Pattern of Share Holding For the Year Ended June 30, 2008

NO. OF SHAREHOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	FROM	TO	
1	250,001	255,000	254,738
1	270,001	275,000	275,000
1	275,001	280,000	278,014
1	295,001	300,000	300,000
2	320,001	325,000	646,753
3	345,001	350,000	1,045,754
1	350,001	355,000	352,000
1	375,001	380,000	375,500
1	400,001	405,000	404,000
1	410,001	415,000	414,000
1	420,001	425,000	423,200
1	425,001	430,000	426,500
1	450,001	455,000	452,500
1	460,001	465,000	461,090
1	490,001	495,000	492,200
1	505,001	510,000	507,500
1	550,001	555,000	551,461
2	595,001	600,000	1,199,417
1	600,001	605,000	604,000
1	610,001	615,000	610,874
1	665,001	670,000	668,282
1	825,001	830,000	830,000
1	905,001	910,000	908,684
1	995,001	1,000,000	1,000,000
1	1,145,001	1,150,000	1,150,000
1	1,240,001	1,245,000	1,244,300
1	1,385,001	1,390,000	1,385,580
1	1,495,001	1,500,000	1,500,000
1	1,905,001	1,910,000	1,909,800
1	2,120,001	2,125,000	2,121,023
1	2,490,001	2,495,000	2,492,714
1	2,495,001	2,500,000	2,500,000
1	2,500,001	2,505,000	2,503,713
1	4,610,001	4,615,000	4,610,915
1	4,800,001	4,805,000	4,800,200
1	6,145,001	6,150,000	6,145,689
1	7,495,001	7,500,000	7,500,000
1	7,680,001	7,685,000	7,682,579
1	7,910,001	7,915,000	7,913,697
1	9,995,001	10,000,000	9,996,690
1	13,130,001	13,135,000	13,134,038
1	89,095,001	89,100,000	89,095,494
3,708			212,102,550

Pattern of Share Holding For the Year Ended June 30, 2008

S.No.	Category of Shareholders	No. of Shareholders	Shares held	Percentage
1	Individuals	3,553	43,509,560	20.51
2	Investment Companies	9	556,036	0.26
3	Joint Stock Companies	79	17,131,516	8.08
4	Directors, CEO & their Spouses and their Minor Children	6	7,520,839	3.55
5	Executives	5	9,720	0
6	NIT / ICP	5	15,602,218	7.36
7	Associated Companies	2	93,706,409	44.18
8	Financial Institutions	4	12,405,564	5.85
9	Leasing Companies	5	160,182	0.08
10	Insurance Companies	7	1,209,288	0.57
11	Modarabas	6	322,561	0.15
12	Mutual Funds	5	10,155,500	4.79
13	Foreign Investors	9	9,079,637	4.28
14	Charitable Trusts	4	145,368	0.07
15	Others	9	588,152	0.28
	Totals	3,708	212,102,550	100

Pattern of Share Holding as required by the Code of Corporate Governance For the Year Ended June 30, 2008

S.No.	Category of Shareholders	No. of Shareholders	Shares held	Percentage
1	ASSOCIATED COMPANIES	2	93,706,409	44.18
	Packages Limited		4,610,915	2.17
	IGI Insurance Limited		89,095,494	42.01
2	NATIONAL INVESTMENT TRUST / INVESTMENT CORPORATION OF PAKISTAN (ICP)	5	15,602,218	7.36
	NIT		15,598,076	7.35
	ICP		4,142	0.00
3	DIRECTORS, CEO & THEIR SPOUSES AND THEIR MINOR CHILDREN	6	7,520,839	3.55
	Mr. Samir Ahmed		26,100	0.01
	Syed Javed Hassan		4,600	0.00
	Mrs. Faiza Rana Khalid w/o Mr. Khalid Yacub		14,186	0.01
	Syed Babar Ali		7,303,913	3.44
	Mrs. Perwin Babar Ali w/o Syed Babar Ali		172,040	0.08
4	EXECUTIVES	5	9,720	0.00
5	PUBLIC SECTOR COMPANIES AND CORPORATIONS		-	-
6	BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS	27	24,253,095	11.43
7	SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE COMPANY	1	89,095,494	42.01
	IGI Insurance Limited	1	89,095,494	42.01

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

1 THE GROUP AND ITS OPERATIONS

The Group consists of :

Holding company

- IGI Investment Bank Limited ("IGI BANK")

Subsidiary companies

- IGI Finex Securities Limited ("IGI FINEX")
- IGI Funds Limited ("IGI FUNDS")

Percentage holding

100%
86.34%

IGI Investment Bank Limited

IGI Investment Bank Limited 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 (the NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations). 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 the 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, 2007, 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

IGI Finex Securities Limited is a public limited company incorporated in Pakistan on June 28, 1994 under the Companies Ordinance, 1984. The registered office of IGI Finex is situated at 7th Floor, Nacon House, MDM Wafai Road, Karachi. IGI Finex 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 IGI Finex include shares brokerage and money market operations.

IGI Funds Limited

IGI Funds was incorporated in Pakistan on January 18, 2007 under the Companies Ordinance, 1984. IGI Funds is licensed to carry out Asset Management Services and Investment Advisory Services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The principal activities of IGI Funds are floating and managing mutual funds and investment advisory services. The registered office of IGI Funds is situated at 5 F.C.C Ground Floor, Syed Maratib Ali Road, Gulberg, Lahore.

Presently, IGI Funds is managing 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.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

- 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, 2008 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 approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or the directives issued by SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

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.

The SECP has also deferred the application of Regulation 23 of the NBFC Regulations in respect of the classification and determination of provisioning requirement for non-performing assets (including disbursements against loans and advances and lease finance) through its circular No. 17 dated December 18, 2007. The classifications and provisioning requirements against non-performing assets have been determined in accordance with the regulation 7 of the Prudential Regulations applicable on NBFCs operating in Pakistan.

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 Standards, interpretations and amendments to published approved accounting standards effective in 2007

Amendments to International Accounting Standard (IAS) 1 - 'Presentation of financial statements - Capital Disclosures', introduces certain new disclosures about the level of the Group's capital and how the Group manages its capital. Adoption of this amendment has only resulted in additional disclosures which have been set out in note 51 to these financial statements.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

Other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2007 and are not considered relevant or do not have any significant effect on the Group's operations, are not detailed in these financial statements.

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

The following standards, amendments and interpretations of approved accounting standards, are effective for accounting periods beginning from the dates specified below are either not relevant to the Group's operations or are not expected to have a significant impact on the consolidated financial statements other than increased disclosures in certain cases:

IAS 1 - Presentation of Financial Statements - (Revised September 2007)	effective from the period beginning on or after January 1, 2009
IAS 23 - Borrowing Costs (Revised March 2007)	effective from the period beginning on or after January 1, 2009
IAS 27 (Revised) - Consolidation and Separate Financial Statements	effective from the period beginning on or after July 1, 2009
IFRS 3 (Revised) - Business Combinations	effective from the period beginning on or after July 1, 2009
IFRS 7 - Financial Instruments: Disclosures	effective from the period beginning on or after April 28, 2008
IFRS 8 - Operating Segments	effective from the period beginning on or after January 1, 2009
IFRIC 12 - Services Concession Arrangements	effective from the period beginning on or after January 1, 2008
IFRIC 13 - Customer Loyalty Programme	effective from the period beginning on or after January 1, 2008
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	effective from the period beginning on or after January 1, 2008
IFRIC 15 - Agreements for the Construction of Real Estate	effective from the period beginning on or after January 1, 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	effective from the period beginning on or after October 1, 2008

2.6 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 judgement in the process of applying the Group's accounting policies. Estimates and judgements 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 are as follows:

- i) Provision for taxation (note 2.16)
- ii) Classification and valuation of investments (note 2.8)
- iii) Employee benefits (note 2.22.2)

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

2.7 Fixed assets

Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for capital work-in-progress which is stated at cost less 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 property and equipment is charged to income 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 any. 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 property and equipment, 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.

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.

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.

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 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.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

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.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

2.9 Trade date accounting

All purchases and sales of investments that require delivery within the time frame established by the regulations or market conventions are recognized on the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

2.10 Derivative instruments

Derivative instruments are initially recognised at fair value and subsequently measured at the fair value. The fair value of a derivative instrument is the equivalent of the unrealized gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealized gains) are included in other assets and derivatives with negative market values (unrealized 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.

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. Amounts advanced under these agreements are included in lendings. The difference between purchase and resale price is accrued as income over the life of the reverse repo agreement.

2.12 Continuous Funding System (CFS) Transactions

Receivable against CFS transactions are recorded at the fair value of the consideration given. The CFS transactions are accounted for on the settlement date. The difference between the purchase and sale price is treated as income from CFS transactions in the profit and loss account and is recognised over the term of the respective transaction.

2.13 Finances

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

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

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 the Prudential Regulations for Non-Banking Finance 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, 2007. 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.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

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 assets is reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to 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.

2.22 Employee retirement benefits

2.22.1 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.

IGI Finex Securities Limited operates a recognised provident fund scheme for all its employees. Equal monthly contributions are made, both by IGI Finex and the employees, to the fund at the rate of 8.33% of basic salary of the employees. With effect from November 1, 2007 the contribution rate has been increased to 10% of basic salary of the employees.

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.

2.22.2 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 valuations are carried out using the Projected Unit Credit Method. Actuarial gains and losses at each valuations 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. Provisions are made to the scheme to cover the obligation on the basis of management's best estimate.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

2.23 Employees' compensated absences

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

2.24 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.

2.25 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 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.

2.26 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.

2.27 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.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

2.28 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.

2.29 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.

2.30 Financial instruments

2.30.1 Financial asset and financial liability

Financial assets carried on the balance sheet include loans, investments, 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.

2.30.2 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.

3 FIXED ASSETS

	Note	2008 (Rupees in thousand)	2007
Property and equipment	3.1	177,120	132,889
Capital work-in-progress	3.2	9,373	9,332
Intangible assets	3.3	171,696	177,618
		<u>358,189</u>	<u>319,839</u>

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

3.1 Property and equipment

	2008							Total
	Owned assets					Leased assets		
	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, 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
Additions (at cost)	–	24,334	14,462	12,983	9,612	25,724	2,497	89,612
Disposals / write-offs								
Cost	–	(220)	(246)	(652)	(554)	(6,744)	(4,915)	(13,331)
Accumulated depreciation	–	220	79	549	554	2,609	874	4,885
	–	–	(167)	(103)	–	(4,135)	(4,041)	(8,446)
Depreciation charge for the year	(621)	(5,599)	(4,421)	(10,356)	(3,160)	(12,344)	(434)	(36,935)
Closing net book value	7,438	34,697	23,505	27,049	25,546	56,659	2,226	177,120
As at June 30, 2008								
Cost	8,939	43,326	35,639	51,220	32,654	77,344	2,497	251,619
Accumulated depreciation	(1,501)	(8,629)	(12,134)	(24,171)	(7,108)	(20,685)	(271)	(74,499)
Net book value	7,438	34,697	23,505	27,049	25,546	56,659	2,226	177,120
Depreciation rate % per annum	5	10-20	10-20	20-33.33	10-20	20	20	
2007								
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 / write-offs								
Cost	–	–	(137)	–	–	(16,274)	–	(16,411)
Accumulated depreciation	–	–	106	–	–	7,760	–	7,866
	–	–	(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	

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

3.1.1 Cost and accumulated depreciation at the end of the year include Rs. 23,399 thousand (2007: Rs. 11,203 thousand) in respect of fully depreciated assets still in use.

3.2 Capital work-in-progress

	Note	2008 (Rupees in thousand)	2007
Civil works		6,777	5,505
Advance for purchase of computer software		–	1,575
Advance for purchase of vehicles		2,596	2,252
		<u>9,373</u>	<u>9,332</u>

3.3 Intangible assets

Description	2008				Total
	Goodwill	Membership card and room (note 3.3.1)	Non-competition agreement (note 3.3.2)	Computer softwares	
(Rupees in thousand)					
As at July 1, 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>
Additions (at cost)	–	–	–	9,688	9,688
Disposals / write-offs					
Cost	–	–	–	(6)	(6)
Accumulated amortisation	–	–	–	6	6
	–	–	–	–	–
Amortisation charge for the year	–	–	(10,000)	(5,610)	(15,610)
Closing net book value	<u>26,407</u>	<u>126,000</u>	<u>5,833</u>	<u>13,456</u>	<u>171,696</u>
As at June 30, 2008					
Cost	26,407	126,000	30,000	24,793	207,200
Accumulated amortisation	–	–	(24,167)	(11,337)	(35,504)
Net book value	<u>26,407</u>	<u>126,000</u>	<u>5,833</u>	<u>13,456</u>	<u>171,696</u>
Amortisation rate % per annum	–	–	33.33	20 - 33.33	
2007					
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	<u>26,407</u>	<u>126,000</u>	<u>25,833</u>	<u>5,341</u>	<u>183,581</u>
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	

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

3.3.1 Membership cards and room comprises of:

	2008	2007
	(Rupees in thousand)	
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
	126,000	126,000

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 the Group in the financial brokerage business in Pakistan.

3.3.3 Cost and accumulated amortisation as at the end of the year include Rs. 3,164 thousand (2007: Rs. 987 thousand) in respect of fully depreciated assets still in use.

3.4 Particulars of disposal of fixed assets

Particulars of property and equipment having net book value exceeding Rs. 50,000 disposed of during the year and details of disposal relating to related parties of the Group are as follows:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser
----- (Rupees in thousand) -----							
Property and equipment							
Office equipment							
Mobile phone	10	1	9	9	-	As per policy	Adnan Asaf (Ex-executive) *
Mobile phone	5	-	5	5	-	As per policy	Danish Khan (Ex-employee)
Mobile phone	10	-	10	10	-	As per policy	Tahir Ali (Ex-employee)*
Mobile phone	5	1	4	4	-	As per policy	Mehmood Ahmed Abbasi - (Ex-employee)*
Mobile phone	15	3	12	7	(5)	As per policy	Syed Ali Adnan (Ex-executive) *
Mobile phone	10	2	8	8	-	As per policy	Syed Asrar Hussain (Ex-executive) *
Mobile phone	10	3	7	2	(5)	As per policy	Rehan Abid (Ex-executive) *
Phone system	112	-	112	112	-	Negotiation	IGI Insurance Limited *
	177	10	167	157	(10)		
Computer Equipment							
Laptop	70	27	43	43	-	As per policy	Tahir Ali - ex-employee*
Fax machine	11	2	9	10	1	Negotiation	Panasonic Office Product
	81	29	52	53	1		
Vehicles							
Honda City	835	281	554	586	32	Tender	Zahid Qadri
Suzuki Cultus	560	127	433	520	87	Insurance claim	IGI Insurance Limited *
Honda City	763	610	153	76	(77)	As per policy	Feroz Iqbal (Executive) *
Mitsubishi Lancer	1,099	190	909	1,018	109	As per policy	Syed Asrar Hussain (Ex-executive) *
Suzuki Cultus	600	136	464	465	1	Tender	Arshad Nazir
Honda City	795	533	262	490	228	Tender	Ameer Akbar Khan
Honda City	781	622	159	525	366	Tender	Naseer Ahmad Khalid
Suzuki Cultus	661	88	573	573	-	As per policy	Tahir Ali (Ex-employee)
Toyota Corolla	650	22	628	637	9	Negotiation	Zafar Ali Khan
	6,744	2,609	4,135	4,890	755		

* represent related parties

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2008

4 LONG-TERM LOANS - NET

	Note	2008 (Rupees in thousand)	2007
Secured - Due from others			
Executives - considered good	4.1 & 4.2	16,406	2,207
Employees - considered good	4.2	1,057	960
Companies, organisations and individuals	4.4 & 4.5	495,548	550,404
		<u>513,011</u>	<u>553,571</u>
Unsecured - Due from others			
Executives - considered good	4.1 & 4.6	1,033	258
Employees - considered good	4.6	192	–
Companies, organisations and individuals	4.4	47,327	62,059
		<u>561,563</u>	<u>615,888</u>
Less: provision for bad and doubtful loans	4.7	20,912	10,317
		<u>540,651</u>	<u>605,571</u>
Less: current maturity of long-term loans		209,393	137,945
		<u>331,258</u>	<u>467,626</u>

4.1 A reconciliation of the carrying amount of loans to the executives is as follows:

	2008			2007		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	(Rupees in thousand)					
As at July 1	2,207	258	2,465	1,760	–	1,760
Disbursements	15,087	1,200	16,287	742	–	742
Transfer from employee cadre to executives	–	–	–	308	308	616
Repayments	(888)	(425)	(1,313)	(603)	(50)	(653)
As at June 30	<u>16,406</u>	<u>1,033</u>	<u>17,439</u>	<u>2,207</u>	<u>258</u>	<u>2,465</u>

4.2 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 11.04% (2007: 2.5% to 10.09%) per annum and are repayable on monthly basis over varying period of upto 18 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. 18,021 thousand (2007: Rs. 2,615 thousand).

4.4 These loans carry mark-up at rates ranging from 10% to 20% (2007: 7.25% to 20%) per annum and are repayable over periods ranging from 1 year to 5 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 This represents personal and business loans given to employees and executives in accordance with the terms of their employment. These loans are unsecured, carry markup at the rate of 12% (2007: 11%) and are recovered through equal monthly deduction from salaries over varying periods upto a maximum period of 18 months.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

- 4.7 Long-term loans include Rs. 68,633 thousand (2007: Rs. 42,504 thousand) relating to loans due from companies, organisations and individuals 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:

	2008			2007		
	Specific	General	Total	Specific	General	Total
(Rupees in thousand)						
Opening balance	5,512	4,805	10,317	2,789	6,189	8,978
Charge for the year	10,692	8	10,700	3,536	537	4,073
Reversal during the year	(105)	–	(105)	(813)	(1,921)	(2,734)
Closing balance	16,099	4,813	20,912	5,512	4,805	10,317

5 NET INVESTMENT IN FINANCE LEASE

	Note	2008 (Rupees in thousand)	2007
Net investment in finance lease	5.1	2,511,140	2,193,395
Less: provision for lease losses		53,136	34,559
Less: current maturity of net investment in finance lease		990,043	749,134
		<u>1,467,961</u>	<u>1,409,702</u>

5.1 Particulars of net investment in finance lease

	2008				2007			
	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	1,110,193	1,180,843	–	2,291,036	919,224	1,089,410	–	2,008,634
Add: residual value of leased assets	156,309	420,393	–	576,702	85,497	435,565	–	521,062
Gross investment in								
finance lease - note 5.2 & 5.3	1,266,502	1,601,236	–	2,867,738	1,004,721	1,524,975	–	2,529,696
Less: unearned finance income	223,323	133,275	–	356,598	221,028	115,273	–	336,301
Net investment in								
finance lease - note 5.2 & 5.3	1,043,179	1,467,961	–	2,511,140	783,693	1,409,702	–	2,193,395

- 5.2 The Group has entered into various lease agreements for periods ranging from one to seven years (2007: three to seven years). Security deposits ranging from 0% to 79% (2007: 0% to 40%) are obtained at the time of disbursement of the lease amount. The rate of return implicit in the leases ranges from 7% to 23% (2007: 6.4% to 23.4%) per annum.

- 5.3 Gross investment in finance lease and net investment in finance lease include Rs. 1,833,522 thousand and Rs. 1,638,876 thousand (2007: Rs.1,195,334 thousand and Rs. 1,058,000 thousand) respectively in respect of leases which have been entered into at KIBOR plus margins, ranging from 7.5% to 21% (2007: 9.5% to 22.31%) per annum, with floor ranging from 4.5% to 15% (2007: 6.5% to 10%) per annum and ceilings ranging from 7.5% to 15% (2007: 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.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

5.4 Provisions for lease losses

	2008			2007		
	Specific	General	Total	Specific	General	Total
	(Rupees in thousand)					
Opening balance	9,428	25,131	34,559	6,838	19,487	26,325
Charge for the year	13,419	5,249	18,668	2,590	5,644	8,234
Reversal during the year	(91)	–	(91)	–	–	–
Closing balance	22,756	30,380	53,136	9,428	25,131	34,559

5.4.1 Net investment in finance lease include Rs. 140,256 thousand (2007: Rs. 168,370 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

	Note	2008 (Rupees in thousand)	2007 (Rupees in thousand)
Security deposits		5,059	1,150
Deposits with/for:			
- Karachi Stock Exchange (Guarantee) Limited		1,000	1,200
- Lahore Stock Exchange (Guarantee) Limited		480	–
- National Commodity Exchange Limited	6.1	3,250	3,250
- Leasing companies against assets acquired on finance lease		249	489
- Office rent		500	–
- Club Membership	6.2	1,200	–
Others		1,859	217
		13,597	6,306

6.1 This includes an amount of Rs 2,500 (2007: Rs 2,500) in respect of an advance given to National Commodity Exchange Limited for acquiring office premises.

6.2 This represents Club membership fee paid for Chief Operating Officer of IGI Finex Securities Limited.

7 DEFERRED TAX ASSETS / (LIABILITIES) - NET

	Note	2008 (Rupees in thousand)	2007 (Rupees in thousand)
Deferred tax assets arising in respect of			
- Provision for bad and doubtful loans / potential lease losses		–	15,707
- Carry forward of assessed income tax losses	7.1	373,197	195,597
- Deficit on revaluation of investments	21	2,770	207
- Provision for defined benefit obligation		283	112
- Others		341	185
		376,591	211,808
Deferred tax liabilities arising in respect of			
- Accelerated tax depreciation		(290,832)	(193,952)
- Transaction costs in respect of TFCs issued		(775)	(1,414)
	7.2	84,984	16,442

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

7.1 The Group has an aggregate amount of Rs. 1,068,382 thousand (2007: 558,850 thousand) in respect of unabsorbed tax losses as at June 30, 2008 on which the management has recognised deferred tax debit balance amounting Rs.373,197 thousand (2007: 195,597 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 for the next 5 years.

7.2 Movement in deferred tax asset / (liability)

	Note	2008 (Rupees in thousand)	2007
Opening balance		16,442	(40,877)
Recognised during the year		65,979	57,271
		82,421	16,394
Deferred tax impact on surplus on revaluation of investments		2,563	48
		84,984	16,442

8 SHORT-TERM LOANS

Secured

Short-term loans - considered good	8.1	410,691	197,979
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8.1 These loans carry interest at rates ranging from 11.56% to 18.43% (2007: 13.4% to 16.2%) per annum and are repayable over periods ranging from 2 months to 1 year (2007: 1 month 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.

9 LENDINGS - SECURED

	Note	2008 (Rupees in thousand)	2007
Repurchase agreements lendings (Reverse Repo)	9.1 & 9.2	1,025,513	–

9.1 This includes reverse repo entered into with Arif Ali Shah Bukhari, Director KASB Securities Limited against 11,000,000 shares of KASB Bank Limited, at a mark-up of 14.25%.

9.2 These carry mark-up at rates ranging from 10% to 20% (2007: Nil) per annum and are repayable by July 4, 2008. These lendings are secured against share market treasury bills and Pakistan Investment Bonds. Out of the total value of collaterals, market treasury bills having face value of Rs 400 million have further been given as collateral for obtaining borrowing from financial institutions.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

10 RECEIVABLE AGAINST CONTINUOUS FUNDING SYSTEM TRANSACTIONS

	Note	2008 (Rupees in thousand)	2007 (Rupees in thousand)
Receivable against continuous funding system transactions	10.1	<u>483,912</u>	<u>758,409</u>

- 10.1 These carry yields ranging from 12.52% to 30.02% (2007: 11.28% to 19.78%) per annum. The market value of the securities held as collateral against these receivables amounted to Rs. 463,152 thousand (2007: Rs. 769,213 thousand).

11 SHORT-TERM INVESTMENTS

11.1 Particulars of investments by category

	2008			2007		
	Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
(Rupees in thousand)						
Held to maturity						
Commercial papers - 11.2.2	172,243	–	172,243	–	–	–
Fund placements	100,000	–	100,000	240,000	–	240,000
Term deposit receipts	350,000	–	350,000	100,000	–	100,000
	622,243	–	622,243	340,000	–	340,000
Held for trading						
Federal investment bonds	–	–	–	2,103	–	2,103
Pakistan investment bonds	41,579	–	41,579	1,392	–	1,392
Market treasury bills	–	430,741	430,741	197,759	–	197,759
Listed term finance certificates	2,309	–	2,309	–	–	–
Units of open end mutual funds	159,748	–	159,748	17,910	–	17,910
	203,636	430,741	634,377	219,164	–	219,164
Available-for-sale						
Listed term finance certificates	148,603	–	148,603	152,579	–	152,579
Unlisted term finance certificates	260,509	–	260,509	59,995	–	59,995
Pre-IPO investment in term finance certificates	–	–	–	50,000	–	50,000
Units of open end mutual funds	9,710	–	9,710	514,163	–	514,163
Pre-IPO investment in open end mutual fund	100,000	–	100,000	–	–	–
Listed shares / certificates	468,012	–	468,012	166,071	–	166,071
Pre-IPO investment in unlisted shares	40,000	–	40,000	–	–	–
Unlisted shares / certificates	62,782	–	62,782	62,782	–	62,782
	1,089,616	–	1,089,616	1,005,590	–	1,005,590
	1,915,495	430,741	2,346,236	1,564,754	–	1,564,754

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

11.2 Particulars of investments by type

	Note	2008 (Rupees in thousand)	2007
Investments in:			
- Commercial papers	11.2.1 & 11.2.2	172,243	–
- Fund placements	11.2.1	100,000	240,000
- Term deposit receipts	11.2.1	350,000	100,000
- Government securities	11.2.3	472,320	201,254
- Listed term finance certificates	11.2.4	150,912	152,579
- Unlisted term finance certificates	11.2.4	260,509	59,995
- Pre-IPO investment in term finance certificates	11.2.4	–	50,000
- Mutual fund units (open ended)	11.2.6	169,458	532,073
- Pre-IPO investment in open end mutual funds	11.2.7	100,000	–
- Listed shares / certificates	11.2.8	468,012	166,071
- Pre-IPO investment in unlisted shares	11.2.9	40,000	–
- Unlisted shares / certificates	11.2.10	62,782	62,782
		<u>2,346,236</u>	<u>1,564,754</u>

11.2.1 These carry rate of return ranging from 10.56% to 19% (2007: 10.25% to 10.8%) per annum and are maturing on various dates by October 23, 2008.

11.2.2 This includes commercial paper amounting to Rs 72,628 thousand which was purchased from IGI Insurance Limited (a related party).

11.2.3 Significant particulars relating to government securities are as follows:

Particulars	2008			2007		
	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
Market treasury bills	26-Feb-2009	50,000	10.0%	16-Aug-2007	200,000	8.79%
	9-Oct-2008	100,000	9.0%			
	12-Mar-2009	100,000	10.0%			
	25-Sep-2008	200,000	9.5%			
Pakistan investment bonds	18-Jun-2012	100	11.0%	18-Jun-2012	1,400	11% per annum paid semi-annually
	18-Jun-2012	1,300	11.0%			
	22-Aug-2017	50,000	9.6%			

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

11.24 Particulars of TFCs: *

Number of certificates		Particulars	2008		2007	
2008	2007		Amortised cost	Market value	Amortised cost	Market value
----- (Rupees in thousand) -----						
HELD FOR TRADING						
457	–	Engro Chemical Pakistan Limited	2,285	2,309	–	–
AVAILABLE FOR SALE						
Listed TFCs						
Commercial banks						
–	2,000	Standard Chartered Bank (Pakistan) Limited I	–	–	6,765	5,707
4,587	4,587	Standard Chartered Bank (Pakistan) Limited II	22,898	22,898	22,907	21,981
–	2,000	Standard Chartered Bank (Pakistan) Limited III	–	–	9,996	10,296
6,352	6,352	United Bank Limited II	31,756	31,756	31,757	30,487
Leasing						
190	190	Al-Zamin Leasing Modaraba	646	646	950	893
Refinery						
–	1,448	Chanda Oil & Gas Securitization Company Limited	–	–	5,749	5,907
–	5,913	Naimat Basal Oil & Gas Securitization Company Limited	–	–	18,057	18,463
Miscellaneous						
5,903	5,903	Searle Pakistan Limited	22,127	22,127	29,503	29,503
897	897	Pakistan Services Limited	640	666	1,921	1,950
8,715	8,715	TeleCard Limited	29,936	28,290	31,754	26,991
5,000	–	Jahangir Siddiqui and Company Limited	24,985	24,985	–	–
3,447	–	Pak Arab Fertilizer (Private) Limited	17,235	17,235	–	–
–	2,000	WorldCall Telecom Limited	–	–	1,350	401
			150,223	148,603	160,709	152,579
Unlisted TFCs						
–	5,000	Jahangir Siddiqui and Company Limited	–	–	24,995	–
–	5,000	Three Stars (Pvt.) Limited	–	–	25,000	–
–	2,000	Security Leasing Corporation Limited	–	–	10,000	–
10,000	–	New Allied Electronics Industries (Private) Limited	50,000	50,335	–	–
16,000	–	Engro Chemical Pakistan Limited	80,000	80,000	–	–
10,000	–	Eden Housing Limited	50,000	50,000	–	–
6,000	–	Maple Leaf Cement Factory Limited	30,000	30,174	–	–
10,000	–	Al-Zamin Leasing Modaraba	50,000	50,000	–	–
			260,000	260,509	59,995	–
2008 2007 (Rupees in thousand) Amortised cost						
Pre-IPO investments in TFCs						
–	5,000	Pak Electron	–	–	–	25,000
–	5,000	Shahmurad Sugar Mills Limited	–	–	–	25,000
			–	–	–	50,000

* Secured, unless specified otherwise.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

11.2.5 Other particulars of TFCs are as follows:

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Redemption
Engro Chemical Pakistan Limited	5,000	Six months Karachi Inter-Bank Offer Rate (KIBOR) plus 1.55% p.a. without any floor and cap.	Semi-annually	Principal redemption will take place in sixteen equal semi annual installments and commence from the 30th May, 2008
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.
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.
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. The remaining principal amount will be redeemed in 8 equal semi-annual installments of 12.495 % of the outstanding amount.
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 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.
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
Pak Arab Fertilizers (Private) Limited	5,000	Average ask rate of six months KIBOR + 1.5%.	Semi-annually	Principal redemption will be as follows: a) 30th month 300 of the principal b) 36 - 42nd month 1,000 of the principal c) 48th month 1,000 of the principal d) 54th month 1,200 of the principal e) 60th month 1,500 of the principal
New Allied Electronics Industries (Private) Limited	5,000	Average ask rate of three months KIBOR 2.2% (Floor 7% and ceiling 20%).	Semi-annually	Principal redemption will take place in six equal semi annual installments. This will commence from the 30th month of the date of public subscription after a grace period of 24 months.
Engro Chemical Pakistan Limited	5,000	Six months KIBOR + 1.7%	Semi-annually	The TFCs are perpetual in nature with a five year call and ten year put option.
Eden Housing Limited	5,000	Average ask rate of six months KIBOR + 2.5% (Floor 7% and ceiling 20%).	Semi-annually	Principal redemption will take place in eight equal semi annual installments. This will commence from the 18th month of the date of public subscription after a grace period of 12 months.
Maple Leaf Cement Factory Limited	5,000	Average ask rate of six months KIBOR + 1.7%.	Semi-annually	Principal redemption will be as follows: a) 6-24th month 0 of the principal b) 30-48th month 2,000 of the principal c) 54-72nd month 3,000 of the principal
Al-Zamin Leasing Modaraba (II)	5,000	Average ask rate of six months KIBOR + 1.9% (with no floor and cap)	Semi-annually	Principal redemption will be as follows: a) 36th month 1,600 of the principal b) 48th month 1,700 of the principal c) 60th month 1,700 of the principal

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

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

No. of units		Particulars	2008		2007	
2008	2007		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
1,555,024	106,089	IGI Income Fund (a related party)	158,312	159,748	10,599	10,825
			<u>158,312</u>	<u>159,748</u>	<u>17,599</u>	<u>17,910</u>
Available-for-sale						
14,704	–	IGI Income Fund *	1,500	1,511	–	–
–	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
–	901,347	Askari Income Fund (Face value Rs. 100 each)	–	–	100,000	100,617
–	406,771	Dawood Money Market Fund (Face value Rs. 100 each)	–	–	45,000	45,241
–	391,196	HBL Income Fund (Face value Rs. 100 each)	–	–	40,000	40,168
–	918,127	KASB Liquid Fund (Face value Rs. 100 each)	–	–	100,885	101,885
–	4,098,958	NAFA Cash Fund (Face value Rs. 10 each)	–	–	45,000	45,355
156,617	156,617	National Investment Trust	10,000	8,199	10,000	9,655
–	547,097	United Money Market Fund (Face value Rs. 100 each)	–	–	60,000	60,290
			<u>11,500</u>	<u>9,710</u>	<u>510,885</u>	<u>514,163</u>
			<u>169,812</u>	<u>169,458</u>	<u>528,484</u>	<u>532,073</u>

11.2.7 Particulars of Pre-IPO investment in open end mutual funds

No. of units		Particulars	Cost	
2008	2007		2008	2007
---- (Rupees in thousand) ----				
10,000	–	IGI Stock Fund *	100,000	–

*This represents investments made in collective investment schemes managed by IGI Funds Limited. The matter relating to the classification and recognition of these investments has been referred by the various fund managers to the Professional Standard and Technical Advisory Committee and Joint Committee of the Institute of Chartered Accountants of Pakistan (ICAP) and Mutual Funds Association of Pakistan (MUFAP). Pending outcome of the matter referred as above, the investments of the Group in the collective investment schemes have been classified as held for trading and available for sale in these financial statements.

11.2.8 Particulars of listed shares / certificates

No. of ordinary shares / certificates of Rs. 10/- each		Particulars	2008		2007	
2008	2007		Average cost	Market value	Average cost	Market value
----- (Rupees in thousand) -----						
Mutual fund (closed ended)						
775,500	950,000	Atlas Fund of Funds	7,384	6,910	9,048	8,740
3,634,559	4,215,559	First Dawood Mutual Fund	30,561	25,951	35,447	37,940
155,500	–	Golden Arrow - GASF	1,087	1,045	–	–
245,000	–	JS Value Fund - JSVFL	5,526	4,736	–	–
421,000	999,500	Meezan Balance Fund	4,210	4,021	9,995	10,245
197,000	–	Pak Premier Fund - PPFL	2,493	2,634	–	–
500,000	500,000	PICIC Investment Fund	9,311	5,940	9,311	7,625
3,418,265	3,403,765	Safeway Mutual Fund	42,003	44,437	41,866	40,845
158,500	–	PICIC Growth Fund - PGF	4,489	3,768	–	–
49,500	–	UTP Large Capital Fund - UTPLCF	437	446	–	–
500,226	–	JS Growth Fund - JSGF	9,116	6,088	–	–
–	404,850	AKD Index Tracker Fund	–	–	4,051	5,547
–	500,226	UTP Growth Fund	–	–	9,116	7,003
Leasing						
128,200	78,200	ORIX Leasing Pakistan Limited	4,292	3,204	2,715	2,326
Investment Banks / Companies / Securities						
15,000	500	Arif Habib Securities Limited	2,938	2,422	48	59
48,600	–	First Capital Securities Corporation Limited	4,069	2,877	–	–
300,000	–	Jahangir Siddiqui & Company Limited	131,257	159,047	–	–
Commercial banks						
15,000	–	MCB Bank Limited	5,716	4,896	–	–
10,000	–	NIB Bank Limited	120	114	–	–
39,000	–	National Bank Limited	9,225	5,753	–	–
–	950	Bank Alfalah Limited	–	–	49	62
Balance c/f			274,234	284,289	121,646	120,392

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

No. of ordinary shares / certificates of Rs. 10/- each		Particulars	2008		2007	
			Average cost	Market value	Average cost	Market value
2008	2007		(Rupees in thousand)			
		Balance b/f	274,234	284,289	121,646	120,392
		Textile spinning				
	1,200,326	Dewan Farooque Spinning Mills Limited	–	–	12,003	10,743
1,758,280	1,758,280	Hira Textile Mills Limited	21,979	11,165	21,979	17,583
		Textile composite				
	221,551	Kohinoor Textile Mills Limited	10,887	3,073	10,887	5,926
2,000,000	–	Azgard Nine	107,569	123,120	–	–
		Textile weaving				
	605,302	Zephyr Textiles Limited	5,732	2,960	5,732	4,963
		Cement				
	5,000	Lucky Cement Limited	573	490	–	–
	40,000	DG Khan Cement	4,383	2,686	–	–
		Refinery				
	2,000	National Refinery Limited	596	595	–	–
	–	Attock Refinery Limited	–	–	5,117	5,125
		Power generation and distribution				
	50,000	Kot Addu Power Company Limited	2,494	2,350	85	90
		Oil and gas Marketing Companies				
	17,000	Pakistan State Oil Company Limited	7,802	7,094	–	–
	25,000	Sui Northern Gas Company Limited	1,206	1,089	–	–
		Oil and gas exploration				
	600	Oil and Gas Development Company Limited	76	75	262	264
	–	Pakistan Oilfield Limited	–	–	555	539
	31,000	Pakistan Petroleum Limited	8,212	7,626	436	446
		Fertilizer				
	10,000	Fauji Fertilizer Company Limited	1,400	1,323	–	–
	1,000	Engro Chemical Pakistan Limited	175	126	–	–
	50,000	Fauji Fertilizer Bin Qasim	1,885	1,799	–	–
		Jute				
	45,100	Thall Limited	11,481	8,841	–	–
		Automobile Assembler				
	12,185	Indus Motor	3,924	2,438	–	–
		Technology and communication				
	42,000	Pakistan Telecommunication	2,020	1,623	–	–
		Synthetic and Rayon				
	100,000	Ibrahim Fibres	5,809	5,250	–	–
			472,437	468,012	178,702	166,071

11.2.9 Pre-IPO investment in unlisted shares

No. of ordinary shares / certificates of Rs. 10/- each		Particulars	Cost	
			2008	2007
2008	2007		(Rupees in thousand)	
4,000,000	–	Descon Oxychem	40,000	–

11.2.10 Unlisted shares / certificates

No. of ordinary shares / certificates of Rs. 10/- each		Particulars	Cost	
			2008	2007
2008	2007		(Rupees in thousand)	
4,000,000	4,000,000	DHA Cogen Limited	40,000	40,000
518,918	216,216	System Limited	10,000	10,000
1,123,318	1,123,318	Techlogix Limited	12,782	12,782
			62,782	62,782

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

12 ADVANCES, DEPOSITS AND PREPAYMENTS

	Note	2008 (Rupees in thousand)	2007
Advance against leases	12.1	7,606	1,903
Exposure deposits with Karachi Stock Exchange (Guarantee) Limited	12.2	38,108	343,892
Exposure deposits with Lahore Stock Exchange (Guarantee) Limited	12.2	5,500	5,000
Advance to suppliers		2,418	17,288
Advance to employees		498	11
Prepaid expenses	12.3	17,672	12,191
Receivable from NCCPL / CDC		1,540	1,400
Margin deposit with National Commodity Exchange Limited		1,100	1,540
Others		420	423
		<u>74,862</u>	<u>383,648</u>

12.1 These represent advances paid to suppliers against assets to be leased out. Mark-up is recovered from the customers at rates ranging from 17.16% to 19.69% (2007: 14.95% to 15.41%).

12.2 These represent the deposit held at the year end against exposures arising out of trading in securities in accordance with the regulations of the Karachi Stock Exchange (Guarantee) Limited and the Lahore Stock Exchange (Guarantee) Limited. Interest is earned on the deposits at rates as decided by the Exchanges.

12.3 This includes Rs. 5,193 thousand (2007: Rs. 7,446 thousand) in respect of advance rent of premises utilised by the Group.

13 INTEREST, MARK-UP AND PROFIT ACCRUED

	Note	2008 (Rupees in thousand)	2007
Investments			
- government securities		1,720	160
- term finance certificates		11,966	6,709
- term deposit receipts		4,545	114
- fund placements		1,301	256
		<u>19,532</u>	<u>7,239</u>
Finances		32,428	68,111
Lendings and continuous funding system transactions		8,926	3,270
Deposits with banks		4,465	6,641
		<u>65,351</u>	<u>85,261</u>

14 TRADE DEBTS

Secured - considered good

Against purchase of shares on behalf of clients / clearing balances with National Clearing Company of Pakistan Limited	14.1	1,431,356	640,158
Receivable from Karachi Stock Exchange (Guarantee) Limited against provisional listing and arbitrage transaction		6,038	-

Unsecured - considered good

Commission receivable		1,519	1,813
		<u>1,438,913</u>	<u>641,971</u>

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

- 14.1 This includes an amount of Rs. 15,034 thousand (2007: Rs 97,257 thousand) receivable from National Clearing Company of Pakistan Limited in respect of trading in securities which was settled subsequent to the year end.

15 RECEIVABLE AGAINST SALE OF SECURITIES

	Note	2008 (Rupees in thousand)	2007
Secured - Considered good		<u>778,234</u>	<u>—</u>

16 OTHER RECEIVABLES

Secured - considered good

Assets repossessed in respect of terminated lease contracts		5,559	12,272
---	--	-------	--------

Unsecured - considered good

Dividend receivable		356	100
Receivable against tender offer		—	6,240
Excise duty paid on behalf of customers		4,471	4,471

Due from related parties:

Packages Limited		445	—
IGI Income Fund	16.1	3,304	6,388
IGI Stock Fund		257	—
IGI Insurance Limited		628	—
Staff Provident Fund of IGI BANK		3,554	—
Staff Gratuity Fund of IGI BANK		70	—
		<u>8,258</u>	<u>6,388</u>

Accrued commission / fee income	16.2	12,285	—
Others		5,858	14,777

Unsecured - considered doubtful

Receivable from lessees in satisfaction of claims		<u>10,418</u>	<u>6,539</u>
		47,205	50,787
Less: provision for bad and doubtful receivables		<u>(10,418)</u>	<u>(6,539)</u>
		<u>36,787</u>	<u>44,248</u>

- 16.1 This represents remuneration for services rendered as a management company. The amount has been calculated by applying the management fee rate of 1.25% on the average annual net assets of the fund determined on a daily basis in accordance with the provisions of the Non- Banking Finance Companies (Establishment & Regulation) Rules, 2003 (the NBFC Rules) and the Non- Banking Finance Companies and Notified Entities Regulations, 2007.
- 16.2 This includes commission amounting to Rs. 614 thousand (2007: Nil) due from IGI Income Fund, a related party.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

17 CASH AND BANK BALANCES

	Note	2008 (Rupees in thousand)	2007
In hand		81	51
In current accounts			
- State Bank of Pakistan		1,547	278
- Others			
local currency		84,052	14,506
foreign currencies		1,045	950
		85,097	15,456
Term deposit receipt- having original maturity upto three months	17.1	50,000	50,000
In saving accounts			
local currency		838,120	295,981
		<u>974,845</u>	<u>361,766</u>

17.1 This carries interest at the rate of 10% (2007: 9.75%) and is maturing on July 30, 2008. This TDR is pledged against the running finance facility availed by the Group as disclosed in note 27 to these financial statements.

18 SHARE CAPITAL

Authorised capital

2008 (Number of Shares)	2007 (Number of Shares)		2008 (Rupees in thousand)	2007 (Rupees in thousand)
<u>300,000,000</u>	<u>100,000,000</u>	Ordinary shares of Rs 10 each	<u>3,000,000</u>	<u>1,000,000</u>

Issued, subscribed and paid-up capital

2008			2007					
Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total			
----- No. of shares -----								
71,109,250	-	71,109,250	25,000,000	-	25,000,000	Ordinary shares paid in cash	711,092	250,000
-	21,109,250	21,109,250	-	16,917,500	16,917,500	Ordinary shares issued as bonus shares	211,092	169,175
71,109,250	21,109,250	92,218,500	25,000,000	16,917,500	41,917,500		922,184	419,175
-	-	-	-	4,191,750	4,191,750	Bonus shares issued during the year	-	41,917
119,884,050	-	119,884,050	46,109,250	-	46,109,250	Right shares issued during the year	1,198,841	461,092
<u>190,993,300</u>	<u>21,109,250</u>	<u>212,102,550</u>	<u>71,109,250</u>	<u>21,109,250</u>	<u>92,218,500</u>		<u>2,121,025</u>	<u>922,184</u>

18.1 The following shares were held by the related parties of the Group as at June 30, 2008:

Name of related party	2008		2007	
	Shares held (in million)	Percentage	Shares held (in million)	Percentage
Packages Limited	4.611	2.175%	4.611	4.940%
IGI Insurance Limited	89.095	42.026%	32.942	35.295%
Directors, Chief Executive and their spouse and minor children	7.521	3.548%	4.999	5.356%
Executives	0.010	0.005%	0.010	0.600%

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

19 RESERVES

	Note	2008 (Rupees in thousand)	2007
Capital reserve			
Statutory reserve		97,098	97,098
Revenue reserves			
General reserve		39,733	55,408
Unappropriated loss		(95,011)	(36,439)
		<u>41,820</u>	<u>116,067</u>

20 MINORITY INTEREST

Share of minority in:			
Share capital		30,000	30,000
Unappropriated loss brought forward		(4,902)	–
Loss for the year		(14,071)	(4,902)
Transfer of resources to the minority interest consequent to deemed partial disposal of shareholding in IGI Funds Limited		(5,235)	(5,235)
Transfer of resources to the minority shareholders consequent to the right issue in IGI Funds Limited		17,592	–
		<u>23,384</u>	<u>19,863</u>

21 DEFICIT ON REVALUATION OF INVESTMENTS - NET

Net deficit on revaluation of:			
- government securities		(8,423)	(592)
- term finance certificates		(1,087)	(8,130)
- mutual funds units (open ended)		(354)	3,589
- quoted shares and certificates		(4,425)	(12,631)
- forward sale of quoted shares and certificates		(49,090)	–
	21.1	<u>(63,379)</u>	<u>(17,764)</u>
Related deferred tax asset - net	7	2,770	207
Minority interest thereon		378	106
		<u>(60,231)</u>	<u>(17,451)</u>

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

Opening balance- July 1		(17,764)	(30,458)
Surplus arising on revaluation of investments during the year		81,184	44,127
Transferred to the profit and loss account on disposal of investments		(126,799)	(31,433)
Closing balance- June 30		<u>(63,379)</u>	<u>(17,764)</u>

22 TERM FINANCE CERTIFICATES

Term finance certificates	22.1	437,325	499,961
Less: transaction costs	22.2	2,215	4,040
		<u>435,110</u>	<u>495,921</u>
Less: current maturity of term finance certificates and transaction costs		124,950	61,565
		<u>310,160</u>	<u>434,356</u>

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

- 22.1 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 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 through its letter No. SMD/Co.57 (1)/06/2006 dated June 26, 2006 and by the Lahore Stock Exchange (Guarantee) Limited through its letter No. LSE/12935 dated May 29, 2006 and letter No. 14147 dated June 27, 2006. The credit rating of these TFCs has been maintained at 'A+' (single A plus) by the Pakistan Credit Rating Agency (PACRA).
- 22.2 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.

23 LONG-TERM FINANCE

Secured	Note	2008 (Rupees in thousand)	2007
Local currency - banking companies	23.1	890,000	1,203,335
Less: current maturity of long-term finance		<u>481,667</u>	<u>421,666</u>
		<u>408,333</u>	<u>781,669</u>

23.1 This includes:

Lender	Amount (Rs in '000)	Date of disbursement	Date of maturity	Installments payable	Pricing structure	Security
MCB Bank Limited	300,000	4-May-07	4-May-10	4 equal semi-annual installments, commencing from 18 months from the date of disbursement.	A floating rate of 3 month KIBOR plus 1.35% payable quarterly.	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%.
MCB Bank Limited	100,000	22-Jun-06	22-Jun-09	4 equal semi-annual installments, commencing from 18 months from the date of disbursement.	A floating rate of 6 months KIBOR plus 1.35% with no floor and or cap payable semi-annually.	The facility is secured by a first pari passu charge on all present and future assets and receivables of IGI BANK's with a margin of 25%.
Allied Bank Limited	40,000	28-Dec-05	28-Dec-08	5 equal semi-annual installments of Rs 40,000 commencing from 13 months from the date of disbursement.	A floating rate of 6 months KIBOR plus 1.35 % p.a. payable semi-annually in arrears.	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%.
Allied Bank Limited	250,000	30-Mar-07	30-Mar-10	4 equal semi-annual installments commencing from 18 months from the date of disbursement.	A floating rate of 6 months KIBOR plus 1.35 % p.a. with no floor or cap payable semi annually in arrears.	The facility is secured by a first pari passu charge on IGI BANK's movable assets and all receivables including leased assets and leased receivables with a margin of 25%.
United Bank Limited	200,000	28-Apr-08	28-Apr-11	6 equal semi-annual installments commencing 180 days from the date of disbursement.	A floating rate of 3 months KIBOR plus 1.30% p.a. with no floor or cap payable quarterly in arrears.	The facility is secured by a first pari passu charge on all present and future assets and receivables of IGI BANK's amounting to Rs 285.71 million with a margin of 30%.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

24 LONG-TERM CERTIFICATES OF DEPOSITS

	Note	2008 (Rupees in thousand)	2007
Unsecured			
Local currency			
- Financial institutions		200,000	400,000
- Individuals		447,750	420,375
- Others		143,932	66,996
	24.1	791,682	887,371
Less: current maturity of long-term certificates of deposit		319,784	359,316
		<u>471,898</u>	<u>528,055</u>

- 24.1 These certificates of deposit have contractual maturities ranging from 1 to 5 years (2007: 1 to 5 years) from the contract date. Expected rates of return payable on these certificates of deposits are 6% to 13.50% (2007: 4.75% to 13%) per annum.

25 LONG-TERM DEPOSITS ON LEASE CONTRACTS

	Note	2008 (Rupees in thousand)	2007
Deposits on lease contracts	25.1	574,504	515,228
Less: current maturity of deposits on lease contracts		156,283	85,497
		<u>418,221</u>	<u>429,731</u>

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

26 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The Group has entered into various lease agreements with Faysal Bank Limited for leases of motor vehicles having term of 5 years. The liabilities are subject to finance charge at the rate of 15% (2007: 12.5%).

The cost of operating and maintaining the leased assets is borne by the Group. The amount of future payments for the finance lease and the period in which these payments will become due are as follows:

	2008		2007	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
----- (Rupees in thousand) -----				
Not later than one year	639	359	1,188	757
Later than one year and not later than five years	2,379	1,917	4,154	3,517
Later than five years	—	—	—	—
	<u>3,018</u>	<u>2,276</u>	<u>5,342</u>	<u>4,274</u>
Less: finance charge not yet due	742	—	1,068	—
	<u>2,276</u>	<u>2,276</u>	<u>4,274</u>	<u>4,274</u>
Less: current maturity of liabilities against assets subject to finance lease	359	359	757	757
	<u>1,917</u>	<u>1,917</u>	<u>3,517</u>	<u>3,517</u>

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

27 SHORT-TERM FINANCE - SECURED

	Note	2008 (Rupees in thousand)	2007 (Rupees in thousand)
Running finance utilised under mark-up arrangement	27.1	<u>826,061</u>	<u>160,027</u>

27.1 Particulars of the facilities available to the group for short term finances are as follows:

Lender	Facility amount (Rs in '000)	Date of expiry	Pricing structure	Security
Allied Bank Limited	100,000	31-Oct-08	Mark-up at 1-month KIBOR rate plus 1.5% per annum.	1st pari passu charge on IGI BANK's movable assets including leased assets and lease receivables with a margin of 25%.
United Bank Limited	200,000	28-Feb-09	Mark-up at 1-month KIBOR rate plus 1.25% per annum.	First pari passu charge over present and future assets and receivables of IGI BANK with a margin of 25% amounting to Rs 200 million and incremental charge of Rs 67 million on all present and future assets and receivables of IGI BANK's with 25% charge registered with SECP.
Various banks	1,000,000	18-May-09	Mark-up at rates ranging from 1-3 months KIBOR plus 1-2%	Pledge of a term deposit receipt of Rs 50 million, listed shares held by the group and hypothecation of book debts.

28 SHORT-TERM CERTIFICATES OF DEPOSIT

	Note	2008 (Rupees in thousand)	2007 (Rupees in thousand)
Unsecured			
Local currency			
- Financial institutions		1,740,000	1,350,000
- Individuals		343,987	296,416
- Others		599,490	193,743
	28.1 & 28.2	<u>2,683,477</u>	<u>1,840,159</u>

28.1 These includes certificates of deposit amounting to Rs 1,700 thousand (2007: NIL) issued to employees at mark-up rate of 9.25% (2007: NIL).

28.2 These certificates of deposits have contractual maturities ranging from 1 to 12 months (2007: 1 to 12 months) from the contract date. Expected rates of return payable on these certificates of deposits are 8.5% to 15.15% (2007: 8.75% to 11.65%) per annum.

29 BORROWINGS FROM FINANCIAL INSTITUTIONS

	Note	2008 (Rupees in thousand)	2007 (Rupees in thousand)
Securities sold under repurchase agreement	29.1	819,109	—
Unsecured borrowings	29.2	<u>740,000</u>	<u>465,000</u>
		<u>1,559,109</u>	<u>465,000</u>

29.1 These carry mark-up at rates ranging from 9.62% to 11.00% (2007: Nil) per annum and are repayable on various dates by July 31, 2008.

29.2 These carry mark-up at rates ranging from 10.50% to 16.25% (2007: 8.80% to 9.75%) per annum and are repayable on various dates by November 6, 2008.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

30 INTEREST AND MARK-UP ACCRUED

	Note	2008 (Rupees in thousand)	2007
Interest and mark-up accrued on:			
- Long-term finance		17,411	11,939
- Short-term finance		6,466	577
- Borrowings from financial institutions		8,186	2,319
- Term finance certificates		25,217	30,178
- Certificates of deposit		114,434	58,450
		<u>171,714</u>	<u>103,463</u>

31 ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses		27,546	11,854
Payable to customers on account of excess recoveries		3,028	3,028
Payable to customers in respect of brokerage business			
- Related parties		4,359	16,721
- Others		963,730	517,448
Discretionary client funds' payable	31.1	55,389	-
Distribution commission payable		6,052	2,896
Unclaimed dividends		316	347
Payable against services received		1,143	577
Payable to EOBI and provident fund		-	98
Payable against purchase of fixed assets		1,605	1,688
Payable to employee gratuity scheme of IGI Bank and IGI Finex Securities Limited	41.1.2	6,733	3,700
Payable to employee gratuity scheme of IGI Funds Limited		808	320
Advances from lessees		20,925	35,428
Advance insurance recoveries from customers		7,615	14,799
Creditors		-	2,440
Payable to IGI Insurance Limited		45,513	38,332
Fair value of derivative financial instruments		49,090	-
Others		19,913	10,764
		<u>1,213,765</u>	<u>660,440</u>

31.1 The IGI BANK has received an amount of Rs. 100 million from Packages Limited Management Staff Pension Fund and Packages Limited Management Staff Provident Fund under discretionary portfolio management services agreement dated January 1, 2008. Out of the total amount received, an amount of Rs. 55.389 million (including Rs. 1.102 million which represents profit realised during the period) remained uninvested as at June 30, 2008. The total cost and total market value of the invested portfolios as at June 30, 2008 amounting to Rs 45.713 million and Rs 39.407 million respectively (2007: Rs Nil and Rs Nil respectively). The IGI BANK is entitled to fee and proportionate amount of agreed profit for the management of the above discretionary client portfolio which is included in fee, commission and brokerage.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

32 CONTINGENCIES AND COMMITMENTS

32.1 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.

- (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 which was also confirmed by the Supreme Court in its decision dated March 1, 2006 under which the department was directed to 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 the department had selected Tax Year 2003 for audit and has consequently amended the assessment for the said year by making certain additions on account of depreciation on leased assets, provision for finance losses and other miscellaneous expenses. The company had preferred an appeal before the CIT (A) to agitate against the additions. The appeal proceeding in this regard has been completed and the order is still awaited.

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 2008 amounts to Rs 199 million (2007: 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.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

	2008	2007
	(Rupees in thousand)	
32.2 Claims not acknowledged as debts	<u>81,570</u>	<u>81,570</u>
32.3 Commitments		
- Underwriting commitments	-	75,000
- Commitments in respect of capital expenditure	1,624	5,960
- Commitments in respect of lease disbursements	307,408	-
- Commitments in respect of forward sale of shares	283,109	-
- Commitments in respect of continuous funding system transactions - receivable	142,010	188,485
- Commitments in respect of continuous funding system transactions - payable	32,233	-

33 INCOME FROM INVESTMENTS - NET

	2008				2007			
	Held to maturity	Held for trading	Available for sale	Total	Held to maturity	Held for trading	Available for sale	Total
	(Rupees in thousand)							
Interest / mark-up / profit from:								
TDRs / Commercial Papers / fund placements	39,294	-	-	39,294	30,134	-	-	30,134
Government securities	-	14,971	-	14,971	-	225	8,686	8,911
TFCs	-	-	44,235	44,235	-	-	26,946	26,946
	39,294	14,971	44,235	98,500	30,134	225	35,632	65,991
Dividend income	-	-	21,168	21,168	-	-	7,817	7,817
Gain / (loss) on disposal of:								
TFCs	-	-	4,106	4,106	-	-	464	464
Mutual fund units (open-end)	-	-	49,651	49,651	-	453	16,933	17,386
Listed shares / certificates	-	-	73,042	73,042	-	8,120	5,463	13,583
	-	-	126,799	126,799	-	8,573	22,860	31,433
	39,294	14,971	192,202	246,467	30,134	8,798	66,309	105,241

34 INCOME FROM LOANS

	2008	2007
	(Rupees in thousand)	
Mark-up / interest on loans	118,229	116,406
Documentation charges and other loan related income	1,480	3,353
	<u>119,709</u>	<u>119,759</u>

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2008

35 INCOME FROM LEASE FINANCE

	Note	2008 (Rupees in thousand)	2007
Mark-up on lease finance		224,685	224,979
Front-end fees, documentation charges and other lease related income		6,711	5,569
		<u>231,396</u>	<u>230,548</u>

36 INCOME FROM LENDINGS AND CONTINUOUS FUNDING SYSTEM TRANSACTIONS

Securities purchased under resale agreements		35,910	72
Income from continuous funding system transactions		137,223	109,533
		<u>173,133</u>	<u>109,605</u>

37 REMUNERATION FROM FUND UNDER MANAGEMENT

Open end fund

IGI Income Fund (a related party)	37.1	<u>38,577</u>	<u>3,770</u>
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37.1 Remuneration for services rendered as the management company has been calculated by applying the management fee rate of 1.25% on the average annual net assets of the fund determined on a daily basis in accordance with the provisions of the Non- Banking Finance Companies (Establishment & Regulation) Rules, 2003 (the NBFC Rules) and the Non- Banking Finance Companies and Notified Entities Regulations, 2007.

38 INCOME FROM FEES, COMMISSION AND BROKERAGE

	2008 (Rupees in thousand)	2007
Commitment and underwriting fee	1,020	2,568
Corporate finance and advisory fee	11,358	3,289
Commission	11,395	9,740
Brokerage income	142,293	85,290
Distribution and sales income	38,362	12,317
Others	-	1,685
	<u>204,428</u>	<u>114,889</u>

39 FINANCE COSTS

Mark-up on term finance certificates	57,953	61,051
Mark-up on long-term borrowings	121,358	129,920
Mark-up on certificates of deposits	321,910	255,173
Mark-up on short-term finances	30,648	528
Mark-up on borrowings from financial institutions	68,595	36,293
Finance charge on leases	234	486
Bank charges	962	482
	<u>601,660</u>	<u>483,933</u>

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

40 ADMINISTRATION AND GENERAL EXPENSES

	Note	2008 (Rupees in thousand)	2007
Salaries, allowances and benefits		219,223	149,894
Honorarium to Chairman of IGI Funds Limited		600	212
Contribution to provident fund	41.3	5,593	5,625
Gratuity scheme expense			
- IGI BANK and IGI Finex Securities Limited	41.1.6	4,655	3,231
- IGI Funds Limited	41.2	488	320
Contribution to employees' old-age benefit institution		429	381
Depreciation on property and equipment	3.1	36,935	22,432
Amortisation on intangible assets	3.3	15,610	12,976
Rent, rates and taxes		38,766	23,905
Travelling and entertainment		18,009	9,768
Telephone, telex and fax		12,489	10,311
Printing, postage and stationery		10,225	7,975
Staff training and development		431	565
Insurance		3,004	3,145
Lighting, heating and cooling		11,132	6,776
Repairs and maintenance		7,060	4,892
Brokerage and commission		20,914	4,558
Legal and professional fees		11,857	12,788
Subscriptions		38,376	20,726
Computer expenses		11,886	4,897
Advertisement		48,625	20,306
Bad debts written off		961	520
Other expenses		6,440	7,058
		<u>523,708</u>	<u>333,261</u>

41 EMPLOYEE BENEFITS

41.1 Gratuity scheme

As mentioned in note 2.22.2, the Group operates two funded gratuity schemes and one unfunded gratuity scheme for all its permanent employees.

In respect of IGI Bank Limited and IGI Finex Securities Limited, annual provisions are based on the actuarial valuations and the latest valuations of the schemes were carried out as at June 30, 2008 using Projected Unit Credit Method. In IGI Funds Limited, annual provisions to cover the obligation are based on the management's best estimates.

41.1.1 Principal actuarial assumptions

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

	2008		2007	
	IGI BANK	IGI Finex Securities Limited	IGI BANK	IGI Finex Securities Limited
	----- Per annum -----			
Expected rate of increase in salary	11.09%	12.00%	8.89%	10.00%
Discount rate	13.25%	12.00%	11.00%	9.00%
Expected rate of return on plan assets	13.25%	10.00%	11.00%	10.00%

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

41.1.2 Amount recognised in the balance sheet

	Note	2008 (Rupees in thousand)	2007
Present value of defined benefit obligation	41.1.3	18,304	12,164
Fair value of plan assets	41.1.4	(11,112)	(8,377)
Unrecognised actuarial loss (net)		(459)	(24)
Past service cost		–	(63)
		<u>6,733</u>	<u>3,700</u>

41.1.3 Movement in the defined benefit obligation

Present value of defined benefit obligation at the beginning of the year		12,164	9,686
Interest cost		1,296	940
Current service cost		4,203	3,222
Benefits paid		–	(1,515)
Settlement cost		–	(261)
Actuarial gain on obligation		641	529
Benefits payable to outgoing members		–	(437)
Present value of defined benefit obligation at the end of the year		<u>18,304</u>	<u>12,164</u>

41.1.4 Movement in the fair value of plan assets

Fair value of plan asset at the beginning of the year		8,377	6,839
Expected return on plan assets		910	726
Contributions to the fund		1,622	2,823
Benefits paid		–	(1,515)
Actuarial gain / (loss) on plan assets		203	(59)
Benefits payable to outgoing members		–	(437)
Fair value of plan assets at the end of the year		<u>11,112</u>	<u>8,377</u>

41.1.5 Movement of liability

Balance at the beginning of the year		3,700	3,338
Expense for the year	41.1.6	4,655	3,231
Contributions during the year		(1,622)	(2,823)
Adjustment		–	(46)
Balance at the end of the year		<u>6,733</u>	<u>3,700</u>

41.1.6 Gratuity scheme expense recognised in the profit and loss account

Current service cost		4,203	3,222
Interest cost		1,296	940
Expected return on plan assets		(910)	(726)
Net actuarial (gain) / loss recognised during the year		3	(241)
Past service cost		63	36
		<u>4,655</u>	<u>3,231</u>

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

41.1.7 Plan assets comprised of following:

	2008		2007	
	(Rupees in thousand)	Percentage composition	(Rupees in thousand)	Percentage composition
Mutual fund units / shares	5,024	45%	5,033	60%
Term finance certificates	232	2%	–	0%
Bank account and short term deposits	6,016	54%	5,356	64%
Benefits due	(160)	(1%)	(2,012)	(24%)
	<u>11,112</u>	<u>100%</u>	<u>8,377</u>	<u>100%</u>

41.1.8 5 years data in respect of (surplus) / deficit on the plan assets is as follows:

	2008	2007	2006	2005	2004
	----- (Rupees in thousand) -----				
Present value of defined benefit obligation	18,304	12,164	9,686	5,797	5,481
Fair value of plan assets	<u>(11,112)</u>	<u>(8,377)</u>	<u>(6,839)</u>	<u>(3,542)</u>	<u>(3,149)</u>
Deficit	<u>7,192</u>	<u>3,787</u>	<u>2,847</u>	<u>2,255</u>	<u>2,332</u>

41.1.9 5 years data in respect of experience adjustments is as follows:

	2008	2007	2006	2005	2004
	----- (Rupees in thousand) -----				
Experience adjustments on plan liabilities	307	(580)	(339)	(249)	(250)
Experience adjustments on plan assets	203	(59)	(281)	(73)	(74)

41.1.10 Actual return on plan assets during the year was Rs. 1,113 thousand (2007: Rs. 667 thousand).

41.1.11 Based on actuarial advice IGI BANK and IGI Finex Securities Limited intend to charge an amount of approximately Rs. 6,671 thousand in the financial statements for the year ending June 30, 2009.

41.1.12 The information provided in notes 42.1.1 to 42.1.11 has been obtained from the valuation carried out by an independent actuary as at June 30, 2008.

41.2 Defined benefit plan - IGI Funds Limited

An amount of Rs 488 thousand (2007: Rs 320 thousand) 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.

41.3 Defined contribution plan

An amount of Rs. 5,593 thousand (2007: Rs. 5,625 thousand) has been charged during the year in respect of contributory provident fund maintained by the Group.

Notes to and Forming Part of the Consolidated Financial Statements
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42 OTHER OPERATING INCOME

	Note	2008 (Rupees in thousand)	2007
Income from financial assets			
Income from deposits with banks		26,879	28,718
Interest on loan to employees		558	–
Liquidated damages		26,991	–
Others		158	–
		<u>54,586</u>	<u>28,718</u>
Income from non-financial assets			
Income from deemed partial disposal of shareholding in subsidiary		–	5,235
Income from advisory service		2,039	393
Gain on disposal of fixed assets		446	2,589
Other income		5,058	1,074
		<u>62,129</u>	<u>38,009</u>

43 OTHER OPERATING EXPENSES

Expense from deemed partial acquisition of shareholding in subsidiary		17,592	–
Provision against other assets		3,879	1,470
Auditors' remuneration	43.1	1,452	1,058
Amortisation of transaction cost on TFCs		1,825	1,010
Donations	43.2	105	–
		<u>24,853</u>	<u>3,538</u>

43.1 Auditors' remuneration

	2008			
	IGI Bank	IGI Funds Limited	IGI Finex Securities Limited	Total
	(Rupees in thousand)			
Audit fee	500	150	150	800
Half yearly review fee	150	50	–	200
Special certification and other services	75	–	155	230
Out of pocket expenses	150	42	30	222
	<u>875</u>	<u>242</u>	<u>335</u>	<u>1,452</u>
	2007			
Audit fee	450	60	125	635
Half yearly review fee	100	–	–	100
Special certification and other services	100	25	50	175
Out of pocket expenses	120	3	25	148
	<u>770</u>	<u>88</u>	<u>200</u>	<u>1,058</u>

43.2 Donations were not made to any donee in which Group or a director or his spouse had any interest.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

44 TAXATION

	Note	2008 (Rupees in thousand)	2007
Current			
- For the year		35,525	28,165
- For prior years		(457)	(3,211)
		35,068	24,954
Deferred			
- For the year		(66,150)	(57,271)
- For prior years		171	-
	7.2	(65,979)	(57,271)
		<u>(30,911)</u>	<u>(32,317)</u>

44.1 Relationship between tax expense and accounting loss

Loss for the year before taxation	<u>(103,554)</u>	<u>(108,484)</u>
Tax at the applicable rate of 35% (2007: 35%)	(36,244)	(37,969)
Tax effect of income / expenses that are exempted / not allowed in determining taxable income	(8,554)	(7,224)
Tax effect of income taxed under Final Tax Regime	(9,591)	4,496
Prior years reversal	(457)	(3,211)
Tax effect of dividend income taxed at a lower rate	(12,962)	(10,043)
Minimum tax under section 113 of the Income Tax Ordinance, 2001	17,545	6,395
Other computational adjustments	19,352	15,239
Tax expense for the year	<u>(30,911)</u>	<u>(32,317)</u>

45 LOSS PER SHARE

	2008	2007 Restated
	(Rupees in thousand)	
Loss after taxation	<u>(58,572)</u>	<u>(71,265)</u>
	Number of shares	
Weighted average number of ordinary shares outstanding during the year	<u>109,151,644</u>	<u>61,433,977</u>
	(Rupees)	
Loss per share - basic	<u>(0.54)</u>	<u>(1.16)</u>

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

- 45.1 Diluted earnings per share has not been presented as the Group does not have any convertible instruments in issue as at June 30, 2007, and 2008 which would have any effect on the earnings per share if the option to convert is exercised.

46 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

46.1 IGI Investment Bank Limited

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		Director		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
----- (Rupees in thousand) -----								
Short-term employee benefit								
(including bonus)								
Managerial remuneration								
(including bonus)	5,065	4,500	23,680	20,297	3,727	–	32,472	24,797
House rent	1,519	–	10,656	8,123	1,677	–	13,852	8,123
Utilities	405	417	2,368	1,805	373	–	3,146	2,222
Medical expenses	–	424	915	601	–	–	915	1,025
Conveyance	155	125	3,326	2,897	158	–	3,639	3,022
Others	495	381	2,329	1,983	516	–	3,340	2,364
Post employment benefits								
Retirement benefits	405	755	1,680	3,560	373	–	2,458	4,315
	<u>8,044</u>	<u>6,602</u>	<u>44,954</u>	<u>39,266</u>	<u>6,824</u>	<u>–</u>	<u>59,822</u>	<u>45,868</u>
Number of persons	1	1	38	29	1	–	40	30

- 46.2 The chief executive and certain senior executives are provided with free use of IGI BANK'S owned and maintained cars.
- 46.3 IGI BANK 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.
- 46.4 Meeting fees of Rs 10,000 (2007: Nil) were paid to the directors for attending the board meetings.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

46.5 IGI Finex Securities Limited

The aggregate amounts charged in the financial statements for the year for remuneration, including all benefits, to the Chief Executive Officer, Directors and Executives of the company are as follows:

	Chief Executive		Executives		Director		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
----- (Rupees in thousand) -----								
Short-term employee benefit (including bonus)								
Managerial remuneration	2,917	2,389	13,975	4,543	796	487	17,688	7,419
Bonus	2,117	162	1,967	633	75	50	4,159	845
Reimbursements / other allowances	957	524	5,528	1,840	420	248	6,905	2,612
Retirement benefits	583	239	2,279	475	132	47	2,994	761
Housing	1,313	955	6,318	2,045	291	219	7,922	3,219
Utilities	292	271	1,398	454	65	44	1,755	769
Commission	–	–	2,819	549	–	260	2,819	809
	<u>8,179</u>	<u>4,540</u>	<u>34,284</u>	<u>10,539</u>	<u>1,779</u>	<u>1,355</u>	<u>44,242</u>	<u>16,434</u>
Number of persons	1	1	27	11	2	1	30	13

46.6 Managerial remuneration to directors includes an amount of Rs 150,000 in respect of consultancy fee paid to Mr Javed Masud, who is a non-executive director.

46.7 The Chief Executive Officer, a 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.

46.8 No meeting fees were paid to any of the Directors for attending the Board meetings (2007: Rs Nil).

46.9 IGI Funds Limited

The aggregate amounts charged in the financial statements for the year in respect of remuneration, including all benefits, to the Chief Executive and other executives of the company are as follows:

	Chief Executive		Executives		Director		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
----- (Rupees in thousand) -----								
Managerial remuneration	4,073	3,512	4,767	5,264	600	–	9,440	8,776
House rent allowance	1,834	1,580	2,145	2,369	–	–	3,979	3,949
Utility allowance	407	351	477	527	–	–	884	878
Medical	407	–	397	243	–	–	804	243
Bonus	968	–	1,274	556	–	–	2,242	556
Contributions to Provident Fund	407	338	462	224	–	–	869	562
Reimbursements	816	276	858	642	–	–	1,674	918
Leave Fare Assistance	–	–	–	537	–	–	–	537
Total	<u>8,912</u>	<u>6,057</u>	<u>10,380</u>	<u>10,362</u>	<u>600</u>	<u>–</u>	<u>19,892</u>	<u>16,419</u>
	1	1	5	5	1	–	7	6

46.10 The Chief Executive of the company is provided with free use of company owned and maintained vehicles.

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2008

47 TRANSACTIONS WITH RELATED PARTIES

Description	2008		Total
	Other related parties including associated undertaking	Key Management personnel	
----- (Rupees in thousand) -----			
Transactions during the year			
Certificate of deposits issued and mark-up paid thereon	912,007	164,198	1,076,205
Purchase of marketable securities	30,371,219	37,031	30,408,250
Sale of marketable securities	30,457,774	37,225	30,494,999
Insurance premium paid	20,906	–	20,906
Brokerage income earned	8,768	28	8,796
Income from finance	949	60	1,009
Gain on sale of investments	26,037	–	26,037
Rent expense	11,669	–	11,669
Insurance expense	1,975	–	1,975
Charge for the year in respect of employee benefit and contribution plan	13,710	–	13,710
Expenses incurred by IGI Insurance Limited	9,796	–	9,796
Remuneration received from IGI Income Fund	38,577	–	38,577
Purchase of units of IGI Income Fund	210,300	–	210,300
Sale of units of IGI Income Fund	63,800	–	63,800
Remuneration to key management personnel	–	64,530	64,530
Legal & professional charges for IGI Stock Fund	190	–	190
Advertisement & publicity for IGI Stock Fund	16	–	16
Authorization Fee for IGI Stock Fund	1,000	–	1,000
Other charges to IGI Stock Fund	20	–	20
Asset purchased	4,319	–	4,319
Liquidated damages	288	–	288
Balance outstanding as at year end			
Loans and advances	–	1,408	1,408
Certificates of deposit	237,958	–	237,958
Remuneration receivable from IGI Income Fund	3,304	–	3,304
Formation cost receivable from IGI Stock Fund	1,286	–	1,286
Payable in respect of advertisement expenses	1,649	–	1,649
Mark-up accrued - certificate of deposits	3,405	282	3,687

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

Description	2007		
	Other related parties including associated undertaking	Key Management personnel	Total
----- (Rupees in thousand) -----			
Transactions during the year			
Certificate of deposits issued and mark-up 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
Charge for the year in respect of employee benefit and contribution plan	3,328	–	3,328
Remuneration received from IGI Income Fund	10,736	–	10,736
Purchase of units of IGI Income Fund	3,770	–	3,770
Sale of units of IGI Income Fund	31,500	–	31,500
Remuneration to key management personnel	21,200	–	21,200
Legal & professional charges for IGI Stock Fund	–	39,714	39,714
	80	–	80
Balance outstanding as at year end			
Loans and advances	–	2,028	2,028
Certificates of deposit	485,696	–	485,696
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
Insurance premium prepaid	18	–	18
Payable in respect of advertisement expenses	1,105	–	1,105
Mark-up accrued - certificate of deposits	430	3	433

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.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

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 related notes to the financial statements.

48 CASH GENERATED FROM OPERATING ACTIVITIES

	Note	2008 (Rupees in thousand)	2007
Loss for the year before taxation		(103,554)	(108,484)
Adjustments for non cash and other items:			
Gain on disposal of fixed assets		(446)	(2,589)
Depreciation on property and equipment		36,935	22,432
Amortisation of intangible assets		15,610	12,976
Amortisation of transaction cost on TFCs		1,825	1,010
Gratuity scheme expense			
- IGI BANK and IGI Finex Securities Limited		4,655	3,231
- IGI Funds Limited		488	320
Interest, mark-up and profit income		(641,984)	(545,699)
Expense from deemed partial acquisition of shares in subsidiary		17,592	-
Income from deemed partial disposal of subsidiary		-	(5,235)
Dividend income		(21,168)	(7,817)
Finance cost		601,660	483,933
Provision for bad and doubtful loans / potential lease losses - general		5,257	4,260
Provision for bad and doubtful loans / lease losses - specific - net		23,915	5,313
Working capital changes	48.1	(496,554)	(721,294)
		<u>(452,215)</u>	<u>(749,159)</u>
		<u>(555,769)</u>	<u>(857,643)</u>
48.1 Working capital changes			
(Increase) / decrease in current assets:			
Short-term loans		(212,712)	75,273
Lendings		(1,025,513)	-
Receivable against continuous funding system transactions		274,497	(338,991)
Short-term investments		(826,825)	(479,737)
Trade debts		(796,942)	(303,065)
Receivable against sale of securities		(778,234)	-
Advances, deposits, prepayments and other receivables		316,503	(348,958)
		<u>(3,049,226)</u>	<u>(1,395,478)</u>
Increase / (decrease) in current liabilities:			
Short-term certificates of deposits		843,318	130,445
Payable against purchase of securities		65,410	-
Borrowings from financial institutions		1,094,109	170,653
Accrued expenses and other liabilities		549,835	373,086
		<u>2,552,672</u>	<u>674,184</u>
		<u>(496,554)</u>	<u>(721,294)</u>

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

49 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

	Note	2008 (Rupees in thousand)	2007 (Rupees in thousand)
Cash and bank balances	17	974,845	361,766
Short-term running finance utilised under mark-up arrangements	27	(826,061)	(160,027)
		<u>148,784</u>	<u>201,739</u>

50 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, 2008	Total	Within one year	More than one year and less than five years	More than five years
	(Rupees in thousand)			
Assets				
Fixed assets	358,189	73,033	132,749	152,407
Investments	2,346,236	2,346,236	–	–
Loans - net	951,342	620,084	317,877	13,381
Net investment in lease finance - net	2,458,004	990,043	1,467,961	–
Deposits	13,597	1,965	1,915	9,717
Deferred tax assets - net	84,984	–	84,984	–
Lendings	1,025,513	1,025,513	–	–
Receivable against continuous funding system transactions	483,912	483,912	–	–
Taxation - net	248,337	248,337	–	–
Advances, deposits and prepayments	74,862	74,862	–	–
Interest, mark-up and profit accrued	65,351	65,351	–	–
Trade debts	1,438,913	1,438,913	–	–
Receivable against sale of securities	778,234	778,234	–	–
Other receivables	36,787	36,787	–	–
Cash and bank balances	974,845	974,845	–	–
	<u>11,339,106</u>	<u>9,158,115</u>	<u>2,005,486</u>	<u>175,505</u>
Liabilities				
Term finance certificates / Pre-IPO subscription Finance	435,110	124,950	310,160	–
Certificates of deposit	1,716,061	1,307,728	408,333	–
Deposits on lease contracts	3,475,159	3,003,261	471,898	–
Liabilities against assets subject to finance lease	574,504	156,283	418,221	–
Borrowings from financial institutions	2,276	359	1,917	–
Interest and mark-up accrued	1,559,109	1,559,109	–	–
Payable against purchase of securities	171,714	171,714	–	–
Accrued expenses and other liabilities	65,410	65,410	–	–
	<u>1,213,765</u>	<u>1,212,957</u>	<u>808</u>	<u>–</u>
	<u>9,213,108</u>	<u>7,601,771</u>	<u>1,611,337</u>	<u>–</u>
	<u>2,125,998</u>	<u>1,556,344</u>	<u>394,149</u>	<u>175,505</u>

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

As at June 30, 2008	Total	Within one year	More than one year and less than five years	More than five years
	----- (Rupees in thousand) -----			
Assets				
Fixed assets	319,839	60,067	98,590	161,182
Investments	1,564,754	1,357,657	108,988	98,109
Loans - net	803,550	335,924	467,626	-
Net investment in lease finance - net	2,158,836	749,134	1,409,702	-
Deposits	6,306	-	-	6,306
Deferred tax assets - net	16,442	-	16,442	-
Lendings	-	-	-	-
Receivable against continuous funding system transactions / carry over transactions	758,409	758,409	-	-
Taxation - net	230,851	230,851	-	-
Advances, deposits and prepayments	383,648	383,648	-	-
Interest / mark-up / profit accrued	85,261	85,261	-	-
Receivable against sale of securities	-	-	-	-
Trade debts	641,971	641,971	-	-
Other receivables	44,248	44,248	-	-
Cash and bank balances	361,766	361,766	-	-
	<u>7,375,881</u>	<u>5,008,936</u>	<u>2,101,348</u>	<u>265,597</u>
Liabilities				
Term finance certificates / Pre-IPO subscription	495,921	61,565	434,356	-
Finance	1,363,362	581,693	781,669	-
Certificates of deposits	2,727,530	2,199,475	528,055	-
Liabilities against assets subject to finance lease	4,274	757	3,517	-
Borrowings from financial institutions	465,000	465,000	-	-
Deposits on lease contracts	515,228	85,497	429,731	-
Interest and mark-up accrued	103,463	103,463	-	-
Accrued expenses and other liabilities	660,440	660,120	320	-
	<u>6,335,218</u>	<u>4,157,570</u>	<u>2,177,648</u>	<u>-</u>
	<u>1,040,663</u>	<u>851,366</u>	<u>(76,300)</u>	<u>265,597</u>

51 CAPITAL RISK MANAGEMENT

The objective of managing capital is to safeguard the Group's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of the Group to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Group recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

Goals of managing capital

The goals of managing capital of Group are as follows:

- To be an appropriately capitalized institution, as defined by regulatory authorities and comparable to the peers;
- Maintain strong ratings and to protect against unexpected events;
- Availability of adequate capital at a reasonable cost so as to expand; and achieve low overall cost of capital with appropriate mix of capital elements.

The Securities Exchange Commission of Pakistan through its SRO 1132(i)2007 dated November 21, 2007 has issued Non-Banking Finance Companies and Notified Entities Regulations, 2007 in which the capital requirements for an NBFC licensed by the commission to undertake different form of business have been prescribed. The present issued, subscribed and paid-up capital of the Group adequately covers the minimum levels specified by the NBFC Regulations.

52 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, 2008 of these future transactions is Rs. 283,109 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.

53 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.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

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, 2008	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	15.06%	951,342	620,084	317,877	13,381	-
Net investment in lease finance - net	14.50%	2,458,004	990,043	1,467,961	-	-
Advances and deposits		70,787	-	-	-	70,787
Lendings	13.41%	1,025,513	1,025,513	-	-	-
Receivable against continuous funding system transactions / carry over transactions	21.24%	483,912	483,912	-	-	162,057
Investments	11.66%	2,346,236	2,184,179	-	-	-
Interest, mark-up and profit accrued		65,351	-	-	-	65,351
Trade debts		1,438,913	-	-	-	1,438,913
Receivable against sale of securities		778,234	-	-	-	778,234
Other receivables		36,787	-	-	-	36,787
Cash and bank balances	8.85%	974,845	888,120	-	-	86,725
		<u>10,629,924</u>	<u>6,191,851</u>	<u>1,785,838</u>	<u>13,381</u>	<u>2,638,854</u>
FINANCIAL LIABILITIES						
Term finance certificates / Pre-IPO subscription	12.27%	435,110	124,950	310,160	-	-
Finance	12.43%	1,716,061	1,307,728	408,333	-	-
Certificates of deposit	11.17%	3,475,159	3,003,261	471,898	-	-
Liabilities against assets subject to finance lease	15.00%	2,276	359	1,917	-	-
Deposits on lease contracts		574,504	-	-	-	574,504
Borrowings from financial institutions	12.40%	1,559,109	1,559,109	-	-	-
Interest and mark-up accrued		171,714	-	-	-	171,714
Payable against purchase of securities		65,410	-	-	-	65,410
Accrued expenses and other liabilities		1,213,765	-	-	-	1,213,765
		<u>9,213,108</u>	<u>5,995,407</u>	<u>1,192,308</u>	<u>-</u>	<u>2,025,393</u>
On-balance sheet gap		<u>1,416,816</u>	<u>196,444</u>	<u>593,530</u>	<u>13,381</u>	<u>613,461</u>
Commitments in respect of forward sale of shares		283,109	283,109	-	-	-
Commitments in respect of continuous funding system transactions - receivable		142,010	142,010	-	-	-
Commitments in respect of continuous funding system transactions - payable		(32,233)	(32,233)	-	-	-
Off-balance sheet gap		<u>392,886</u>	<u>392,886</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

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
		<u>6,777,367</u>	<u>2,785,940</u>	<u>1,986,298</u>	<u>98,109</u>	<u>1,907,020</u>
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
		<u>6,299,790</u>	<u>3,308,490</u>	<u>1,747,597</u>	<u>–</u>	<u>1,243,703</u>
On-balance sheet gap		<u>477,577</u>	<u>(522,550)</u>	<u>238,701</u>	<u>98,109</u>	<u>663,317</u>
Commitments in respect of continuous funding system transactions - receivable		188,485	188,485	–	–	–
Off-balance sheet gap		<u>188,485</u>	<u>188,485</u>	<u>–</u>	<u>–</u>	<u>–</u>

54 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.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

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:

	2008		2007	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Finance and leases				
Dairy and poultry	1,008	0.03	2,454	0.08
Cement	1,208	0.04	24,444	0.83
Health	48,259	1.42	41,920	1.42
Glass and ceramics	14,436	0.42	3,259	0.11
Leather	67,933	1.99	21,343	0.72
Paper and board	74,151	2.17	47,731	1.61
Construction	275,694	8.09	95,716	3.23
Energy, oil and gas	294,670	8.64	72,796	2.46
Financial institutions	53,116	1.56	89,260	3.01
Electric and electric goods	86,387	2.53	20,685	0.70
Chemicals / fertilizers / pharmaceuticals	91,886	2.70	63,207	2.13
Food, tobacco and beverages	157,329	4.61	110,240	3.72
Steel, engineering and automobiles	191,316	5.61	114,107	3.85
Transport	395,640	11.60	226,287	7.64
Textile / textile composite	412,110	12.10	360,168	12.16
Miscellaneous (including individuals)	1,244,203	36.49	1,668,769	56.33
	<u>3,409,346</u>	<u>100.00</u>	<u>2,962,386</u>	<u>100.00</u>

Sector-wise concentration of investments has been included in note 11 to these financial statements.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

55 FAIR VALUE OF FINANCIAL INSTRUMENTS

55.1 As at June 30, 2008, 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.

56 SEGMENTAL ANALYSIS

The Group's activities are broadly categorised into four primary business segments namely financing activities, investment activities, brokerage and asset management services 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.

Asset management services activities

Asset management services include the services provided for the management of collective investment schemes carried out by IGI Funds Limited.

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2008

	Financing activities	Investment activities	Brokerage activities	Asset Management Services	Total
	(Rupees in thousand)				
Segmental information for the year ended June 30, 2008					
Segment revenue	<u>490,935</u>	<u>307,453</u>	<u>163,677</u>	<u>39,572</u>	1,001,637
Unallocated revenue					74,202
					<u>1,075,839</u>
Segment result	<u>(50,147)</u>	<u>1,359</u>	<u>26,479</u>	<u>(41,924)</u>	(64,233)
Unallocated result					(39,321)
Loss before taxation					<u>(103,554)</u>
Loss before taxation					(103,554)
Taxation					30,911
Loss after taxation					(72,643)
Loss attributable to minority interest					14,071
Loss attributable to ordinary shareholders					<u>(58,572)</u>
Segment assets	<u>4,514,499</u>	<u>3,640,191</u>	<u>1,497,242</u>	<u>166,647</u>	9,818,579
Unallocated assets					1,520,527
					<u>11,339,106</u>
Segment liabilities	<u>1,160,372</u>	<u>–</u>	<u>1,072,811</u>	<u>–</u>	2,233,183
Unallocated liabilities					6,979,925
					<u>9,213,108</u>
Capital expenditure - tangible	<u>–</u>	<u>–</u>	<u>8,846</u>	<u>–</u>	8,846
Unallocated capital expenditure - tangible					80,766
					<u>89,612</u>
Capital expenditure - intangible	<u>–</u>	<u>–</u>	<u>4,167</u>	<u>–</u>	4,167
Unallocated capital expenditure - intangible					5,521
					<u>9,688</u>
Segment depreciation and amortisation of fixed assets	<u>14,973</u>	<u>9,291</u>	<u>10,000</u>	<u>–</u>	34,264
Unallocated depreciation and amortisation					18,281
					<u>52,545</u>
Segmental information for the year ended June 30, 2007					
Segment revenue	<u>373,147</u>	<u>242,988</u>	<u>95,031</u>	<u>3,770</u>	714,936
Unallocated revenue					6,885
					<u>721,821</u>
Segment result	<u>(42,776)</u>	<u>12,767</u>	<u>(49,813)</u>	<u>3,650</u>	(76,172)
Unallocated loss before profit					(32,312)
Loss before taxation					<u>(108,484)</u>

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

	Financing activities	Investment activities	Brokerage activities	Asset Management Services	Total
	(Rupees in thousand)				
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					(71,265)
Segment assets	3,032,142	2,086,544	1,503,808	25,373	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					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>

57 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison.

58 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 20, 2008 by the Board of Directors of IGI BANK.

59 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 and Forming Part of the Financial Statements For the Year Ended June 30, 2008

1 LEGAL STATUS AND OPERATIONS

IGI 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, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations 2007 (the NBFC Regulations). 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 of IGI BANK for the year ended June 30, 2007, the Pakistan Credit Rating Agency (PACRA) assigned 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.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations or the directives issued by SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

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.

The SECP has also deferred the application of Regulation 23 of the NBFC Regulations in respect of the classification and determination of provisioning requirement for non-performing assets (including disbursements against loans and advances and lease finance) through its circular No. 17 dated December 18, 2007. However, the classifications and provisioning requirements against non-performing assets have been considered in accordance with the regulation 7 of the prudential regulations applicable on NBFCs operating in Pakistan. Accordingly, the requirements of the above regulation have not been considered in the preparation of these financial statements.

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

2.2 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.

2.3 Standards, interpretations and amendments to published approved accounting standards effective in 2007

Amendments to International Accounting Standard (IAS) 1 - 'Presentation of financial statements - Capital Disclosures', introduces certain new disclosures about the level of the company's capital and how the company manages its capital. Adoption of this amendment has only resulted in additional disclosures which have been set out in note 50 to these financial statements.

Other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2007 and are not considered relevant or do not have any significant effect on the company's operations, are not detailed in these financial statements.

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

The following standards, amendments and interpretations of approved accounting standards, are effective for accounting periods beginning from the dates specified below are either not relevant to IGI BANK's operations or are not expected to have a significant impact on IGI BANK's financial statements other than increased disclosures in certain cases:

IAS 1 - Presentation of Financial Statements - (Revised September 2007)	effective from the period beginning on or after January 1, 2009
IAS 23 - Borrowing Costs (Revised March 2007)	effective from the period beginning on or after January 1, 2009
IAS 27 (Revised) - Consolidation and Separate Financial Statements	effective from the period beginning on or after July 1, 2009
IFRS 3 (Revised) - Business Combinations	effective from the period beginning on or after July 1, 2009
IFRS 7 - Financial Instruments: Disclosures	effective from the period beginning on or after April 28, 2008
IFRS 8 - Operating Segments	effective from the period beginning on or after January 1, 2009
IFRIC 12 - Services Concession Arrangements	effective from the period beginning on or after January 1, 2008
IFRIC 13 - Customer Loyalty Programme	effective from the period beginning on or after January 1, 2008
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	effective from the period beginning on or after January 1, 2008
IFRIC 15 - Agreements for the Construction of Real Estate	effective from the period beginning on or after January 1, 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	effective from the period beginning on or after October 1, 2008

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

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 judgement in the process of applying IGI BANK's accounting policies. Estimates and judgements 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 company's financial statements are as follows:

- i) Provision for taxation (note 3.10)
- ii) Classification and valuation of investments (note 3.2)
- iii) Recognition and measurement of deferred tax assets and liabilities (note 3.10)
- iv) Employee benefits (note 3.16.2)

3 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 unless otherwise stated.

3.1 Fixed assets

3.1.1 Property and equipment

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 recognized 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 property and equipment is charged to income using the straight line method in accordance with the rates specified in note 4.1 to the financial statements after taking into account residual value, if any. 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 asset is 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 property and equipment, 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.

3.1.2 Intangible

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. These are amortized from the month when they are available for use using the straight line method in accordance with the rates specified in note 4.2 to the financial statements whereby the cost of the intangible asset is amortized 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.

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

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.

3.2 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 categorized 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 and 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 recognized 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 amortization of premium or discount, if any) and market value is taken to the 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.

Investments in subsidiaries and associates 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, except where an active market exists, are carried at cost less accumulated impairment losses, if any, in accordance with the requirements of the above mentioned circular.

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

Investments are derecognized when the right to receive the cash flows from the investments has expired, has been realized 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.

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

3.3 Trade date accounting

All purchases and sales of investments that require delivery within the time frame established by the regulations or market conventions are recognized on the trade date. Trade date is the date on which IGI BANK commits to purchase or sell the investment.

3.4 Derivatives instruments

Derivative instruments are initially recognised at fair value and subsequently measured at the fair value. The fair value of a derivative instrument is the equivalent of the unrealized gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealized gains) are included in other assets and derivatives with negative market values (unrealized 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.

3.5 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 recognized 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 amortized 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 recognized 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.

3.6 Continuous Funding System (CFS) Transactions

Receivable against CFS transactions are recorded at the fair value of the consideration given. The CFS transactions are accounted for on the settlement date. The difference between the purchase and sale price is treated as income from CFS transactions in the profit and loss account and is recognised over the term of the respective transaction.

At the time of initial recognition, all financial assets and financial liabilities are measured at the fair value of the consideration given or received for it. The particular recognition method adopted for recognition of financial assets and financial liabilities subsequent to initial recognition is disclosed in the policy statements associated with each item.

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

3.7 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.

3.8 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.

3.9 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.

3.10 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 assessments framed / finalized during the year.

Deferred

Deferred tax is recognized 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 recognized 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 utilized. 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 utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance sheet date. IGI BANK also recognizes 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'.

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

3.11 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 realizable value. The net gains or losses on disposal of these assets are taken to the profit and loss account.

3.12 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.

3.13 Impairment

The carrying amount of assets is reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account.

3.14 Provisions

Provisions are recognized 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.

3.15 Long term financing - term finance certificates (TFCs)

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

3.16 Employee benefits

3.16.1 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.

3.16.2 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 amortized over the average expected remaining lives of the employees participating in the plan.

3.17 Employees' compensated absences

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

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

3.18 Proposed dividend and transfer between reserves

Dividends declared and transfer between reserves, except appropriations which are required by law, made subsequent to the balance sheet date are considered as non-adjusting events and are recognized in the financial statements in the period in which such dividends are declared / transfers are made.

3.19 Revenue recognition

- Mark-up / interest on loans and returns on investments are recognized on a time proportion basis except that mark-up / interest / returns on classified loans and investments are recognized 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 realized.
- Income on Continuous Funding System (CFS) is recognized 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 recognized 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 and when right to receive the fees is established.
- Premium or discount on acquisition of debt investments is capitalized and amortized through the profit and loss account over the remaining period till maturity.
- Return on bank deposits are recognized on an accrual basis.
- Other income is recognised as and when incurred.

3.20 Borrowing cost

Borrowing costs are recognized 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 capitalized as part of the cost of the relevant asset.

3.21 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.

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

3.22 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.

3.23 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.

3.24 Financial instruments

3.24.1 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.

3.24.2 Offsetting of financial assets and financial liabilities

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

	Note	2008 (Rupees in thousand)	2007
4 FIXED ASSETS			
Property and equipment	4.1	104,369	85,573
Intangible assets	4.2	7,683	21,958
		<u>112,052</u>	<u>107,531</u>

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

4.1 Property and equipment

	2008					Total
	Lease hold improvements	Office equipment	Computer equipment	Furniture and fittings	Motor vehicles	
	(Rupees in thousand)					
As at July 1, 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	14,095	8,684	13,245	17,981	31,568	85,573
Additions (at cost)	12,281	6,540	5,093	3,281	18,529	45,724
Disposals / write-offs						
Cost	(220)	(226)	(487)	(554)	(7,313)	(8,800)
Accumulated depreciation	220	78	487	554	2,772	4,111
	-	(148)	-	-	(4,541)	(4,689)
Depreciation charge for the year	(4,947)	(2,984)	(4,734)	(2,448)	(7,126)	(22,239)
Closing net book value	21,429	12,092	13,604	18,814	38,430	104,369
As at June 30, 2008						
Cost	29,204	21,903	28,430	25,049	51,987	156,573
Accumulated depreciation	(7,775)	(9,811)	(14,826)	(6,235)	(13,557)	(52,204)
Net book value	21,429	12,092	13,604	18,814	38,430	104,369
Depreciation rate % per annum	20	20	20	10-20	20	
2007						
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	2,730	4,040	11,814	4,137	17,648	40,369
Additions (at cost)	12,816	6,300	6,776	14,981	31,328	72,201
Disposals / write-offs						
Cost	-	(115)	(2,321)	-	(16,524)	(18,960)
Accumulated depreciation	-	35	900	-	5,521	6,456
	-	(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	14,095	8,684	13,245	17,981	31,568	85,573
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	14,095	8,684	13,245	17,981	31,568	85,573
Depreciation rate % per annum	20	20	20	10-20	20	

4.1.1 Cost and accumulated depreciation at the end of the year include Rs. 12,496 thousand (2007: Rs. 11,203 thousand) in respect of fully depreciated assets still in use.

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

4.2 Intangible assets

Description	2008			
	Membership card and room of Lahore Stock Exchange	Non-competition agreement	Computer software	Total
	(Rupees in thousand)			
Cost	–	30,000	9,265	39,265
Accumulated amortisation	–	(14,167)	(3,140)	(17,307)
Net book value	–	15,833	6,125	21,958
Additions (at cost)	–	–	3,583	3,583
Disposals - note 4.4				
Cost	–	(30,000)	(6)	(30,006)
Accumulated amortization	–	14,167	6	14,173
	–	(15,833)	–	(15,833)
Amortization charge for the year	–	–	(2,025)	(2,025)
Closing net book value	–	–	7,683	7,683
As at June 30, 2008				
Cost	–	–	12,842	12,842
Accumulated amortisation	–	–	(5,159)	(5,159)
Net book value	–	–	7,683	7,683
Amortisation rate % per annum	–	–	20	
	2007			
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	21,000	25,833	3,881	50,714
Additions (at cost)	–	–	4,533	4,533
Disposals				
Cost	(21,000)	–	(1,600)	(22,600)
Accumulated amortization	–	–	613	613
	(21,000)	–	(987)	(21,987)
Amortization charge for the year	–	(10,000)	(1,302)	(11,302)
Closing net book value	–	15,833	6,125	21,958
As at June 30, 2007				
Cost	–	30,000	9,265	39,265
Accumulated amortisation	–	(14,167)	(3,140)	(17,307)
Net book value	–	15,833	6,125	21,958
Amortisation rate % per annum	–	33.33	20	

4.2.1 Cost and accumulated depreciation at the end of the year include Rs. 1,320 thousand (2007: Rs. 987 thousand) in respect of fully depreciated assets still in use.

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

4.3 Particulars of disposal of fixed assets

Particulars of property and equipment having net book value exceeding Rs. 50,000 disposed of during the year and details of disposal relating to related parties of IGI BANK are as follows:

Particulars	Cost	Accumulated depreciation / amortisation	Book value	Disposal proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser
----- (Rupees in thousand) -----							
Property and equipment							
Office equipment							
Mobile phone	10	1	9	9	–	As per policy	Adnan Asaf (Ex executive) *
Mobile phone	15	3	12	7	(5)	As per policy	Syed Ali Adnan (Ex executive) *
Mobile phone	10	2	8	8	–	As per policy	Syed Asrar Hussain (Ex executive) *
Mobile phone	10	3	7	2	(5)	As per policy	Rehan Abid (Ex executive) *
Phone system	112	–	112	112	–	Negotiation	IGI Insurance Limited *
	157	9	148	138	(10)		
Vehicles							
Honda City	791	232	559	559	–	Negotiation	IGI Finex Securities Limited *
Suzuki Cultus	620	41	579	579	–	Negotiation	IGI Finex Securities Limited *
Honda City	835	281	554	586	32	Tender	Zahid Qadri
Suzuki Cultus	560	127	433	520	87	Insurance claim	IGI Insurance Limited *
Honda City	763	610	153	76	(77)	As per policy	Feroz Iqbal (Executive) *
Mitsubishi Lancer	1,099	190	909	1,018	109	As per policy	Syed Asrar Hussain (Ex executive) *
Suzuki Cultus	600	136	464	465	1	Tender	Arshad Nazir
Honda City	795	533	262	490	228	Tender	Ameer Akbar Khan
Honda City	781	622	159	525	366	Tender	Naseer Ahmad Khalid
Suzuki Alto	469	–	469	469	–	Negotiation	IGI Finex Securities Limited *
	7,313	2,772	4,541	5,287	746		
Intangible assets							
Non competition fee - Note 4.4	30,000	14,167	15,833	30,000	14,167	Negotiation	IGI Finex Securities Limited *

* Represent related parties

4.4 At the time of acquisition of 100% shareholding in Finex Securities Limited (the company), IGI BANK had made a payment of Rs 30 million to a previous shareholder of the company as consideration for the agreement of not entering into the brokerage business for a period of three years. This amount was recognised in the books of IGI BANK as intangible asset and was being amortised over a period of three years. Accumulated amortisation till June 30, 2007 amounted to Rs 14.167 million.

During the year, IGI BANK has transferred the non-competition agreement (alongwith the rights contained therein) to IGI Finex Securities Limited (now wholly owned subsidiary company of IGI BANK) at an aggregate consideration of Rs 30 million (which is equal to the cost originally paid by the IGI BANK) and has recognised a net gain of Rs 14.167 million. The gain essentially represents the amortisation of cost recognised in the financial statements of IGI BANK for the years ended June 30, 2006 and June 30, 2007.

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

5 LONG-TERM INVESTMENTS

	IGI Finex Securities Limited		IGI Funds Limited		Total	
	2008	2007	2008	2007	2008	2007
(Rupees in thousand)						
Investments in subsidiary companies						
Opening balance	652,571	152,571	30,000	30,000	682,571	182,571
Investments made during the year	–	500,000	159,940	–	159,940	500,000
Closing balance	652,571	652,571	189,940	30,000	842,511	682,571

5.1 During the year, IGI BANK has made an additional investment of Rs. 159.94 million in IGI Funds Limited through the subscription of 15.994 million right shares at the rate of Rs. 10 per share. The additional investment was approved by the shareholders of IGI BANK in their meeting held on June 14, 2007.

5.2 Other details of IGI BANK's subsidiary companies are as follows:

Particulars	Country of Incorporation	Year of Incorporation	2008					Profit / (loss) after taxation	%age of shareholding
			Assets	Liabilities	Net assets	Revenues*			
(Rupees in thousand)									
IGI Finex Securities Limited	Pakistan	1994	2,129,150	1,606,788	522,362	309,903	25,968	100%	
IGI Funds Limited	Pakistan	2006	217,625	46,431	171,194	42,547	(28,512)	86%	
2007									
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%	

* Represents revenue from all sources of activities.

6 LONG-TERM LOANS - NET

	Note	2008 (Rupees in thousand)	2007 (Rupees in thousand)
Secured - Due from others			
Executives - considered good	6.1 & 6.2	2,904	2,207
Employees - considered good	6.2	1,057	960
Companies, organizations and individuals	6.4 & 6.5	525,548	550,404
		529,509	553,571
Unsecured - Due from others			
Companies, organisations and individuals	6.4	47,327	62,059
		576,836	615,630
Less: provision for bad and doubtful loans	6.6	20,912	10,317
		555,924	605,313
Less: current maturity of long-term loans		208,085	137,705
		347,839	467,608

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

6.1 Reconciliation of carrying amount of loans to executives:

	2008	2007
	(Rupees in thousand)	
Opening balance	2,207	1,760
Disbursements during the year	1,550	1,000
Receipts during the year	(853)	(553)
	<u>2,904</u>	<u>2,207</u>

6.2 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 11.04% (2007: 2.5% to 10.09%) per annum and are repayable on monthly basis over a period of 18 years. These loans are secured against mortgage of house properties and hypothecation of vehicles.

6.3 The maximum aggregate amount due from executive at the end of any month during the year was Rs. 3,285 thousand (2007: Rs. 2,307 thousand).

6.4 These loans carry mark-up at rates ranging from 10% to 20% (2007: 7.25% to 20%) per annum and are repayable over periods ranging from 1 year to 5 years from the date of disbursement. Repayment terms vary from monthly basis to repayments at maturity.

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

6.6 Long-term loans include Rs. 68,633 thousand (2007: Rs. 42,504 thousand) relating to loans due from companies, organisations and individuals 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:

	2008			2007		
	Specific	General	Total	Specific	General	Total
	(Rupees in thousand)					
Opening balance	5,512	4,805	10,317	2,789	6,189	8,978
Charge for the year	10,692	8	10,700	3,536	537	4,073
Reversal during the year	(105)	-	(105)	(813)	(1,921)	(2,734)
Closing balance	<u>16,099</u>	<u>4,813</u>	<u>20,912</u>	<u>5,512</u>	<u>4,805</u>	<u>10,317</u>

7 NET INVESTMENT IN FINANCE LEASE

	Note	2008	2007
		(Rupees in thousand)	
Net investment in finance lease	7.1	2,511,140	2,193,395
Less: provision for lease losses	7.4	53,136	34,559
Less: current maturity of net investment in finance lease		990,043	749,134
		<u>1,467,961</u>	<u>1,409,702</u>

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

7.1 Particulars of net investment in finance lease

	2008				2007			
	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	1,110,193	1,180,843	–	2,291,036	919,224	1,089,410	–	2,008,634
Add: residual value of leased assets	156,309	420,393	–	576,702	85,497	435,565	–	521,062
Gross investment in finance lease - note 7.2 & 7.3	1,266,502	1,601,236	–	2,867,738	1,004,721	1,524,975	–	2,529,696
Less: unearned finance income	223,323	133,275	–	356,598	221,028	115,273	–	336,301
Net investment in finance lease - note 7.2 & 7.3	1,043,179	1,467,961	–	2,511,140	783,693	1,409,702	–	2,193,395

7.2 IGI BANK has entered into various lease agreements for periods ranging from one to seven years (2007: three to seven years). Security deposits ranging from 0% to 79% (2007: 0% to 40%) are obtained at the time of disbursement of the lease amount. The rate of return implicit in the leases ranges from 7% to 23% (2007: 6.4% to 23.4%) per annum.

7.3 Gross investment in finance lease and net investment in finance lease include Rs. 1,833,522 thousand and Rs. 1,638,876 thousand (2007: Rs.1,195,334 thousand and Rs. 1,058,000 thousand) respectively in respect of leases which have been entered into at KIBOR plus margins, ranging from 7.5% to 21% (2007: 9.5% to 22.31%) per annum, with floor ranging from 4.5% to 15% (2007: 6.5% to 10%) per annum and ceilings ranging from 7.5% to 15% (2007: 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.

7.4 Provisions for lease losses

	2008			2007		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in thousand) -----					
Opening balance	9,428	25,131	34,559	6,838	19,487	26,325
Charge for the year	13,419	5,249	18,668	2,590	5,644	8,234
Reversal during the year	(91)	–	(91)	–	–	–
Closing balance	22,756	30,380	53,136	9,428	25,131	34,559

7.4.1 Net investment in finance lease include Rs. 140,256 thousand (2007: Rs. 168,370 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.

Notes to and Forming Part of the Financial Statements
For the Year Ended June 30, 2008

8 LONG-TERM DEPOSITS

	Note	2008 (Rupees in thousand)	2007
Security deposits		<u>5,059</u>	<u>1,150</u>

9 DEFERRED TAX ASSETS - NET

Deferred tax assets arising on deductible temporary differences:			
- Provision for bad and doubtful loans / potential lease losses		-	15,707
- Carry forward of assessed income tax losses	9.1	344,576	182,764
- Deficit on revaluation of investments	21	<u>2,770</u>	<u>207</u>
		347,346	198,678
Deferred tax liabilities arising on taxable temporary differences:			
- Accelerated tax depreciation		(287,846)	(192,492)
- Transaction costs in respect of TFCs issued		<u>(775)</u>	<u>(1,414)</u>
	9.2	<u>58,725</u>	<u>4,772</u>

9.1 IGI BANK has an aggregate amount of Rs. 984,502 thousand (2007: 522,183 thousand) in respect of unabsorbed tax losses as at June 30, 2008 on which the management has recognized deferred tax debit balance amounting to Rs. 344,576 thousand (2007: 182,764 thousand). This represents the management's best estimate of probable benefit expected to be realized in future years in the form of reduced tax liability as 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 IGI BANK for the next few years.

9.2 Movement in deferred tax asset / (liability)

	Note	2008 (Rupees in thousand)	2007
Opening balance		4,772	(40,994)
Recognised during the year		<u>51,390</u>	<u>45,718</u>
		56,162	4,724
Deferred tax impact on surplus on revaluation of investments		<u>2,563</u>	48
		<u>58,725</u>	<u>4,772</u>

10 SHORT-TERM LOANS

Secured

Short-term loans - considered good	10.1	<u>410,691</u>	<u>197,979</u>
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10.1 These loans carry interest at rates ranging from 11.56% to 18.43% (2007: 13.4% to 16.2%) per annum and are repayable over periods ranging from 2 months to 1 year (2007: 1 month 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.

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

11 LENDINGS - SECURED

	Note	2008 (Rupees in thousand)	2007
Repurchase agreements lendings (Reverse Repo)	11.1	<u>900,513</u>	<u>—</u>
11.1	These carry mark-up at rates ranging from 10% to 20% (2007: Nil) per annum and are repayable by July 4, 2008. These lendings are secured against share market treasury bills and Pakistan Investment Bonds. Out of the total value of collaterals, market treasury bills having face value of Rs 400 million have further been given as collateral for obtaining borrowing from financial institutions.		

12 RECEIVABLE AGAINST CONTINUOUS FUNDING SYSTEM TRANSACTIONS

	Note	2008 (Rupees in thousand)	2007
Receivable against continuous funding system transactions	12.1	<u>360,468</u>	<u>556,265</u>
12.1	These carry yields ranging from 15.0% to 24.05% (2007: 11.5% to 13.75%) per annum. The market value of the securities held as collateral against these receivables amounted to Rs. 339,708 thousand (2007: Rs. 563,850 thousand).		

13 SHORT-TERM INVESTMENTS

13.1 Particulars of investments by category

	2008			2007		
	Held by IGI BANK	Given as collateral	Total	Held by IGI BANK	Given as collateral	Total
(Rupees in thousand)						
Held to maturity						
Commercial papers - 13.2.2	172,243	—	172,243	—	—	—
Fund placements	100,000	—	100,000	240,000	—	240,000
Term deposit receipts	350,000	—	350,000	100,000	—	100,000
	622,243	—	622,243	340,000	—	340,000
Held for trading						
Federal investment bonds	—	—	—	2,103	—	2,103
Pakistan investment bonds	41,579	—	41,579	1,392	—	1,392
Market treasury bills	—	430,741	430,741	197,759	—	197,759
	41,579	430,741	472,320	201,254	—	201,254
Available-for-sale						
Listed term finance certificates	148,603	—	148,603	152,579	—	152,579
Unlisted term finance certificates	180,509	—	180,509	59,995	—	59,995
Pre-IPO investment in term finance certificates	—	—	—	50,000	—	50,000
Units of open end mutual funds	9,710	—	9,710	513,169	—	513,169
Pre-IPO investment in open end mutual fund	100,000	—	100,000	—	—	—
Listed shares / certificates	468,012	—	468,012	166,071	—	166,071
Pre-IPO investment in unlisted shares	40,000	—	40,000	—	—	—
Unlisted shares / certificates	62,782	—	62,782	62,782	—	62,782
	1,009,616	—	1,009,616	1,004,596	—	1,004,596
	<u>1,673,438</u>	<u>430,741</u>	<u>2,104,179</u>	<u>1,545,850</u>	<u>—</u>	<u>1,545,850</u>

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

13.2 Particulars of investments by type

	Note	2008 (Rupees in thousand)	2007
Investments in:			
Fund placements	13.2.1	100,000	240,000
Term deposit receipts	13.2.1	350,000	100,000
Commercial papers	13.2.1	172,243	–
Government securities	13.2.3	472,320	201,254
Listed term finance certificates	13.2.4	148,603	152,579
Unlisted term finance certificates	13.2.4	180,509	59,995
Pre-IPO investment in term finance certificates	13.2.4	–	50,000
Units of open end mutual fund	13.2.6	9,710	513,169
Pre-IPO investment in open end mutual funds	13.2.7	100,000	–
Listed shares / certificates	13.2.8	468,012	166,071
Pre-IPO investment in unlisted shares	13.2.9	40,000	–
Unlisted shares / certificates	13.2.10	62,782	62,782
		<u>2,104,179</u>	<u>1,545,850</u>

13.2.1 These carry rate of return ranging from 10.56% to 19% (2007: 10.25% to 10.8%) per annum and are maturing on various dates by October 23, 2008.

13.2.2 This includes commercial paper amounting to Rs 72,628 thousand which was purchased from IGI Insurance Limited (a related party).

13.2.3 Significant particulars relating to government securities are as follows:

Particulars	2008			2007		
	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
Market treasury bills	26-Feb-2009	50,000	10.0%	16-Aug-2007	200,000	8.79%
	9-Oct-2008	100,000	9.0%	–	–	–
	12-Mar-2009	100,000	10.0%	–	–	–
	25-Sep-2008	200,000	9.5%	–	–	–
Pakistan investment bonds	18-Jun-2012	100	11.0%	18-Jun-2012	1,400	11% per annum paid semi-annually
	18-Jun-2012	1,300	11.0%	–	–	–
	22-Aug-2017	50,000	9.6%	–	–	–

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

13.24 Particulars of TFCs: *

Number of certificates		Particulars	2008		2007	
2008	2007		Amortised cost	Market value	Amortised cost	Market value
----- (Rupees in thousand) -----						
LISTED TFCs						
Commercial banks						
–	2,000	Standard Chartered Bank (Pakistan) Limited I	–	–	6,765	5,707
4,587	4,587	Standard Chartered Bank (Pakistan) Limited II	22,898	22,898	22,907	21,981
–	2,000	Standard Chartered Bank (Pakistan) Limited III	–	–	9,996	10,296
6,352	6,352	United Bank Limited II	31,756	31,756	31,757	30,487
Leasing						
190	190	Al-Zamin Leasing Modaraba	646	646	950	893
Refinery						
–	1,448	Chanda Oil & Gas Securitization Company Limited	–	–	5,749	5,907
–	5,913	Naimat Basal Oil & Gas Securitization Company Limited	–	–	18,057	18,463
Miscellaneous						
5,903	5,903	Searle Pakistan Limited	22,127	22,127	29,503	29,503
897	897	Pakistan Services Limited	640	666	1,921	1,950
8,715	8,715	TeleCard Limited	29,936	28,290	31,754	26,991
5,000	–	Jahangir Siddiqui and Company Limited	24,985	24,985	–	–
3,447	–	Pak Arab Fertilizer (Private) Limited	17,235	17,235	–	–
–	2,000	WorldCall Telecom Limited	–	–	1,350	401
			150,223	148,603	160,709	152,579
----- (Rupees in thousand) -----						
UNLISTED TFCs						
–	5,000	Jahangir Siddiqui and Company Limited	–	–	24,995	–
–	5,000	Three Stars (Private) Limited	–	–	25,000	–
–	2,000	Security Leasing Corporation Limited	–	–	10,000	–
10,000	–	New Allied Electronics Industries (Private) Limited	50,000	50,335	–	–
10,000	–	Eden Housing Limited	50,000	50,000	–	–
6,000	–	Maple Leaf Cement Factory Limited	30,000	30,174	–	–
10,000	–	Al-Zamin Leasing Modaraba	50,000	50,000	–	–
			180,000	180,509	59,995	–
----- (Rupees in thousand) -----						
Pre-IPO investments in TFCs						
–	5,000	Pak Electron	–	–	–	25,000
–	5,000	Shahmurad Sugar Mills Limited	–	–	–	25,000
			–	–	–	50,000
			–	–	–	50,000

* Secured, unless specified otherwise.

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

13.2.5 Other particulars of TFCs are as follows:

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Redemption
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.
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.
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. The remaining principal amount will be redeemed in 8 equal semi-annual installments of 12.495 % of the outstanding amount.
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 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.
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
Pak Arab Fertilizers (Private) Limited	5,000	Average ask rate of six months KIBOR + 1.5%.	Semi-annually	Principal redemption will be as follows: a) 30th month 300 of the principal b) 36 - 42nd month 1,000 of the principal c) 48th month 1,000 of the principal d) 54th month 1,200 of the principal e) 60th month 1,500 of the principal
New Allied Electronics Industries (Private) Limited	5,000	Average ask rate of three months KIBOR + 2.2% (Floor 7% and ceiling 20%).	Semi-annually	Principal redemption will take place in six equal semi annual installments. This will commence from the 30th month of the date of public subscription after a grace period of 24 months.
Eden Housing Limited	5,000	Average ask rate of six months KIBOR + 2.5% (Floor 7% and ceiling 20%).	Semi-annually	Principal redemption will take place in eight equal semi annual installments. This will commence from the 18th month of the date of public subscription after a grace period of 12 months.
Maple Leaf Cement Factory Limited	5,000	Average ask rate of six months KIBOR + 1.7%.	Semi-annually	Principal redemption will be as follows: a) 6-24th month 0 of the principal b) 30-48th month 2,000 of the principal c) 54-72nd month 3,000 of the principal
Al-Zamin Leasing Modaraba (II)	5,000	Average ask rate of six months KIBOR + 1.9% (with no floor and cap)	Semi-annually	Principal redemption will be as follows: a) 36th month 1,600 of the principal b) 48th month 1,700 of the principal c) 60th month 1,700 of the principal

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

13.2.6 Particulars of investment in open end mutual fund units

No. of units		Particulars	2008		2007	
			Average cost	Market value	Average cost	Market value
2008	2007		----- (Rupees in thousand) -----			
14,704	–	IGI Income Fund *	1,500	1,511	–	–
–	200,000	Alfalsh 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
–	901,347	Askari Income Fund (Face value Rs. 100 each)	–	–	100,000	100,617
–	406,771	Dawood Money Market Fund (Face value Rs. 100 each)	–	–	45,000	45,241
–	391,196	HBL Income Fund (Face value Rs. 100 each)	–	–	40,000	40,168
–	909,174	KASB Liquid Fund (Face value Rs. 100 each)	–	–	100,000	100,891
–	4,098,958	NAFA Cash Fund (Face value Rs. 10 each)	–	–	45,000	45,355
156,617	156,617	National Investment Trust	10,000	8,199	10,000	9,655
–	547,097	United Money Market Fund (Face value Rs. 100 each)	–	–	60,000	60,290
			<u>11,500</u>	<u>9,710</u>	<u>510,000</u>	<u>513,169</u>

13.2.7 Particulars of Pre-IPO investment in open end mutual funds

No. of units		Particulars	Cost	
2008	2007		2008	2007
			---- (Rupees in thousand) ----	
10,000	–	IGI Stock Fund *	100,000	–

* Represents related parties

13.2.8 Particulars of listed shares / certificates

No. of ordinary shares / certificates of Rs. 10/- each		Particulars	2008		2007	
2008	2007		Average cost	Market value	Average cost	Market value
			----- (Rupees in thousand) -----			
Mutual fund (closed ended)						
775,500	950,000	Atlas Fund of Funds	7,384	6,910	9,048	8,740
3,634,559	4,215,559	First Dawood Mutual Fund	30,561	25,951	35,447	37,940
155,500	–	Golden Arrow - GASF	1,087	1,045	–	–
245,000	–	JS Value Fund - JSVFL	5,526	4,736	–	–
421,000	999,500	Meezan Balance Fund	4,210	4,021	9,995	10,245
197,000	–	Pak Premier Fund - PPFL	2,493	2,634	–	–
500,000	500,000	PICIC Investment Fund	9,311	5,940	9,311	7,625
3,418,265	3,403,765	Safeway Mutual Fund	42,003	44,437	41,866	40,845
158,500	–	PICIC Growth Fund - PGF	4,489	3,768	–	–
49,500	–	UTP Large Capital Fund - UTPLCF	437	446	–	–
500,226	–	JS Growth Fund - JSGF	9,116	6,088	–	–
–	404,850	AKD Index Tracker Fund	–	–	4,051	5,547
–	500,226	UTP Growth Fund	–	–	9,116	7,003
Leasing						
128,200	78,200	ORIX Leasing Pakistan Limited	4,292	3,204	2,715	2,326
Investment banks / Companies / Securities						
15,000	500	Arif Habib Securities Limited	2,938	2,422	48	59
48,600	–	First Capital Securities Corporation Limited	4,069	2,877	–	–
300,000	–	Jahangir Siddiqui & Company Limited	131,257	159,047	–	–
Commercial banks						
15,000	–	MCB Bank Limited	5,716	4,896	–	–
10,000	–	NIB Bank Limited	120	114	–	–
39,000	–	National Bank Limited	9,225	5,753	–	–
–	950	Bank Alfalah Limited	–	–	49	62
Textile spinning						
–	1,200,326	Dewan Farooque Spinning Mills Limited	–	–	12,003	10,743
1,758,280	1,758,280	Hira Textile Mills Limited	21,979	11,165	21,979	17,583
Textile composite						
221,551	221,551	Kohinoor Textile Mills Limited	10,887	3,073	10,887	5,926
2,000,000	–	Azgard Nine	107,569	123,120	–	–
Textile weaving						
605,302	605,302	Zephyr Textiles Mills Limited	5,732	2,960	5,732	4,963
Balance c/f			420,401	424,607	172,247	159,607

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

No. of ordinary shares / certificates of Rs. 10/- each		Particulars	2008		2007	
			Average cost	Market value	Average cost	Market value
2008	2007		(Rupees in thousand)			
		Balance b/f	420,401	424,607	172,247	159,607
		Cement				
5,000	–	Lucky Cement Limited	573	490	–	–
40,000	–	DG Khan Cement	4,383	2,686	–	–
		Refinery				
2,000	–	National Refinery Limited	596	595	–	–
–	43,975	Attock Refinery Limited	–	–	5,117	5,125
		Power generation and distribution				
50,000	1,500	Kot Addu Power Company Limited	2,494	2,350	85	90
		Oil and gas Marketing Companies				
17,000	–	Pakistan State Oil Company Limited	7,802	7,094	–	–
25,000	–	Sui Northern Gas Company Limited	1,206	1,089	–	–
		Oil and gas exploration				
600	2,200	Oil and Gas Development Company Limited	76	75	262	264
–	1,700	Pakistan Oilfield Limited	–	–	555	539
31,000	1,700	Pakistan Petroleum Limited	8,212	7,626	436	446
		Fertilizer				
10,000	–	Fauji Fertilizer Company Limited	1,400	1,323	–	–
1,000	–	Engro Chemical Pakistan Limited	175	126	–	–
50,000	–	Fauji Fertilizer Bin Qasim	1,885	1,799	–	–
		Jute				
45,100	–	Thall Limited	11,481	8,841	–	–
		Automobile Assembler				
12,185	–	Indus Motor	3,924	2,438	–	–
		Technology and Communication				
42,000	–	Pakistan Telecommunication	2,020	1,623	–	–
		Synthetic and Rayon				
100,000	–	Ibrahim Fibres	5,809	5,250	–	–
			472,437	468,012	178,702	166,071

13.2.9 Pre-IPO investment in unlisted shares

No. of ordinary shares / certificates of Rs. 10/- each		Particulars	Cost	
			2008	2007
2008	2007		(Rupees in thousand) ---	
4,000,000	–	Descon Oxychem	40,000	–

13.2.10 Unlisted shares / certificates

No. of ordinary shares / certificates of Rs. 10/- each		Particulars	Cost	
			2008	2007
2008	2007		(Rupees in thousand) ---	
4,000,000	4,000,000	DHA Cogen Limited	40,000	40,000
518,918	216,216	System Limited	10,000	10,000
1,123,318	1,123,318	Techlogix Limited	12,782	12,782
			62,782	62,782

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

14 ADVANCES, DEPOSITS AND PREPAYMENTS

	Note	2008 (Rupees in thousand)	2007
Advance against leases	14.1	7,606	1,903
Short-term deposits	14.2	15,000	115,000
Advance to suppliers		2,418	17,288
Prepaid expenses	14.3	9,938	7,701
Receivable from NCCPL / CDC		1,100	1,400
Others		400	423
		<u>36,462</u>	<u>143,715</u>

14.1 These represent advances paid to suppliers against assets to be leased out. Mark-up is recovered from the customers at rates ranging from 17.16% to 19.69% (2007: 14.95% to 15.41%).

14.2 This represents interest free deposit placed with IGI Finex Securities Limited (a wholly owned subsidiary) for meeting the exposure deposit requirements arising on continuous funding system transactions.

14.3 This includes Rs. 5,193 thousand (2007: Rs. 7,446 thousand) in respect of advance rent of premises utilised by IGI BANK.

15 INTEREST, MARK-UP AND PROFIT ACCRUED

	2008 (Rupees in thousand)	2007
Investments		
- government securities	1,720	160
- term finance certificates	9,270	6,709
- term deposit receipts	4,545	114
- fund placements	1,301	256
	16,836	7,239
Finances	33,105	68,111
Lendings and continuous funding system transactions	5,397	2,563
Deposits with banks	2,211	361
	<u>57,549</u>	<u>78,274</u>

16 RECEIVABLE AGAINST SALE OF SECURITIES

Secured

Considered good	<u>806,190</u>	<u>—</u>
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Notes to and Forming Part of the Financial Statements
For the Year Ended June 30, 2008

17 OTHER RECEIVABLES

	Note	2008 (Rupees in thousand)	2007
Secured - considered good			
Assets repossessed in respect of terminated lease contracts		5,559	12,272
Unsecured - considered good			
Dividend receivable	17.1	356	18,300
Receivable against tender offer		–	6,240
Excise duty paid on behalf of customers		4,471	4,471
Balances due from related parties:			
Packages Limited		445	–
IGI Finex Securities Limited		4,235	20,869
IGI Funds Limited		–	2,572
Staff Provident Fund of IGI BANK		3,554	–
Staff Gratuity Fund of IGI BANK		70	–
		8,304	23,441
Accrued commission / fee income	17.2	12,285	–
Others		4,803	3,174
Unsecured - considered doubtful			
Receivable from lessees in satisfaction of claims		10,418	6,539
		46,196	74,437
Less: provision for bad and doubtful receivables		(10,418)	(6,539)
		35,778	67,898

17.1 This includes dividend amounting to Rs.Nil (2007: Rs.18,200 thousand) receivable from IGI Finex Securities Limited, a related party.

17.2 This includes commission amounting to Rs. 614 thousand (2007: Nil) due from IGI Income Fund, a related party.

18 CASH AND BANK BALANCES

	2008 (Rupees in thousand)	2007
In hand	41	51
In current accounts		
- State Bank of Pakistan	1,547	278
- Others		
local currency	9,438	4,023
foreign currencies	1,045	950
	10,483	4,973
In saving accounts		
local currency	837,792	264,664
	849,863	269,966

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

19 SHARE CAPITAL

Authorised capital

2008 (Number of Shares)	2007 (Number of Shares)		2008 (Rupees in thousand)	2007 (Rupees in thousand)
<u>300,000,000</u>	<u>100,000,000</u>	Ordinary shares of Rs 10 each	<u>3,000,000</u>	<u>1,000,000</u>

Issued, subscribed and paid-up capital

2008			2007					
Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total			
----- No. of shares -----								
71,109,250	-	71,109,250	25,000,000	-	25,000,000	Ordinary shares paid in cash	711,092	250,000
-	21,109,250	21,109,250	-	16,917,500	16,917,500	Ordinary shares issued as bonus shares	211,092	169,175
71,109,250	21,109,250	92,218,500	25,000,000	16,917,500	41,917,500		922,184	419,175
-	-	-	-	4,191,750	4,191,750	Bonus shares issued during the year	-	41,917
119,884,050	-	119,884,050	46,109,250	-	46,109,250	Right shares issued during the year	1,198,841	461,092
<u>190,993,300</u>	<u>21,109,250</u>	<u>212,102,550</u>	<u>71,109,250</u>	<u>21,109,250</u>	<u>92,218,500</u>		<u>2,121,025</u>	<u>922,184</u>

The following shares were held by the related parties of IGI BANK as at June 30, 2008:

Name of related party	2008		2007	
	Shares held (in million)	Percentage	Shares held (in million)	Percentage
Packages Limited	4.611	2.175%	4.611	4.940%
IGI Insurance Limited	89.095	42.026%	32.942	35.295%
Directors, Chief Executive and their spouse and minor children	7.521	3.548%	4.999	5.356%
Executives	0.010	0.005%	0.010	0.600%

20 RESERVES

	Note	2008 (Rupees in thousand)	2007 (Rupees in thousand)
Capital reserve			
Statutory reserve	20.1	97,098	97,098
Revenue reserves			
General reserve		39,733	55,408
Accumulated loss		<u>(13,541)</u>	<u>(7,155)</u>
		<u>123,290</u>	<u>145,351</u>

- 20.1 Statutory reserve represents amount set aside as per the requirements of clause 14 of the Non-Banking Finance Companies and Notified Entities Regulations, 2007 issued by the Securities and Exchange Commission of Pakistan.

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

21 DEFICIT ON REVALUATION OF INVESTMENTS - NET

	Note	2008 (Rupees in thousand)	2007
Net deficit on revaluation of:			
- government securities		(8,423)	(592)
- listed and unlisted term finance certificates		(1,111)	(8,130)
- mutual funds units (open ended)		(1,790)	3,169
- quoted shares and certificates		(4,425)	(12,631)
- forward sale of quoted shares and certificates		(49,090)	-
	21.1	<u>(64,839)</u>	<u>(18,184)</u>
Related deferred tax asset - net	9	<u>2,770</u>	<u>207</u>
		<u>(62,069)</u>	<u>(17,977)</u>

21.1 Particulars of deficit on revaluation of investments - net

Opening balance		(18,184)	(30,764)
Surplus arising on revaluation of investments during the year		39,874	33,777
Transferred to the profit and loss account on disposal of investments		(86,529)	(21,197)
Closing balance		<u>(64,839)</u>	<u>(18,184)</u>

22 TERM FINANCE CERTIFICATES

Term finance certificates	22.1	437,325	499,961
Less: transaction costs	22.2	<u>2,215</u>	<u>4,040</u>
		435,110	495,921
Less: current maturity of term finance certificates		<u>124,950</u>	<u>61,565</u>
		<u>310,160</u>	<u>434,356</u>

22.1 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 through its letter No. SMD/Co.57 (1)/06/2006 dated June 26, 2006 and by the Lahore Stock Exchange (Guarantee) Limited through its letter No. LSE/12935 dated May 29, 2006 and letter No. 14147 dated June 27, 2006. The credit rating of these TFCs has been maintained at 'A+' (single A plus) by the Pakistan Credit Rating Agency (PACRA).

22.2 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.

23 LONG-TERM FINANCE

	Note	2008 (Rupees in thousand)	2007
Secured			
Local currency - banking companies	23.1	890,000	1,203,335
Less: current maturity of long-term finance		<u>481,667</u>	<u>421,666</u>
		<u>408,333</u>	<u>781,669</u>

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

23.1 The principal terms of borrowings are as follows:

Lender	Amount (Rs in '000)	Date of disbursement	Date of maturity	Installments payable	Pricing structure	Security
MCB Bank Limited	300,000	4-May-07	4-May-10	4 equal semi-annual installments, commencing from 18 months from the date of disbursement.	A floating rate of 3 month KIBOR plus 1.35% payable quarterly.	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%.
MCB Bank Limited	100,000	22-Jun-06	22-Jun-09	4 equal semi-annual installments, commencing from 18 months from the date of disbursement.	A floating rate of 6 months KIBOR plus 1.35% with no floor and or cap payable semi-annually.	The facility is secured by a first pari passu charge on all present and future assets and receivables of IGI BANK's with a margin of 25%.
Allied Bank Limited	40,000	28-Dec-05	28-Dec-08	5 equal semi-annual installments of Rs 40,000 commencing from 13 months from the date of disbursement.	A floating rate of 6 months KIBOR plus 1.35 % p.a. payable semi-annually in arrears.	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%.
Allied Bank Limited	250,000	30-Mar-07	30-Mar-10	4 equal semi-annual installments commencing from 18 months from the date of disbursement.	A floating rate of 6 months KIBOR plus 1.35 % p.a. with no floor or cap payable semi-annually in arrears.	The facility is secured by a first pari passu charge on IGI BANK's movable assets and all receivables including leased assets and leased receivables with a margin of 25%.
United Bank Limited	200,000	28-Apr-08	28-Apr-11	6 equal semi-annual installments commencing 180 days from the date of disbursement.	A floating rate of 3 months KIBOR plus 1.30% p.a. with no floor or cap payable quarterly in arrears.	The facility is secured by a first pari passu charge on all present and future assets and receivables of IGI BANK's amounting to Rs 285.71 million with a margin of 30%.

24 LONG-TERM CERTIFICATES OF DEPOSITS

	Note	2008 (Rupees in thousand)	2007
Unsecured			
Local currency			
- Financial institutions		200,000	400,000
- Individuals		447,750	420,375
- Others		143,932	66,996
	24.1	791,682	887,371
Less: current maturity of long-term certificates of deposit		319,784	359,316
		<u>471,898</u>	<u>528,055</u>

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

- 24.1 These certificates of deposit have contractual maturities ranging from 1 to 5 years (2007: 1 to 5 years) from the contract date. Expected rates of return payable on these certificates of deposits are 6% to 13.50% (2007: 4.75% to 13%) per annum.

25 LONG-TERM DEPOSITS ON LEASE CONTRACTS

	Note	2008 (Rupees in thousand)	2007
Deposits on lease contracts	25.1	574,504	515,228
Less: current maturity of deposits on lease contracts		156,283	85,497
		<u>418,221</u>	<u>429,731</u>

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

26 SHORT-TERM FINANCE - SECURED

	Note	2008 (Rupees in thousand)	2007
Running finance utilised under mark-up arrangement	26.1	<u>299,182</u>	<u>77</u>

- 26.1 The principal terms of running finance utilised under make-up arrangements are as follows:

Lender	Facility amount (Rs in '000)	Date of expiry	Pricing structure	Security
Allied Bank Limited	100,000	31-Oct-08	Mark-up at 1-month KIBOR rate plus 1.5% per annum.	1st pari passu charge on IGI BANK's movable assets including leased assets and lease receivables with a margin of 25%.
United Bank Limited	200,000	28-Feb-09	Mark-up at 1-month KIBOR rate plus 1.25% per annum.	First pari passu charge over present and future assets and receivables of IGI BANK with a margin of 25% amounting to Rs 600 million and incremental charge of Rs 67 million on all present and future assets and receivables of IGI BANK's with 25% charge registered with SECP.

27 SHORT-TERM CERTIFICATES OF DEPOSIT

	Note	2008 (Rupees in thousand)	2007
Unsecured			
Local currency			
- Financial institutions		1,740,000	1,350,000
- Individuals		343,987	296,416
- Others		599,490	193,743
	27.1 & 27.2	<u>2,683,477</u>	<u>1,840,159</u>

- 27.1 These includes certificates of deposit amounting to Rs 1,700 thousand (2007: NIL) issued to employees at mark-up rate of 9.25% (2007: NIL).

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

27.2 These certificates of deposits have contractual maturities ranging from 1 to 12 months (2007: 1 to 12 months) from the contract date. Expected rates of return payable on these certificates of deposits are 8.5% to 15.15% (2007: 8.75% to 11.65%) per annum.

28 BORROWINGS FROM FINANCIAL INSTITUTIONS

	Note	2008 (Rupees in thousand)	2007
Securities sold under repurchase agreement	28.1	819,109	–
Unsecured borrowings	28.2	740,000	465,000
		<u>1,559,109</u>	<u>465,000</u>

28.1 These carry mark-up at rates ranging from 9.62% to 11.00% (2007: Nil) per annum and are repayable on various dates by July 31, 2008.

28.2 These carry mark-up at rates ranging from 10.50% to 16.25% (2007: 8.80% to 9.75%) per annum and are repayable on various dates by November 6, 2008.

29 INTEREST AND MARK-UP ACCRUED

	Note	2008 (Rupees in thousand)	2007
Interest and mark-up accrued on:			
- Long-term finance		17,411	11,939
- Short-term finance		1,356	331
- Borrowings from financial institutions		8,186	2,319
- Term Finance Certificates (TFCs)		25,217	30,178
- Certificates of deposit		114,434	58,450
		<u>166,604</u>	<u>103,217</u>

30 PAYABLE AGAINST PURCHASE OF SECURITIES

Secured

Considered good		<u>65,410</u>	<u>–</u>
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31 ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses		22,035	10,750
Payable to customers on account of excess recoveries		3,028	3,028
Payable to related parties:			
IGI Insurance limited		5,396	12,883
IGI Funds limited		64	–
Discretionary client funds' payable	31.1	55,389	–
Unclaimed dividends		316	347
Payable to employee gratuity scheme	40.1.2	4,224	2,078
Advances from lessees		20,925	35,428
Advance insurance recoveries from customers		7,615	14,799
Fair value of derivative financial instruments		49,090	–
Others		15,990	9,837
		<u>184,072</u>	<u>89,150</u>

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

- 31.1 The IGI BANK has received an amount of Rs. 100 million from Packages Limited Management Staff Pension Fund and Packages Limited Management Staff Provident Fund under discretionary portfolio management services agreement dated January 1, 2008. Out of the total amount received, an amount of Rs. 55.389 million (including Rs. 1.102 million which represents profit realised during the period) remained uninvested as at June 30, 2008. The total cost and total market value of the invested portfolios as at June 30, 2008 amounting to Rs 45.713 million and Rs 39.407 million respectively (2007: Rs Nil and Rs Nil respectively). The IGI BANK is entitled to fee and proportionate amount of agreed profit for the management of the above discretionary client portfolio which is included in fee, commission and brokerage.

32 CONTINGENCIES AND COMMITMENTS

32.1 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.

- (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 which was also confirmed by the Supreme Court in its decision dated March 1, 2006 under which the department was directed to 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 the department had selected tax Year 2003 for audit and has consequently amended the assessment for the said year by making certain additions on account of depreciation on leased assets, provision for finance losses and other miscellaneous expenses. The company had preferred an appeal before the CIT (A) to agitate against the additions. The appeal proceeding in this regard has been completed and the order is still awaited.

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

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 2008 amounts to Rs 199 million (2007: 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.

	2008	2007
	(Rupees in thousand)	
32.2 Claims not acknowledged as debts	81,570	81,570
32.3 Commitments		
- Underwriting commitments	-	75,000
- Commitments in respect of capital expenditure	1,200	-
- Commitments in respect of lease disbursements	307,408	-
- Commitments in respect of forward sale of shares	283,109	-
- Commitments in respect of continuous funding system transactions - receivable	142,010	188,485
- Commitments in respect of continuous funding system transactions - payable	32,233	-

33 INCOME FROM INVESTMENTS

	2008				2007			
	Held to maturity	Held for trading	Available for sale	Total	Held to maturity	Held for trading	Available for sale	Total
	(Rupees in thousand)							
Interest / mark-up / profit from:								
TDRs / Commercial Papers / fund placements	39,294	-	-	39,294	30,134	-	-	30,134
Government securities	-	14,971	-	14,971	-	225	8,686	8,911
TFCs	-	-	35,026	35,026	-	-	26,946	26,946
	39,294	14,971	35,026	89,291	30,134	225	35,632	65,991
Dividend income	-	-	51,848	51,848	-	-	33,478	33,478
Gain on disposal of:								
TFCs	-	-	4,106	4,106	-	-	464	464
Units of open end mutual fund	-	-	48,410	48,410	-	-	15,270	15,270
Listed shares / certificates	-	-	34,013	34,013	-	-	5,463	5,463
	-	-	86,529	86,529	-	-	21,197	21,197
	39,294	14,971	173,403	227,668	30,134	225	90,307	120,666

Notes to and Forming Part of the Financial Statements
For the Year Ended June 30, 2008

34 INCOME FROM LOANS

	2008	2007
	(Rupees in thousand)	
Mark-up / interest on loans	120,738	121,692
Documentation charges and other loan related income	1,505	3,353
	<u>122,243</u>	<u>125,045</u>

35 INCOME FROM LEASE FINANCE

Mark-up on lease finance	224,685	224,979
Front-end fees, documentation charges and other lease related income	6,711	5,569
	<u>231,396</u>	<u>230,548</u>

36 INCOME FROM LENDINGS AND CONTINUOUS FUNDING SYSTEM TRANSACTIONS

Securities purchased under resale agreements	23,917	72
Income from continuous funding system transactions	96,276	82,789
	<u>120,193</u>	<u>82,861</u>

37 This includes management fee amounting to Rs 6,000 thousand each earned from IGI Finex Securities Limited (a related party) and IGI Funds Limited (a related party) on account of advisory service provided by IGI BANK.

38 FINANCE COSTS

	2008	2007
	(Rupees in thousand)	
Mark-up on term finance certificates	57,953	61,051
Mark-up on long-term borrowings	121,358	129,920
Mark-up on certificates of deposits	321,910	255,173
Mark-up on short-term finances	1,139	283
Mark-up on borrowings from financial institutions	68,595	36,293
Bank charges	131	153
	<u>571,086</u>	<u>482,873</u>

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

39 ADMINISTRATION AND GENERAL EXPENSES

	Note	2008 (Rupees in thousand)	2007
Salaries, allowances and benefits		106,022	85,577
Contribution to provident fund	40.2	3,227	3,750
Gratuity scheme expense	40.1.6	2,146	1,610
Contribution to employees' old-age benefit institution		429	381
Depreciation on property and equipment	4.1	22,239	14,493
Amortisation on intangible assets	4.2	2,025	11,302
Rent, rates and taxes		20,204	17,218
Travelling and entertainment		8,565	6,473
Telephone, telex and fax		4,680	5,844
Printing, postage and stationery		5,136	5,447
Insurance		1,975	1,888
Lighting, heating and cooling		3,365	3,125
Repairs and maintenance		4,019	4,256
Brokerage and commission		20,488	13,841
Legal and professional fees		7,638	11,310
Subscriptions		553	2,142
Advertisement		19,920	14,680
Other expenses		1,477	4,658
		<u>234,108</u>	<u>207,995</u>

40 EMPLOYEE BENEFITS

40.1 Gratuity scheme

As mentioned in note 3.16.2, 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, 2008 using Projected Unit Credit Method.

40.1.1 Principal actuarial assumptions

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

	2008	2007
Expected rate of increase in salary	11.09%	8.89%
Discount rate	13.25%	11.00%
Expected rate of return on plan assets	13.25%	11.00%

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

40.1.2 Amount recognised in the balance sheet

	Note	2008 (Rupees in thousand)	2007
Present value of defined benefit obligation	40.1.3	12,042	8,059
Fair value of plan assets	40.1.4	(8,022)	(7,220)
Unrecognised actuarial gain (net)		204	1,239
		<u>4,224</u>	<u>2,078</u>

40.1.3 Movement in the defined benefit obligation:

Present value of defined benefit obligation at the beginning of the year		8,059	6,462
Interest cost		886	650
Current service cost		2,122	1,786
Benefits paid		–	(549)
Settlement cost		–	(261)
Actuarial loss / (gain) on obligation		975	(29)
Present value of defined benefit obligation at the end of the year		<u>12,042</u>	<u>8,059</u>

40.1.4 Movement in the fair value of plan assets

Fair value of plan asset at the beginning of the year		7,220	4,755
Expected return on plan assets		794	538
Contributions to the fund		–	2,377
Benefits paid		–	(549)
Actuarial gain on plan assets		8	99
Fair value of plan assets at the end of the year		<u>8,022</u>	<u>7,220</u>

40.1.5 Movement of liability

Balance at the beginning of the year		2,078	2,845
Expense for the year	40.1.6	2,146	1,610
Contributions during the year		–	(2,377)
Balance at the end of the year		<u>4,224</u>	<u>2,078</u>

40.1.6 Gratuity scheme expense recognised in the profit and loss account

Current service cost		2,122	1,786
Interest cost		886	650
Expected return on plan assets		(794)	(538)
Settlement cost		–	(261)
Net actuarial gain recognised during the year		(68)	(27)
		<u>2,146</u>	<u>1,610</u>

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

40.1.7 Plan assets comprised of following:

	2008		2007	
	(Rupees in thousand)	Percentage composition	(Rupees in thousand)	Percentage composition
Mutual fund units / shares	5,024	63	4,801	67
Bank account and short term deposits	3,158	39	4,431	61
Benefits due	(160)	(2)	(2,012)	(28)
	<u>8,022</u>	<u>100</u>	<u>7,220</u>	<u>100</u>

40.1.8 5 years data in respect of deficit on the plan assets is as follows:

	2008	2007	2006	2005	2004
	(Rupees in thousand)				
Present value of defined benefit obligation	12,042	8,059	6,462	5,797	5,481
Fair value of plan assets	(8,022)	(7,220)	(4,755)	(3,542)	(3,149)
Deficit	<u>4,020</u>	<u>839</u>	<u>1,707</u>	<u>2,255</u>	<u>2,332</u>

40.1.9 5 years data in respect of experience adjustments is as follows:

	2008	2007	2006	2005	2004
	(Rupees in thousand)				
Experience adjustments on plan liabilities	8%	0%	0%	(4%)	(5%)
Experience adjustments on plan assets	0%	10%	(1%)	(2%)	(2%)

40.1.10 Actual return on plan assets during the year was Rs. 802 thousand (2007: Rs. 637 thousand).

40.1.11 Based on actuarial advice IGI BANK intends to charge an amount of approximately Rs. 4,224 thousand in the financial statements for the year ending June 30, 2009.

40.1.12 The information provided in notes 40.1.1 to 40.1.11 has been obtained from the valuation carried out by an independent actuary as at June 30, 2008.

40.2 Defined contribution plan

An amount of Rs. 3,227 thousand (2007: Rs. 3,750 thousand) has been charged during the year in respect of contributory provident fund maintained by IGI BANK.

41 OTHER OPERATING INCOME

	Note	2008 (Rupees in thousand)	2007
Income from financial assets			
Income from deposits with banks		14,284	14,888
Income from non-financial assets			
Gain on disposal of property and equipment	41.1	14,903	23,518
Miscellaneous income		2,089	28
		<u>31,276</u>	<u>38,434</u>

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

41.1 This includes gain amounted to Rs 14.167 million relating to disposal of non-competition agreement to IGI Finex Securities Limited as more fully explained in note 4.4 to the financial statements.

42 OTHER OPERATING EXPENSES

	Note	2008 (Rupees in thousand)	2007
Provision against other assets		3,879	1,470
Auditors' remuneration	42.1	875	770
Amortisation of transaction cost on TFCs		1,825	1,010
Donations	42.2	105	–
		<u>6,684</u>	<u>3,250</u>
42.1 Auditors' remuneration			
Statutory audit fee		500	450
Half yearly review fee		150	100
Special certification and other services		75	100
Out of pocket expenses		150	120
		<u>875</u>	<u>770</u>

42.2 Donations were not made to any donee in which IGI BANK or a director or his spouse had any interest.

43 TAXATION

	Note	2008 (Rupees in thousand)	2007
Current			
- For the year		12,139	8,811
- For prior years		–	(3,203)
		12,139	5,608
Deferred	9.2	(51,390)	(45,718)
		<u>(39,251)</u>	<u>(40,110)</u>

43.1 Relationship between tax expense and accounting loss

Loss for the year before taxation		<u>(45,637)</u>	<u>(79,267)</u>
Tax at the applicable rate of 35% (2007: 35%)		(15,973)	(27,743)
Tax effect of income / expenses that are exempted / not allowed in determining taxable income		(7,569)	(5,844)
Tax effect of income taxed under Final Tax Regime		(9,591)	347
Prior years reversal		–	(3,203)
Tax effect of dividend income taxed at a lower rate		(12,962)	(10,043)
Minimum tax under section 113 of the Income Tax Ordinance, 2001		6,954	6,376
Others		(110)	–
Tax expense for the year		<u>(39,251)</u>	<u>(40,110)</u>

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

44 LOSS PER SHARE

	2008	2007 Restated
	(Rupees in thousand)	
Loss after taxation	<u>(6,386)</u>	<u>(39,157)</u>
	Number of shares	
Weighted average number of ordinary shares outstanding during the year	<u>109,151,644</u>	<u>61,433,977</u>
	(Rupees)	
Loss per share - basic	<u>(0.06)</u>	<u>(0.64)</u>

- 44.1 Diluted earnings per share has not been presented as IGI BANK does not have any convertible instruments in issue as at June 30, 2007, and 2008 which would have any effect on the earnings per share if the option to convert is exercised.

45 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives		Director		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	(Rupees in thousand)							
Short-term employee benefit (including bonus)								
Managerial remuneration (including bonus)	5,065	4,500	23,680	20,297	3,727	-	32,472	24,797
House rent	1,519	-	10,656	8,123	1,677	-	13,852	8,123
Utilities	405	417	2,368	1,805	373	-	3,146	2,222
Medical expenses	-	424	915	601	-	-	915	1,025
Conveyance	155	125	3,326	2,897	158	-	3,639	3,022
Others	495	381	2,329	1,983	516	-	3,340	2,364
Post employment benefits								
Retirement benefits	405	755	1,680	3,560	373	-	2,458	4,315
	<u>8,044</u>	<u>6,602</u>	<u>44,954</u>	<u>39,266</u>	<u>6,824</u>	<u>-</u>	<u>59,822</u>	<u>45,868</u>
Number of persons	1	1	38	29	1	-	39	30

- 45.1 The chief executive and certain senior executives are provided with free use of IGI BANK'S owned and maintained cars.
- 45.2 IGI BANK has also bears the travelling expenses of the Chief Executive and Director relating to travel for official purposes including expenses incurred in respect of attending board meetings.
- 45.3 Meeting fees of Rs 10,000 (2007: Nil) were paid to the directors for attending the board meetings.

Notes to and Forming Part of the Financial Statements
For the Year Ended June 30, 2008

46 TRANSACTIONS WITH RELATED PARTIES

Description	2008			Total
	Subsidiaries	Other related parties including associates undertaking	Key Management personal	
	(Rupees in thousand)			
Transactions during the year				
Certificate of deposits issued and mark-up paid thereon	–	912,007	164,198	1,076,205
Insurance premium paid	–	13,941	–	13,941
Purchase of marketable securities	37,794,396	–	–	37,794,396
Sale of marketable securities	38,184,501	–	–	38,184,501
Dividend received	30,680	–	–	30,680
Finance provided	30,000	–	–	30,000
Income from finance	2,509	949	60	3,518
Brokerage, commission and fee income	10,882	–	–	10,882
Rent expense	779	11,669	–	12,448
Insurance expense	–	1,975	–	1,975
Travelling and lodging	–	–	–	–
Proceed from finance provided	1,818	–	–	1,818
Charge for the year in respect of employee benefit and contribution plan	–	5,373	–	5,373
Remuneration to key management personnel	–	–	48,088	48,088
Expenses incurred on behalf of group companies	10,179	9,796	–	19,975
Asset purchased	51	4,006	–	4,057
Commission income on sale of units through Fund Select	1,614	–	–	1,614
Documentation and miscellaneous charges	25	–	–	25
Balance outstanding as at year end				
Loans and advances	30,000	–	1,408	31,408
Certificates of deposit	–	237,958	–	237,958
Mark-up accrued - loans	677	–	–	677
Mark-up accrued - certificate of deposits	–	3,405	282	3,687

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

Description	2007			
	Subsidiaries	Other related parties including associates undertaking	Key Management personal	Total
----- (Rupees in thousand) -----				
Transactions during the year				
Certificate of deposits issued and mark-up paid thereon	–	714,161	1,000	715,161
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
Finance provided	–	–	–	–
Income from finance	5,286	–	326	5,612
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
Charge for the year in respect of employee benefit and contribution plan	–	5,360	–	5,360
Remuneration to key management personnel	–	–	25,572	25,572
Expenses incurred on behalf of group companies	5,653	–	–	5,653
Balance outstanding as at year end				
Loans and advances	–	–	2,028	2,028
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

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 related notes to the financial statements.

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

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.

47 CASH GENERATED FROM OPERATIONS

	Note	2008 (Rupees in thousand)	2007
Loss for the year before taxation		(45,637)	(79,267)
Adjustments for non cash and other items:			
Gain on disposal of fixed assets		(14,903)	(23,518)
Depreciation on property and equipment		22,239	14,493
Amortisation of intangible assets		2,025	11,302
Amortisation of transaction cost on TFCs		1,825	1,010
Provision for staff gratuity scheme		2,146	1,610
Interest, mark-up and profit income		(569,191)	(510,411)
Dividend income		(51,848)	(33,478)
Finance cost		571,086	482,873
Provision for bad and doubtful loans / potential lease losses - general - net		5,257	4,260
Provision for bad and doubtful loans lease losses - specific - net		23,915	5,313
Working capital changes	47.1	(111,529)	(143,098)
		<u>(118,978)</u>	<u>(189,644)</u>
		<u>(164,615)</u>	<u>(268,911)</u>
47.1 Working capital changes			
(Increase) / decrease in current assets:			
Short-term loans		(212,712)	75,273
Lendings		(900,513)	-
Receivable against continuous funding system transactions / carry over transactions		195,797	(136,847)
Short-term investments		(604,984)	(486,360)
Receivable against sale of securities		(806,190)	187,848
Advances, deposits, prepayments and other receivables		121,429	(24,222)
		<u>(2,207,173)</u>	<u>(384,308)</u>
Increase / (decrease) in current liabilities:			
Short-term certificates of deposits		843,318	130,445
Borrowings from financial institutions		1,094,109	170,653
Payable against purchase of securities		65,410	-
Accrued expenses and other liabilities		92,807	(59,888)
		<u>2,095,644</u>	<u>241,210</u>
		<u>(111,529)</u>	<u>(143,098)</u>
48 CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	849,863	269,966
Short-term running finance utilised under mark-up arrangements	26	(299,182)	(77)
		<u>550,681</u>	<u>269,889</u>

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

49 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, 2008	Total	Within one year	More than one year and less than five years	More than five years
	----- (Rupees in thousand) -----			
Assets				
Fixed assets	112,052	31,379	80,673	-
Investments	2,946,690	2,104,179	-	842,511
Loans - net	966,615	618,776	344,331	3,508
Net investment in lease finance - net	2,458,004	990,043	1,467,961	-
Deposits	5,059	-	-	5,059
Deferred tax assets - net	58,725	-	58,725	-
Lendings	900,513	900,513	-	-
Receivable against continuous funding system transactions	360,468	360,468	-	-
Taxation - net	237,428	237,428	-	-
Advances, deposits and prepayments	36,462	36,462	-	-
Interest, mark-up and profit accrued	57,549	57,549	-	-
Receivable against sale of securities	806,190	806,190	-	-
Other receivables	35,778	35,778	-	-
Cash and bank balances	849,863	849,863	-	-
	<u>9,831,396</u>	<u>7,028,628</u>	<u>1,951,690</u>	<u>851,078</u>
Liabilities				
Term finance certificates	435,110	124,950	310,160	-
Finance	1,189,182	780,849	408,333	-
Certificates of deposit	3,475,159	3,003,261	471,898	-
Deposits on lease contracts	574,504	156,283	418,221	-
Borrowings from financial institutions	1,559,109	1,559,109	-	-
Interest and mark-up accrued	166,604	166,604	-	-
Payable against purchase of securities	65,410	65,410	-	-
Accrued expenses and other liabilities	184,072	184,072	-	-
	<u>7,649,150</u>	<u>6,040,538</u>	<u>1,608,612</u>	<u>-</u>
	<u>2,182,246</u>	<u>988,090</u>	<u>343,078</u>	<u>851,078</u>

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

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 liabilities- net	4,772	4,772	–	–
Receivable against continuous funding system 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	–	–
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	495,921	61,565	434,356	–
Finance	1,203,412	421,743	781,669	–
Certificates of deposits	2,727,530	2,199,475	528,055	–
Deposits on lease contracts	515,228	85,497	429,731	–
Borrowings from financial institutions	465,000	465,000	–	–
Interest and mark-up accrued	103,217	103,217	–	–
Accrued expenses and other liabilities	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>

50 CAPITAL RISK MANAGEMENT

The objective of managing capital is to safeguard the IGI Bank's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of IGI Bank to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and IGI Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Goals of managing capital

The goals of managing capital of IGI Bank are as follows:

- To be an appropriately capitalized institution, as defined by regulatory authorities and comparable to the peers;
- Maintain strong ratings and to protect against unexpected events;
- Availability of adequate capital at a reasonable cost so as to expand; and achieve low overall cost of capital with appropriate mix of capital elements.

The Securities Exchange Commission of Pakistan through its SRO 1132(i)2007 dated November 21, 2007 has issued Non-Banking Finance Companies and Notified Entities Regulations, 2007 in which the capital requirements for an NBFC licensed by the commission to undertake different form of business have been prescribed. The present issued, subscribed and paid-up capital of IGI BANK adequately covers the minimum levels specified by the NBFC Regulations.

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

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. 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 summarized as follows:

As at June 30, 2008	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	15.10%	966,615	618,776	344,331	3,508	–
Net investment in lease finance	14.50%	2,458,004	990,043	1,467,961	–	–
Investments	11.52%	2,104,179	1,423,675	–	–	680,504
Lendings	13.41%	900,513	900,513	–	–	–
Receivable against continuous funding system transactions	19.32%	360,468	360,468	–	–	–
Deposits	–	21,559	–	–	–	21,559
Interest, mark-up and profit accrued	–	65,364	–	–	–	65,364
Receivable against sale of securities	–	806,190	–	–	–	806,190
Other receivables	–	30,209	–	–	–	30,209
Cash and bank balances	8.82%	849,863	837,792	–	–	12,071
		8,562,964	5,131,267	1,812,292	3,508	1,615,897
Financial liabilities						
Term finance certificates	12.27%	435,110	124,950	310,160	–	–
Finance	12.47%	1,189,182	780,849	408,333	–	–
Certificates of deposit	11.17%	3,475,159	3,003,261	471,898	–	–
Deposits on lease contracts	–	574,504	–	–	–	574,504
Borrowings from financial institutions	12.40%	1,559,109	1,559,109	–	–	–
Interest, mark-up accrued	–	166,604	–	–	–	166,604
Payable against purchase of securities	–	65,410	–	–	–	65,410
Accrued expenses and other liabilities	–	141,112	–	–	–	141,112
		7,606,190	5,468,169	1,190,391	–	947,630
On-balance sheet gap		956,774	(336,902)	621,901	3,508	668,267
Commitments in respect of forward sale of shares		283,109	283,109	–	–	–
Commitments in respect of continuous funding system transactions - receivable		142,010	142,010	–	–	–
Commitments in respect of continuous funding system transactions - payable		(32,233)	(32,233)	–	–	–
Off-balance sheet gap		392,886	392,886	–	–	–

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

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	11.56%	556,265	556,265	–	–	–
Investments	10.64%	1,545,850	596,731	108,988	98,109	742,022
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
		<u>5,598,354</u>	<u>2,502,478</u>	<u>1,986,298</u>	<u>98,109</u>	<u>1,011,469</u>
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
		<u>5,551,202</u>	<u>3,147,783</u>	<u>1,744,080</u>	<u>–</u>	<u>659,339</u>
On-balance sheet gap		<u>47,152</u>	<u>(645,305)</u>	<u>242,218</u>	<u>98,109</u>	<u>352,130</u>
Commitments in respect of continuous funding system transactions - receivable		188,485	188,485	–	–	–
Off-balance sheet gap		<u>188,485</u>	<u>188,485</u>	<u>–</u>	<u>–</u>	<u>–</u>

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. IGI BANK attempts to control credit risk by monitoring credit exposures, limiting transactions to specific counterparties and continually assessing the credit worthiness of counterparties.

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

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:

	2008		2007	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Finance and leases				
Dairy and poultry	1,008	0.03	2,454	0.08
Cement	1,208	0.04	24,444	0.83
Health	48,259	1.41	41,920	1.42
Glass and ceramics	14,436	0.42	3,259	0.11
Leather	67,933	1.98	21,343	0.72
Paper and board	74,151	2.17	47,731	1.61
Construction	275,694	8.05	95,716	3.23
Energy, oil and gas	294,670	8.60	72,796	2.46
Financial institutions	83,614	2.44	89,260	3.01
Electric and electric goods	86,387	2.52	20,685	0.70
Chemicals / fertilizers / pharmaceuticals	91,886	2.68	63,207	2.13
Food, tobacco and beverages	157,329	4.59	110,240	3.72
Steel, engineering and automobiles	191,316	5.59	114,107	3.85
Transport	395,640	11.55	226,287	7.64
Textile / textile composite	412,110	12.04	360,168	12.16
Miscellaneous (including individuals)	1,228,978	35.89	1,668,511	56.33
	<u>3,424,619</u>	<u>100.00</u>	<u>2,962,128</u>	<u>100.00</u>

Sector-wise concentration of investments has been included in note 13 to these financial statements.

53 FAIR VALUE OF FINANCIAL INSTRUMENTS

53.1 As at June 30, 2008, 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. Unquoted investments, except where an active market exists, are carried at cost less accumulated impairment, if any, which approximates their fair value in the absence of an active market.

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

(c) Other financial instruments

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

54 SEGMENTAL ANALYSIS

IGI BANK's activities are broadly categorized into two primary business segments namely financing activities and investment 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 IGI BANK's liquidity.

	Note	Financing activities	Investment activities	Brokerage activities	Total
		(Rupees in thousand)			
Segmental information for the year ended June 30, 2008					
Segment revenue		490,824	304,589	-	795,413
Segment result		(50,030)	4,393	-	(45,637)
Loss before taxation					(45,637)
Taxation					39,251
(Loss) / profit for the year after taxation					(6,386)
Segment assets		4,365,843	4,151,681	-	8,517,524
Unallocated assets					1,313,872
					9,831,396
Segment liabilities		595,429	-	-	595,429
Unallocated liabilities					7,053,721
					7,649,150
Unallocated capital expenditure - tangible					45,724
Unallocated capital expenditure - intangible					3,583
Segment depreciation and amortization of fixed assets	54.1	14,973	9,291	-	24,264

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

	Financing activities	Investment activities	Brokerage activities	Total
	----- (Rupees in thousand) -----			
Segmental information for the year ended June 30, 2007				
Segment revenue	<u>377,479</u>	<u>217,920</u>	<u>29,025</u>	<u>624,424</u>
Segment result	<u>(48,027)</u>	<u>(21,239)</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>
Segmented depreciation and amortization	<u>13,057</u>	<u>7,566</u>	<u>5,172</u>	<u>25,795</u>

- 54.1 Depreciation and amortization has been allocated in the proportion of segment revenue as fixed assets are shown under unallocated assets.

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2008

55 CORRESPONDING FIGURES

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

- Earnings per share and weighted average number of shares for the prior year have been restated consequent to the issue of rights shares during the year.

56 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on August 20, 2008 by the Board of Directors of IGI BANK.

57 GENERAL

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

Syed Babar Ali
Chairman

Samir Ahmed
Managing Director & Chief Executive

**Profit and Loss Account
For the Year Ended June 30, 2008**

	Note	2008 (Rupees in thousand)	2007
Income			
Income from investments	33	227,668	120,666
Income from loans	34	122,243	125,045
Income from lease finance	35	231,396	230,548
Income from lendings and continuous funding system transactions	36	120,193	82,861
Income from fees, commission and brokerage	37	62,637	26,870
		<u>764,137</u>	<u>585,990</u>
Finance costs	38	571,086	482,873
		<u>193,051</u>	<u>103,117</u>
Administrative and general expenses	39	234,108	207,995
		<u>(41,057)</u>	<u>(104,878)</u>
Other operating income	41	31,276	38,434
		<u>(9,781)</u>	<u>(66,444)</u>
Other operating expenses	42	6,684	3,250
Operating loss before provisions		<u>(16,465)</u>	<u>(69,694)</u>
Provision for bad and doubtful loans / potential lease losses - general - net	6.6 & 7.4	(5,257)	(4,260)
Provision for bad and doubtful loans / lease losses - specific - net	6.6 & 7.4	(23,915)	(5,313)
Loss before taxation		<u>(45,637)</u>	<u>(79,267)</u>
Taxation - net	43	39,251	40,110
Loss after taxation		<u>(6,386)</u>	<u>(39,157)</u>
		<u>-----Rupees -----</u>	<u>Restated</u>
Loss per share	44	<u>(0.06)</u>	<u>(0.64)</u>

The annexed notes 1 to 57 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, 2008

	Issued, subscribed and paid- up capital	Capital reserves		Reserves			Total
		Reserve for for issue for bonus shares	Statutory reserve	General reserve	Accumulated profit / (loss)	Total reserve	
(Rupees in thousand)							
Balance as at June 30, 2006	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 end	–	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	<u>922,184</u>	<u>–</u>	<u>97,098</u>	<u>55,408</u>	<u>(7,155)</u>	<u>145,351</u>	<u>1,067,535</u>
Issue of right shares	1,198,841	–	–	–	–	–	1,198,841
Loss after taxation for the year ended June 30, 2008	–	–	–	–	(6,386)	(6,386)	(6,386)
Share issue cost*	–	–	–	(15,675)	–	(15,675)	(15,675)
Balance as at June 30, 2008	<u>2,121,025</u>	<u>–</u>	<u>97,098</u>	<u>39,733</u>	<u>(13,541)</u>	<u>123,290</u>	<u>2,244,315</u>

* Transaction costs incurred in connection with the issue of shares have been accounted for as deduction from general reserve, in accordance with the requirements of the International Accounting Standard (IAS) 32, 'Financial Instruments: Disclosure and Presentation.'

The annexed notes 1 to 57 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Samir Ahmed
Managing Director & Chief Executive