IGI
Investment Bank

CONTENTS

BOARD OF DIRECTORS

IGI Investment Bank is governed by the following Board of Directors:

Syed Babar Ali
Chairman

Towfiq H. Chinoy

Farid Khan

Arif Faruque

Jalees A. Siddiqi

Khalid Yacob

Tariq H. Quraishi
Managing Director
& Chief Executive

KEY MANAGEMENT

Tariq H. Quraishi
Managing Director and Chief Executive

Syed Raza Hussain Rizvi
Chief Financial Officer

Sher Afghan Hidayatullah
Company Secretary

Aisha Kirmani
Investment Advisory

Sardar M. Omer
Head - Corporate Marketing (North)

Faraz Ahmed
Head – Corporate Marketing (South)

Saqib Aziz
Head – Corporate Finance & Risk Management

Fauzia Ahmad
Head – Human Resources & Administration

Muhammad Faisal Younus Bawani
Head – Information Technology

Syed Zafarullah Maqdi
Head – Compliance

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COMPANY INFORMATION

Audit Committee
Mr. Khalid Yacob, Chairman
Mr. Jalees A. Siddiqi
Mr. Farid Khan

Auditors
M/s. Ernst & Young Ford Rhodes
Sidat Hyder & Co.,
Chartered Accountants

Legal Advisors
M/s Access World Law Company
M/s A.W. Butt & Associates
M/s Azam Lawyers & Consultants
M/s Chaudhry Abdul Rauf & Co.
M/s S. & B. Durrani Law Associates
M/s Hassan & Hassan Advocates
M/s Haider Mota & Co.
M/s Jurists & Arbitrators Advocates & Consultants
M/s Lexicon Law Firm
M/s Mandviwala & Zafar Advocates
M/s Mian Law Associates
M/s Mohsin Tayebaly & Co.
M/s Mughees Law Associates
M/s Naveed ul Zaman & Associates
M/s ORR, Dignam & Co.
M/s Rahman Law Associates

Bankers
Allied Bank Ltd.
Bank AL Habib Ltd.
Faysal Bank Ltd.
Habib Metro Bank Ltd.
JS Bank Ltd.
MCB Bank Ltd.
NIB Bank Ltd.
Soneri Bank Ltd.
Standard Chartered Bank
Summit Bank
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
Fax: (042) 111-567-567
(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

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

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

Website
www.igiinvestmentbank.com.pk

Email
contact.center@igi.com.pk

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COMPANY PROFILE

IGI Investment Bank Limited, established in 1990 specializes in providing innovative solutions for a full spectrum of financial products and services designed to meet financial needs of a wide variety of clients, including individuals, small businesses, government organizations and multinational companies across the country.

IGI Investment Bank is licensed by the SECP (Securities and Exchange Commission of Pakistan) to carry out and undertake Investment Finance and Leasing & Lending services as per NBFC Rules and Regulations. Furthermore Pakistan Credit Rating Agency (PACRA) has rated IGI Investment Bank a long-term credit rating of 'A-' and short-term rating of 'A2'.

The Bank is listed on the Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. Operating in Karachi, Lahore and Islamabad. IGI Investment Bank offers and provides both individual investors and corporate clients a diversified range of financial services, which include:

Mutual Funds Advisory - Fund Select
Fund Select is an advisory service through which qualified financial advisors help clients build their mutual fund portfolios through customized investment solutions providing ample growth opportunities while considering their risk profile. Fund Select makes mutual fund selection and investment an easy task for the investors as it offers both free-advice and execution.

Separately Managed Accounts (SMA)
Under this portfolio management/advisory service, investments of corporations and high net worth individuals (previously called wealth management) alike are customized and managed according to each client's requirements, ensuring maximum returns while minimizing risk. The objective is to provide professional management services and advice to clients on portfolios in sectors where the expertise is lacking.

Certificate of Deposits (COD)
Our deposit products offer attractive profit rates for varied deposit terms commensurate with the requirement of our clients. The Deposit plans offer a sound mode of investment 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. Our extensive experience of money market, corporate debt market, and equities market helps us to give best possible returns on clients' investments.

Debt Advisory
Information is provided to clients about the latest happenings in the debt and money market to let them take informed decisions on their investments. We also facilitate our clients to explore investment opportunities in these instruments.

Insurance Advisory
IGI Investment Bank has entered into strategic partnership with leading insurance companies of the country to provide our clients with the most appropriate and customized insurance plans to cater for their future needs.

Corporate Finance & Advisory
Corporate Finance & Advisory assists its clients in meeting the challenges of a dynamic market. We provide Arrangement and Advisory Services including Debt and Equity Placements, Corporate Restructuring - Mergers & Acquisitions.

Leasing and Lending
IGI Investment Bank has been offering leasing and financing of plant and machinery, equipment and vehicles to a cross section of the economy and clients in major cities of the country.

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NOTICE OF THE TWENTY SECOND ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Second Annual General Meeting of IGI Investment Bank Limited will be held at 5 F.C.C., Ground Floor, Syed Maratib Ali Road, Gulberg, Lahore, on October 18, 2012 at 10:00 a.m to transact the following businesses:

ORDINARY BUSINESS:

1. To confirm the minutes of Annual General Meeting of the Company held on October 21, 2011.

2. To receive and adopt the audited accounts for the year ended June 30, 2012 together with the directors' report to the shareholders and auditors' report thereon.

3. To appoint auditors and to fix their remuneration. M/s. Ford Rhodes Sidat Hyder & Co. chartered Accountants, retiring and being eligible, offer themselves for appointment as auditors of the company.

4. To elect directors in accordance with the provisions of section 178 of the Companies Ordinance, 1984 for a term of three years commencing November 10, 2012.

   As resolved by the Board Resolution dated September 10, 2012, the number of directors on the board would continue to be seven as at present.

   The current Directors of the Company will retire on November 9, 2012. The retiring directors, namely Syed Babar Ali, Mr. Khalid Yacob, Mr. Arif Faruque, Mr. Towfiq Habib Chinoy, Mr. Farid Khan, Mr. Jalees Ahmed Siddiqi and Mr. Tariq Hasan Quraishi, being eligible, have notified their intention to offer themselves for re-election as Directors for a fresh term of three years commencing November 10, 2012.

6. To transact any other business with the permission of the Chair.

By order of the board

Sher Afghan Hidayatullah
Company Secretary

Karachi:
September 27, 2012

NOTES:

1. Any person who seeks to contest the election of directors shall file with the company at its registered office, not later than fourteen days before the day of the above said meeting, his/her intention to offer himself/herself for the election of directors in terms of section 178(3) of the Companies Ordinance, 1984 together with the following:

   (a) consent in form 28;

NOTICE OF THE TWENTY SECOND ANNUAL GENERAL MEETING

(b) a declaration with consent to act as directors in the prescribed form, under the code of Corporate Governance, to the effect that he/she is aware of duties and powers of directors under the Companies Ordinance, 1984, the Memorandum and Articles of Association of the company and the listing regulation of the Karachi, Lahore and Islamabad Stock Exchanges and has read the relevant provisions contained therein; and

(c) a declaration in terms of of the Code of Corporate Governance to the effect that he/she is not serving as a director of more than seven listed companies, that his/her name is borne on the register of national tax payers (except where he/she is a non-resident), that he/she has not been convicted by a court of competent jurisdiction as defaulter in payment of any loan to a banking company, a development financial institution or a non-banking financial institution.

2. The share transfer books of the company will remain closed from October 11, 2012 to October 18, 2012 (both days inclusive).

3. A member entitled to attend and vote at the meeting may appoint a proxy. A proxy need not be a member of the company.

4. Duly completed form of proxy must be received at the Registered Office of the company not later than forty-eight hours before the time appointed for the Meeting.

5. Shareholders are requested to notify any changes in their addresses immediately.

6. Account holders and sub-account holders holding book entry securities of the Company in the Central Depository Company of Pakistan Limited, who wish to attend the Annual General Meeting, are requested to bring original Computerized National identity Cards with copies thereof duly attested by their bankers for identification purposes.

7. Form of proxy is attached to this notice.

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SUMMARY OF KEY OPERATING AND FINANCIAL DATA

(Rupees in Thousands)

	June 30 2012	June 30 2011	June 30 2010	June 30 2009	June 30 2008	June 30 2007
Share Capital and reserves						
Paid-up Capital	2,121,025	2,121,025	2,121,025	2,121,025	2,121,025	922,184
Reserves	(870,655)	(647,800)	(478,805)	(251,796)	123,290	145,351
	1,250,370	1,473,225	1,642,220	1,869,229	2,244,315	1,067,535
(Defecit) / Surplus on revaluation of investments - net	(37,394)	(55,544)	(37,305)	(1,767)	(62,069)	(17,977)
Finance provided						
Term finance	199,797	314,859	405,868	764,041	966,615	803,292
Lease finance	555,328	665,087	1,095,712	1,829,096	2,458,004	2,158,836
	755,125	979,946	1,501,580	2,593,137	3,424,619	2,962,128
Investments (including repos and excluding reverse repos)						
Government securities	399,512	3,618,732	1,155,965	457,692	472,320	201,254
Listed term finance certificates	359,528	640,534	1,275,520	289,346	148,603	152,579
Unlisted term finance certificates	741,579	923,445	691,385	363,159	180,509	109,995
Listed shares, units, certificates and modarba certificates	436,731	518,292	918,018	569,749	577,722	679,240
Unlisted shares, units, certificates and modarba certificates	26,179	22,932	22,932	98,932	102,782	62,782
Investment in Subsidiaries	791,435	855,643	860,324	895,011	842,511	682,571
	2,754,964	6,579,578	4,924,144	2,673,889	2,324,447	1,888,421
Balances and placements with banks / financial institutions (excluding balances with the State Bank of Pakistan and Reverse repos)	-	-	129,000	513,000	622,243	340,000
Certificates of deposit issued	2,600,940	3,029,750	3,881,951	2,656,875	3,475,159	2,727,530
Term finance certificates issued	-	62,475	187,083	311,280	435,110	495,921
(Loss) / profit before taxation	(209,045)	(88,688)	(386,417)	(450,654)	(45,637)	(79,267)
(Loss) / profit after taxation	(222,855)	(168,995)	(199,370)	(375,086)	(6,386)	(39,157)
Cash dividend	-	-	-	-	-	-
Bonus Shares issue	-	-	-	-	-	-

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, 2012 to the Twenty Second Annual General Meeting of the shareholders.

General Overview

The Year 2011-2012 has been another challenging period for the country. Uncertain political environment, energy crises and security situation exerted significant pressures on the economy. The NBFC sector has continued to face impediments in its business activities due to factors such as overall reluctance of the financial institutions/banks to provide long term borrowing lines, high interest rates and continuous increase in costs of doing business for the industry. The stock market showed considerable improvement in volumes as well as index towards the beginning of the current calendar year with decline in volumes towards the second quarter current calendar year, thus stability of the same and resultant sustainable benefits to investors are yet to be witnessed.

Your company closed the year with an after tax loss of Rs. 222.855 million as at June 30, 2012 as compared to a loss of Rs. 168.995 million in the corresponding period last year. The company has reported an after tax loss of Rs. 82.261 million for the quarter ended June 30, 2012 compared to after tax loss of Rs. 199.520 million in the corresponding period last year. This was due to substantial decrease in income from leasing and lending portfolio because of increase in overdue leases and loans. During the period under review provision against leasing and lending assets has been made as per the applicable regulations after taking the benefit of forced sale value of assets where applicable. Furthermore impairment has been recorded on investment in certain Term Finance Certificates and investment in the wholly owned subsidiary, IGI Finex Securities Limited.

Your company's loss before taxation is Rs. 209.045 million for the year ended June 30, 2012 compared to loss before taxation of Rs. 88.688 million in the previous year. Your Company has been assigned its long term and short term entity ratings at 'A-' and 'A2' respectively by the Pakistan Credit Rating Agency (PACRA).

Financial Summary

	-------------Rs. in million--------------	
	2012	**2011**
Gross Revenue	547.980	933.565
Loss for the year before taxation	(209.045)	(88.688)
Taxation – net	(13.810)	(80.307)
Loss for the year after taxation	(222.855)	(168.995)
Total Assets	4,284.39	8,721.11
Loss per Share (In Rupee)	(1.05)	(0.80)

Our income from fund placements and financing, including lease finance, decreased by Rs. 218.059 million to Rs. 108.346 million and is in line with the strategy of the bank keeping in view the situation prevalent during the year. Our net fund based loss increased by Rs. 111.045 million from last year and stood at Rs. 10.939 million in the current year. The income from investments decreased from Rs. 679.386 million and stood at Rs. 404.215 million during the current year. The revenue generated from fee based lines of business i.e. brokerage, corporate finance & advisory and portfolio management increased from Rs. 26.448 million in last year to Rs. 26.628 million in the current year.

Due to net loss incurred during the current financial year the company will not pay any dividend or issue any bonus shares.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Strategic Investments

IGI Funds Limited

IGI Funds Limited is a wholly owned subsidiary of IGI Investment Bank and was established to capitalize on the growth potential of the asset management industry.

On the back of recent initiatives taken by the management in terms of cost rationalization the company's profitability has seen an improvement. It is focusing on increasing its retail client base through employment of various distribution channels; which has resulted in increasing the size of some of the mutual funds under its management.

IGI Funds is committed to provide quality service to institutional and retail clients and maintaining the highest standards of ethical and professional conduct. Although the current challenges in the operating environment and downturn in the capital markets have impeded growth prospects for the overall industry, we believe that IGI Funds is well-placed to withstand these challenges.

Key Financial Data

	-------------Rs. in million	--------------
	2012	**2011**
Gross Revenue	67.635	62.022
Administrative & other expenses	(50.378)	(46.470)
Profit before taxation	17.251	15.484
Profit after taxation	12.338	13.133
Earning per share	0.53	0.56

Funds under Management

	-------------Rs. in million	--------------
Fund	**2012**	**2011**
IGI Income Fund	893.44	830.10
IGI Stock Fund	280.66	282.39
IGI Islamic Income Fund	202.21	680.47
IGI Money Market Fund	2,901.17	2,694.68
IGI Aggressive Income Fund	788	721.73
IGI Capital Protected Fund	276.712	-
Total	**5,342.19**	**5,209.37**

IGI Finex Securities

IGI Finex Securities is a corporate member of the Karachi and Lahore Stock Exchanges and also a member of the National Commodity Exchange.

DIRECTORS' REPORT TO THE SHAREHOLDERS

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 by providing them a comprehensive research based overview of the economy, timely information on matters relating to the capital markets and maintaining a close liaison with them.

During 2011-2012, IGI Finex Securities sustained an after tax loss of Rs.393.3 million consequent to substantial provisioning recorded in its books against doubtful receivables. Keeping in view the same, the main sponsor of the financial group injected a large amount of Rs.650 million in IGI Finex Securities in December, 2011. As at June 30, 2012, this amount is recorded as an advance against issue of non-voting, non-redeemable, non-convertible and non-cumulative preference shares to be issued by IGI Finex Securities to the sponsor after completing all the regulatory formalities.

	-------------Rs. in million--------------	
	2012	**2011**
Gross Revenue	68.898	129.11
Loss before taxation	(614.589)	(58.530)
Taxation – net	221.275	19.805
Loss for the year after taxation	(393.314)	(38.725)
Total Assets	653.807	1,464.030
Share Capital and Reserves	486.357	229.672

Gross revenue of Rs. 68.898 million in these difficult times exhibits the resilience of the systems and the comfort of the clients in the sponsors and the services being provided by the company. Total assets at year end decreased by 55.34% from last year's Rs. 1,464.030 million to Rs. 653.807 million this year. Share capital and reserves have increased by 111.76% from last year’s Rs.229.672 million to Rs.486.357 million.

IGI Finex Securities’ will retain its basic philosophy and the objectives to be recognized as one of the leading brokerage firms. The overall corporate culture and philosophy of the group will drive the objectives of the company through its 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 its market presence. The Company has over the past few years introduced a number of new products and services, and with a new top management in control, expects to focus on ensuring a profitable growth during the next financial year.

Segments at a glance

Cash & Treasury Management

The Treasury at IGI Investment Bank played a vital role in the overall performance. The flagship department contributed 87.17% to the revenues with Rs. 477.695 million being contributed by treasury from a total of Rs. 547.980 million. Below is a glimpse of the income generated by the department

DIRECTORS' REPORT TO THE SHAREHOLDERS

	Rs. in thousands
Profit on PIBs / FIBs /T-BILLs	114,523
Mark up on TFCs	204,605
Return on fund placements	471
Return on reverse repo arrangements	72,984
Return on bank balances	7,698
Dividend on quoted securities and mutual fund units	30,177
Trading income on PIBs / FIBs / TFCs / Securities	47,237
Total	**477,695**

The department was successful in mobilizing and retaining lower cost deposits. The deposit base decreased from Rs.3.03 billion as at June 30, 2011 to Rs. 2.60 billion as at June 30, 2012. Your company is continuously rationalizing the deposit rates in line with the prevailing market conditions and the discount rate. Your company is also maintaining the SLR requirements by investing 15% of the deposits in unencumbered Treasury Bills and PIBs.

Investment Advisory

During the previous year, Fund Select and Wealth Management businesses were merged to form the Investment Advisory business. Currently, the sales and research teams work together to identify clients and develop a portfolio that best meets requirements from a range of product offerings. The department provides a one stop solution to institutional and retail investors alike enabling them to seek in-depth expert advice in a number of asset classes including but not restricted to debt securities, mutual funds, equities, deposit plans, insurance and commodities.

The department has been able to sustain immense competition from other advisory firms and has reported growth over the last year revenues. It has truly emerged as one of the most promised business segments for the bank and has shown the potential to further increase its market share with its innovative business model.

Commercial Financing & Leasing

The bank’s lending and leasing products include direct lease, sale and leaseback, short term loans, and term loans for BMR, acquisition and expansion and project financing.

Presently the team at Corporate Marketing department is focused on recovery efforts to control the default risk in the SME sector. Leasing and Lending was reduced given the economic backdrop in the current year.

Corporate Finance

The Corporate Finance department was reinitiated in 2004-2005. The department has focused on building a reputation in catering towards advising medium-sized enterprises on meeting their objectives. To further this objective, IGI has partnered with International Executive Service Corps (IESC) in Washington, D.C. to assist companies in Pakistan in seeking loans from the Overseas Private Investment Corporation (OPIC), United States. In 2007, IGI began offering Trustee services for TFC issues. Currently, the Bank is Trustee for twelve TFC issues.

Corporate Finance’s future strategy is to leverage the clientele of other IGI Financial Services departments/companies to enhance their own distribution capabilities. The strategy is expected to result in the ability to diversify and increase the existing investor base for capital market issues.

DIRECTORS' REPORT TO THE SHAREHOLDERS

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) has assigned the long term and short term entity ratings of IGI Investment bank at ‘A-’ and ‘A2’ respectively.

Directors

During the year under review, the Board met 4 times. The attendance of each Director at the Board meetings is given below.

Directors	Number of board meetings attended
Syed Babar Ali – Chairman	3
Mr. Khalid Yacob	4
Mr. Farid Khan	3
Mr. Arif Faruque	2
Mr. Towfiq H. Chinoy	1
Mr. Jalees A. Siddiqi	4
Tariq H. Quraishi - Managing Director & Chief Executive	2
Syed Javed Hassan (Ex-Managing Director & C.E.O)	2

Auditors

The present auditors are M/s Ernst & Young Ford Rhodes Sidat Hyder & Co, Chartered Accountants.

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 for the year ended June 30, 2012, the investments of the fund amounting to Rs. 16.32 million.

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:

a. The financial statements, prepared by the management of the company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.

b. Proper books of account of the company have been maintained.

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

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

e. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and these have been effectively implemented and monitored. Timely corrective action is taken to address any exceptions that are identified.

f. There are no significant doubts upon the company's ability to continue as a going concern.

Future

During the current year, the Bank and Bank Alfalah Limited (BAL) have entered into negotiations for the potential takeover by BAL of the Bank together with its wholly owned subsidiaries. It is proposed that the takeover would be implemented by way of merger in terms of a scheme of amalgamation under section 48 of the Banking Companies Ordinance, 1962. In this respect, BAL has commenced due diligence of the Bank along with its subsidiaries which is currently underway. Subject to the result of the due diligence, applicable consents and regulatory approvals (if required), the parties will enter into a definitive agreement, which will cover the swap ratio of shares/ consideration value as well. Till this definitive agreement is signed, there is no binding commitment on the part of the parties to proceed with the merger. This information has already been communicated to the Stock Exchange(s) on which shares of the Company are listed.

While the aforesaid negotiations are underway, the management will continue to endeavor towards long term shareholder value creation. The sponsor of the Bank is committed to provide continuing financial support to the Bank if and when required, to facilitate your Bank's sustainability, profitability and growth, maintaining of adequate capital as required under NBFC Regulations, 2008 and so that your Bank carries on its affairs in such a way that it continues to be able to meet its financial obligations and realise its assets in the ordinary course of business.

Your Bank will continue to observe its core values of integrity, innovation and fairness, which have always been a hallmark of all Packages group companies.

DIRECTORS' REPORT TO THE SHAREHOLDERS

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. Trading 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 are as follows:

	Holding	Trading
Syed Babar Ali (Chairman)	9,796,627	Nil
Tariq H. Quraishi (Managing Director & C.E.O)	Nil	Nil
Directors:		
Khalid Yacob	500	Nil
Towfiq H. Chinoy	500	Nil
Farid Khan	500	Nil
Arif Faruque	500	Nil
Jalees A. Siddiqi	500	Nil
Chief Financial Officer	Nil	Nil
Company Secretary	Nil	Nil
Spouses	185,726	Nil

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

SYED BABAR ALI
Chairman

TARIQ H. QURAISHI
Managing Director and Chief Executive

Date: August 28, 2012

REVIEW REPORT TO THE SHAREHOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2012 prepared by the Board of Directors of **IGI Investment Bank Limited** (the Bank) to comply with Listing Regulation No. 35 (Chapter XI) of The Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited, where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Bank's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

Further, the Listing Regulations require the Bank to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended 30 June 2012.

We draw your attention to clause 23 of the Statement which mentions certain requirements of the Code in respect of which progress is being made by the Bank to seek compliance by the end of next year.

Our conclusion is not qualified in respect of the above matter.

Ernst & Young Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: August 30, 2012
Karachi

STATEMENTS OF COMPLIANCE WITH THE BEST RACTICES OF THE CODE OF CORPORATE GOVERANCE

This statement is being presented to comply with the Code of Corporate Governance (The Code) contained in Regulation No. 35 (Chapter XI) of listing regulations of Karachi, 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 will encourage representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Mr. Arif Faruque, Mr. Farid Khan, Mr. Towfiq H. Chinoy
Executive Directors	Mr. Tariq Hasan Quraishi
Non-Executive Directors	Syed Babar Ali, Mr. Khalid Yacob

The independent directors will meet the criteria of independence under clause (i) b of the Code.

(This requirement will become applicable from the constitution of new Board upon expiry of term of the current Board).

2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including IGI Bank.

(The requirement of not serving as a director of more than seven listed companies, excluding the listed subsidiaries of listed holding companies, will become applicable from the constitution of new Board upon expiry of term of the current Board).

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 Financial Institution or a Non-Banking Finance Institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurring on the board on December 27, 2011 was filled up by the directors on the same day.

5. IGI Bank has prepared a 'Code of Conduct' (the Code) and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The Board has developed a statement of main purpose and guiding principles (vision/mission statement), overall corporate strategy and significant policies of IGI Bank. A complete record of particulars of significant policies along with dates on which they were prepared or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board/shareholders.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and 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.

9. The Board shall arrange training programs for its directors as per the prescribed schedule.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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.

IGI
Investment Bank

STATEMENTS OF COMPLIANCE WITH THE BEST RACTICES OF THE CODE OF CORPORATE GOVERANCE

12. The financial statements of IGI Investment Bank Limited 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. The Bank has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises of three members all of whom are non-executive Directors including an independent director. The Board shall ensure that the Chairman Audit Committee is an independent director for future compliance.

    (This requirement will become applicable from the constitution of new Board upon expiry of term of the current Board).

16. The Board has formed an HR and Remuneration Committee. It comprises four members, of whom three are non executive directors and the chairman of the committee is an Independent Director.

17. 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.

18. The Board has outsourced its internal audit function to KPMG Taseer Hadi & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of IGI Bank.

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. The “Closed Period” prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the IGI Bank’s securities, was determined and intimated to Directors, Employees and Stock Exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through Stock Exchanges.

23. We confirm that all other material principles enshrined in the Code have been complied with. (Except for the followings, towards which reasonable progress is being made by the company to seek compliance by the end of the next year.)

    a) Qualification of CFO and Head of Internal Audit

    For and on behalf of the Board of Directors

SYED BABAR ALI
Chairman

TARIQ H. QURAISHI
Managing Director and Chief Executive

Date: August 28, 2012

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of IGI Investment Bank Limited (the Bank) as at 30 June 2012 and the related profit and loss account, statement of cash flows 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 Bank's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

(a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984;

(b) in our opinion :

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes, as stated in note 3.1 with which we concur;

  (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank.

(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, statement of cash flows 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 Bank's affairs as at 30 June 2012 and of the loss, comprehensive loss, 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 Bank and deposited in the Central Zakat Fund established under section 7 of the Ordinance.

We draw your attention to the following matters:

  (i) note 1.3 to the accompanying financial statements which explains that negotiations are currently underway for a potential takeover of the Bank by an investor by way of a merger in terms of a scheme of amalgamation under Section 48 of the Banking Companies Ordinance, 1962. The said note also discloses the future plans of the Bank (including the availability of financial support by the Sponsor) in the event that the above referred takeover does not materialise.

  (ii) note 11.2 to the accompanying financial statements which states that the management has carried out an assessment of the recoverability of the deferred tax asset on the basis of financial projections for future years, as approved by the Board of Directors of the Bank. These projections take into account various assumptions regarding the future business and economic conditions. A significant change in the assumptions used may impact the value of the deferred tax asset recorded in the financial statements.

Our opinion is not qualified in respect of the above matters.

Ernst & Young Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: August 30, 2012
Karachi

BALANCE SHEET
AS AT JUNE 30, 2012

	Note	2012	2011
		-------- (Rupees in '000) -------	
ASSETS			
Non-current assets			
Fixed assets	7	56,649	43,781
Long-term investments	8	1,067,614	1,089,280
Long-term loans and advances	9	143,646	246,524
Net investment in finance lease	10	32,221	142,264
Long-term deposits		4,934	5,345
Deferred tax asset - net	11	293,930	302,793
		1,598,994	1,829,987
Current assets			
Current maturity of non-current assets	12	576,752	559,866
Short-term loans and advances	13	2,506	31,292
Lendings - secured		-	298,000
Short-term investments	14	1,687,349	5,495,231
Taxation - net		236,019	241,081
Prepayments and other receivables	15	29,350	90,461
Interest, mark-up and profit accrued	16	27,147	49,788
Cash and bank balances	17	126,282	125,406
		2,685,405	6,891,125
TOTAL ASSETS		4,284,399	8,721,112
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	2,121,025	2,121,025
Reserves	19	136,831	136,831
Accumulated loss		(1,007,486)	(784,631)
		1,250,370	1,473,225
Deficit on revaluation of investments - net of tax	20	(37,394)	(55,544)
Non-current liabilities			
Long-term finance	21	-	50,000
Long-term certificates of deposit	22	378,997	359,933
Long-term deposits under lease contracts	23	13,375	49,218
		392,372	459,151
Current liabilities			
Current maturity of non-current liabilities	24	1,072,861	1,282,078
Short-term certificates of deposit	25	1,460,177	1,836,032
Borrowings from financial institutions		-	3,486,253
Interest and mark-up accrued	26	109,676	171,204
Trade and other payables	27	36,337	68,713
		2,679,051	6,844,280
TOTAL LIABILITIES		3,071,423	7,303,431
Contingencies and commitments	28		
TOTAL EQUITY AND LIABILITIES		4,284,399	8,721,112

The annexed notes from 1 to 48 form an integral part of these financial statements.

SYED BABAR ALI	**TARIQ H. QURAISHI**
Chairman	**Managing Director and Chief Executive**

IGI
Investment Bank

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		--------- (Rupees in '000) ---------	
Income			
Income from investments	29	404,215	679,386
Income from loans and advances	30	15,124	36,730
Income from lease finance	31	19,767	76,955
Income from lendings - secured		72,984	99,662
Income from fees, commission and brokerage	32	26,628	26,448
		538,718	919,181
Finance costs	33	523,029	792,627
		15,689	126,554
Administrative and general expenses	34	140,397	186,295
		(124,708)	(59,741)
Other operating income	35	9,262	14,384
		(115,446)	(45,357)
Other operating expenses	36	9,965	6,827
Operating loss before provisions		(125,411)	(52,184)
Reversal / (provision) for bad and doubtful loans and advances / lease losses - specific - net	9.4, 10.4 & 13.3	58,495	(10,485)
		58,495	(10,485)
Impairment against investments:			
term finance certificates - net	14.5	(77,921)	(16,405)
equity securities:			
equity securities held as at year end		-	(4,933)
unquoted subsidiary company	8.1	(64,208)	(4,681)
		(64,208)	(9,614)
		(142,129)	(26,019)
Loss before taxation		(209,045)	(88,688)
Taxation - net	37	(13,810)	(80,307)
Loss for the year		(222,855)	(168,995)
Other comprehensive income - net of tax		-	-
Total comprehensive loss - net of tax		(222,855)	(168,995)
		------------- (Rupee) -------------	
Loss per share - basic	38	(1.05)	(0.80)

The annexed notes from 1 to 48 form an integral part of these financial statements.

SYED BABAR ALI	TARIQ H. QURAISHI
Chairman	Managing Director and Chief Executive

IGI
Investment Bank

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		-------- (Rupees in '000) -------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	41	329,332	(1,254,044)
Disbursements of long-term loans and advances - net		56,946	104,027
Net recovery from finance lease		195,387	417,339
Long-term deposits		411	-
(Disbursement) / repayments of long-term certificates of deposit - net		(52,955)	577,111
Payments of deposits under lease contracts		(60,566)	(97,851)
Interest, mark-up and profit received		459,511	725,851
Dividend received		39,004	57,777
Finance cost paid		(584,557)	(778,748)
Income tax paid		(8,023)	(13,732)
Gratuity paid		(5,039)	(876)
Net cash flows generated from / (used in) operating activities		369,451	(263,146)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(34,196)	(13,911)
Proceeds from long-term investments - net		21,666	415,341
Proceeds from disposal of fixed assets		10,952	9,093
Net cash flows (used in) / generated from investing activities		(1,578)	410,523
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal redemption of term finance certificates		(62,475)	(124,950)
Long-term finance - net repaid		(100,000)	(166,667)
Net cash flows used in financing activities		(162,475)	(291,617)
Net increase / (decrease) in cash and cash equivalents		205,398	(144,240)
Cash and cash equivalents at the beginning of the year		(79,116)	65,124
Cash and cash equivalents at the end of the year	42	126,282	(79,116)

The annexed notes from 1 to 48 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

TARIQ H. QURAISHI
Managing Director and Chief Executive

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2012

	Issued, subscribed and paid-up capital	Reserves			Total
		Capital	Revenue		
		Statutory reserve	General reserve	Accumulated loss	
	------------	------------	(Rupees in '000)	------------	------------
Balance as at July 01, 2010	2,121,025	97,098	39,733	(615,636)	1,642,220
Loss for the year ended June 30, 2011	-	-	-	(168,995)	(168,995)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	-	(168,995)	(168,995)
Balance as at June 30, 2011	2,121,025	97,098	39,733	(784,631)	1,473,225
Balance as at July 01, 2011	2,121,025	97,098	39,733	(784,631)	1,473,225
Loss for the year ended June 30, 2012	-	-	-	(222,855)	(222,855)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	-	(222,855)	(222,855)
Balance as at June 30, 2012	2,121,025	97,098	39,733	(1,007,486)	1,250,370

The annexed notes from 1 to 48 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

TARIQ H. QURAISHI
Managing Director and Chief Executive

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 IGI Investment Bank Limited (the Bank) is a public limited company incorporated in Pakistan on February 07, 1990 under the Companies Ordinance, 1984. The 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). The Bank's shares are quoted on the Karachi, Islamabad and Lahore Stock Exchanges. The registered office of the 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 the Bank for the year ended June 30, 2011, the Pakistan Credit Rating Agency (PACRA) has rated the Bank at 'A-' (long term credit rating) and at 'A2' (short-term credit rating).

1.2 These financial statements are the separate financial statements of the Bank. In addition to these financial statements, consolidated financial statements of the Bank and its subsidiary companies, IGI Finex Securities Limited and IGI Funds Limited (the Group), have also been prepared. As required by the International Financial Reporting Standards (IFRSs), segment information is presented only in consolidated financial statements of the Group.

1.3 During the current year, the Bank and Bank Alfalah Limited (BAL) entered into negotiations for the potential takeover by BAL of the Bank together with its wholly owned subsidiaries. The takeover is expected to be implemented by way of merger in terms of a scheme of amalgamation under section 48 of the Banking Companies Ordinance, 1962. In this respect, BAL has commenced due diligence of the Bank along with its subsidiaries which is currently underway. Subject to the result of the due diligence, applicable consents and regulatory approvals, if required, the Bank and BAL will enter into a definitive agreement, which will cover the swap ratio of shares / consideration value as well. Till this definite agreement is signed, there is no binding commitment on the part of the parties to proceed with the merger. The above information has also been notified to the respective stock exchanges under the applicable laws and regulations.

In view of the existing financial condition of the Bank at the end of the current year, the sponsor of the Bank has committed to provide continuing financial support to the Bank i.e. in the form of subordinated loan / fresh injection of equity / additional funding or guarantees, so that in the event that the above referred takeover does not materialise, the Bank implements a set of financial projections (as more fully discussed in note 11.2 to these financial statements) encompassing sustainability, profitability and growth while maintaining adequate capital as required under NBFC Regulations, 2008 and carries on its affairs in such a way that it continues to be able to meet its financial obligations and realise its assets in the ordinary course of business.

2. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except for certain investments and derivative financial instruments which are accounted for as stated in notes 4.2 and 4.4 below.

3. 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 IFRSs issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the NBFC Rules, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

3.1 ACCOUNTING STANDARDS AND INTERPRETATIONS THAT BECAME EFFECTIVE DURING THE YEAR

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

3.1.1 New and amended standards and interpretations

The Bank has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IAS 24 - Related Party Disclosures (Revised)
IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IAS 1	- Presentation of Financial Statements
	- Clarification of statement of changes in equity
IAS 34	- Interim Financial Reporting
	- Significant events and transactions
IFRIC 13	- Customer Loyalty Programmes
	- Fair value of award credits

The adoption of the above standards, amendments interpretations and improvements did not have any material effect on the financial statements of the Bank.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Fixed assets

4.1.1 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 economic benefits associated with the asset will flow to the 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.

Depreciation on property and equipment is charged to profit and loss account using the straight line method in accordance with the rates specified in note 7.1 to these financial statements after taking into account residual value, if significant. The residual values and useful lives are reviewed and adjusted prospectively, 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.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

4.1.2 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 the Bank and the cost of the item can be measured reliably. Amortisation on intangible assets is charged to profit and loss account using the straight line method in accordance with the rates specified in note 7.2 to these financial statements after taking into account residual amount, if any. The residual values and useful lives are reviewed and adjusted prospectively, 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 amortisation is charged in the month of disposal.

Intangible assets having an indefinite useful life are carried at cost less any impairment in value and are not amortised. Intangible assets having an indefinite useful life are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account when the asset is derecognised.

4.2 Investments

The management of the 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 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) 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.

(c) Held-to-maturity

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

In accordance with the requirements of SECP, 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 (SBP) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

Premiums and discounts on held-to-maturity and available-for-sale investments are amortised using the effective interest rate method and taken to income from investments.

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 / (deficit) on revaluation of investments' on the balance sheet below equity is removed therefrom and recognised in the profit and loss account. Any subsequent increase in the value of these investments is taken directly to 'surplus / (deficit) on revaluation of investments' account 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, realised or transferred and the Bank has transferred substantially all risks and rewards of ownership.

(d) Investment in subsidiaries and associates

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.

4.3 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 Bank commits to purchase or sell the investment.

4.4 Derivative instruments

Derivative instruments held by the Bank generally comprise of future and forward contracts in the capital and money markets. These are stated at fair value at the balance sheet date. The fair value of the derivative is equivalent to the unrealised gain or loss from mark to market the derivative using prevailing market rates. Derivatives with positive market values (unrealised gains) are included in Prepayments and other receivables and derivatives with negative market values (unrealised losses) are included in Trade and other payables in the balance sheet. The resultant gains and losses are included in the 'surplus / (deficit) on revaluation of investments' in accordance with BSD Circular No. 20 dated August 04, 2000 issued by the SBP until the derivatives are settled.

4.5 Securities under repurchase / reverse repurchase agreements

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

a) Repurchase agreement

Investments sold with a simultaneous commitment to repurchase at a specified future date (Repo) continue to be recognised in the balance sheet and are measured in accordance with the accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is accrued as mark-up / interest expense on borrowings over the life of the repo agreement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

b) Reverse repurchase agreement

Reverse repurchase investments purchased with a corresponding commitment to resell at a specified future date (Reverse repo) are not recognised in the balance sheet. Amounts paid under these obligations are included in lendings. The difference between purchase and resale price is accrued as return from lendings over the life of the reverse repo agreement.

4.6 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 provision for doubtful finance, if any, determined as per the basis of the NBFC Regulations.

4.7 Net investment in finance lease

Leases in which the Bank transfers substantially all the risk and rewards incidental to the ownership of the asset to the lessee are classified as finance lease. A receivable is recognised at an amount equal to the present value of the lease payments, including any guaranteed residual value which are included in the financial statements as 'net investment in finance leases'.

Provision for non-performing leases is made in accordance with the requirements of the NBFC Regulations and is charged to the profit and loss account.

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

The provision for bad and doubtful loans and advances / lease losses, if any, is made in accordance with the requirements of the NBFC Regulations issued by the SECP.

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

4.9 Taxation

Current

Current tax is the expected tax payable on the taxable income for the year using tax rates prescribed by the tax law and after considering tax credits or adjustments available, if any.

Deferred

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of the deferred tax is provided at the tax rates enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forward unused tax credits and unused tax losses to the extent that it is probable that the deductible temporary differences will reverse in the future and sufficient taxable income will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred income tax relating to item recognised directly in equity is recognised in equity and not in profit and loss account.

4.10 Assets acquired in satisfaction of claims

The 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 the Bank and the net realisable value. The net gains or losses on disposal of these assets is taken to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

4.11 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.

4.12 Impairment

At each balance sheet date, the Bank reviews the carrying amounts of its assets for indications of impairment loss. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. 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.

4.13 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

4.14 Staff retirement benefits

4.14.1 Defined contribution plan

The Bank operates an approved Provident Fund for its permanent employees. Equal monthly contributions at the rate of 10% of the basic salary are made to the Fund both by the Bank and the employees.

4.14.2 Employees' compensated absences

Employees' entitlement to annual leave is recognised when they accrue to employees. A provision is made for estimated liability for annual leaves as a result of services rendered by the employee against unavailed leaves, as per term of service contract, up to balance sheet date.

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

4.16 Revenue recognition

Income from finance lease

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 NBFC Regulations issued by the SECP.

Income from loans and advances, investments and other sources

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 NBFC Regulations 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.

Dividend from equity securities is recognised when the 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.

Return on bank deposits are recognised on time proportionate basis.

Other income is recognised as and when incurred.

4.17 Foreign currency transactions

Transactions in foreign currencies are accounted for in Pak rupees at the rate of exchange ruling on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rate of exchange prevailing on the balance sheet date. Exchange gain / (loss) is charged to current year's profit and loss account. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

4.18 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Bank looses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account.

4.19 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Bank has a legally enforceable right to set-off the recognised amounts and also intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements requires the use of certain critical accounting judgments and estimates, that effect the reported amount of revenue, expenses, assets and liabilities. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, estimated results may differ from actual. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Bank's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

i) Determination and measurement of useful life and residual value of property and equipment (notes 4.1.1 and 7.1)

ii) Amortisation of intangible assets (notes 4.1.2 and 7.2)

iii) Classification and valuation of investments (notes 4.2, 8 and 14)

iv) Impairment of investments (notes 8.3, 8.6 and 14.5)

v) Classification and provision of loans and advances, net investment in finance lease and other receivables (notes 4.8, 9, 10 and 13)

vi) Provision for taxation and deferred tax (notes 4.9, 11 and 37)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

6. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation and amendments:

Standard, interpretation or amendment	Effective date (annual periods beginning on or after)
IAS 1 – Presentation of Financial Statements – Presentation of items of comprehensive income	July 01, 2012
IAS 12 – Income Taxes (Amendment) - Recovery of Underlying Assets	January 01, 2012
IAS 19 – Employee Benefits – (Amendment)	January 01, 2013
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Bank expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Bank's financial statements in the period of initial application, except for certain additional disclosures.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	Effective date (annual periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

7. FIXED ASSETS

	Note	2012	2011
		-------- (Rupees in '000) -------	
Property and equipment	7.1	55,033	40,282
Intangible assets	7.2	1,616	3,499
		56,649	43,781

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

7.1 Property and equipment

2012

Particulars	Cost			Depreciation			Net book value	Rate
	As at July 01, 2011	Additions / (deletions) / adjustments*	As at June 30, 2012	As at July 01, 2011	Charge for the year / (on deletions) adjustments*	As at June 30, 2012	As at June 30, 2012	Per annum
	(Rupees in '000)							%
Tangible								
Lease hold improvements	22,858	- -	22,858	18,027	763 -	18,790	4,068	10
Office premises (see note 7.1.3)	-	23,000 -	23,000	-	671 -	671	22,329	5
Furniture and fittings	17,293	171 -	17,464	7,804	1,627 -	9,431	8,033	10
Motor vehicles	37,727	10,648 (18,952) (1,271)*	28,152	16,885	3,804 (9,564) (1,077) *	10,048	18,104	20
Office equipment	13,137	95 -	13,232	9,645	2,151 -	11,796	1,436	20
Computer equipment	3,818	282 (78) 3,290*	7,312	2,190	1,041 (78) 3,096 *	6,249	1,063	20
	94,833	34,196 (19,030) 2,019*	112,018	54,551	10,057 (9,642) 2,019 *	56,985	55,033	

2011

Particulars	Cost			Depreciation			Net book value	Rate
	As at July 01, 2010	Additions / (deletions) / / (written off)*	As at June 30, 2011	As at July 01, 2010	Charge for the year / (on deletions) / (written off)*	As at June 30, 2011	As at June 30, 2011	Per annum
	(Rupees in '000)							%
Tangible								
Lease hold improvements	32,730	- - (9,872)*	22,858	20,013	5,725 - (7,711)*	18,027	4,831	20
Furniture and fittings	23,580	81 - (6,368)*	17,293	10,568	2,244 - (5,008) *	7,804	9,489	10 & 20
Motor vehicles	36,503	12,695 (11,471) -	37,727	15,626	5,884 (4,625) -	16,885	20,842	20
Office equipment	21,560	512 (35) (8,900)*	13,137	14,757	2,954 (18) (8,048) *	9,645	3,492	20
Computer equipment	28,069	323 (1,070) (23,504)*	3,818	23,901	1,953 (1,041) (22,623)*	2,190	1,628	20
	142,442	13,611 (12,576) (48,644)*	94,833	84,865	18,760 (5,684) (43,390) *	54,551	40,282	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

7.1.1 Cost and accumulated depreciation at the end of the year include Rs.10.753 million (2011: Rs.3.071 million) in respect of fully depreciated assets still in use.

7.1.2 During the year, the Bank reassessed the useful life of its leasehold improvements and furniture and fittings from 5 to 10 years. Had the estimate in respect to the life of the assets not been changed, the loss for the year would have been higher by Rs.3.339 million and carrying amount of fixed assets would have been lower by the same amount.

7.1.3 The above represents office premises, transferred in the name of the Bank against partial settlement of loans and advances of Rs.25 million, in accordance with the settlement agreement date October 28, 2011. The fair value of the same amounted to Rs.23 million, which has been arrived at on the basis of valuation carried out by Rizvi Associates (Pvt) Limited. The valuation was arrived at by reference to detailed inspection of the subject property and numerous independent market inquiries from local evaluators in the vicinity and on the basis of present physical condition and location of the property.

7.2 Intangible assets

	2012							
	Cost			**Amortisation**			**Net book value**	**Rate**
Particulars	**As at July 01, 2011**	**Additions / (deletions) /**	**As at June 30, 2012**	**As at July 01, 2011**	**Charge for the year / (on deletions)**	**As at June 30, 2012**	**As at June 30, 2012**	**Per annum**
	(Rupees in '000)							**%**
Computer software	12,849	- -	12,849	9,350	1,883 -	11,233	1,616	20
	12,849	-	12,849	9,350	1,883	11,233	1,616	

	2011							
	Cost			**Amortisation**			**Net book value**	**Rate**
Particulars	**As at July 01, 2010**	**Additions / (deletions) / (written off)***	**As at June 30, 2011**	**As at July 01, 2010**	**Charge for the year / (on deletions) / (written off)***	**As at June 30, 2011**	**As at June 30, 2011**	**Per annum**
	(Rupees in '000)							**%**
Computer software	15,306	300 (2,757) *	12,849	9,859	2,243 (2,752) *	9,350	3,499	20
	15,306	(2,457) *	12,849	9,859	(509) *	9,350	3,499	

7.2.1 Cost and accumulated amortisation at the end of the year include Rs.6.580 million (2011: Rs.2.086 million) in respect of fully amortised intangible assets still in use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

7.3 Disposal of fixed assets

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

Particulars	Cost	Accumulated depreciation / amortisation	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyers
Disposals	----------------------------(Rupees in '000) ----------------------------						
Property and equipment							
Motor vehicles	1,350	1,030	320	322	2	Bank Policy	Tariq H. Quraishi (Chief Executive Officer), Karachi **
	1,016	798	218	220	2	Bank Policy	Faraz Ahmad (Executive), Karachi *
	595	463	132	132	-	Bank Policy	Owais Khan (Ex-Employee), Karachi *
	469	375	94	94	-	Bank Policy	Faisal Imtiaz (Ex-Employee), Karachi *
	459	367	92	92	-	Bank Policy	Syed Kashif Saif (Employee), Karachi *
	499	386	113	93	(20)	Bank Policy	Saqib Jamal (Ex-Employee), Karachi *
	600	464	136	128	(8)	Bank Policy	Syed Waseem Hussain (Ex-Employee), Karachi *
	1,043	612	431	563	132	Bank Policy	Wajahat Malik (Ex-Employee), Karachi *
	1,439	595	844	1,065	221	Bank Policy	Aisha Kirmani (Executive), Karachi *
	1,426	285	1,141	1,359	218	Bank Policy	Asif Rashid Baloch (Ex-Employee), Karachi *
	1,895	404	1,491	1,525	34	Negotiation	Fauzia Ahmed - IGI Insurance Limited, Karachi
	1,895	303	1,592	1,642	50	Bank Policy	Abdul Wahid (Ex-Employee), Karachi *
	689	92	597	650	53	Claim	IGI Insurance Limited, Karachi **
	1,079	590	489	712	223	Bank Policy	Syed Salman Raza Naqvi (Ex-Employee), Karachi *
	607	251	356	765	409	Tender	Sami Ullah Khan Mehar, Karachi
	469	375	94	94	-	Bank Policy	Muhammad Naeem Khokhar (Executive), Lahore *
	509	381	128	178	50	Bank Policy	Faisal Nadeem (Ex-Employee), Lahore *
	936	749	187	187	-	Bank Policy	Zahid Maqsood Sheikh (Ex-Employee), Lahore *
	601	296	305	365	60	Bank Policy	Muhammad Saleem (Ex-Employee), Lahore *
	724	365	359	431	72	Bank Policy	Salman Ahmad (Executive), Lahore *
	652	383	269	335	66	Bank Policy	Sardar Mohammad Omar (Executive), Lahore *
	18,952	9,564	9,388	10,952	1,564		
Computer equipment	78	78	-	-	-	Donation	Donated to Girl Guide Association, Lahore **
2012	19,030	9,642	9,388	10,952	1,564		
2011	63,977	51,826	12,151	9,093	(3,058)		

* Transfer to employees as per the Bank policy
** Represents related party

8. LONG-TERM INVESTMENTS

	Note	2012	2011
		-------- (Rupees in '000) -------	
Related parties - at cost			
Investment in unquoted subsidiary companies	8.1	791,435	855,643
Investment in associates	8.4	250,000	210,705
		1,041,435	1,066,348
Others - available-for-sale - at cost			
Investment in unquoted companies	8.5	26,179	22,932
Investment in unquoted preference shares	8.6	-	-
		26,179	22,932
		1,067,614	1,089,280

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

		Note	IGI Finex Securities Limited 2012	2011	IGI Funds Limited 2012	2011	Total 2012	2011
			(Rupees in '000)					
8.1	**Investment in unquoted subsidiary companies**							
	Opening balance		613,203	617,884	242,440	242,440	855,643	860,324
	Impairment charged during the year	8.3	(64,208)	(4,681)	-	-	(64,208)	(4,681)
	Closing balance		548,995	613,203	242,440	242,440	791,435	855,643

8.2 Particulars of the Bank's subsidiary companies as per the audited financial statements for the year ended June 30, 2012 are as follows:

2012

Particulars	Country of incorporation	Year of incorporation	Assets	Liabilities	Net assets	Revenues*	(Loss) / profit after taxation	Percentage of shareholding
			(Rupees in '000)					
IGI Finex Securities Limited	Pakistan	1994	653,807	167,450	486,357	68,898	(393,314)	100%
IGI Funds Limited	Pakistan	2006	190,581	20,315	170,266	67,634	12,338	99.97%

2011

Particulars	Country of incorporation	Year of incorporation	Assets	Liabilities	Net assets	Revenues*	(Loss) / profit after taxation	Percentage of shareholding
			(Rupees in '000)					
IGI Finex Securities Limited	Pakistan	1994	1,509,703	1,268,177	241,526	287,389	(86,871)	100%
IGI Funds Limited	Pakistan	2006	179,521	18,593	160,928	62,022	13,133	99.97%

* Represents revenue from all sources of activities.

8.3 The Bank has carried out an assessment of impairment in respect of its investment in subsidiary company namely IGI Finex Securities Limited (IGIFSL). The aforementioned assessment has been carried out, under the requirements of International Accounting Standard (IAS) 36 "Impairment of Assets", using the projections of future profitability of IGIFSL which have been approved by the Board of Directors of IGIFSL. As at June 30, 2012, the book value of the subsidiary was below its carrying value. The subsidiary company recorded material provisions against doubtful receivables during the year. In addition, low stock market activity and ongoing economic uncertainty have led to a low brokerage business.

The recoverable amount of the investment in subsidiary company has been determined based on value in use calculations, using cash flow projections based on business plans approved by the senior management of the subsidiary covering a five year period. The pre-tax discount rate applied to cash flow projections is 19.89% (2011: 19.39%) and cashflows beyond the five year period are extrapolated using a terminal growth rate. Based on the above assessment, the management has concluded that the carrying amount of IGIFSL exceeds its recoverable amount. Hence, an impairment of Rs.64.208 million (2011: Rs.4.681 million) has been recorded in the current year's profit and loss account.

	Note	IGI Finex Securities Limited 2012	2011
		(Rupees in '000)	
Cost		652,571	652,571
Accumulated impairment		(103,576)	(39,368)
Net book value		548,995	613,203

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

8.4 Investment in associates - at cost

Number of units 2012	Number of units 2011	Name of the Fund	Note	2012 (Rupees in '000)	2011 (Rupees in '000)
1,970,360	552,802	IGI Money Market Fund		200,000	54,093
-	566,736	IGI Islamic Income Fund		-	56,612
499,413	1,000,000	IGI Capital Protected Fund		50,000	100,000
			8.4.1 & 8.4.2	250,000	210,705

8.4.1 Movement of investment in associates

	2012	2011
Investment at the beginning of the year	210,705	621,365
Additions during the year	616,735	1,433,700
Disposals during the year	(577,440)	(1,844,360)
Closing balance	250,000	210,705

8.4.2 Particulars of the Bank's associates as per the audited financial statements for the year ended June 30, 2012 are as follows:

2012

Particulars	Country of incorporation	Year of incorporation	Assets	Liabilities	Net assets	Revenues*	Profit after taxation
			(Rupees in '000)				
IGI Money Market Fund	Pakistan	2010	2,912,193	11,021	2,901,172	425,529	374,401
IGI Capital Protected Fund	Pakistan	2011	279,938	3,226	276,712	17,833	11,592

2011

Particulars	Country of incorporation	Year of incorporation	Assets	Liabilities	Net assets	Revenues*	Profit after taxation
			(Rupees in '000)				
IGI Money Market Fund	Pakistan	2010	2,700,214	5,535	2,694,679	220,432	201,393
IGI Islamic Income Fund	Pakistan	2009	683,735	3,261	680,474	58,809	50,050

* Represents revenue from all sources of activities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

8.5 Investment in unquoted companies

Number of ordinary shares 2012	Number of ordinary shares 2011	Particulars	Note	2012 (Rupees in '000)	2011 (Rupees in '000)
7,600,000	7,600,000	DHA Cogen Limited		76,000	76,000
956,172	956,172	System Limited (related party)		10,150	10,150
1,123,318	1,123,318	Techlogix International Limited		12,782	12,782
36,891	-	Visionet Systems Inc.		3,247	-
				102,179	98,932
		Less: Provision for impairment		(76,000)	(76,000)
				26,179	22,932

8.6 Investment in unquoted preference shares

Number of preference shares of Rs.10 each 2012	Number of preference shares of Rs.10 each 2011	Particulars	2012	2011
2,000,000	2,000,000	First Dawood Investment Bank Limited Rate of preference dividend: 4% - cumulative Terms of conversion: 5 years convertible, cumulative, non voting, non-participatory, callable preference shares. Issue date: June 09, 2010	20,000	20,000
		Less: Provision for impairment	(20,000)	(20,000)
			-	-

9. LONG-TERM LOANS AND ADVANCES - NET

	Note	2012	2011
Unsecured and considered good - due from:			
Related parties			
Executives	9.1 & 9.2	990	1,992
Secured and considered good - due from:			
Others			
Employees	9.2	393	344
Companies, organisations and individuals	9.3	39,263	182,245
		39,656	182,589
Considered doubtful			
Others			
Companies, organisations and individuals - secured	9.3	230,161	141,041
Individuals - unsecured		19,497	21,628
		249,658	162,669
Less: Provision thereagainst	9.4	(93,013)	(63,683)
		156,645	98,986
		197,291	283,567
Less: Current maturity of long-term loans and advances - net	12	(53,645)	(37,043)
		143,646	246,524

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

		Executives	
		2012	2011
		---------- (Rupees in '000) ------------	
9.1	**Reconciliation of carrying amounts of loans and advances to Executives**		
	Opening balance	1,992	1,869
	Disbursements during the year	967	490
	Repayments during the year	(1,969)	(367)
		990	1,992

9.1.1 Maximum aggregate amount outstanding at any time during the year was Rs.1.434 million (2011: Rs.1.8 million).

9.2 These represent loans provided to employees of the Bank for purchase of house, vehicles and for other general purposes. These loans carry mark-up at rate 13.61% (2011: 12.91% to 14.82%) per annum and are repayable on monthly basis over a period ranging from 1 to 2 years (2011: 2 to 20 years).

9.3 These loans carry mark-up at rates ranging from 13.82% to 17.50% (2011: 7.5% to 24%) per annum and are repayable over periods ranging from 1 to 7 years (2011: 1 to 5 years) from the date of disbursement. Repayment terms vary from monthly basis to repayments at maturity. These loans are secured against mortgage of properties and hypothecation of vehicles.

9.4 Long-term loans include Rs.249.658 million (2011: Rs.162.669 million) relating to loans due from companies, organisations and individuals which have been classified as non-performing as per the requirements of the NBFC Regulations issued by the SECP. The provision held against these loans is as follows:

	2012			2011		
	Specific	General	Total	Specific	General	Total
	------------------------------------- (Rupees in ‘000) -------------------------------------					
Opening balance	63,683	-	63,683	68,243	-	68,243
Charge for the year	44,403	-	44,403	-	-	-
Reversals during the year	(14,725)	-	(14,725)	(4,560)	-	(4,560)
Written-off during the year	(348)	-	(348)	-	-	-
	29,330	-	29,330	(4,560)	-	(4,560)
Closing balance	93,013	-	93,013	63,683	-	63,683

9.4.1 The provision held against loans of Rs.93.013 million (2011: Rs.63.683 million) has been made after deducting the value of collateral (i.e. forced sale value) amounting to Rs.21.975 million (2011: Rs.4.992 million) as allowed under the NBFC Regulations, 2008.

		Note	2012	2011
			---------- (Rupees in '000) ------------	
10.	**NET INVESTMENT IN FINANCE LEASE**			
	Lease rental receivables		417,652	582,065
	Add: Residual value		276,249	337,126
			693,901	919,191
	Less: Unearned finance income		(12,502)	(40,380)
		10.1	681,399	878,811
	Less: Provision for lease losses	10.4	(126,071)	(213,724)
	Less: Current maturity of net investment in finance lease	10.6 & 12	(523,107)	(522,823)
			32,221	142,264

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

10.1 Particulars of net investment in finance lease

	2012			2011		
	Not later than one year	Later than one year but not later than five years	Total	Not later than one year	Later than one year but not later than five years	Total
	---------- (Rupees in '000) ----------					
Lease rental receivables	397,293	20,359	417,652	480,495	101,570	582,065
Add: Residual value	262,034	14,215	276,249	286,757	50,369	337,126
Gross investment in finance lease	659,327	34,574	693,901	767,252	151,939	919,191
Less: Unearned finance income	(10,149)	(2,353)	(12,502)	(30,705)	(9,675)	(40,380)
Net investment in finance lease	649,178	32,221	681,399	736,547	142,264	878,811

10.2 The Bank has entered into various lease agreements for period of 1 to 7 years (2011: 1 to 7 years). The rate of return implicit in the leases ranges from 12.00% to 18.00% (2011: 12.00% to 20.00%) per annum. Generally, leased assets are held as securities. In certain instances, the Bank has also obtained additional collateral in the form of personal guarantees.

10.3 The direct expenses incurred in relation to lease such as documentation charges, stamp duty etc. are reimbursed to the Bank by the respective lessees and net balance representing excess / short reimbursement, if any, is taken to profit and loss account. However, there are no material initial direct costs associated with lease receivables.

	2012			2011		
	Specific	General	Total	Specific	General	Total
10.4 Provisions for lease losses	---------- (Rupees in '000) ----------					
Opening balance	213,724	-	213,724	216,474	-	216,474
Charge for the year	27,055	-	27,055	13,286	-	13,286
Reversal during the year	(113,728)	-	(113,728)	-	-	-
Written-off during the year	(980)	-	(980)	(16,036)	-	(16,036)
	(87,653)	-	(87,653)	(2,750)	-	(2,750)
Closing balance	126,071	-	126,071	213,724	-	213,724

10.4.1 Based on the NBFC Regulations, the aggregate net exposure in finance leases which have been placed under non-performing status amounted to Rs.341.786 million (2011: Rs.345.859 million) against which a provision of Rs.126.071 million (2011: Rs.213.724 million) has been made after deducting the value of collateral (i.e. forced sale value) amounting to Rs.115.906 million (2011: Rs.8.234 million). The total income suspended against the non-performing parties amounted to Rs.72.611 million (2011: Rs.66.305 million).

10.5 As at June 30, 2012, the Bank's investment in leasing business was less than twenty percent of its assets which is not in accordance with Regulation 13 of the NBFC Regulations which requires that a Non-Banking Finance Company (NBFC) engaged in leasing, investment finance services or housing finance services or any combination thereof, shall invest atleast twenty percent of its assets in each such form of business. In the event that the takeover as referred to in note 1.3 above does not materialise, the Bank will devise a strategy to revive its leasing business as per the guidance provided by and with the approval of the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

10.6 This includes Rs.262.034 million representing overdue lease receivables at the year end against which no provision has been made by the Bank, as the Bank holds equivalent amount of security deposits from the respective lessees.

	Note	2012	2011
		-------- (Rupees in '000) -------	
11. DEFERRED TAX ASSET - NET			
Deferred tax assets arising in respect of:			
Provision for bad and doubtful loans and advances / lease losses and other receivables		149,617	168,085
Impairment against unlisted term finance certificates and equity securities		104,693	84,601
Carry forward of income tax losses	11.1	109,260	102,908
Minimum tax		-	11,930
Deficit on revaluation of investments	20.1	9,117	17,255
		372,687	384,779
Deferred tax liabilities arising in respect of:			
Accelerated tax depreciation		(78,757)	(81,986)
	11.2	293,930	302,793

11.1 The Bank has an aggregate amount of Rs.876.229 million (2011: Rs.294.022 million) in respect of unabsorbed tax losses as at June 30, 2012. The management of the Bank believes that based on the projections of future taxable profit, it would be able to realise only part of these tax losses in the future. Accordingly, deferred tax asset on unused tax losses at the end of the current year has been restricted to Rs.109.260 million (2011: Rs.102.908 million).

11.2 The management of the Bank has prepared financial projections which have been approved by the Board of Directors of the Bank. The said projections involve certain key assumptions underlying the estimation of future taxable profits projected in the plan including injection of fresh equity to meet Minimum Capital Requirement. The determination of future taxable profits is most sensitive to certain key assumptions such as equity injection, cost to income ratio of the Bank, deposit composition, growth of certificates of deposit, advances and leases, investment returns, potential provision against assets etc. A significant change in the key assumptions may have an effect on the realisability of the deferred tax asset. The management believes that it is probable that the Bank will be able to achieve the profits projected in the financial projections and consequently the deferred tax asset accounted for in the financial statements will be fully realised in the future.

	Note	2012	2011
		-------- (Rupees in '000) -------	
11.3 Movement in deferred tax asset			
Opening balance		302,793	350,924
Recognised during the year	37	(725)	(55,915)
		302,068	295,009
Deferred tax impact on (surplus) / deficit on revaluation of investments		(8,138)	7,784
		293,930	302,793
12. CURRENT MATURITY OF NON-CURRENT ASSETS			
Current maturity of long-term loans and advances - net	9	53,645	37,043
Current maturity of net investment in finance lease	10	523,107	522,823
		576,752	559,866

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FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		-------- (Rupees in '000)	-------
13. SHORT-TERM LOANS AND ADVANCES			
Unsecured and considered good - due from:			
Related parties			
Employees		6	-
Secured and considered good			
Others			
Short-term loans and advances	13.1	2,500	31,292
Considered doubtful			
Short-term loans and advances	13.1	172,000	174,199
Less: Provision thereagainst	13.2 & 13.3	(172,000)	(174,199)
		-	-
		2,506	31,292

13.1 These loans carry interest rates at 13.50% (2011: 14.75% to 18.76%) per annum and are repayable over periods ranging from 1 month to 1 year (2011: 1 month to 1 year). These are secured against mortgage of properties, hypothecation of vehicles, pledge of securities and personal guarantees of the borrowers.

13.2 The balance has been provided as per the requirements of the NBFC Regulations.

	2012	2011
	-------- (Rupees in '000)	-------
13.3 Movement in provision		
Opening balance	174,199	172,440
Charge for the year	-	1,759
Reversal	(1,500)	-
Written-off during the year	(699)	-
Closing balance	172,000	174,199

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FOR THE YEAR ENDED JUNE 30, 2012

14. SHORT-TERM INVESTMENTS

	Note	2012 Held by the bank	2012 Given as collateral	2012 Total	2011 Held by the bank	2011 Given as collateral	2011 Total
		(Rupees in '000)					
Held-to-maturity							
Commercial paper		-	-	-	9,895	-	9,895
Held-for-trading							
Government securities	14.1	399,512	-	399,512	463,203	3,155,529	3,618,732
Available-for-sale							
Listed term finance certificates	14.2	378,878	-	378,878	383,811	260,468	644,279
Unlisted term finance certificates	14.2	908,835	-	908,835	1,018,491	-	1,018,491
Listed shares and certificates	14.4	186,731	-	186,731	312,520	-	312,520
		1,474,444	-	1,474,444	1,714,822	260,468	1,975,290
		1,873,956	-	1,873,956	2,187,920	3,415,997	5,603,917
Impairment loss on term finance certificates	14.5	(186,607)	-	(186,607)	(108,686)	-	(108,686)
		1,687,349	-	1,687,349	2,079,234	3,415,997	5,495,231

14.1 Particulars relating to government securities are as follows:

Particulars	Note	2012 Face value	2012 Amortised cost	2012 Market value	2011 Face value	2011 Amortised cost	2011 Market value
		(Rupees in '000)					
Market Treasury Bills	14.1.1	375,000	355,894	355,781	3,700,000	3,580,126	3,576,382
Pakistan Investment Bonds	14.1.2	50,000	46,940	43,731	51,400	47,989	42,350
	14.1.3	425,000	402,834	399,512	3,751,400	3,628,115	3,618,732

14.1.1 These carry mark-up at the rate of 11.95% (2011: 12.44% and 13.45%) per annum and have terms of six months maturing latest by December 13, 2012.

14.1.2 These carry mark-up at the rate of 9.6% (2011: 9.6% to 11%) per annum receivable semi-annually and have terms of 10 years maturing latest by August 22, 2017.

14.1.3 In accordance with the requirements of NBFC Regulations, the Bank has invested Rs.399.512 million (2011: Rs.476.400 million) (representing 15 percent of the funds raised through issue of certificates of deposit by the Bank excluding certificates of deposit held by financial institutions) in Pakistan Investment Bonds and Market Treasury Bills.

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14.2 Available-for-sale investments - term finance certificates

Number of certificates 2012	Number of certificates 2011	Particulars	Issue date	2012 Amortised cost	2012 Market value	2011 Amortised cost	2011 Market value
				---------------- (Rupees	in '000)	----------------	
		LISTED TERM FINANCE CERTIFICATES					
		Commercial banks / NBFIs					
20,000	20,000	Askari Bank Limited	November 18, 2009	101,510	105,644	101,769	103,371
-	5,000	Jahangir Siddiqui & Company Limited	November 21, 2006	-	-	24,955	25,253
12,800	63,432	NIB Bank Limited	March 05, 2008	63,237	63,610	312,682	305,354
494	494	United Bank Limited I	August 10, 2004	809	809	2,285	2,335
6,252	6,252	United Bank Limited II	March 15, 2005	31,251	29,704	31,252	28,440
		Textile					
5,000	5,000	Azgard Nine Limited II*	September 20, 2005	17,707	18,119	17,707	18,119
		Miscellaneous					
10,000	10,000	Pace (Pakistan) Limited*	February 15, 2008	48,830	33,585	48,805	33,585
3,447	3,447	Pak Arab Fertilizers (Private) Limited	February 28, 2008	9,307	9,317	14,477	14,607
21,500	21,500	Pakistan Mobile Communications Limited	October 28, 2008	107,306	106,093	99,229	101,205
8,715	8,715	Telecard Limited	May 27, 2005	15,996	11,997	16,014	12,010
				395,953	378,878	669,175	644,279

Number of certificates 2012	Number of certificates 2011	Particulars	Issue date	2012 Amortised cost	2012 Market value	2011 Amortised cost	2011 Market value
				---------------- (Rupees	in '000)	----------------	
		UNLISTED TERM FINANCE CERTIFICATES					
4,000	4,000	Agritech Limited*	November 30, 2007	19,980	19,980	19,654	18,845
861	-	Agritech Limited IV	July 01, 2011	4,305	4,305	-	-
17,000	17,000	Al-Zamin Leasing Modaraba II*	May 12, 2008	64,392	64,295	64,392	64,295
3,547	3,547	Avari Hotels Limited	April 30, 2009	14,639	14,657	14,493	14,666
13,000	13,000	Azgard Nine Limited IV*	December 04, 2007	64,948	64,948	64,799	59,597
35,898	40,598	Bank Al Habib Limited III	June 15, 2009	185,751	186,888	210,376	205,248
16,000	6,000	Bank Al Habib Limited IV	June 30, 2011	80,892	85,117	30,000	30,000
11,803	11,803	Bank Alfalah Limited IV Fixed	December 02, 2009	58,956	61,752	58,980	57,927
10,650	10,650	Bank Alfalah Limited IV Floating	December 02, 2009	53,869	56,123	53,435	53,963
50	50	Century Paper & Board Mills Limited	September 25, 2007	123	124	171	168
10,000	10,000	Eden Housing Limited	December 31, 2007	26,700	18,995	33,720	31,240
200	200	Engro Fertilizer Limited - Sukuk	September 06, 2007	1,038	1,017	1,050	1,000
28,400	28,400	Engro Fertilizer Limited (Perp I)	March 18, 2008	139,906	135,042	132,590	133,480
4,000	4,000	Engro Fertilizer Limited (Perp II)	March 18, 2008	19,459	19,745	19,364	20,283
15,000	25,500	Faysal Bank Limited II	December 27, 2010	75,837	77,803	128,197	128,197
-	13,000	KASB Securities Limited	June 27, 2007	-	-	40,274	43,060
12,000	12,000	Maple Leaf Cement Factory Limited - Sukuk	December 03, 2007	57,774	37,549	57,497	37,581
825	825	Maple Leaf Cement Factory Limited - Sukuk	March 31, 2010	4,125	2,904	4,125	2,904
10,000	10,000	New Allied Electronics Industries (Private) Limited - Sukuk*	December 03, 2007	49,241	49,241	49,241	49,241
250	250	Orix Leasing Pakistan Limited	January 15, 2008	8,270	8,350	16,487	16,796
-	10,000	Pak Libya Holding Company (Private) Limited	February 07, 2011	-	-	50,000	50,000
				930,205	908,835	1,048,845	1,018,491

* These represent non-performing Term Finance Certificates and provision is made thereagainst as per the NBFC Regulations, 2008 (see note 14.5).

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14.3 Significant terms and conditions relating to Term finance certificates are as follows:

Particulars	Certificates Denomination	Profit rate Per annum	Profit Payment	Maturity Date	Redemption
Listed Term Finance Certificates					
Askari Bank Limited	5,000	6 month KIBOR plus 2.50% per annum for 1 to 5 year. 6 month KIBOR plus 2.95% for 6 to 10 year per annum (with no floor and cap).	Semi-annually	November 18, 2019	Instrument is structured to redeem 0.32%, principal in the first 96 months (till 8th year) and remaining 99.68% principal in 4 equal semi-annual installments starting from 102nd month in the 9th and 10th year.
NIB Bank Limited	5,000	Average ask rate of six months KIBOR plus 1.15% (with no floor and cap)	Semi-annually	March 05, 2016	Instrument is structured to redeem 0.2% of principal in the first 60 months and remaining principal in 6 equal semi-annual installments of 16.63% each of the issue amount respectively, starting from 66th month from the date of issuance.
United Bank Limited I	5,000	Fixed at 8.45%	Semi-annually	August 10, 2012	Instrument is structured to redeem 0.0192%, of principal in the first 78 months on semi annually and remaining 33.25% principal in three equal semi-annual installments.
United Bank Limited II	5,000	Fixed at 9.49%	Semi-annually	March 15, 2013	The instrument is structured to redeem principal in one bullet payment at maturity.
Azgard Nine Limited II	5,000	2010-2011 6 month KIBOR plus 1%, 2012-2015 6 month KIBOR plus 1.25%, 2016-2017 6 months KIBOR plus 1.75%	Semi-annually	September 20, 2017	12 semi-annually installments with stepped up repayment plan, 2012-2015 47% (Rs.699 million), 2016-2017 53% (Rs.799 million).
Pace (Pakistan) Limited	5,000	Average ask rate of six months KIBOR plus 2% (with no floor and cap)	Semi-annually	February 15, 2017	Principal to be repaid in 6 equal semi-annually installments in arrears after a grace period of 24 months from the last date of public subscription.
Pak Arab Fertilizers (Private) Limited	5,000	Average ask rate of six months KIBOR plus 1.5%.	Semi-annually	February 28, 2013	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 Communications Limited	5,000	Average ask rate of six months KIBOR plus 1.65%	Semi-annually	October 28, 2013	Bullet payment at maturity.
Telecard Limited	5,000	Average of 6 month KIBOR plus 3.75 % (with no floor and cap)	Quarterly	May 27, 2015	Principal to be redeemed in quarterly installments as per schedule.
Unlisted Term Finance Certificates / Sukuk					
Agritech Limited I	5,000	Average ask rate of six months KIBOR plus 1.75%	Semi-annually	December 30, 2017	12 semi-annually installments with stepped up repayment plan, 2012-2014 35% (Rs.524,580,000), 2015-2017 65% (Rs.974,220,000).
Agritech Limited II	5,000	Zero Coupon		January 01, 2015	Principal to be repaid in 6 semi-annual installments as per schedule, commencing from July 1, 2012.
Al-Zamin Leasing Modaraba II	5,000	Average ask rate of six months KIBOR plus 1.9% (with no floor and cap)	Monthly	October 31, 2015	Principal will be re-paid in 60 equal monthly installments.
Avari Hotels Limited	5,000	Average ask rate of one year KIBOR plus 2.5% (with no floor and cap)	Annually	October 30, 2014	Principal to be repaid in three unequal installments, commencing from June 30, 2013.

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FOR THE YEAR ENDED JUNE 30, 2012

Particulars	Certificates Denomination	Profit rate Per annum	Profit Payment	Maturity Date	Redemption
Unlisted Term Finance Certificates / Sukuk					
Azgard Nine Limited IV	5,000	2010- 2011 6 Month KIBOR plus 1%, 2012-2015 6 month KIBOR plus 1.25%, 2016-2017 6 months KIBOR plus 1.75%	Semi-annually	December 04, 2017	12 semi-annually installments with stepped up repayment plan, 2012-2015 47% (Rs.1,166 million), 2016-2017 53% (Rs.1,332 million).
Bank Al Habib Limited III	5,000	Fixed at 15.50% year 1 to 5, fixed at 16% year 6 to 8	Quarterly	June 15, 2017	Instrument is structured to redeem 0.02% 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.
Bank Al Habib Limited IV	5,000	Year 1 to 5 fixed at 15% per annum, year 6 to 10 fixed at 15.50% per annum	Semi-annually	June 30, 2021	Instrument is structured to redeem 0.02% of the issue amount per semi annual period in the first 9 years and the remaining issue amount in 2 equal semi annual installments of 49.82% in the 10th year.
Bank Alfalah Limited IV	5,000	Option 1. Fixed at 15.00% Option 2. Six month KIBOR plus 2.5%	Semi-annually	December 02, 2017	Instrument is structured to redeem 0.260% of the principal semi annually in the first 78 months and remaining principal of 33.247% each of the issue amount respectively starting from the 84th month.
Century Paper & Board Mills Limited	5,000	Six month KIBOR plus 1.35%	Semi-annually	September 25, 2014	Principal to be redeemed in 10 stepped up semi-annual installments commencing from the 30th month from the date of first disbursement.
Eden Housing Limited	5,000	Average ask rate of three months KIBOR plus 2.5% per annum from December 31, 2007 to June 29, 2013 (floor 7% and cap 20%) Average ask rate of three months KIBOR plus 3% per annum from June 30, 2013 to June 29, 2014 (floor 7% and cap 20%)	Quarterly	June 29, 2014	Principal to be redeemed in unequal quarterly installments as per schedule.
Engro Fertilizer Limited - Sukuk	5,000	Average ask rate of six months KIBOR plus 1.5% (no floor and no cap)	Semi-annually	September 06, 2015	Principal to be repaid into equal semi annual installment in arrears after a grace period of 84 months from the last date of public subscription.
Engro Fertilizer Limited (Perp I)	5,000	Six month KIBOR plus 1.70%	Semi-annually	March 18, 2018	Principal repayment will occur, in whole or in part, through the exercise of the call option only by the company, or the put option by the investor.
Engro Fertilizer Limited (Perp II)	5,000	Six month KIBOR plus 1.25%	Semi-annually	March 18, 2018	Principal repayment will occur, in whole or in part, through the exercise of the call option only by the company, or the put option by the investor.
Faysal Bank Limited II	5,000	Six month KIBOR plus 2.25%	Semi-annually	December 27, 2017	Instrument is structured to redeem 0.020%, of the principal semi annually in the tenth semi annual equal installment and remaining principal of 24.95% in each of the issue amount respectively starting from the 66th month.
Maple Leaf Cement Factory Limited - Sukuk	5,000	Average ask rate of three months KIBOR plus 1.0%, three months KIBOR plus 1.7% after 5 years or complete settlement of deferred markup, whichever is later	Quarterly	December 03, 2018	36 quarterly installments as per the given re-schedule 1st to 10 quarterly installments are just token money.
Maple Leaf Cement Factory Limited - Sukuk	5,000	Average ask rate of three months KIBOR plus 1.0%, three months KIBOR plus 1.7% after 5 years or complete settlement of deferred markup, whichever is later	Quarterly	March 31, 2013	9 equal monthly installments after 28th month as per the given re-schedule.
New Allied Electronics Industries (Private) Limited - Sukuk	5,000	Average ask rate of three months KIBOR plus 2.2% (floor 7% and cap 20%)	Semi-annually	December 03, 2012	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.
Orix Leasing Pakistan Limited	100,000	Average ask rate of six month KIBOR plus 1.20%	Semi-annually	January 15, 2013	Six equal semi annual installments. First principal repayment shall commence at the end of the 30th month from the date of 1st issue.

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14.4 Available-for-sale investments - listed shares and certificates

No. of ordinary shares / certificates 2012	2011	Name of Company / Fund	2012 Amortised cost	2012 Market value	2011 Amortised cost	2011 Market value
			(Rupees in '000)			
		Mutual fund (closed ended)				
-	3,323,350	Safeway Mutual Fund	-	-	25,755	22,167
		Commercial banks				
-	1,000,000	Faysal Bank Limited	-	-	14,193	9,260
-	208,260	United Bank Limited	-	-	12,912	12,893
		Cement				
-	1,155,000	DG Khan Cement Limited	-	-	34,935	26,554
-	636,850	Lucky Cement Limited	-	-	45,216	45,115
		Power generation and distribution				
3,305,000	2,328,155	Hub Power Company Limited	136,656	138,446	88,398	87,539
-	1,000,000	Nishat Chunian Power Limited	-	-	15,464	13,720
		Industrial engineering				
100,000	91,621	Millat Tractors Limited	54,819	48,285	49,817	55,129
		Fertilizer				
-	267,000	Fauji Fertilizer Company Limited	-	-	39,330	40,143
			191,475	186,731	326,020	312,520

14.4.1 Included herein is Rs.Nil (2011: Rs.58.128 million) of equity investments purchased and simultaneously sold in futures market with a view to generate a spread on the transaction.

	2012	2011
	(Rupees in '000)	
14.5 Movement in provision against investment		
Opening balance	108,686	100,731
Charge for the year	77,921	38,714
Reversals during the year	-	(22,309)
Transferred during the year	-	(8,450)
Closing balance	186,607	108,686

15. PREPAYMENTS AND OTHER RECEIVABLES

	2012	2011
Prepayments		
Rent	610	12,395
Others	628	1,278
Other receivables - net		
Secured - considered good		
Assets repossessed in respect of terminated lease contracts	11,877	1,951
Excise duty paid on behalf of customers	4,471	4,471
Dividend receivable	-	1,625

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FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		-------- (Rupees in '000) -------	
Balances due from related parties:			
Staff Provident Fund		-	744
Staff Gratuity Fund		1,041	254
Receivable against sale of securities		-	46,148
		1,041	47,146
Accrued commission / fee income	15.1	5,393	5,937
Fair value of derivative financial instruments		-	401
Insurance rentals receivable		-	1,071
Others	15.2	5,330	8,886
Unsecured and considered doubtful			
Federal excise duty receivable from customer		1,941	-
Receivable from lessees in satisfaction of claims		20,703	20,186
Receivable against settlement of fund placement	15.3	13,750	13,750
		36,394	33,936
		65,744	119,097
Less: Provision against bad and doubtful receivables		(36,394)	(28,636)
		29,350	90,461

15.1 This includes commission aggregating to Rs.2.826 million (2011: Rs.3.395 million) due from IGI Funds Limited, Nestle Pakistan Limited, Tetra Pack Pakistan Limited and Packages Limited (related parties).

15.2 Included herein is a sum of Rs.2.3 million (2011: Rs.2.3 million) representing an amount deposited with Honorable High Court of Sindh (SHC) in respect of assets repossessed and sold subsequently upon termination of lease contract.

15.3 This represents outstanding receivable from Saudi Pak Leasing Company Limited (SPLCL) in accordance with the settlement agreement entered into between the Bank and SPLCL in the prior period. This balance is pending settlement through transfer of lease receivables by SPLCL. The said amount has been fully provided for in the current year's financial statements due to low chances of recovery of the remaining balance in the future.

16. INTEREST, MARK-UP AND PROFIT ACCRUED

	2012	2011
	-------- (Rupees in '000) -------	
Interest, mark-up and profit accrued on:		
Investments in:		
government securities	1,705	1,702
term finance certificates	22,183	41,173
	23,888	42,875
Loans and advances	2,492	5,672
Lendings	-	131
Deposits with banks	767	1,110
	27,147	49,788

NOTES TO THE FINANCIAL STATEMENTS

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	Note	2012	2011
		-------- (Rupees in '000) -------	
17. CASH AND BANK BALANCES			
In hand		56	60
In current accounts			
State Bank of Pakistan		3,477	5,785
Others			
Local currency		802	39,937
Foreign currency		1,210	1,109
		2,012	41,046
In saving accounts			
Local currency	17.1	120,737	78,515
		126,282	125,406

17.1 These represent deposit accounts with commercial banks carrying mark-up at the rate ranging between 5% to 11% (2011:5% to 13%) per annum.

18. SHARE CAPITAL

	2012	2011
Authorised capital		
300,000,000 (2011: 300,000,000) Ordinary shares of Rs.10 each	3,000,000	3,000,000
Issued, subscribed and paid-up capital		
190,993,300 (2011: 190,993,300) Ordinary shares of Rs.10 each fully paid in cash	1,909,933	1,909,933
21,109,250 (2011: 21,109,250) Ordinary shares of Rs.10 each issued as fully paid bonus shares	211,092	211,092
	2,121,025	2,121,025

The following shares were held by the related parties of the Bank as at June 30, 2012:

Name of related party	2012		2011	
	Shares held (in million)	Percentage	Shares held (in million)	Percentage
Packages Limited	4.611	2.174%	4.611	2.174%
IGI Insurance Limited	89.095	42.006%	89.095	42.006%
Directors, Chief Executive and their spouse and minor children	9.984	4.710%	9.984	4.710%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		-------- (Rupees in '000) -------	
19. RESERVES			
Capital reserves			
Statutory reserve	19.1	97,098	97,098
Revenue reserves			
General reserve		39,733	39,733
		136,831	136,831

19.1 Statutory reserve represents amount set aside as per the requirements of clause 16 of the NBFC Regulations issued by the SECP.

20. DEFICIT ON REVALUATION OF INVESTMENTS - NET

	Note	2012	2011
Net surplus / (deficit) on revaluation of:			
government securities		(3,322)	(9,383)
listed and unlisted term finance certificates		(38,445)	(55,250)
listed shares and certificates		(4,744)	(13,500)
fair value of derivative financial instruments		-	401
		(46,511)	(77,732)
Impairment loss on equity investments classified as 'available-for-sale' - transferred to profit and loss account		-	4,933
	20.1	(46,511)	(72,799)
Related deferred tax asset - net	11	9,117	17,255
		(37,394)	(55,544)

20.1 Particulars of deficit on revaluation of investments - net

	2012	2011
Opening balance	(72,799)	(46,776)
Surplus / (deficit) arising on revaluation of investments during the year	26,288	(30,956)
	(46,511)	(77,732)
Impairment on equity securities held as at year end	-	4,933
Closing balance	(46,511)	(72,799)

21. LONG-TERM FINANCE

	Note	2012	2011
Secured			
Local currency - banking companies	21.1	50,000	150,000
Less: Current maturity of long-term finance	24	(50,000)	(100,000)
		-	50,000

21.1 The principal terms of long-term finance are as follows:

Lender	Amount disbursed (Rs. in '000)	Date of disbursement	Date of maturity	Principal repayment	Mark-up	Security
Allied Bank Limited	250,000	December 07, 2009	December 07, 2012	5 equal semi-annual installments commencing from the 12th month from the date of disbursement.	A floating rate of 6 months KIBOR plus 2.25% per annum (with no floor or cap) payable semi-annually in arrears.	The facility is secured by a first pari passu charge on Bank's movable assets and all receivables including leased assets and lease receivables with 25% margin.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

22. LONG-TERM CERTIFICATES OF DEPOSIT

	Note	2012	2011
		-------- (Rupees in '000) -------	
Unsecured			
Financial institutions		12,009	53,382
Individuals		391,834	395,382
Others		736,920	744,954
	22.1, 22.2 & 14.1.3	1,140,763	1,193,718
Less: Current maturity of long-term certificates of deposit	24	(761,766)	(833,785)
		378,997	359,933

22.1 These certificates of deposit have contractual maturities ranging from 1 to 8 years (2011: 1 to 8 years) from the contract date. Expected rates of return payable on these certificates ranges from 10.00% to 14.50% (2011: 10.15% to 20%) per annum.

22.2 Included herein is a sum of Rs.272.252 million (2011: Rs.50 million) representing amount payable to related parties.

23. LONG-TERM DEPOSITS UNDER LEASE CONTRACTS

	Note	2012	2011
		-------- (Rupees in '000) -------	
Deposits under lease contracts	23.1	274,470	335,036
Less: Current maturity of deposits under lease contracts	24	(261,095)	(285,818)
		13,375	49,218

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

24. CURRENT MATURITY OF NON-CURRENT LIABILITIES

	Note	2012	2011
		-------- (Rupees in '000) -------	
Current maturity of redeemable capital		-	62,475
Current maturity of long-term finance	21	50,000	100,000
Current maturity of long-term certificates of deposit	22	761,766	833,785
Current maturity of long-term deposits under lease contracts	23	261,095	285,818
		1,072,861	1,282,078

25. SHORT-TERM CERTIFICATES OF DEPOSIT

	Note	2012	2011
Unsecured			
Local currency			
Financial institutions		-	151,647
Individuals		334,518	504,525
Others		1,125,659	1,179,860
	25.1, 25.2 & 14.1.3	1,460,177	1,836,032

25.1 These certificates of deposit have contractual maturities ranging from 1 to 12 months (2011: 1 to 12 months) from the contract date. Expected rates of return payable on these certificates of deposit are 10.00% to 13.60% (2011: 10% to 16.48%) per annum.

25.2 Included herein is a sum of Rs.389.964 million (2011: Rs.428.656 million) representing amount payable to related parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		-------- (Rupees in '000) -------	
26. INTEREST AND MARK-UP ACCRUED			
Interest and mark-up accrued on:			
Redeemable capital		-	4,647
Long-term finance		469	1,580
Certificates of deposit	26.1	109,207	110,930
Borrowings from financial institutions		-	54,047
		109,676	171,204

26.1 Included herein is a sum of Rs.30.528 million (2011: Rs.10.682 million) representing amount payable to related parties.

	2012	2011
	-------- (Rupees in '000) -------	
27. TRADE AND OTHER PAYABLES		
Accrued expenses	6,898	8,397
Payable to customers on account of excess recoveries	3,028	3,028
Unclaimed dividends	305	316
Payable to employee gratuity scheme	-	4,289
Advances from lessees	13,556	16,196
Payable against purchase of securities	-	28,022
Others	12,550	8,465
	36,337	68,713

28. CONTINGENCIES AND COMMITMENTS

28.1 Taxation

(a) The provision for taxation has been computed by the Bank at the rate applicable to a public company. In the original assessments made by the Deputy Commissioner of Inland Revenue (DCIR), 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 Inland Revenue (Appeals) [CIR(A)] directed the DCIR to apply the rate applicable to a public company. Subsequent to the order of CIR(A), the Income Tax Department filed appeals before the Appellate Tribunal Inland Revenue (ATIR) against the orders of CIR(A). The ATIR, 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 ATIR. Subsequent to the decision of ATIR for assessment years 1991-92 to 1997-98, the department had filed appeals against the ATIR 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 DCIR 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 CIR(A) and the ATIR through their 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 ATIR 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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 the Bank has filed appeals before the CIR(A). The CIR(A) has deleted the majority of the additions against which the tax authorities have filed appeals before the ATIR which are currently pending.

(b) The returns for the tax years 2003, 2004, 2005, 2006 and 2007 filed by the Bank were amended by the Taxation Officer who raised a net demand aggregating to Rs.13.319 million by making certain additions. These additions included additions on account of initial depreciation on leased assets, allocation of expenses to dividend and exempt income, loss on maturity/termination of lease, initial depreciation on leased vehicles, inadmissible provision and other miscellaneous items.

The Bank filed appeals before the CIR(A) to agitate against the additions made by the Taxation Officer. The CIR(A) while disposing off the appeals, deleted certain additions and allowed certain remand backs aggregating to Rs.627.543 million.

However, the CIR(A) confirmed the remaining additions made by the Taxation Officer as enumerated above, against which, the Bank has filed appeals (or is in the process of filing appeals) before the ATIR which are pending adjudication.The Bank is confident that the pending appeals will be decided in favor of the Bank.

(c) If the pending appeals / matters as referred to in (a) and (b) above are decided against the Bank, an additional provision of Rs.291.925 million (2011: Rs.199.700 million) would be required in the financial statements. Based on the previous decisions, the management is confident that the eventual outcome of the above matters will be decided in favour of the Bank, and hence, no provision has been made in these financial statements.

		2012	2011
		----------- (Rupees in '000) ---------	
28.2	**Claims not acknowledged as debts**	81,570	81,570
28.3	**Commitments**		
	Commitments in respect of forward sale of shares	-	58,936

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

29. INCOME FROM INVESTMENTS

	2012					2011				
	Held to maturity	Held-for-trading	Available-for-sale	Investment in subsidiary / associates	Total	Held to maturity	Held-for-trading	Available-for-sale	Investment in subsidiary / associates	Total
	----- (Rupees in '000) -----									
Interest / mark-up / profit from:										
Fund placements	471	-	-	-	471	4,712	-	-	-	4,712
Commercial paper	105	-	-	-	105	959	-	-	-	959
Market treasury bills	-	109,203	-	-	109,203	-	225,579	-	-	225,579
Pakistan investment bonds	-	5,320	-	-	5,320	-	5,260	-	-	5,260
Term finance certificates	-	-	204,500	-	204,500	-	-	233,400	-	233,400
	576	114,523	204,500	-	319,599	5,671	230,839	233,400	-	469,910
Dividend income	-	-	30,177	7,202	37,379	-	-	49,448	9,954	59,402
Gain on disposal of:										
Market treasury bills	-	839	-	-	839	-	236	-	-	236
Pakistan investment bonds	-	394	-	-	394	-	150	-	-	150
Term finance certificates	-	-	16,006	-	16,006	-	-	10,141	-	10,141
Units of open end mutual funds	-	-	-	23,246	23,246	-	-	4,676	23,057	27,733
Listed shares and certificates	-	-	6,752	-	6,752	-	-	111,814	-	111,814
	-	1,233	22,758	23,246	47,237	-	386	126,631	23,057	150,074
	576	115,756	257,435	30,448	404,215	5,671	231,225	409,479	33,011	679,386

	2012	2011
	-------- (Rupees in '000) -------	
30. INCOME FROM LOANS AND ADVANCES		
Mark-up / interest on loans and advances	14,915	36,064
Documentation charges and other loan related income	209	666
	15,124	36,730
31. INCOME FROM LEASE FINANCE		
Mark-up on lease finance	21,674	72,839
Front-end fees, documentation charges, other lease related income and termination losses - net	(1,907)	4,116
	19,767	76,955
32. INCOME FROM FEES, COMMISSION AND BROKERAGE		
Fee from corporate finance services	8,480	8,001
Commission and advisory income	18,148	18,447
	26,628	26,448
33. FINANCE COSTS		
Mark-up on:		
Redeemable capital	273	15,052
Long-term finance	18,045	38,664
Certificates of deposit	378,450	472,606
Borrowings from financial institutions	126,084	264,711
Bank charges	177	1,594
	523,029	792,627

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		-------- (Rupees in '000) -------	
34. ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries, allowances and benefits		68,988	94,701
Contribution to the provident fund	34.1	3,112	3,598
Gratuity scheme expense	34.2	748	388
Contribution to employees' old-age benefit institution		219	320
Depreciation on property and equipment	7.1	10,057	18,760
Amortisation on intangible assets	7.2	1,883	2,243
Rent, rates and taxes		18,221	18,873
Travelling and entertainment		2,524	4,107
Telephone, telex and fax		2,555	3,462
Printing, postage and stationery		1,587	1,692
Insurance		2,698	4,243
Lighting, heating and cooling		6,263	7,327
Repairs and maintenance		5,580	3,931
Brokerage and commission		624	3,339
Legal and professional fees		9,552	9,936
Subscriptions		1,914	3,855
Advertisement		445	1,201
Other expenses		3,427	4,319
		140,397	186,295

34.1 Defined contribution plan

An amount of Rs.3.112 million (2011: Rs.3.598 million) has been charged during the year in respect of contributory provident fund maintained by the Bank.

34.2 Defined benefit plan

Pursuant to a decision taken by the Board of Directors of the Bank in their meeting held on August 26, 2011 to terminate the Fund, the Bank discontinued to contribute into the Fund with effect from May 17, 2011. This amount represents expense recorded by the Bank upon termination of the approved gratuity scheme.

	Note	2012	2011
		-------- (Rupees in '000) -------	
35. OTHER OPERATING INCOME			
Income from financial assets			
Income from deposits with banks		7,698	11,158
Income from non-financial assets			
Gain on disposal of fixed assets		1,564	-
Miscellaneous income		-	3,226
		9,262	14,384
36. OTHER OPERATING EXPENSES			
Provision against other assets		7,758	1,659
Loss on disposal of fixed assets		-	3,058
Auditors' remuneration	36.1	2,200	1,500
Donation	36.2	7	610
		9,965	6,827

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

		Note	2012	2011
			-------- (Rupees in '000) -------	
36.1	**Auditors' remuneration**			
	Statutory audit fee		850	850
	Half yearly review fee		250	250
	Special certification and other services		875	175
	Out of pocket expenses		225	225
			2,200	1,500

36.2 Recipient of donation does not include any donee with whom any director or spouse had any interest.

37. TAXATION

	Note	2012	2011
Current		13,085	24,392
Deferred	11.3	725	55,915
		13,810	80,307

37.1 Effective tax rate reconciliation

The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements due to adjustment of carry forward tax losses from prior years resulting in minimum tax under section 113 of Income Tax Ordinance, 2001.

38. LOSS PER SHARE

	2012	2011
Loss after taxation	(222,855)	(168,995)
	------- (Number of shares) -------	
Weighted average number of ordinary shares outstanding during the year	212,102,550	212,102,550
	-------------- (Rupee) --------------	
Loss per share - basic	(1.05)	(0.80)

38.1 Diluted earnings per share is not disclosed as (a) the Bank does not have any convertible instruments in issue as at June 30, 2012 (2011: Nil) and (b) the amount of dilution, if any, would be anti-dilutive.

39. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives		Total	
	2012	2011	2012	2011	2012	2011
	(Rupees in '000)					
Managerial remuneration (including bonus)	4,903	6,869	18,059	26,014	22,962	32,883
House rent	2,206	2,731	8,127	11,706	10,333	14,437
Utilities	490	607	1,806	2,601	2,296	3,208
Medical expenses	490	607	-	1,059	490	1,666
Conveyance	502	494	2,061	2,602	2,563	3,096
Retirement benefits	490	607	1,806	2,266	2,296	2,873
Other	16	1,360	2,640	5,361	2,656	6,721
	9,097	13,275	34,499	51,609	43,596	64,884
Number of persons	2	1	31	29	33	30

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

39.1 The Chief Executive and certain Senior Executives are provided with free use of the Bank's owned and maintained cars.

39.2 The 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.

39.3 Total fees of Rs.55,000 (2011: Rs.55,000) were accrued as payable to the directors for attending the board meetings.

40. TRANSACTIONS WITH RELATED PARTIES

The related parties comprises of entities having significant influence over the Bank, entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors, key management employees and employees fund. The Bank has a policy whereby all transactions with related parties are entered into at contractual rates. The following table provides the transactions with related parties, other than remuneration under the terms of employment to key management personnel. For information regarding outstanding balances as at June 30, 2012 and June 30, 2011, refer to respective notes.

	2012					
Description	**Entity having significant influence over the Bank**	**Subsidiaries**	**Associates**	**Key management personnel**	**Other related parties**	**Total**
	---------- (Rupees in '000) ----------					
Transactions during the year						
Certificates of deposit issued	-	-	-	209	661,893	662,102
Certificates of deposit matured	-	-	-	567	713,971	714,538
Dividend received	-	2,999	-	-	956	3,955
Insurance premium paid	2,102	-	-	-	-	2,102
Purchase of fixed assets	-	86	-	-	-	86
Sale of fixed assets	-	-	-	7,919	2,175	10,094
Lendings - secured	-	5,828,000	-	-	-	5,828,000
Repayment of secured lendings	-	5,828,000	-	-	-	5,828,000
Lendings - unsecured	-	613,000	-	-	-	613,000
Repayment of unsecured lendings	-	613,000	-	-	-	613,000
Purchase of marketable securities	-	468,577	-	-	-	468,577
Sale of marketable securities	-	352,291	-	-	-	352,291
Sale of term finance certificates	-	-	40,536	-	-	40,536
Purchase of term finance certificates	51,000	-	71,987	-	-	122,987
Group shared services (see note 40.1)	14,724	1,407	-	-	-	16,131
Investment in mutual fund units	-	-	616,735	-	-	616,735
Redemption of mutual fund units	-	-	577,440	-	-	577,440
Sale of government securities	14,110	-	269,840	-	189,239	473,189
Purchase of government securities	-	-	-	-	-	-
Loans disbursed	-	-	-	967	-	967
Income from loans and advances	-	-	-	10	-	10
Borrowings - secured	-	-	-	-	-	-
Repayment of borrowings - secured	-	-	89,217	-	-	89,217
Borrowings - unsecured	-	-	90,000	-	-	90,000
Repayment of borrowings - unsecured	-	-	90,000	-	-	90,000
Brokerage, commission and fees paid	-	6,827	-	-	-	6,827
Return on certificates of deposit	-	-	-	11	64,768	64,779
Rent expense	15,817	-	-	-	-	15,817
Reimbursement of rent	-	1,965	-	-	47	2,012
Reimbursement of subscription expense	-	432	-	-	-	432
Charge for the year in respect of employee benefit and contribution plan	-	-	-	-	4,079	4,079

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

2011

Description	Entity having significant influence over the Bank	Subsidiaries	Associates	Key management personnel	Other related parties	Total
	(Rupees in '000)					
Transactions during the year						
Certificates of deposit issued	-	-	-	118,292	4,104,228	4,222,520
Certificates of deposit matured	-	-	-	116,006	3,329,051	3,445,057
Dividend received	-	8,998	-	-	956	9,954
Insurance premium paid	2,895	-	-	-	-	2,895
Purchase of fixed assets	-	1,325	-	-	-	1,325
Sale of fixed assets	47	8	-	1,718	-	1,773
Lendings - secured	-	19,358,500	-	-	-	19,358,500
Repayment of secured lendings	-	19,225,500	-	-	-	19,225,500
Purchase of marketable securities	-	6,777,553	-	-	-	6,777,553
Sale of marketable securities	-	6,911,914	-	-	-	6,911,914
Sale of term finance certificates	-	-	66,192	-	183,603	249,795
Purchase of term finance certificates	-	-	202,089	-	15,682	217,771
Group shared services (see note 40.1)	26,309	-	-	-	-	26,309
Investment in mutual fund units	-	-	1,433,700	-	-	1,433,700
Redemption of mutual fund units	-	-	1,867,417	-	-	1,867,417
Sale of government securities	36,514	-	349,644	-	170,123	556,281
Purchase of government securities	-	-	486	-	-	486
Loans disbursed	-	-	-	284	-	284
Income from loans and advances	-	-	-	240	-	240
Borrowings - secured	-	-	301,576	-	-	301,576
Repayment of borrowings - secured	-	-	224,687	-	-	224,687
Brokerage, commission and fees paid	-	8,727	-	-	-	8,727
Return on certificates of deposit	-	-	-	1,279	126,550	127,829
Rent expense	17,551	261	-	-	-	17,812
Reimbursement of rent	3,951	5,992	-	-	-	9,943
Reimbursement of subscription expense	-	1,252	-	-	-	1,252
Charge for the year in respect of employee benefit and contribution plan	-	-	-	-	3,986	3,986

40.1 Group shared services

The Bank has entered into an arrangement with its subsidiaries and other related parties to share various administrative, human resource and related costs on agreed terms.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		-------- (Rupees in '000) -------	
41. CASH GENERATED FROM / (USED IN) OPERATIONS			
Loss before taxation		(209,045)	(88,688)
Adjustments for non cash and other items:			
(Gain) / loss on disposal of fixed assets		(1,564)	3,058
Depreciation on property and equipment		10,057	18,760
Amortisation on intangible assets		1,883	2,243
Amortisation of transaction cost on term finance certificates		-	342
Provision for staff gratuity scheme		748	388
Interest, mark-up and profit income		(436,870)	(689,633)
Dividend income		(37,379)	(59,402)
Finance costs		523,029	792,627
(Reversal) / provision for bad and doubtful loans and advances / lease losses - specific - net		(58,495)	10,485
Working capital changes	41.1	536,968	(1,244,224)
		538,377	(1,165,356)
		329,332	(1,254,044)

41.1 Working capital changes

	2012	2011
Decrease / (increase) in current assets:		
Short-term loans and advances	30,985	(10,217)
Lendings - secured	298,000	353,391
Short-term investments	3,834,170	(1,972,731)
Prepayments and other receivables	59,486	(33,449)
	4,222,641	(1,663,006)
(Decrease) / increase in current liabilities:		
Short-term certificates of deposit	(375,855)	(1,429,312)
Borrowings from financial institutions	(3,281,731)	1,839,752
Trade and other payables	(28,087)	8,342
	(3,685,673)	418,782
	536,968	(1,244,224)

42. CASH AND CASH EQUIVALENTS

	Note	2012	2011
Cash and bank balances	17	126,282	125,406
Short-term running finance utilised under mark-up arrangement		-	(204,522)
		126,282	(79,116)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

43. DISCRETIONARY AND NON DISCRETIONARY PORTFOLIOS

The Bank is also acting as an Investment Advisor for various clients by providing services such as consultation in investment decisions, to sell, purchase, liquidate and otherwise manage the portfolio of securities. The cost and market value of the underlying investments included in the discretionary and non discretionary portfolios managed by the Bank are as under:

	2012	2011
	(Number)	
Equity portfolio		
Number of clients	3	3
	(Rupees in '000)	
Cost	53,264	132,907
Market value	59,104	135,488
Debt portfolio	(Number)	
Number of clients	3	2
	(Rupees in '000)	
Cost	145,098	139,051
Market value	153,147	139,086
Commodities portfolio	(Number)	
Number of clients	1	-
	(Rupees in '000)	
Cost	926	-
Market value	828	-

43.1 In addition to the above portfolios, the Bank has also entered into agreements with certain counterparties to provide them investment advisory services at a fixed fee.

43.2 The fee earned on these services during the year amounted to Rs.5.822 million (2011: Rs.7.811 million).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank's principal financial liabilities, other than derivatives comprise term finances, certificate of deposits, trade and other payables. The main purpose of these financial liabilities is to raise finances for the Bank's operations and to provide guarantee to support its operations. The Bank has lease, loans and advances, lendings, investments, other receivables and cash and short-term deposits that arrive directly from its operations. The Bank also holds available-for-sale investments, held to maturity investments and enters into derivative transactions.

The Bank is exposed to market risk, credit risk and liquidity risk.

The Bank's senior management oversees the management of these risks. The Bank's senior management is supported by a Asset and Liability Committee (ALCO committee) that advises on financial risks and the appropriate financial risk governance framework for the Bank. The ALCO committee provides assurance to the Bank's senior management that the Bank's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Bank policies and Bank risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

44.1 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 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. The Bank manages this risk by matching the repricing of financial assets and liabilities through risk management strategies.

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

44.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Bank, at present is not exposed to significant currency risk.

44.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Bank is mainly exposed to mark-up / interest rate risk on its net investment in finance lease, loans and advances, investments, borrowings, certificate of deposits and long-term finance with fixed and floating interest rates. The Bank manages its interest rate risk by having a balance between floating and fixed interest rate financial instruments.

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, 2012	Effective Rate %	Total	Exposed to yield / interest rate risk: Within one year	More than one year and less than five years	More than five years	Not exposed to yield / interest rate risk
		(Rupees in '000)				
Financial assets						
Loans and advances - net	13.82% - 17.50%	199,797	56,151	143,646	-	-
Net investment in finance lease	12.00% - 18.00%	555,328	523,107	32,221	-	-
Investments	8.45% - 17.45%	2,754,963	443,786	538,456	518,376	1,254,345
Long-term deposits	-	4,934	-	-	-	4,934
Other receivables	-	28,112	-	-	-	28,112
Interest, mark-up and profit accrued	-	27,147	-	-	-	27,147
Cash and bank balances	5.00% - 11.00%	126,282	120,737	-	-	5,545
		3,696,563	1,143,781	714,323	518,376	1,320,083
Financial liabilities						
Long-term finance	14.28%	50,000	50,000	-	-	-
Certificates of deposit	10.00% - 14.50%	2,600,940	2,221,943	238,997	140,000	-
Deposits under lease contracts	-	274,470	-	-	-	274,470
Interest and mark-up accrued	-	109,676	-	-	-	109,676
Trade and other payables	-	22,781	-	-	-	22,781
		3,057,867	2,271,943	238,997	140,000	406,927
On-balance sheet gap		638,696	(1,128,162)	475,326	378,376	913,156
Commitments in respect of forward sale of shares		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

As at June 30, 2011	Effective Rate %	Total	Exposed to yield / interest rate risk: Within one year	More than one year and less than five years	More than five years	Not exposed to yield / interest rate risk
		(Rupees in '000)				
Financial assets						
Loans and advances - net	7.50% - 24.00%	314,859	68,335	246,524	-	-
Net investment in finance lease	12.00% - 20.00%	665,087	522,823	142,264	-	-
Investments	8.45% - 17.45%	6,584,511	3,597,999	642,116	942,596	1,401,800
Long-term deposits	-	5,345	-	-	-	5,345
Lendings - secured	16.00%	298,000	298,000	-	-	-
Other receivables	-	76,788	-	-	-	76,788
Interest, mark-up and profit accrued	-	49,788	-	-	-	49,788
Cash and bank balances	5.00% - 13.00%	125,406	78,515	-	-	46,891
		8,119,784	4,565,672	1,030,904	942,596	1,580,612
Financial liabilities						
Redeemable capital	15.89%	62,475	62,475	-	-	-
Long-term finance	16.02%	150,000	100,000	50,000	-	-
Certificates of deposit	10.15% - 20.00%	3,029,750	2,669,817	219,933	140,000	-
Deposits under lease contracts	-	335,036	-	-	-	335,036
Borrowings from financial institutions	12.60% - 15.65%	3,486,253	3,486,253	-	-	-
Interest and mark-up accrued	-	171,204	-	-	-	171,204
Trade and other payables	-	52,517	-	-	-	52,517
		7,287,235	6,318,545	269,933	140,000	558,757
On-balance sheet gap		832,549	(1,752,873)	760,971	802,596	1,021,855
Commitments in respect of forward sale of shares		58,936	-	-	-	58,936
Off-balance sheet gap		58,936	-	-	-	58,936

44.1.3 Equity risk

The Bank's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Bank manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Bank's senior management on a regular basis. The Bank's Board of Directors reviews and approves all equity investment decisions.

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

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

The Bank follows two sets of guidelines. It has its own operating policy and the management of the 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.

The 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 loans and lease portfolios of the Bank are given below:

	2012		2011	
	(Rupees in '000)	%	(Rupees in '000)	%
Finance and leases				
Dairy and poultry	315	0.04	315	0.03
Cement	3,100	0.41	3,100	0.32
Health	7,027	0.93	4,317	0.44
Glass and ceramics	2,927	0.39	1,319	0.13
Leather	5,535	0.73	5,535	0.56
Paper and board	21,835	2.89	26,047	2.66
Construction	37,052	4.91	38,601	3.94
Energy, oil and gas	79,781	10.57	84,448	8.62
Financial institutions	69,269	9.17	94,750	9.67
Electric and electric goods	29,432	3.90	46,940	4.79
Chemicals / fertilizers / pharmaceuticals	13,817	1.83	5,677	0.58
Food, tobacco and beverages	19,454	2.58	31,623	3.23
Steel, engineering and automobiles	71,222	9.43	109,659	11.19
Transport	39,691	5.26	74,716	7.62
Textile / textile composite	171,029	22.65	196,320	20.03
Miscellaneous (including individuals)	183,639	24.31	256,579	26.19
	755,125	100.00	979,946	100.00

44.3 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 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. The Bank has the ability to mitigate any short-term liquidity gaps by disposal of short-term investments and the availability of liquid funds at short notice.

The table below summarises the maturity profile of the 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 the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

As at June 30, 2012	Total	Within one year	More than one year and less than five years	More than five years
	(Rupees in '000)			
Assets				
Fixed assets	56,649	983	55,666	-
Investments	2,754,963	443,786	538,456	1,772,721
Loans and advances - net	199,797	56,151	143,646	-
Net investment in finance lease	555,328	523,107	32,221	-
Long-term deposits	4,934	-	-	4,934
Deferred tax asset - net	293,930	-	293,930	-
Taxation - net	236,019	236,019	-	-
Prepayments and other receivables	29,350	29,350	-	-
Interest, mark-up and profit accrued	27,147	27,147	-	-
Cash and bank balances	126,282	126,282	-	-
	4,284,399	1,442,825	1,063,919	1,777,655
Liabilities				
Long-term finance	50,000	50,000	-	-
Certificates of deposit	2,600,940	2,221,943	238,997	140,000
Deposits under lease contracts	274,470	261,095	13,375	-
Interest and mark-up accrued	109,676	109,676	-	-
Trade and other payables	36,337	36,337	-	-
	3,071,423	2,679,051	252,372	140,000
	1,212,976	(1,236,226)	811,547	1,637,655

As at June 30, 2011	Total	Within one year	More than one year and less than five years	More than five years
	(Rupees in '000)			
Assets				
Fixed assets	43,781	16,111	27,670	-
Investments	6,584,511	3,597,999	642,116	2,344,396
Loans and advances - net	314,859	68,335	246,524	-
Net investment in finance lease	665,087	522,823	142,264	-
Long-term deposits	5,345	-	-	5,345
Deferred tax asset- net	302,793	-	302,793	-
Lendings - secured	298,000	298,000	-	-
Taxation - net	241,081	241,081	-	-
Prepayments and other receivables	90,461	90,461	-	-
Interest, mark-up and profit accrued	49,788	49,788	-	-
Cash and bank balances	125,406	125,406	-	-
	8,721,112	5,010,004	1,361,367	2,349,741
Liabilities				
Redeemable capital	62,475	62,475	-	-
Long-term finance	150,000	100,000	50,000	-
Certificates of deposit	3,029,750	2,669,817	219,933	140,000
Deposits under lease contracts	335,036	285,818	49,218	-
Borrowings from financial institutions	3,486,253	3,486,253	-	-
Interest and mark-up accrued	171,204	171,204	-	-
Trade and other payables	68,713	68,713	-	-
	7,303,431	6,844,280	319,151	140,000
	1,417,681	(1,834,276)	1,042,216	2,209,741

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

45. CAPITAL RISK MANAGEMENT

The objective of managing capital is to safeguard the 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 the 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 the 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.

The Bank manages the structure and makes adjustments to it in the light of changes in economic conditions, the regulatory requirements and payment of dividends or issuance of new shares.

Capital requirements applicable to the Bank are set and regulated by the SECP. These requirements are put in place to ensure sufficient solvency margins. The Bank manages its capital requirements by assessing its capital structure against the required level on a regular basis. The minimum equity requirement as per the NBFC Regulations for the leasing and investment finance companies are as follows:

	Year	Rs. in million
Minimum equity requirement	June 30, 2012	1,200
Minimum equity requirement	June 30, 2013	1,700

	2012	2011
	-------- (Rupees in '000) -------	
The Bank's equity comprises the following:		
Issued, subscribed and paid-up share capital	2,121,025	2,121,025
Reserves	136,831	136,831
Accumulated loss	(1,007,486)	(784,631)
	1,250,370	1,473,225

No other changes were made in the objectives, policies or processes during the years ended June 30, 2012 and June 30, 2011.

46. FAIR VALUE OF FINANCIAL INSTRUMENTS

46.1 As at June 30, 2012, 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 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.

47. DATE OF AUTHORISATION FOR ISSUE

The financial statements were approved by the Board of Directors and authorised for issue on August 28, 2012.

48. GENERAL

Figures have been rounded off to the nearest thousand rupees.

SYED BABAR ALI	TARIQ H. QURAISHI
Chairman	Managing Director and Chief Executive

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of IGI Investment Bank Limited (the Bank) and its subsidiary companies (together referred to as "the Group") as at 30 June 2012 and the related consolidated profit and loss account, consolidated statement of cash flows and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed a separate opinion on the financial statements of the Bank. The financial statements of the subsidiaries IGI Funds Limited and IGI Finex Securities Limited were audited by another firm of auditors, whose reports dated August 27, 2012 and August 16, 2012, respectively, included emphasis of matter paragraphs in respect of the matters stated in paragraphs (ii) and (iii) below, which have been furnished to us and our opinion in so far as it relates to the amounts included for such subsidiaries, is based solely on the report of such auditors.

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank and its subsidiary companies as at 30 June 2012 and the results of their operations, cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

We draw your attention to the following matters:

(i) note 1.1.3 to the accompanying financial statements which explains that negotiations are currently underway for a potential takeover of the Bank by an investor by way of a merger in terms of a scheme of amalgamation under Section 48 of the Banking Companies Ordinance, 1962. The said note also discloses the future plans of the Bank (including the availability of financial support by the Sponsor) in the event that the above referred takeover does not materialise;

(ii) notes 12.1 and 12.2 to the accompanying financial statements wherein it is disclosed that the management of the Bank and its subsidiary company have carried out assessments of the recoverability of the deferred tax asset on the basis of financial projections for future years, as approved by their respective Board of Directors. The projections take into account various assumptions regarding the future business and economic conditions. A significant change in the assumptions used may impact the value of the deferred tax asset recorded in the financial statements; and

(iii) note 51 to the accompanying financial statements which describes that a subsidiary has not been able to meet the minimum capital requirement as at 30 June 2012 as required by Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Our opinion is not qualified in respect of the above matters.

Ernst & Young Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: August 30, 2012
Karachi

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2012

	Note	2012	2011
		---------- (Rupees in '000) ----------	
ASSETS			
Non-current assets			
Fixed assets	6	153,837	151,764
Investment property	7	5,917	6,217
Long-term investments	8	26,179	22,932
Long-term loans and advances - net	9	143,646	246,524
Investment in associates	10	358,383	372,890
Net investment in finance lease	11	32,221	142,264
Long-term deposits		10,913	11,935
Deferred tax asset - net	12	664,431	455,182
		1,395,527	1,409,708
Current assets			
Current maturity of non-current assets	13	576,752	559,892
Short-term loans and advances	14	3,729	31,834
Lendings - secured	15	92,626	114,000
Short-term investments	16	1,689,607	5,505,653
Trade debts - net	17	58,961	969,224
Deposits, prepayments and other receivables	18	78,098	162,210
Interest, mark-up and profit accrued	19	27,794	151,750
Taxation - net		274,604	272,080
Cash and bank balances	20	182,851	138,606
		2,985,022	7,905,249
TOTAL ASSETS		4,380,549	9,314,957
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	2,121,025	2,121,025
Reserves	22	115,145	115,145
Accumulated loss		(1,728,036)	(1,124,152)
Equity attributable to shareholders		508,134	1,112,018
Advance against issue of preference shares	23	650,000	-
		1,158,134	1,112,018
Non-controlling interest	24	45	45
TOTAL EQUITY		1,158,179	1,112,063
Deficit on revaluation of investments - net of tax	25	(37,372)	(55,489)
		1,120,807	1,056,574
Non-current liabilities			
Long-term finance	26	-	50,000
Long-term certificates of deposit	27	378,997	359,933
Long-term deposits under lease contracts	28	13,375	49,218
		392,372	459,151
Current liabilities			
Current maturity of non-current liabilities	29	1,072,861	1,282,078
Short-term certificates of deposit	30	1,460,177	1,836,032
Borrowings from financial institutions		-	4,161,157
Interest and mark-up accrued	31	109,676	194,817
Trade and other payables	32	224,656	325,148
		2,867,370	7,799,232
TOTAL LIABILITIES		3,259,742	8,258,383
Contingencies and commitments	33		
TOTAL EQUITY AND LIABILITIES		4,380,549	9,314,957

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

SYED BABAR ALI
Chairman

TARIQ H. QURAISHI
Managing Director and Chief Executive

IGI
Investment Bank

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		(Rupees in '000)	
Income			
Income from investments	34	398,680	594,004
Income from loans and advances	35	15,124	36,730
Income from lease finance	36	19,767	76,955
Income from lendings - secured		42,351	46,405
Remuneration from funds under management - net	37	49,484	44,720
Income from fees, commission and brokerage	38	84,127	127,417
		609,533	926,231
Finance costs	39	565,336	873,001
		44,197	53,230
Administrative and general expenses	40	287,174	380,537
		(242,977)	(327,307)
Other operating income	41	30,872	168,593
		(212,105)	(158,714)
Other operating expenses	42	10,731	7,790
Operating loss before provisions and share of profit in associates		(222,836)	(166,504)
Reversal / (provision) for bad and doubtful loans and advances / lease losses - specific - net	9.4, 11.4 & 14.5	58,495	(10,485)
Provision for doubtful debts:			
Trade debts - net	17.1	(415,278)	(33,460)
Accrued mark-up	19.1	(82,388)	-
Lendings - secured	15	(21,374)	-
		(460,545)	(43,945)
Impairment against investments:			
term finance certificates - net	16.5	(77,921)	(16,405)
equity securities held as at year end		-	(4,933)
		(77,921)	(21,338)
		(761,302)	(231,787)
Share of (loss) / profit in associates - net		(45,135)	23,020
Loss before taxation		(806,437)	(208,767)
Taxation - net	43	202,553	(62,851)
Loss for the year		(603,884)	(271,618)
(Loss) / gain attributable to non-controlling interest		-	-
Loss attributable to shareholders		(603,884)	(271,618)
Loss for the year		(603,884)	(271,618)
Other comprehensive income - net of tax		-	-
Total comprehensive loss - net of tax		(603,884)	(271,618)
(Loss) / gain attributable to non-controlling interest		-	-
Loss attributable to shareholders		(603,884)	(271,618)
		(Rupee)	
Loss per share - basic	44	(2.85)	(1.28)

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

SYED BABAR ALI
Chairman

TARIQ H. QURAISHI
Managing Director and Chief Executive

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		---------- (Rupees in '000) ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash generated from / (used in) operations	48	457,221	(1,372,715)
Repayment of long-term loans and advances - net		56,972	104,505
Net recovery from finance lease		195,387	417,339
Long-term deposits		1,022	(1,205)
(Repayments) / disbursements of long-term certificates of deposit		(52,955)	577,111
Payments of deposits under lease contracts		(60,566)	(97,851)
Interest, mark-up and profit received		534,622	576,647
Dividend received		36,005	48,779
Finance cost paid		(650,477)	(846,193)
Income tax paid		(17,358)	(28,092)
Gratuity paid		(5,039)	(876)
Net cash generated from / (used in) operating activities		494,834	(622,551)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(37,651)	(22,146)
Proceeds from disposal of fixed assets		19,738	18,437
Long-term investments made		(3,247)	-
Paid to funds		-	5,370
Investment (made) / disposed in associates - net		(37,528)	403,684
Net cash (used in) / generated from investing activities		(58,688)	405,345
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal redemption of term finance certificates		(62,475)	(124,608)
Lease rental paid		-	(937)
Advance against issue of preference shares		650,000	-
Long-term finance - net repaid		(100,000)	(166,667)
Net cash generated from / (used in) financing activities		487,525	(292,212)
Net increase / (decrease) in cash and cash equivalents		923,671	(509,418)
Cash and cash equivalents at the beginning of the year		(740,820)	(231,402)
Cash and cash equivalents at the end of the year	49	182,851	(740,820)

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

SYED BABAR ALI
Chairman

TARIQ H. QURAISHI
Managing Director and Chief Executive

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2012

	Equity attributable to shareholders								
		Reserves							
		Capital		Revenue					
	Issued, subscribed and paid-up capital	Reserve arising on acquisition of non-controlling interest	Statutory reserve	General reserve	Accumulated loss	Total reserves	Advance against issue of preference shares	Non-controlling interest	Total
	----- (Rupees in '000) -----								
Balance as at July 01, 2010	2,121,025	(21,686)	97,098	39,733	(852,534)	(737,389)	-	45	1,383,681
Loss after taxation for the year ended June 30, 2011	-	-	-	-	(271,618)	(271,618)	-	-	(271,618)
Loss attributable to non-controlling interest	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(271,618)	(271,618)	-	-	(271,618)
Balance as at June 30, 2011	2,121,025	(21,686)	97,098	39,733	(1,124,152)	(1,009,007)	-	45	1,112,063
Balance as at July 01, 2011	2,121,025	(21,686)	97,098	39,733	(1,124,152)	(1,009,007)	-	45	1,112,063
Loss after taxation for the year ended June 30, 2012	-	-	-	-	(603,884)	(603,884)	-	-	(603,884)
Loss attributable to non-controlling interest	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(603,884)	(603,884)	-	-	(603,884)
Advance received from sponsor (note 23)	-	-	-	-	-	-	650,000	-	650,000
Balance as at June 30, 2012	2,121,025	(21,686)	97,098	39,733	(1,728,036)	(1,612,891)	650,000	45	1,158,179

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

SYED BABAR ALI
Chairman

TARIQ H. QURAISHI
Managing Director and Chief Executive

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding company

IGI Investment Bank Limited

Subsidiary companies	Percentage holding
IGI Finex Securities Limited	100%
IGI Funds Limited	99.97%

1.1 IGI Investment Bank Limited (IGI Bank)

1.1.1 IGI Bank is a public limited company incorporated in Pakistan on February 07, 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, Islamabad and Lahore Stock Exchanges. The registered office of IGI Bank is situated at 5 F.C.C., Syed Maratab Ali Road, Gulberg, Lahore. The principal place of business is situated at 7th Floor, the Forum, Suite No. 701 to 713, G-20, Block-9, Khayaban-e-Jami, Clifton, Karachi.

1.1.2 Based on the financial statements of IGI Bank for the year ended June 30, 2011, the Pakistan Credit Rating Agency (PACRA) has rated the Bank at 'A-' (long-term credit rating) and at 'A2' (short-term credit rating).

1.1.3 During the current year, IGI Bank and Bank Alfalah Limited (BAL) entered into negotiations for the potential takeover by BAL of IGI Bank together with its wholly owned subsidiaries. The takeover is expected to be implemented by way of merger in terms of a scheme of amalgamation under section 48 of the Banking Companies Ordinance, 1962. In this respect, BAL has commenced due diligence of the IGI Bank along with its subsidiaries which is currently underway. Subject to the result of the due diligence, applicable consents and regulatory approvals, if required, IGI Bank and BAL will enter into a definitive agreement, which will cover the swap ratio of shares / consideration value as well. Till this definitive agreement is signed, there is no binding commitment on the part of the parties to proceed with the merger. The above information has also been notified to the respective stock exchanges under the applicable laws and regulations.

In view of the existing financial condition of IGI Bank at the end of the current year, the sponsor of IGI Bank has committed to provide continuing financial support to IGI Bank i.e. in the form of subordinated loan / fresh injection of equity / additional funding or guarantees, so that in the event that the above referred takeover does not materialise, IGI Bank implements a set of financial projections (as more fully discussed in note 12.1 to these financial statements) encompassing sustainability, profitability and growth while maintaining adequate capital as required under NBFC Regulations, 2008 and carries on its affairs in such a way that it continues to be able to meet its financial obligations and realise its assets in the ordinary course of business.

1.2 IGI Finex Securities Limited (IGI Finex)

IGI Finex was incorporated in Pakistan on June 28, 1994 as a public limited company under the Companies Ordinance, 1984. The registered office of the IGI Finex is situated at Suite No. 701-713, 7th Floor, The Forum, G-20, Khayaban-e-Jami, Block-9, 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 Pakistan Mercantile Exchange Limited (formerly National Commodity Exchange Limited). IGI Finex is a wholly owned subsidiary of IGI Bank.

The principal activities of IGI Finex include shares and commodities brokerage, money market and foreign exchange brokerage and advisory and consulting services. Other activities include investment in securities and reverse repurchase transactions.

1.3 IGI Funds Limited (IGI Funds)

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. IGI Funds obtained its Certificate of commencement of business on May 12, 2006. The name of IGI Funds was subsequently changed to "IGI Funds Limited" on July 11, 2006. IGI Funds is licensed to carry out Asset Management Services and Investment Advisory Services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). The principal activities of IGI Funds are floating and managing mutual funds. The registered office of IGI Funds is situated at 5 F.C.C Ground Floor, Syed Maratib Ali Road, Gulberg, Lahore.

IGI Funds is currently acting as an Asset Management Company for the following Collective Investment Schemes (CIS).

	Net asset value	
	2012	**2011**
	-------- (Rupees in '000) -------	
Open-end mutual funds		
IGI Income Fund	893,436	830,104
IGI Stock Fund	280,660	282,389
IGI Islamic Income Fund	202,213	680,474
IGI Money Market Fund	2,901,171	2,694,679
IGI Aggressive Income Fund	788,001	721,726
IGI Capital Protected Fund	276,712	-

JCR-VIS Credit Rating Company Limited (JCR-VIS) has assigned management quality rating of 'AM2-' (AM-Two Minus) to IGI Funds on February 09, 2011. Subsequent to the year end, the rating has been revised from 'AM2-' (AM-Two Minus) to 'AM3+' (AM-Three Plus) which has been withdrawn. However, the fresh credit rating is being conducted by PACRA which is in process.

2. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except for certain investments and derivative financial instruments which are accounted for as stated in notes 3.2 and 3.4 below.

The consolidated financial statements include the financial statements of IGI Investment Bank Limited and its subsidiary companies.

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, 2012 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.

Non-controlling interests are that part of the net results of operations and net assets of subsidiary companies attributable to interests which are not owned by the Group.

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 NBFC Rules, 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 STANDARDS AND INTERPRETATIONS THAT BECAME EFFECTIVE DURING THE YEAR

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

2.2.1 The Group has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IAS 24 - Related Party Disclosures (Revised)

IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IAS 1	Presentation of Financial Statements - Clarification of statement of changes in equity
IAS 34	Interim Financial Reporting - Significant events and transactions
IFRIC 13	Customer Loyalty Programmes - Fair value of award credits

The adoption of the above standards, amendments interpretations and improvements did not have any material effect on the financial statements of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Fixed assets

3.1.1 Property and equipment

(a) Owned assets

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 economic benefits 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 the profit and loss account as and when incurred.

Depreciation on property and equipment is charged to profit and loss account using the straight line method in accordance with the rates specified in note 6.1 to these financial statements after taking into account residual value, if significant. The residual values and useful lives are reviewed and adjusted prospectively, 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.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account when the asset is derecognised.

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

(b) Capital work-in-progress

Capital work-in-progress is stated at cost less impairment in value, if any. It consists of expenditure incurred and advances made in respect of operating fixed assets in the course of their erection, installation and acquisition.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

(c) **Investment property**

Property held for long-term rental yields which are not occupied by the company are classified as investment property.

Investment property transferred from owner-occupied properties are recognised at their carrying amount on the date of transfer and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to profit and loss account applying the straight-line method in accordance with the rate specified in note 7 to these financial statements. The assets' residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Gains or losses on disposals of investment property are taken to the profit and loss account in the period in which they arise.

Repairs and maintenance are charged to the profit and loss account in the period in which they are incurred.

3.1.2 Intangibles

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 profit and loss account using the straight line method in accordance with the rates specified in note 6.2 to these financial statements after taking into account residual amount, if any. The residual values and useful lives are reviewed and adjusted prospectively, 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 amortisation is charged in the month of disposal.

Intangible assets having an indefinite useful life are carried at cost less any impairment in value and are not amortised. Intangible assets having an indefinite useful life are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account when the asset is derecognised.

3.2 Investments

The management of the Group 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

(a) Held-for-trading

These 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) 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.

(c) 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.

In accordance with the requirements of SECP, investments in quoted securities (other than those classified as held to maturity and investments in associates) are marked to market, in accordance with the guidelines contained in the State Bank of Pakistan's (SBP) BSD Circular No. 20 dated August 04, 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.

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.

Premiums and discounts on held to maturity and available-for-sale investments are amortised using the effective interest rate method and taken to income from investments.

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 / (deficit) on revaluation of investments' on the balance sheet below equity is removed therefrom and recognised in the profit and loss account. Any subsequent increase in the value of these investments is taken directly to 'surplus / (deficit) on revaluation of investments' account 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, realised or transferred and the Group has transferred substantially all risks and rewards of ownership.

(d) Associates

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 post acquisition profits or losses in the profit and loss account and its share of post acquisition movement in reserves is recognised in the reserves. Increase / decrease in share of profit and losses of associates is accounted for in the consolidated profit and loss account.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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.

3.4 Derivative instruments

Derivative instruments held by the Group generally comprise of future and forward contracts in the capital and money markets. These are stated at fair value at the balance sheet date. The fair value of the derivative is equivalent to the unrealised gain or loss from mark to market the derivative using prevailing market rates. Derivatives with positive market values (unrealised gains) are included in deposit, prepayments and other receivables and derivatives with negative market values (unrealised losses) are included in accrued expenses and other liabilities in the balance sheet. The resultant gains and losses are included in the 'surplus / (deficit) on revaluation of securities' in accordance with BSD Circular No. 20 dated August 04, 2000 issued by the SBP until the derivatives are settled.

3.5 Securities under repurchase / reverse repurchase agreements

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

a) Repurchase agreement
Investments sold with a simultaneous commitment to repurchase at a specified future date (Repo) continue to be recognised in the balance sheet and are measured in accordance with the accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is accrued as mark-up / interest expense on borrowings over the life of the repo agreement.

b) Reverse repurchase agreement
Reverse repurchase investments purchased with a corresponding commitment to resell at a specified future date (Reverse repo) are not recognised in the balance sheet. Amounts paid under these obligations are included in lendings. The difference between purchase and resale price is accrued as return from lendings over the life of the reverse repo agreement.

3.6 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 provision for doubtful finance, if any, determined as per the basis of NBFC Regulations.

3.7 Net investment in finance lease

Leases in which the Group transfers substantially all the risk and rewards incidental to the ownership of the asset to the lessee are classified as finance lease. A receivable is recognised at an amount equal to the present value of the minimum lease payments, including any guaranteed residual value which are included in the financial statements as 'net investment in finance leases'.

Provision for non-performing leases is made in accordance with the requirements of NBFC Regulations and is charged to the profit and loss account.

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

The provision for bad and doubtful loans and advances / lease losses, if any, is made in accordance with the requirements of the NBFC Regulations issued by the SECP.

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

3.9 Taxation

Current

Current tax is the expected tax payable on the taxable income for the year using tax rates prescribed by the tax law and after considering tax credits or adjustments available, if any.

Deferred

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of the deferred tax is provided at the tax rates enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forward unused tax credits and unused tax losses to the extent that it is probable that the deductible temporary differences will reverse in the future and sufficient taxable income will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred income tax relating to item recognised directly in equity is recognised in equity and not in profit and loss account.

3.10 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.

3.11 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.

3.12 Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets for indications of impairment loss. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

3.13 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

3.14 Staff retirement benefits

3.14.1 Defined contribution plan

The Group operates an approved Provident Fund for its permanent employees. Equal monthly contributions at the rate of 10% of the basic salary are made to the Fund both by the Group and the employees.

3.14.2 Employees' compensated absences

Employees' entitlement to annual leave is recognised when they accrue to employees. A provision is made for estimated liability for annual leaves as a result of services rendered by the employee against unavailed leaves, as per term of service contract, up to balance sheet date.

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

3.16 Revenue recognition

Income from finance lease

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 NBFC Regulations issued by the SECP.

Income from loans and advances, investments and other sources

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 NBFC Regulations 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.

Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.

Dividend from equity securities is recognised when the Group's right to receive the dividend is established.

Commission income and fees are taken to the profit and loss account when the services are provided and when right to receive the fees is established.

Return on bank deposits are recognised on time proportionate basis.

Remuneration for investment advisory and asset management services are recognised on an accrual basis.

Brokerage, consultancy and advisory fee, commission on foreign exchange dealings and government securities etc. are recognised as and when such services are provided.

Other income is recognised as and when earned.

3.17 Foreign currency transactions

Transactions in foreign currencies are accounted for in Pak rupees at the rate of exchange ruling on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rate of exchange prevailing on the balance sheet date. Exchange gain / (loss) is charged to current year's income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

3.18 Operating segment

The Group has structured its key business areas in four segments in a manner that each segment becomes a distinguishable component of the Group 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 Group have been categorised into the following classifications of business segments.

(a) Business segments

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements.

Financing activities

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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.

Asset management services

Asset management services include the services provided for the management of collective investment schemes.

(b) Geographical segments
The operations of the Group are currently based only in Pakistan.

3.19 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Group looses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account.

3.20 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Group has a legally enforceable right to set-off the recognised amounts and also intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

4.1 The preparation of financial statements requires the use of certain critical accounting judgments and estimates, that effect the reported amount of revenue, expenses, assets and liabilities. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, estimated results may differ from actual. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Group's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

i) Determination and measurement of useful life and residual value of property and equipment (notes 3.1.1 and 6.1)

ii) Amortisation of intangible assets (notes 3.1.2 and 6.2)

iii) Classification and valuation of investments (notes 3.2, 8 and 16)

iv) Impairment of investments (notes 8.1, 8.2 and 16.5)

v) Classification and provision of loans and advances, net investment in finance lease, trade debts interest, mark-up and profit accrued and other receivables (notes 3.8, 9.4, 11.4, 17, 18 and 19)

vi) Provision for taxation and deferred tax (notes 3.9, 12 and 43)

5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation and amendments:

Standard, interpretation or amendment		**Effective date (annual periods beginning on or after)**
IAS 1 –	Presentation of Financial Statements – Presentation of items of comprehensive income	July 01, 2012
IAS 12 –	Income Taxes (Amendment) - Recovery of Underlying Assets	January 01, 2012
IAS 19 –	Employee Benefits – (Amendment)	January 01, 2013
IAS 32 –	Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IFRIC 20 –	Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Group expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Group's financial statements in the period of initial application, except for certain additional disclosures.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	Effective date (annual periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

	Note	2012	2011
		---- (Rupees in '000) ---	
6. FIXED ASSETS			
Property and equipment - owned	6.1	76,711	72,307
Intangible assets	6.2	77,126	79,394
Capital work-in-progress	6.3	-	63
		153,837	151,764

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

6.1 Property and equipment - owned

		2012							
		Cost			Depreciation			Net book value	Rate
Particulars	**Note**	**As at July 01, 2011**	**Additions / (deletions) / (written off)***	**As at June 30, 2012**	**As at July 01, 2011**	**Charge for the year / (on deletions) / (written off)***	**As at June 30, 2012**	**As at June 30, 2012**	**Per annum**
Tangible		------------	------------	------------	(Rupees in '000)	------------	------------	------------	%
Leasehold improvements		39,060	44 (1,034) -	38,070	23,689	2,409 (965) -	25,133	12,937	10
Office premises	6.13	-	23,000 - -	23,000	-	671 - -	671	22,329	5
Furniture and fittings		23,920	485 (4,287) -	20,118	10,242	2,293 (3,381) -	9,154	10,964	10 & 15
Motor vehicles		53,935	11,686 (27,178) (1,271) *	37,172	23,115	6,722 (13,950) (1,077) *	14,810	22,362	20
Office equipment		25,772	147 (7,236) -	18,683	15,944	3,283 (5,355) -	13,872	4,811	20
Computer equipment		31,499	2,103 (436) 3,290 *	36,456	28,889	1,558 (395) 3,096 *	33,148	3,308	20
		174,186	37,465 (40,171) 2,019 *	173,499	101,879	16,936 (24,046) 2,019 *	96,788	76,711	

	2011							
	Cost			Depreciation			Net book value	Rate
Particulars	**As at July 01, 2010**	**Additions / (deletions) / (written off)***	**As at June 30, 2011**	**As at July 01, 2010**	**Charge for the year / (on deletions) / (written off)***	**As at June 30, 2011**	**As at June 30, 2011**	**Per annum**
Tangible	------------	------------	------------	(Rupees in '000)	------------	------------	------------	%
Leasehold improvements	54,939	- - (15,879) *	39,060	25,048	8,033 - (9,392) *	23,689	15,371	20
Furniture and fittings	30,175	113 - (6,368) *	23,920	12,263	2,987 - (5,008) *	10,242	13,678	10 & 20
Motor vehicles	54,828	20,311 (21,204) - *	53,935	23,129	11,207 (11,221) - *	23,115	30,820	20
Office equipment	34,251	1,454 (1,033) (8,900) *	25,772	20,182	4,482 (672) (8,048) *	15,944	9,828	20
Computer equipment	54,922	1,212 (1,131) (23,504) *	31,499	47,309	5,265 (1,062) (22,623) *	28,889	2,610	20
	229,115	23,090 (23,368) (54,651) *	174,186	127,931	31,974 (12,955) (45,071) *	101,879	72,307	

6.1.1 Cost and accumulated depreciation at the end of the year includes Rs.43.551 million (2011: Rs.31.703 million) in respect of fully depreciated assets still in use.

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6.1.2 During the year, IGI Bank reassessed the useful life of its leasehold improvements and furniture and fittings from 5 to 10 years. Had the estimate in respect to the life of the assets not been changed, the loss for the year would have been higher by Rs.3.339 million and carrying amount of fixed assets would have been lower by the same amount.

6.1.3 The above represents office premises, transferred in the name of IGI Bank against partial settlement of finances of Rs.25 million. The fair value of the same as at June 24, 2011, amounted to Rs.23 million, which has been arrived at on the basis of valuation carried out by Rizvi Associates (Pvt) Limited. The valuation was arrived at by reference to detailed inspection of the subject property and numerous independent market inquiries from local evaluators in the vicinity and on the basis of present physical condition and location of the property.

6.2 Intangible assets

	2012							
	Cost			Amortisation / impairment			Net book value	Rate
Particulars	**As at July 01, 2011**	**Additions / (deletions)**	**As at June 30, 2012**	**As at July 01, 2011**	**Charge for the year / (on deletions)**	**As at June 30, 2012**	**As at June 30, 2012**	**Per annum**
	(Rupees in '000)							%
Goodwill	26,407	- -	26,407	26,407	- -	26,407	-	-
Club Membership	2,000	- -	2,000	2,000	- -	2,000	-	50
Stock Exchange Membership cards (see note 6.2.1 & 6.2.1.1)	126,000	- -	126,000	50,750	- -	50,750	75,250	-
Non-competition agreement	30,000	- -	30,000	30,000	- -	30,000	-	33.33
Computer softwares	28,481	249 -	28,730	24,337	2,517 -	26,854	1,876	20-33.33
	212,888	249 -	213,137	133,494	2,517 -	136,011	77,126	

	2011							
	Cost			Amortisation / impairment			Net book value	Rate
Particulars	**As at July 01, 2010**	**Additions / (deletions) / (written off)***	**As at June 30, 2011**	**As at July 01, 2010**	**Charge for the year / (on deletions) / (written off)***	**As at June 30, 2011**	**As at June 30, 2011**	**Per annum**
	(Rupees in '000)							%
Goodwill	26,407	- - -	26,407	26,407	- - -	26,407	-	-
Club Membership	2,000	- - -	2,000	1,000	1,000 - -	2,000	-	50
Stock Exchange Membership cards (see note 6.2.1 & 6.2.1.1)	126,000	- - -	126,000	50,750	- - -	50,750	75,250	-
Non-competition agreement	30,000	- - -	30,000	30,000	- - -	30,000	-	33.33
Computer softwares	30,823	415 - (2,757) *	28,481	23,063	4,026 - (2,752) *	24,337	4,144	20-33.33
	215,230	415 - (2,757) *	212,888	131,220	5,026 - (2,752) *	133,494	79,394	

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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	2012	2011
	------------- (Rupees in '000) -------------	
6.2.1 Membership cards and room comprises of:		
Membership card and room of Karachi Stock Exchange (Guarantee) Limited	55,000	55,000
Membership card and room of Lahore Stock Exchange (Guarantee) Limited	20,000	20,000
Membership card of National Commodity Exchange Limited	250	250
	75,250	75,250

6.2.1.1 This includes the cost paid for membership cards and rooms which cannot be separately identified.

6.2.2 Cost and accumulated amortisation as at the end of the year include Rs.22.238 million (2011: Rs.9.247 million) in respect of fully amortised assets still in use.

6.2.3 Particulars of disposal of fixed assets

Particulars of fixed assets 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 / amortisation	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyers
	----------------------------(Rupees in '000)	----------------------------					
Motor vehicles	1,350	1,030	320	322	2	Group Policy	Tariq H. Quraishi (Chief Executive Officer), Karachi *
	1,016	798	218	220	2	Group Policy	Faraz Ahmad (Employee), Karachi *
	595	463	132	132	-	Group Policy	Owais Khan (Ex-Employee), Karachi *
	469	375	94	94	-	Group Policy	Faisal Imtiaz (Ex-Employee), Karachi *
	459	367	92	92	-	Group Policy	Syed Kashif Saif (Employee), Karachi *
	499	386	113	93	(20)	Group Policy	Saqib Jamal (Ex-Employee), Karachi *
	600	464	136	128	(8)	Group Policy	Syed Waseem Hussain (Ex-Employee), Karachi *
	1,043	612	431	563	132	Group Policy	Wajahat Malik (Ex-Employee), Karachi *
	1,439	595	844	1,065	221	Group Policy	Aisha Kirmani (Employee), Karachi *
	1,426	285	1,141	1,359	218	Group Policy	Asif Rashid Baloch (Ex-Employee), Karachi *
	1,895	404	1,491	1,525	34	Negotiation	Fauzia Ahmed - IGI Insurance Limited, Karachi **
	1,895	303	1,592	1,642	50	Group Policy	Abdul Wahid (Ex-Employee), Karachi *
	689	92	597	650	53	Claim	IGI Insurance Limited, Karachi **
	1,079	590	489	712	223	Group Policy	Syed Salman Raza Naqvi (Ex-Employee), Karachi *
	607	251	356	765	409	Tender	Sami Ullah Khan Mehar, Karachi
	469	375	94	94	-	Group Policy	Muhammad Naeem Khokhar (Employee), Lahore *
	509	381	128	178	50	Group Policy	Faisal Nadeem (Ex-Employee), Lahore *
	936	749	187	187	-	Group Policy	Zahid Maqsood Sheikh (Ex-Employee), Lahore *
	601	296	305	365	60	Group Policy	Muhammad Saleem (Employee), Lahore *
	724	365	359	431	72	Group Policy	Salman Ahmad (Employee), Lahore *
	652	383	269	335	66	Group Policy	Sardar Mohammad Omar (Employee), Lahore *
	1,433	223	1,210	1,385	175	Tender	Fazal-e-Askari, Karachi
	900	818	82	399	317	Group Policy	Adnan Khan (Ex-Employee), Karachi *
	845	446	399	688	289	Group Policy	Ahmed Raza Khan (Ex-Employee), Karachi *
	1,899	1,144	755	1,505	750	Tender	Kamran Jameel, Karachi
	460	272	188	485	297	Tender	Kamran Jameel, Karachi
	1,493	409	1,084	1,375	291	Tender	Kamran Jameel, Karachi
	527	415	112	420	308	Tender	Muhammad Afzal, Lahore
	26,509	13,291	13,218	17,209	3,991		
Computer equipment	78	78	-	-	-	Donation	Donated to Girl Guide Association, Lahore **
Office equipment	2,226	903	1,323	735	(588)	Tender	Kamran Jameel, Karachi
Property and equipment having book value not exceeding Rs.50,000 each - disposed off	11,358	9,774	1,584	1,794	210		
2012	40,171	24,046	16,125	19,738	3,613		
2011	79,338	59,548	19,790	16,254	(3,536)		

* Transfer to employees as per the Group's policy
** Represents related party

	2012	2011
	------------- (Rupees in '000) -------------	
6.3 Capital work-in-progress		
Advance to suppliers against:		
Acquisition of computer softwares	-	63
Acquisition of motor vehicles	-	-
	-	63

7. INVESTMENT PROPERTY

2012

Particulars	Cost			Depreciation			Net book value	Rate
	As at July 01, 2011	Additions / (deletions)	As at June 30, 2012	As at July 01, 2011	Charge for the year / (on deletions)	As at June 30, 2012	As at June 30, 2012	Per annum
	(Rupees in '000)							%
Leasehold premises	8,939	- -	8,939	2,722	300 -	3,022	5,917	5
	8,939	- -	8,939	2,722	300 -	3,022	5,917	

2011

Particulars	Cost			Depreciation			Net book value	Rate
	As at July 01, 2010	Additions / (deletions)	As at June 30, 2011	As at July 01, 2010	Charge for the year / (on deletions)	As at June 30, 2011	As at June 30, 2011	Per annum
	(Rupees in '000)							%
Leasehold premises	8,939	- -	8,939	2,422	300 -	2,722	6,217	5
	8,939	- -	8,939	2,422	300 -	2,722	6,217	

7.1 Investment property includes property located at 7th Floor, Nacon House, MDM Wafai Road, Karachi given to tenant on rental basis. During the year, management carried out fair value exercise and the fair value of the property on the basis of valuation carried out by Rizvi Associates (Private) Limited as at April 14, 2012 was Rs.11.666 million (2011: Rs.25.149 million). Management believes that the fair value of the property will not be significantly different as at June 30, 2012. The rental income for the year ended June 30, 2012 from this property amounted to Rs.Nil (2011: Rs.1.878 million).

	Note	2012	2011
		(Rupees in '000)	
8. LONG-TERM INVESTMENTS			
Available-for-sale - at cost			
Investment in unquoted companies	8.1	26,179	22,932
Investment in unquoted preference shares	8.2	-	-
		26,179	22,932

8.1 Investment in unquoted companies

Number of Ordinary shares 2012	Number of Ordinary shares 2011	Particulars	2012	2011
7,600,000	7,600,000	DHA Cogen Limited	76,000	76,000
956,172	956,172	System Limited (related party)	10,150	10,150
1,123,318	1,123,318	Techlogix International Limited	12,782	12,782
36,891	-	Visionet Systems Inc.	3,247	-
			102,179	98,932
Less: Provision for impairment			(76,000)	(76,000)
			26,179	22,932

8.2 Investment in unquoted preference shares

Number of preference shares of Rs.10 each 2012	2011	Particulars	2012 (Rupees in '000)	2011 (Rupees in '000)
2,000,000	2,000,000	First Dawood Investment Bank Limited Rate of preference dividend: 4% - cumulative Terms of conversion: 5 years convertible, cumulative, non voting, non-participatory, callable preference shares Issue date: June 09, 2010	20,000	20,000
		Less: Provision for impairment	(20,000)	(20,000)
			-	-

9. LONG-TERM LOANS AND ADVANCES - NET

	Note	2012 (Rupees in '000)	2011 (Rupees in '000)
Unsecured and considered good - due from:			
Related parties			
Executives	9.1 & 9.2	990	1,992
Employees		-	26
		990	2,018
Secured and considered good - due from:			
Others			
Employees	9.2	393	344
Companies, organisations and individuals	9.3	39,263	182,245
		39,656	182,589
Considered doubtful			
Others			
Companies, organisations and individuals - secured	9.3	230,161	141,041
Individuals - unsecured		19,497	21,628
		249,658	162,669
Less: Provision thereagainst	9.4	(93,013)	(63,683)
		156,645	98,986
		197,291	283,593
Less: Current maturity of long-term loans and advances - net	13	(53,645)	(37,069)
		143,646	246,524

9.1 Reconciliation of carrying amounts of loans and advances to Executives:

	Executives 2012	2011
Opening balance	1,992	1,869
Disbursements during the year	967	490
Repayments during the year	(1,969)	(367)
	990	1,992

9.1.1 Maximum aggregate amount outstanding at the any time during the year was Rs.1.434 million (2011: Rs.1.8 million).

9.2 These represent loans provided to employees of the Group for purchase of house, vehicles and for other general purposes. These loans carry mark-up at rate 13.61% (2011: 12.91% to 14.82%) per annum and are repayable on monthly basis over a period ranging from 1 to 2 years (2011: 2 to 20 years).

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9.3 These loans carry mark-up at rates ranging from 13.82% to 17.50% (2011: 7.5% to 24%) per annum and are repayable over periods ranging from 1 to 7 years (2011: 1 to 5 years) from the date of disbursement. Repayment terms vary from monthly basis to repayments at maturity. These loans are secured against mortgage of properties and hypothecation of vehicles.

9.4 Long-term loans include Rs.249.658 million (2011: Rs.162.669 million) relating to loans due from companies, organisations and individuals which have been classified as non-performing as per the requirements of the NBFC Regulations issued by the SECP. The provision held against these loans are as follows:

	2012			2011		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	63,683	-	63,683	68,243	-	68,243
Charge for the year	44,403	-	44,403	-	-	-
Reversal during the year	(14,725)	-	(14,725)	(4,560)	-	(4,560)
Written-off during the year	(348)	-	(348)	-	-	-
	29,330	-	29,330	(4,560)	-	(4,560)
Closing balance	93,013	-	93,013	63,683	-	63,683

9.4.1 The provision held against loans of Rs.93.013 million (2011: Rs.63.683 million) has been made after deducting the value of collateral (i.e. forced sale value) amounting to Rs.21.975 million (2011: Rs.4.992 million) as allowed under the NBFC Regulations, 2008.

10. INVESTMENT IN ASSOCIATES

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

		Note	2012	2011
			(Rupees in '000)	
10.1	**Movement of investment in associates**			
	Opening balance		293,890	697,574
	Net additions made during the year		37,528	(403,684)
	Total acquisition at cost	10.2	331,418	293,890
	Post acquisition share of associates' profit		26,965	79,000
		10.2.1	358,383	372,890

10.2 Number of units

2012	2011	Name of the Fund	2012	2011
702,450	748,394	IGI Income Fund	49,957	66,985
2,313,012	719,090	IGI Money Market Fund	231,461	70,293
-	566,736	IGI Islamic Income Fund	-	56,612
499,413	1,000,000	IGI Capital Protected Fund	50,000	100,000
			331,418	293,890

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10.2.1 Particulars of the Group's associates as per the audited financial statements for the year ended June 30, 2012 are as follows:

2012

Particulars	Country of incorporation	Year of incorporation	Assets	Liabilities	Net assets	Revenues	Profit after taxation
			(Rupees in '000)				
IGI Income Fund	Pakistan	2006	896,185	2,749	893,436	138,460	114,252
IGI Money Market Fund	Pakistan	2010	2,912,193	11,021	2,901,172	425,529	374,401
IGI Capital Protected Fund	Pakistan	2011	279,938	3,226	276,712	17,833	11,592

2011

Particulars	Country of incorporation	Year of incorporation	Assets	Liabilities	Net assets	Revenues	Profit after taxation
			(Rupees in '000)				
IGI Income Fund	Pakistan	2006	834,288	4,184	830,104	162,292	141,263
IGI Money Market Fund	Pakistan	2010	2,700,214	5,535	2,694,679	220,432	201,393
IGI Islamic Income Fund	Pakistan	2009	608,735	3,261	605,474	58,809	50,050

	Note	2012	2011
		(Rupees in '000)	
11. NET INVESTMENT IN FINANCE LEASE			
Lease rental receivables		417,652	582,065
Add: Residual value		276,249	337,126
		693,901	919,191
Less: Unearned finance income		(12,502)	(40,380)
	11.1	681,399	878,811
Less: Provision for lease losses	11.4	(126,071)	(213,724)
Less: Current maturity of net investment in finance lease	11.6 & 13	(523,107)	(522,823)
		32,221	142,264

11.1 Particulars of net investment in finance lease

	2012			2011		
	Not later than one year	Later than one year but not later than five years	Total	Not later than one year	Later than one year but not later than five years	Total
	(Rupees in '000)					
Lease rental receivables	397,293	20,359	417,652	480,495	101,570	582,065
Add: Residual value	262,034	14,215	276,249	286,757	50,369	337,126
Gross investment in finance lease	659,327	34,574	693,901	767,252	151,939	919,191
Less: Unearned finance income	(10,149)	(2,353)	(12,502)	(30,705)	(9,675)	(40,380)
Net investment in finance lease	649,178	32,221	681,399	736,547	142,264	878,811

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11.2 The Group has entered into various lease agreements for period of 1 to 7 years (2011: 1 to 7 years). The rate of return implicit in the leases ranges from 12.00% to 18.00% (2011: 12.00% to 20.00%) per annum. Generally, leased assets are held as securities. In certain instances, the Group has also obtained additional collateral in the form of personal guarantees.

11.3 The direct expenses incurred in relation to lease such as documentation charges, stamp duty etc. are reimbursed to the Group by the respective lessees and net balance representing excess / short reimbursement, if any, is taken to profit and loss account. However, there are no material initial direct costs associated with lease receivables.

11.4 Provision for lease losses

	2012			2011		
	Specific	**General**	**Total**	**Specific**	**General**	**Total**
	(Rupees in '000)					
Opening balance	213,724	-	213,724	216,474	-	216,474
Charge for the year	27,055	-	27,055	13,286	-	13,286
Reversal during the year	(113,728)	-	(113,728)	-	-	-
Written-off during the year	(980)	-	(980)	(16,036)	-	(16,036)
	(87,653)	-	(87,653)	(2,750)	-	(2,750)
Closing balance	126,071	-	126,071	213,724	-	213,724

11.4.1 Based on the NBFC Regulations, the aggregate net exposure in finance leases which have been placed under non-performing status amounted to Rs.341.786 million (2011: Rs.345.859 million) against which a provision of Rs.126.071 million (2011: Rs.213.724 million) has been made after deducting the value of collateral (i.e. forced sale value) amounting to Rs.115.906 million (2011: Rs.8.234 million). The total income suspended against the non-performing parties amounted to Rs.72.611 million (2011: Rs.66.305 million).

11.5 As at June 30, 2012, IGI Bank's investment in leasing business was less than twenty percent of its assets which is not in accordance with Regulation 13 of the NBFC Regulations which requires that a Non-Banking Finance Company (NBFC) engaged in leasing, investment finance services or housing finance services or any combination thereof, shall invest atleast twenty percent of its assets in each such form of business. In the event that the takeover as referred to in note 1.1.3 above does not materialise, IGI Bank will devise a strategy to revive its leasing business as per the guidance provided by and with the approval of the Board of Directors.

11.6 This includes Rs.262.034 million representing overdue lease receivables at the year end against which no provision has been made by the Group as the Group holds equivalent amount of security deposits from the respective lessees.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

12. DEFERRED TAX ASSET - NET

	Note	2012	2011
		-------- (Rupees in '000) -------	
Deferred tax assets arising in respect of:			
Provision for bad and doubtful loans and advances / lease losses, doubtful debts, doubtful lendings, other receivables		376,762	236,593
Carry forward of unused tax losses:			
IGI Bank	12.1	109,260	102,908
IGI Finex	12.2	67,343	32,409
IGI Funds	12.3	48,203	50,705
Minimum tax		-	13,115
Provision for doubtful accrued mark-up		28,836	-
Provision for leave encashment		669	1,693
Deficit on revaluation of investments	25	9,117	17,255
Impairment against unlisted term finance certificates and equity securities		104,693	84,601
		744,883	539,279
Deferred tax liabilities arising in respect of:			
Accelerated tax depreciation		(80,452)	(84,097)
	12.4	664,431	455,182

12.1 IGI Bank has an aggregate amount of Rs.876.229 million (2011: Rs.294.022 million) in respect of unabsorbed tax losses as at June 30, 2012. The management of IGI Bank believes that based on the projections of future taxable profit, it would be able to realise only part of these tax losses in the future. Accordingly, deferred tax asset on unused tax losses at the end of the current year has been restricted to Rs.109.260 million (2011: Rs.102.908 million).

The management of IGI Bank has prepared financial projections which have been approved by the Board of Directors of IGI Bank. The said projections involve certain key assumptions underlying the estimation of future taxable profits projected in the plan including injection of fresh equity to meet Minimum Capital Requirement. The determination of future taxable profits is most sensitive to certain key assumptions such as equity injection, cost to income ratio of IGI Bank, deposit composition, growth of certificates of deposit, advances and leases, investment returns, potential provision against assets etc. A significant change in the key assumptions may have an effect on the realisability of the deferred tax asset. The management believes that it is probable that IGI Bank will be able to achieve the profits projected in the financial projections and consequently the deferred tax asset accounted for in the financial statements will be fully realised in the future.

12.2 IGI Finex has an aggregate amount of Rs.192.407 million (2011: Rs.92.597 million) in respect of unabsorbed tax losses as at June 30, 2012 on which it has recognised deferred tax asset amounting to Rs.67.343 million (2011: Rs.32.409 million) which represents the management's best estimate of the probable tax benefit which is expected to be realised in future tax years.

The management of IGI Finex has prepared financial projections which have been approved by the Board of Directors of IGI Finex. The said projections involve certain key assumptions underlying the estimation of future taxable profits projected and consideration for tax planning opportunities with respect to provision write-offs. The determination of the future taxable profits takes into account various assumptions regarding the future business, economic and market conditions. A significant change in the assumptions used may impact the realisability of the deferred tax asset. The management of IGI Finex believes that it is probable that IGI Finex will be able to achieve the profits projected in the financial projections and consequently the deferred tax asset will be fully realised in the future.

12.3 IGI Funds has an aggregate amount of Rs.137.722 million (2011: Rs.144.872 million) in respect of unabsorbed tax losses as at June 30, 2012 on which the management has recognised deferred tax asset of Rs.48.202 million (2011: Rs.50.705 million). Based on five year projections, the management believes that there would be enough taxable profits against which deferred tax asset created on unused tax losses can be utilised.

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		Note	2012	2011
			-------- (Rupees in '000) -------	
12.4	**Movement in deferred tax asset**			
	Opening balance		455,182	481,055
	Recognised during the year	43	217,387	(33,657)
			672,569	447,398
	Deferred tax impact on (surplus) / deficit on revaluation of investments		(8,138)	7,784
			664,431	455,182
13.	**CURRENT MATURITY OF NON-CURRENT ASSETS**			
	Current maturity of long-term loans and advances - net	9	53,645	37,069
	Current maturity of net investment in finance lease	11	523,107	522,823
			576,752	559,892
14.	**SHORT-TERM LOANS AND ADVANCES - NET**			
	Unsecured and considered good - due from:			
	Related parties			
	Executives	14.1	242	21
	Employees	14.2	418	55
			660	76
	Secured and considered good			
	Others			
	Short-term loans and advances	14.3	3,069	31,758
	Considered doubtful			
	Short-term loans and advances	14.3	172,000	174,199
	Less: Provision thereagainst	14.4 & 14.5	(172,000)	(174,199)
			-	-
			3,729	31,834

14.1 This includes interest free car loans given to executives and employees as per the policy of IGI Funds which are recoverable within twelve months of the balance sheet date.

14.2 This includes advances given to employees to meet personal and travelling expenses. These are granted to employees of IGI Finex in accordance with their terms of employment and are recovered through deductions from salaries.

14.3 These loans carry interest at rates ranging from 13.50% to 17.43% (2011: 14.75% to 18.76%) per annum and are repayable over periods ranging from 1 month to 1 year (2011: 1 month to 1 year). These are secured against mortgage of properties, hypothecation of vehicles, pledge of securities and personal guarantees of the borrowers.

14.4 The balance has been provided as per the requirements of NBFC Regulations and the policies of the Group.

		2012	2011
		-------- (Rupees in '000) -------	
14.5	**Movement in provision**		
	Opening balance	174,199	172,440
	Charge for the year	-	1,759
	Reversal	(1,500)	-
	Written-off during the year	(699)	-
	Closing balance	172,000	174,199

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	Note	2012	2011
		-------- (Rupees in '000) -------	
15 LENDINGS - SECURED			
Repurchase agreements (Reverse Repo)		114,000	114,000
Provision against reverse repurchase receivables		(21,374)	-
	15.1	92,626	114,000

15.1 The balance represents receivable against reverse repurchase transaction of IGI Finex with another brokerage house (customer). The reverse repurchase deals were renewed until last year and mark-up was being accrued at rates ranging from 18% to 19% per annum until June 30, 2011. The customer was unable to settle the balance due to financial difficulties. The balance is secured against shares listed on stock exchange valued at Rs.54.016 million as at June 30, 2012 and ten shops located at Fortress Stadium Lahore valued at Rs.38.610 million. The shops were valued by Ms. Hamid Mukhtar and Co. (Pvt) Limited on February 22, 2012. The shares received as collateral are in the custody of IGI Bank. The management has made a provision of Rs.21.374 million in these financial statements being the difference between the original amount of Rs.114.000 million and security value of Rs.92.626 million. In addition, the management has also made a provision of Rs.12.440 million against accrued mark-up on reverse repurchase transaction (note 19).

The securities received against the receivable balance are in the name of IGI Finex, however, the management considers these securities as collateral against the overdue reverse repurchase receivable and it does not intend to dispose off these assets.

During the year, the Group has not recognised mark-up income on reverse repurchase receivable in these financial statements in accordance with the Group's accounting policy, which requires recognising mark-up income only when it is probable that the economic benefits associated with the transaction will flow to the Group.

16. SHORT-TERM INVESTMENTS

		2012			2011		
	Note	Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
		--- (Rupees in '000) ---					
Held-to-maturity							
Commercial paper		-	-	-	9,895	-	9,895
Held-for-trading							
Government securities	16.1	399,512	-	399,512	463,203	3,155,529	3,618,732
Listed shares and units of open end mutual funds		-	-	-	8,225	-	8,225
Listed term finance certificates	16.2	2,258	-	2,258	2,197	-	2,197
		401,770	-	401,770	473,625	3,155,529	3,629,154
Available-for-sale							
Listed term finance certificates	16.3	378,878	-	378,878	383,811	260,468	644,279
Unlisted term finance certificates	16.3	908,835	-	908,835	1,018,491	-	1,018,491
Listed shares and certificates	16.4	186,731	-	186,731	312,520	-	312,520
		1,474,444	-	1,474,444	1,714,822	260,468	1,975,290
Impairment loss on term finance certificates	16.5	(186,607)	-	(186,607)	(108,686)	-	(108,686)
		1,689,607	-	1,689,607	2,089,656	3,415,997	5,505,653

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FOR THE YEAR ENDED JUNE 30, 2012

16.1 Particulars relating to government securities are as follows:

		2012			2011		
		Face value	Amortised cost	Market value	Face value	Amortised cost	Market value
Particulars	**Note**	(Rupees in '000)					
Market Treasury Bills	16.1.1	375,000	355,894	355,781	3,700,000	3,580,126	3,576,382
Pakistan Investment Bonds	16.1.2	50,000	46,940	43,731	51,400	47,989	42,350
	16.1.3	425,000	402,834	399,512	3,751,400	3,628,115	3,618,732

16.1.1 These carry mark-up at the rate of 11.95% (2011: 12.44% and 13.45%) per annum and have terms of six months maturing latest by December 13, 2012.

16.1.2 These carry mark-up at the rate of 9.6% (2011: 9.6% to 11%) per annum receivable semi-annually and have terms of 10 years maturing latest by August 22, 2017.

16.1.3 In accordance with the requirements of NBFC Regulations, 2008, IGI Bank has invested Rs.399.512 million (2011: Rs.476.400 million) (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.

16.2 Held-for-trading investments - listed term finance certificates

Number of Certificates		Particulars	Issue date	2012		2011	
2012	2011			Amortised cost	Market value	Amortised cost	Market value
				(Rupees in '000)			
		Chemical					
457	457	Engro Chemical Pakistan Limited *	November 30, 2007	2,236	2,258	2,237	2,197

* For significant terms and conditions (see note 16.3.1).

16.3 Available-for-sale investments - term finance certificates

Number of Certificates		Particulars	Issue date	2012		2011	
2012	2011			Amortised cost	Market value	Amortised cost	Market value
				(Rupees in '000)			
		LISTED TERM FINANCE CERTIFICATES					
		Commercial Banks / NBFIs					
20,000	20,000	Askari Bank Limited	November 18, 2009	101,510	105,644	101,769	103,371
-	5,000	Jahangir Siddiqui and Company Limited	November 21, 2006	-	-	24,955	25,253
12,800	63,432	NIB Bank Limited	March 5, 2008	63,237	63,610	312,682	305,354
494	494	United Bank Limited I	August 10, 2004	809	809	2,285	2,335
6,252	6,252	United Bank Limited II	March 15, 2005	31,251	29,704	31,252	28,440
		Textile					
5,000	5,000	Azgard Nine Limited II*	September 20, 2005	17,707	18,119	17,707	18,119
		Miscellaneous					
10,000	10,000	Pace (Pakistan) Limited	February 15, 2008	48,830	33,585	48,805	33,585
3,447	3,447	Pak Arab Fertilizers Limited	February 28, 2008	9,307	9,317	14,477	14,607
21,500	21,500	Pakistan Mobile Communications Limited	October 28, 2008	107,306	106,093	99,229	101,205
8,715	8,715	Telecard Limited	May 27, 2005	15,996	11,997	16,014	12,010
				395,953	378,878	669,175	644,279

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Number of Certificates 2012	Number of Certificates 2011	Particulars	Issue date	2012 Amortised cost	2012 Market value	2011 Amortised cost	2011 Market value
				---------------- (Rupees in '000) ----------------			
		UNLISTED TERM FINANCE CERTIFICATES					
4,000	4,000	Agritech Limited*	November 30, 2007	19,980	19,980	19,654	18,845
861	-	Agritech Limited IV	July 01, 2011	4,305	4,305	-	-
17,000	17,000	Al-Zamin Leasing Modaraba II*	May 12, 2008	64,392	64,295	64,392	64,295
3,547	3,547	Avari Hotels Limited	April 30, 2009	14,639	14,657	14,493	14,666
13,000	13,000	Azgard Nine Limited IV*	December 04, 2007	64,948	64,948	64,799	59,597
35,898	40,598	Bank Al Habib Limited III	June 15, 2009	185,751	186,888	210,376	205,248
16,000	6,000	Bank Al Habib Limited IV	June 30, 2011	80,892	85,117	30,000	30,000
11,803	11,803	Bank Alfalah Limited IV Fixed	December 02, 2009	58,956	61,752	58,980	57,927
10,650	10,650	Bank Alfalah Limited IV Floating	December 02, 2009	53,869	56,123	53,435	53,963
50	50	Century Paper & Board Mills Limited	September 25, 2007	123	124	171	168
10,000	10,000	Eden Housing Limited	December 31, 2007	26,700	18,995	33,720	31,240
200	200	Engro Fertilizer Limited - Sukuk	September 06, 2007	1,038	1,017	1,050	1,000
28,400	28,400	Engro Fertilizer Limited (Perp I)	March 18, 2008	139,906	135,042	132,590	133,480
4,000	4,000	Engro Fertilizer Limited (Perp II)	March 18, 2008	19,459	19,745	19,364	20,283
15,000	25,500	Faysal Bank Limited II	December 27, 2010	75,837	77,803	128,197	128,197
-	13,000	KASB Securities Limited	June 27, 2007	-	-	40,274	43,060
12,000	12,000	Maple Leaf Cement Factory Limited - Sukuk	December 03, 2007	57,774	37,549	57,497	37,581
825	825	Maple Leaf Cement Factory Limited - Sukuk	March 31, 2010	4,125	2,904	4,125	2,904
10,000	10,000	New Allied Electronics Industries (Private) Limited - Sukuk*	December 03, 2007	49,241	49,241	49,241	49,241
250	250	Orix Leasing Pakistan Limited	January 15, 2008	8,270	8,350	16,487	16,796
-	10,000	Pak Libya Holding Company (Private) Limited	February 07, 2011	-	-	50,000	50,000
				930,205	908,835	1,048,845	1,018,491

* These represent non-performing Term Finance Certificates and provision is made thereagainst as per the NBFC Regulations, 2008 (see note 16.5).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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16.3.1 Significant terms and conditions relating to Term finance certificates are as follows:

Particulars	Certificates Denomination	Profit rate Per annum	Profit Payment	Maturity Date	Redemption
Listed Term Finance Certificates					
Engro Chemical Pakistan Limited	5,000	Average ask rate of six month KIBOR plus 1.55% (with no floor and cap)	Semi-annually	March 25, 2018	Instrument is structured to redeem 0.28% of principal in the first 84 months and remaining principal in two equal semi-annual installment of 49.86% each of the issue amount respectively, starting from 90th month.
Askari Bank Limited	5,000	6 month KIBOR plus 2.50% per annum for 1 to 5 year. 6 month KIBOR plus 2.95% for 6 to 10 year per annum (with no floor and cap).	Semi-annually	November 18, 2019	Instrument is structured to redeem 0.32%, principal in the first 96 months (till 8th year) and remaining 99.68% principal in 4 equal semi-annual installments starting from 102nd month in the 9th and 10th year.
NIB Bank Limited	5,000	Average ask rate of six months KIBOR plus 1.15% (with no floor and cap)	Semi-annually	March 05, 2016	Instrument is structured to redeem 0.2% of principal in the first 60 months and remaining principal in 6 equal semi-annual installments of 16.63% each of the issue amount respectively, starting from 66th month from the date of issuance.
United Bank Limited I	5,000	Fixed at 8.45%	Semi-annually	August 10, 2012	Instrument is structured to redeem 0.0192%, of principal in the first 78 months on semi annually and remaining 33.25% principal in three equal semi-annual installments.
United Bank Limited II	5,000	Fixed at 9.49%	Semi-annually	March 15, 2013	The instrument is structured to redeem principal in one bullet payment at maturity.
Azgard Nine Limited II	5,000	2010-2011 6 month KIBOR plus 1%, 2012-2015 6 month KIBOR plus 1.25%, 2016-2017 6 months KIBOR plus 1.75%	Semi-annually	September 20, 2017	12 semi-annually installments with stepped up repayment plan, 2012-2015 47% (Rs.699 million), 2016-2017 53% (Rs.799 million).
Pace (Pakistan) Limited	5,000	Average ask rate of six months KIBOR plus 2% (with no floor and cap)	Semi-annually	February 15, 2017	Principal to be repaid in 6 equal semi-annually installments in arrears after a grace period of 24 months from the last date of public subscription.
Pak Arab Fertilizers (Private) Limited	5,000	Average ask rate of six months KIBOR plus 1.5%.	Semi-annually	February 28, 2013	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 plus 1.65%	Semi-annually	October 28, 2013	Bullet payment at maturity.
Telecard Limited	5,000	Average of 6 month KIBOR plus 3.75 % (with no floor and cap)	Quarterly	May 27, 2015	Principal to be redeemed in quarterly installments as per schedule.
Unlisted Term FinanceCertificates / Sukuk					
Agritech Limited I	5000	Average ask rate of six months KIBOR plus 1.75%	Semi-annually	December 30, 2017	12 semi-annually installments with stepped up repayment plan, 2012-2014 35% (Rs.524,580,000), 2015-2017 65% (Rs.974,220,000).
Agritech Limited II	5000	Zero Coupon		January 01, 2015	Principal to be repaid in 6 semi-annual installments as per schedule, commencing from July 1, 2012.
Al-Zamin Leasing Modaraba II	5,000	Average ask rate of six months KIBOR plus 1.9% (with no floor and cap)	Monthly	October 31, 2015	Principal will be re-paid in 60 equal monthly installments.
Avari Hotels Limited	5,000	Average ask rate of one year KIBOR plus 2.5% (with no floor and cap)	Annually	October 30, 2014	Principal to be repaid in three unequal installments, commencing from June 30, 2013.
Azgard Nine Limited IV	5,000	2010- 2011 6 Month KIBOR plus 1%, 2012-2015 6 month KIBOR plus 1.25%, 2016-2017 6 months KIBOR plus 1.75%	Semi-annually	December 04, 2017	12 semi-annually installments with stepped up repayment plan, 2012-2015 47% (Rs.1,166 million), 2016-2017 53% (Rs.1,332 million).
Bank Al Habib Limited III	5,000	Fixed at 15.50% Year 1 to 5, Fixed at 16% Year 6 to 8	Quarterly	June 15, 2017	Instrument is structured to redeem 0.02% 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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Particulars	Certificates Denomination	Profit rate Per annum	Profit Payment	Maturity Date	Redemption
Bank Al Habib Limited IV	5,000	Year 1 to 5 fixed at 15% per annum, year 6 to 10 fixed at 15.50% per annum	Semi-annually	June 30, 2021	Instrument is structured to redeem 0.02% of the issue amount per semi annual period in the first 9 years and the remaining issue amount in 2 equal semi annual installments of 49.82% in the 10th year.
Bank Alfalah Limited IV	5,000	Option 1. Fixed at 15.00% Option 2. Six month KIBOR plus 2.5%	Semi-annually	December 02, 2017	Instrument is structured to redeem 0.260% of the principal semi annually in the first 78 months and remaining principal of 33.247% each of the issue amount respectively starting from the 84th month.
Century Paper and Board Mills Limited	5,000	Six month KIBOR plus 1.35%	Semi-annually	September 25, 2014	Principal to be redeemed in 10 stepped up semi-annual installments commencing from the 30th month from the date of first disbursement.
Eden Housing Limited	5,000	Average ask rate of three months KIBOR plus 2.5% per annum from December 31, 2007 to June 29, 2013 (floor 7% and cap 20%)	Quarterly	June 29, 2014	Principal to be redeemed in unequal quarterly installments as per schedule.
Engro Fertilizer Limited - Sukuk	5,000	Average ask rate of six months KIBOR plus 1.5% (no floor and no cap)	Semi-annually	September 06, 2015	Principal to be repaid into equal semi annual installment in arrears after a grace period of 84 months from the last date of public subscription.
Engro Fertilizer Limited (Perp I)	5,000	Six month KIBOR plus 1.70%	Semi-annually	March 18, 2018	Principal repayment will occur, in whole or in part, through the exercise of the call option only by the company, or the put option by the investor.
Engro Fertilizer Limited (Perp II)	5,000	Six month KIBOR plus 1.25%	Semi-annually	March 18, 2018	Principal repayment will occur, in whole or in part, through the exercise of the call option only by the company, or the put option by the investor.
Faysal Bank Limited II	5,000	Six month KIBOR plus 2.25%	Semi-annually	December 27, 2017	Instrument is structured to redeem 0.020%, of the principal semi annually in the tenth semi annual equal installment and remaining principal of 24.95% in each of the issue amount respectively starting from the 66th month.
Maple Leaf Cement Factory Limited - Sukuk	5,000	Average ask rate of three months KIBOR plus 1.0%, three months KIBOR plus 1.7% after 5 years or complete settlement of deferred mark-up, whichever is later	Quarterly	December 3, 2018	36 quarterly installments as per the given re-schedule 1st to 10 quarterly installments are just token money.
Maple Leaf Cement Factory Limited - Sukuk	5,000	Average ask rate of three months KIBOR plus 1.0%, three months KIBOR plus 1.7% after 5 years or complete settlement of deferred mark-up, whichever is later	Quarterly	March 31, 2013	9 equal monthly installments after 28th month as per the given re-schedule.
New Allied Electronics Industries (Private) Limited - Sukuk	5,000	Average ask rate of three months KIBOR plus 2.2% (floor 7% and cap 20%)	Semi-annually	December 3, 2012	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.
Orix Leasing Pakistan Limited	100,000	Average ask rate of six month KIBOR plus 1.20%	Semi-annually	January 15, 2013	Six equal semi annual installments. First principal repayment shall commence at the end of the 30th month from the date of 1st issue.

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16.4 Available-for-sale investments - listed shares and certificates

No. of Ordinary shares / certificates 2012	2011	Name of Company / Fund	2012 Average cost	2012 Market value	2011 Average cost	2011 Market value
			---------- (Rupees in '000) ----------			
		Mutual fund (closed ended)				
-	3,323,350	Safeway Mutual Fund	-	-	25,755	22,167
		Commercial banks				
-	1,000,000	Faysal Bank Limited	-	-	14,193	9,260
-	208,260	United Bank Limited	-	-	12,912	12,893
		Cement				
-	1,155,000	DG Khan Cement Limited	-	-	34,935	26,554
-	636,850	Lucky Cement Limited	-	-	45,216	45,115
		Power generation and distribution				
3,305,000	2,328,155	Hub Power Company Limited	136,656	138,446	88,398	87,539
-	1,000,000	Nishat Chunian Power Limited	-	-	15,464	13,720
		Industrial engineering				
100,000	91,621	Millat Tractors Limited	54,819	48,285	49,817	55,129
		Fertilizer				
-	267,000	Fauji Fertilizer Company Limited	-	-	39,330	40,143
			191,475	186,731	326,020	312,520

16.4.1 Included herein is Rs.Nil (2011: Rs.58.128 million) of equity investments purchased and simultaneously sold in futures market with a view to generate a spread on the transaction.

	Note	2012	2011
		-------- (Rupees in '000) -------	
16.5 Movement in provision against investment			
Opening balance		108,686	100,731
Charge for the year		77,921	38,714
Reversals during the year		-	(22,309)
Transferred during the year		-	(8,450)
Closing balance		186,607	108,686

17. TRADE DEBTS - NET

	Note	2012	2011
Considered good			
Receivable from clients against purchase of marketable securities and commodity contracts	17.2	3,981	968,309
Commission receivable		393	915
Clearing balance with National Clearing Company of Pakistan Limited		26,889	-
		31,263	969,224
Considered doubtful		629,726	186,750
Provision for doubtful debts	17.1 & 17.3	(602,028)	(186,750)
		58,961	969,224

17.1 Movement in provision

	Note	2012	2011
Opening provision		186,750	153,290
Charge for the year	17.1.1	416,187	33,879
Reversal		(909)	(419)
		415,278	33,460
Closing provision		602,028	186,750

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17.1.1 As at June 30, 2012, the management of IGI Finex analysed receivable balances and identified few parties the balances of which were overdue and were not considered recoverable. The management has also been charging mark-up on these balances until June 30, 2011. After careful consideration and taking into account the custody value as at June 30, 2012, the management has made a provision against these balances including accrued mark-up thereon (see note 19).

During the year, IGI Finex has not recognised mark-up income on overdue balances in these financial statements in accordance with the Group's accounting policy, which requires recognising mark-up income only when it is probable that the economic benefits associated with the transaction will flow to the Group.

		Note	2012	2011
			-------- (Rupees in '000) -------	
17.2	This includes amounts due from related parties as under:			
	Key management personnel		21	7,367
	Group companies		-	7,144
	Other - related parties and associated undertaking's		1,116	6,424
			1,137	20,935

17.3 This includes provision in respect of IGI Insurance Limited (related party) amounting to Rs.4.380 million (2011: Rs.3.830 million).

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2012	2011
Deposits			
Pakistan Mercantile Exchange Limited - margin deposit		10,897	11,479
Exposure deposits with Karachi Stock Exchange (Guarantee) Limited	18.1	19,600	39,800
Others		2,468	1,772
		32,965	53,051
Prepaid expenses	18.2	3,390	21,710
Other receivables - net			
Secured - considered good			
Assets repossessed in respect of terminated lease contracts		11,877	1,951
Excise duty paid on behalf of customers		4,471	4,471
Dividend receivable		-	1,625
Balances due from related parties:			
IGI Income Fund		1,073	1,338
IGI Stock Fund		532	929
IGI Islamic Income Fund		336	2,024
IGI Money Market Fund		2,272	1,603
IGI Aggressive Income Fund		1,004	1,468
IGI Capital Protected Fund		2,259	1,165
IGI Soveriegn Fund		125	-
Staff Provident Fund of IGI Bank Limited		-	744
Staff Gratuity Fund of IGI Bank Limited		1,041	254
		8,642	9,525
Accrued commission / fee income		8,365	5,937
Receivable against sale of securities		-	46,148
Fair value of derivative financial instruments		-	401
Insurance rental receivable		-	1,071
Others	18.3	8,388	11,020

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	Note	2012	2011
		-------- (Rupees in '000) -------	
Unsecured and considered doubtful			
Federal excise duty receivable from customer		1,941	-
Other receivables		25,583	25,583
Receivable from lessees in satisfaction of claims		20,703	20,186
Receivable against settlement of fund placement	18.4	13,750	13,750
		61,977	59,519
Less: Provision for bad and doubtful receivables	18.4 & 18.5	(61,977)	(54,219)
		78,098	162,210

18.1 This represents the deposit held 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.

18.2 This includes fees paid in advance to Securities and Exchange Commission of Pakistan (SECP) for the renewal of license to undertake "Investment Advisory Services" and "Asset Management Services" under the NBFC Regulation, 2008 for the period of three years commencing from May 14, 2010.

18.3 Included herein (a) a sum of Rs.2.3 million (2011: Rs.2.3 million) representing an amount deposited with Honorable High Court of Sindh (SHC) in respect of assets repossessed and sold subsequently upon termination of lease contract. (b) the formation cost of Rs.1 million (2011: Rs.1.043 million) incurred on account of IGI Pak Brunei Income Plus Fund. The SECP has agreed to adjust the amount being the authorisation fee of the IGI Pak Brunei Income Plus Fund against any other fund to be launched by the Group in the future.

18.4 This represents outstanding receivable from Saudi Pak Leasing Company Limited (SPLCL) in accordance with the settlement agreement entered into between IGI Bank and SPLCL in the prior period. This balance is pending settlement through transfer of lease receivables by SPLCL. The said amount has been fully provided for in the current year's financial statements due to low chances of recovery of the remaining balance in the future.

	2012	2011
	-------- (Rupees in '000) -------	
18.5 Movement in provision against receivables		
Opening balance	54,219	44,110
Charge for the year	7,758	1,659
Transferred during the year	-	8,450
Closing balance	61,977	54,219

19. INTEREST, MARK-UP AND PROFIT ACCRUED

	2012	2011
Interest, mark-up and profit accrued on:		
Considered good		
Investments in:		
government securities	1,705	1,702
term finance certificates	22,210	41,204
	23,915	42,906
Loans and advances	2,492	94,659
Lendings	-	12,571
Deposits with banks	1,387	1,614
	27,794	151,750

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	Note	2012	2011
		-------- (Rupees in '000) -------	
Considered doubtful			
Accrued mark-up		69,948	-
Accrued mark-up on overdue reverse repurchase receivables		12,440	-
		82,388	-
		110,182	151,750
Provision for accrued mark-up considered doubtful	19.1	(82,388)	-
		27,794	151,750

19.1 Provision for accrued mark-up considered doubtful

	Note	2012	2011
Opening balance	-	-	
Charge for the year			
Accrued mark-up income	17.1.1	69,948	-
Accrued mark-up on overdue reverse repurchase receivables	15.1	12,440	-
		82,388	-
Closing balance		82,388	-

20. CASH AND BANK BALANCES

	Note	2012	2011
In hand		130	65
In current accounts			
State Bank of Pakistan		3,477	5,785
Others			
local currency		16,127	51,336
Foreign currency		1,210	1,109
		17,337	52,445
In saving accounts			
local currency	20.1	161,907	80,311
	49	182,851	138,606

20.1 These represent deposit accounts with commercial banks and carry mark-up at the rate ranging between 5% to 11% (2011: 5% to 13%).

21. SHARE CAPITAL

	2012	2011
Authorised capital		
300,000,000 (2011: 300,000,000) Ordinary shares of Rs.10 each	3,000,000	3,000,000
Issued, subscribed and paid-up capital		
190,993,300 (2011: 190,993,300) Ordinary shares of Rs.10 each fully paid in cash	1,909,933	1,909,933
21,109,250 (2011: 21,109,250) Ordinary shares of Rs.10 each issued as fully paid bonus shares	211,092	211,092
	2,121,025	2,121,025

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The following shares were held by the related parties of the Group as at June 30, 2012:

	2012		2011	
	Shares held (in million)	**Percentage**	**Shares held (in million)**	**Percentage**
Name of related party				
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	9.984	4.710%	9.984	4.710%

	Note	2012	2011
		-------- (Rupees in '000) -------	
22. RESERVES			
Capital reserve			
Statutory reserve	22.1	97,098	97,098
Reserve arising on acquisition of non-controlling interest		(21,686)	(21,686)
		75,412	75,412
Revenue reserves			
General reserve		39,733	39,733
		115,145	115,145

22.1 Statutory reserve represents amount set aside as per the requirements of clause 16 of the NBFC Regulations issued by the SECP.

	Note	2012	2011
		-------- (Rupees in '000) -------	
23. ADVANCE AGAINST ISSUE OF PREFERENCE SHARES			
Advance against issue of preference shares	23.1	650,000	-

23.1 IGI Finex received a subordinated loan of Rs.650 million on December 20, 2011 under a Loan Subordination Agreement (LSA) entered into between IGI Finex and Mr. Syed Babar Ali, Chairman – IGI Bank and a key sponsor of IGI Finex. The loan was interest free and was repayable in five years or upon fulfillment of certain conditions mentioned in LSA as the case may be. Thereafter, on December 27, 2011, IGI Finex entered into a Tripartite Agreement with Mr. Syed Babar Ali and IGI Bank whereby IGI Bank had undertaken to fully settle the loan on behalf of IGI Finex and as a result would have become lender to IGI Finex. The Tripartite Agreement was subject to legal and regulatory approvals and exemptions as would have been required by IGI Bank for the said transaction.

On June 29, 2012, IGI Finex and Mr. Syed Babar Ali entered into a Subscription Agreement whereby IGI Finex and Mr. Syed Babar Ali agreed to supersede the LSA and to convert the subordinated loan into Preference Shares to be issued by IGI Finex to Mr. Syed Babar Ali in terms of this Agreement. Under the agreement it was also mutually decided between Mr. Syed Babar Ali, IGI Finex and IGI Bank that the Tripartite Agreement stands terminated by virtue of execution of Subscription Agreement. The Subscription Agreement provides for issue of 65,000,000 preference shares at the rate of Rs.10 per share and these shares will be non-voting, non-redeemable, non-convertible and non-cumulative. IGI Finex has undertaken to take steps for issuance and allotment of preference shares to Mr. Syed Babar Ali and to complete all requisite formalities in that connection, including, without limitation: (a) increase of the authorised capital, (b) passing of special resolution, (c) amendment of the Articles of Association, and (d) obtaining of all official approvals, in particular, the approval of the SECP.

Since IGI Finex is in the process of completing formalities for issuance of preference shares, the amount has been reported as advance against issue of preference shares.

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	Note	2012	2011
		-------- (Rupees in '000) -------	
24. NON-CONTROLLING INTEREST			
Share of non-controlling interest in:			
Share capital		70	7 0
Accumulated loss		(25)	(25)
		45	45
25. DEFICIT ON REVALUATION OF INVESTMENTS - NET OF TAX			
Net surplus / (deficit) on revaluation of:			
government securities		(3,322)	(9,383)
listed and unlisted term finance certificates		(38,423)	(55,290)
listed shares and certificates		(4,744)	(13,405)
fair value of derivative financial instruments		-	401
		(46,489)	(77,677)
Impairment loss on equity investments classified as 'available-for-sale' - transferred to profit and loss account		-	4,933
	25.1	(46,489)	(72,744)
Related deferred tax asset - net	12	9,117	17,255
		(37,372)	(55,489)
25.1 Particulars of deficit on revaluation of investments - net			
Opening balance		(72,744)	(47,612)
Surplus / (deficit) arising on revaluation of investments during the year		26,255	(30,065)
		(46,489)	(77,677)
Impairment on equity securities held as at year end		-	4,933
Closing balance		(46,489)	(72,744)
26. LONG-TERM FINANCE			
Secured			
Local currency - banking companies	26.1	50,000	150,000
Less: Current maturity of long-term finance	29	(50,000)	(100,000)
		-	50,000

26.1 The principal terms of long-term finance are as follows:

Lender	Amount disbursed (Rs. in '000)	Date of disbursement	Date of maturity	Principal repayment	Mark-up	Security
Allied Bank Limited	250,000	December 07, 2009	December 07, 2012	5 equal semi-annual installments commencing from the 12th month from the date of disbursement.	A floating rate of 6 months KIBOR plus 2.25% per annum (with no floor or cap) payable semi-annually in arrears.	The facility is secured by a first pari passu charge on Bank's movable assets and all receivables including leased assets and lease receivables with 25% margin.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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	Note	2012	2011
		-------- (Rupees in '000) -------	
27. LONG-TERM CERTIFICATES OF DEPOSIT			
Unsecured			
Financial institutions		12,009	53,382
Individuals		391,834	395,382
Others		736,920	744,954
	27.1, 27.2 & 16.1.3	1,140,763	1,193,718
Less: Current maturity of long-term certificates of deposit	29	(761,766)	(833,785)
		378,997	359,933

27.1 These certificates of deposit have contractual maturities ranging from 1 to 8 years (2011: 1 to 8 years) from the contract date. Expected rates of return payable on these certificates ranges from 10.00% to 14.50% (2011: 10.15% to 20%) per annum.

27.2 Included herein is a sum of Rs.272.252 million (2011: Rs.50 million) representing amount payable to related parties.

28. LONG-TERM DEPOSITS UNDER LEASE CONTRACTS

	Note	2012	2011
Deposits under lease contracts	28.1	274,470	335,036
Less: Current maturity of deposits under lease contracts	29	(261,095)	(285,818)
		13,375	49,218

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. CURRENT MATURITY OF NON-CURRENT LIABILITIES

	Note	2012	2011
Current maturity of redeemable capital	25	-	62,475
Current maturity of long-term finance	26	50,000	100,000
Current maturity of long-term certificates of deposit	27	761,766	833,785
Current maturity of long-term deposits under lease contracts	28	261,095	285,818
		1,072,861	1,282,078

30. SHORT-TERM CERTIFICATES OF DEPOSIT

	Note	2012	2011
Unsecured			
Local currency			
Financial institutions		-	151,647
Individuals		334,518	504,525
Others		1,125,659	1,179,860
	30.1, 30.2 & 16.1.3	1,460,177	1,836,032

30.1 These certificates of deposit have contractual maturities ranging from 1 to 12 months (2011: 1 to 12 months) from the contract date. Expected rates of return payable on these certificates of deposit are 10.00% to 13.60% (2011: 10% to 16.48%) per annum.

30.2 Included herein is a sum of Rs.389.964 million (2011: Rs.428.656 million) representing amount payable to related parties.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		-------- (Rupees in '000) -------	
31. INTEREST AND MARK-UP ACCRUED			
Interest and mark-up accrued on:			
Redeemable capital		-	4,647
Long-term finance		469	1,580
Certificates of deposit	31.1	109,207	110,930
Borrowings from financial institutions		-	77,660
		109,676	194,817

31.1 Included herein is a sum of Rs.30.528 million (2011: Rs.10.682 million) representing amount payable to related parties.

32. TRADE AND OTHER PAYABLES

	Note	2012	2011
Accrued expenses		10,568	14,401
Payable to customers on account of excess recoveries		3,028	3,028
Management fee and distribution commission payable	32.1	17,241	15,327
Unclaimed dividends		305	316
Payable in respect of employee gratuity scheme of IGI Bank		-	4,289
Advances from lessees		13,556	16,196
Payable against purchase of securities	32.2	155,085	177,634
Clearing balance with National Clearing Company of Pakistan Limited		-	71,920
Provision for leave encashment		2,200	3,482
Workers' Welfare Funds payable	32.3	734	382
Others		21,939	18,173
		224,656	325,148

32.1 This includes Rs.1.049 million (2011: Rs.0.986 million) payable to related party.

32.2 This includes amounts due to related parties as follows:

	2012	2011
Key management personnel	1	22
Other related parties and associated undertakings	180	279
	181	301

32.3 The Workers' Welfare Ordinance, 1971 was amended vide Finance Act, 2008 by virtue of which, IGI Fund is also liable to pay Workers' Welfare Fund at the rate of 2% of accounting profit or declared income as per income tax return, whichever is higher.

33. CONTINGENCIES AND COMMITMENTS

33.1 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 Inland Revenue (DCIR), 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 Inland Revenue (Appeals) [CIR(A)] directed the DCIR to apply the rate applicable to a public company. Subsequent to the order of CIR(A), the Income Tax Department filed appeals before the Appellate Tribunal Inland Revenue (ATIR) against the orders of CIR(A). The ATIR, 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 ATIR. Subsequent to the decision of ATIR for assessment years 1991-92 to 1997-98, the department had filed appeals against the ATIR orders before the Honourable Lahore High Court which are pending to date.

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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 DCIR 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 CIR(A) and the ATIR through their 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 ATIR 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 CIR(A). The CIR(A) has deleted the majority of the additions against which the tax authorities have filed appeals before the ATIR which are currently pending.

(b) The returns for the tax years 2003, 2004, 2005, 2006 and 2007 filed by IGI Bank were amended by the Taxation Officer who raised a net demand aggregating to Rs.13.319 million by making certain additions. These additions included additions on account of initial depreciation on leased assets, allocation of expenses to dividend and exempt income, loss on maturity / termination of lease, initial depreciation on leased vehicles, inadmissible provision and other miscellaneous items.

IGI Bank filed appeals before the CIR(A) to agitate against the additions made by the Taxation Officer. The CIR(A) while disposing off the appeals, deleted certain additions and allowed certain remand backs aggregating to Rs.627.543 million.

However, the CIR(A) confirmed the remaining additions made by the Taxation Officer as enumerated above, against which, IGI Bank has filed appeals (or is in the process of filing appeals) before the ATIR which are pending adjudication. IGI Bank is confident that the pending appeals will be decided in favor of IGI Bank.

(c) If the pending appeals / matters as referred to in (a) and (b) above are decided against IGI Bank, an additional provision of Rs.291.925 million (2011: Rs.199.700 million) would be required in the financial statements. Based on the previous decisions, the management is confident that the eventual outcome of the above matters will be decided in favour of IGI Bank, and hence, no provision has been made in these financial statements.

(d) During the year, the Commissioner Inland Revenue, has selected the case of IGI Finex for audit of the tax year 2010 under Section 177 of the Income Tax Ordinance, 2001. The audit proceedings have been initiated by the tax department and proceedings are under process.

33.2 During the year, a brokerage house filed a lawsuit against IGI Finex in the High Court of Sindh for recovery of Rs.18.433 million together with mark-up on debit balances outstanding in his books and records on account of various transactions. IGI Finex has, thus far, filed a counter affidavit against the application filed by the complainant to seek an interim order. IGI Finex is yet to file a written statement in this lawsuit. IGI Finex has also filed a lawsuit against the same brokerage house and the ex-official of IGI Finex in the High Court of Sindh to recover the outstanding balance appearing in IGI Finex’s books of account before provision. The lawsuits are pending litigations and both the management and legal counsel are of the view that there is a reasonable probability of IGI Finex's success in both lawsuits.

	2012	2011
	-------- (Rupees in '000) -------	
33.3 Claims not acknowledged as debts	81,570	81,570
33.4 Commitments		
Commitments in respect of forward sale of shares	-	58,936

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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34. INCOME FROM INVESTMENTS

	2012					2011				
	Held to maturity	Held-for-trading	Available-for-sale	Investment in associates	Total	Held to maturity	Held-for-trading	Available-for-sale	Investment in associates	Total
	(Rupees in '000)									
Interest / mark-up / profit from:										
Fund placements	471	-	-	-	471	4,712	-	-	-	4,712
Commercial paper	105	-	-	-	105	959	-	-	-	959
Market treasury bills	-	109,203	-	-	109,203	-	225,579	-	-	225,579
Pakistan investment bonds	-	5,320	-	-	5,320	-	5,260	-	-	5,260
Term finance certificates	-	-	204,825	-	204,825	-	332	233,400	-	233,732
	576	114,523	204,825	-	319,924	5,671	231,171	233,400	-	470,242
Dividend income	-	-	30,177	4,203	34,380	-	-	49,448	956	50,404
Gain on disposal of:										
Market treasury bills	-	839	-	-	839	-	236	-	-	236
Pakistan investment bonds	-	394	-	-	394	-	150	-	-	150
Term finance certificates	-	-	16,006	-	16,006	-	-	10,141	-	10,141
Units of open end mutual fund	-	1,726	-	23,246	24,972	-	3,699	4,676	26,792	35,167
Reversal of share of profit on disposal of investment in associate	-	-	-	(6,900)	(6,900)	-	-	-	(84,150)	(84,150)
Listed shares and certificates	-	2,313	6,752	-	9,065	-	-	111,814	-	111,814
	-	5,272	22,758	16,346	44,376	-	4,085	126,631	(57,358)	73,358
	576	119,795	257,760	20,549	398,680	5,671	235,256	409,479	(56,402)	594,004

	Note	2012	2011
		(Rupees in '000)	
35. INCOME FROM LOANS AND ADVANCES			
Mark-up / interest on loans and advances		14,915	36,064
Documentation charges and other loan related income		209	666
		15,124	36,730
36. INCOME FROM LEASE FINANCE			
Mark-up on lease finance		21,674	72,839
Front-end fees, documentation charges, other lease related income and termination losses - net		(1,907)	4,116
		19,767	76,955
37. REMUNERATION FROM FUNDS UNDER MANAGEMENT - NET			
Management fee and sales load - net	37.1, 37.2 & 37.3	49,484	44,720

37.1 Management fee for services rendered by IGI Funds has been calculated by applying the management fee rate of 1.25%, 2%, 1.5%, 0.8%, 1% and 1.75% for IGI Income Fund, IGI Stock Fund, IGI Islamic Income Fund, IGI Money Market Fund, IGI Aggressive Income Fund and IGI Capital Protected Fund respectively on the average annual net assets of the respective funds determined on a daily basis in accordance with the provisions of the NBFC Regulations, 2008.

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37.2 The above amount is stated net of management fee sharing of Rs.14.949 million (2011: Rs.18.482 million) and sales load sharing of Rs.6.793 million (2011: Rs.3.417 million). The sharing of management fee and sales load has been deteremined and recorded as per the agreements. This has been netted off as the management considered that this represents sharing of income on account of the management fee and sales load instead of expenses.

37.3 The Funds managed by the Group have not made a provision against WWF on the basis of a clarification issued by the Ministry of Labour and Manpower and based on the advise of legal advisor appointed by the MUFAP. Had the provision of WWF been made by the Funds, the impact of such on the management fee and profit for the year would have reduced by Rs.0.413 million (2011: Rs.0.105 million).

		Note	2012	2011
			-------- (Rupees in '000) -------	
38.	**INCOME FROM FEES, COMMISSION AND BROKERAGE**			
	Fee from corporate finance services		8,480	8,001
	Brokerage income		56,815	88,348
	Commission and advisory income		18,832	31,068
			84,127	127,417
39.	**FINANCE COSTS**			
	Mark-up on:			
	Redeemable capital		273	15,052
	Long-term finance		18,045	38,664
	Certificates of deposits		378,450	472,606
	Borrowings from financial institutions		167,892	344,267
	Finance charges on lease assets		-	63
	Bank charges		676	2,349
			565,336	873,001
40.	**ADMINISTRATIVE AND GENERAL EXPENSES**			
	Salaries, allowances and benefits		137,815	193,334
	Contribution to provident fund	40.1	3,112	4,342
	Gratuity scheme expense IGI Bank and IGI Finex		748	388
	Contribution to employees' old-age benefit institution		219	320
	Depreciation on property and equipment and investment property	6.1 & 7	17,235	32,352
	Amortisation on intangible assets	6.2	2,517	5,026
	Rent, rates and taxes		29,155	33,641
	Travelling and entertainment		5,548	8,970
	Telephone, telex and fax		5,478	7,472
	Printing, postage and stationery		3,273	5,348
	Staff training and development		27	3
	Insurance		4,814	6,606
	Lighting, heating and cooling		10,785	14,039
	Repairs and maintenance		8,212	4,797
	Brokerage and commission		3,578	3,434
	Legal and professional fees		26,186	19,303
	Subscriptions		13,444	18,669
	Computer expenses		4,949	6,723
	Advertisement		1,369	2,566
	Bad debts written off		1,087	2,355
	Workers' Welfare Fund		352	316
	Other expenses		7,271	10,533
			287,174	380,537

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40.1 Defined contribution plan

An amount of Rs.3.112 million (2011: Rs.4.342 million) has been charged during the year in respect of contributory provident fund maintained by the Group.

	Note	2012	2011
		-------- (Rupees in '000) -------	
41. OTHER OPERATING INCOME			
Income from financial assets			
Income from deposits with banks		11,802	13,988
Liquidated damages		3,479	18,675
Others		-	333
		15,281	32,996
Income from non-financial assets			
Income from advisory service		9,638	129,782
Gain on disposal of fixed assets		3,628	-
Miscellaneous income		2,325	5,815
		30,872	168,593
42. OTHER OPERATING EXPENSES			
Provision against other assets		7,758	1,659
Loss on disposal of fixed assets		15	2,897
Auditors' remuneration	42.1	2,951	2,624
Donations	42.2	7	610
		10,731	7,790

42.1 Auditors' remuneration

	2012			
	IGI Bank	IGI Funds	IGI Finex	Total
	---------------- (Rupees in '000) ----------------			
Statutory audit fee	600	200	250	1,050
Half yearly review fee	250	50	-	300
Fee for consolidated financial statements of the Group	250	-	-	250
Special certification and other services	875	-	-	875
Out of pocket expenses	225	160	91	476
	2,200	410	341	2,951

	2011			
	IGI Bank	IGI Funds	IGI Finex	Total
	---------------- (Rupees in '000) ----------------			
Statutory audit fee	600	200	250	1,050
Half yearly review fee	250	50	-	300
Fee for consolidated financial statements of the Group	250	-	-	250
Special certification and other services	175	-	546	721
Out of pocket expenses	225	28	50	303
	1,500	278	846	2,624

42.2 Recipient of donation does not include any donee with whom any director or spouse had any interest.

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43. TAXATION

	Note	2012	2011
		-------- (Rupees in '000) -------	
Current			
For the year		15,110	29,194
For prior years		(276)	-
		14,834	29,194
Deferred	12.4	(217,387)	33,657
		(202,553)	62,851

43.1 Effective tax rate reconciliation

The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements due to adjustment of carry forward tax losses from prior years resulting in minimum tax under section 113 of Income Tax Ordinance, 2001.

44. LOSS PER SHARE

	2012	2011
Loss after taxation	(603,884)	(271,618)
	------- (Number of shares) --------	
Weighted average number of Ordinary shares outstanding during the year	212,102,550	212,102,550
	--------------- (Rupee) --------------	
Loss per share - basic	(2.85)	(1.28)

44.1 Diluted earnings per share is not disclosed as (a) the Group does not have any convertible instruments in issue as at June 30, 2012 (2011: Nil) (b) the amount of dilution, if any, would be anti-dilutive.

45. DISCRETIONARY AND NON DISCRETIONARY PORTFOLIOS

IGI Bank is also acting as an Investment Advisor for various clients by providing services such as consultation in investment decisions, to sell, purchase, liquidate and otherwise manage the portfolio of securities. The cost and market value of the underlying investments included in the discretionary and non discretionary portfolios managed by the IGI Bank are as under:

	2012	2011
Equity portfolio	--------- (Number) ----------	
Number of clients	3	3
	-------- (Rupees in '000) -------	
Cost	53,264	132,907
Market value	59,104	135,488
Debt portfolio	--------- (Number) ----------	
Number of clients	3	2
	-------- (Rupees in '000) -------	
Cost	145,098	139,051
Market value	153,147	139,086
Commodities portfolio	--------- (Number) ----------	
Number of clients	1	-
	-------- (Rupees in '000) -------	
Cost	926	-
Market value	828	-

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45.1 In addition to the above portfolios, IGI Bank has also entered into agreements with certain counterparties to provide them investment advisory services at a fixed fee.

45.2 The fee earned on these services during the year amounted to Rs.5.822 million (2011: Rs.7.811 million).

46. REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

46.1 IGI Bank

The aggregate amounts charged in the financial statements for the year for remuneration, including all benefits, to the Chief Executive and Executives of IGI Bank were as follows:

	Chief Executive		Executives		Total	
	2012	2011	2012	2011	2012	2011
	(Rupees in '000)					
Managerial remuneration (including bonus)	4,903	6,869	18,059	26,014	22,962	32,883
House rent	2,206	2,731	8,127	11,706	10,333	14,437
Utilities	490	607	1,806	2,601	2,296	3,208
Medical expenses	490	607	-	1,059	490	1,666
Conveyance	502	494	2,061	2,602	2,563	3,096
Retirement benefits	490	607	1,806	2,266	2,296	2,873
Others	16	1,360	2,640	5,361	2,656	6,721
	9,097	13,275	34,499	51,609	43,596	64,884
Number of persons	2	1	31	29	33	30

46.1.1 The Chief Executive and certain Senior Executives are provided with free use of IGI Bank's owned and maintained cars.

46.1.2 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.

46.1.3 Total fees of Rs.55,000 (2011: Rs.55,000) were paid to the directors for attending the board meetings.

46.2 IGI Finex

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

	Chief Executive		Executives		Director		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in '000)							
Managerial remuneration	1,366	4,098	2,937	17,966	1,335*	600*	5,638	22,664
Reimbursements / other allowances	314	809	360	2,049	67	-	741	2,858
Retirement benefits	-	548	-	398	-	-	-	946
Housing	615	1,844	1,322	8,085	331	-	2,268	9,929
Utilities	137	410	294	1,797	74	-	505	2,207
Commission	-	-	82	63	-	-	82	63
	2,432	7,709	4,995	30,358	1,807	600	9,234	38,667
Number of persons **	1	1	5	11	2	1	8	13

* It includes amount of Rs.0.6 million (2011: Rs.0.6 million) in respect of consultancy fee paid to Mr. Javed Masud, who is a non-executive director. The remaining balance pertains to remuneration paid to Executive Director,a non-executive director.

** The number of persons does not include those who resigned during the year but remuneration paid to them is included in the above amounts. During the year ex-CEO was replaced with an existing non-executive director of the Company who has taken charge as the new Chief Executive. The new Chief Executive is not drawing any remuneration from the Company.

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46.2.1 The Chief Executive and certain Executives of IGI Finex are provided with free use of Company owned and maintained vehicles.

46.2.2 No meeting fees were paid to any of the Directors for attending the board meetings.

46.3 IGI Funds

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 IGI Funds are as follows:

	Chief Executive		Executives		Total	
	2012	2011	2012	2011	2012	2011
	(Rupees in '000)					
Managerial remuneration	3,832	3,565	7,005	4,652	10,837	8,217
House rent allowance	1,725	1,604	3,152	2,093	4,877	3,697
Utility allowance	383	357	701	465	1,084	822
Medical	383	357	584	387	967	744
Special allowance	-	-	2,119	1,667	2,119	1,667
Bonus	-	-	-	387	-	387
Contributions to provident fund	383	357	553	-	936	357
Reimbursements	317	318	761	493	1,078	811
Total	7,023	6,558	14,875	10,144	21,898	16,702
Number of persons	1	1	8	6	9	7

47. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors, key management employees and employees fund. The Group has a policy whereby all transactions with related parties are entered into at contractual rates. The following table provides the transactions with related parties, other than remuneration under the terms of employment to key management personnel. For information regarding outstanding balances as at June 30, 2012 and June 30, 2011, refer to respective notes.

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FOR THE YEAR ENDED JUNE 30, 2012

2012

Description	Entity having significant influence over the Bank	Associates	Key management personnel	Other related parties	Total
	(Rupees in '000)				
Transactions during the year					
Certificates of deposit issued	-	-	209	661,893	662,102
Certificates of deposit matured	-	-	567	713,971	714,538
Dividend received	-	-	-	956	956
Insurance premium paid	2,662	-	-	-	2,662
Purchase of fixed assets	9	-	-	-	9
Sale of fixed assets	2,242	-	8,764	-	11,006
Purchase of marketable securities	429,367	-	166,592	469,578	1,065,537
Sale of marketable securities	259,513	-	187,765	434,171	881,449
Loan disbursed	-	-	967	-	967
Income from loan and finance	-	-	10	-	10
Brokerage, commission and fee earned	1,125	-	243	1,928	3,296
Sale of term finance certificates	-	40,536	-	-	40,536
Purchase of term finance certificates	51,000	71,987	-	-	122,987
Group shared services (see note 47.1)	14,724	-	-	-	14,724
Investment in mutual fund units	-	658,791	-	-	658,791
Redemption of mutual fund units	-	606,640	-	-	606,640
Return on certificates of deposit	-	-	11	64,768	64,779
Sale of government securities	14,110	269,840	-	189,239	473,189
Repayment of borrowings - secured	-	89,217	-	-	89,217
Borrowings - unsecured	-	90,000	-	-	90,000
Repayment of borrowings - unsecured	-	90,000	-	-	90,000
Rent expense	15,817	-	-	-	15,817
Reimbursement of rent	-	-	-	47	47
Remuneration from IGI Income Fund, IGI Stock Fund, IGI Islamic Income Fund, IGI Money Market Fund, IGI Aggressive Income Fund and IGI Capital Protected Fund	-	74,735	-	-	74,735
Sales load - IGI Income Fund, IGI Stock Fund, IGI Islamic Income Fund, IGI Money Market Fund, IGI Aggressive Income Fund and IGI Capital Protected Fund	-	6,801	-	-	6,801
Legal and professional charges paid on behalf of IGI Sovereign Fund	-	125	-	-	125
Formation cost paid on behalf of IGI Capital Protected Fund	-	1,799	-	-	1,799
Initial and annual listing fee paid on behalf of IGI Capital Protected Fund	-	95	-	-	95
Expenses relating to employees benefit and contribution plan	-	-	-	5,296	5,296
Liquidated damages	-	-	147	-	147
Advance against issue of preference shares	-	-	-	650,000	650,000

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FOR THE YEAR ENDED JUNE 30, 2012

2011

Description	Entity having significant influence over the Bank	Associates	Key management personnel	Other related parties	Total
	------------------------- (Rupees in '000) -------------------------				
Transactions during the year					
Certificates of deposit issued	-	-	118,292	4,104,228	4,222,520
Certificates of deposit matured	-	-	116,006	3,329,051	3,445,057
Dividend received	-	-	-	956	956
Insurance premium paid	3,314	-	-	-	3,314
Purchase of fixed assets	18	-	-	-	18
Sale of fixed assets	47	-	1,718	-	1,765
Purchase of marketable securities	401,431	-	80,720	425,798	907,949
Sale of marketable securities	255,043	-	74,455	38,605	368,103
Loan disbursed	-	-	284	-	284
Income from loan and finance	-	-	240	-	240
Brokerage, commission and fee earned	1,045	-	208	556	1,809
Sale of term finance certificates	-	66,192	-	183,603	249,795
Purchase of term finance certificates	-	202,089	-	15,682	217,771
Group shared services (see note 47.1)	26,309	-	-	-	26,309
Investment in mutual fund units	-	1,523,738	-	-	1,523,738
Redemption of mutual fund units	-	1,943,158	-	-	1,943,158
Return on certificates of deposit	-	-	1,279	126,550	127,829
Sale of government securities	36,514	349,644	-	170,123	556,281
Purchase of government securities	-	486	-	-	486
Borrowings - secured	-	301,576	-	-	301,576
Repayment of borrowings - secured	-	224,687	-	-	224,687
Rent expense	17,551	-	-	-	17,551
Reimbursement of rent	3,951	-	-	-	3,951
Reimbursement of rating fee from IGI Islamic Fund and IGI Money Market Fund	-	375	-	-	375
Expenses incurred by Packages Limited on behalf of IGI Funds	-	83	-	-	83
Remuneration from IGI Income Fund, IGI Stock Fund, IGI Islamic Income Fund, IGI Money Market Fund and IGI Aggressive Income Fund	-	63,201	-	-	63,201
Sales load - IGI Stock Fund and IGI Islamic Income Fund	-	3,418	-	-	3,418
Legal and Professional charges paid on behalf of IGI Income Fund, IGI Stock Fund, IGI Aggressive Income Fund and IGI Capital Protected Fund	-	1,223	-	-	1,223
Printing charges paid on behalf of IGI Income Fund, IGI Stock Fund, IGI Money Market Fund and IGI Aggressive Income Fund	-	196	-	-	196
Formation cost paid on behalf of IGI Stock Fund, IGI Islamic Income Fund, IGI Money Market Fund and IGI Aggressive Income Fund	-	7,609	-	-	7,609
Authorisation fee paid on behalf of IGI Capital Protected Fund	-	1,000	-	-	1,000
Payment made in respect of final settlement of outgoing employees	-	-	-	136	136
Expenses relating to employees benefit and contribution plan	-	-	-	5,074	5,074
Liquidated damages	-	-	725	-	725

47.1 Group shared services

IGI Bank has entered into an arrangement with its subsidiaries and other associated undertakings to share various administrative, human resource and related costs on agreed terms.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011
		-------- (Rupees in '000) -------	
48. CASH GENERATED FROM OPERATING ACTIVITIES			
Loss for the year before taxation		(806,437)	(208,767)
Adjustments for non cash and other items:			
(Gain) / loss on disposal of fixed assets		(3,613)	2,897
Depreciation on property and equipment and investment property		17,235	32,352
Amortisation on intangible assets		2,517	5,026
Provision for staff gratuity scheme			
IGI Bank and IGI Finex		748	388
Interest, mark-up and profit income		(493,054)	(639,538)
Dividend income		(34,380)	(50,404)
Finance cost		565,336	873,001
Bad debts written off directly		1,087	2,355
Provision against other assets		7,758	1,659
Impairment against term finance certificates - net		77,921	-
(Reversal) / provision for bad and doubtful loans and advances / lease losses - specific - net		(58,495)	10,485
Provision for doubtful debts			
Trade debts		415,278	33,460
Accrued mark-up		82,388	-
Receivable against reverse repurchase transactions		21,374	-
Reversal of share of profit on disposal of investment in associate		6,900	84,150
Share of loss / (profit) in associates		45,135	(23,020)
Working capital changes	48.1	609,523	(1,496,759)
		1,263,658	(1,163,948)
		457,221	(1,372,715)

48.1 Working capital changes

		2012	2011
Decrease / (increase) in current assets:			
Short-term loans and advances		30,304	(10,077)
Lendings - secured		-	486,391
Short-term investments		3,764,380	(1,961,813)
Trade debts - net		493,898	(432,561)
Deposits, prepayments and other receivables		74,729	(21,742)
		4,363,311	(1,939,802)
(Decrease) / increase in current liabilities:			
Short-term certificates of deposit		(375,855)	(1,429,312)
Borrowings from financial institutions		(3,281,731)	1,839,752
Trade and other payables		(96,202)	32,603
		(3,753,788)	443,043
		609,523	(1,496,759)

49. CASH AND CASH EQUIVALENTS

	Note	2012	2011
Cash and bank balances	20	182,851	138,606
Short-term running finance - secured		-	(879,426)
		182,851	(740,820)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise term finances, certificate of deposits, borrowings, trade and other payables. The main purpose of these financial liabilities is to raise finances for the Group's operations and to provide guarantee to support its operations. The Group has lease, loan, lendings, investments, trade debts, other receivables and cash and short-term deposits that arrive directly from its operations. The Group also holds available-for-sale investments, held to maturity investments and enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's senior management oversees the management of these risks. The Group's senior management is supported by a Asset and Liability Committee (ALCO committee) that advises on financial risks and the appropriate financial risk governance framework for the Group. The ALCO committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

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. 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.

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

50.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group, at present is not exposed to significant currency risk.

50.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Group is mainly exposed to mark-up / interest rate risk on its loans and advances, net investment in finance lease, lendings, investments, long-term finance, certificates of deposit and borrowings with fixed and floating interest rates. The Group manages its interest rate risk by having a balance between floating and fixed interest rate financial instruments.

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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, 2012	Effective Rate %	Total	Exposed to yield / market rate risk: Within one year	More than one year and less than five years	More than five years	Not exposed to yield / market rate risk
		(Rupees in '000)				
Financial assets						
Loans and advances - net	13.82 - 17.50	201,020	57,374	143,646	-	-
Net investment in lease finance	12.00 - 18.00	555,328	523,107	32,221	-	-
Long-term deposits	-	10,913	-	-	-	10,913
Lendings - secured	-	92,626	92,626	-	-	-
Investments	8.45 - 17.45	2,074,169	446,044	538,456	518,376	571,293
Trade debts - net	-	58,961	-	-	-	58,961
Deposit and other receivables	-	74,708	-	-	-	74,708
Interest, mark-up and profit accrued	-	27,794	-	-	-	27,794
Cash and bank balances	5.00 - 11.00	182,851	161,907	-	-	20,944
		3,278,370	1,281,058	714,323	518,376	764,613
Financial liabilities						
Long-term finance	14.28	50,000	50,000	-	-	-
Certificates of deposit	10.00 - 14.50	2,600,940	2,221,943	238,997	140,000	-
Deposits under lease contracts	-	274,470	-	-	-	274,470
Interest and mark-up accrued	-	109,676	-	-	-	109,676
Trade and other payables	-	210,366	-	-	-	210,366
		3,245,452	2,271,943	238,997	140,000	594,512
On-balance sheet gap		32,918	(990,885)	475,326	378,376	170,101
Commitments in respect of forward sale of shares		-	-	-	-	-
Commitments in respect of forward purchase of shares		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-

As at June 30, 2011	Effective Rate %	Total	Exposed to yield / market rate risk: Within one year	More than one year and less than five years	More than five years	Not exposed to yield / market rate risk
		(Rupees in '000)				
Financial assets						
Loans and advances - net	7.50 - 24.00	315,427	68,903	246,524	-	-
Net investment in lease finance	12.00 - 20.00	665,087	522,823	142,264	-	-
Long-term deposits	-	11,935	-	-	-	11,935
Lendings - secured	18.00 - 19.00	114,000	114,000	-	-	-
Investments	8.45 - 17.45	5,901,475	3,600,196	642,116	942,596	716,567
Trade debts - net	-	969,224	-	-	-	969,224
Deposit and other receivables	-	140,500	-	-	-	140,500
Interest, mark-up and profit accrued	-	151,750	-	-	-	151,750
Cash and bank balances	5.00 -13.00	138,606	80,311	-	-	58,295
		8,408,004	4,386,233	1,030,904	942,596	2,048,271
Financial liabilities						
Redeemable capital	15.89	62,475	62,475	-	-	-
Long-term finance	16.02	150,000	100,000	50,000	-	-
Certificates of deposit	10.15 - 20.00	3,029,750	2,669,817	359,933	-	-
Deposits under lease contracts	-	335,036	-	-	-	335,036
Borrowings from financial institutions	12.60 - 15.65	4,161,157	4,161,157	-	-	-
Interest and mark-up accrued	-	194,817	-	-	-	194,817
Trade and other payables	-	308,570	-	-	-	308,570
		8,241,805	6,993,449	409,933	-	838,423
On-balance sheet gap		166,199	(2,607,216)	620,971	942,596	1,209,848
Commitments in respect of forward sale of shares		58,936	-	-	-	58,936
Commitments in respect of forward purchase of shares		-	-	-	-	-
Off-balance sheet gap		58,936	-	-	-	58,936

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50.1.3 Equity risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

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. 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 the management of the Group 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 loans and lease portfolios of the Group are given below:

	2012		2011	
	(Rupees in '000)	%	(Rupees in '000)	%
Finance and leases				
Dairy and poultry	315	0.04	315	0.03
Cement	3,100	0.40	3,100	0.32
Health	7,027	0.93	4,317	0.44
Glass and ceramics	2,927	0.39	1,319	0.13
Leather	5,535	0.73	5,535	0.56
Paper and board	21,835	2.89	26,047	2.66
Construction	37,055	4.90	38,601	3.94
Energy, oil and gas	79,781	10.55	84,448	8.61
Financial institutions	69,269	9.16	94,750	9.66
Electric and electric goods	29,432	3.89	46,940	4.79
Chemicals / fertilizers / pharmaceuticals	13,817	1.83	5,677	0.58
Food, tobacco and beverages	19,454	2.57	31,623	3.23
Steel, engineering and automobiles	71,222	9.42	109,659	11.18
Transport	39,691	5.25	74,716	7.62
Textile / textile composite	171,029	22.61	196,320	20.02
Miscellaneous (including individuals)	184,859	24.44	257,147	26.23
	756,348	100.00	980,514	100.00

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, 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, 2012	**Total**	**Within one year**	**More than one year and less than five years**	**More than five years**
	(Rupees in '000)			
Assets				
Fixed assets	153,837	983	130,525	22,329
Investment property	5,917	300	1,500	4,117
Loans and advances - net	201,020	57,374	143,646	-
Net investment in finance lease	555,328	523,107	32,221	-
Long-term deposits	10,913	-	-	10,913
Deferred tax assets - net	664,431	-	664,431	-
Lendings - secured	92,626	92,626	-	-
Investments	2,074,169	446,044	538,456	1,089,669
Trade debts - net	58,961	58,961	-	-
Deposits, prepayments and other receivables	78,098	78,098	-	-
Interest, mark-up and profit accrued	27,794	27,794	-	-
Taxation - net	274,604	274,604	-	-
Cash and bank balances	182,851	182,851	-	-
	4,380,549	1,742,742	1,510,779	1,127,028
Liabilities				
Long-term finance	50,000	50,000	-	-
Certificates of deposit	2,600,940	2,221,943	238,997	140,000
Deposits under lease contracts	274,470	261,095	13,375	-
Borrowings from financial institutions	-	-	-	-
Interest and mark-up accrued	109,676	109,676	-	-
Trade and other payables	224,656	224,656	-	-
	3,259,742	2,867,370	252,372	140,000
	1,120,807	(1,124,628)	1,258,407	987,028

As at June 30, 2011	**Total**	**Within one year**	**More than one year and less than five years**	**More than five years**
	(Rupees in '000)			
Assets				
Fixed assets	151,764	25,784	125,980	-
Investment property	6,217	300	1,500	4,417
Loans and advances - net	315,427	68,903	246,524	-
Net investment in finance lease	665,087	522,823	142,264	-
Long-term deposits	11,935	-	6,590	5,345
Deferred tax assets - net	455,182	-	455,182	-
Lendings - secured	114,000	114,000	-	-
Investments	5,901,475	3,600,196	642,116	1,659,163
Trade debts - net	969,224	969,224	-	-
Deposits, prepayments and other receivables	162,210	162,210	-	-
Interest, mark-up and profit accrued	151,750	151,750	-	-
Taxation - net	272,080	272,080	-	-
Cash and bank balances	138,606	138,606	-	-
	9,314,957	6,025,876	1,620,156	1,668,925
Liabilities				
Redeemable capital	62,475	62,475	-	-
Long-term finance	150,000	100,000	50,000	-
Certificates of deposit	3,029,750	2,669,817	219,933	140,000
Deposits under lease contracts	335,036	285,818	49,218	-
Borrowings from financial institutions	4,161,157	4,161,157	-	-
Interest and mark-up accrued	194,817	194,817	-	-
Trade and other payables	325,148	325,148	-	-
	8,258,383	7,799,232	319,151	140,000
	1,056,574	(1,773,356)	1,301,005	1,528,925

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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51. CAPITAL RISK MANAGEMENT

As stated in note 1, the Group comprises of the following companies:
1. IGI Bank
2. IGI Finex
3. IGI Funds

The objective of managing capital and the policies and processes followed for its management relating to each of the above companies is disclosed below:

IGI Bank

Capital requirements applicable to IGI Bank are set and regulated by the SECP. These requirements are put in place to ensure sufficient solvency margins. IGI Bank manages its capital requirements by assessing its capital structure against the required level on a regular basis. 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, 2012.

IGI Finex

The primary objective of IGI Finex's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

IGI Finex manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, IGI Finex may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

IGI Finex finances its operations through equity including advance against preference shares, borrowing and management of its working capital with a view to maintain an approximate mix between various sources of finance to minimise risk.

IGI Funds

IGI Funds' objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefits for other stakeholders; and

- to maintain a strong capital base to support the sustained development of its business together with investor, creditor and market confidence and to sustain future development of the business.

As per the Regulation 4 and Schedule 1 of NBFC Regulation, 2008 and SRO 764 of 2009 the minimum equity requirement for asset management services is Rs.150 million and for investment advisory services is Rs.30 million. As at June 30, 2012 IGI Fund's total shareholder's equity is Rs.170.266 million. However to date, no action from authority has been taken.

52. FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

(a) IGI Finex purchases and sells securities as either principal or agents on behalf of its customers. If either the customer or a counterparty fails to perform, IGI Finex may be required to discharge the obligation on behalf of the non-performing party. In such circumstances, IGI Finex 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 IGI Finex has on hand. Where the customer operates through institutional delivery system, IGI Finex is not exposed to this risk.

The majority of IGI Finex's transactions, and consequently, the concentration of its credit exposure are with the customers and other financial institutions in case of money market brokerage. IGI Finex 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. IGI Finex monitors collateral levels on a regular basis and requests changes in collateral level as appropriate or if considered necessary.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

(b) IGI Finex enters into security transactions on behalf of its customers involving future settlement. IGI Finex has entered into transactions that gives rise to future settlement, the unsettled amount as on June 30, 2012 of these future transactions is Rs.29.932 million (2011: Rs.247.474 million). Transactions involving future settlement give rise to market risk, which represents the potential loss that can be caused by a change in the market value of a particular financial instrument. The credit risk for these transactions is limited to the unrealised market valuation losses which have been recorded in the statement of accounts of the customers. As explained above, credit risk is controlled through a variety of reporting and controls procedures.

53. FAIR VALUE OF FINANCIAL INSTRUMENTS

53.1 As at June 30, 2012, 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, loans and advances and trade debts) 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.

54. SEGMENTAL ANALYSIS

	2012				
	Financing activities	**Investment activities**	**Brokerage activities**	**Asset Management Services**	**Total**
	(Rupees in '000)				
Income from investments	-	349,506	2,313	1,726	353,545
Income from loans and advances	15,124	-	-	-	15,124
Income from lease finance	19,767	-	-	-	19,767
Income from lendings - secured	42,351	-	-	-	42,351
Remuneration from funds under management - net	-	-	-	49,484	49,484
Income from fees, commission and brokerage	-	27,312	56,815	-	84,127
Total income for reportable segments	77,242	376,818	59,128	51,210	564,398
Finance costs	(143,675)	(379,354)	(42,301)	(6)	(565,336)
Administrative and general expenses (excluding depreciation and amortisation)	(14,469)	(27,072)	(38,034)	(34,518)	(114,093)
Depreciation and amortisation	(2,031)	(9,909)	(6,794)	(1,018)	(19,752)
Provision for bad and doubtful debts (specific) - net	58,495	-	(519,040)	-	(460,545)
Provision against other assets	(7,758)	-	-	-	(7,758)
Impairment charge against investments	-	(77,921)	-	-	(77,921)
Segment result	(32,196)	(117,438)	(547,041)	15,668	(681,007)
Other operating income					30,872
Unallocated administrative expenses					(153,329)
Unallocated other operating expenses					(2,973)
Loss before taxation					(806,437)
Segment assets	812,133	2,120,199	167,176	95,679	3,195,187
Unallocated assets					1,185,362
					4,380,549
Segment liabilities	1,096,299	5,834,323	894,436	16,852	7,841,910
Unallocated liabilities					(4,582,168)
					3,259,742
Capital expenditure - tangible	4,825	29,371	1,836	1,433	37,465
Capital expenditure - intangible	-	-	249	-	249

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

	2011				
	Financing activities	Investment activities	Brokerage activities	Asset Management Services	Total
	(Rupees in '000)				
Income from investments	-	609,258	3,735	4,031	617,024
Income from loans and advances	36,730	-	-	-	36,730
Income from lease finance	76,955	-	-	-	76,955
Income from lendings - secured	24,885	-	21,520	-	46,405
Remuneration from funds under management - net	-	-	-	44,720	44,720
Income from fees, commission and brokerage	-	39,069	88,348	-	127,417
Total income for reportable segments	138,570	648,327	113,603	48,751	949,251
Finance costs	(185,344)	(607,284)	(80,305)	(68)	(873,001)
Administrative and general expenses (excluding depreciation and amortisation)	(25,852)	(33,241)	(73,822)	(30,733)	(163,648)
Depreciation and amortisation	(3,699)	(17,304)	(14,529)	(1,846)	(37,378)
Provision for bad and doubtful debts (general and specific) - net	(10,485)	-	-	-	(10,485)
Provision against other assets	(1,659)	-	(33,460)	-	(35,119)
Impairment charge against investments	-	(21,338)	-	-	(21,338)
Segment result	(88,469)	(30,840)	(88,513)	16,104	(191,718)
Other operating income					168,593
Unallocated administrative expenses					(179,511)
Unallocated other operating expenses					(6,131)
Loss before taxation					(208,767)
Segment assets	1,193,294	6,012,242	1,097,525	95,679	8,398,740
Unallocated assets					916,217
					9,314,957
Segment liabilities	1,447,641	5,834,323	894,436	3,982	8,180,382
Unallocated liabilities					78,001
					8,258,383
Capital expenditure - tangible	1,983	10,303	7,210	3,594	23,090
Capital expenditure - intangible	48	252	115	-	415

55. DATE OF AUTHORISATION FOR ISSUE

The financial statements were approved by the Board of Directors and authorised for issue on August 28, 2012.

56. GENERAL

56.1 Figures have been rounded off to the nearest thousand rupees.

56.2 Comparative information has been re-classified or re-arranged, wherever necessary, for the purpose of better presentation. No major reclassifications were made during the year.

SYED BABAR ALI
Chairman

TARIQ H. QURAISHI
Managing Director and Chief Executive

IGI
Investment Bank

INFORMATION FOR SHARE HOLDERS

Registered Office
5 - F.C.C. Ground Floor,
Syed Maratib Ali Road, Gulberg
Lahore.
Tel.: (042) 111-234-234
(042)-35755381
Fax : (042)-111-567-567
(042)-35763542

Shares Registrar
Noble Computer Services (Private) Limited
First 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: ncsl@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 annual listing fee for the financial year 2012-13 has been paid to all stock exchanges within the prescribed time limit.

Stock Code
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 (Private) Limited serving 3,797 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 Office.

Contact persons:
Ms. Saira Shaikh
Vice President - Lahore Office, IGI Investment Bank
Tel.: (042) 111-234-234
(042)-35755381
Fax : (042)-111-567-567
(042)-35763542

Syed Azadar Raza Jaffery
Head of Operations - Noble Computer Services (Private) Limited
Tel.: (021) – 34325482-87
Fax: (021) - 34325442

INFORMATION FOR SHARE HOLDERS

Service Standards

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

Service	For request received through post	Over the counter
Transfer of shares	45 Days after receipt	45 Days after receipt
Transmission of shares	45 days after receipt	45 Days after receipt
Issue of duplicate share certificate	45 Days after receipt	45 Days after receipt
Issue of duplicate dividend warrants	20 Days after receipt	20 Days after receipt
Issue of re-validated dividend warrants	10 Days after receipt	10 Days after receipt
Change of address	05 Days after receipt	05 Days after receipt

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 information 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 11, 2012 to October 18, 2012 (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.

INFORMATION FOR SHARE HOLDERS

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 himself / herself. 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, 2012
Non-receipt of annual/half-yearly/quarterly reports	0	0	0

Web Presence

Updated information regarding IGI Investment Bank can be accessed at IGI website, www.igiinvestmentbank.com.pk The website contains the latest financial results of IGI Investment Bank together with its profile, corporate philosophy and major products and services.

IGI
Investment Bank

PATTERN OF SHARE HOLDINGS

AS AT JUNE 30, 2012

NUMBER OF SHARE HOLDERS	SHARE HOLDINGS FROM	TO	TOTAL SHARES HELD
310	1	100	13,299
497	101	500	164,578
468	501	1,000	423,051
1,214	1,001	5,000	3,526,791
453	5,001	10,000	3,684,311
172	10,001	15,000	2,185,472
130	15,001	20,000	2,411,013
84	20,001	25,000	1,985,447
64	25,001	30,000	1,818,028
43	30,001	35,000	1,445,223
34	35,001	40,000	1,322,574
19	40,001	45,000	806,746
48	45,001	50,000	2,355,567
14	50,001	55,000	748,996
15	55,001	60,000	888,485
8	60,001	65,000	508,399
12	65,001	70,000	824,340
14	70,001	75,000	1,031,802
4	75,001	80,000	312,432
6	80,001	85,000	501,657
7	85,001	90,000	620,476
2	90,001	95,000	186,800
38	95,001	100,000	3,786,245
6	100,001	105,000	611,170
3	105,001	110,000	321,451
4	110,001	115,000	453,398
5	115,001	120,000	594,432
4	120,001	125,000	494,293
3	125,001	130,000	385,559
4	130,001	135,000	534,650
3	135,001	140,000	415,890
8	145,001	150,000	1,193,940
2	150,001	155,000	302,504
3	155,001	160,000	475,300
5	160,001	165,000	811,445
1	165,001	170,000	165,256
3	170,001	175,000	517,389
1	175,001	180,000	180,000
4	180,001	185,000	735,972
1	190,001	195,000	191,285
7	195,001	200,000	1,397,042
1	200,001	205,000	205,000
1	205,001	210,000	207,500
2	210,001	215,000	427,500
3	220,001	225,000	668,000
1	225,001	230,000	229,255
2	235,001	240,000	476,248
1	240,001	245,000	241,532
4	245,001	250,000	996,732
1	250,001	255,000	254,738

IGI
Investment Bank

PATTERN OF SHARE HOLDINGS

AS AT JUNE 30, 2012

NUMBER OF SHARE HOLDERS	SHARE HOLDINGS FROM	TO	TOTAL SHARES HELD
1	270,001	275,000	275,000
1	290,001	295,000	295,000
3	295,001	300,000	895,100
2	300,001	305,000	606,192
1	305,001	310,000	308,558
1	320,001	325,000	320,148
1	340,001	345,000	340,730
2	345,001	350,000	695,754
2	375,001	380,000	750,849
1	385,001	390,000	387,566
2	395,001	400,000	800,000
1	400,001	405,000	401,000
1	450,001	455,000	452,500
1	470,001	475,000	474,331
3	495,001	500,000	1,500,000
2	550,001	555,000	1,104,461
1	555,001	560,000	555,100
1	570,001	575,000	573,783
1	595,001	600,000	600,000
1	605,001	610,000	606,191
1	610,001	615,000	610,874
1	680,001	685,000	685,000
1	685,001	690,000	686,070
1	720,001	725,000	723,468
1	730,001	735,000	731,333
1	755,001	760,000	756,000
1	805,001	810,000	806,166
1	830,001	835,000	830,500
1	930,001	935,000	932,199
1	1,055,001	1,060,000	1,057,279
1	1,060,001	1,065,000	1,060,507
1	1,240,001	1,245,000	1,244,000
1	1,355,001	1,360,000	1,357,658
1	1,440,001	1,445,000	1,444,300
1	1,500,001	1,505,000	1,500,790
1	1,640,001	1,645,000	1,640,912
1	1,710,001	1,715,000	1,715,000
1	1,820,001	1,825,000	1,823,800
1	1,995,001	2,000,000	2,000,000
1	2,000,001	2,005,000	2,004,501
1	2,120,001	2,125,000	2,121,023
1	2,605,001	2,610,000	2,605,148
1	4,195,001	4,200,000	4,199,382
1	4,610,001	4,615,000	4,610,915
1	4,795,001	4,800,000	4,800,000
1	6,595,001	6,600,000	6,599,549
1	7,680,001	7,685,000	7,682,579
1	9,795,001	9,800,000	9,796,627
1	89,095,001	89,100,000	89,095,494
3,797			**212,102,550**

PATTERN OF SHARE HOLDING AS REQUIRED BY THE CODE OF CORPORATE GOVERNANCE

AS AT JUNE 30, 2012

S. No.	Category of Shareholders	Number of Shareholders	Number of Shares held	Holding %
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**	**7,886,364**	**3.72**
	Investment Corporation of Pakistan		1,400	0.00
	National Bank of Pakistan- Trustee Department NI(U)T Fund		7,682,579	3.62
	National Bank of Pakistan		1,800	0.00
	IDBP (ICP UNIT)		2,742	0.00
	National Investment Trust Limited		197,843	0.09
3	**Directors, CEO, Spouses and Minor Children**	**8**	**9,984,853**	**4.71**
	Syed Babar Ali		9,796,627	4.62
	Khalid Yacob		500	0.00
	Towfiq Habib Chinoy		500	0.00
	Farid Khan		500	0.00
	Arif Faruque		500	0.00
	Jalees Ahmed Siddiqi		500	0.00
	Mrs. Faiza Rana Khalid		13,686	0.01
	Mrs. Perwin Babar Ali		172,040	0.08
4	**Banks, Development Finance Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas & Mutual Funds**	**17**	**2,738,240**	**1.29**
5	**Investment Companies**	**4**	**2,191**	**0.00**
6	**Joint Stock Companies**	**61**	**13,824,907**	**6.52**
7	**Foreign Investors**	**9**	**4,598,436**	**2.17**
8	**Cooperative Societies**	**1**	**99**	**0.00**
9	**Charitable Trusts**	**5**	**1,969,168**	**0.93**
10	**Others**	**12**	**4,626,111**	**2.18**
11	**Individuals**	**3,673**	**72,765,772**	**34.31**
	Total	**3,797**	**212,102,550**	**100**

IGI
Investment Bank

PATTERN OF SHARE HOLDING AS REQUIRED BY THE CODE OF CORPORATE GOVERNANCE

AS AT JUNE 30, 2012

Shareholders having more than 5% Holdings

IGI Insurance Limited	**89,095,494**	**42.01**

Shareholders' Category

Category of Shareholders	Number of Share holders	Number of Shares held	Holding %
Individuals	3,673	72,765,772	34.31
Investment Companies	4	2,191	0.00
Joint Stock Companies	61	13,824,907	6.52
Directors, CEO, Spouses and Minor Children	8	9,984,853	4.71
Executives	0	0	0.00
NIT / ICP	5	7,886,364	3.72
Associated Companies, Undertakings and Related Party	2	93,706,409	44.18
Public Sector Companies and Corporations	0	0	0.00
Financial Institutions	2	791,333	0.37
Leasing Companies	2	182	0.00
Insurance Companies	6	1,085,288	0.51
Modarabas	4	17,437	0.01
Mutual Funds	3	844,000	0.40
Foreign Investors	9	4,598,436	2.17
Cooperative Societies	1	99	0.00
Charitable Trusts	5	1,969,168	0.93
Others	12	4,626,111	2.18
Total	**3,797**	**212,102,550**	**100**

FORM OF PROXY

TWENTY SECOND ANNUAL GENERAL MEETING

I/We ____ of

____ being member(s) of

IGI Investment Bank Limited and holder of ____________________________________ Ordinary Shares as per

the Share Register **Folio No.**____ and / or **CDC participant**

I.D. _____________________________ and Account / Sub Account ______________________ hereby appoint

___________________________________ (Name) of _____________________________ or failing him/ her

_________________________________ (Name) of ________________________________ as my / our proxy

to vote for me & on my behalf at the Annual General Meeting of the company to be held at 10:00 am at the registered office of the company on Thursday, October 18, 2012 and at any adjournment thereof.

Signed this _________________________ day of ___________________________ 2012.

Signature

Please
affix Rs. 5/-
Revenue Stamp

(Signature should agree with
the specimen signature
registered with the company)

WITNESSES:

1. Signature: ______________________________

   Name: ______________________________

   Address: ______________________________

   ____

   CNIC / Passport No. ______________________

2. Signature: ______________________________

   Name: ______________________________

   Address: ______________________________

   ____

   CNIC / Passport No. ______________________

Note:

A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A Proxy need not be a member of the Company.

If a member is unable to attend the meeting, they may complete and sign this form and send it to the Company Secretary, IGI Investment Bank Limited, 5 F.C.C., Ground Floor, Syed Maratib Ali Road, Gulberg, Lahore, Pakistan so as to reach not less than 48 hours before the time appointed for holding the Meeting.

For CDC Account Holders/ Corporate Entities

In addition to the above the following requirements have to be met.

(i) The proxy form shall be witnessed by two persons whose names, addresses and Computerized National Identity Card numbers (CNIC) shall be stated on the form.

(ii) Beneficial owner and their Proxies are each requested to attach an attested photocopy of their CNIC or Passport with this proxy form before submission to the company.

(iii) The proxy shall produce his original CNIC or original passport at the time of the meeting.

(iv) In case of a corporate entity, the Board of Directors resolution/ power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

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AFFIX
CORRECT
POSTAGE

The Company Secretary

IGI Investment Bank Limited
5 F.C.C., Ground Floor,
Syed Maratib Ali Road,
Gulberg, Lahore
Pakistan

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