

Auditors' Report to the Members

We have audited the annexed balance sheet of **IGI Investment Bank Limited** as at June 30, 2009 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 accounts 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, 2009 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
Engagement Partner: Salman Hussain
Dated: August 27, 2009
Karachi

Balance Sheet

As at June 30, 2009

	Note	2009 (Rupees in thousand)	2008
ASSETS			
Non-current assets			
Fixed assets	4	88,449	112,052
Long-term investments	5	1,293,943	1,006,804
Long-term loans and advances - net	6	162,315	347,839
Net investment in finance lease - net	7	843,382	1,467,961
Long-term deposits	8	6,795	5,059
Deferred tax asset - net	9	135,056	58,725
		2,529,940	2,998,440
Current assets			
Current maturity of long-term loans and advances - net	6	195,746	208,085
Current maturity of net investment in finance lease - net	7	985,714	990,043
Short-term loans and advances	10	405,980	410,691
Lendings - secured	11	98,600	900,513
Receivable against continuous funding system transactions	12	-	360,468
Short-term investments	13	1,892,946	1,939,886
Taxation - net		247,835	237,428
Advances, deposits and prepayments	14	6,036	36,462
Interest, mark-up and profit accrued	15	49,152	57,549
Receivable against sale of securities	16	2,857	806,190
Other receivables - net	17	21,184	35,767
Cash and bank balances	18	112,664	849,863
		4,018,714	6,832,945
TOTAL ASSETS		6,548,654	9,831,385
EQUITY & LIABILITIES			
Capital and reserves			
Share capital	19	2,121,025	2,121,025
Reserves	20	136,831	136,831
Accumulated losses		(388,627)	(13,541)
		1,869,229	2,244,315
Deficit on revaluation of investments - net	21	(1,767)	(62,080)
		1,867,462	2,182,235
Non-current liabilities			
Term finance certificates	22	186,330	310,160
Long-term finance	23	66,667	408,333
Long-term certificates of deposit	24	165,130	471,898
Long-term deposits on lease contracts	25	271,464	418,221
		689,591	1,608,612
Current liabilities			
Current maturity of term finance certificates	22	124,950	124,950
Current maturity of long-term finance	23	341,666	481,667
Current maturity of long-term certificates of deposit	24	243,411	319,784
Current maturity of long-term deposits on lease contracts	25	253,074	156,283
Short-term finance	26	299,472	299,182
Short-term certificates of deposit	27	2,248,334	2,683,477
Borrowings from financial institutions	28	225,868	1,559,109
Interest and mark-up accrued	29	141,445	166,604
Payable against purchase of securities	30	74,647	65,410
Accrued expenses and other liabilities	31	38,734	184,072
		3,991,601	6,040,538
TOTAL LIABILITIES		4,681,192	7,649,150
TOTAL EQUITY AND LIABILITIES		6,548,654	9,831,385
Contingencies and commitments	32		

The annexed notes 1 to 56 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

Cash Flow Statement

For the Year Ended June 30, 2009

	Note	2009 (Rupees in thousand)	2008 (Rupees in thousand)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	47	(153,258)	(164,615)
Disbursements of long-term loans and advances		167,016	38,794
Net investment in finance lease		570,840	(317,745)
Long-term deposits		(1,736)	(3,909)
Repayments of long-term certificates of deposit		(383,141)	(95,689)
Receipts from deposits on lease contracts		(49,966)	59,276
Interest, mark-up and profit received		683,688	589,916
Share issue cost		-	(15,675)
Dividend received		6,448	69,792
Finance cost paid		(668,511)	(507,699)
Income tax paid		(12,529)	(20,671)
Gratuity paid		(942)	-
Net cash generated from / (used in) operating activities		157,909	(368,225)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(19,173)	(49,307)
Long-term investments		(287,139)	(159,940)
Proceeds from disposal of fixed assets		17,531	35,425
Net cash outflow on investing activities		(288,781)	(173,822)
CASH FLOWS FROM FINANCING ACTIVITIES			
Term finance certificates		(124,950)	(62,636)
Proceeds from issue of right shares		-	1,198,841
Long-term finance		(481,667)	(313,335)
Payment of dividend		-	(31)
Net cash (outflow on) / inflow from financing activities		(606,617)	822,839
Net (decrease) / increase in cash and cash equivalents		(737,489)	280,792
Cash and cash equivalents at the beginning of the year		550,681	269,889
Cash and cash equivalents at the end of the year	48	(186,808)	550,681

The annexed notes 1 to 56 form an integral part of these financial statements.

Company Information

Audit Committee

Mr. Khalid Yacob, Chairman
Mr. Jalees A. Siddiqi
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.
MCB Bank Ltd.
My Bank Ltd.
NIB Bank Ltd.
Soneri Bank Ltd.
United Bank Ltd.

Shares Registrar

Noble Computer Services
(Private) Limited
Mezzanine Floor, House of Habib
Building (Siddiqsons Tower),
3-Jinnah Cooperative House Society,
Main Shahrah-e-Faisal,
Karachi-75350
Tel: (021) 34325482-87
Fax: (021) 34325442

Lahore Registered Office

5 F.C.C. Ground Floor,
Syed Maratib Ali Road,
Gulberg, Lahore.
Tel: (042) 111-234-234
(042) 35753414-16
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(042) 3576-2790

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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Islamabad Office

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

Faisalabad Office

9th Floor, State Life Building,
Faisalabad.
Tel: (041) 2540811-12
Fax: (041) 2540815

Multan Office

Mezzanine Floor, Abdali Tower,
Abdali Road,
Multan.
Tel: (061) 4504461-62
Fax: (061) 4784403

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, Lahore and Islamabad Stock Exchanges of Pakistan.

Operating in Karachi, Lahore, Islamabad, Faisalabad and Multan IGI Investment Bank specializes in innovative solutions, drawing on expertise from across the full spectrum of products and services designed to meet the financial needs of investors and companies:

Corporate Finance and Advisory

Corporate Finance & Advisory works with clients to develop unique financial solutions tailored to their requirements. We provide a full range of services including advising on the structuring and execution of financing transactions, mergers and acquisitions and capital raising through debt and equity markets.

Commercial Financing and Leasing

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

Portfolio Management

We provide customized investment solutions for corporate and high net worth clients, with expertise in equity, debt and composite portfolios. Currently managing a number of retirement fund accounts. The objective is to provide professional management services to clients on portfolios in sectors where the expertise is lacking.

Deposit Plans

Our deposit products offer clients with both short-term and long-term liquidity management solutions and a sound mode of investment through Certificate of Deposits (CODs), with the flexibility of investing for as short as 30 days to as long as 3 years along with highly competitive rates and profit payments.

Mutual Funds Advisory - Fund Select

Fund Select is a mutual funds advisory service that provides a one-stop solution for all mutual fund investors, catering to all their mutual fund needs. Fund Select makes mutual fund selection and investment an easy task as it offers both, free-advice and execution. They are also working to add other products to their portfolio.

**Consolidated Financial Statements
For the year ended June 30, 2009**

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, 2009 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.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of IGI Investment Bank Limited and its subsidiary companies as at June 30, 2009 and the results of their operations for the year then ended.

A. F. Ferguson & Co.
Chartered Accountants
Engagement Partner: Salman Hussain
Dated: August 27, 2009
Karachi

Consolidated Balance Sheet

As at June 30, 2009

	Note	2009 (Rupees in thousand)	2008
ASSETS			
Non-current assets			
Fixed assets	4	313,820	358,189
Long-term loans and advances - net	5	162,683	331,258
Long term investments	6	98,932	62,782
Investment in associates	7	563,869	261,259
Net investment in finance lease	8	843,382	1,467,961
Long-term deposits and other receivables	9	15,333	13,597
Deferred tax asset - net	10	202,710	84,984
		2,200,729	2,580,030
Current assets			
Current maturity of long-term loans and advances - net	5	196,258	209,393
Current maturity of net investment in finance lease	8	985,714	990,043
Short-term loans and advances - net	11	405,980	410,691
Lendings - secured	12	48,600	1,025,513
Receivable against continuous funding system transactions	13	-	483,912
Short-term investments	14	1,928,111	2,022,195
Taxation - net		265,762	248,337
Advances, deposits and prepayments	15	18,494	74,862
Interest, mark-up and profit accrued	16	51,265	65,351
Trade debts - net	17	288,590	1,438,913
Receivable against sale of securities	18	2,857	778,234
Other receivables - net	19	24,719	36,787
Cash and bank balances	20	216,952	974,845
		4,433,302	8,759,076
Total assets		6,634,031	11,339,106
EQUITY & LIABILITIES			
Capital and reserves			
Share capital	21	2,121,025	2,121,025
Reserves	22	115,145	136,831
Accumulated losses		(633,987)	(95,011)
		1,602,183	2,162,845
Minority interest	23	45	23,384
		1,602,228	2,186,229
Deficit on revaluation of investments - net	24	(12,133)	(60,231)
Non-current liabilities			
Term finance certificates	25	186,330	310,160
Long-term finance	26	66,667	408,333
Long-term certificates of deposit	27	165,130	471,898
Long-term deposits on lease contracts	28	271,464	418,221
Liabilities against assets subject to finance lease	29	1,500	1,917
		691,091	1,610,529
Current liabilities			
Current maturity of term finance certificates	25	124,950	124,950
Current maturity of long-term finance	26	341,666	481,667
Current maturity of long-term certificates of deposit	27	243,411	319,784
Current maturity of deposits on lease contracts	28	253,074	156,283
Current maturity of liabilities against assets subject to finance lease	29	417	359
Short-term finance - secured	30	518,468	826,061
Short-term certificates of deposit	31	2,248,334	2,683,477
Borrowings from financial institutions	32	225,868	1,559,109
Interest and mark-up accrued	33	143,173	171,714
Payable against purchase of securities - secured		74,647	65,410
Accrued expenses and other liabilities	34	178,837	1,213,765
		4,352,845	7,602,579
		5,043,936	9,213,108
Total liabilities		6,634,031	11,339,106
Total equity and liabilities		6,634,031	11,339,106
Contingencies and commitments	35		

The annexed notes 1 to 61 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

Consolidated Profit and Loss Account
For the Year Ended June 30, 2009

	Note	2009 (Rupees in thousand)	2008
Income			
Income from investments	36	259,646	246,467
Income from loans and advances	37	127,003	119,709
Income from lease finance	38	267,667	231,396
Income from lendings and continuous funding system transactions	39	109,457	173,133
Remuneration from funds under management	40	29,476	38,577
Income from fees, commission and brokerage	41	111,434	204,428
		904,683	1,013,710
Finance costs	42	700,076	601,660
		204,607	412,050
Administrative and general expenses	43	616,960	523,708
		(412,353)	(111,658)
Other operating income	45	101,552	62,129
		(310,801)	(49,529)
Other operating expenses	46	5,816	24,853
Operating loss before provisions and share of profit in associates		(316,617)	(74,382)
Provision for bad and doubtful loans and advances / potential lease losses - general - net	5.8 & 8.4	(1,276)	(5,257)
Provision for bad and doubtful loans and advances / lease losses - specific - net	5.8, 8.4 & 11.2	(117,639)	(23,915)
		(118,915)	(29,172)
Impairment against investments:			
- fund placements and debt security	14.1	(99,000)	-
- equity securities			
- equity securities sold during the year	24.1	(135,287)	-
- equity securities and units of mutual funds held as at year end	24.1	(40,211)	-
		(175,498)	-
		(274,498)	-
		(710,030)	(103,554)
Share of profit in associates	7.1	53,792	-
Loss before taxation		(656,238)	(103,554)
Taxation - net	47	109,737	30,911
Loss after taxation		(546,501)	(72,643)
Loss attributable to minority interest	23	7,525	14,071
Loss attributable to shareholders		(538,976)	(58,572)
		(538,976)	(58,572)
		-----Rupees-----	
Loss per share	48	(2.54)	(0.54)

The annexed notes 1 to 61 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

Consolidated Cash Flow Statement

For the Year Ended June 30, 2009

	Note	2009 (Rupees in thousand)	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	51	198,823	(555,769)
Repayment / (disbursements) of long-term loans - net		150,863	54,325
Net investment in finance lease		570,840	(317,745)
Long-term deposits and prepayments		(1,736)	(7,291)
Issuance / (Repayments) of long-term certificates of deposit - net		(383,141)	(95,689)
Receipts from deposits on lease contracts - net		(49,966)	59,276
Interest, mark-up and profit received		708,913	661,894
Dividend received		6,448	20,912
Financial cost paid		(728,617)	(533,175)
Income tax paid		(26,773)	(52,554)
Gratuity paid		(3,451)	(1,622)
Net cash generated from / (used in) operating activities		442,203	(767,438)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(33,907)	(99,341)
Proceeds from disposal of fixed assets		21,590	8,892
Purchase of shares from minority interest		(37,500)	-
Investment in associates		(199,560)	-
Net cash outflow on investing activities		(249,377)	(90,449)
CASH FLOWS FROM FINANCING ACTIVITIES			
Term finance certificates		(124,950)	(62,636)
Lease rental paid		(359)	(2,232)
Proceeds from issue of right shares		-	1,198,841
Long-term finance - net		(481,667)	(313,335)
Long term investments		(36,150)	-
Share issue costs paid		-	(15,675)
Payment of dividend		-	(31)
Net cash (outflow on) / inflow from financing activities		(643,126)	804,932
Net increase in cash and cash equivalents		(450,300)	(52,955)
Cash and cash equivalents at the beginning of the year		148,784	201,739
Cash and cash equivalents at the end of the year	52	(301,516)	148,784

The annexed notes 1 to 61 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

Consolidated Statement of Changes in Equity

For the Year Ended June 30, 2009

	Issued, subscribed and paid-up capital	Reserve arising on acquisition of minority interest - Capital reserve	Statutory reserve	General reserve	Accumulated losses	Total reserves	Minority interest	Total
----- (Rupees in thousand) -----								
Balance as at June 30, 2007	922,184	-	97,098	55,408	(36,439)	116,067	19,863	1,058,114
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 cost *	-	-	-	(15,675)	-	(15,675)	-	(15,675)
Balance as at June 30, 2008	2,121,025	-	97,098	39,733	(95,011)	41,820	23,384	2,186,229
Loss after taxation for the year ended June 30, 2009	-	-	-	-	(546,501)	(546,501)	-	(546,501)
Loss attributable to minority interest	-	-	-	-	7,525	7,525	(7,525)	-
Acquisition of shareholding by IGI BANK from minority shareholders	-	(21,686)	-	-	-	(21,686)	(15,814)	(37,500)
Balance as at June 30, 2009	2,121,025	(21,686)	97,098	39,733	(633,987)	(518,842)	45	1,602,228

* 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 relevant International Accounting Standard.

The annexed notes 1 to 61 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

S. JAVED HASSAN
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, 2009 to the Nineteenth Annual General Meeting of the shareholders.

General Overview

The Year 2008-2009 has been a challenging year not only for the national economy but for the global economy as well. The year was characterized by the impact of deepening international recessionary trends, the Government effort to increase the tax base, worsening law and order situation especially in the Northern areas and the deteriorating geo political situation.

The overall effect of the foregoing resulted in subdued economic activity in the country with the investors keeping on the sides.

This year was an eventful year. All of us were witness to the happenings in the political arena which kept the 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, the second quarter of the financial year 2008 - 09 saw the index being frozen for sometime which shattered the confidence of the investors and kept them from taking any position whether short term or long term.

The second quarter of the financial year also saw the regulators intervening in the market to provide stabilization and introducing some new regulations to curb speculations. The Management of your Bank made the prudent decision to provide for all the impairment in light of the new regulation on its investments in one go whereas the regulators required that only 25% should be covered and the rest on a quarterly basis.

This year proved to be a test case for our structural changes and strategic decisions in our long term vision. Despite the prevalent situation, your bank was the only investment bank which maintained the rating. This performance is commendable by any standard and if looked in the contrast to the peer group by far the best.

Your bank continued to emphasize on the strategic goals and focused itself on maintaining the momentum of progress despite the difficult times. All in all, every business activity made progress toward a broader strategic goal.

Your company ended the year with an after tax loss of Rs. 375.09 million for the year ended June 30, 2009 as compared to a loss of Rs. 6.39 million in the corresponding period of the last year. However, the company has reported an after tax loss of Rs. 115.24 million for the quarter ended June 30, 2009 as compared to after tax loss of Rs. 9.47 million in the corresponding period last year.

The Directors are very confident that the Management has done a good job in fulfilling all its commitments during these difficult times and maintaining its rating.

The results for the year 2008-2009 are also reflective of the commitment the Management has shown in enhancing the stature of the bank. Furthermore, shareholder confidence has been conclusive of the aptitude of the group.

Financial Summary

-----Rs. in million-----		
	2009	2008
Gross Revenue	799.60	795.41
Loss for the year before taxation	(450.65)	(45.64)
Less: Taxation	(75.57)	(39.25)
Loss for the year after taxation	(375.09)	(6.39)
Total Assets	6,548.65	9,831.39
Earnings / Share - (Amount in Rupees)	(1.77)	(0.06)

Directors' Report to the Shareholders

Our income from fund placements and financing, including lease finance, increased from Rs. 513.13 million in 2008 to Rs. 577.94 million in 2009 and is inline with the strategy of the bank keeping in view the situation prevalent during the year. Our net fund based income decreased from Rs. 130.41 million from last year to Rs. 86.97 million for the current year. The income from investments increased from Rs. 227.67 million in 2008 to Rs. 240.45 million in 2009. The revenue generated from fee based lines of business i.e. brokerage, corporate finance & advisory and portfolio management also showed a decrease in contribution due to the prevalent market situation which decreased from Rs. 62.64 million in 2008 to Rs. 39.04 million in 2009.

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 asset management industry.

This year saw the Assets Under Management (AUMs) of the industry shrinking considerably and we were no different. However, IGI Income Fund was among the first fund to recover and to live up to its name of the best managed fund in the industry providing consistent performance over the months.

-----Rs. in thousands-----

	2009	2008
Gross Revenue	35,386	42,547
Administrative & other expenses	93,301	82,753
Loss before taxation	(58,475)	(42,971)
Loss after taxation	(36,201)	(27,144)
Loss per share - (Amount in Rupees)	(1.64)	(3.99)

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 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 expressed investor needs.

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 develop operational and technical capabilities at an expedited pace.

IGI Finex Securities

IGI Finex Securities is a corporate member of Karachi and Lahore Stock Exchanges and also 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, Peshawer, Multan, Gujranwalla 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

Directors' Report to the Shareholders

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. This product continues as a leader product for IGI Finex Securities and this innovative product has received tremendous response from investors.

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

	2009	2008
Gross Revenue	195.637	309.903
(Loss) / Profit before taxation	(216.789)	50.134
Less: Taxation	(11.896)	24.167
(Loss) / Profit for the year after taxation	(204.894)	25.968
Total Assets	723.678	2,129.150

Gross revenue of Rs. 195.637 million in these difficult times exhibits the resilience of the systems and the comfort of the clients on the services being received. The company ended the year with a loss of Rs. 204.894 million.

Total assets at year end decreased 66% from last year's Rs. 2,129.15 million to Rs. 723.68 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 overall 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 equally. The Balance Sheet size decreased from Rs 9.83 billion as at June 30, 2008 to Rs 6.55 billion as at June 30, 2009.

We strongly believe that the contribution of treasury would grow with synergies being developed with other SBUs. The flagship department contributed 44% to the revenues with Rs. 335.40 million being contributed by treasury from a total of Rs. 769.37 million.

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

Directors' Report to the Shareholders

	Rs. in thousands
Profit on PIBs / FIBs	28,822
Mark up on TFCs	54,225
Return on fund placements	88,066
Return on reverse repo arrangements	94,947
Return on bank balances	25,462
Dividend on quoted securities and mutual fund units	6,655
Trading income on PIBs / FIBs / TFCs / Securities	62,685
Total	360,862

The feather in the hat was the departments' extreme efforts to effectively and efficiently mobilize low cost deposits. These deposits although witnessed a decline of 23.55 % but this was triggered due to the market situation. However the Corporates have shown their confidence in our COIs and the percentage contribution of Corporates increased significantly during the year. The deposit base decreased from Rs. 3.48 billion as at June 30, 2008 to Rs. 2.66 billion as at June 30, 2009.

IGI Investment Bank's deposit plan is ideal for all sorts of investor (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.

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.

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 over 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, website.

The Fund Select Advisors develops clients' portfolio 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 over Rs. 25 billion in the three 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 just in 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 corporate 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 recovery efforts to control the default risk in this volatile situation in the SME sector. Leasing and Lending were put on the back burner in the view of the economic crises and the Management decided to focus on recovery efforts for the time being.

Corporate Finance

The Corporate Finance department was reinitiated as a full fledge 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. It has now become the flag ship product for Corporate Finance department. Corporate Finance can boast to be the Trustee for major TFC issues in the market and has made a name for itself in the market.

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

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.

Directors

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

Directors' Report to the Shareholders

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

Auditors

The present auditors M/S A.F. Ferguson & Co, Chartered Accountants are retiring and have completed their five years as auditors of the company. As per the code of corporate governance clause (xii)(a), the auditors have to be rotated this year. The board has proposed the appointment of M/S Ford Rhodes Sidat Hyder & Co, Chartered Accountants on the recommendation of Audit Committee subject to shareholders' approval in Annual General Meeting.

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, 2009, the investments of the fund amount to Rs. 23.3 million and Rs. 2.9 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 prudent basis.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and there has 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.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Directors' Report to the Shareholders

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 Javed Hassan (Non-Executive Director) bought 345,500 shares
- Mr. Samir Ahmed (Managing Director & Chief Executive) bought 91,000 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, 2009

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. 35 of the Karachi Stock Exchange (Guarantee) Limited and Chapter XI of the Lahore Stock Exchange and the Islamabad 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.

Further, sub-Regulation (xiii) of Listing Regulation 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length prices recording proper justification for using such alternate pricing mechanism. All such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the 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, 2009.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Dated: August 27, 2009

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 (The Code) contained in Regulation No. 35 (Chapter XI) of Karachi Stock Exchange and No. 37 (Chapter XI) of listing regulations of Lahore and Islamabad Stock Exchanges 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 six 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.
4. No casual vacancy occurred in the Board during the year.
5. During the year, IGI Bank formulated a detailed 'Code of Conduct' (the Code) which has been duly approved by the Board. The Code has been distributed to all the employees and Directors of IGI Bank and a declaration has been signed by all the employees and Directors that they have read and understood the terms of the Code. Moreover, periodic awareness sessions were arranged for all the employees to give a better understanding of the Code and its compliance issues.
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 set of significant policies are maintained by the IGI Bank.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence by other Directors. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated. The Company Secretary and Chief Financial Officer attended the meetings of the Board of Directors.
9. The Board has approved appointment of Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the Chief Executive.
10. An orientation course was arranged for the directors to apprise them of their duties and responsibilities.
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 Officer and Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of IGI Bank other than those disclosed in the pattern of shareholding.
14. IGI Bank has complied with all the corporate and financial reporting requirements.

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

15. The Board has formed an Audit Committee. It comprises of three members and all of them are non-executive Directors.
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 as required by the Code. The terms of reference of the Committee have been formulated and advised to the Committee for compliance.
17. The Company has an Internal Audit function. Personnel of the Internal Audit Department are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of IGI Bank.
18. The related party transactions were placed before the Audit Committee and approved by the Board of Directors as required under the Code.
19. The statutory auditors of IGI Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of 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.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board of Directors

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

August 20, 2009

Information for Shareholders

Registered Office

5 - F.C.C. Ground Floor,
Syed Maratib Ali Road, Gulberg
Lahore.
Tel.: (042) 111-234-234
(042)-35756701, 35777861-70
Fax : (042)-111-567-567

Shares Registrar

Noble Computer Services (Pvt.) Limited,
Mezzanine Floor, House of Habib Building (Siddiqsons Tower),
3-Jinnah Cooperative House Society,
Main Shahrah-e-Faisal,
Karachi-75350
Tel.: (021) - 34325482-87
Fax : (021)- 34325442
E-mail: ncs1@noble-computers.com

Listing on Stock Exchanges

Shares of IGI Investment Bank Limited are quoted on the Karachi, Lahore and Islamabad 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 **3,430** 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)-35756701, 35777861-70
Fax : (042)-111-567-567

Syed Raza Azadar Raza Jaffery
Manager Shares - Noble Computer Services (Pvt.) Ltd.
Tel.: (021)-34325482-87
Fax: (021)-34325442

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 of 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 97% 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 14, 2009 to October 21, 2009 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 Karachi, Lahore and Islamabad.

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.

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

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, 2009
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 as at June 30, 2009

NUMBER OF SHARE HOLDERS	SHAREHOLDINGS		TOTAL SHARES HELD
	FROM	TO	
270	1	100	12,148
582	101	500	195,592
503	501	1,000	457,528
1,186	1,001	5,000	3,285,337
314	5,001	10,000	2,455,782
146	10,001	15,000	1,808,723
71	15,001	20,000	1,286,290
63	20,001	25,000	1,455,882
44	25,001	30,000	1,249,055
25	30,001	35,000	837,028
19	35,001	40,000	727,524
12	40,001	45,000	507,954
34	45,001	50,000	1,631,214
9	50,001	55,000	477,551
11	55,001	60,000	646,910
8	60,001	65,000	507,872
6	65,001	70,000	413,040
6	70,001	75,000	438,311
9	75,001	80,000	708,650
2	80,001	85,000	165,337
5	85,001	90,000	442,823
4	90,001	95,000	370,800
8	95,001	100,000	783,988
6	100,001	105,000	613,321
2	105,001	110,000	217,000
4	110,001	115,000	455,403
3	115,001	120,000	348,600
3	120,001	125,000	367,387
2	125,001	130,000	256,559
1	130,001	135,000	130,500
4	135,001	140,000	555,390
3	145,001	150,000	443,940
1	150,001	155,000	155,000
1	155,001	160,000	155,684
3	160,001	165,000	484,773
2	165,001	170,000	338,232
1	170,001	175,000	172,040
4	180,001	185,000	733,472
1	185,001	190,000	187,500
2	190,001	195,000	383,248
3	195,001	200,000	599,000
2	200,001	205,000	406,000
1	205,001	210,000	206,600
1	220,001	225,000	222,000
1	225,001	230,000	230,000
2	240,001	245,000	481,732
1	245,001	250,000	250,000
1	250,001	255,000	254,738
1	260,001	265,000	265,000

Pattern of Share Holding as at June 30, 2009

NUMBER OF SHARE HOLDERS	SHAREHOLDINGS		TOTAL SHARES HELD
	FROM	TO	
1	270,001	275,000	275,000
2	320,001	325,000	644,000
2	345,001	350,000	692,754
2	350,001	355,000	702,100
1	370,001	375,000	373,277
1	375,001	380,000	375,500
1	450,001	455,000	452,500
1	485,001	490,000	487,000
1	495,001	500,000	496,764
1	500,001	505,000	503,000
1	550,001	555,000	551,461
1	595,001	600,000	600,000
1	610,001	615,000	610,874
1	805,001	810,000	806,166
1	905,001	910,000	908,684
1	995,001	1,000,000	1,000,000
1	1,060,001	1,065,000	1,060,507
1	1,240,001	1,245,000	1,244,300
1	1,385,001	1,390,000	1,385,580
1	1,820,001	1,825,000	1,823,800
1	2,120,001	2,125,000	2,121,023
1	2,245,001	2,250,000	2,249,500
1	2,490,001	2,495,000	2,492,714
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	5,295,001	5,300,000	5,300,000
1	6,665,001	6,670,000	6,668,489
1	6,730,001	6,735,000	6,734,000
1	7,680,001	7,685,000	7,682,579
1	7,910,001	7,915,000	7,913,697
1	9,985,001	9,990,000	9,986,501
1	15,170,001	15,175,000	15,172,000
1	89,095,001	89,100,000	89,095,494
3,430			212,102,550

Pattern of Share Holding as at June 30, 2009

S.No.	Category of Shareholders	No. of Shareholders	Shares held	Percentage
1	Individuals	3,285	38,045,811	17.94
2	Investment Companies	6	6,670,880	3.15
3	Joint Stock Companies	79	19,516,064	9.20
4	Directors, CEO & their Spouses and their Minor Children	6	7,957,339	3.75
5	Executives	1	1,650	0.00
6	NIT / ICP	5	15,602,218	7.36
7	Associated Companies	2	93,706,409	44.18
8	Financial Institutions	4	16,205,234	7.64
9	Leasing Companies	4	160,182	0.08
10	Insurance Companies	7	1,212,288	0.57
11	Modarabas	4	332,437	0.16
12	Mutual Funds	6	9,134,500	4.31
13	Foreign Investors	7	2,823,768	1.33
14	Charitable Trusts	3	20,875	0.00
15	Others	11	712,895	0.33
	Totals	3,430	212,102,550	100

**Pattern of Share Holding as required by the Code of Corporate Governance
as at June 30, 2009**

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	7,957,339	3.75
	Mr. Samir Ahmed		117,100	0.06
	Syed Javed Hassan		350,100	0.17
	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	1	1,650	0.00
5	PUBLIC SECTOR COMPANIES AND CORPORATIONS		-	-
6	BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS	25	27,044,641	12.75
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

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For the Year Ended June 30, 2009

1 THE GROUP AND ITS OPERATIONS

The Group consists of :

Holding company

- IGI Investment Bank Limited ("IGI BANK")

Percentage holding

Subsidiary companies

- | | |
|--|--------|
| - IGI Finex Securities Limited ("IGI FINEX") | 100% |
| - IGI Funds Limited ("IGI FUNDS") | 99.97% |

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, 2008 (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. During the year, with effect from March 19, 2009, the shares of IGI Bank have been listed on the Islamabad Stock Exchange. The trading in the shares of IGI Bank on the Islamabad Stock Exchange commenced on March 19, 2009. 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, 2008, the Pakistan Credit Rating Agency (PACRA) maintained the long-term credit rating of IGI BANK as 'A' and the short-term rating as 'A1'.

IGI Finex Securities Limited

IGI Finex Securities Limited was incorporated in Pakistan on June 28, 1994 as a Public limited company under the Companies Ordinance, 1984. The registered office of IGI Finex is situated at Suite No. 701 to 713, 7th Floor, The Forum, G-20, Block 9, Khayaban-e-Jami, Clifton, 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 and providing financing for continuous funding system transactions.

IGI Funds Limited

IGI Funds was incorporated in Pakistan on January 18, 2006 under the Companies Ordinance, 1984 with the name of "First International Capital Management Limited" as a public limited company. The Company obtained its certificate of commencement of business on May 12, 2006. The name of the company was subsequently changed to "IGI Funds Limited". IGI Funds is licensed to carry out Asset Management 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 two open ended funds namely, IGI Income Fund and IGI Stock Fund. In addition, IGI Funds is in the process of floating the following two funds:

- IGI Islamic Income Fund
- IGI Pak Brunei Income Plus Fund [In collaboration with Pak Brunei Investment Company].

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 and its subsidiary companies.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

- 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, 2009 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, 2008 (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 for Non-Banking Finance Companies (NBFCs) providing investment finance services, discounting services and housing finance services. In addition, the SECP has also deferred the application of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through SRO 411(1) / 2008 on such Non-Banking Finance Companies as are engaged in investment finance services, discounting services and housing finance services.

These financial statements are the consolidated financial statements of IGI Bank and its subsidiary companies. In addition to these financial statements, separate standalone financial statements of IGI Bank have also been prepared.

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 that are effective in the current year

- (a) IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement' and IFRS 7 (Amendment), 'Financial Instruments: Disclosures' - Reclassification of Financial Assets (Effective from July 1, 2008). This amendment to the Standard permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. However, as the applicability of IAS 39 and IFRS 7 has been deferred on the Non-Banking Finance Companies carrying out investment finance services till further instructions, therefore the amendment has not affected the classification of financial assets in these financial statements.
- (b) During the year ended June 30, 2009, IFRIC Interpretation 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" became effective. The interpretation provides guidance on assessing the limit in IAS 19 – 'Employee Benefits' on the amount of the surplus that can be recognised as an asset. It also explains how the gratuity asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation

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For the Year Ended June 30, 2009

does not have any impact on the Group's financial statements as the gratuity fund operated by the Group is not subject to any minimum funding requirements.

- (c) International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" is mandatory for the Group's accounting period beginning on or after July 01, 2008. IFRS 7 has superseded International Accounting Standard (IAS) 30 "Disclosures in the financial statements of banks and similar financial institutions" and disclosure requirements of International Accounting Standard (IAS) 32 "Financial instruments: Presentation". IFRS 7 requires disclosures of the significance of financial instruments for an entity's financial position and performance and has also introduced qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The qualitative disclosures describe management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

The requirements of this standard are applicable to the extent of leasing operations of IGI BANK and on subsidiary companies and have resulted in additional disclosures in these financial statements. These disclosures are set out in notes 53 to 55 to these financial statements.

- (d) Other new standards, interpretations and amendments that were mandatory for accounting periods beginning on or after July 1, 2008 and are not considered relevant or do not have any significant effect on 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:

- (a) **IAS 1 (Revised), 'Presentation of financial statements' (effective for annual periods beginning on or after January 1, 2009), was issued in September 2007.**

The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) will be required to be presented separately from owner changes in equity, either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). When the entity applies an accounting policy retrospectively or makes retrospective statement or reclassifies items in the financial statements, they will be required to present a restated financial position (balance sheet) as at the beginning of the comparative period in addition to the current requirement to present the balance sheet as at the end of the current and the comparative period. The adoption of this standard will only impact the presentation of the financial statements.

- (b) **IAS 23 (Amendment) 'Borrowing costs' (effective from January 1, 2009).**

The amendment is the part of IASB's annual improvements project published in May 2008. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. Further, the definition of borrowing cost has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. The amendments will not have any impact on the Group's financial statements as the present accounting policy as disclosed in note 3.19 to these financial statements is in accordance with the revised standard.

- (c) **IAS 19 (Amendment), 'Employee benefit's (effective from January 1, 2009).**

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

- The distinction between short term and long term employee benefit will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
- IAS 37, 'Provisions, contingent liabilities and contingent assets', requires those contingent liabilities to be disclosed which are not recognised. IAS 19 has been amended to be consistent with the aforementioned requirements.

The management is in the process of assessing the impact of its adoption on the Group's financial statements.

(d) IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009).

The amendment is the part of IASB's annual improvements project published in May 2008. As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The management is in the process of assessing the impact of its adoption on the Group's financial statements.

(e) IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009).

The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access of goods or receipt of services. This amendment is not expected to have a significant effect on the Group's financial statements.

(f) IAS 27, 'Consolidated and Separate Financial Statements' (effective from July 1, 2009).

It requires accounting for changes in ownership interest by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in the profit or loss. The management is in the process of assessing the impact of its adoption on the Group's financial statements.

(g) IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial Instruments: Disclosures') (effective from January 1, 2009).

The amendment is part of the IASB's annual improvements project published in May 2008. An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The management is in the process of assessing the impact of its adoption on the Group's financial statements.

(h) IFRS 2 (Amendment), 'Share-based payment' (effective from January 1, 2009).

The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar service; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other party, should receive the same accounting treatment. This amendment is not expected to have any effect on the Group's financial statements.

(i) IFRS 8 'Operating segments', (effective from January 1, 2009).

IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This may result in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The management is in the process of assessing the presentation impact of its adoption on the Group's financial statements.

(j) During the year the Securities Exchange Commission of Pakistan (SECP) has revised the Non-Banking Finance Companies and Notified Entities Regulations through SRO 1203(I) 2008 dated November 21, 2008. In accordance with Regulation 25 of the above regulations, the SECP has revised the basis of classification and provisioning requirement in respect of

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For the Year Ended June 30, 2009

non-performing short-term and long-term financing facilities. Under the revised guidelines the category of Other Assets Especially Mentioned (OAEM) has been dispensed with, while the categories of substandard, doubtful and loss have been retained. In addition, the basis of classification of loans and advances and net investment in finance leases under these three categories has been redefined whereby all finances overdue by 90, 180 and 365 days are now required to be classified as substandard, doubtful and loss respectively. As per the current requirements, short-term and long-term facilities are required to be separately assessed and are classified as OAEM, substandard, doubtful or loss based on prescribed ageing criteria.

The revised guidelines specify that provision should be made in the financial statements equal to 25 percent, 50 percent and 100 percent, in respect of overdue financing facilities classified as substandard, doubtful and loss respectively, of the outstanding balance of principal less the amount of liquid assets realisable and adjusted forced sale value of mortgaged / pledged assets.

The aforementioned guidelines for determining the provisioning requirements are applicable with effect from July 01, 2010. The management is in the process of assessing the impact the aforementioned guidelines on the provisioning requirements of the Group.

- (k) There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 but are considered not to be relevant or to have any significant effect on the Group's operations and are therefore not detailed in these financial statements.

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 judgment 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 or where judgement was exercised in the application of accounting policies are as follows:

- i) Amortisation of intangible assets (notes 3.1.3 and 4.3)
- ii) Provision for taxation and deferred tax (notes 3.10 and 47)
- iii) Classification and valuation of investments (notes 3.2 , 6 and 14)
- iv) Determination and measurement of useful life and residual value of property and equipment (notes 3.1.1 and 4.1)
- v) Recognition and measurement of deferred tax assets and liabilities (notes 3.10 and 10)
- vi) Employee benefits - defined benefit plan (notes 3.16.2 and 44)
- vii) Classification and provision of loans and advances and net investment in finance lease (notes 3.8, 3.9, 5 and 8)

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, except for capital work-in-progress which is stated at cost less accumulated impairment losses, (if any). All expenditure connected to specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to specific assets as and when assets are available for use.

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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. All other maintenance and normal repairs are charged to profit and loss account as and when incurred.

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 these 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 property and equipment 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 the profit and loss account currently.

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

3.1.2 Assets acquired on finance lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group accounts for assets acquired under finance lease by recording the asset and the related liability. These are accounted for at the lower of the present value of the minimum lease payments under the lease agreements and the fair value of the assets acquired under finance lease. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

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.

3.1.3 Intangible

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. Amortisation on intangible assets is charged to income using the straight line method in accordance with the rates specified in note 4.3 to these financial statements after taking into account residual amount, if any. The residual values and useful lives are reviewed and adjusted, if appropriate at each balance sheet date.

Amortisation on all additions to intangible assets having a finite useful life 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. Intangible assets having an indefinite useful life are stated at acquisition cost. Provisions are made for impairment in the value of such assets based on management's assessment of recoverable amount.

3.1.4 Goodwill and purchase of minority interest

Goodwill represents the excess of the cost of 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. Impairment charge in respect of goodwill is recognised in the profit and loss account. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The purchase of minority interest is accounted for using the economic entity model. The difference between the acquisition cost and proportionate share of net assets acquired from minority shareholders is adjusted in equity.

3.2 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:

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

(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) Held-to-maturity

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

(c) Available for sale

These are investments other than those in associates, that do not fall under categories of held for trading or held-to-maturity.

(d) Associates

Associates are those entities over which the Group has significant influence but no control.

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

Investment in associates where the Group has significant influence are accounted for using the equity method of accounting. Under the equity method of accounting, the investment is increased or decreased to recognise the investor's share of the post acquisition profits or losses in profit and loss accounts and its share of the post acquisition movement in reserves is recognised in reserves. Increase/decrease in share of profits and losses of associates is accounted for in the consolidated profit and loss account.

As per the requirements of the Securities and Exchange Commission of Pakistan, investments in quoted securities (other than those classified as held-to-maturity or as investment in associates) 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.

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 loss in respect of investments is recognised when there is any objective evidence as a result of one or more events that may have an impact on the estimated future cash flows of the investment. A significant or prolonged decline in the fair value of an investment in equity security below its cost is also an objective evidence of impairment. Provision for impairment in the value of investment, if any, is taken to the profit and loss account. In case of impairment of equity securities (both classified as held for trading and available for sale), the cumulative loss that has been recognised directly in surplus on revaluation of securities on the balance sheet below equity is removed there from and recognised in the profit and loss account. Any subsequent increase in the value of these investments is taken directly to surplus on revaluation of securities which is shown on the balance sheet below equity. For investments classified as held to maturity, the impairment loss is recognised in 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.

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 recognised on the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

3.4 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 unrealised gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet.

3.5 Lendings to / borrowings from financial institutions

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.

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.

3.7 Finances

Finances in the form of long-term loans and advances and short-term loans and advances 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 finance lease

Net investment in finance lease is stated at net of provisions made against non-performing leases.

Leases where the Group transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognised on commencement of lease term at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognised over the term of the lease, so as to produce a constant periodic return on the outstanding net investment in lease.

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

The provision for bad and doubtful loans and advances / potential lease losses, if any, is made in accordance with the requirements of the Non-Banking Financial Companies and Notified Entities Regulations, 2008 issued by the Securities and Exchange Commission of Pakistan. In addition to the provision 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 is determined on a consistent methodology based on management's best estimate.

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

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For the Year Ended June 30, 2009

3.10 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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 Standard (IAS) 12 'Income Taxes'

3.11 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.

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 finances.

3.13 Impairment

The carrying amount of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the financial statements. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

3.14 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.

3.15 Long term financing - term finance certificates (TFCs)

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

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

3.16 Employee retirement 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.

IGI Finex also operates a recognised provident fund scheme for all its employees. The company and employees make equal contribution to the fund at the rate of 10 percent of the basic salary. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

IGI Funds Limited operates an approved contributory provident fund for all eligible employees.

3.16.2 Defined benefit plan

IGI BANK operates an approved funded employee gratuity scheme for all its permanent employees, who complete prescribed 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. The actuarial gains and losses arising at each valuation date are amortised over the average expected remaining lives of the employees participating in the plan.

During the year IGI Finex terminated its approved funded staff gratuity scheme. The liability recognised in the balance sheet in respect of defined benefit gratuity scheme is based on the terminal value i.e. the benefits to be paid to the permanent employees who have completed their 5 years period of service and the remaining excess funds will be distributed to other permanent employees on the basis of their period of service completed. All the unrecognised actuarial gains or losses and past service cost have been recognised in the profit and loss account.

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

3.16.3 Employees' compensated absences

The liability in respect of compensated absences of employees is accounted for in the period in which the absences accrue.

3.17 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 recognised in the financial statements in the period in which such dividends are declared / transfers are made.

3.18 Revenue recognition

- Mark-up income / interest on advances and returns on investments are recognised on a time proportion basis using the effective interest method, except that mark-up income / interest / return on non-performing advances and investments is recognised on a receipt basis in accordance with the requirements of the Non Banking Finance Companies and Notified Entities Regulations, 2008 issued by the SECP. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the aforementioned regulations, except where, in the opinion of the management, it would not be prudent to do so.
- 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.
- Unrealised finance income in respect of non-performing lease finance is held in suspense account, where necessary, in

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

accordance with the requirements of the Non Banking Finance Companies and Notified Entities Regulations, 2008 issued by the SECP. Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income is recognised as income 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 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 and when right to receive the fees is established.
- Premium or discount on acquisition of debt investments is capitalised and amortised through the profit and loss account over the remaining period till maturity.
- Return on bank deposits are recognised on time proportionate basis.
- Other income is recognised as and when earned.
- Remuneration for investment advisory and asset management services are recognised on an accrual basis.
- Brokerage income is recognised as and when such services are rendered.

3.19 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.

3.20 Finances, certificate of deposits and other borrowings

These are recorded at the proceeds received.

3.21 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.

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 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.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

3.24 Financial instruments

3.24.1 Financial asset and financial liability

Financial assets carried on the balance sheet include investments, loans and advances, net investment in finance lease, deposits, receivable against continuous funding system transactions, receivable against sale of securities, 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, interest and mark-up accrued, payable against purchase of securities and other liabilities. At the time of initial recognition, all financial assets and liabilities are recognised at fair value.

The particular recognition methods adopted for significant financial assets and financial liabilities 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 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.

3.25 Earning Per Share

The Group presents basic and diluted earnings per share (EPS) for its shareholders Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

	Note	2009	2008
(Rupees in thousand)			
4 FIXED ASSETS			
Property and equipment	4.1	149,809	177,120
Capital work-in-progress	4.2	2,718	9,373
Intangible assets	4.3	161,293	171,696
		313,820	358,189

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

4.1 Property and equipment

	2009							Leased assets	Total
	Owned assets						Motor vehicles		
	Lease hold premises	Lease hold improvements	Office equipment	Computer equipment	Furniture, fixture and fittings	Motor vehicles			
(Rupees in thousand)									
As at July 1, 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	
Additions (at cost)	-	10,060	3,238	5,340	3,213	16,981	-	38,832	
Disposals / write-offs									
Cost	-	-	(1,747)	(603)	(4,071)	(26,392)	-	(32,813)	
Accumulated depreciation	-	-	773	320	724	9,737	-	11,554	
	-	-	(974)	(283)	(3,347)	(16,655)	-	(21,259)	
Depreciation charge for the year	(621)	(8,187)	(5,595)	(13,389)	(3,600)	(12,993)	(499)	(44,884)	
Closing net book value	6,817	36,570	20,174	18,717	21,812	43,992	1,727	149,809	
As at June 30, 2009									
Cost	8,939	53,386	37,130	55,957	31,796	67,933	2,497	257,638	
Accumulated depreciation	(2,122)	(16,816)	(16,956)	(37,240)	(9,984)	(23,941)	(770)	(107,829)	
Net book value	6,817	36,570	20,174	18,717	21,812	43,992	1,727	149,809	
Depreciation rate % per annum	5	10-20	10-20	20-33.33	10-20	20	20		
	2008							Leased assets	Total
	Owned assets						Motor vehicles		
	Lease hold premises	Lease hold improvements	Office equipment	Computer equipment	Furniture, fixture and fittings	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		

4.1.1 Cost and accumulated depreciation at the end of the year include Rs. 30,070 thousand (2008: Rs. 23,399 thousand) in respect of fully depreciated assets still in use.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

	Note	2009	2008		
(Rupees in thousand)					
4.2 Capital work-in-progress					
Advance to suppliers against:					
- renovation of office premises		35	4,285		
- acquisition of software		2,313	2,138		
- acquisition of office equipment		370	354		
- acquisition of vehicles		-	2,596		
		2,718	9,373		
4.3 Intangible assets					
		2009			
Description	Goodwill	Membership card and room (note 4.3.1)	Non-competition agreement (note 4.3.2)	Computer softwares	Total
----- (Rupees in thousand) -----					
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	26,407	126,000	5,833	13,456	171,696
Additions (at cost)	-	-	-	1,730	1,730
Disposals / write-offs					
Cost	-	-	-	-	-
Accumulated amortisation	-	-	-	-	-
Amortisation charge for the year	-	-	(5,833)	(6,300)	(12,133)
Closing net book value	26,407	126,000	-	8,886	161,293
As at June 30, 2009					
Cost	26,407	126,000	30,000	26,523	208,930
Accumulated amortisation	-	-	(30,000)	(17,637)	(47,637)
Net book value	26,407	126,000	-	8,886	161,293
Amortisation rate % per annum	-	-	33.33	20 - 33.33	
			2008		
Description	Goodwill	Membership card and room (note 4.3.1)	Non-competition agreement (note 4.3.2)	Computer softwares	Total
----- (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	26,407	126,000	15,833	9,378	177,618
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	26,407	126,000	5,833	13,456	171,696
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	26,407	126,000	5,833	13,456	171,696
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, 2009

2009 **2008**
(Rupees in thousand)

4.3.1 Membership cards and room comprises of:

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

4.3.2 This represented 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. During the current year, the agreement expired on March 01, 2009.

4.3.3 Cost and accumulated amortisation as at the end of the year include Rs. 7,992 thousand (2008: Rs. 3,164 thousand) in respect of fully amortised assets still in use.

4.4 Particulars of disposal of fixed assets

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

Particulars	Cost	Accumulated depreciation	Book value	Disposal proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser
Property and equipment							
Office equipment							
Generator	860	172	688	400	(288)	Tender	Imran Ahmed
Furniture and fittings							
Furniture and fittings	357	84	273	273	-	Negotiation	IGI Insurance Limited *
Office Renovation	3,564	622	2,942	192	(2,750)	As per policy	Various
Chairs	80	14	66	4	(62)	As per policy	Various
	4,001	720	3,281	469	(2,812)		
Computer Equipment							
Desktop Computers	250	150	100	100	-	Negotiation	IGI Insurance Limited *
Vehicles							
	563	450	113	329	216	Tender	Syed Sajjad Hussain Jafri
	616	493	123	338	215	Tender	Syed Riaz Ahmed
	1,248	998	250	250	-	As per Group's employee policy	Samir Ahmed (Former Chief Executive Officer of IGI Bank) *
	1,309	541	768	1,021	253	As per Group's employee policy	Syed Zafar Ullah Maqdi (Executive)*
	1,079	388	691	829	138	Tender	Zahid Qadri
	573	69	504	637	133	Tender	Zahid Qadri
	939	376	563	838	275	Tender	Noman Ahmed Siddiqui
	620	198	422	586	164	Tender	Irfan Ullah Khan
	469	181	288	300	12	As per Group's employee policy	Shan-E-Mehdi Kazmi
	474	152	322	400	78	Insurance claim	IGI Insurance Limited *
	560	254	306	514	208	Tender	Rehan Mithani
	909	230	679	835	156	Negotiation	IGI Insurance Limited *
	693	123	570	660	90	Tender	Arif Raza
Balance carried forward	10,052	4,453	5,599	7,537	1,938		

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

Particulars	Cost	Accumulated depreciation	Book value	Disposal proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser / insurer
----- Rupees in thousands -----							
Balance brought forward	10,052	4,453	5,599	7,537	1,938		
	1,005	188	817	946	129	Tender	Arif Raza
	1,005	107	898	998	100	As per Group's employee policy	Rima Athar
	652	96	556	655	99	Tender	Faisal Imtiaz
	1,005	201	804	1,045	241	Negotiation	IGI Insurance Limited *
	900	60	840	825	(15)	Tender	Syed Riaz Ahmed
	490	46	444	508	64	Tender	Syed Baber Hassan Ali
	529	71	458	475	17	Tender	Sumaiya Ahsin
	469	269	200	400	200	Tender	Shahid Sami
	620	206	414	600	186	Tender	M. Ayaz Khan
	469	175	294	455	161	Tender	Syed Muhammad Afzal Shah
	595	222	373	580	207	Tender	Syed Muhammad Afzal Shah
	504	54	450	500	50	Insurance claim	IGI Insurance Limited *
	450	42	408	512	104	Tender	M. Ayaz Khan
	538	22	516	550	34	Tender	Syed Muhammad Afzal Shah
	901	345	556	651	95	Negotiation	Tanvir Abid - Ex-employee
	840	364	476	607	131	Negotiation	Rizwan Khalid Butt - former CEO of IGI Finex Securities Limited *
	1,506	602	904	788	(116)	Negotiation	Rizwan Khalid Butt - former CEO of IGI Finex Securities Limited *
	480	104	376	426	50	Negotiation	Waseem Salman - Ex-employee
	464	139	325	280	(45)	Negotiation	Atif Baig - Ex-employee
	499	216	283	417	134	Negotiation	Mohsin - Ex-employee
	545	481	64	255	191	Negotiation	Salman Ilyas - Ex-employee
	459	207	252	230	(22)	Negotiation	Salman Abbas - Ex-employee
	464	139	325	410	85	Negotiation	Manizah Kamal - Ex-employee
	25,441	8,809	16,632	20,650	4,018		
2009	30,552	9,851	20,701	21,619	918		
2008	7,002	2,648	4,354	5,100	746		

* Represent related parties

	Note	2009 (Rupees in thousand)	2008
5 LONG-TERM LOANS AND ADVANCES - NET			
Secured - Due from:			
Chief executive Officer (now former employee - note 49.1) *	5.1 & 5.1	27,013	13,502 **
Executives - considered good *	5.1 & 5.2	1,641	2,904
Employees - considered good	5.2	2,783	1,057
Companies, organisations and individuals	5.5 & 5.6	343,346	495,548
		374,783	513,011
Unsecured - Due from:			
Executives - considered good *	5.1 & 5.3	516	1,033
Employees - considered good	5.3 & 5.7	364	192
Individuals	5.5	35,037	47,327
		410,700	561,563
Less: provision for bad and doubtful loans and advances - net	5.8	51,759	20,912
		358,941	540,651
Less: current maturity of long-term loans and advances - net		196,258	209,393
		162,683	331,258

* Represents related parties

** Represents loan given to Mr. Rizwan Khaid Butt (now former employee of IGI Finex Securities Limited) during the year ended June 30, 2008. The loan was repaid during the current year.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

5.1 A reconciliation of the carrying amount of loans and advances to the executives and chief executive officers is as follows:

	2009				2008			
	Secured		Unsecured	Total	Secured		Unsecured	Total
	Chief Executive Officer	Executives			Chief Executive Officer	Executives		
	(Rupees in thousand)							
As at July 1	13,502	2,904	1,033	17,439	-	2,207	258	2,465
Disbursements	27,013	290	412	27,715	13,537	1,550	1,200	16,287
Repayments	(13,502)	(1,553)	(929)	(15,984)	(35)	(853)	(425)	(1,313)
As at June 30	27,013	1,641	516	29,170	13,502	2,904	1,033	17,439

- 5.2 These represent loans provided to executives and employees of the Group for purchase of house, vehicles and for other general purposes. These loans carry mark-up at rates ranging from 5% to 11.50% (2008: 2.5% to 11.04%) per annum and are repayable on monthly basis over a period of 20 years (2008: 18 years). These loans are secured against mortgage of house properties and hypothecation of vehicles.
- 5.3 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% to 14% (2008: 12%) and are recovered through equal monthly deductions from salaries over varying periods upto a maximum period of 18 months (2008: 18 months).
- 5.4 The maximum aggregate amounts due from chief executive officer and executives at the end of any month during the year were Rs 27,013 thousand (2008: 13,537) and Rs 6,313 thousand (2008: Rs. 4,484 thousand) respectively.
- 5.5 These loans carry mark-up at rates ranging from 7.5% to 24% (2008: 10% 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.
- 5.6 These loans are secured against mortgage of properties and hypothecation of vehicles.
- 5.7 This includes interest free car loans provided to permanent employees amounting to Rs 102 thousand (2008: Rs 300 thousand). These loans recover through equal monthly deductions from salaries over a maximum period of twelve months.
- 5.8 Long-term loans and advances include Rs 267,249 thousand (2008: Rs 68,633 thousand) relating to loans due from companies, organisations and individuals which have been classified as non-performing as per the requirements of the Non-Banking Finance Companies and Notified Entities (NBFC) Regulations, 2008 issued by the Securities and Exchange Commission of Pakistan. The provision held against these loans are as follows:

	2009			2008		
	Specific	General	Total	Specific	General	Total
	(Rupees in thousand)					
Opening balance	16,099	4,813	20,912	5,512	4,805	10,317
Charge for the year	30,892	-	30,892	10,692	8	10,700
Reversal during the year	(45)	-	(45)	(105)	-	(105)
	30,847	-	30,847	10,587	8	10,595
Closing balance	46,946	4,813	51,759	16,099	4,813	20,912

- 5.9 During the year the Securities Exchange Commission of Pakistan (SECP) has issued the Non-Banking Finance Companies and Notified Entities Regulations through SRO 1203(I) 2008 dated November 21, 2008. The revised regulations, amongst other things, has amended the basis of classification in respect of non-performing loans, advances and net investment in finance lease. The disclosure of the aforementioned change and its effect on the financial statements of the Group is given in note 8.5 to these financial statements.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

- 5.10** The balance at June 30, 2009 represents loan provided to Mr. Samir Ahmed (former Chief Executive Officer of IGI BANK). The aforementioned loan was approved by the Board of Directors of IGI BANK in their meeting held on October 24, 2007 and SECP through its letter No. SC/NBFC-1/IHM/IGI/2007/619 dated December 13, 2007. The loan carries mark-up at the rate of 11.50% per annum. The above loan was disbursed on May 14, 2009 as per the terms of employment and was initially repayable by May 14, 2017. Subsequent to the year end, the Chief Executive Officer has left the employment of IGI BANK and as per the revised terms, the loan is now required to be settled by December 31, 2009. The loan is secured against the mortgage of house property and the amount of ex-gratia payable to former chief executive officer.

	Note	2009	2008
		(Rupees in thousand)	
6 LONG-TERM INVESTMENTS			
Available for sale			
Investment in unquoted companies - at cost	6.1	<u>98,932</u>	<u>62,782</u>
		<u>98,932</u>	<u>62,782</u>

6.1 Investment in unquoted companies - at cost

No. of ordinary shares of Rs. 10/- each		Particulars	2009		2008	
2009	2008		(Rupees in thousand)			
7,600,000	4,000,000	DHA Cogen Limited	76,000	40,000		
637,447	518,918	System Limited	10,150	10,000		
1,123,318	1,123,318	Techlogix Limited	<u>12,782</u>	<u>12,782</u>		
			<u>98,932</u>	<u>62,782</u>		

7 INVESTMENTS IN ASSOCIATES

As mentioned in note 3.2 to these financial statements, the Group applies equity method of accounting for its investments in mutual funds where significant influence exists.

	Note	2009	2008
		(Rupees in thousand)	
7.1 Movement of investment in associates			
Opening balance		261,259	10,825
Addition made during the year		248,818	250,434
Total acquisition at cost	7.2	510,077	261,259
Share of profit of associate		53,792	-
		<u>563,869</u>	<u>261,259</u>

	Number of units		Name of the Fund		2009		2008	
	2009	2008			(Rupees in thousand)			
	876,223	1,000,000	IGI Stock Fund	7.3	100,000	100,000*		
	3,938,021	1,569,728	IGI Income Fund		410,077	161,259		
					<u>510,077</u>	<u>261,259</u>		

*classified as pre-ipo investment in the financial statements of the Group for the year ended June 30, 2008.

- 7.3** This includes investment in the seed capital of IGI Stock Fund amounting to Rs 50 million which is required to be kept for a period of 2 years upto 2010. The aforementioned investment in IGI Stock Fund was approved by the shareholders of the Group in their extra ordinary general meeting held on June 14, 2007.

Notes to and Forming Part of the Consolidated Financial Statements

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7.4 Other details of associates as per the results of the financial statements of the funds for the year ended June 30, 2009 are as follows:

	2009					2008				
	Year of Incorporation	Assets	Liabilities	Revenues	Profit after taxation	Year of Incorporation	Assets	Liabilities	Revenues	Profit after taxation
IGI Stock Fund*	2008	265,189	15,702	68,316	61,764	2008	101,635	1,635	N/A	N/A
IGI Income Fund*	2006	2,059,504	9,907	168,186	122,016	2006	3,686,812	18,641	410,860	362,270

*Country of incorporation is Pakistan

	Note	2009 (Rupees in thousand)	2008 (Rupees in thousand)
8 NET INVESTMENT IN FINANCE LEASE			
Net investment in finance lease	8.1	1,940,300	2,511,140
Less: provision for lease losses	8.4	111,204	53,136
Less: current maturity of net investment in finance lease		985,714	990,043
		843,382	1,467,961

8.1 Particulars of net investment in finance lease

	2009				2008			
	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	1,000,019	625,134	-	1,625,153	1,110,193	1,180,843	-	2,291,036
Add: residual value of leased assets	254,842	273,499	-	528,341	156,309	420,393	-	576,702
Gross investment in finance lease - note 8.2 & 8.3	1,254,861	898,633	-	2,153,494	1,266,502	1,601,236	-	2,867,738
Less: unearned finance income	157,943	55,251	-	213,194	223,323	133,275	-	356,598
Net investment in finance lease - note 8.2 & 8.3	1,096,918	843,382	-	1,940,300	1,043,179	1,467,961	-	2,511,140

8.2 The Group has entered into various lease agreements for periods ranging from one to seven years (2008: one to seven years). Security deposits ranging from 0% to 79% (2008: 0% to 79%) are obtained at the time of disbursement of the lease amount. The rate of return implicit in the leases ranges from 7% to 23% (2008: 7% to 23%) per annum.

8.3 Gross investment in finance lease and net investment in finance lease include Rs. 1,434,337 thousand and Rs. 1,378,321 thousand (2008: Rs.1,833,522 thousand and Rs. 1,638,876 thousand) respectively in respect of leases which have been entered into at KIBOR plus margins, ranging from 12% to 23% (2008: 7.5% to 21%) per annum, with floor ranging from 4.5% to 15% (2008: 4.5% to 15%) per annum and ceilings ranging from 7.5% to 15% (2008: 7.5% to 15%) 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

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8.4 Provisions for lease losses

	2009			2008		
	Specific	General	Total	Specific	General	Total
	(Rupees in thousand)					
Opening balance	22,756	30,380	53,136	9,428	25,131	34,559
Charge for the year	56,792	1,276	58,068	13,419	5,249	18,668
Reversal during the year	-	-	-	(91)	-	(91)
	56,792	1,276	58,068	13,328	5,249	18,577
Closing balance	79,548	31,656	111,204	22,756	30,380	53,136

8.4.1 Net investment in finance lease include Rs 381,265 thousand (2008: Rs 140,256 thousand) which have been classified as non-performing as per the requirements of the Non-Banking Finance Companies and Notified Entities (NBFC) Regulations, 2008 issued by the Securities and Exchange Commission of Pakistan.

8.5 During the year the Securities Exchange Commission of Pakistan (SECP) has issued the Non-Banking Finance Companies and Notified Entities Regulations through SRO 1203(I) 2008 dated November 21, 2008. Under the revised regulations the SECP has specified certain new guidelines for determining the classification requirement in respect of loans and advances (notes 5.8 & 11.3) and net investment in finance lease (note 8.4). As per the revised regulations the category of Other Assets Especially Mentioned (OAEM) has been introduced while the categories of substandard, doubtful and loss have been retained. The revised regulations now require NBFCs to classify the outstanding amount of principal as OAEM and transfer the amount of mark-up to suspense account when principal or mark-up is overdue by 90 days. Previously, mark-up was required to be transferred to suspense account when principal or mark-up (both under short-term and long-term categories) was overdue by 180 days.

Had the classification been determined in accordance with the previous requirements of NBFC Regulation 2007, the profit before taxation and income from loan and advances for the year ended June 30, 2009 would have been higher by Rs 14.077 million and non-performing loan and advances and net investment in finance lease would have been lower by Rs 53.218 million and Rs 122.77 million respectively.

	Note	2009 (Rupees in thousand)	2008
9 LONG-TERM DEPOSITS AND OTHER RECEIVABLES			
Security deposits		6,795	5,059
Deposits with / for:			
- Karachi Stock Exchange (Guarantee) Limited		1,000	1,000
- Lahore Stock Exchange (Guarantee) Limited		480	480
- National Commodity Exchange Limited	9.1	3,250	3,250
- Leasing companies against assets acquired on finance lease		249	249
- Office rent		-	500
- Club Membership		-	1,200
Others		3,559	1,859
		<u>15,333</u>	<u>13,597</u>

9.1 This includes an amount of Rs 2,500 thousand (2008: Rs 2,500 thousand) in respect of an advance given to National Commodity Exchange Limited for acquiring office premises there at.

Notes to and Forming Part of the Consolidated Financial Statements

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	Note	2009	2008
(Rupees in thousand)			
10 DEFERRED TAX ASSET - NET			
Deferred tax assets arising in respect of			
- Provision for bad and doubtful loans / potential lease losses		63,912	-
- Carry forward of assessed income tax losses	10.1	289,342	373,197
- Deficit on revaluation of investments	24	1,411	2,770
- Impairment against fund placement and debt security		34,650	-
- Minimum Tax		1,216	-
- Provision for staff gratuity		414	283
- Others		337	341
		391,282	376,591
Deferred tax liabilities arising in respect of			
- Accelerated tax depreciation		(188,189)	(290,832)
- Transaction costs in respect of TFCs issued		(383)	(775)
		202,710	84,984

10.1 The Group has an aggregate amount of Rs. 826,689 thousand (2008: Rs. 1,068,382 thousand) in respect of unabsorbed tax losses as at June 30, 2009 on which the management has recognised deferred tax debit balance amounting Rs. 289,342 thousand (2008: Rs. 373,197 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 few years.

	Note	2009	2008
(Rupees in thousand)			
10.2 Movement in deferred tax asset			
Opening balance		84,984	16,442
Recognised during the year		119,085	65,979
		204,069	82,421
Deferred tax impact on surplus on revaluation of investments		(1,359)	2,563
		202,710	84,984

11 SHORT-TERM LOANS AND ADVANCES - NET

Secured

Short-term loans and advances - considered good	11.1 & 11.2	435,980	410,691
Less: provision for bad and doubtful loans and advances		30,000	-
		405,980	410,691

11.1 These loans carry interest at rates ranging from 12% to 20.16% (2008: 11.56% to 18.43%) per annum and are repayable over periods ranging from 1 month to 1 year (2008: 2 months to 1 year). These are secured against mortgage of properties, hypothecation of vehicles, lien on certificates of deposits, pledge of securities and personal guarantees of the borrowers.

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- 11.2** Short-term loans include Rs 150,000 thousand (2008: Nil) relating to loans due from companies, organisations and individuals which have been classified as non-performing as per the requirements of the Non-Banking Finance Companies and Notified Entities (NBFC) Regulations, 2008 issued by the Securities and Exchange Commission of Pakistan. The provision held against these loans are as follows:

	2009	2008
	(Rupees in thousand)	
Opening balance	-	-
Charge for the year	30,000	-
Closing balance	30,000	-

- 11.3** During the year the Securities Exchange Commission of Pakistan (SECP) has issued the Non-Banking Finance Companies and Notified Entities Regulations through SRO 1203(I) 2008 dated November 21, 2008 . The revised regulations, amongst other things, has redefined the basis of classification in respect of non-performing loans, advances and net investment in finance lease. The disclosure of the aforementioned change and its effect on the financial statements of the Group is given in note 8.5 to these financial statements.

	Note	2009	2008
		(Rupees in thousand)	

12 LENDINGS - SECURED

Repurchase agreements lendings (Reverse Repo)	12.1	48,600	1,025,513
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- 12.1** These carry mark-up at 11.50% (2008: 10% to 20%) per annum and are repayable by July 2, 2009. These lendings are secured against Pakistan Investment Bonds. Pakistan Investment Bond having face value of Rs. 50 million (2008: Rs. 400 million) have further been given as collateral for obtaining borrowing from financial institutions.

	2009	2008
	(Rupees in thousand)	

13 RECEIVABLE AGAINST CONTINUOUS FUNDING SYSTEM TRANSACTIONS

Receivable against continuous funding system transactions	-	483,912
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Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

14 SHORT-TERM INVESTMENTS

14.1 Particulars of investments by category

	2009			2008		
	Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
	------(Rupees in thousand)-----					
Held to maturity						
Commercial papers	-	-	-	172,243	-	172,243
Fund placements	487,000	-	487,000	100,000	-	100,000
Term deposit receipts	75,000	-	75,000	350,000	-	350,000
	562,000	-	562,000	622,243	-	622,243
Held for trading						
Federal investment bonds	-	-	-	-	-	-
Pakistan investment bonds	51,354	44,068	95,422	41,579	-	41,579
Market treasury bills	362,270	-	362,270	-	430,741	430,741
Listed Shares	32,945	-	32,945	-	-	-
Listed term finance certificates	2,220	-	2,220	2,309	-	2,309
Units of open end mutual funds	-	-	-	-	-	-
	448,789	44,068	492,857	43,888	430,741	474,629
Available-for-sale						
Listed term finance certificates	263,815	-	263,815	148,603	-	148,603
Unlisted term finance certificates	388,690	-	388,690	260,509	-	260,509
Pre-IPO investment in term finance certificates	50,000	-	50,000	-	-	-
Units of open end mutual funds	159,631	-	159,631	8,199	-	8,199
Pre-IPO investment in open end mutual fund	-	-	-	-	-	-
Listed shares / certificates	110,118	-	110,118	468,012	-	468,012
Pre-IPO investment in unlisted shares	-	-	-	40,000	-	40,000
Unlisted shares / certificates	-	-	-	-	-	-
	972,254	-	972,254	925,323	-	925,323
Impairment loss on fund placement and debt security	(99,000)	-	(99,000)	-	-	-
	1,884,043	44,068	1,928,111	1,591,454	430,741	2,022,195

14.2 Particulars of investments by type	Note	2009 (Rupees in thousand)	2008 (Rupees in thousand)
Investments in:			
Commercial papers		-	172,243
Fund placements	14.2.1	487,000	100,000
Term deposit receipts	14.2.1	75,000	350,000
Government securities	14.2.2	457,692	472,320
Listed term finance certificates	14.2.3	266,035	150,912
Unlisted term finance certificates	14.2.3	388,690	260,509
Pre-IPO investment in term finance certificates	14.2.3	50,000	-
Mutual fund units (open ended)	14.2.5	159,631	8,199
Listed shares / certificates	14.2.6	143,063	468,012
Pre-IPO investment in unlisted shares	14.2.7	-	40,000
		2,027,111	2,022,195
Impairment loss on fund placement and debt security	14.2.8	(99,000)	-
		1,928,111	2,022,195

14.2.1 These carry rates of return ranging from 13.50% to 16.00% (2008: 10.56% to 19%) per annum and are maturing on various dates by October 22, 2009.

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14.2.2 Significant particulars relating to government securities are as follows:

Particulars	2009			2008		
	Maturity date	Face Value Rupees in thousand	Coupon rate	Maturity date	Face Value Rupees in thousand	Coupon rate
Market Treasury Bills	22-Apr-10	100,000	12.16%	26-Feb-09	50,000	11.59%
	06-May-10	200,000	12.16%	09-Oct-08	100,000	11.40%
	03-Jun-10	100,000	12.17%	12-Mar-09	100,000	11.61%
				25-Sep-08	200,000	11.36%
Pakistan Investment Bonds	18-Jun-12	100	11.00%	18-Jun-12	100	11.00%
	18-Jun-12	1,300	11.00%	18-Jun-12	1,300	11.00%
	22-Aug-17	50,000	9.60%	22-Aug-17	50,000	9.60%
	22-Aug-17	50,000	12.00%			

In accordance with the requirements of NBFC and Notified Entities Regulations, 2008, the Group has invested Rs 391,241 thousand (representing 15 percent of the funds raised through issue of certificates of deposit by the Group excluding certificates of deposit held by financial institutions) in Pakistan Investment Bonds and Market Treasury Bills.

14.2.3 Particulars of TFCs: *

Number of certificates		Particulars	Issue date	2009		2008	
2009	2008			Amortised cost	Market value (Rupees in thousand)	Amortised cost	Market value
Listed TFCs							
HELD FOR TRADING							
457	457	Engro Chemical Pakistan Limited	November 30, 2007	2,309	2,220	2,285	2,309
AVAILABLE FOR SALE							
Commercial banks / NBFIs							
4,587	4587	Standard Chartered Bank (Pakistan) Limited II	January 20, 2004	20,605	19,996	22,898	22,898
6,352	6,352	United Bank Limited II	March 15, 2005	31,755	26,791	31,756	31,756
5,000	5,000	Jahangir Siddiqui and Company Limited	November 21, 2006	24,975	23,227	24,985	24,985
Leasing							
250	-	Orix Leasing Pakistan Limited	January 15, 2008	24,589	24,469	-	-
190	190	Al-Zamin Leasing Modaraba	May 31, 2005	323	303	646	646
Chemical							
10,000	-	Engro Chemical Pakistan Limited	November 30, 2007	48,991	48,566	-	-
Miscellaneous							
5,903	5,903	Searle Pakistan Limited	March 9, 2006	14,752	14,164	22,127	22,127
-	897	Pakistan Services Limited		-	-	640	666
8,715	8,715	TeleCard Limited	May 27, 2005	20,498	19,579	29,936	28,290
3,447	3,447	Pak Arab Fertilizer (Private) Limited	February 28, 2008	17,228	16,430	17,235	17,235
6,000	-	Pakistan Mobile Communication Limited	October 28, 2008	29,367	28,806	-	-
10,000	-	Pace (Pakistan) Limited	February 15, 2008	41,484	41,484	-	-
				274,567	263,815	150,223	148,603
				276,876	266,035	152,508	150,912
Unlisted TFCs							
10,000	10,000	New Allied Electronics Industries (Private) Limited	December 3, 2007	50,000	50,000	50,000	50,335
-	16,000	Engro Chemical Pakistan Limited		-	-	80,000	80,000
10,000	10,000	Eden Housing Limited	December 31, 2007	50,000	48,631	50,000	50,000
12,000	6,000	Maple Leaf Cement Factory Limited	December 3, 2007	57,077	54,006	30,000	30,174
17,000	10,000	Al-Zamin Leasing Modaraba	May 12, 2008	82,963	80,565	50,000	50,000
4,000	-	Pak American Fertilizer Limited	November 30, 2007	19,503	19,476	-	-
4,800	-	Pak American Fertilizer Limited-SUKUK	August 6, 2008	21,266	21,518	-	-
13,000	-	Azgard Nine Limited	December 4, 2007	63,585	64,051	-	-
10,000	-	Kashaf Foundation	November 5, 2007	35,176	33,928	-	-
3,547	-	Avari Hotels Limited	April 30, 2009	14,248	16,515	-	-
				393,818	388,690	260,000	260,509
Pre-IPO investments in TFCs							
10,000	-	Bank Al Habib Limited	June 13, 2009			50,000	-
						50,000	-

* Secured, unless specified otherwise.

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14.2.4 Significant terms and conditions relating to TFCs are as follows:

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Redemption
Listed TFCs 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.
Jahangir Siddiqui and Company Limited	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
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.
Orix Leasing Pakistan Limited	5,000	Average ask rate of six months KIBOR + 1.20%.	Semi-annually	Principal to be repaid from the 5th semi-annually equal installment.
Engro Chemical Pakistan Limited	5,000	Average ask rate of six months KIBOR + 1.55% (with no floor and cap)	Semi-annually	Instrument is structured to redeem .28% of principal in the first 84 months and remaining principal in two equal semi-annual installments of 49.86% each of the issue amount respectively, starting from 90th month.
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.
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.
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 principal
Pakistan Mobile Communication Limited	5,000	Average ask rate of six months KIBOR + 1.65%.	Semi-annually	To be redeemed at the end of 60th month
Pace Pakistan Limited	5,000	Average ask rate of six months KIBOR + 1.50%.	Semi-annually	Principal to be repaid in 6 equal semi-installments in arrears after a grace period of 24 months from the issuance date.
Unlisted TFCs New Allied Electronics Industries (Private) Limited Sukuk	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 - Sukuk	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 Modarba (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
Pak American Fertilizer	5,000	Average ask rate of six months KIBOR + 1.75%.	Semi-annually	Instrument is structured to redeem .08% of principal in the first 24 months and remaining principal in ten equal semi-annual installments of 9.992% each of the issue amount respectively, starting from 30th month.
Pak American Fertilizer Sukuk	5,000	Average ask rate of six months KIBOR + 2.0%.	Semi-annually	Instrument is structured to redeem .08% of principal in the first 24 months and remaining principal in ten equal semi-annual installments of 9.992% each of the issue amount respectively, starting from 30th month.
Azgard Nine Limited	5,000	Average ask rate of six months KIBOR + 2.25%.	Semi-annually	Instrument is structured to redeem .08% of principal in the first 24 months and remaining principal in ten equal semi-annual installments of 9.992% each of the issue amount respectively, starting from 30th month.
Kashaf Foundation	5,000	Average ask rate of three months KIBOR + 2.45%.	Quarterly	Principal redemption will be as follows: 5th quarter to 11th quarter 7/14 of the principal
Avari Hotels Limited	5,000	Average ask rate of six months KIBOR + 3.25%.	Semi-annually	Principal redemption will take place in six equal semi annual installments. This will commence from the 18th month from the date of issue .
Pre-IPO investment in TFCs Bank Al Habib Limited	5,000	Year 1 to 5 = 15.50% per annum Year 6 to 8 = 16% per annum	Quarterly	Instrument is structured to redeem .02%, per quarter, of the issue amount in the first seven years and remaining issue amount in four equal quarterly installments of 24.86% in the eight year.

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

No. of units		Particulars	2009		2008	
2009	2008		Average cost	Market value	Average cost	Market value
----- (Rupees in thousand) -----						
Available-for-sale						
995,005	-	POBOP Advantage Plus Fund	50,000	50,436	-	-
2,035,800	-	Metro Bank Pak Sovereign Fund	99,998	99,998	-	-
156,618	156,617	National Investment (Unit) Trust	10,000	4,205	10,000	8,199
500,000	-	ABL Stock Fund	5,000	4,992	-	-
			164,998	159,631	10,000	8,199

14.2.6 Particulars of listed shares / certificates

No. of ordinary shares / certificates of Rs. 10/- each		Particulars	2009		2008	
2009	2008		Average cost	Market value	Average cost	Market value
----- (Rupees in thousand) -----						
Mutual fund (closed ended)						
-	775,500	Atlas Fund of Funds	-	-	7,384	6,910
-	3,634,559	First Dawood Mutual Fund	-	-	30,561	25,951
-	155,500	Golden Arrow Selected Stock Fund	-	-	1,087	1,045
-	245,000	JS Value Fund	-	-	5,526	4,736
-	421,000	Meezan Balance Fund	-	-	4,210	4,021
-	197,000	Pakistan Premier Fund	-	-	2,493	2,634
-	500,000	PICIC Investment Fund	-	-	9,311	5,940
3,421,765	3,418,265	Safeway Mutual Fund	42,046	36,784	42,003	44,437
-	158,500	PICIC Growth Fund	-	-	4,489	3,768
-	49,500	UTP Large Capital Fund	-	-	437	446
-	500,226	JS Growth Fund	-	-	9,116	6,088
Leasing						
-	128,200	ORIX Leasing Pakistan Limited	-	-	4,292	3,204
Investment Banks / Companies / Securities						
-	15,000	Arif Habib Securities Limited	-	-	2,938	2,422
-	48,600	First Capital Securities Corporation Limited	-	-	4,069	2,877
158,820	300,000	Jahangir Siddiqui & Company Limited	8,917	3,683	131,257	159,047
Commercial banks						
54,000	15,000	MCB Bank Limited	7,879	8,371	5,716	4,896
2,500,000	10,000	NIB Bank Limited	13,377	11,875	120	114
97,000	39,000	National Bank Limited	7,394	6,502	9,225	5,753
15,000	-	Habib Bank Limited	1,334	1,291	-	-
15,000	-	United Bank Limited	624	574	-	-
1,172,790	-	Bank Alfalah Limited	24,081	12,373	-	-
Insurance						
25,000	-	Adamjee Insurance Company Limited	2,156	2,100	-	-
Paper and board						
400	-	Pakistan Paper Product Limited	23	21	-	-
Textile spinning						
-	1,758,280	Hira Textile Mills Limited	-	-	21,979	11,165
Textile composite						
-	221,551	Kohinoor Textile Mills Limited	-	-	10,887	3,073
180	2,000,000	Azgard Nine Limited	1	4	107,569	123,120
Textile weaving						
301	605,302	Zephyr Textiles Limited	3	1	5,732	2,960
Balance c/f			107,835	83,579	420,401	424,607

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

No. of ordinary shares / certificates of Rs. 10/- each		Particulars	2009		2008	
			Average cost	Market value	Average cost	Market value
2009	2008		(Rupees in thousand)			
		Balance b/f	107,835	83,579	420,401	424,607
		Cement				
-	5,000	Lucky Cement Limited	-	-	573	490
14,500	40,000	DG Khan Cement	290	430	4,383	2,686
		Refinery				
-	2,000	National Refinery Limited	-	-	596	595
		Power generation and distribution				
-	50,000	Kot Addu Power Company Limited	-	-	2,494	2,350
7,500	-	Hub Power Company Limited	191	203	-	-
		Oil and gas Marketing Companies				
25,000	17,000	Pakistan State Oil Company Limited	5,270	5,341	7,802	7,094
-	25,000	Sui Northern Gas Company Limited	-	-	1,206	1,089
		Oil and gas exploration				
80,000	600	Oil and Gas Development Company Limited	4,625	6,291	76	75
15,000	-	Pakistan Oilfield Limited	2,727	2,189	-	-
-	31,000	Pakistan Petroleum Limited	-	-	8,212	7,626
		Cable and Electric Goods				
59,250	-	Pak Elektron Limited	1,445	1,452	-	-
		Fertilizer				
110,000	10,000	Fauji Fertilizer Company Limited	10,119	9,565	1,400	1,323
30,000	1,000	Engro Chemical Pakistan Limited	4,115	3,853	175	126
-	50,000	Fauji Fertilizer Bin Qasim	-	-	1,885	1,799
		Chemicals				
4,000,000	-	Descon Oxychem Limited	40,000	30,160	-	-
		Jute				
-	45,100	Thall Limited	-	-	11,481	8,841
		Automobile Assembler				
-	12,185	Indus Motor Company Limited	-	-	3,924	2,438
		Technology and communication				
-	42,000	Pakistan Telecommunication Limited	-	-	2,020	1,623
		Synthetic and Rayon				
-	100,000	Ibrahim Fibres Limited	-	-	5,809	5,250
			<u>176,617</u>	<u>143,063</u>	<u>472,437</u>	<u>468,012</u>

14.2.7 Pre-IPO investment in unlisted shares

No. of ordinary shares / certificates of Rs. 10/- each		Particulars	Cost	
			2009	2008
2009	2008		(Rupees in thousand)	
-	4,000,000	Descon Oxychem Limited*	-	40,000

* Share certificates against the above investments have been issued and investments is included in note 14.2.6 to these financial statements.

14.2.8 Movement in provision against investment

	2009	2008
	(Rupees in thousand)	
Opening balance	-	-
Charge for the year	99,000	-
Closing balance	<u>99,000</u>	<u>-</u>

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

	Note	2009	2008
		(Rupees in thousand)	
15 ADVANCES, DEPOSITS AND PREPAYMENTS			
Advance against leases		-	7,606
Exposure deposits with Karachi Stock Exchange (Guarantee) Limited	15.1	2,910	38,108
Exposure deposits with Lahore Stock Exchange (Guarantee) Limited		-	5,500
Advance to suppliers		-	2,418
Advance to employees		4	498
Prepaid expenses	15.2	14,040	17,672
Receivable from NCCPL / CDC		1,540	1,540
Margin deposit with National Commodity Exchange Limited		-	1,100
Others		-	420
		18,494	74,862
15.1	This represents 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. Interest is earned on the deposit at rates as decided by the Exchange.		
15.2	This includes Rs. 3,426 thousand (2008: Rs. 5,193 thousand) in respect of advance rent of premises obtained on rent by the Group.		
	Note	2009	2008
		(Rupees in thousand)	
16 INTEREST, MARK-UP AND PROFIT ACCRUED			
Interest / mark-up and profit accrued on:			
Investments			
- government securities		3,691	1,720
- term finance certificates		22,462	11,966
- term deposit receipts		29	4,545
- fund placements		1,253	1,301
		27,435	19,532
Finances			
Lendings and continuous funding system transactions		19,109	32,428
Deposits with banks		1,426	8,926
		3,295	4,465
		51,265	65,351
17 TRADE DEBTS - NET			
Receivable against purchase of marketable securities	17.1 & 17.2	264,100	1,082,473
Clearing balance with National Clearing Company of Pakistan Limited		23,446	348,883
Commission receivable		1,044	1,519
Receivable from Karachi Stock Exchange (Guarantee) Limited against provisional listing and arbitrage transaction		-	6,038
		288,590	1,438,913

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

	Note	2009	2008
		(Rupees in thousand)	
17.1 Secured			
Considered good		264,100	1,082,473
Unsecured			
Considered doubtful		147,586	-
		411,686	1,082,473
Less: Provision for doubtful debts	17.3	147,586	-
		264,100	1,082,473
17.2 This includes amounts due from related parties are as under:			
Key management personnel		18	2,448
Other related parties			
- group companies		4,357	-
- others		480	356
		4,855	2,804
17.3			
This represents provision against impairment loss made by the management in respect of certain trade debtors based on the estimated timing and amount of recoveries in respect of these debtors.			
18 RECEIVABLE AGAINST SALE OF SECURITIES			
Secured - Considered good		2,857	778,234
19 OTHER RECEIVABLES - NET			
Secured - considered good			
Assets repossessed in respect of terminated lease contracts		4,732	5,559
Unsecured - considered good			
Dividend receivable		563	356
Receivable against tender offer		-	-
Excise duty paid on behalf of customers		4,471	4,471
Due from related parties:			
Packages Limited		250	445
IGI Income Fund	19.1	2,403	3,304
IGI Stock Fund	19.1	920	257
IGI Insurance Limited		1,776	628
Staff Provident Fund of IGI BANK		-	3,554
IGI Islamic Income Fund		279	-
IGI Pak Brunie Income Plus Fund		209	-
Staff Gratuity Fund of IGI BANK		254	70
		6,091	8,258
Accrued commission / fee income	19.2	5,847	12,285
Others		3,015	5,858
Unsecured - considered doubtful			
Receivable from lessees in satisfaction of claims		13,185	10,418
		37,904	47,205
Less: provision for bad and doubtful receivables	19.3	(13,185)	(10,418)
		24,719	36,787

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

19.1 Remuneration for services rendered by the Management Company has been calculated by applying the management fee rate of 1.25% and 2%, respectively, for IGI Income Fund and IGI Stock Fund on the average annual net assets of the respective funds determined on a daily basis in accordance with the provisions of the Non- Banking Finance Companies and Notified Entities Regulations, 2008.

19.2 This includes commission amounting to Rs 966 thousand (2008: Rs 614 thousand) due from IGI Income Fund and IGI Insurance Limited (related parties).

	Note	2009	2008
(Rupees in thousand)			
19.3 Movement in provision against receivables			
Opening balance		10,418	6,539
Charge for the year		2,767	3,879
Closing balance		13,185	10,418

20 CASH AND BANK BALANCES

In hand		70	81
In current accounts			
- State Bank of Pakistan		2,250	1,547
- Others			
local currency		11,031	84,052
foreign currencies		1,231	1,045
		12,262	85,097
Term deposit receipt- having original maturity upto three months			
In saving accounts		-	50,000
local currency		202,370	838,120
		216,952	974,845

21 SHARE CAPITAL

Authorised capital

	2009	2008		2009	2008
-----Number of shares-----			(Rupees in thousand)		
300,000,000	300,000,000		Ordinary shares of Rs 10 each	3,000,000	3,000,000

Issued, subscribed and paid-up capital

2009			2008				
Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		
-----No. of shares-----							
190,993,300	-	190,993,300	190,993,300	-	190,993,300	Ordinary shares paid in cash	1,909,933 1,909,933
-	21,109,250	21,109,250	-	21,109,250	21,109,250	Ordinary shares issued as bonus shares	211,092 211,092
190,993,300	21,109,250	212,102,550	190,993,300	21,109,250	212,102,550	2,121,025	2,121,025

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

21.1 The following shares were held by the related parties of the Group as at June 30, 2009:

Name of related party	2009		2008	
	Shares held in millions	Percentage	Shares held in millions	Percentage
Packages Limited	4.611	2.175%	4.611	2.175%
IGI Insurance Limited	89.095	42.026%	89.095	42.026%
Directors, Chief Executive and their spouse and minor children	7.957	3.753%	7.521	3.548%
Executives	0.002	0.001%	0.010	0.005%

Note

2009

2008

(Rupees in thousand)

22 RESERVES

Capital reserve

Statutory reserve

22.1

97,098

97,098

Revenue reserves

General reserve

39,733

39,733

136,831

136,831

22.1 Statutory reserve represents amount set aside as per the requirements of clause 16 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 issued by the Securities and Exchange Commission of Pakistan.

Note

2009

2008

(Rupees in thousand)

23 MINORITY INTEREST

Share of minority in:

Share capital

70

30,000

Accumulated losses

(25)

(6,616)

45

23,384

24 DEFICIT ON REVALUATION OF INVESTMENTS - NET

Net surplus / (deficit) on revaluation of:

- government securities

1,093

(8,423)

- listed and unlisted term finance certificates

(15,969)

(1,087)

- mutual funds units (open ended)

(5,367)

(354)

- quoted shares and certificates

(33,554)

(4,425)

- forward sale of quoted shares and certificates

-

(49,090)

(53,797)

(63,379)

Impairment losses on investment classified as 'available for sale' - transferred to profit and loss account

40,211

-

24.1

(13,586)

(63,379)

Related deferred tax asset - net

10

1,411

2,770

Minority interest thereon

42

378

(12,133)

(60,231)

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

	Note	2009	2008
		(Rupees in thousand)	
24.1 Particulars of deficit on revaluation of investments - net			
Opening balance		(63,379)	(17,764)
(Deficit) / surplus arising on revaluation of investments during the year		(206,848)	81,184
		(270,227)	63,420
Impairment on equity securities and unit of mutual funds held as at year end		40,211	-
Impairment on equity securities sold during the year		135,287	-
		175,498	-
Transferred to the profit and loss account on disposal of investments		81,143	(126,799)
Closing balance		(13,586)	(63,379)

24.2 Surplus / deficit in respect of listed debt securities has been determined based on the rates of these securities notified by Mutual Funds Association of Pakistan (MUFAP). These rates were notified based on the methodology specified by the Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. NBFCD/MF/CIRCULAR/2009-31 dated January 6, 2009.

24.3 As per the accounting policy of the Group (as more fully explained in note 3.2 to these financial statements) impairment of equity investment is also recognised when there is a significant or prolonged decline in the value of investments. As at December 31, 2008, the Group had an aggregate amount of Rs 124.411 million as deficit on revaluation of its listed portfolio of equity shares and units of mutual funds classified as available for sale. The deficit had been computed based on the market value of the equity securities as at December 31, 2008 and was in accordance with the requirements laid down in SECP Circular No. Enf/D-III/Misc/1/2008 dated January 29, 2009. The management of the Group carried out a scrip wise analysis of the above deficit and determined that out of the above amount, deficit amounting to Rs 118.867 million represented a significant decline in the fair value of such equity securities with reference to their cost and accordingly an impairment loss to this extent was fully recognised in the profit and loss account for the half year ended December 31, 2008. Subsequently, the management has again carried out a scrip wise analysis of the deficit in accordance with the requirement of above circular as at March 31, 2009 and as at June 30, 2009 to determine the amount of impairment loss, if any. Based on this analysis, an amount of Rs 56.631 million has further been recognised as an impairment loss during the period from January 1, 2009 to June 30, 2009 which has been charged to the profit and loss account.

	Note	2009	2008
		(Rupees in thousand)	
25 TERM FINANCE CERTIFICATES			
Term finance certificates	25.1	312,375	437,325
Less: transaction costs	25.2	1,095	2,215
		311,280	435,110
Less: current maturity of term finance certificates and transaction costs		124,950	124,950
		186,330	310,160

25.1 These represent listed Term Finance Certificates (TFCs) issued by the Group on 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 the issue. The issue of these TFCs had 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).

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

- 25.2** 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.

Note **2009** **2008**
(Rupees in thousand)

26 LONG-TERM FINANCE

Secured

Local currency - banking companies

26.1 408,333 890,000

Less: current maturity of long-term finance

341,666 481,667

66,667 408,333

- 26.1** This includes:

Lender	Amount (Rs in '000)	Date of disburse- -ment	Date of maturity	Installments payable	Pricing structure	Security
MCB Bank Limited	150,000	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%.
Allied Bank Limited	125,000	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	133,333	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%.

Note **2009** **2008**
(Rupees in thousand)

27 LONG-TERM CERTIFICATES OF DEPOSIT

Unsecured

Local currency

- Financial institutions

- 200,000

- Individuals

241,283 447,750

- Others

167,258 143,932

27.1 408,541 791,682

Less: current maturity of long-term certificates of deposit

243,411 319,784

165,130 471,898

- 27.1** These certificates of deposit have contractual maturities ranging from 1 to 4 years (2008: 1 to 5 years) from the contract date. Expected rates of return payable on these certificates of deposits are 8.25% to 20% (2008: 6% to 13.50%) per annum.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

	Note	2009	2008
		(Rupees in thousand)	
28 LONG-TERM DEPOSITS ON LEASE CONTRACTS			
Deposits on lease contracts	28.1	524,538	574,504
Less: current maturity of deposits on lease contracts		253,074	156,283
		271,464	418,221

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

29 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% (2008: 15%).

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:

	2009		2008	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
-----Rupees in thousand-----				
Not later than one year	639	417	639	359
Later than one year and not later than five years	1,740	1,500	2,379	1,917
Later than five years	-	-	-	-
	2,379	1,917	3,018	2,276
Less: amount representing future finance charge	462	-	742	-
	1,917	1,917	2,276	2,276
Less: current maturity of liabilities against assets subject to finance lease	417	417	359	359
	1,500	1,500	1,917	1,917

	Note	2009	2008
		(Rupees in thousand)	
30 SHORT-TERM FINANCE - SECURED			
Running finance utilised under mark-up arrangement	30.1	518,468	826,061

30.1 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-09	Mark-up at 3-month KIBOR rate plus 2.5% per annum.	First 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	10-Nov-09	Mark-up at 1-month KIBOR rate plus 2.5% per annum.	First pari passu charge over present and future moveable assets and receivables of IGI BANK including leased assets and lease receivables with a margin of 25%.
Various banks	600,000	31-Mar-10	Mark-up at 3-months KIBOR plus 2.5% - 3%.	First hypothecation charge on present and future current assets of the company with 40% margin and pledge of shares of companies quoted at the Karachi Stock Exchange.

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2009

	Note	2009	2008
		(Rupees in thousand)	
31 SHORT-TERM CERTIFICATES OF DEPOSIT			
Unsecured			
Local currency			
- Financial institutions		48,600	1,740,000
- Individuals	31.1	587,756	343,987
- Others		1,611,978	599,490
	31.1 & 31.2	2,248,334	2,683,477
31.1	These include certificates of deposit amounting to Rs 1,546 thousand (2008: Rs 1,700 thousand) issued to employees at mark-up rate ranging from 12.5% to 15.50% (2008: 9.25%) per annum.		
31.2	These certificates of deposits have contractual maturities ranging from 1 to 12 months (2008: 1 to 12 months) from the contract date. Expected rates of return payable on these certificates of deposits are 11.75% to 15.5% (2008: 8.5% to 15.15%) per annum.		
	Note	2009	2008
		(Rupees in thousand)	
32 BORROWINGS FROM FINANCIAL INSTITUTIONS			
Securities sold under repurchase agreement	32.1	89,868	819,109
Unsecured borrowings	32.2	136,000	740,000
		225,868	1,559,109
32.1	These carry mark-up at the rate of 13.6% (2008: 9.62% to 11.00%) per annum and are repayable on various dates by July 10, 2009.		
32.2	These carry mark-up at the rate of 14% (2008: 10.50% to 16.25%) per annum and is repayable on July 6, 2009.		
	Note	2009	2008
		(Rupees in thousand)	
33 INTEREST AND MARK-UP ACCRUED			
Interest and mark-up accrued on:			
- Long-term finance		11,365	17,411
- Short-term finance		13,368	6,466
- Borrowings from financial institutions		3,110	8,186
- Term finance certificates		25,925	25,217
- Certificates of deposit		89,405	114,434
		143,173	171,714

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

	Note	2009	2008
		(Rupees in thousand)	
34 ACCRUED EXPENSES AND OTHER LIABILITIES			
Accrued expenses		14,658	27,546
Payable to customers on account of excess recoveries		3,028	3,028
Payable to customers in respect of brokerage business			
- Related parties		-	4,359
- Others		123,696	963,730
Discretionary client funds' payable		-	55,389
Distribution commission payable		4,307	6,052
Unclaimed dividends		316	316
Payable to Packages Limited-related party		17	-
Payable against services received		-	1,143
Payable to suppliers - others		601	1,605
Payable in respect of employee gratuity schemes of IGI Bank and IGI Finex Securities Limited	44.1.5	7,308	6,733
Payable in respect of employee gratuity scheme of IGI Funds Limited		1,182	808
Advances from lessees		12,618	20,925
Advance insurance recoveries from customers		3,185	7,615
Payable to IGI Insurance Limited		3,850	45,513
Fair value of derivative financial instruments		-	49,090
Others		4,071	19,913
		178,837	1,213,765

35 CONTINGENCIES AND COMMITMENTS

35.1 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 applied in computing the tax liability was that applicable to a banking company. However, in the appeals filed against the original assessments, 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 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, whereas the departmental appeals for the remaining years are pending before the ITAT. Subsequent to the decision of ITAT for assessment years 1991-92 to 1997-98, 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 matter 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 2000-01, 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 companies, 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 before the CIT (A). The CIT (A) has deleted the majority of the additions against which the tax authorities have filed appeals before the ITAT which are currently pending.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

- (b) Income tax return of IGI BANK 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. IGI BANK had preferred an appeal before the CIT(A) to agitate against the additions. The CIT(A) has decided the appeal by confirming certain additions. Against the appellate order of CIT(A), IGI BANK has filed an appeal before the ITAT which is pending to date. IGI BANK is confident that the additions confirmed by the CIT(A) will be deleted by the ITAT.

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 (June 30, 2008: Rs 199 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.

	2009 (Rupees in thousand)	2008 (Rupees in thousand)
35.2 Claims not acknowledged as debts	81,570	81,570
35.3 Commitments		
- Underwriting commitments	-	-
- Commitments in respect of capital expenditure	787	1,624
- 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
- Commitments in respect of continuous funding system transactions - payable	-	32,233

36 INCOME FROM INVESTMENTS

	2009				2008			
	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	88,066	-	-	88,066	39,294	-	-	39,294
Government securities	-	28,822	-	28,822	-	14,971	-	14,971
TFCs	-	365	54,595	54,960	-	-	44,235	44,235
	88,066	29,187	54,595	171,848	39,294	14,971	44,235	98,500
Dividend income	-	-	6,655	6,655	-	-	21,168	21,168
Gain / (loss) on disposal of:								
TFCs	-	-	239	239	-	-	4,106	4,106
Mutual fund units (open-end)	-	-	32,305	32,305	-	-	49,651	49,651
Listed shares / certificates	-	18,458	30,141	48,599	-	-	73,042	73,042
	-	18,458	62,685	81,143	-	-	126,799	126,799
	88,066	47,645	123,935	259,646	39,294	14,971	192,202	246,467

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

	2009	2008
	(Rupees in thousand)	
37 INCOME FROM LOANS AND ADVANCES		
Mark-up / interest on loans	126,282	118,229
Documentation charges and other loan related income	721	1,480
	127,003	119,709
38 INCOME FROM LEASE FINANCE		
Mark-up on lease finance	257,231	224,685
Front-end fees, documentation charges and other lease related income	10,436	6,711
	267,667	231,396
39 INCOME FROM LENDINGS AND CONTINUOUS FUNDING SYSTEM TRANSACTIONS		
Securities purchased under resale agreements	28,721	35,910
Income from continuous funding system transactions	80,736	137,223
	109,457	173,133
40 REMUNERATION FROM FUNDS UNDER MANAGEMENT		
Open end fund		
IGI Income Fund	26,147	38,577
IGI Stock Fund	3,329	-
	29,476	38,577
41 INCOME FROM FEE, COMMISSION AND BROKERAGE		
Commitment and underwriting fee	-	1,020
Fee from corporate finance services	4,117	11,358
Commission	8,262	11,395
Brokerage income	76,130	142,293
Distribution and commission	22,925	38,362
	111,434	204,428
42 FINANCE COSTS		
Mark-up on term finance certificates	58,676	57,953
Mark-up on long-term finance	101,944	121,358
Mark-up on certificates of deposits	367,045	321,910
Mark-up on short-term finance	96,782	30,648
Mark-up on borrowings from financial institutions	66,032	68,595
Mark-up on repurchase agreement borrowing	3,205	-
Finance charge on leased assets	280	234
Bank charges	6,112	962
	700,076	601,660

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

	Note	2009	2008
		(Rupees in thousand)	
43 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries, allowances and benefits		222,864	219,223
Honorarium to Chairman of IGI Funds Limited		80	600
Contribution to provident fund	44.3	8,664	5,593
Gratuity scheme expense			
- IGI BANK Limited and IGI Finex Securities Limited	44.1.6	4,026	4,655
- IGI Funds Limited		375	488
Contribution to employees' old-age benefit institution		514	429
Depreciation on property and equipment	4.1	44,884	36,935
Amortisation on intangible assets	4.3	12,133	15,610
Rent, rates and taxes		44,074	38,766
Travelling and entertainment		8,203	18,009
Telephone, telex and fax		10,767	12,489
Printing, postage and stationery		7,459	10,225
Staff training and development		164	431
Insurance		5,402	3,004
Lighting, heating and cooling		13,582	11,132
Repairs and maintenance		11,108	7,060
Brokerage and commission		4,635	20,914
Legal and professional fees		12,693	11,857
Subscriptions		15,334	38,376
Computer expenses		6,348	11,886
Advertisement		20,647	48,625
Bad debts written off		198	961
Provision for doubtful debts		147,586	-
Long-term deposit written off		1,200	-
Other expenses		14,020	6,440
		616,960	523,708

44 EMPLOYEE BENEFITS

44.1 Gratuity scheme

As mentioned in note 3.16.2, the Group operates one funded gratuity scheme and one unfunded gratuity scheme for all its permanent employees. During the current year, the management of IGI Finex Securities Limited terminated its funded staff gratuity scheme as of December 31, 2008.

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, 2009 and as at December 31, 2008 respectively using Projected Unit Credit Method. In IGI Funds Limited, annual provisions to cover the obligation are made based on the management's best estimates.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

44.1.1 Principal actuarial assumptions

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

	2009		2008	
	IGI BANK	IGI Finex Securities Limited	IGI BANK	IGI Finex Securities Limited
	Per annum			
Expected rate of increase in salary	11.09%	0.00%	11.09%	12.00%
Discount rate	13.25%	0.00%	13.25%	12.00%
Expected rate of return on plan assets	13.25%	0.00%	13.25%	10.00%

	Note	2009 (Rupees in thousand)	2008
44.1.2 Amount recognised in the balance sheet			
Present value of defined benefit obligation	44.1.3	7,887	18,304
Fair value of plan assets	44.1.4	(7,638)	(11,112)
Unrecognised actuarial (gain) / loss (net)		1,296	(459)
Past service cost		5,763	-
		7,308	6,733
44.1.3 Movement in the defined benefit obligation			
Present value of defined benefit obligation at the beginning of the year		18,304	12,164
Interest cost		1,667	1,296
Current service cost		3,485	4,203
Benefits paid		(4,805)	-
Settlement cost		-	-
Actuarial (loss) / gain on obligation		(5,001)	641
Benefits due but not paid due to termination		(5,763)	-
Present value of defined benefit obligation at the end of the year		7,887	18,304
44.1.4 Movement in the fair value of plan assets			
Fair value of plan asset at the beginning of the year		11,112	8,377
Expected return on plan assets		1,004	910
Contributions to the fund		3,451	1,622
Benefits paid		(4,805)	-
Actuarial gain / (loss) on plan assets		(3,124)	203
Benefits payable to outgoing members		-	-
Fair value of plan assets at the end of the year		7,638	11,112
44.1.5 Movement of liability			
Balance at the beginning of the year		6,733	3,700
Expense for the year	44.1.6	4,026	4,655
Contributions during the year		(3,451)	(1,622)
Adjustment		-	-
Balance at the end of the year		7,308	6,733

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

	Note	2009	2008
		(Rupees in thousand)	
44.1.6 Gratuity scheme expense recognised in the profit and loss account			
Current service cost		3,485	4,203
Interest cost		1,667	1,296
Expected return on plan assets		(1,004)	(910)
Net actuarial (gain) / loss recognised during the year		(122)	3
Past service cost		-	63
		4,026	4,655

	2009		2008	
	(Rupees in thousand)	Percentage composition	(Rupees in thousand)	Percentage composition
44.1.7 Plan assets comprised of following:				
Mutual fund units / shares	1,179	16%	5,024	45%
Term finance certificates	1,861	24%	232	2%
Bank account and short term deposits	4,598	60%	6,016	54%
Benefits due	-	0%	(160)	(1%)
	7,638	100%	11,112	100%

44.1.8 5 years data in respect of (surplus) / deficit on the plan assets is as follows:

	2009	2008	2007	2006	2005
Present value of defined benefit obligation	7,887	18,304	12,164	9,686	5,797
Fair value of plan assets	(7,638)	(11,112)	(8,377)	(6,839)	(3,542)
Deficit	249	7,192	3,787	2,847	2,255

44.1.9 5 years data in respect of experience adjustments is as follows:

	2009	2008	2007	2006	2005
Experience adjustments on plan liabilities	(4,999)	307	(580)	(339)	(249)
Experience adjustments on plan assets	(3,124)	203	(592)	(281)	(73)

44.1.10 Actual return on plan assets during the year was Rs. 2,120 thousand (2008: Rs. 1,113 thousand).

44.1.11 Based on actuarial advice, IGI BANK intends to charge an amount of approximately Rs.6,308 thousand in the financial statements for the year ending June 30, 2010.

44.1.12 The information provided in notes 44.1.1 to 44.1.11 has been obtained from the valuation carried out by an independent actuary as at June 30, 2009 and as at December 31, 2008.

44.1.13 As per the decision of IGI Finex Securities Limited, the benefits will be paid to the permanent employees who have completed their 5 years period of service and remaining excess funds will be distributed to other permanent employees on the basis of their period of service completed.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

44.2 Defined benefit plan - IGI Funds Limited

An amount of Rs 375 thousand (2008: Rs 488 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.

44.3 Defined contribution plan

An amount of Rs. 8,664 thousand (2008: Rs. 5,593 thousand) has been charged during the year in respect of contributory provident fund maintained by the Group.

	Note	2009	2008
(Rupees in thousand)			
45 OTHER OPERATING INCOME			
Income from financial assets			
Income from deposits with banks		29,295	26,879
Interest on loan to employees		714	558
Liquidated damages		62,178	26,991
Others		2,311	158
		94,498	54,586
Income from non-financial assets			
Income from advisory service		1,789	2,039
Gain on disposal of fixed assets		331	446
Other income		4,934	5,058
		101,552	62,129
46 OTHER OPERATING EXPENSES			
Expense from deemed partial acquisition of shareholding in subsidiary		-	17,592
Provision against other assets		2,767	3,879
Auditors' remuneration	46.1	1,929	1,452
Amortisation of transaction cost on TFCs		1,120	1,825
Donations		-	105
		5,816	24,853

46.1 Auditors' remuneration

	2009			Total
	IGI BANK	IGI Funds Limited	IGI Finex Securities Limited	
----- (Rupees in thousand) -----				
Statutory audit fee	550	200	250	1,000
Half yearly review fee	150	50	-	200
Special certification and other services	100	-	315	415
Fee for consolidated financial statements of IGI BANK and its subsidiary companies	150	-	-	150
Out of pocket expenses	58	56	50	164
	1,008	306	615	1,929

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

		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
		875	242	335	1,452
			Note	2009	2008
				(Rupees in thousand)	
47	TAXATION				
	Current				
	- For the year			9,502	35,525
	- For prior years			(154)	(457)
				9,348	35,068
	Deferred				
	- For the year			(119,713)	(66,150)
	- For prior years			628	171
			10.2	(119,085)	(65,979)
				(109,737)	(30,911)
47.1	Relationship between tax expense and accounting loss				
	Loss for the year before taxation			(656,238)	(103,554)
	Tax at the applicable rate of 35% (2008: 35%)			(229,683)	(36,244)
	Tax effect of income / expenses that are exempted / not allowed in determining taxable income			88,823	(8,554)
	Tax effect of income taxed under Final Tax Regime			57,540	(9,591)
	Tax effect of exempt capital gains			921	-
	Prior years reversal			(154)	(457)
	Tax effects of losses			18,407	-
	Tax effects on temporary differences			(18,996)	-
	Tax effect of dividend income taxed at a lower rate			-	(12,962)
	Minimum tax under section 113 of the Income Tax Ordinance, 2001			-	17,545
	Other computational adjustments			(26,595)	19,352
	Tax expense for the year			(109,737)	(30,911)
48	LOSS PER SHARE			2009	2008
				----- (Rupees in thousand) -----	
	Loss after taxation			(538,976)	(58,572)
				----- Number of shares -----	
	Weighted average number of ordinary shares outstanding during the year			212,102,550	109,151,644
				----- Rupees -----	
	Loss per share - basic			(2.54)	(0.54)

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

48.1 Diluted earnings per share has not been presented as the Group does not have any convertible instruments in issue as at June 30, 2009, and 2008 which would have any effect on the earnings per share if the option to convert is exercised.

49 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

49.1 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 - (note 49.1.4)		Executives		Executive Director - (note 49.1.4)		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
----- (Rupees in thousand) -----								
Short-term employee benefit (including bonus)								
Managerial remuneration (including bonus)	4,493	5,065	25,044	23,680	1,365	3,727	30,902	32,472
House rent	2,022	1,519	9,243	10,656	614	1,677	11,879	13,852
Utilities	449	405	2,054	2,368	136	373	2,639	3,146
Medical expenses	448	-	790	915	84	-	1,322	915
Conveyance	-	155	3,223	3,326	-	158	3,223	3,639
Others	84	495	4,073	2,329	21	516	4,178	3,340
Post employment benefits								
Retirement benefits	449	405	2,054	1,680	136	373	2,639	2,458
	<u>7,945</u>	<u>8,044</u>	<u>46,481</u>	<u>44,954</u>	<u>2,356</u>	<u>6,824</u>	<u>56,782</u>	<u>59,822</u>
Number of persons	<u>1</u>	<u>1</u>	<u>30</u>	<u>38</u>	<u>1</u>	<u>1</u>	<u>32</u>	<u>40</u>

49.1.1 The chief executive and certain senior executives are provided with free use of IGI BANK'S owned and maintained cars.

49.1.2 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.

49.1.3 Meeting fees of Rs 45,000 (2008: Rs 10,000) were paid to the directors for attending the board meetings.

49.1.4 IGI BANK has appointed Mr. S. Javed Hassan as new Chief Executive Officer with effect from July 18, 2009 to fill the vacancy which arose due to resignation of Mr. Samir Ahmed (former Chief Executive Officer). S. Javed Hassan was previously working as Chief Executive Officer of IGI Funds Limited and had also worked as Executive Director in IGI BANK upto October 31, 2008.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

49.2 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		Directors		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
----- (Rupees in thousand) -----								
Managerial remuneration	3,452	2,917	15,406	13,975	2,855	796	21,713	17,688
Bonus	-	2,118	-	1,967	-	75	-	4,160
Reimbursements / other allowances	760	957	1,791	5,528	319	420	2,870	6,905
Retirement benefits	690	583	3,201	2,278	451	132	4,342	2,993
Housing	1,553	1,313	7,203	6,318	1,015	291	9,771	7,922
Utilities	345	292	1,601	1,398	226	65	2,172	1,755
Commission	-	-	1,707	2,819	24	-	1,731	2,819
	<u>6,800</u>	<u>8,180</u>	<u>30,909</u>	<u>34,283</u>	<u>4,890</u>	<u>1,779</u>	<u>42,599</u>	<u>44,242</u>
Number of persons	<u>2*</u>	<u>1</u>	<u>19</u>	<u>27</u>	<u>2</u>	<u>2</u>	<u>23</u>	<u>30</u>

* During the year Mr. Rizwan Khalid Butt resigned as chief executive officer with effect from December 31, 2008. He was succeeded by Mr. Azhar Ahmad Batla.

49.2.1 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.

49.2.2 No meeting fees were paid to any of the Directors for attending the Board meetings (2008: Nil).

49.2.3 In addition to the above, IGI Finex has also paid an amount of Rs 600,000 (2008: Rs 150,000) in respect of consultancy fee paid to Mr. Javed Masud, who is a non-executive director.

49.3 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		Directors		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
----- (Rupees in thousand) -----								
Managerial remuneration	4,292	4,073	6,035	4,767	80	600	10,407	9,440
House rent allowance	1,931	1,833	2,716	2,145	-	-	4,647	3,978
Utility allowance	429	407	603	477	-	-	1,032	884
Medical	429	407	504	397	-	-	933	804
Special allowance	80	-	1,392	-	-	-	1,472	-
Bonus	-	968	905	1,274	-	-	905	2,242
Contributions to Provident Fund	429	407	500	462	-	-	929	869
Reimbursements	218	816	712	858	-	-	930	1,674
Total	<u>7,808</u>	<u>8,911</u>	<u>13,367</u>	<u>10,380</u>	<u>80</u>	<u>600</u>	<u>21,255</u>	<u>19,891</u>
Number of persons	<u>1</u>	<u>1</u>	<u>11</u>	<u>5</u>	<u>1</u>	<u>1</u>	<u>13</u>	<u>7</u>

49.3.1 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, 2009

50 TRANSACTIONS WITH RELATED PARTIES

Description	2009		
	Related parties including associated undertakings	Key Management personnel	Total
(Rupees in thousand)			
Transactions during the year			
Certificate of deposits issued and mark-up paid thereon	1,784,246	15,611	1,799,857
Purchase of marketable securities	412,678	51,262	463,940
Sale of marketable securities	1,223,912	52,328	1,276,240
Insurance premium paid	2,842	-	2,842
Brokerage income earned	2,226	61	2,287
Income from finance	-	383	383
Gain on sale of investments	-	-	-
Reimbursement of Rent	3,754	-	3,754
Sale of assets	4,848	1,017	5,865
Rent expense	14,100	-	14,100
Insurance expense IGI Insurance	330	-	330
Return on Deposit	40,948	203	41,151
Charge for the year in respect of employee benefit and contribution plan	17,221	-	17,221
Expenses incurred by IGI Insurance Limited	9,442	-	9,442
Expenses incurred by Packages Limited on behalf of the Company	17	-	17
Remuneration from IGI Income Fund & IGI Stock Fund	29,476	-	29,476
Purchase of units of IGI Income Fund	116,300	-	116,300
Sale of units of IGI Income Fund	187,000	-	187,000
Bonus Received from IGI Income Fund	4,121	-	4,121
Sales load of IGI Stock Fund	30	-	30
Legal and professional charges incurred on behalf of IGI Stock Fund, IGI Islamic Fund & IGI Pak Brunei Fund	355	-	355
Amount recovered as against printing charges from IGI Income, IGI Stock Fund & IGI Islamic Fund	127	-	127
Amount recovered against CDC account opening charges and security deposit paid on behalf of IGI Stock Fund	120	-	120
Remuneration paid to key management personnel	-	78,312	78,312
Authorization Fee for IGI Islamic Income Fund & IGI Pak Brunei Fund	2,000	-	2,000
Assets purchased	6,779	-	6,779
Purchase of intangible asset	565	-	565
Balance outstanding as at year end			
Loans and advances	-	27,013	27,013
Other Receivable	789	-	789
Certificates of deposit	68,240	2,427	70,667
Remuneration receivable from IGI Income Funds & IGI Stock Funds	2,775	-	2,775
Formation cost receivable from IGI Stock Fund & IGI Islamic Fund & IGI Pak Brunei Fund	3,733	-	3,733
Sale Load Receivable IGI Stock Funds	30	-	30
Expenses Payable IGI Insurance	2,359	-	2,359
Expenses payable Packages	17	-	17
Mark-up accrued - Loan & Advances	-	38	38
Mark-up accrued - Certificate of deposits	1,113	23	1,136

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

Description	-----2008-----		
	Related parties including associated undertakings	Key Management personnel	Total
----- (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

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

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

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

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

	Note	2009	2008
		(Rupees in thousand)	
51 CASH GENERATED FROM OPERATING ACTIVITIES			
Loss for the year before taxation		(656,238)	(103,554)
Adjustments for non cash and other items:			
Gain on disposal of fixed assets		(331)	(446)
Depreciation on property and equipment		44,884	36,935
Amortisation of intangible assets		12,133	15,610
Amortisation of transaction cost on TFCs		1,120	1,825
Gratuity scheme expense			
- IGI BANK and IGI Finex Securities Limited		4,026	4,655
- IGI Funds Limited		375	488
Interest, mark-up and profit income		(694,827)	(641,984)
Expense from deemed partial acquisition of shares in subsidiary		-	17,592
Income from deemed partial disposal of subsidiary		-	-
Dividend income		(6,655)	(21,168)
Finance cost		700,076	601,660
Bad debts written off		198	-
Provision for bad and doubtful loans / potential lease losses - general		1,276	5,257
Provision for bad and doubtful loans lease losses - specific - net		117,639	23,915
Provision for doubtful debts		147,586	-
Share of Profit in Associate		(53,792)	-
Working capital changes	51.1	581,353	(496,554)
		855,061	(452,215)
		198,823	(555,769)
51.1 Working capital changes			
(Increase) / decrease in current assets:			
Short-term loans		(25,289)	(212,712)
Lendings		976,913	(1,025,513)
Receivable against continuous funding system transactions		483,912	274,497
Short-term investments		94,084	(826,825)
Trade debts		1,002,737	(796,942)
Receivable against sale of securities		775,377	(778,234)
Advances, deposits, prepayments and other receivables		68,643	316,503
		3,376,377	(3,049,226)
Increase / (decrease) in current liabilities:			
Short-term certificates of deposits		(435,143)	843,318
Payable against purchase of securities		9,237	65,410
Borrowings from financial institutions		(1,333,241)	1,094,109
Accrued expenses and other liabilities		(1,035,877)	549,835
		(2,795,024)	2,552,672
		581,353	(496,554)
52 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
Cash and bank balances	20	216,952	974,845
Short-term finance - secured	30	(518,468)	(826,061)
		(301,516)	148,784
		(301,516)	148,784

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For the Year Ended June 30, 2009

53 FINANCIAL INSTRUMENTS: SPECIFIC DISCLOSURES RELATING TO LEASING OPERATIONS, BROKERAGE BUSINESS, MONEY MARKET OPERATIONS AND FLOATATION AND MANAGEMENT OF FUNDS

53.1 The management of the Group has designated the following items of balance sheet as part of their leasing operations, brokerage business, money market operations and floatation and management of funds:

	Note	2009	2008
(Rupees in thousand)			
Assets - Loans and Receivables			
- Net investment in finance lease	8	1,829,096	2,458,004
- Interest, mark-up and profit receivable		1,408	13,783
- Other receivables and provision there against - net	19	4,732	5,559
- Long-term loans - considered good		368	13,419
- Long term deposits		5,809	7,509
- Receivable from funds - considered good		6,538	6,289
- Trade debts		288,591	1,438,913
- Loans and Advances		516	1,806
- Deposits and other receivables		13,499	54,897
- Accrued mark-up		1,888	8,449
- Cash and bank balances		104,287	124,982
Assets - Held for Trading			
- Investments		254,525	242,057
Liabilities at amortised cost			
- Long term finance and its related current portion	26	408,333	890,000
- Long term deposits on lease contracts and its related current portion	28	524,538	574,504
- Interest, mark-up and profit payable	33	11,365	17,411
- Accrued expenses and other liabilities	34	161,691	1,110,090
- Liabilities against assets subject to finance lease	29	1,917	2,276
- Short-term borrowings - secured		268,996	556,879
Income / expense from the items classified as loans and receivables and carried at amortised cost			
- Income from lease finance	38	267,667	231,396
- Finance cost relating to long-term finance	42	101,944	121,358
- Provisions for lease losses	8.4	58,068	18,577
Income / expense from the items classified as Held for trading			
- Gain on sale of investments		11,416	28,560
- Finance cost		61,543	33,083
- Provision for doubtful debts		147,586	-

53.2 As at June 30, 2009 there were no financial assets which had been pledged as collateral for liabilities or contingent liabilities of the Group.

53.3 The outstanding amounts of the Group's net investment in finance lease are secured against leased assets. The Group is entitled to repossess and sell these assets in case of default by the customers. During the year Group has disposed of assets amounting to Rs 11.587 million (2008: Rs 48.600 million) which were repossessed at the time of default by customers.

53.4 A reconciliation of provision made during the year in respect of net investment in finance lease is given in note 8.4 to these financial statements.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

53.5 There were no defaults in long-term finance payable as at June 30, 2009.

53.6 The maximum exposure to credit risk relating to leasing operations of the Group as at June 30, 2009 without taking into account of any collateral held or other credit enhancement was Rs 1,941.708 million (2008: Rs 2,524.923 million). Out of the total outstanding amount of net investment in finance lease, an amount of Rs 1,061.300 million (2008: Rs 1,561.467 million) are neither past due nor impaired. The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated was Rs 29.924 million (2008: Rs 65.629 million). The Group has established internal policies for approval of credit which captures all the essential details regarding customers. Based on the review of borrower's credentials as available internally, management is confident that credit quality of debts which are not past nor impaired remains sound at the balance sheet date.

53.7 An analysis of the age of net investment in finance lease that are past due but not impaired as at June 30, 2009 are as under.

	2009		2008	
	Total outstanding amount Rupees in '000	Payment over due (in days)	Total outstanding amount Rupees in '000	Payment over due (in days)
Net investment in finance lease	497,735	1 to 89 days	809,417	1 to 179 days

53.8 An analysis of the net investment in finance leases that are individually impaired as per the requirements of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 are as under:

	As at June 30, 2009				
	OAEM	Substandard	Doubtful	Loss	Total
	Rupees in '000				
Net investment in finance lease	202,940	101,133	41,652	35,540	381,265
	As at June 30, 2008				
	OAEM	Substandard	Doubtful	Loss	Total
	Rupees in '000				
Net investment in finance lease	54,097	48,436	30,141	7,582	140,256

Although the Group has made provision against its non-performing portfolio, IGI BANK still holds collateral to be able to enforce in recovery through litigation.

53.9 As at June 30, 2009 IGI BANK has taken the possession of certain collateral it holds as security. The nature and carrying amount of these assets and the policies for recognition are disclosed in notes 3.11 and 19 to these financial statements. IGI BANK intends to dispose of these assets in accordance with its internal policies.

53.10 The Group does not hold any collaterals which can be sold or repledged in the absence of default by the owner of the collaterals.

54 FINANCIAL RISK MANAGEMENT

The activities of the Group are exposed to a variety of financial risks which mainly include: market risk, credit risk and liquidity risk.

54.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. The Group is exposed to market 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

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Market risk mainly comprises of currency risk, interest rate risk and other price risk.

54.1.1 Currency risk

Currency risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

54.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates.

Sensitivity analysis for variable rate instruments

As at June 30, 2009, long term borrowings, term finance certificates and net investment in finance lease have been entered into at KIBOR plus margins which exposes the Group to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2009, with all other variables held constant, the net assets of the Group would have been higher / lower by Rs 0.063 million (2008: Rs 0.326 million) and net loss for the year would have been lower / higher by the same amount.

The composition of the Group's lease portfolio, long term borrowings, term finance certificates and KIBOR rates is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2009 is not necessarily indicative of the impact on the Group's net assets of future movements in interest rates.

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

As at June 30, 2009	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	17.02%	764,921	601,722	159,155	3,938	106
Net investment in lease finance - net	18.03%	1,829,096	985,714	843,382	-	-
Advances and deposits	-	15,333	-	-	-	15,333
Lendings	11.50%	48,600	48,600	-	-	-
Investments	14.19%	2,590,912	1,214,112	218,788	192,517	965,495
Interest, mark-up and profit accrued	-	51,265	-	-	-	51,265
Trade debts	-	288,590	-	-	-	288,590
Receivable against sale of securities	-	2,857	-	-	-	2,857
Other receivables	-	19,988	-	-	-	19,988
Cash and bank balances	7.55%	216,952	202,370	-	-	14,582
		5,828,514	3,052,518	1,221,325	196,455	1,358,216
Financial liabilities						
Term finance certificates / Pre-IPO subscription	17.86%	311,280	124,950	186,330	-	-
Finance	14.42%	926,801	860,134	66,667	-	-
Certificates of deposit	14.21%	2,656,875	2,491,745	165,130	-	-
Liabilities against assets subject to finance lease	15.00%	1,917	417	1,500	-	-
Deposits on lease contracts	-	524,538	-	-	-	524,538
Borrowings from financial institutions	13.83%	225,868	225,868	-	-	-
Interest and mark-up accrued	-	143,173	-	-	-	143,173
Payable against purchase of securities	-	74,647	-	-	-	74,647
Accrued expenses and other liabilities	-	151,561	-	-	-	151,561
		5,016,660	3,703,114	419,627	-	893,919
On-balance sheet gap		811,854	(650,596)	801,698	196,455	464,297
Commitments in respect of forward sale of shares		-	-	-	-	-
Commitments in respect of continuous funding system transactions - receivable		-	-	-	-	-
Commitments in respect of continuous funding system transactions - payable		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

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 and advances - net	15.10%	966,615	618,776	344,331	3,508	-
Net investment in lease finance - net	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
Trade debts	-	806,190	-	-	-	806,190
Other receivables	-	30,208	-	-	-	30,208
Cash and bank balances	8.82%	849,863	837,792	-	-	12,071
		8,562,963	5,131,267	1,812,292	3,508	1,615,896
Financial liabilities						
Term finance certificates / Pre-IPO subscription	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		956,773	(336,902)	621,901	3,508	668,266
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	-	-	-

54.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is exposed to equity price risk because of investments held by the Group and classified as held for trading investments.

In case of 5% increase / decrease in KSE 100 index on June 30, 2009, net loss for the year would decrease / increase by Rs. 7.004 million (2008: Rs. Nil) and net assets of the Group would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Group's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2009 is not necessarily indicative of the effect on the Group's net assets of future movements in the level of KSE 100 index.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

54.2 Credit risk and concentrations of credit risk

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

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

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

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

	2009		2008	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Finance and leases				
Dairy and poultry	315	0.01	1,008	0.03
Cement	3,616	0.14	1,208	0.04
Health	35,624	1.37	48,259	1.42
Glass and ceramics	11,015	0.42	14,436	0.42
Leather	42,874	1.65	67,933	1.99
Paper and board	65,950	2.54	74,151	2.17
Construction	236,375	9.12	275,694	8.09
Energy, oil and gas	251,774	9.71	294,670	8.64
Financial institutions	33,333	1.28	53,116	1.56
Electric and electric goods	77,024	2.97	86,387	2.53
Chemicals / fertilizers / pharmaceuticals	43,750	1.69	91,886	2.70
Food, tobacco and beverages	106,796	4.12	157,329	4.61
Steel, engineering and automobiles	285,393	11.00	191,316	5.61
Transport	325,451	12.55	395,640	11.60
Textile / textile composite	318,514	12.28	412,110	12.10
Miscellaneous (including individuals)	756,213	29.15	1,244,203	36.49
	<u>2,594,017</u>	<u>100.00</u>	<u>3,409,346</u>	<u>100.00</u>

Sector-wise concentration of investments has been included in note 14 to these financial statements.

54.3 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.

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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, 2009

	Total	Within one year	More than one year and less than five years	More than five years
----- (Rupees in thousand) -----				
Assets				
Fixed assets	313,820	10,780	302,607	433
Investments	2,590,912	1,936,166	263,297	391,449
Loans - net	764,921	602,238	162,683	-
Net investment in lease finance - net	1,829,096	985,714	843,382	-
Deposits	15,333	-	8,538	6,795
Deferred tax assets - net	202,710	-	202,710	-
Lendings	48,600	48,600	-	-
Receivable against continuous funding system	-	-	-	-
Taxation - net	265,762	265,762	-	-
Advances, deposits and prepayments	18,494	17,986	508	-
Interest, mark-up and profit accrued	51,265	51,040	225	-
Trade debts	288,590	288,590	-	-
Receivable against sale of securities	2,857	2,857	-	-
Other receivables	24,719	24,719	-	-
Cash and bank balances	216,952	216,952	-	-
	6,634,031	4,451,404	1,783,950	398,677
Liabilities				
Term finance certificates / Pre-IPO subscription	311,280	124,950	186,330	-
Finance	926,801	860,134	66,667	-
Certificates of deposit	2,656,875	2,491,745	165,130	-
Deposits on lease contracts	524,538	253,074	271,464	-
Liabilities against assets subject to finance lease	1,917	417	1,500	-
Borrowings from financial institutions	225,868	225,868	-	-
Interest and mark-up accrued	143,173	143,173	-	-
Payable against purchase of securities	74,647	74,647	-	-
Accrued expenses and other liabilities	178,837	190,142	(11,305)	-
	5,043,936	4,364,150	679,786	-
	1,590,095	87,254	1,104,164	398,677

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For the Year Ended June 30, 2009

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	-	-
	11,339,106	9,158,115	2,005,486	175,505
Liabilities				
Term finance certificates / Pre-IPO subscription	435,110	124,950	310,160	-
Finance	1,716,061	1,307,728	408,333	-
Certificates of deposit	3,475,159	3,003,261	471,898	-
Deposits on lease contracts	574,504	156,283	418,221	-
Liabilities against assets subject to finance lease	2,276	359	1,917	-
Borrowings from financial institutions	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	1,212,957	808	-
	9,213,108	7,601,771	1,611,337	-
	2,125,998	1,556,344	394,149	175,505

55 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 recognised and the Group recognises 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

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Goals of managing capital

The goals of managing capital of Group are as follows:

- To be an appropriately capitalised 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 1203(I)2008 dated November 21, 2008 has issued Non-Banking Finance Companies and Notified Entities Regulations, 2008 in which the capital requirements for NBFCs 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 aforementioned regulations for the year ended June 30, 2009. The Board of Directors and the management of the Group is committed to comply with the minimum capital requirements specified in the regulations for future years.

56 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, 2009 of these future transactions is Rs. nil (2008: 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.

57 FAIR VALUE OF FINANCIAL INSTRUMENTS

57.1 As at June 30, 2009, 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.

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58 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.

	Financing activities	Investment activities	2009 Brokerage activities	Asset Management Services	Total
----- (Rupees in thousand) -----					
Segmental information for the year ended June 30, 2009					
Income from investments	-	281,187	21,247	11,005	313,439
Income from loans	127,003	-	-	-	127,003
Income from lease finance	267,667	-	-	-	267,667
Remuneration from funds under management	-	-	-	29,476	29,476
Income from fund placements & bank deposits	-	120,123	18,605	23	138,751
Income from fees, commission and brokerage	-	27,042	84,392	-	111,434
Total income for reportable segments	394,670	428,352	124,244	40,504	987,770
Finance costs	(340,936)	(298,140)	(60,696)	(304)	(700,076)
Administrative and general expenses	(28,004)	(31,236)	(88,271)	(49,423)	(196,934)
Provision for bad and doubtful debts (general & specific)	(118,915)	-	-	-	(118,915)
Provision against investments	(2,767)	-	-	-	(2,767)
Impairment charge for diminution in available for sale investments	-	(274,498)	-	-	(274,498)
Segment result	(95,952)	(175,522)	(24,723)	(9,223)	(305,420)
Other operating income					72,257
Unallocated administrative expenses					(420,026)
Other operating expenses					(3,049)
Loss before taxation					(656,238)
Segment assets	2,612,140	2,534,388	562,411	100,147	5,809,086
Unallocated assets					824,945
					6,634,031
Segment liabilities	2,712,959	1,948,646	348,727	1,917	5,012,249
Unallocated liabilities					31,687
					5,043,936
Unallocated capital expenditure - tangible					38,832
Unallocated capital expenditure - intangible					1,730
Segment depreciation and amortization of fixed assets					57,017

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2009

	2008				Total
	Financing activities	Investment activities	Brokerage activities	Asset Management Services	
----- (Rupees in thousand) -----					
Income from investments	-	196,988	48,077	1,402	246,467
Income from loans	119,709	-	-	-	119,709
Income from lease finance	231,396	-	-	-	231,396
Remuneration from funds under management	-	-	-	38,577	38,577
Income from fund placements	-	134,477	65,424	111	200,012
Income from fees, commission and brokerage	-	50,637	152,795	996	204,428
Total income for reportable segments	<u>351,105</u>	<u>382,102</u>	<u>266,296</u>	<u>41,086</u>	<u>1,040,589</u>
Finance costs	(362,995)	(208,091)	(30,319)	(255)	(601,660)
Administrative and general expenses	(27,765)	(31,855)	(82,661)	(43,519)	(185,800)
Provision for bad and doubtful debts (general & specific)	(29,172)	-	-	-	(29,172)
Provision against investments	(3,879)	-	-	-	(3,879)
Segment result	<u>(72,706)</u>	<u>142,156</u>	<u>153,316</u>	<u>(2,688)</u>	<u>220,078</u>
Other operating income					35,250
Unallocated administrative expenses					(337,908)
Other operating expenses					(20,974)
Loss before taxation					<u>(103,554)</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>
Unallocated capital expenditure - tangible					<u>89,612</u>
Unallocated capital expenditure - intangible					<u>9,688</u>
Segment depreciation and amortization of fixed assets					<u>52,545</u>

59 CORRESPONDING FIGURES

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

60 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 20, 2009 by the Board of Directors of IGI BANK.

61 GENERAL

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

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

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 2008 (the NBFC Regulations). IGI BANK's shares are quoted on the Karachi and Lahore Stock Exchanges. During the year, with effect from March 19, 2009, the shares of IGI BANK have been listed on the Islamabad Stock Exchange. The trading in the shares of IGI BANK on the Islamabad Stock Exchange commenced on March 19, 2009. 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 statements of IGI BANK for the year ended June 30, 2008, the Pakistan Credit Rating Agency (PACRA) has maintained the long-term credit rating of IGI BANK as 'A' and the short-term rating as '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 the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (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 for Non-Banking Finance Companies (NBFCs) providing investment finance services, discounting services and housing finance services. In addition, the SECP has also deferred the application of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through SRO 411(1) / 2008 on such Non-Banking Finance Companies as are engaged in investment finance services, discounting services and housing finance services.

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 that are effective in the current year

- (a) IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement' and IFRS 7 (Amendment), 'Financial Instruments: Disclosures' - Reclassification of Financial Assets (Effective from July 1, 2008). This amendment to the Standard permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. However, as the applicability of IAS 39 and IFRS 7 has been deferred on the Non-Banking Finance Companies carrying out investment finance services till further instructions, therefore the amendment has not affected the classification of financial assets in these financial statements.

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

- (b) During the year ended June 30, 2009, IFRIC Interpretation 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" became effective. The interpretation provides guidance on assessing the limit in IAS 19 – 'Employee Benefits' on the amount of the surplus that can be recognised as an asset. It also explains how the gratuity asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the IGI BANK's financial statements as the gratuity fund operated by IGI BANK is not subject to any minimum funding requirements.
- (c) International Financial Reporting Standard (IFRS) 7 "Financial Instruments: Disclosures" is mandatory for the bank's accounting period beginning on or after July 01, 2008. IFRS 7 has superseded International Accounting Standard (IAS) 30 "Disclosures in the financial statements of banks and similar financial institutions" and disclosure requirements of International Accounting Standard (IAS) 32 "Financial instruments: Presentation". IFRS 7 requires disclosures of the significance of financial instruments for an entity's financial position and performance and has also introduced qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The qualitative disclosures describe management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. The requirements of this standard are applicable to the extent of leasing operations of IGI BANK and have resulted in additional disclosures in these financial statements.
- (d) Other new standards, interpretations and amendments that were mandatory for accounting periods beginning on or after July 1, 2008 and are not considered relevant or do not have any significant effect on IGI Bank'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:

- (a) IAS 1 (Revised), 'Presentation of financial statements' (effective for annual periods beginning on or after January 1, 2009), was issued in September 2007.

The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) will be required to be presented separately from owner changes in equity, either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). When the entity applies an accounting policy retrospectively or makes retrospective statement or reclassifies items in the financial statements, they will be required to present a restated financial position (balance sheet) as at the beginning of the comparative period in addition to the current requirement to present the balance sheet as at the end of the current and the comparative period. The adoption of this standard will only impact the presentation of the financial statements.

- (b) IAS 23 (Amendment) 'Borrowing costs' (effective from January 1, 2009).

The amendment is the part of IASB's annual improvements project published in May 2008. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. Further, the definition of borrowing cost has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. The amendments will not have any impact on IGI BANK's financial statements as the present accounting policy as disclosed in note 3.18 to these financial statements is in accordance with the revised standard.

- (c) IAS 19 (Amendment), 'Employee benefit's (effective from January 1, 2009).

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

- The distinction between short term and long term employee benefit will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
- IAS 37, 'Provisions, contingent liabilities and contingent assets', requires those contingent liabilities to be disclosed which are not recognised. IAS 19 has been amended to be consistent with the aforementioned requirements.

The management is in the process of assessing the impact of its adoption on IGI BANK's financial statements.

- (d)** IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009).

The amendment is the part of IASB's annual improvements project published in May 2008. As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The management is in the process of assessing the impact of its adoption on IGI BANK's financial statements.

- (e)** IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009).

The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access of goods or receipt of services. This amendment is not expected to have a significant effect on IGI BANK's financial statements.

- (f)** IAS 27, 'Consolidated and Separate Financial Statements' (effective from July 1, 2009).

It requires accounting for changes in ownership interest by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in the profit or loss. The management is in the process of assessing the impact of its adoption on the Group's financial statements.

- (g)** IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial Instruments: Disclosures') (effective from January 1, 2009).

The amendment is part of the IASB's annual improvements project published in May 2008. An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The management is in the process of assessing the impact of its adoption on IGI BANK's financial statements.

- (h)** IFRS 2 (Amendment), 'Share-based payment' (effective from January 1, 2009).

The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar service; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other party, should receive the same accounting treatment. This amendment is not expected to have any effect on IGI BANK's financial statements.

- (i)** IFRS 8 'Operating segments', (effective from January 1, 2009).

IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This may result an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The management is in the process of assessing the presentation impact of its adoption on IGI BANK's financial statements.

- (j)** During the year the Securities Exchange Commission of Pakistan (SECP) has revised the Non-Banking Finance Companies and Notified Entities Regulations through SRO 1203(I) 2008 dated November 21, 2008. In accordance with Regulation 25 of the above regulations, the SECP has revised the basis of classification and provisioning requirement in respect of non-performing short-term and long-term financing facilities. Under the revised guidelines the category of Other Assets Especially Mentioned

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

(OAEM) has been dispensed with, while the categories of substandard, doubtful and loss have been retained. In addition, the basis of classification of loans and advances and net investment in finance leases under these three categories has been redefined whereby all finances overdue by 90, 180 and 365 days are now required to be classified as substandard, doubtful and loss respectively. As per the current requirements, short-term and long-term facilities are required to be separately assessed and are classified as OAEM, substandard, doubtful or loss based on prescribed ageing criteria. The revised guidelines specify that provision should be made in the financial statements equal to 25 percent, 50 percent and 100 percent, in respect of overdue financing facilities classified as substandard, doubtful and loss respectively, of the outstanding balance of principal less the amount of liquid assets realisable and adjusted forced sale value of mortgaged / pledged assets.

The aforementioned guidelines for determining the provisioning requirements are applicable with effect from July 01, 2010. The management is in the process of assessing the impact the aforementioned guidelines on the provisioning requirements of IGI BANK.

- (k) There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 but are considered not to be relevant or to have any significant effect on IGI BANK's operations and are therefore not detailed in these financial statements.

2.5 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying 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 IGI BANK's financial statements or where judgement was exercised in the application of accounting policies are as follows:

- i) Amortisation of intangible assets (notes 3.1.2 and 4.2)
- ii) Provision for taxation and deferred tax (notes 3.10 and 43)
- iii) Classification and valuation of investments (notes 3.2, 5 and 13)
- iv) Determination and measurement of useful life and residual value of property and equipment (notes 3.1.1 and 4.1)
- v) Recognition and measurement of deferred tax assets and liabilities (notes 3.10 and 9)
- vi) Employee benefits - defined benefit plan (notes 3.16.2 and 40)
- vii) Classification and provision of loans and advances and net investment in finance lease (notes 3.8, 3.9, 6 and 7)

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 recognised as a separate asset, as appropriate, only where it is probable that future benefits associated with the asset will flow to IGI BANK and the cost of the item can be measured reliably. All other maintenance and normal repairs are charged to the profit and loss account as and when incurred.

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

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 these financial statements after taking into account residual value, if significant. The residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on all additions to property and equipment 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 recognised in the profit and loss account currently.

3.1.2 Intangible

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that the future economic benefits associated with the asset will flow to IGI Bank and the cost of the item can be measured reliably. Amortisation on intangible assets is charged to income using the straight line method in accordance with the rates specified in note 4.2 to these financial statements after taking into account residual amount, if any. The residual values and useful lives are reviewed and adjusted, if appropriate at each balance sheet date.

Amortisation on all additions to intangible assets having a finite useful life 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. Intangible assets having an indefinite useful life are stated at acquisition cost. Provisions are made for impairment in the value of such assets based on management's assessment of the recoverable amount.

Gains or losses on disposals, if any, are taken to the profit and loss account.

3.2 Investments

The management of IGI BANK classifies its investments in the following categories: held for trading, available for sale and held to maturity. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this classification on a regular basis.

(a) Held for trading

These are investments which are either 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) Held-to-maturity

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

(c) Available for sale

These are investments other than those in subsidiaries and associates, that do not fall under the categories of held for trading and held to maturity.

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

In accordance with the requirements of Securities and Exchange Commission of Pakistan, investments in quoted securities (other than those classified as held to maturity and investments in subsidiaries and associates) 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 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.

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

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 loss in respect of investments is recognised when there is any objective evidence as a result of one or more events that may have an impact on the estimated future cash flows of the investment. A significant or prolonged decline in the fair value of an investment in equity security below its cost is also an objective evidence of impairment. Provision for impairment in the value of investment, if any, is taken to the profit and loss account. In case of impairment of equity securities (both classified as held for trading and available for sale), the cumulative loss that has been recognised directly in surplus on revaluation of securities on the balance sheet below equity is removed there from and recognised in the profit and loss account. Any subsequent increase in the value of these investments is taken directly to surplus on revaluation of securities which is shown on the balance sheet below equity. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

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

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

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 recognised on the trade date. Trade date is the date on which IGI BANK commits to purchase or sell the investment.

3.4 Derivative instruments

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

3.5 Lendings to / borrowings from financial institutions

IGI BANK enters into transactions of repurchase / resale of investment securities are entered into at contracted rates for specified periods of time. These 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 and the amount extended to counter party is included in lendings to financial institutions. The difference between purchase and resale price is accrued as income on time proportionate basis 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.

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

3.7 Finances

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

3.8 Net investment in lease finance

Net investment in finance lease is stated at net of provisions made against non-performing leases.

Leases where the bank transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognised on commencement of lease term at an amount equal to the present value of the minimum lease payments, including guaranteed residual value, if any. Unearned finance income is recognised over the term of the lease, so as to produce a constant periodic return on the outstanding net investment in lease.

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

The provision for bad and doubtful loans and advances / potential lease losses, if any, is made in accordance with the requirements of the Non-Banking Financial Companies and Notified Entities Regulations, 2008 issued by the Securities and Exchange Commission of Pakistan. In addition to the provision 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 is determined on a consistent methodology based on management's best estimate.

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

3.10 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current

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

Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. A deferred tax asset is recognised for all deductible temporary differences and the tax losses, if any, to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and the tax losses can be utilised. The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance sheet date.

IGI BANK also recognises deferred tax asset / liability on deficit / surplus on revaluation of investments which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS) 12 'Income Taxes'

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 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 Financial Statements

For the Year Ended June 30, 2009

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 to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the financial statements. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

3.14 Provisions

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

3.15 Long term financing - term finance certificates (TFCs)

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

3.16 Staff retirement and other 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 complete prescribed 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. The actuarial gains and losses arising at each valuation date are amortised over the average expected remaining lives of the employees participating in the plan.

3.16.3 Employees' compensated absences

The liability in respect of compensated absences of employees is accounted for in the period in which the absences accrue.

3.17 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 recognised in the financial statements in the period in which such dividends are declared / transfers are made.

3.18 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.

3.19 Finances, certificate of deposits and other borrowings

These are recorded at the proceeds received.

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

3.20 Revenue recognition

- Mark-up income / interest on advances and returns on investments are recognised on a time proportion basis using the effective interest method, except that mark-up income / interest / return on non-performing advances and investments is recognised on a receipt basis in accordance with the requirements of the Non Banking Finance Companies and Notified Entities Regulations, 2008 issued by the SECP. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the aforementioned regulations, except where, in the opinion of the management, it would not be prudent to do so.
- 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.
- Unrealised finance income in respect of non-performing lease finance is held in suspense account, where necessary, in accordance with the requirements of the Non Banking Finance Companies and Notified Entities Regulations, 2008 issued by the SECP. Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income is recognised as income when they are realised.
- Income on Continuous Funding System (CFS) is recognised on accrual basis.
- Gains / losses arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Dividend from equity securities is recognised when IGI BANK'S right to receive the dividend is established.
- Commission income and fees are taken to the profit and loss account when the services are provided and when right to receive the fees is established.
- Premium or discount on acquisition of debt investments is capitalised and amortised through the profit and loss account over the remaining period till maturity.
- Return on bank deposits are recognised on time proportionate basis.
- Other income is recognised as and when incurred.

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.

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 Earnings per share (EPS)

IGI BANK presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of IGI BANK by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

3.24 Segment reporting

IGI BANK has structured its key business areas in two segments in a manner that each segment becomes a distinguishable component of the IGI BANK 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. The business segments within the IGI Bank have been categorised into the following classifications of business segments.

(a) Business segments

Financing

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.

(b) Geographical segments

The operations of IGI BANK are currently based only in Pakistan.

3.25 Financial instruments

3.25.1 Financial asset and financial liabilities

Financial assets carried on the balance sheet include investments, loans and advances, net investment in finance lease, deposits, receivable against continuous funding system transactions, receivable against sale of securities, 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, interest and mark-up accrued, payable against purchase of securities and other liabilities. At the time of initial recognition, all financial assets and liabilities are recognised at fair value.

The particular recognition methods adopted for significant financial assets and financial liabilities for subsequent measurement is given in the individual policy statement associated with each item.

3.25.2 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 recognised amounts and IGI BANK intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expense arising from such asset and liabilities are also offset with each other.

	Note	2009	2008
(Rupees in thousand)			
4 FIXED ASSETS			
Property and equipment	4.1	82,175	104,369
Intangible assets	4.2	6,274	7,683
		88,449	112,052

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

4.1 Property and equipment

	2009					Total
	Lease hold improvements	Office equipment	Computer equipment	Furniture and fittings	Motor vehicles	
----- (Rupees in thousand) -----						
As at July 1, 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	<u>21,429</u>	<u>12,092</u>	<u>13,604</u>	<u>18,814</u>	<u>38,430</u>	<u>104,369</u>
Additions (at cost)	2,992	2,584	1,037	433	11,234	18,280
Disposals						
Cost	-	(1,596)	(462)	(357)	(20,044)	(22,459)
Accumulated depreciation	-	741	192	84	6,549	7,566
	-	(855)	(270)	(273)	(13,495)	(14,893)
Depreciation charge for the year	(6,247)	(3,732)	(5,256)	(2,760)	(7,586)	(25,581)
Closing net book value	<u>18,174</u>	<u>10,089</u>	<u>9,115</u>	<u>16,214</u>	<u>28,583</u>	<u>82,175</u>
As at June 30, 2009						
Cost	32,196	22,891	29,005	25,125	43,177	152,394
Accumulated depreciation	(14,022)	(12,802)	(19,890)	(8,911)	(14,594)	(70,219)
Net book value	<u>18,174</u>	<u>10,089</u>	<u>9,115</u>	<u>16,214</u>	<u>28,583</u>	<u>82,175</u>
Depreciation rate % per annum	<u>20</u>	<u>20</u>	<u>20</u>	<u>10-20</u>	<u>20</u>	
----- (Rupees in thousand) -----						
2008						
	Lease hold improvements	Office equipment	Computer equipment	Furniture and fittings	Motor vehicles	Total
----- (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	<u>14,095</u>	<u>8,684</u>	<u>13,245</u>	<u>17,981</u>	<u>31,568</u>	<u>85,573</u>
Additions (at cost)	12,281	6,540	5,093	3,281	18,529	45,724
Disposals						
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	<u>21,429</u>	<u>12,092</u>	<u>13,604</u>	<u>18,814</u>	<u>38,430</u>	<u>104,369</u>
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	<u>21,429</u>	<u>12,092</u>	<u>13,604</u>	<u>18,814</u>	<u>38,430</u>	<u>104,369</u>
Depreciation rate % per annum	<u>20</u>	<u>20</u>	<u>20</u>	<u>10-20</u>	<u>20</u>	

4.1.1 Cost and accumulated depreciation at the end of the year include Rs. 14,511 thousand (2008: Rs. 12,496 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, 2009

4.2 Intangible assets

Description	2009		Total
	Non-competition agreement	Computer software	
As at July 1, 2008	------(Rs. in thousand)-----		
Cost	-	12,842	12,842
Accumulated amortisation	-	(5,159)	(5,159)
Net book value	-	7,683	7,683
Additions (at cost)	-	893	893
Disposals			
Cost	-	-	-
Accumulated amortisation	-	-	-
Amortisation charge for the year	-	(2,302)	(2,302)
Closing net book value	-	6,274	6,274
As at June 30, 2009			
Cost	-	13,735	13,735
Accumulated amortisation	-	(7,461)	(7,461)
Net book value	-	6,274	6,274
Amortisation rate % per annum	-	20	
Description	2008		Total
	Non-competition agreement	Computer software	
As at July 1, 2007	------(Rs. 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			
Cost	(30,000)	(6)	(30,006)
Accumulated amortisation	14,167	6	14,173
	(15,833)	-	(15,833)
Amortisation 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	

4.2.1 Cost and accumulated amortisation at the end of the year include Rs.2,713 thousand (2008: Rs. 1,320 thousand) in respect of fully amortised intangible assets still in use.

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

4.3 Particulars of disposal of fixed assets

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

Particulars	Cost	Accumulated depreciation / amortisation	Book value	Disposal proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser / insurer
(Rupees in thousand)							
Property and equipment							
Office equipment							
Mobile Phone	25	6	19	19	-	Negotiation	IGI Funds Limited *
Generator	860	172	688	400	(288)	Tender	Imran Ahmed
	885	178	707	419	(288)		
Vehicles							
	563	450	113	329	216	Tender	Syed Sajjad Hussain Jafri
	616	493	123	338	215	Tender	Syed Riaz Ahmed
	1,248	998	250	250	-	As per IGI BANK employee policy	"Samir Ahmed (Former Chief Executive Officer)*"
	1,309	541	768	1,021	253	As per IGI BANK employee policy	Syed Zafar Ullah Maqdi (Executive)*
	1,079	388	691	829	138	Tender	Zahid Qadri
	573	69	504	637	133	Tender	Zahid Qadri
	939	376	563	838	275	Tender	Noman Ahmed Siddiqui
	620	198	422	586	164	Tender	Irfan Ullah Khan
	469	181	288	300	12	As per IGI BANK employee policy	Shan-E-Mehdi Kazmi
	474	152	322	400	78	Insurance claim	IGI Insurance Limited *
	560	254	306	514	208	Tender	Rehan Mithani
	909	230	679	835	156	Negotiation	IGI Insurance Limited *
	693	123	570	660	90	Tender	Arif Raza
	1,005	188	817	946	129	Tender	Arif Raza
	1,005	107	898	998	100	As per IGI BANK employee policy	Rima Athar
	652	96	556	655	99	Tender	Faisal Imtiaz
	1,005	201	804	1,045	241	Negotiation	IGI Insurance Limited *
	900	60	840	825	(15)	Tender	Syed Riaz Ahmed
	490	46	444	508	64	Tender	Syed Baber Hassan Ali
	529	71	458	475	17	Tender	Sumaiya Ahsin
	469	269	200	400	200	Tender	Shahid Sami
	658	259	399	460	61	Negotiation	IGI Finex Securities Limited *
	620	206	414	600	186	Tender	M. Ayaz Khan
	469	175	294	455	161	Tender	Syed Muhammad Afzal Shah
	595	222	373	580	207	Tender	Syed Muhammad Afzal Shah
	504	54	450	500	50	Insurance claim	IGI Insurance Limited *
	450	42	408	512	104	Tender	M. Ayaz Khan
	538	22	516	550	34	Tender	Syed Muhammad Afzal Shah
	19,941	6,471	13,470	17,046	3,576		
Computer equipment							
Desktop Computers	250	150	100	100	-	Negotiation	IGI Insurance Limited *
Laptop	169	23	146	146	-	Negotiation	IGI Funds Limited *
Laptop	43	19	24	24	-	Negotiation	IGI Finex Securities Limited *
	462	192	270	270	-		
Furniture and fittings							
	357	84	273	273	-	Negotiation	IGI Insurance Limited *
2009	21,645	6,925	14,720	18,008	3,288		
2008	37,470	16,948	20,522	35,425	14,903		

* Represent related parties

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

	Note	2009	2008
		(Rupees in thousand)	
5 LONG-TERM INVESTMENTS			
Related parties - at cost			
Investments in subsidiary companies	5.1 & 5.3	895,011	842,511
Investment in associates	5.4	300,000	101,511
		1,195,011	944,022
Others - available for sale			
Investment in unquoted companies - at cost	5.6	98,932	62,782
		1,293,943	1,006,804

5.1 Investments in subsidiary companies - at cost

	Note	IGI Finex Securities Limited		IGI Funds Limited		Total	
		2009	2008	2009	2008	2009	2008
		(Rupees in thousand)					
Opening balance		652,571	652,571	189,940	30,000	842,511	682,571
Investments made during the year	5.1.1	-	-	52,500	159,940	52,500	159,940
Closing balance		652,571	652,571	242,440	189,940	895,011	842,511

5.1.1 During the year, IGI BANK has made an additional investment amounting to Rs 52.5 million in IGI Funds Limited. Out of the aforementioned total investment IGI BANK has invested Rs 37.5 million through the purchase of 3 million ordinary shares of IGI Funds Limited from one of the related party of IGI BANK at the rate of Rs 12.5 per share. The remaining amount of Rs 15 million has been invested through the subscription of 1.5 million right shares at the rate of Rs 10 per share. The above investments were approved by the shareholders of IGI BANK in their annual general meeting held on October 8, 2008.

5.2 Particulars of IGI BANK's subsidiary companies as per the un-audited financial statements for the year ended June 30, 2009 are as follows:

Particulars	2009							
	Country of Incorporation	Year of Incorporation	Assets	Liabilities	Net assets	Revenues*	Loss after taxation	%age of shareholding
	(Rupees in thousand)							
IGI Finex Securities Limited	Pakistan	1994	723,677	406,209	317,468	195,637	(204,894)	100%
IGI Funds Limited	Pakistan	2006	169,201	17,841	151,360	35,386	(36,201)	99.97%

Particulars	2008							
	Country of Incorporation	Year of Incorporation	Assets	Liabilities	Net assets	Revenues*	Profit / (Loss) after taxation	%age of shareholding
	(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%

* Represents revenue from all sources of activities.

5.3 IGI BANK has carried out an assessment of impairment in respect of its investment in subsidiary companies namely IGI Finex Securities Limited and IGI Funds Limited. The aforementioned assessment has been carried out, under the requirements of International Accounting Standard (IAS) 36 "Impairment of Assets", using the projections of IGI Finex Securities Limited and IGI Funds Limited which have been approved by the Board of Directors of the respective entities. Based on the above assessment, the management has concluded that IGI BANK would be able to recover the carrying amount of its investment in these entities and would not be exposed to any loss on this account.

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

5.4 Investment in associates

Number of units 2009	2008	Name of the Fund	Note	2009		2008	
				(Rupees in thousand)		(Rupees in thousand)	
876,223	1,000,000	IGI Stock Fund - related party	5.4.1 & 5.4.3	100,000		100,000	*
1,878,111	14,704	IGI Income Fund - related party	5.4.1	200,000		1,511	**
			5.4.2	<u>300,000</u>		<u>101,511</u>	

5.4.1 Movement of investment in associates

Investment at the beginning of the year	101,511	-
Addition during the year	<u>198,489</u>	<u>101,511</u>
Closing balance	<u>300,000</u>	<u>101,511</u>

* classified as pre-ipo investment in the financial statements of IGI BANK for the year ended June 30, 2008.

** classified as investment in open end mutual fund units in the financial statements of IGI BANK for the year ended June 30, 2008.

5.4.2 These represent IGI BANK's investment in IGI Stock Fund and IGI Income Fund (associates of IGI BANK). These have been carried at cost less accumulated impairment losses, if any under the requirements of International Accounting Standard (IAS) 28 "Investment in Associates".

5.4.3 This includes investment in the seed capital of IGI Stock Fund amounting to Rs. 50 million which is required to be kept for a period of 2 years upto 2010. The aforementioned investment in IGI Stock Fund was approved by the shareholders of IGI BANK in their extra ordinary general meeting held on June 14, 2007.

5.5 Particulars of IGI BANK's associates as per the audited financial statements for the year ended June 30, 2009 are as follows:

Particulars	2009						
	Country of Incorporation	Year of Incorporation	Assets	Liabilities	Net assets	Revenues*	Profit after taxation
	(Rupees in thousand)						
IGI Stock Fund	Pakistan	2008	265,189	15,702	249,487	68,316	61,764
IGI Income Fund	Pakistan	2006	2,059,504	9,907	2,049,597	168,186	122,016

Particulars	2008						
	Country of Incorporation	Year of Incorporation	Assets	Liabilities	Net assets	Revenues*	Profit after taxation
	(Rupees in thousand)						
IGI Stock Fund	Pakistan	2008	101,635	1,635	100,000	N/A	N/A
IGI Income Fund	Pakistan	2006	3,686,812	18,641	3,668,171	410,860	362,270

* Represents revenue from all sources of activities.

5.6 Investment in unquoted companies - at cost

No. of ordinary shares of Rs. 10/- each	Particulars	2009		2008	
		(Rupees in thousand)		(Rupees in thousand)	
2009	2008				
7,600,000	DHA Cogen Limited		76,000		40,000
637,447	System Limited		10,150		10,000
1,123,318	Techlogix Limited		<u>12,782</u>		<u>12,782</u>
			<u>98,932</u>		<u>62,782</u>

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

	Note	2009	2008
(Rupees in thousand)			
6 LONG-TERM LOANS AND ADVANCES - NET			
Secured - Due from:			
Chief executive Officer (now former employee - note 45) *	6.1 & 6.8	27,013	-
Executives - considered good *	6.1 & 6.2	1,641	2,904
Employees - considered good	6.2	2,783	1,057
Companies, organisations and individuals	6.4 & 6.5	343,346	525,548
		374,783	529,509
Unsecured - Due from:			
Individuals	6.4	35,037	47,327
		409,820	576,836
Less: provision for bad and doubtful loans and advances - net	6.6	51,759	20,912
		358,061	555,924
Less: current maturity of long-term loans and advances - net		195,746	208,085
		162,315	347,839

* Represents related parties

Chief Executive Officer		Executives	
2009	2008	2009	2008
(Rupees in thousand)			

6.1 Reconciliation of carrying amounts of loans and advances to executives:

Opening balance	-	-	2,904	2,207
Disbursements during the year	27,013	-	290	1,550
Receipts during the year	-	-	(1,553)	(853)
Closing balance	27,013	-	1,641	2,904

6.2 These represent loans provided to executives and employees of IGI BANK for purchase of house, vehicles and for other general purposes. These loans carry mark-up at rates ranging from 5% to 11.50% (2008: 2.5% to 11.04%) per annum and are repayable on monthly basis over a period of 20 years (2008: 18 years). These loans are secured against mortgage of house properties and hypothecation of vehicles.

6.3 The maximum aggregate amounts due from chief executive officer and executives at the end of any month during the year were Rs 27,013 thousand (2008: Nil) and Rs 5,810 thousand (2008: Rs. 3,285 thousand) respectively.

6.4 These loans carry mark-up at rates ranging from 7.5% to 24% (2008: 10% 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 267,249 thousand (2008: Rs 68,633 thousand) relating to loans due from companies, organisations and individuals which have been classified as non-performing as per the requirements of the Non-Banking Finance Companies and Notified Entities (NBFC) Regulations, 2008 issued by the Securities and Exchange Commission of Pakistan. The provision held against these loans are as follows:

	2009			2008		
	Specific	General	Total	Specific	General	Total
(Rupees in thousand)						
Opening balance	16,099	4,813	20,912	5,512	4,805	10,317
Charge for the year	30,892	-	30,892	10,692	8	10,700
Reversals during the year	(45)	-	(45)	(105)	-	(105)
	30,847	-	30,847	10,587	8	10,595
Closing balance	46,946	4,813	51,759	16,099	4,813	20,912

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

6.7 During the year the Securities Exchange Commission of Pakistan (SECP) has issued the Non-Banking Finance Companies and Notified Entities Regulations through SRO 1203(I) 2008 dated November 21, 2008. The revised regulations, amongst other things, has amended the basis of classification in respect of non-performing loans, advances and net investment in finance lease. The disclosure of the aforementioned change and its effect on the financial statements of IGI BANK is given in note 7.5 to these financial statements.

6.8 This represents loan provided to Mr. Samir Ahmed (former Chief Executive Officer of IGI BANK). The aforementioned loan was approved by the Board of Directors of IGI BANK in their meeting held on October 24, 2007 and SECP through its letter No. SC/NBFC-1/IHM/IGI/2007/619 dated December 13, 2007. The loan carries mark-up at the rate of 11.50% per annum. The above loan was disbursed on May 14, 2009 as per the terms of employment and was initially repayable by May 14, 2017. Subsequent to the year end, the Chief Executive Officer has left the employment of IGI BANK and as per the revised terms, the loan is now required to be settled by December 31, 2009. The loan is secured against the mortgage of house property and the amount of ex-gratia payable to former chief executive officer.

Note **2009** **2008**
(Rupees in thousand)

7 NET INVESTMENT IN FINANCE LEASE

Net investment in finance lease	7.1	1,940,300	2,511,140
Less: provision for lease losses	7.4	111,204	53,136
Less: current maturity of net investment in finance lease		985,714	990,043
		843,382	1,467,961

7.1 Particulars of net investment in finance lease

	2009				2008			
	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	1,000,019	625,134	-	1,625,153	1,110,193	1,180,843	-	2,291,036
Add: residual value of leased assets	254,842	273,499	-	528,341	156,309	420,393	-	576,702
Gross investment in finance lease - note 7.2 & 7.3	1,254,861	898,633	-	2,153,494	1,266,502	1,601,236	-	2,867,738
Less: unearned finance income	(157,943)	(55,251)	-	(213,194)	223,323	133,275	-	356,598
Net investment in finance lease - note 7.2 & 7.3	1,096,918	843,382	-	1,940,300	1,043,179	1,467,961	-	2,511,140

7.2 IGI BANK has entered into various lease agreements for periods ranging from one to seven years (2008: one to seven years). Security deposits ranging from 0% to 79% (2008: 0% to 79%) are obtained at the time of disbursement of the lease amount. The rate of return implicit in the leases ranges from 7% to 23% (2008: 7% to 23%) per annum.

7.3 Gross investment in finance lease and net investment in finance lease include Rs. 1,434,337 thousand and Rs. 1,378,321 thousand (2008: Rs.1,833,522 thousand and Rs. 1,638,876 thousand) respectively in respect of leases which have been entered into at KIBOR plus margins, ranging from 12% to 23% (2008: 7.5% to 21%) per annum, with floor ranging from 4.5% to 15% (2008: 4.5% to 15%) per annum and ceilings ranging from 7.5% to 15% (2008: 7.5% to 15%) 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

	2009			2008		
	Specific	General	Total	Specific	General	Total
	(Rupees in thousand)					
Opening balance	22,756	30,380	53,136	9,428	25,131	34,559
Charge for the year	56,792	1,276	58,068	13,419	5,249	18,668
Reversal during the year	-	-	-	(91)	-	(91)
	56,792	1,276	58,068	13,328	5,249	18,577
Closing balance	79,548	31,656	111,204	22,756	30,380	53,136

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

7.4.1 Net investment in finance lease include Rs 381,265 thousand (2008: Rs 140,256 thousand) which have been classified as non-performing as per the requirements of the Non-Banking Finance Companies and Notified Entities (NBFC) Regulations, 2008 issued by the Securities and Exchange Commission of Pakistan.

7.5 During the year the Securities Exchange Commission of Pakistan (SECP) has issued the Non-Banking Finance Companies and Notified Entities Regulations through SRO 1203(I) 2008 dated November 21, 2008. Under the revised regulations the SECP has specified certain new guidelines for determining the classification requirement in respect of loans and advances (notes 6.7 & 10.3) and net investment in finance lease (note 7.4). As per the revised regulations the category of Other Assets Especially Mentioned (OAEM) has been introduced while the categories of substandard, doubtful and loss have been retained. The revised regulations now require NBFCs to classify the outstanding amount of principal as OAEM and transfer the amount of mark-up to suspense account when principal or mark-up is overdue by 90 days. Previously, mark-up was required to be transferred to suspense account when principal or mark-up (both under short-term and long-term categories) was overdue by 180 days.

Had the classification been determined in accordance with the previous requirements of NBFC Regulation 2007, the profit before taxation and income from loan and advances for the year ended June 30, 2009 would have been higher by Rs 14.077 million and non-performing loan and advances and net investment in finance lease would have been lower by Rs 53.218 million and Rs 122.77 million respectively.

	Note	2009 (Rupees in thousand)	2008
8 LONG-TERM DEPOSITS			
Security deposits		6,795	5,059

9 DEFERRED TAX ASSET - NET

Deferred tax assets arising on deductible temporary differences:

- Provision for bad and doubtful loans and advances/ potential lease losses
- Impairment against fund placement and debt security
- Carry forward of assessed income tax losses
- Deficit on revaluation of investments

		63,912	-
		34,650	-
9.1		220,732	344,576
21		1,411	2,770
		320,705	347,346

Deferred tax liabilities arising on taxable temporary differences:

- Accelerated tax depreciation
- Transaction costs in respect of TFCs issued

		(185,266)	(287,846)
		(383)	(775)
		(185,649)	(288,621)
9.2		135,056	58,725

9.1 IGI BANK has an aggregate amount of Rs 630,662 thousand (2008: Rs 984,502) in respect of unabsorbed tax losses as at June 30, 2009 on which the management has recognised deferred tax debit balance of Rs 220,732 thousand (2008: Rs 344,576 thousand). The amount of this benefit has been determined based on the projected financial statements of IGI BANK for the next few years.

	Note	2009 (Rupees in thousand)	2008
9.2 Movement in deferred tax asset			
Opening balance		58,725	4,772
Recognised during the year	43	77,690	51,390
		136,415	56,162
Deferred tax impact on (deficit) / surplus on revaluation of investments		(1,359)	2,563
		135,056	58,725

10 SHORT-TERM LOANS AND ADVANCES

Secured

Short-term loans and advances - considered good
Less: provision for bad and doubtful loans and advances

		435,980	410,691
	10.1 & 10.2	30,000	-
		405,980	410,691

Notes to and Forming Part of the Financial Statements

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10.1 These loans carry interest at rates ranging from 12% to 20.16% (2008: 11.56% to 18.43%) per annum and are repayable over periods ranging from 1 month to 1 year (2008: 2 months to 1 year). These are secured against mortgage of properties, hypothecation of vehicles, lien on certificates of deposits, pledge of securities and personal guarantees of the borrowers.

10.2 Short-term loans include Rs 150,000 thousand (2008: Nil) relating to loans due from companies, organisations and individuals which have been classified as non-performing as per the requirements of the Non-Banking Finance Companies and Notified Entities (NBFC) Regulations, 2008 issued by the Securities and Exchange Commission of Pakistan. The provision held against these loans are as follows:

	2009	2008
	(Rupees in thousand)	
Opening balance	-	-
Charge for the year	30,000	-
Closing balance	30,000	-

10.3 During the year the Securities Exchange Commission of Pakistan (SECP) has issued the Non-Banking Finance Companies and Notified Entities Regulations through SRO 1203(I) 2008 dated November 21, 2008. The revised regulations, amongst other things, has redefined the basis of classification in respect of non-performing loans, advances and net investment in finance lease. The disclosure of the aforementioned change and its effect on the financial statements of IGI BANK is given in note 7.5 to these financial statements.

	Note	2009	2008
		(Rupees in thousand)	
11 LENDINGS - SECURED			
Repurchase agreements lendings (Reverse Repo)	11.1 & 11.2	98,600	900,513

11.1 These carry mark-up at rates ranging from 11.50% to 12.50% (2008: 10% to 20%) per annum and are repayable by July 10, 2009. These lendings are secured against units of mutual funds and Pakistan Investment Bonds. Out of the total value of collaterals, market treasury bills having face value of Rs 50 million have further been given as collateral for obtaining borrowing from financial institutions.

11.2 This includes lending to IGI Finex Securities Limited amounting to Rs. 50 million (2008: Rs Nil)

	2009	2008
	(Rupees in thousand)	
12 RECEIVABLE AGAINST CONTINUOUS FUNDING SYSTEM TRANSACTIONS		
Receivable against continuous funding system transactions	-	360,468

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

13 SHORT-TERM INVESTMENTS

13.1 Particulars of investments by category

	2009			2008		
	Held by IGI BANK	Given as collateral	Total	Held by IGI BANK	Given as collateral	Total
	(Rupees in thousand)					
Held to maturity						
Commercial papers	-	-	-	172,243	-	172,243
Fund placements	487,000	-	487,000	100,000	-	100,000
Term deposit receipts	75,000	-	75,000	350,000	-	350,000
	562,000	-	562,000	622,243	-	622,243
Held for trading						
Pakistan Investment Bonds	51,354	44,068	95,422	41,579	-	41,579
Market Treasury Bills	362,270	-	362,270	-	430,741	430,741
	413,624	44,068	457,692	41,579	430,741	472,320
Available-for-sale						
Listed term finance certificates	263,815	-	263,815	148,603	-	148,603
Unlisted term finance certificates	388,690	-	388,690	180,509	-	180,509
Pre-IPO investment in term finance certificates	50,000	-	50,000	-	-	-
Units of open end mutual funds	159,631	-	159,631	8,199	-	8,199
Listed shares / certificates	110,118	-	110,118	468,012	-	468,012
Pre-IPO investment in unlisted shares	-	-	-	40,000	-	40,000
	972,254	-	972,254	845,323	-	845,323
	1,947,878	44,068	1,991,946	1,509,145	430,741	1,939,886
Impairment loss on fund placement and debt security	(99,000)	-	(99,000)	-	-	-
	1,848,878	44,068	1,892,946	1,509,145	430,741	1,939,886

13.2 Particulars of investments by type	Note	2009		2008	
		(Rupees in thousand)			
Investments in:					
Fund placements	13.2.1	487,000		100,000	
Term deposit receipts	13.2.1	75,000		350,000	
Commercial papers		-		172,243	
Government securities	13.2.2	457,692		472,320	
Listed term finance certificates	13.2.3	263,815		148,603	
Unlisted term finance certificates	13.2.3	388,690		180,509	
Pre-IPO investment in term finance certificates	13.2.3	50,000		-	
Units of open end mutual fund	13.2.5	159,631		8,199	
Listed shares / certificates	13.2.6	110,118		468,012	
Pre-IPO investment in unlisted shares	13.2.7	-		40,000	
		1,991,946		1,939,886	
Impairment loss on fund placements and debt securities		(99,000)		-	
		1,892,946		1,939,886	

13.2.1 These carry rate of return ranging from 13.50% to 16.00% (2008: 10.56% to 19%) per annum and are maturing on various dates by October 22, 2009.

13.2.2 Significant particulars relating to government securities are as follows:

Particulars	2009			2008		
	Maturity date	Face Value Rupees in thousand	Coupon rate / Yield	Maturity date	Face Value Rupees in thousand	Coupon rate / Yield
Market Treasury Bills	22-Apr-2010	100,000	12.16%	26-Feb-2009	50,000	11.59%
	6-May-2010	200,000	12.16%	9-Oct-2008	100,000	11.40%
	3-Jun-2010	100,000	12.17%	12-Mar-2009	100,000	11.61%
	-	-	-	25-Sep-2008	200,000	11.36%
	-	-	-	-	-	-
Pakistan Investment Bonds	18-Jun-2012	100	11.0%	18-Jun-2012	100	11.00%
	18-Jun-2012	1,300	11.0%	18-Jun-2012	1,300	11.00%
	22-Aug-2017	50,000	9.6%	22-Aug-2017	50,000	9.60%
	22-Aug-2017	50,000	12.0%	-	-	-

In accordance with the requirements of NBFC and Notified Entities Regulations, 2008, IGI BANK has invested Rs 391,241 thousand (representing 15 percent of the funds raised through issue of certificates of deposit by IGI BANK excluding certificates of deposit held by financial institutions) in Pakistan Investment Bonds and Market Treasury Bills.

Notes to and Forming Part of the Financial Statements

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13.2.3 Particulars of TFCs: *

Number of certificates		Particulars	Issue date	2009		2008	
2009	2008			Amortised cost	Market value	Amortised cost	Market value
----- (Rupees in thousand) -----							
LISTED TFCs							
Commercial Banks / NBFIs							
4,587	4,587	Standard Chartered Bank (Pakistan) Limited II	January 20, 2004	20,605	19,996	22,898	22,898
6,352	6,352	United Bank Limited II	March 15, 2005	31,755	26,791	31,756	31,756
5,000	5,000	Jahangir Siddiqui and Company Limited	November 21, 2006	24,975	23,227	24,985	24,985
Leasing							
190	190	Al-Zamin Leasing Modaraba	May 31, 2005	323	303	646	646
250	-	Orix Leasing Pakistan Limited	January 15, 2008	24,589	24,469	-	-
Chemical							
10,000	-	Engro Chemical Pakistan Limited	November 30, 2007	48,991	48,566	-	-
Miscellaneous							
5,903	5,903	Searle Pakistan Limited	March 9, 2006	14,752	14,164	22,127	22,127
-	897	Pakistan Services Limited	-	-	-	640	666
8,715	8,715	TeleCard Limited	May 27, 2005	20,498	19,579	29,936	28,290
3,447	3,447	Pak Arab Fertilizer (Private) Limited	February 28, 2008	17,228	16,430	17,235	17,235
6,000	-	Pakistan Mobile Communication Limited	October 28, 2008	29,367	28,806	-	-
10,000	-	Pace (Pakistan) Limited	February 15, 2008	41,484	41,484	-	-
				<u>274,567</u>	<u>263,815</u>	<u>150,223</u>	<u>148,603</u>
Unlisted TFCs							
----- (Rupees in thousand) -----							
				2009	2008	2009	2008
				Cost	Market Value	Cost	Market Value
10,000	10,000	New Allied Electronics Industries (Private) Limited - SUKUK	December 3, 2007	50,000	50,000	50,000	50,335
10,000	10,000	Eden Housing Limited	December 31, 2007	50,000	48,631	50,000	50,000
12,000	6,000	Maple Leaf Cement Factory Limited - SUKUK	December 3, 2007	57,077	54,006	30,000	30,174
17,000	10,000	Al-Zamin Leasing Modaraba	May 12, 2008	82,963	80,565	50,000	50,000
4,000	-	Pak American Fertilizer Limited	November 30, 2007	19,503	19,476	-	-
4,800	-	Pak American Fertilizer Limited-SUKUK	August 6, 2008	21,266	21,518	-	-
13,000	-	Azgard Nine Limited	December 4, 2007	63,585	64,051	-	-
10,000	-	Kashaf Foundation	November 5, 2007	35,176	33,928	-	-
3,547	-	Avari Hotels Limited	April 30, 2009	14,248	16,515	-	-
				<u>393,818</u>	<u>388,690</u>	<u>180,000</u>	<u>180,509</u>
Pre-IPO investments in TFCs							
10,000	-	Bank Al Habib Limited	June 13, 2009			<u>50,000</u>	<u>-</u>

* Secured, unless specified otherwise.

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

13.2.4 Significant terms and conditions relating to TFCs are as follows:

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Redemption
Listed TFCs				
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.
Jahangir Siddiqui and Company Limited	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
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.
Orix Leasing Pakistan Limited	5,000	Average ask rate of six months KIBOR + 1.20%.	Semi-annually	Principal to be repaid from the 5th semi-annually equal installment.
Engro Chemical Pakistan Limited	5,000	Average ask rate of six months KIBOR + 1.55% (with no floor and cap)	Semi-annually	Instrument is structured to redeem .28%, of principal in the first 84 months and remaining principal in two equal semi-annual installments of 49.86% each of the issue amount respectively, starting from 90th month.
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.
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.
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 principal
Pakistan Mobile Communication Limited	5,000	Average ask rate of six months KIBOR + 1.65%.	Semi-annually	To be redeemed at the end of 60th month
Pace Pakistan Limited	5,000	Average ask rate of six months KIBOR + 1.50%.	Semi-annually	Principal to be repaid in 6 equal semi-installments in arrears after a grace period of 24 months from the issuance date.
Unlisted TFCs				
New Allied Electronics Industries (Private) Limited Sukuk	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 18th 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 - Sukuk	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 Modarba (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
Pak American Fertilizer	5,000	Average ask rate of six months KIBOR + 1.75%.	Semi-annually	Instrument is structured to redeem .08%, of principal in the first 24 months and remaining principal in ten equal semi-annual installments of 9.992% each of the issue amount respectively, starting from 30th month.
Pak American Fertilizer Sukuk	5,000	Average ask rate of six months KIBOR + 2.0%.	Semi-annually	Instrument is structured to redeem .08%, of principal in the first 24 months and remaining principal in ten equal semi-annual installments of 9.992% each of the issue amount respectively, starting from 30th month.
Azgard Nine Limited	5,000	Average ask rate of six months KIBOR + 2.25%.	Semi-annually	Instrument is structured to redeem .08%, of principal in the first 24 months and remaining principal in ten equal semi-annual installments of 9.992% each of the issue amount respectively, starting from 30th month.
Kashaf Foundation	5,000	Average ask rate of three months KIBOR + 2.45%.	Quarterly	Principal redemption will be as follows: 5th quarter to 11th quarter 714 of the principal
Avani Hotels Limited	5,000	Average ask rate of six months KIBOR + 3.25%.	Semi-annually	Principal redemption will take place in six equal semi annual installments. This will commence from the 18th month from the date of issue .
Pre-IPO investment in TFCs				
Bank Al Habib Limited	5,000	Year 1 to 5 = 15.50% per annum Year 6 to 8 = 16% per annum	Quarterly	Instrument is structured to redeem .02%, per quarter, of the issue amount in the first seven years and remaining issue amount in four equal quarterly installments of 24.86% in the eight year.

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13.2.5 Particulars of investment in open end mutual fund units

No. of units		Particulars	2009		2008	
2009	2008		Average cost	Market value	Average cost	Market value
(Rupees in thousand)						
995,005	-	POBOP Advantage Plus Fund	50,000	50,436	-	-
2,035,800	-	Metro Bank Pak Sovereign Fund	99,998	99,998	-	-
156,618	156,618	National Investment Unit Trust	10,000	4,205	10,000	8,199
500,000	-	ABL Stock Fund	5,000	4,992	-	-
			164,998	159,631	10,000	8,199

*Represents related party

13.2.6 Particulars of listed shares / certificates

No. of ordinary shares / certificates of Rs. 10/- each		Particulars	2009		2008	
2009	2008		Average cost	Market value	Average cost	Market value
(Rupees in thousand)						
Mutual fund (closed ended)						
-	775,500	Atlas Fund of Funds	-	-	7,384	6,910
-	3,634,559	First Dawood Mutual Fund	-	-	30,561	25,951
-	155,500	Golden Arrow Selected Stocks Fund	-	-	1,087	1,045
-	245,000	JS Value Fund	-	-	5,526	4,736
-	421,000	Meezan Balance Fund	-	-	4,210	4,021
-	197,000	Pakistan Premier Fund	-	-	2,493	2,634
-	500,000	PICIC Investment Fund	-	-	9,311	5,940
3,421,765	3,418,265	Safeway Mutual Fund	42,046	36,784	42,003	44,437
-	158,500	PICIC Growth Fund	-	-	4,489	3,768
-	49,500	UTP Large Capital Fund	-	-	437	446
-	500,226	JS Growth Fund	-	-	9,116	6,088
Leasing						
-	128,200	ORIX Leasing Pakistan Limited	-	-	4,292	3,204
Investment banks / Companies / Securities						
-	15,000	Arif Habib Securities Limited	-	-	2,938	2,422
-	48,600	First Capital Securities Corporation Limited	-	-	4,069	2,877
158,820	300,000	Jahangir Siddiqui and Company Limited	8,917	3,683	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 of Pakistan Limited	-	-	9,225	5,753
15,000	-	Habib Bank Limited	1,334	1,291	-	-
15,000	-	United Bank Limited	624	574	-	-
587,790	-	Bank Alfalah Limited	9,491	6,201	-	-
Insurance						
25,000	-	Adamjee Insurance Company Limited	2,156	2,100	-	-
Textile spinning						
-	1,758,280	Hira Textile Mills Limited	-	-	21,979	11,165
Textile composite						
-	221,551	Kohinoor Textile Mills Limited	-	-	10,887	3,073
-	2,000,000	Azgard Nine Limited	-	-	107,569	123,120
Textile weaving						
301	605,302	Zephyr Textiles Mills Limited	3	1	5,732	2,960
Cement						
-	5,000	Lucky Cement Limited	-	-	573	490
14,500	40,000	DG Khan Cement Limited	290	430	4,383	2,686
Balance c/f			64,861	51,064	425,357	427,783

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No. of ordinary shares / certificates of Rs. 10/- each		Particulars	2009		2008	
			Average cost	Market value	Average cost	Market value
2009	2008		(Rupees in thousand)			
		Balance b/f	64,861	51,064	425,357	427,783
		Refinery				
-	2,000	National Refinery Limited	-	-	596	595
		Power generation and distribution				
-	50,000	Kot Addu Power Company Limited	-	-	2,494	2,350
7,500	-	Hub Power Company Limited	191	203	-	-
		Oil and gas Marketing Companies				
25,000	17,000	Pakistan State Oil Company Limited	5,270	5,341	7,802	7,094
-	25,000	Sui Northern Gas Pipeline Company Limited	-	-	1,206	1,089
		Oil and gas exploration				
80,000	600	Oil and Gas Development Company Limited	4,625	6,291	76	75
15,000	-	Pakistan Oilfield Limited	2,727	2,189	-	-
-	31,000	Pakistan Petroleum Limited	-	-	8,212	7,626
		Cable and Electric Goods				
59,250	-	Pak Elektron Limited	1,445	1,452	-	-
		Fertilizer				
110,000	10,000	Fauji Fertilizer Company Limited	10,119	9,565	1,400	1,323
30,000	1,000	Engro Chemical Pakistan Limited	4,115	3,853	175	126
-	50,000	Fauji Fertilizer Bin Qasim	-	-	1,885	1,799
		Chemicals				
4,000,000	-	Descon Oxychem Limited	40,000	30,160	-	-
		Jute				
-	45,100	Thall Limited	-	-	11,481	8,841
		Automobile Assembler				
-	12,185	Indus Motor Company Limited	-	-	3,924	2,438
		Technology and Communication				
-	42,000	Pakistan Telecommunication Limited	-	-	2,020	1,623
		Synthetic and Rayon				
-	100,000	Ibrahim Fibres Limited	-	-	5,809	5,250
			<u>133,353</u>	<u>110,118</u>	<u>472,437</u>	<u>468,012</u>

13.2.7 Pre-IPO investment in unlisted shares

No. of ordinary shares / certificates of Rs. 10/- each		Particulars	2009	2008
2009	2008		Cost	
			(Rupees in thousand)	
-	4,000,000	Descon Oxychem Limited *	-	40,000

* Share certificates against the above investments have been issued and investments is included in note 13.2.6 to these financial statements.

13.2.8 Movement in provision against investment

	2009	2008
	(Rupees in thousand)	
Opening balance	-	-
Charge for the year	99,000	-
Closing balance	<u>99,000</u>	<u>-</u>

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

	Note	2009 (Rupees in thousand)	2008
14 ADVANCES, DEPOSITS AND PREPAYMENTS			
Advance against leases		-	7,606
Short-term deposits		-	15,000
Advance to suppliers		-	2,418
Prepaid expenses	14.1	6,036	9,938
Receivable from NCCPL / CDC		-	1,100
Others		-	400
		6,036	36,462
14.1 This includes Rs. 3,426 thousand (2008: Rs. 5,193 thousand) in respect of advance rent of premises obtained on rent by IGI BANK.			
	Note	2009 (Rupees in thousand)	2008
15 INTEREST / MARK-UP AND PROFIT ACCRUED			
Interest / mark-up and profit accrued on:			
Investments			
- government securities		3,691	1,720
- term finance certificates		22,237	9,270
- term deposit receipts		29	4,545
- fund placements		1,253	1,301
		27,210	16,836
Finances		19,109	33,105
Lendings and continuous funding system transactions		1,426	5,397
Deposits with banks		1,407	2,211
		49,152	57,549
16 RECEIVABLE AGAINST SALE OF SECURITIES			
Secured			
Considered good		2,857	806,190
17 OTHER RECEIVABLES - NET			
Secured - considered good			
Assets repossessed in respect of terminated lease contracts		4,732	5,559
Unsecured - considered good			
Dividend receivable		563	356
Excise duty paid on behalf of customers		4,471	4,471
Balances due from related parties:			
Packages Limited		250	445
IGI Finex Securities Limited		-	4,235
IGI Funds Limited		2,887	-
Staff Provident Fund of IGI BANK		-	3,554
Staff Gratuity Fund of IGI BANK		254	70
		3,391	8,304
Accrued commission / fee income	17.1	5,847	12,285
Others		2,180	4,792
Unsecured - considered doubtful			
Receivable from lessees in satisfaction of claims	17.2	13,185	10,418
		34,369	46,185
Less: impairment against bad and doubtful receivables		(13,185)	(10,418)
		21,184	35,767

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

17.1 This includes commission amounting to Rs 966 thousand (2008: Rs 614 thousand) due from IGI Income Fund and IGI Insurance Limited (related parties).

	2009	2008
	(Rupees in thousand)	
17.2 Movement in provision against other assets		
Opening balance	10,418	6,539
Charge for the year	2,767	3,879
Closing balance	13,185	10,418

18 CASH AND BANK BALANCES

In hand	67	41
In current accounts		
- State Bank of Pakistan	2,250	1,547
- Others		
local currency	701	9,438
foreign currencies	1,231	1,045
	1,932	10,483
In saving accounts		
local currency	108,415	837,792
	112,664	849,863

19 SHARE CAPITAL

Authorised capital

	2009	2008			
	-----Number of shares-----				
	300,000,000	300,000,000	Ordinary shares of Rs 10 each	3,000,000	3,000,000

Issued, subscribed and paid-up capital

2009			2008					
Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total			
-----No. of shares-----								
190,993,300	-	190,993,300	190,993,300	-	190,993,300	Ordinary shares issued in cash	1,909,933	1,909,933
-	21,109,250	21,109,250	-	21,109,250	21,109,250	Ordinary shares issued as bonus shares	211,092	211,092
190,993,300	21,109,250	212,102,550	190,993,300	21,109,250	212,102,550		2,121,025	2,121,025

The following shares were held by the related parties of IGI BANK as at June 30, 2009

Name of related party	2009		2008	
	Shares held (in million)	Percentage	Shares held (in million)	Percentage
Packages Limited	4.611	2.175%	4.611	2.175%
IGI Insurance Limited	89.095	42.026%	89.095	42.026%
Directors, Chief Executive and their spouse and minor children	7.957	3.753%	7.521	3.548%
Executives	0.002	0.001%	0.010	0.005%

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

	Note	2009	2008
		(Rupees in thousand)	
20 RESERVES			
Capital reserve			
Statutory reserve	20.1	97,098	97,098
Revenue reserves			
General reserve		39,733	39,733
		136,831	136,831
20.1	Statutory reserve represents amount set aside as per the requirements of clause 16 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 issued by the Securities and Exchange Commission of Pakistan.		
	Note	2009	2008
		(Rupees in thousand)	
21 DEFICIT ON REVALUATION OF INVESTMENTS - NET			
Net surplus / (deficit) on revaluation of:			
- government securities		1,093	(8,423)
- listed and unlisted term finance certificates		(15,880)	(1,111)
- mutual funds units (open ended)		(5,367)	(1,801)
- quoted shares and certificates		(23,235)	(4,425)
- forward sale of quoted shares and certificates		-	(49,090)
	21.1	(43,389)	(64,850)
Impairment losses on investment classified as 'available for sale' - transferred to profit and loss account		40,211	-
		(3,178)	(64,850)
Related deferred tax asset - net	9	1,411	2,770
		(1,767)	(62,080)
21.1 Particulars of deficit on revaluation of investments - net			
Opening balance		(64,850)	(18,184)
(Deficit) / surplus arising on revaluation of investments during the year		(176,511)	39,863
		(241,361)	21,679
Impairment on equity securities and unit of mutual funds held as at year end		40,211	-
Impairment on equity securities sold during the year		135,287	-
		175,498	-
Transferred to the profit and loss account on disposal of investments		62,685	(86,529)
Closing balance		(3,178)	(64,850)
21.2	Surplus / deficit in respect of listed debt securities has been determined based on the rates of these securities notified by Mutual Funds Association of Pakistan (MUFAP). These rates were notified based on the methodology specified by the Securities and Exchange Commission of Pakistan (SECP) vide its Circular No. NBFCD/MF/CIRCULAR/2009-31 dated January 6, 2009.		
21.3	As per the accounting policy of IGI BANK (as more fully explained in note 3.2 to these financial statements) impairment of investment is recognised when there is a significant or prolonged decline in the value of investments. As at December 31, 2008, IGI BANK had an aggregate amount of Rs 124.411 million as deficit on revaluation of its listed portfolio of equity shares and units of mutual funds classified as available for sale. The deficit had been computed based on the market value of the equity securities as at December 31, 2008 and was in accordance with the requirements laid down in SECP Circular No. Enf/D-		

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

III/Misc/1/2008 dated January 29, 2009. The management of IGI BANK carried out a scrip wise analysis of the above deficit and determined that out of the above amount, deficit amounting to Rs 118.867 million represented a significant decline in the fair value of such equity securities with reference to their cost and accordingly an impairment loss to this extent was fully recognised in the profit and loss account for the half year ended December 31, 2008. Subsequently, the management has again carried out a scrip wise analysis of the deficit in accordance with the requirement of above circular as at March 31, 2009 and as at June 30, 2009 to determine the amount of impairment loss, if any. Based on this analysis, an amount of Rs 56.631 million has further been recognised as an impairment loss during the period from January 1, 2009 to June 30, 2009 which has been charged to the profit and loss account.

	Note	2009	2008
(Rupees in thousand)			
22 TERM FINANCE CERTIFICATES			
Secured			
Term finance certificates	22.1	312,375	437,325
Less: transaction costs	22.2	1,095	2,215
		311,280	435,110
Less: current maturity of term finance certificates		124,950	124,950
		186,330	310,160

22.1 These represent listed Term Finance Certificates (TFCs) issued by IGI BANK on 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 the issue. The issue of these TFCs had 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.

	Note	2009	2008
(Rupees in thousand)			
23 LONG-TERM FINANCE			
Secured			
Local currency - banking companies	23.1	408,333	890,000
Less: current maturity of long-term finance		341,666	481,667
		66,667	408,333

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

23.1 The principal terms of long term finance are as follows:

Lender	Amount (Rs in '000)	Date of disbursement	Date of maturity	Installments payable	Pricing structure	Security
MCB Bank Limited	150,000	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%.
Allied Bank Limited	125,000	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	133,333	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%.

Note **2009** **2008**
(Rupees in thousand)

24 LONG-TERM CERTIFICATES OF DEPOSITS

Unsecured

Local currency

- Financial institutions
- Individuals
- Others

Less: current maturity of long-term certificates of deposit

	-	200,000
	241,283	447,750
	167,258	143,932
24.1	408,541	791,682
	243,411	319,784
	165,130	471,898

24.1 These certificates of deposit have contractual maturities ranging from 1 to 4 years (2008: 1 to 5 years) from the contract date. Expected rates of return payable on these certificates of deposits are 8.25% to 20% (2008: 6% to 13.50%) per annum.

Note **2009** **2008**
(Rupees in thousand)

25 LONG-TERM DEPOSITS ON LEASE CONTRACTS

Deposits on lease contracts

Less: current maturity of deposits on lease contracts

	524,538	574,504
	253,074	156,283
	271,464	418,221

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

Note **2009** **2008**
(Rupees in thousand)

26 SHORT-TERM FINANCE

Running finance utilised under mark-up arrangement - secured

	299,472	299,182
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Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

26.1 The principal terms of running finance utilised under mark-up arrangement

Lender	Facility amount (Rs in '000)	Date of expiry	Pricing structure	Security
Allied Bank Limited	100,000	31-Oct-09	Mark-up at 3-month KIBOR rate plus 2.5% per annum.	First 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	10-Nov-09	Mark-up at 1-month KIBOR rate plus 2.5% per annum.	First pari passu charge over present and future moveable assets and receivables of IGI BANK including leased assets and leased receivables with a margin of 25%.

Note **2009** **2008**
(Rupees in thousand)

27 **SHORT-TERM CERTIFICATES OF DEPOSIT**

Unsecured

Local currency

- Financial institutions
- Individuals
- Others

	48,600	1,740,000
27.1	587,756	343,987
	1,611,978	599,490
27.1 & 27.2	2,248,334	2,683,477

27.1 These include certificates of deposit amounting to Rs 1,546 thousand (2008: Rs 1,700 thousand) issued to employees of IGI BANK at mark-up rate ranging from 12.5% to 15.50% (2008: 9.25%) per annum.

27.2 These certificates of deposits have contractual maturities ranging from 1 to 12 months (2008: 1 to 12 months) from the contract date. Expected rates of return payable on these certificates of deposits are 11.75% to 15.5% (2008: 8.5% to 15.15%) per annum.

Note **2009** **2008**
(Rupees in thousand)

28 **BORROWINGS FROM FINANCIAL INSTITUTIONS**

- Securities sold under repurchase agreement
- Unsecured borrowings

	89,868	819,109
28.1	136,000	740,000
	225,868	1,559,109

28.1 These carry mark-up at the rate of 13.6% (2008: 9.62% to 11.00%) per annum and are repayable on various dates by July 10, 2009.

28.2 These carry mark-up at the rate of 14% (2008: 10.50% to 16.25%) per annum and is repayable on July 6, 2009.

Note **2009** **2008**
(Rupees in thousand)

29 **INTEREST AND MARK-UP ACCRUED**

Interest and mark-up accrued on:

- Long-term finance
- Short-term finance
- Borrowings from financial institutions
- Term Finance Certificates (TFCs)
- Certificates of deposit

	11,365	17,411
	11,640	1,356
	3,110	8,186
	25,925	25,217
	89,405	114,434
	141,445	166,604

30 **PAYABLE AGAINST PURCHASE OF SECURITIES**

Secured

- Considered good

	74,647	65,410
	74,647	65,410

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

	Note	2009	2008
		(Rupees in thousand)	
31 ACCRUED EXPENSES AND OTHER LIABILITIES			
Accrued expenses		10,608	22,035
Payable to customers on account of excess recoveries		3,028	3,028
Payable to related parties:			
- IGI Insurance limited		-	5,396
- IGI Funds limited		-	64
Discretionary client funds' payable		-	55,389
Unclaimed dividends		316	316
Payable to employee gratuity scheme	40.1.2	6,308	4,224
Advances from lessees		12,618	20,925
Advance insurance recoveries from customers		3,185	7,615
Fair value of derivative financial instruments		-	49,090
Others		2,671	15,990
		38,734	184,072

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 applied in computing the tax liability was that applicable to a banking company. However, in the appeals filed against the original assessments, 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 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, whereas the departmental appeals for the remaining years are pending before the ITAT. Subsequent to the decision of ITAT for assessment years 1991-92 to 1997-98, 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 matter 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 2000-01, 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 companies, 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 before the CIT (A). The CIT (A) has deleted the majority of the additions against which the tax authorities have filed appeals before the ITAT 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. IGI BANK had preferred an appeal before the CIT (A) to agitate against the additions. The CIT (A) has decided the appeal by confirming certain additions. Against the appellate order of CIT (A), IGI BANK has filed an appeal before the ITAT which is pending to date. IGI BANK is confident that the additions confirmed by the CIT (A) will be deleted by the ITAT.

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

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 (June 30, 2008: Rs 199 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.

	2009	2008
	(Rupees in thousand)	
32.2 Claims not acknowledged as debts	81,570	81,570
32.3 Commitments		
- 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
- Commitments in respect of continuous funding system transactions - payable	-	32,233

33 INCOME FROM INVESTMENTS

	2009				2008			
	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	88,066	-	-	88,066	39,294	-	-	39,294
Government securities	-	28,822	-	28,822	-	14,971	-	14,971
TFCs	-	-	54,225	54,225	-	-	35,026	35,026
	88,066	28,822	54,225	171,113	39,294	14,971	35,026	89,291
Dividend income	-	-	6,655	6,655	-	-	51,848	51,848
Gain on disposal of:								
TFCs	-	-	239	239	-	-	4,106	4,106
Units of open end / close end mutual fund	-	-	32,305	32,305	-	-	48,410	48,410
Listed shares / certificates	-	-	30,141	30,141	-	-	34,013	34,013
	-	-	62,685	62,685	-	-	86,529	86,529
	88,066	28,822	123,565	240,453	39,294	14,971	173,403	227,668

Note **2009** **2008**
(Rupees in thousand)

34 INCOME FROM LOANS AND ADVANCES

Mark-up / interest on loans and advances	126,538	120,738
Documentation charges and other loan related income	721	1,505
	127,259	122,243

35 INCOME FROM LEASE FINANCE

Mark-up on lease finance	257,231	224,685
Front-end fees, documentation charges and other lease related income	10,436	6,711
	267,667	231,396

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

	Note	2009	2008
(Rupees in thousand)			
36 INCOME FROM LENDINGS AND CONTINUOUS FUNDING SYSTEM TRANSACTIONS			
Securities purchased under resale agreements		15,391	23,917
Income from continuous funding system transactions		79,556	96,276
		94,947	120,193
37 INCOME FROM FEE, COMMISSION AND BROKERAGE			
Fee from corporate finance services		4,117	12,275
Distribution commission		22,925	38,362
Management fee	37.1	12,000	12,000
		39,042	62,637
37.1	This represents management fee amounting to Rs 6,000 thousand (2008: 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.		
	Note	2009	2008
(Rupees in thousand)			
38 FINANCE COSTS			
Mark-up on term finance certificates		58,676	57,953
Mark-up on long-term finance		101,944	121,358
Mark-up on certificates of deposits		371,321	321,910
Mark-up on short-term finance		39,900	1,139
Mark-up on borrowings from financial institutions		66,032	68,595
Bank charges		5,479	131
		643,352	571,086
39 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries, allowances and benefits		93,456	106,022
Contribution to the provident fund	40.2	3,857	3,227
Gratuity scheme expense	40.1.6	3,026	2,146
Contribution to employees' old-age benefit institution		514	429
Depreciation on property and equipment	4.1	25,581	22,239
Amortisation on intangible assets	4.2	2,302	2,025
Rent, rates and taxes		20,934	20,204
Travelling and entertainment		3,293	8,565
Telephone, telex and fax		4,121	4,680
Printing, postage and stationery		4,138	5,136
Insurance		3,785	1,975
Lighting, heating and cooling		4,533	3,365
Repairs and maintenance		4,999	4,019
Brokerage and commission		1,774	20,488
Legal and professional fees		8,368	7,638
Subscriptions		2,868	553
Advertisement		11,713	19,920
Other expenses		9,331	1,477
		208,593	234,108

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

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, 2009 using Projected Unit Credit Method.

40.1.1 Principal actuarial assumptions

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

	2009	2008
Expected rate of increase in salary	11.09%	11.09%
Discount rate	13.25%	13.25%
Expected rate of return on plan assets	13.25%	13.25%

40.1.2 Amount recognised in the balance sheet

	Note	2009 (Rupees in thousand)	2008
Present value of defined benefit obligation	40.1.3	7,887	12,042
Fair value of plan assets	40.1.4	(2,875)	(8,022)
Unrecognised actuarial gain (net)		1,296	204
		6,308	4,224

40.1.3 Movement in the defined benefit obligation:

Present value of defined benefit obligation at the beginning of the year	12,042	8,059
Interest cost	1,291	886
Current service cost	2,565	2,122
Benefits paid	(4,742)	-
Actuarial (gain) / loss on obligation	(3,269)	975
Present value of defined benefit obligation at the end of the year	7,887	12,042

40.1.4 Movement in the fair value of plan assets

Fair value of plan asset at the beginning of the year	8,022	7,220
Expected return on plan assets	819	794
Contributions to the fund	942	-
Benefits paid	(4,742)	-
Actuarial (loss) / gain on plan assets	(2,166)	8
Fair value of plan assets at the end of the year	2,875	8,022

40.1.5 Movement of liability

Balance at the beginning of the year		4,224	2,078
Expense for the year	40.1.6	3,026	2,146
Contributions during the year		(942)	-
Balance at the end of the year		6,308	4,224

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

	Note	2009	2008
(Rupees in thousand)			
40.1.6 Gratuity scheme expense recognised in the profit and loss account			
Current service cost		2,565	2,122
Interest cost		1,291	886
Expected return on plan assets		(819)	(794)
Net actuarial gain recognised during the year		(11)	(68)
		3,026	2,146

40.1.7 Plan assets comprised of following:

	-----2009-----		-----2008-----	
	(Rupees in thousand)	Percentage composition	(Rupees in thousand)	Percentage composition
Units of mutual fund / shares	1,179	41	5,024	63
Bank account and short term deposits	1,696	59	3,158	39
Benefits due	-	-	(160)	(2)
	2,875	100	8,022	100

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

	2009	2008	2007	2006	2005
----- (Rupees in thousand) -----					
Present value of defined benefit obligation	7,887	12,042	8,059	6,462	5,797
Fair value of plan assets	(2,875)	(8,022)	(7,220)	(4,755)	(3,542)
Deficit	5,012	4,020	839	1,707	2,255

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

	2009	2008	2007	2006	2005
Experience adjustments on plan liabilities	(41%)	8%	0%	0%	(4%)
Experience adjustments on plan assets	(75%)	0%	10%	(1%)	(2%)

40.1.10 Actual return on plan assets during the year was Rs. 1,347 thousand (2008: Rs. 802 thousand).

40.1.11 Based on actuarial advice IGI BANK intends to charge an amount of approximately Rs. 6,308 thousand in the financial statements for the year ending June 30, 2010.

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, 2009.

40.2 Defined contribution plan

An amount of Rs. 3,857 thousand (2008: Rs. 3,227 thousand) has been charged during the year in respect of contributory provident fund maintained by IGI BANK.

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

	Note	2009	2008
		(Rupees in thousand)	
41 OTHER OPERATING INCOME			
Income from financial assets			
Income from deposits with banks		25,462	14,284
Income from non-financial assets			
Gain on disposal of property and equipment		2,638	14,903
Miscellaneous income		2,131	2,089
		30,231	31,276
42 OTHER OPERATING EXPENSES			
Provision against other assets	17.2	2,767	3,879
Auditors' remuneration	42.1	1,008	875
Amortisation of transaction cost on TFCs		1,120	1,825
Donations		-	105
		4,895	6,684
42.1 Auditors' remuneration			
Statutory audit fee		550	500
Half yearly review fee		150	150
Special certification and other services		100	75
Fee for consolidated financial statements of IGI BANK and its subsidiary companies		150	-
Out of pocket expenses		58	150
		1,008	875
43 TAXATION			
Current			
- For the year		2,293	12,139
- For prior years		(171)	-
Total		2,122	12,139
Deferred	9.2	(77,690)	(51,390)
		(75,568)	(39,251)
43.1 Relationship between tax expense and accounting loss			
Loss for the year before taxation		(450,654)	(45,637)
Tax at the applicable rate of 35% (2008: 35%)		(157,729)	(15,973)
Tax effect of income / expenses that are exempted / not allowed in determining taxable income [including Rs 61,424 thousand (2008: Rs Nil) in respect of impairment of equity securities]		90,225	(7,569)
Tax effect of income taxed under Final Tax Regime		(5,731)	(9,591)
Prior years reversal		(171)	-
Tax effect of dividend income taxed at a lower rate		-	(12,962)
Minimum tax under section 113 of the Income Tax Ordinance, 2001		-	6,954
Others		(2,162)	(110)
Tax expense for the year		(75,568)	(39,251)

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

	Note	2009	2008
		(Rupees in thousand)	
44 LOSS PER SHARE			
Loss after taxation		(375,086)	(6,386)
		Number of shares	
Weighted average number of ordinary shares outstanding during the year		212,102,550	109,151,644
		Rupees	
Loss per share - basic		(1.77)	(0.06)

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, 2009, 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 - (note 45.4)		Executives		Executive Director - (note 45.4)		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
(Rupees in thousand)								
Short-term employee benefit (including bonus)								
Managerial remuneration (including bonus)	4,493	5,065	25,044	23,680	1,365	3,727	30,902	32,472
House rent	2,022	1,519	9,243	10,656	614	1,677	11,879	13,852
Utilities	449	405	2,054	2,368	136	373	2,639	3,146
Medical expenses	448	-	790	915	84	-	1,322	915
Conveyance	-	155	3,223	3,326	-	158	3,223	3,639
Others	84	495	4,073	2,329	21	516	4,178	3,340
Post employment benefits								
Retirement benefits	449	405	2,054	1,680	136	373	2,639	2,458
	7,945	8,044	46,481	44,954	2,356	6,824	56,782	59,822
Number of persons	1	1	30	38	1	1	32	40

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 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.

45.3 Meeting fees of Rs 45,000 (2008: Rs 10,000) were paid to the directors for attending the board meetings.

45.4 IGI BANK has appointed Mr. S. Javed Hassan as new Chief Executive Officer with effect from July 18, 2009 to fill the vacancy which arose due to resignation of Mr. Samir Ahmed (former Chief Executive Officer). S. Javed Hassan was previously working as Chief Executive Officer of IGI Funds Limited and had also worked as Executive Director in IGI BANK upto October 31, 2008.

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

46 TRANSACTIONS WITH RELATED PARTIES

Description	2009			
	Subsidiaries	Other related parties including associated undertakings	Key Management personnel	Total
(Rupees in thousand)				
Transactions during the year				
Certificate of deposits issued and mark-up paid thereon	415,000	1,784,246	15,611	2,214,857
Insurance premium paid	-	2,842	-	2,842
Purchase of marketable securities	633,285	-	-	633,285
Sale of marketable securities	772,669	-	-	772,669
Reimbursement of rent	12,225	3,754	-	15,979
Sale of assets	588	2,355	1,017	3,960
Income from finance	-	-	383	383
Brokerage, commission and fee income	437	-	-	437
Return on deposits	4,276	40,948	203	45,427
Rent expense	439	14,100	-	14,539
Subscription	879	-	-	879
Purchase of asset	1,054	4,139	-	5,193
Management fee	12,000	-	-	12,000
Purchase of intangible asset	-	565	-	565
Charge for the year in respect of employee benefit and contribution plan	-	6,883	-	6,883
Remuneration to key management personnel	-	-	57,871	57,871
Balance outstanding as at year end				
Loans and advances	-	-	27,013	27,013
Other receivable	2,887	504	-	3,391
Lendings	50,000	-	-	50,000
Certificates of deposit	-	68,240	2,427	70,667
Mark-up accrued - loans and advances	-	-	38	38
Mark-up accrued - certificate of deposits	-	1,113	23	1,136
(Rupees in thousand)				
Description	2008			
	Subsidiaries	Other related parties including associated undertakings	Key Management personnel	Total
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 income	10,882	-	-	10,882
Rent expense	779	11,669	-	12,448
Insurance expense	-	1,975	-	1,975
Proceeds 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
Management fee	12,000	-	-	12,000
Commission income on sale of units through fund select	1,614	-	-	1,614
Documentation and miscellaneous charges	25	-	-	25
Gain on disposal of non-competition agreement to IGI Finex Securities Limited	14,167	-	-	14,167
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
Investments in commercial papers	-	72,628	-	72,628
Short-term deposits	15,000	-	-	15,000

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IGI BANK has related party 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 unless otherwise specified. Particulars of disposal of fixed asset, transactions with staff retirement benefit funds and other outstanding balances and transactions relating to the related parties are disclosed in related notes to these financial statements.

IGI BANK also enters into security purchase transactions including transactions relating to cash future, continuous 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. IGI BANK also charges management fee to subsidiary companies (note 37 to these financial statements) under mutually agreed terms.

47	Note	2009 (Rupees in thousand)	2008
CASH GENERATED FROM OPERATIONS			
Loss for the year before taxation		(450,654)	(45,637)
Adjustments for non cash and other items:			
Gain on disposal of property and equipment		(2,638)	(14,903)
Depreciation on property and equipment		25,581	22,239
Amortisation of intangible assets		2,302	2,025
Amortisation of transaction cost on TFCs		1,120	1,825
Provision for staff gratuity scheme		3,026	2,146
Interest, mark-up and profit income		(675,291)	(569,191)
Dividend income		(6,655)	(51,848)
Finance cost		643,352	571,086
Provision for bad and doubtful loans and advances / potential lease losses - general - net		1,276	5,257
Provision for bad and doubtful loans and advances / lease losses - specific - net		117,639	23,915
Working capital changes	47.1	187,684	(111,529)
		297,396	(118,978)
		(153,258)	(164,615)
47.1 Working capital changes			
Decrease / (increase) in current assets:			
Short-term loans and advances		(25,289)	(212,712)
Lendings		801,913	(900,513)
Receivable against continuous funding system transactions		360,468	195,797
Short-term investments		108,612	(604,984)
Receivable against sale of securities		803,333	(806,190)
Advances, deposits, prepayments and other receivables		45,216	121,429
		2,094,253	(2,207,173)
(Decrease) / increase in current liabilities:			
Short-term certificates of deposits		(435,143)	843,318
Borrowings from financial institutions		(1,333,241)	1,094,109
Payable against purchase of securities		9,237	65,410
Accrued expenses and other liabilities		(147,422)	92,807
		(1,906,569)	2,095,644
		187,684	(111,529)

Notes to and Forming Part of the Financial Statements

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	Note	2009 (Rupees in thousand)	2008 (Rupees in thousand)
48 CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	112,664	849,863
Short-term running finance utilised under mark-up arrangements	26	(299,472)	(299,182)
		(186,808)	550,681

49 FINANCIAL INSTRUMENTS: SPECIFIC DISCLOSURES RELATING TO LEASING OPERATIONS

49.1 The management of IGI BANK has designated the following items of balance sheet and profit and loss account as part of the leasing operations of IGI BANK.

	Note	2009 (Rupees in thousand)	2008 (Rupees in thousand)
Balance sheet:			
Assets - Loans and Receivables			
- Net investment in finance lease	7	1,829,096	2,458,004
- Interest, mark-up and profit receivable		1,408	13,783
- Other receivables and provision there against - net	17	4,732	5,559
Liabilities at amortised cost			
- Long term finance and its related current portion	23	408,333	890,000
- Long term deposits on lease contracts and its related current portion	25	524,538	574,504
- Interest, mark-up and profit payable	29	11,365	17,411
- Accrued expenses and other liabilities	31	12,618	20,925
Income / expense from the items classified as loans and receivables and carried at amortised cost			
- Income from lease finance	35	267,667	231,396
- Finance cost relating to long-term finance	38	101,944	121,358
- Provisions for lease losses	7.4	58,068	18,577

49.2 As at June 30, 2009 there were no financial assets which had been pledged as collateral for liabilities or contingent liabilities of IGI BANK.

49.3 The outstanding amounts of IGI BANK's net investment in finance lease are secured against leased assets. IGI BANK is entitled to repossess and sell these assets in case of default by the customers. During the year IGI BANK has disposed of assets amounting to Rs 11.587 million (2008: Rs 48.600 million) which were repossessed at the time of default by customers.

49.4 A reconciliation of provision made during the year in respect of net investment in finance lease is given in note 7.4 to these financial statements.

49.5 There were no defaults in long-term finance payable as at June 30, 2009.

49.6 Sensitivity analysis for variable rate instruments

As at June 30, 2009, long term borrowings and net investment in finance lease have been entered into at KIBOR plus margins which exposes IGI BANK to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2009, with all other variables held constant, the net assets of IGI BANK would have been higher / lower by Rs 0.061 million (2008: Rs 0.324 million) and net loss for the year would have been lower / higher by the same amount.

The composition of IGI BANK's lease portfolio, long term borrowings and KIBOR rates is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2009 is not necessarily indicative of the impact on IGI BANK's net assets of future movements in interest rates.

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

49.7 The maximum exposure to credit risk relating to leasing operations of IGI BANK as at June 30, 2009 without taking into account of any collateral held or other credit enhancement was Rs 1,941.708 million (2008: Rs 2,524.923 million). Out of the total outstanding amount of net investment in finance lease, an amount of Rs 1,061.300 million (2008: Rs 1,561.467 million) are neither past due nor impaired. The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated was Rs 29.924 million (2008: Rs 65.629 million). IGI BANK has established internal policies for approval of credit which captures all the essential details regarding customers. Based on the review of borrower's credentials as available internally, management is confident that credit quality of debts which are not past nor impaired remains sound at the balance sheet date.

49.8 An analysis of the age of financial assets that are past due but not impaired as at June 30, 2009 are as under.

	2009		2008	
	Total outstanding amount Rupees in '000	Payment over due (in days)	Total outstanding amount Rupees in '000	Payment over due (in days)
Net investment in finance lease	497,735	1 to 89 days	809,417	1 to 179 days

49.9 An analysis of the financial assets that are individually impaired as per the requirements of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 are as under:

	As at June 30, 2009				
	OAEM	Substandard	Doubtful	Loss	Total
	Rupees in '000				
Net investment in finance lease	202,940	101,133	41,652	35,540	381,265
	As at June 30, 2008				
	OAEM	Substandard	Doubtful	Loss	Total
	Rupees in '000				
Net investment in finance lease	54,097	48,436	30,141	7,582	140,256

Although IGI BANK has made provision against its non-performing portfolio, IGI BANK still holds collateral to be able to enforce in recovery through litigation.

49.10 As at June 30, 2009 IGI BANK has taken the possession of certain collateral it holds as security. The nature and carrying amount of these assets and the policies for recognition are disclosed in notes 3.11 and 17 to these financial statements. IGI BANK intends to dispose of these assets in accordance with its internal policies.

49.11 IGI BANK does not hold any collaterals which can be sold or repledged in the absence of default by the owner of the collaterals.

50 FINANCIAL RISK MANAGEMENT

The activities of IGI BANK are exposed to a variety of financial risks which mainly include: market risk, credit risk and liquidity risk.

50.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. IGI BANK is exposed to market 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.

Market risk mainly comprises of currency risk and interest rate risk.

50.1.1 Currency risk

Currency risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rates. IGI BANK, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

50.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates.

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Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

As at June 30, 2009	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 and advances - net	17.02%	764,041	601,726	158,377	3,938	-
Net investment in lease finance - net	18.03%	1,829,096	985,714	843,382	-	-
Investments	14.19%	3,186,889	1,214,112	216,568	192,517	1,563,692
Lendings	12.01%	98,600	98,600	-	-	-
Receivable against continuous funding system transactions	-	-	-	-	-	-
Deposits	-	6,795	-	-	-	6,795
Interest, mark-up and profit accrued	-	49,152	-	-	-	49,152
Receivable against sale of securities	-	2,857	-	-	-	2,857
Other receivables	-	16,452	-	-	-	16,452
Cash and bank balances	10.37%	112,664	108,415	-	-	4,249
		6,066,546	3,008,567	1,218,327	196,455	1,643,197
Financial liabilities						
Term finance certificates	17.86%	311,280	124,950	186,330	-	-
Finance	14.42%	707,805	641,138	66,667	-	-
Certificates of deposit	14.21%	2,656,875	2,491,745	165,130	-	-
Deposits on lease contracts	-	524,538	-	-	-	524,538
Borrowings from financial institutions	13.83%	225,868	225,868	-	-	-
Interest, mark-up accrued	-	141,445	-	-	-	141,445
Payable against purchase of securities	-	74,647	-	-	-	74,647
Accrued expenses and other liabilities	-	15,508	-	-	-	15,508
		4,657,966	3,483,701	418,127	-	756,138
On-balance sheet gap		<u>1,408,580</u>	<u>(475,134)</u>	<u>800,200</u>	<u>196,455</u>	<u>887,059</u>
Commitments in respect of forward sale of shares		-	-	-	-	-
Commitments in respect of continuous funding system transactions - receivable		-	-	-	-	-
Commitments in respect of continuous funding system transactions - payable		-	-	-	-	-
Off-balance sheet gap		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to and Forming Part of the Financial Statements

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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 and advances - net	15.10%	966,615	618,776	344,331	3,508	-
Net investment in lease finance - net	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
Trade debts	-	806,190	-	-	-	806,190
Other receivables	-	30,208	-	-	-	30,208
Cash and bank balances	8.82%	849,863	837,792	-	-	12,071
		8,562,963	5,131,267	1,812,292	3,508	1,615,896
Financial liabilities						
Term finance certificates / Pre-IPO subscription	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		<u>956,773</u>	<u>(336,902)</u>	<u>621,901</u>	<u>3,508</u>	<u>668,266</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>

50.2 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.

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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 the management of IGI BANK 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:

	2009		2008	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Finance and leases				
Dairy and poultry	315	0.01	1,008	0.03
Cement	3,616	0.14	1,208	0.04
Health	35,624	1.37	48,259	1.41
Glass and ceramics	11,015	0.42	14,436	0.42
Leather	42,874	1.65	67,933	1.98
Paper and board	65,950	2.54	74,151	2.17
Construction	236,375	9.12	275,694	8.05
Energy, oil and gas	251,774	9.71	294,670	8.60
Financial institutions	33,333	1.29	83,614	2.44
Electric and electric goods	77,024	2.97	86,387	2.52
Chemicals / fertilizers / pharmaceuticals	43,750	1.69	91,886	2.68
Food, tobacco and beverages	106,796	4.12	157,329	4.59
Steel, engineering and automobiles	285,393	11.01	191,316	5.59
Transport	325,451	12.55	395,640	11.55
Textile / textile composite	318,514	12.28	412,110	12.04
Miscellaneous (including individuals)	755,333	29.13	1,228,978	35.89
	2,593,137	100	3,424,619	100

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

50.3 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.

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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, 2009

	Total	Within one year	More than one year and less than five years	More than five years
..... (Rupees in thousand)				
Assets				
Fixed assets	88,449	1,759	86,257	433
Investments	3,186,889	1,683,861	216,568	1,286,460
Loans and advances - net	764,041	601,726	162,315	-
Net investment in lease finance - net	1,829,096	985,714	843,382	-
Deposits	6,795	-	-	6,795
Deferred tax assets - net	135,056	-	135,056	-
Lendings	98,600	98,600	-	-
Receivable against continuous funding system transactions	-	-	-	-
Taxation - net	247,835	247,835	-	-
Advances, deposits and prepayments	6,036	6,036	-	-
Interest, mark-up and profit accrued	49,152	49,152	-	-
Receivable against sale of securities	2,857	2,857	-	-
Other receivables	21,184	21,184	-	-
Cash and bank balances	112,664	112,664	-	-
	6,548,654	3,811,388	1,443,578	1,293,688
Liabilities				
Term finance certificates	311,280	124,950	186,330	-
Finance	707,805	641,138	66,667	-
Certificates of deposit	2,656,875	2,491,745	165,130	-
Deposits on lease contracts	524,538	253,074	271,464	-
Borrowings from financial institutions	225,868	225,868	-	-
Interest and mark-up accrued	141,445	141,445	-	-
Payable against purchase of securities	74,647	74,647	-	-
Accrued expenses and other liabilities	38,734	38,734	-	-
	4,681,192	3,991,601	689,591	-
	1,867,462	(180,213)	753,987	1,293,688

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For the Year Ended June 30, 2009

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 and advances - 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	35,767	35,767	-	-
Cash and bank balances	849,863	849,863	-	-
	9,831,385	7,028,617	1,951,690	851,078
Liabilities				
Term finance certificates	435,110	124,950	310,160	-
Finance	1,189,182	780,849	408,333	-
Certificates of deposits	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	-	-
	7,649,150	6,040,538	1,608,612	-
	2,182,235	988,079	343,078	851,078

51 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 recognised and IGI BANK recognises 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 capitalised 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.

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

The Securities Exchange Commission of Pakistan through its SRO 1203(I)2008 dated November 21, 2008 has issued Non-Banking Finance Companies and Notified Entities Regulations, 2008 in which the capital requirements for NBFCs 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 aforementioned regulations for the year ended June 30, 2009. The Board of Directors and the management of IGI BANK is committed to comply with the minimum capital requirements specified in the regulations for future years.

52 FAIR VALUE OF FINANCIAL INSTRUMENTS

52.1 As at June 30, 2009, 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.

(c) Other financial instruments

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

53 SEGMENTAL ANALYSIS

IGI BANK's activities are broadly categorised 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.

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

	-----2009-----		
	Financing activities	Investing activities	Total
	(Rupees in '000)		
Income from investments	-	240,453	240,453
Income from loans and advances	127,259	-	127,259
Income from lease finance	267,667	-	267,667
Income from lendings, continuous funding system transactions and bank deposits	-	120,409	120,409
Income from fees, commission and brokerage	-	39,042	39,042
Total income for reportable segments	394,926	399,904	794,830
Finance costs	(340,936)	(302,416)	(643,352)
Administrative and general expenses	(28,004)	(31,236)	(59,240)
Provision for bad and doubtful debts (general and specific)	(118,915)	-	(118,915)
Provision against investments	(2,767)	-	(2,767)
Impairment charge for diminution in available for sale investments	-	(274,498)	(274,498)
Segment result	<u>(95,696)</u>	<u>(208,246)</u>	<u>(303,942)</u>
Other operating income			4,769
Unallocated administrative expenses			(148,853)
Other operating expenses			(2,628)
Loss before taxation			<u>(450,654)</u>
Segment assets	<u>2,621,449</u>	<u>3,435,453</u>	6,056,902
Unallocated assets			491,752
			<u>6,548,654</u>
Segment liabilities	<u>2,633,888</u>	<u>2,027,717</u>	4,661,605
Unallocated liabilities			19,587
			<u>4,681,192</u>
Unallocated capital expenditure - tangible			<u>18,280</u>
Unallocated capital expenditure - intangible			<u>893</u>
Segment depreciation and amortisation of fixed assets	<u>14,018</u>	<u>13,865</u>	<u>27,883</u>

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

	-----2008-----		
	Financing activities	Investing activities	Total
	(Rupees in '000)		
Income from investments	-	227,668	227,668
Income from loans and advances	122,243	-	122,243
Income from lease finance	231,396	-	231,396
Income from lendings, continuous funding system transactions and bank deposits	-	134,477	134,477
Income from fees, commission and brokerage	-	62,637	62,637
Total income for reportable segments	353,639	424,782	778,421
Finance costs	(362,995)	(208,091)	(571,086)
Administrative and general expenses	(27,765)	(31,855)	(59,620)
Provision for bad and doubtful debts (general and specific)	(29,172)	-	(29,172)
Provision against investments	(3,879)	-	(3,879)
Segment result	<u>(70,172)</u>	<u>184,836</u>	<u>114,664</u>
Other operating income			16,992
Unallocated administrative expenses			(174,488)
Other operating expenses			(2,805)
Loss before taxation			<u>(45,637)</u>
Segment assets	<u>4,365,843</u>	<u>4,151,681</u>	8,517,524
Unallocated assets			1,313,861
			<u>9,831,385</u>
Segment liabilities	<u>595,429</u>	<u>-</u>	595,429
Unallocated liabilities			7,053,721
			<u>7,649,150</u>
Unallocated capital expenditure - tangible			45,724
Unallocated capital expenditure - intangible			3,583
Segment depreciation and amortisation of fixed assets	<u>14,973</u>	<u>9,291</u>	<u>24,264</u>

Notes to and Forming Part of the Financial Statements

For the Year Ended June 30, 2009

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

54 CORRESPONDING FIGURES

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

- Investment in unlisted shares amounting to Rs. 62.782 million previously appearing under the head 'short term investment' has now been re-classified to 'long term investment.'

55 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 20, 2009 by the Board of Directors of IGI BANK.

56 GENERAL

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

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

Profit and Loss Account

For the Year Ended June 30, 2009

	Note	2009 (Rupees in thousand)	2008
Income			
Income from investments	33	240,453	227,668
Income from loans and advances	34	127,259	122,243
Income from lease finance	35	267,667	231,396
Income from lendings and continuous funding system transactions	36	94,947	120,193
Income from fees, commission and brokerage	37	39,042	62,637
		769,368	764,137
Finance costs	38	643,352	571,086
		126,016	193,051
Administrative and general expenses	39	208,593	234,108
		(82,577)	(41,057)
Other operating income	41	30,231	31,276
		(52,346)	(9,781)
Other operating expenses	42	4,895	6,684
Operating loss before provisions		(57,241)	(16,465)
Provision for bad and doubtful loans and advances / potential lease losses general - net	6.6 & 7.4	(1,276)	(5,257)
Provision for bad and doubtful loans and advances / lease losses - specific - net	6.6, 7.4 & 10.2	(117,639)	(23,915)
		(118,915)	(29,172)
Impairment against investments:			
- fund placements and debt security	13.1 & 13.2	(99,000)	-
- equity securities			
- equity securities sold during the year	21.1	(135,287)	-
- equity securities and units of mutual funds held as at year end	21.1	(40,211)	-
		(175,498)	-
		(274,498)	-
Loss before taxation		(450,654)	(45,637)
Taxation - net	43	75,568	39,251
Loss after taxation		(375,086)	(6,386)
-----Rupees-----			
Loss per share	44	(1.77)	(0.06)

The annexed notes 1 to 56 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

Statement of Changes in Equity

For the Year Ended June 30, 2009

	Issued, subscribed and paid-up capital	Statutory reserve	General reserve	Accumulated losses	Total
------(Rupees in thousand)-----					
Balance as at June 30, 2007	922,184	97,098	55,408	(7,155)	1,067,535
Issue of right shares	1,198,841	-	-	-	1,198,841
Loss after taxation for the year ended June 30, 2008	-	-	-	(6,386)	(6,386)
Share issue cost *	-	-	(15,675)	-	(15,675)
Balance as at June 30, 2008	2,121,025	97,098	39,733	(13,541)	2,244,315
Loss after taxation for the year ended June 30, 2009	-	-	-	(375,086)	(375,086)
Balance as at June 30, 2009	2,121,025	97,098	39,733	(388,627)	1,869,229

*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 relevant International Accounting Standard.

The annexed notes 1 to 56 form an integral part of these financial statements.