Annual Report 2011

IGI

Investment Bank

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

S. Javed Hassan
Managing Director
& Chief Executive

KEY MANAGEMENT

Syed Javed Hassan
Managing Director and Chief Executive

Abdul Wahid
Chief Financial Officer & Head – Operations

Abdul Qadir
Company Secretary

Asif Rashid Baloch
Head - Investment Advisory

Syed Salman Raza Naqvi
Head – Risk & Credit Management

Sardar M. Omer
Head - Corporate Marketing (North)

Faraz Ahmed
Head – Corporate Marketing (South)

Saqib Aziz
Head – Corporate Finance

Fauzia Ahmad
Head – Human Resources & Administration

Wajahat Malik
Head – Information Technology

Zeeshan Rauf
Head – Compliance

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 Hassan & Hassan, Advocates
M/s Mohsin Tayebaly & Co.,
Advocate & Legal Consultants
M/s Orr, Dignam & Co.,
Advocates
M/s Haider Mota & Co.,
Barristers-at-law & Corporate
Conselors

Bankers
Allied Bank Ltd.
Bank AL Habib Ltd.
Faysal Bank Ltd.
Habib Metropolitan 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

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 assigned IGI Investment Bank a long-term credit rating of 'A' and short-term rating of 'A1'.

The Bank is listed on the Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. Operating in Karachi, Lahore, Islamabad, Faisalabad and Multan. IGI Investment Bank 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 offers plant and machinery; equipment and vehicles leasing; and financing services to across section of the economy. The Bank's leasing, financing and factoring products include direct lease, sale and leaseback, short term loans, term loans for BMR, acquisition expansion and project financing. As one of the leading commercial leasing companies in the country, the Bank offers innovative financing services to its customers.

NOTICE OF THE TWENTY FIRST ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty First Annual General Meeting of IG1 Investment Bank Limited will be held on Friday, October 21, 2011 at 10:30 a.m. at the Registered Office of the Company located at Ground Floor, 5 - F.C.C., Syed Maratib Ali Road, Gulberg, Lahore, to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of Annual General Meeting of the Company held on October 27, 2010.

2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2011 together with the Directors' and Auditors' report thereon.

3. To appoint Auditors and to fix their remuneration. M/s. Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and being eligible, have offered themselves for re-appointment.

ANY OTHER BUSINESS:

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

BY ORDER OF THE BOARD

Karachi
September 30, 2011

Abdul Qadir
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will be closed from October 14, 2011 to October 21, 2011 (both days inclusive).

2. A member entitled to attend and vote at the meeting is entitled to appoint another person as a proxy in writing to attend and vote instead of him. A proxy need not be a member of the Company.

3. Duly completed form of proxy must be deposited with the Company's Share Registrar, M/s. Noble Computer Services (Private) Limited, 1st Floor, House of Habib Building (Siddiqsons Tower), 3-Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi-75350, not later than forty-eight (48) hours before the time appointed for the meeting.

NOTICE OF THE TWENTY FIRST ANNUAL GENERAL MEETING

4. Change of address, if any, should be notified immediately to the aforesaid Company's Share Registrar.

5. Any individual Beneficial Owner of Central Depository Company of Pakistan Limited, entitled to vote at this meeting must bring his/her Computerized National Identity Card ("CNIC") with him/her to provide his/her identity and in case of proxy must enclose an attested copy of his/her CNIC. The representatives of corporate bodies should bring attested copy of Board of Directors Resolution / Power of Attorney and/or all such documents as required under Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan for this purpose.

SUMMARY OF KEY OPERATING AND FINANCIAL DATA

(Rupees in Thousands)

	June 30 2011	June 30 2010	June 30 2009	June 30 2008	June 30 2007	June 30 2006
Share Capital and reserves						
Paid-up Capital	2,121,025	2,121,025	2,121,025	2,121,025	922,184	419,175
Reserves	(647,800)	(478,805)	(251,796)	123,290	145,351	225,392
	1,473,225	1,642,220	1,869,229	2,244,315	1,067,535	644,567
(Defecit) / Surplus on revaluation of investments - net	(55,544)	(37,305)	(1,767)	(62,069)	(17,977)	(28,929)
Finance provided						
Term finance	314,859	405,868	764,041	966,615	803,292	819,806
Lease finance	665,087	1,095,712	1,829,096	2,458,004	2,158,836	1,929,202
	979,946	1,501,580	2,593,137	3,424,619	2,962,128	2,749,008
Investments (including repos and excluding reverse repos)						
Government securities	3,618,732	1,155,965	457,692	472,320	201,254	101,232
Listed term finance certificates	640,534	1,275,520	289,346	148,603	152,579	235,900
Unlisted term finance certificates	913,550	691,385	363,159	180,509	109,995	14,445
Listed shares, units, certificates and modarba certificates	518,292	918,018	569,749	577,722	679,240	346,798
Unlisted shares, units, certificates and modarba certificates	22,932	22,932	98,932	102,782	62,782	62,782
Investment in Subsidiaries	855,643	860,324	895,011	842,511	682,571	182,571
	6,569,683	4,924,144	2,673,889	2,324,447	1,888,421	943,728
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	390,149
Certificates of deposit issued	3,029,750	3,881,951	2,656,875	3,475,159	2,727,530	2,038,240
Term finance certificates issued	62,475	187,083	311,280	435,110	495,921	369,950
(Loss) / profit before taxation	(88,688)	(386,417)	(450,654)	(45,637)	(79,267)	22,814
(Loss) / profit after taxation	(168,995)	(199,370)	(375,086)	(6,386)	(39,157)	31,337
Cash dividend	-	-	-	-	-	-
Bonus Shares issue	-	-	-	-	-	10%

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, 2011 to the Twenty first Annual General Meeting of the shareholders.

General Overview

The Year 2010-2011 has been challenging as a result of a difficult economic environment.

Your company ended the year with an after tax loss of Rs. 168.995 million for the year ended June 30, 2011 as compared to a loss of Rs 199.370 million in the corresponding period last year. The company has reported an after tax loss of Rs 199.520 million for the quarter ended June 30, 2011 compared to after tax loss of Rs. 248.00 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 also been made wherever the quality was deemed poor and chance of recovery low. Further more impairment has been recorded on investment in certain Term Finance Certificates and investment in subsidiary, IGI Finex Securities.

Your company's operating Loss before Provision is Rs. 88.688 million for the year ended June 30, 2011 compared to an Operating Loss Provision of Rs. 386.417 million in the previous year. Your bank has maintained its long term and short term entity ratings at 'A'(single A) and 'A1' (A one) respectively. The broad strategic thrust of the bank continues to be to focus on growing the fee based and capital markets based businesses.

Financial Summary

	-----------Rs. in million-------------	
	2011	**2010**
Gross Revenue	933.565	871.882
Loss for the year before taxation	(88.688)	(386.417)
Taxation - net	(80.307)	187.047
Loss for the year after taxation	(168.995)	(199.370)
Total Assets	8,721.11	8,233.38
Loss per Share(In Rupee)	(0.80)	(0.94)

Our income from fund placements and financing, including lease finance, decreased by Rs. 75.306 million to Rs. 218.059 million and is in line with the strategy of the bank keeping in view the situation prevalent during the year. Our net fund based income decreased from Rs. 54.511 million from last year to Rs. 100.106 million for the current year. The income from investments increased from Rs. 587.868 million to Rs. 679.386 million. The revenue generated from fee based lines of business i.e. brokerage, corporate finance & advisory and portfolio management also increased from Rs. 22.135 million to Rs. 26.448 million.

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 distribution arrangements through various

DIRECTORS' REPORT TO THE SHAREHOLDERS

channels; and thereby increases its market share.

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-----------	
	2011	**2010**
Gross Revenue	61.178	46.732
Administrative & other expenses	(45.694)	(43.482)
Profit before taxation	15.484	3.250
Profit after taxation	13.133	5.434
Earning per share	0.56	0.23

Funds under Management

	----------Rs. in million-----------	
Fund	**2011**	**2010**
IGI Income Fund	830.10	2,436.44
IGI Stock Fund	282.39	427.08
IGI Islamic Income Fund	680.47	399.02
IGI Money Market Fund	2,694.68	816.49
IGI Aggressive Income Fund	721.73	-
Total	5,209.37	4,079.03

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.

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

	--------Rs. in million--------	
	2011	**2010**
Gross Revenue	129.018	156.141
Profit / (Loss) before taxation	(58.530)	(71.902)
Taxation - net	19.805	46.292
Loss for the year after taxation	(38.725)	(25.610)
Total Assets	1,464.030	967.322

DIRECTORS' REPORT TO THE SHAREHOLDERS

Gross revenue of Rs. 129.018 million in these difficult times exhibits the resilience of the systems and the comfort of the clients on the services being received. The company ended the year with a loss of Rs.38.725 million.

Total assets at year end increased 51.35% from last year's **Rs. 967.322** million to **Rs. 1,464.030** million this year.

IGI Finex Securities' objective is to be recognized as one of the leading brokerage firms. Our corporate culture will drive this objective 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. We have over the past few years introduced a number of new products and services and expect our focus for the next year to be on ensuring profitable growth.

Segments at a glance

Cash & Treasury Management

The Treasury at IGI Investment Bank has always played a vital role in the overall performance. This year was no exception. During the year the team was adequately equipped with the resources it required to enhance its capabilities and the team responded equally. The Balance Sheet size increased from Rs 8.23 billion as at June 30, 2010 to Rs 8.72 billion as at June 30, 2011.

We strongly believe that the contribution of treasury would grow with synergies being developed with other SBUs. The flagship department contributed 83.37% to the revenues with Rs. 780.012 million being contributed by treasury from a total of Rs. 935.565 million.

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

	Rs. in thousands
Profit on PIBs / FIBs /T-BILLs	230,839
Mark up on TFCs	234,359
Return on fund placements	4,712
Return on reverse repo arrangements	99,662
Return on bank balances	11,158
Dividend on quoted securities and mutual fund units	49,208
Trading income on PIBs / FIBs / TFCs / Securities	150,074
Total	780,012

The department was successful in mobilizing lower cost deposits. The deposit base decreased from Rs.3.88 billion as at June 30, 2010 to Rs. 3.03 billion as at June 30, 2011.

Investment Advisory

During the year under review Fund Select and Wealth Management businesses merged to form the Investment Advisory business. The sales and research team works together to identify clients and develop a portfolio that best meets requirements from a range of product offerings. The newly formed 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. As part of Investment Advisory's

DIRECTORS' REPORT TO THE SHAREHOLDERS

commitment to excellent in service the Fund Select Portal was launched during the year enabling clients to track their mutual fund investments online. The state of the art technology is currently not being offered by any other entity in Pakistan and is to be extended across other asset classes in forthcoming years. Despite immense competition from other advisory firms the business has reported a growth over the last year revenues.

The Investment Advisory department has received an overwhelming response for its services from both its clientele and business partners - which is evident in increased revenue. It has truly emerged as one of the most promised business segment for the bank and has shown the potential to capture the market further 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. Two such transactions are in process. In 2007, IGI began offering Trustee services for TFC issues. Currently, back is Trustees 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.

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

Credit Rating
The Pakistan Credit Rating Agency (PACRA) maintained the long term and short term entity ratings of IGI Investment bank at 'A'(single A) and 'A1' (A one) respectively.

Directors
During the year 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	3
Mr. Towfiq H. Chinoy	4
Mr. Jalees A. Siddiqi	4
Syed Javed Hassan - Managing Director & Chief Executive	4

DIRECTORS' REPORT TO THE SHAREHOLDERS

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, 2011, the investments of the fund amount to Rs. 29.59 million. IGI Investment Bank also had a funded staff gratuity scheme for its permanent employees who complete the qualifying period of service. However, during the period under review as on May 17, 2011, bank has discontinued to contribute into the gratuity fund as a result of a decision to terminate staff gratuity scheme. Based on latest un-audited financial statements of the gratuity fund for period ended May 17, 2011 the investment of the fund was Rs. 4.23 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:

- These financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows, and changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are reasonable and on prudent basis.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and there has been effectively implemented and monitored. Timely corrective action is taken to address any exceptions that are identified.
- The reason for non-declaration of dividend / non-issuance of bonus shares is loss during the year.
- There are no doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Future

Our focus will continue to be on profitable growth in the existing lines of business with the ultimate objective of long term shareholder value creation. We will continue to observe our 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:

Syed Babar Ali (Chairman)	Nil
S. Javed Hassan (Managing Director & C.E.O) Sold	550,100
Directors:	
Khalid Yacob	Nil
Towfiq H. Chinoy	Nil
Farid Khan	Nil
Arif Faruque	Nil
Jalees A. Siddiqi	Nil
Chief Financial Officer	Nil
Company Secretary	Nil
Spouses	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	**S. JAVED HASSAN**
Chairman	**Managing Director & Chief Executive**

Date: August 26, 2011

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2011 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 2011.

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

Audit Engagement Partner: Shabbir Yunus

Date: August 29, 2011
Karachi

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (The Code) contained in Listing Regulation No. 35 (Chapter XI) 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 encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes six non-executive Directors, including three independent Directors, and there is no director representing minority shareholders.

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

3. All the Directors have given declaration that they are aware of their duties and powers under the relevant laws and the Bank's Memorandum and Articles of Association and the listing regulations of the stock exchanges of Pakistan.

4. 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 Company. None of the Director or their spouse is a member of stock exchange.

5. IGI Bank has prepared a detailed 'Code of Conduct' (the Code) which has been duly approved by the Board. At the time of joining the Bank, the Code is signed by all the employees and Directors of IGI Bank.

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

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

8. All the meetings of the Board were presided over by the Chairman and, in his absence by other Directors. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated. The Company Secretary and Chief Financial Officer attended the meetings of the Board of Directors.

9. In compliance of Sub Clause (xiv) of clause 35 of Listing Regulations, one director has attended and completed till Part 5 of Corporate Governance Leadership Skills program on November 30, 2010 under the Board Development Series of Pakistan Institute of Corporate Governance.

10. The Board has established a system of sound internal control which is effectively implemented at all levels within the Bank.

11. The Board has approved appointment of Company Secretary including his remuneration and terms and conditions of employment, as determined by the Chief Executive.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

12. All material information as required under the relevant rules has been provided to the stock exchanges and to the Securities and Exchange Commission of Pakistan within the prescribed time limit.

13. 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.

14. The financial statements of IGI Investment Bank Limited were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.

15. 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.

16. The Bank has complied with all the corporate and financial reporting requirements of the Code.

17. The Board has formed an Audit Committee. It comprises of three members all of whom are non-executive Directors including an independent director.

18. 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.

19. The Bank 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 the Bank and they (or their representatives) are involved in the internal audit function on a full time basis.

20. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors with necessary justification for non arm's length transactions.

21. 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.

22. 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.

23. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board of Directors

SYED BABAR ALI **Chairman**	**S. JAVED HASSAN** **Managing Director & Chief Executive**

Date: August 26, 2011

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of IGI Investment Bank Limited (the Bank) as at 30 June 2011 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 2.2 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 2011 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 the Bank and deposited in the Central Zakat Fund established under section 7 of the Ordinance.

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

Audit Engagement Partner: Shabbir Yunus

Date: August 29, 2011
Karachi

BALANCE SHEET
AS AT JUNE 30, 2011

	Note	2011	2010
		--------- (Rupees in '000) ---------	
			(Restated)
ASSETS			
Non-current assets			
Fixed assets	6	43,781	63,024
Long-term investments	7	1,089,280	1,504,621
Long-term loans and advances - net	8	246,524	204,694
Net investment in finance lease	9	142,264	327,184
Long-term deposits		5,345	5,345
Deferred tax asset - net	10	302,793	350,924
		1,829,987	2,455,792
Current assets			
Current maturity of non-current assets	11	559,866	946,868
Short-term loans and advances	12	31,292	22,834
Lendings - secured	13	298,000	651,391
Short-term investments	14	5,495,231	3,548,523
Taxation - net		241,081	251,741
Deposit, prepayments and other receivables	15	90,461	55,387
Interest, mark-up and profit accrued	16	49,788	86,006
Cash and bank balances	17	125,406	214,834
		6,891,125	5,777,584
TOTAL ASSETS		8,721,112	8,233,376
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	2,121,025	2,121,025
Reserves	19	136,831	136,831
Accumulated loss		(784,631)	(615,636)
		1,473,225	1,642,220
Deficit on revaluation of investments - net of tax	20	(55,544)	(37,305)
Non-current liabilities			
Redeemable capital	21	-	62,133
Long-term finance	22	50,000	150,000
Long-term certificates of deposit	23	359,933	271,709
Long-term deposits under lease contracts	24	49,218	133,801
		459,151	617,643
Current liabilities			
Current maturity of non-current liabilities	25	1,282,078	935,601
Short-term certificates of deposit	26	1,836,032	3,265,344
Borrowings from financial institutions	27	3,486,253	1,591,689
Interest and mark-up accrued	28	171,204	157,325
Trade and other payables	29	68,713	60,859
		6,844,280	6,010,818
TOTAL LIABILITIES		7,303,431	6,628,461
Contingencies and commitments	30		
TOTAL EQUITY AND LIABILITIES		8,721,112	8,233,376

The annexed notes from 1 to 51 form an integral part of these financial statements.

SYED BABAR ALI	**S. JAVED HASSAN**
Chairman	**Managing Director & Chief Executive**

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		--------- (Rupees in '000) ---------	
Income			
Income from investments	31	679,386	587,868
Income from loans and advances	32	36,730	66,558
Income from lease finance	33	76,955	148,789
Income from lendings - secured		99,662	18,851
Income from fees, commission and brokerage	34	26,448	22,135
		919,181	844,201
Finance costs	35	792,627	667,449
		126,554	176,752
Administrative and general expenses	36	186,295	187,760
		(59,741)	(11,008)
Other operating income	38	14,384	27,681
		(45,357)	16,673
Other operating expenses	39	6,827	6,478
Operating (loss) / profit before provisions		(52,184)	10,195
Reversal for bad and doubtful loans and advances / lease losses - general - net		-	36,469
Provision for bad and doubtful loans and advances / lease losses - specific - net	8.4, 9.4 & 12.3	(10,485)	(300,663)
		(10,485)	(264,194)
Impairment against investments:			
fund placements and term finance certificates - net	14.7	(16,405)	(1,731)
equity securities:			
equity securities held as at year end	20	(4,933)	-
unquoted equity securities and preference shares	7.1	(4,681)	(130,687)
		(9,614)	(130,687)
		(26,019)	(132,418)
Loss before taxation		(88,688)	(386,417)
Taxation - net	40	(80,307)	187,047
Loss after taxation		(168,995)	(199,370)
Other comprehensive income - net of tax		-	-
Total comprehensive loss - net of tax		(168,995)	(199,370)
		------------- (Rupee) -------------	
Loss per share - basic	41	(0.80)	(0.94)

The annexed notes from 1 to 51 form an integral part of these financial statements.

SYED BABAR ALI	**S. JAVED HASSAN**
Chairman	**Managing Director & Chief Executive**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		--------- (Rupees in '000) ---------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	44	(1,254,044)	39,996
Disbursements / (repayments) of long-term loans and advances		104,027	(41,457)
Net recovery from finance lease		417,339	585,592
Long-term deposits		-	1,450
Disbursement of long-term certificates of deposit - net		577,111	208,066
Payments of deposits under lease contracts		(97,851)	(91,651)
Interest, mark-up and profit received		725,851	639,571
Dividend received		57,777	5,574
Finance cost paid		(778,748)	(651,569)
Income tax paid		(13,732)	(17,844)
Gratuity paid		(876)	(1,486)
Net cash flows (used in) / generated from operating activities		(263,146)	676,242
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(13,911)	(7,448)
Proceeds / (purchase) of long-term investments - net		415,341	(210,678)
Proceeds from disposal of fixed assets		9,093	10,432
Net cash flows generated from / (used in) investing activities		410,523	(207,694)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal redemption of term finance certificates		(124,950)	(124,950)
Long-term finance - net repaid		(166,667)	(91,666)
Net cash flows used in financing activities		(291,617)	(216,616)
Net (decrease) / increase in cash and cash equivalents		(144,240)	251,932
Cash and cash equivalents at the beginning of the year		65,124	(186,808)
Cash and cash equivalents at the end of the year	45	(79,116)	65,124

The annexed notes from 1 to 51 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

	Issued, subscribed and paid-up capital	Reserves			Total
		Capital	Revenue		
		Statutory reserve	General reserve	Accumulated losses	
	(Rupees in '000)				
Balance as at July 01, 2009	2,121,025	97,098	39,733	(388,627)	1,869,229
Loss after taxation for the year ended June 30, 2010	-	-	-	(199,370)	(199,370)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	-	(199,370)	(199,370)
Balance as at June 30, 2010	2,121,025	97,098	39,733	(587,997)	1,669,859
Effect of prior period errors - net of tax (see note 9.6)	-	-	-	(27,639)	(27,639)
Balance as at June 30, 2010 as restated	2,121,025	97,098	39,733	(615,636)	1,642,220
Balance as at July 01, 2010	2,121,025	97,098	39,733	(615,636)	1,642,220
Loss after taxation 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

The annexed notes from 1 to 51 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

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, 2010, the Pakistan Credit Rating Agency (PACRA) has maintained the long-term credit rating of the Bank as 'A' and the short-term rating as 'A1'.

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 statement of the Group.

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.

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

IFRS 2 – Group Cash-settled Share-based Payment Arrangements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues (Amendment)
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB

Issued in 2009
IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations
IFRS 8 – Operating Segments
IAS 1 – Presentation of Financial Statements
IAS 17 – Leases
IAS 36 – Impairment of Assets

Issued in April 2010
IFRS 3 – Business Combinations
IAS 27 – Consolidated and Separate Financial Statements

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Fixed assets

3.1.1 Property and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that future 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 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.

3.1.2 Intangible

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that the future economic benefits associated with the asset will flow to 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 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 depreciation 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 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.

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 securities' 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 securities' 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.

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 Bank commits to purchase or sell the investment.

3.4 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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 the NBFC Regulations.

3.7 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.

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 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, 2011

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 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.

3.13 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.

3.14 Redeemable capital - term finance certificates

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

3.15 Staff retirement benefits

3.15.1 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.

3.15.2 Defined benefit plan

During the year, the Bank terminated its approved funded staff gratuity scheme. The liability recognised in the balance sheet in respect of defined benefit gratuity scheme is based on the terminal value i.e. the benefits to be paid to the permanent employees who have completed qualifying period under the scheme. All the unrecognised actuarial gains or losses and past service cost have been recognised in the profit and loss account during the current year (see note 37).

3.15.3 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.

3.16 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

3.17 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 loan 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 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.

3.18 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.

3.19 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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 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.

4. 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) Amortisation of intangible assets (notes 3.1.2 and 6.2)

ii) Provision for taxation and deferred tax (notes 3.9, 10 and 40)

iii) Classification and valuation of investments (notes 3.2, 7 and 14)

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

v) Employee benefits - defined benefit plan (notes 3.15.2 and 37)

vi) Classification and provision of loans and advances, net investment in finance lease and other receivables (notes 3.8, 8, 9 and 15)

vii) Impairment of investments (notes 7.3, 7.6 and 14.7)

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

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

Standards or interpretations	Effective date (accounting periods beginning on or after)
IAS 1 – Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IAS 12 – Income Tax (Amendment) – Deferred Taxes : Recovery of Underlying Assets	January 01, 2012
IAS 19 – Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 01, 2013

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

IAS 24 – Related Party Disclosures (Revised)	January 01, 2011
IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

The Bank expects that the adoption of the above standards and interpretations will not have any material impact on the Bank's financial statements in the period of initial application.

Further, 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 (accounting periods beginning on or after)**
IFRS 9 – Financial Instruments	January 01, 2013
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

6. FIXED ASSETS

	Note	**2011**	**2010**
		--------- (Rupees in '000)	---------
Property and equipment	6.1	40,282	57,577
Intangible asset	6.2	3,499	5,447
		43,781	63,024

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

6.1 Property and equipment

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
Tangible	(Rupees in '000)							%
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	

2010

Particulars	Cost			Depreciation			Net book value	Rate
	As at July 01, 2009	Additions / (deletions)	As at June 30, 2010	As at July 01, 2009	Charge for the year / (on deletions)	As at June 30, 2010	As at June 30, 2010	Per annum
Tangible	(Rupees in '000)							%
Lease hold improvements	32,196	585 (51)	32,730	14,022	6,009 (18)	20,013	12,717	20
Furniture and fittings	25,125	- (1,545)	23,580	8,911	2,590 (933)	10,568	13,012	10 & 20
Motor vehicles	43,177	4,568 (11,242)	36,503	14,594	6,025 (4,993)	15,626	20,877	20
Office equipment	22,891	610 (1,941)	21,560	12,802	3,484 (1,529)	14,757	6,803	20
Computer equipment	29,005	114 (1,050)	28,069	19,890	4,562 (551)	23,901	4,168	20
	152,394	5,877 (15,829)	142,442	70,219	22,670 (8,024)	84,865	57,577	

6.1.1 Cost and accumulated depreciation at the end of the year include Rs.3.071 million (2010: Rs.23.748 million) in respect of fully depreciated assets still in use.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

6.2 Intangible assets

2011

Particulars	Cost			Amortisation			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) ----------							%
Computer software	15,306	300	12,849	9,859	2,243	9,350	3,499	20
		(2,757) *			(2,752) *			
	15,306	(2,457)	12,849	9,859	(509)	9,350	3,499	

2010

Particulars	Cost			Amortisation			Net book value	Rate
	As at July 01, 2009	Additions / (deletions)	As at June 30, 2010	As at July 01, 2009	Charge for the year / (on deletions)	As at June 30, 2010	As at June 30, 2010	Per annum
	---------- (Rupees in '000) ----------							%
Computer software	13,735	1,571	15,306	7,461	2,398	9,859	5,447	20
		-			-			
	13,735	1,571	15,306	7,461	2,398	9,859	5,447	

6.2.1 Cost and accumulated amortisation at the end of the year include Rs.2.086 million (2010: Rs.3.208 million) in respect of fully amortised intangible assets still in use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

6.3 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 (including fixed assets written off) 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)						
Disposals							
Property and equipment							
Motor vehicles	936	699	237	368	131	Bank Policy	Raeda Abdul Latif Hashim* (Executive) - Karachi
	660	422	238	414	176	Tender	Muhammad Kamran - Karachi
	1,016	516	500	615	115	Bank Policy	Shah Muhammad Tahir Abbasi* - Karachi
	459	318	141	165	24	Bank Policy	Syed Yousuf Farhan Ali* - Karachi
	969	465	504	639	135	Bank Policy	Saqib Aziz* (Executive) - Karachi
	1,052	469	583	711	128	Bank Policy	Abdul Wahid* (Executive) - Karachi
	469	213	256	418	162	Tender	Manzoor Ahmed - Karachi
	475	215	260	332	72	Bank Policy	Yasir Arif Hereker* - Karachi
	440	164	276	546	270	Tender	Noman Hassan - Karachi
	1,405	94	1,311	1,423	112	Bank Policy	Maham Iftikhar* - Karachi
	650	464	186	626	440	Tender	Noman Hassan Khan - Karachi
	650	208	442	710	268	Tender	Saifullah Qureshi - Karachi
	1,325	71	1,254	1,300	46	Tender	Muhammad Kamran Jamil - Karachi
	851	216	635	720	85	Tender	Sheikh Waqas Inam - Islamabad
Office equipment	17	9	8	8	-	Negotiation	IGI Funds Limited** - Karachi
Computer equipment	193	164	29	47	18	Negotiation	IGI Insurance Limited** - Karachi
Property and equipment having book value not exceeding Rs.50,000 each - disposed off	1,009	977	32	51	19		
	12,576	5,684	6,892	9,093	2,201		
Written off							
Property and equipment (see note 6.4)							
Leasehold Improvements	9,872	7,711	2,161	-	(2,161)	Written off	
Furniture and fittings	6,368	5,008	1,360	-	(1,360)	Written off	
Office equipment	8,900	8,048	852	-	(852)	Written off	
Computer equipment	23,504	22,623	881	-	(881)	Written off	
	48,644	43,390	5,254	-	(5,254)		
	61,220	49,074	12,146	9,093	(3,053)		
Intangible asset							
Computer software	2,757	2,752	5	-	(5)	Written off	
2011	63,977	51,826	12,151	9,093	(3,058)		
2010	15,829	8,024	7,805	10,432	2,627		

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

6.4 During the current year, the management carried out an exercise of physical verification of fixed assets and as a result identified certain assets which were physically not available with the Bank. These assets mainly include leasehold improvements pertaining to locations from where the Bank used to operate in the past. Accordingly, assets having a net book value of Rs.5.254 million were written off during the year.

	Note	2011	2010
		--------- (Rupees in '000) ---------	
7. LONG-TERM INVESTMENTS			
Related parties - at cost			
Investment in unquoted subsidiary companies	7.1	855,643	860,324
Investment in associates	7.4	210,705	621,365
		1,066,348	1,481,689
Others - available-for-sale - at cost			
Investment in unquoted companies	7.5	22,932	22,932
Investment in unquoted preference shares	7.6	-	-
		22,932	22,932
		1,089,280	1,504,621

	Note	IGI Finex Securities Limited 2011	IGI Finex Securities Limited 2010	IGI Funds Limited 2011	IGI Funds Limited 2010	Total 2011	Total 2010
		(Rupees in '000)					
7.1 Investment in unquoted subsidiary companies							
Opening balance		617,884	652,571	242,440	242,440	860,324	895,011
Impairment charged during the year	7.3	(4,681)	(34,687)	-	-	(4,681)	(34,687)
Closing balance		613,203	617,884	242,440	242,440	855,643	860,324

7.2 Particulars of the Bank's subsidiary companies as per the un-audited financial statements for the year ended June 30, 2011 are as follows:

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%

2010

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	967,809	699,412	268,397	192,363	(25,610)	100%
IGI Funds Limited	Pakistan	2006	164,973	8,178	156,795	46,466	5,434	99.97%

* Represents revenue from all sources of activities.

7.3 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. Based on the above assessment, the management has concluded that the carrying amount of the IGIFSL exceeds its recoverable amount. Hence, a further impairment of Rs.4.681 million (2010: Rs.34.687 million) has been recorded in the current year's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

7.3.1 Key assumptions used in value in use calculation

The recoverable amount of the investment in subsidiary company has been determined based on value in use calculation, using cash flow projections based on business plans approved by the senior management of the subsidiary covering a three year period. The discount rate applied to cash flow projections beyond the discrete period are extrapolated using a terminal growth rate. The following rates are used by the Bank.

	IGI Finex Securities Limited	
	2011	**2010**
	---------------- (Rate) ---------------	
Discount rate - discrete period	19.39%	18.57%
Terminal growth rate	5.0%	6.0%
	--------- (Rupees in '000) --------	
Cost	652,571	652,571
Accumulated impairment	(39,368)	(34,687)
Net book value	613,203	617,884

The calculation of value in use is most sensitive to the following assumptions:

Key business assumptions
Discount rates
Sensitivity to changes in assumptions

(a) Key business assumptions

These assumptions are important because, by using industry data, historical performance for growth rates, the management expects the subsidiary company growth to be in line with the index which is projected to revert to atleast its previous level and thereafter stabilise in line with the economic trends.

(b) Discount rates

Discount rates reflect management's estimate of the rate of return required for business and is calculated using the capital asset pricing model. The discount rates reflect the cost of equity of the subsidiary company.

(c) Sensitivity to changes in assumptions

Management believes that reasonable possible changes in other assumptions used to determine the recoverable amounts will not result in an increase in impairment of its investment in subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

7.4 Investment in associates - at cost

Number of units 2011	Number of units 2010	Name of the Fund	Note	2011 (Rupees in '000)	2010 (Rupees in '000)
-	1,777,263	IGI Stock Fund		-	271,365
-	1,886,792	IGI Income Fund		-	200,000
552,802	995,076	IGI Money Market Fund		54,093	100,000
566,736	500,000	IGI Islamic Income Fund		56,612	50,000
1,000,000	-	IGI Capital Protected Fund	7.4.1	100,000	-
			7.4.2 & 7.4.3	210,705	621,365

7.4.1 This represents Pre-IPO investment in IGI Capital Protected Fund which is in the process of floatation.

7.4.2 Movement of investment in associates

	2011	2010
Investment at the beginning of the year	621,365	300,000
Additions during the year	1,433,700	3,989,865
Disposals during the year	(1,844,360)	(3,668,500)
Closing balance	210,705	621,365

7.4.3 This includes Rs.150 million (2010: Rs.150 million) being core investment, which as per the offering documents of IGI Money Market Fund, IGI Islamic Income Fund and IGI Capital Protected Fund is not redeemable for a period of first two years from the date of closure of the initial period. However, these are transferable with the condition that the units are not redeemed before the expiry of the period of first two years mentioned above.

7.4.4 Particulars of the Bank's associates as per the un-audited financial statements for the year ended June 30, 2011 are as follows:

Particulars	Country of Incorporation	Year of Incorporation	Assets	Liabilities	Net assets	Revenues*	Profit after taxation
2011			(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

Particulars	Country of Incorporation	Year of Incorporation	Assets	Liabilities	Net assets	Revenues*	Profit after taxation
2010			(Rupees in '000)				
IGI Stock Fund	Pakistan	2008	434,327	7,245	427,082	118,543	98,001
IGI Income Fund	Pakistan	2006	2,570,113	133,677	2,436,436	283,154	237,128
IGI Money Market Fund	Pakistan	2010	822,509	6,017	816,492	8,978	8,041
IGI Islamic Income Fund	Pakistan	2009	402,631	3,614	399,017	24,655	19,625

* Represents revenue from all sources of activities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

7.5 Investment in unquoted companies

Number of ordinary shares 2011	Number of ordinary shares 2010	Particulars	Note	2011 (Rupees in '000)	2010 (Rupees in '000)
7,600,000	7,600,000	DHA Cogen Limited		76,000	76,000
637,447	637,447	System Limited (related party)		10,150	10,150
1,123,318	1,123,318	Techlogix International Limited		12,782	12,782
				98,932	98,932
		Less: Provision for impairment		(76,000)	(76,000)
				22,932	22,932

7.6 Investment in unquoted preference shares

Number of preference shares of Rs.10 each 2011	Number of preference shares of Rs.10 each 2010	Particulars	2011	2010
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)
			-	-

8. LONG-TERM LOANS AND ADVANCES - NET

	Note	2011	2010
Secured and considered good - due from:			
Related parties			
Executives	8.1 & 8.2	1,992	1,869
Others			
Employees	8.2	344	120
Companies, organisations and individuals	8.3	182,245	233,029
		182,589	233,149
Unsecured and considered good - due from:			
Others			
Individuals		-	5,534
		-	5,534
Considered doubtful			
Others			
Companies, organisations and individuals - secured	8.3	141,041	189,577
Individuals - unsecured		21,628	21,148
		162,669	210,725
Less: Provision thereagainst	8.4	(63,683)	(68,243)
		98,986	142,482
		283,567	383,034
Less: Current maturity of long-term loans and advances - net	11	(37,043)	(178,340)
		246,524	204,694

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

8.1 Reconciliation of carrying amounts of loans and advances to Executives

	Executives 2011	Executives 2010
	-------- (Rupees in '000) ---------	
Opening balance	1,869	3,685
Disbursements during the year	490	-
Repayments during the year	(367)	(1,816)
	1,992	1,869

8.1.1 Maximum aggregate amount outstanding at the any time during the year was Rs.1.8 million (2010: Rs.1.9 million).

8.2 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 rates ranging from 12.91% to 14.82% (2010: 14.82% to 15.30%) per annum and are repayable on monthly basis over a period ranging from 2 to 20 years (2010: 5 to 20 years). These loans are secured against mortgage of house properties and hypothecation of vehicles.

8.3 These loans carry mark-up at rates ranging from 7.5% to 24% (2010: 12% to 22%) per annum and are repayable over periods ranging from 1 to 5 years (2010: 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.

8.4 Long-term loans include Rs.162.669 million (2010: Rs.210.725 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:

	2011			2010		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	68,243	-	68,243	46,946	4,813	51,759
Charge for the year	-	-	-	21,297	-	21,297
Reversals during the year	(4,560)	-	(4,560)	-	(4,813)	(4,813)
	(4,560)	-	(4,560)	21,297	(4,813)	16,484
Closing balance	63,683	-	63,683	68,243	-	68,243

9. NET INVESTMENT IN FINANCE LEASE

	Note	2011	2010
		-------- (Rupees in '000) ---------	(Restated)
Lease rental receivables		582,065	982,819
Add: Residual value		337,126	436,700
		919,191	1,419,519
Less: Unearned finance income		(40,380)	(107,333)
	9.1	878,811	1,312,186
Less: Provision for lease losses	9.4	(213,724)	(216,474)
Less: Current maturity of net investment in finance lease	11	(522,823)	(768,528)
		142,264	327,184

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

9.1 Particulars of net investment in finance lease

	2011			2010		
	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)					
				(Restated)		
Lease rental receivables	480,495	101,570	582,065	727,292	255,527	982,819
Add: Residual value	286,757	50,369	337,126	301,748	134,952	436,700
Gross investment in finance lease	767,252	151,939	919,191	1,029,040	390,479	1,419,519
Less: Unearned finance income	(30,705)	(9,675)	(40,380)	(44,038)	(63,295)	(107,333)
Net investment in finance lease	736,547	142,264	878,811	985,002	327,184	1,312,186

9.2 The Bank has entered into various lease agreements for period of 1 to 7 years (2010: 1 to 7 years). The rate of return implicit in the leases ranges from 6.64% to 23% (2010: 6.64% to 23%) 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.

9.3 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.

9.4 Provisions for lease losses

	2011			2010		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	216,474	-	216,474	79,548	31,656	111,204
Charge for the year	13,286	-	13,286	136,926	-	136,926
Reversal during the year	-	-	-	-	(31,656)	(31,656)
Written-off during the year	(16,036)	-	(16,036)	-	-	-
	(2,750)	-	(2,750)	136,926	(31,656)	105,270
Closing balance	213,724	-	213,724	216,474	-	216,474

9.4.1 Based on the NBFC Regulations, the aggregate net exposure in finance leases which have been placed under non-performing status amounted to Rs.345.859 million (2010: Rs.386.479 million) against which a provision of Rs.213.724 million (2010: Rs.216.474 million) has been made after deducting the value of collateral (i.e. forced sale value) amounting to Rs.17.346 million (2010: Rs.43.244 million). The total income suspended against the non-performing parties amounted to Rs.66.305 million (2010: Rs.69.158 million).

9.5 As at June 30, 2011, 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. The Bank is reviewing its business plan with respect to leasing operations and is currently devising a strategy to revive its leasing business through long-term credit facility from banks 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, 2011

9.6 During the year, the management has carried out an exercise to reconcile its lease management system (LMS) software with its core banking software (PIBAS). The results of the exercise highlighted the existence of prior period errors relating to the "unearned finance income" balances of the two applications. The cumulative difference amounted to Rs.27.639 million (net of tax). In accordance with the requirements of International Accounting Standard (IAS) – 8 'Accounting Policies, Changes in Accounting Estimates and Errors' the difference has been adjusted in the balance of accumulated loss as at June 30, 2010, being the earliest period for which restatement was practicable. Due to the lack of reliable historic data, period-specific effects were not determinable.

The effects of prior period errors on account balances is as follows:

	As originally reported	Effects of prior period errors	Restated
		(Rupees in '000)	
Balances as at June 30, 2010			
Net investment in finance lease	369,706	(42,522)	327,184
Deferred tax asset	336,041	14,883	350,924
Accumulated loss	(587,997)	(27,639)	(615,636)

10. DEFERRED TAX ASSET - NET

	Note	2011	2010 (Restated)
		(Rupees in '000)	
Deferred tax assets arising in respect of:			
Provision for bad and doubtful loans and advances / lease losses and other receivables		168,085	166,489
Impairment against fund placements / unlisted term finance certificates and equity securities		84,601	72,686
Carry forward of income tax losses	10.1	102,908	199,490
Minimum tax		11,930	4,280
Deficit on revaluation of investments	20	17,255	9,471
		384,779	452,416
Deferred tax liabilities arising in respect of:			
Accelerated tax depreciation		(81,986)	(101,372)
Transaction costs in respect of term finance certificates issued		-	(120)
		(81,986)	(101,492)
	10.2	302,793	350,924

10.1 The Bank has an aggregate amount of Rs.294.022 million (2010: Rs.569.971 million) in respect of unabsorbed tax losses as at June 30, 2011 on which the management has recognised deferred tax asset of Rs.102.908 million (2010: Rs.199.490 million). The management of the Bank believes that based on the projections of future taxable profit, it would be able to realise these tax losses in the future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

		Note	2011	2010
			-------- (Rupees in '000) ---------	
10.2	**Movement in deferred tax asset**			**(Restated)**
	Opening balance		350,924	149,939
	Recognised during the year	40	(55,915)	192,925
			295,009	342,864
	Deferred tax impact on surplus / (deficit) on revaluation of investments		7,784	8,060
			302,793	350,924

11. CURRENT MATURITY OF NON-CURRENT ASSETS

	Note	2011	2010
Current maturity of long-term loans and advances - net	8	37,043	178,340
Current maturity of net investment in finance lease	9	522,823	768,528
		559,866	946,868

12. SHORT-TERM LOANS AND ADVANCES

	Note	2011	2010
Unsecured and considered good - due from:			
Related parties			
Executives		-	67
Secured and considered good			
Others			
Short-term loans and advances	12.1	31,292	21,008
Considered doubtful			
Short-term loans and advances	12.1	174,199	174,199
Less: Provision thereagainst	12.2 & 12.3	(174,199)	(172,440)
		-	1,759
		31,292	22,834

12.1 These loans carry interest at rates ranging from 14.75% to 18.76% (2010: 12% to 17.39%) per annum and are repayable over periods ranging from 1 month to 1 year (2010: 1 month to 1 year). These are secured against mortgage of properties, hypothecation of vehicles, pledge of securities and personal guarantees of the borrowers.

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

12.3 Movement in provision

	2011	2010
Opening balance	172,440	30,000
Charge for the year	1,759	142,440
Closing balance	174,199	172,440

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

13. LENDINGS - SECURED

	Note	2011	2010
		-------- (Rupees in '000) ---------	
			(Restated)
Considered good - due from:			
Related parties		298,000	165,000
Others		-	486,391
	13.1	298,000	651,391

13.1 These carry mark-up at a rate of 16% (2010: from 12.00% to 15.50%) per annum and are repayable latest by July 14, 2011. These lendings are secured against listed shares having market value aggregating to Rs.445.522 million (2010: Rs.745.538 million).

14. SHORT-TERM INVESTMENTS

	Note	2011 Held by the Bank	2011 Given as collateral	2011 Total	2010 Held by the Bank	2010 Given as collateral	2010 Total
		(Rupees in '000)					
Held-to-maturity							
Fund placement		-	-	-	159,000	-	159,000
Commercial paper	14.1	9,895	-	9,895	-	-	-
		9,895	-	9,895	159,000	-	159,000
Held-for-trading							
Government securities	14.2	463,203	3,155,529	3,618,732	143,735	1,012,230	1,155,965
Available-for-sale							
Listed term finance certificates	14.3	383,811	260,468	644,279	908,962	370,303	1,279,265
Unlisted term finance certificates	14.3	1,018,491	-	1,018,491	630,507	127,864	758,371
Units of open end mutual funds	14.5	-	-	-	22,234	-	22,234
Listed shares and certificates	14.6	312,520	-	312,520	274,419	-	274,419
		1,714,822	260,468	1,975,290	1,836,122	498,167	2,334,289
		2,187,920	3,415,997	5,603,917	2,138,857	1,510,397	3,649,254
Impairment loss on term finance certificates	14.7	(108,686)	-	(108,686)	(100,731)	-	(100,731)
		2,079,234	3,415,997	5,495,231	2,038,126	1,510,397	3,548,523

14.1 Held-to-maturity investments - commercial paper

	Note	2011	2010
		-------- (Rupees in '000) ---------	
Pak Elektron Limited	14.1.1	9,895	-

14.1.1 Face value of this commercial paper amounted to Rs.10 million (2010: Rs.Nil) carrying a mark-up rate of 16.11% (2010: Nil) and maturing in July 2011.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

14.2 Particulars relating to government securities are as follows:

Particulars	Note	2011 Face value	2011 Amortised cost	2011 Market value	2010 Face value	2010 Amortised cost	2010 Market value
		(Rupees in '000)					
Market Treasury Bills	14.2.1	3,700,000	3,580,126	3,576,382	1,150,000	1,112,470	1,111,777
Pakistan Investment Bonds	14.2.2	51,400	47,989	42,350	51,400	47,683	44,188
	14.2.3	3,751,400	3,628,115	3,618,732	1,201,400	1,160,153	1,155,965

14.2.1 These carry mark-up at the rate ranging between 12.44% and 13.45% (2010: 11.50% and 12.20%) per annum and have terms of three months to one year maturing latest by July 28, 2011.

14.2.2 These carry mark-up at the rate from 9.6% to 11% (2010: 9.6% to 11%) per annum receivable semi-annually and have terms of 10 years maturing latest by August 22, 2017.

14.2.3 In accordance with the requirements of NBFC Regulations, the Bank has invested Rs.476.400 million (2010: Rs.651.400 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.

14.3 Available-for-sale investments - term finance certificates

Number of certificates 2011	Number of certificates 2010	Particulars	Issue date	2011 Amortised cost	2011 Market value	2010 Amortised cost	2010 Market value
				(Rupees in '000)			
		LISTED TERM FINANCE CERTIFICATES					
		Commercial banks / NBFIs					
-	30,000	Allied Bank Limited	August 28, 2009	-	-	139,999	143,358
20,000	32,800	Askari Bank Limited	November 18, 2009	101,769	103,371	167,250	161,399
5,000	5,000	Jahangir Siddiqui & Company Limited	November 21, 2006	24,955	25,253	24,965	25,215
63,432	53,432	NIB Bank Limited	March 05, 2008	312,682	305,354	255,657	256,312
-	4,587	Standard Chartered Bank (Pakistan) Limited II	January 20, 2004	-	-	11,468	11,342
494	-	United Bank Limited I	August 10, 2004	2,285	2,335	-	-
6,252	18,252	United Bank Limited II	March 15, 2005	31,252	28,440	83,774	80,499
-	8,000	United Bank Limited III	September 08, 2006	-	-	39,944	39,408
-	75,861	United Bank Limited IV	February 14, 2008	-	-	359,419	360,317
		Textile					
5,000	5,000	Azgard Nine Limited II*	September 20, 2005	17,707	18,119	17,707	18,119
		Chemical					
-	14,000	Engro Fertilizers Limited III	November 30, 2007	-	-	68,676	68,557
		Miscellaneous					
10,000	10,000	Pace (Pakistan) Limited	February 15, 2008	48,805	33,585	48,648	48,633
3,447	3,447	Pak Arab Fertilizers (Private) Limited	February 28, 2008	14,477	14,607	17,221	16,800
21,500	6,000	Pakistan Mobile Communications Limited	October 28, 2008	99,229	101,205	29,513	25,950
-	5,903	Searle Pakistan Limited	March 09, 2006	-	-	7,376	7,202
8,715	8,715	Telecard Limited	May 27, 2005	16,014	12,010	17,936	16,154
				669,175	644,279	1,289,553	1,279,265

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

Number of certificates 2011	Number of certificates 2010	Particulars	Issue date	2011 Amortised cost	2011 Market value	2010 Amortised cost	2010 Market value
				(Rupees in '000)			
		UNLISTED TERM FINANCE CERTIFICATES					
4,000	4,000	Agritech Limited*	November 30, 2007	19,654	18,845	19,654	18,845
17,000	17,000	Al-Zamin Leasing Modaraba II*	May 12, 2008	64,392	64,295	70,880	70,304
3,547	3,547	Avari Hotels Limited	April 30, 2009	14,493	14,666	15,630	15,344
13,000	13,000	Azgard Nine Limited IV*	December 04, 2007	64,799	59,597	64,799	59,597
40,598	35,778	Bank Al Habib Limited III	June 15, 2009	210,376	205,248	187,558	182,989
6,000	-	Bank Al Habib Limited IV	June 30, 2011	30,000	30,000	-	-
11,803	11,803	Bank Alfalah Limited IV Fixed	December 02, 2009	58,980	57,927	59,003	59,741
10,650	8,000	Bank Alfalah Limited IV Floating	December 02, 2009	53,435	53,963	39,992	39,183
50	50	Century Paper & Board Mills Limited	September 25, 2007	171	168	220	215
10,000	10,000	Eden Housing Limited	December 31, 2007	33,720	31,240	37,500	34,742
200	-	Engro Fertilizer Limited - Sukuk	September 06, 2007	1,050	1,000	-	-
28,400	13,400	Engro Fertilizer Limited (Perp I)	March 18, 2008	132,590	133,480	64,672	59,790
4,000	4,000	Engro Fertilizer Limited (Perp II)	March 18, 2008	19,364	20,283	19,270	18,739
25,500	-	Faysal Bank Limited II	December 27, 2010	128,197	128,197	-	-
13,000	13,000	KASB Securities Limited	June 27, 2007	40,274	43,060	58,892	63,329
-	10,000	Kashaf Foundation	November 05, 2007	-	-	7,121	7,130
12,000	12,825	Maple Leaf Cement Factory Limited - Sukuk	December 03, 2007	57,497	37,581	61,347	54,484
825	-	Maple Leaf Cement Factory Limited - Sukuk	March 31, 2010	4,125	2,904	-	-
10,000	10,000	New Allied Electronics Industries (Private) Limited - Sukuk*	December 03, 2007	49,241	49,241	50,000	50,000
250	250	Orix Leasing Pakistan Limited	January 15, 2008	16,487	16,796	24,705	23,939
10,000	-	Pak Libya Holding Company (Private) Limited	February 07, 2011	50,000	50,000	-	-
				1,048,845	1,018,491	781,243	758,371

* These represent non-performing Term Finance Certificates and provision is made thereagainst as per the NBFC Regulations (see note 14.7).

14.4 Significant terms and conditions relating to TFCs 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.
Jahangir Siddiqui & Company Limited	5,000	Average ask rate of six month KIBOR plus 2.5% (floor 6% and cap 16%)	Semi-annually	May 21, 2012	Principal redemption will be as follows: a) 6-54th month 0.18% of the principal. b) 60th month 49.91% of the principal. c) 66th month 49.91% of the principal.
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 1.50% (with no floor and cap)	Semi-annually	February 15, 2013	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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Maturity date	Redemption
Listed Term Finance Certificates					
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)	Semi-annually	November 27, 2013	Principal will be redeemed in nine semi-annual installments as follows: a) 0-6 months 1.47% of principal. b) 6-24 months 4.41% of principal. c) 24-48 months 6.25% of principal. d) 48-54 months 7.34% of principal.
Unlisted Term Finance Certificates / Sukuk					
Agritech Limited	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).
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 six months KIBOR plus 3.25%	Semi-annually	October 30, 2014	In 10 consecutive stepped up semi-annual installments. The first such installment shall fall due at the end of 30 months from the effective date and subsequently every six month thereafter until the issue is reduced to zero.
Azgard Nine Limited IV	5,000	6 Month KIBOR plus 1% 2010-2011, 6 month KIBOR plus 1.25% 2012-2015, 6 months KIBOR plus 1.75% 2016-2017	Semi-annually	December 24, 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 six months KIBOR plus 2.5% (floor 7% and cap 20%)	Semi-annually	December 31, 2012	Principal redemption will take place in eight equal semi annual installments. This will commence from the 18th month of the date of public subscription after a grace period of 12 months.
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.
KASB Securities Limited	5,000	Six month KIBOR plus 1.90%	Semi-annually	June 27, 2012	Instrument is structured to redeem 0.020%, of the principal semi annually in the first 42 months and remaining principal of 33.280% each of the issue amount respectively starting from the 48th month.
Maple Leaf Cement Factory Limited - Sukuk	5,000	Average ask rate of three months KIBOR plus 1.0%	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%	Quarterly	March 31, 2012	Bullet repayment at maturity.
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 1.40%	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.
Pak Libya Holding Company (Private) Limited	5,000	Average ask rate of six month KIBOR plus 1.6%	Semi-annually	February 07, 2016	Principal to be repaid in six equal semi annual installments commencing from 30th month from the issue date and subsequently every six months thereafter.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

14.5 Available-for-sale investments - units of open end mutual funds

No. of units			2011		2010	
2011	2010	Name of Fund	Average cost	Market value	Average cost	Market value
			(Rupees in '000)			
-	49,203	HBL Stock Fund	-	-	5,000	4,480
-	203,998	JS Fund of Funds	-	-	20,000	17,754
			-	-	25,000	22,234

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

No. of ordinary shares / certificates			2011		2010	
2011	2010	Name of Company / Fund	Average cost	Market value	Average cost	Market value
			(Rupees in '000)			
		Mutual fund (closed ended)				
-	625,000	Pakistan Strategic Allocation Fund	-	-	4,400	4,281
3,323,350	3,421,760	Safeway Mutual Fund	25,755	22,167	26,518	22,652
		Commercial banks				
-	4,000,000	Bank Alfalah Limited	-	-	37,520	37,840
1,000,000	-	Faysal Bank Limited	14,193	9,260	-	-
-	75,000	MCB Bank Limited	-	-	14,776	14,564
-	165,000	National Bank of Pakistan Limited	-	-	10,806	10,576
208,260	406,205	United Bank Limited	12,912	12,893	22,266	22,020
		Cement				
1,155,000	-	DG Khan Cement Limited	34,935	26,554	-	-
636,850	691,717	Lucky Cement Limited	45,216	45,115	47,120	42,984
		Refinery				
-	7,902	National Refinery Limited	-	-	1,569	1,445
		Power generation and distribution				
2,328,155	1,058,000	Hub Power Company Limited	88,398	87,539	34,433	33,814
1,000,000	-	Nishat Chunian Power Limited	15,464	13,720	-	-
		Oil and gas marketing companies				
-	169,500	Pakistan State Oil Company Limited	-	-	45,492	44,104
		Oil and gas exploration				
-	72,000	Oil and Gas Development Company Limited	-	-	10,164	10,202
		Industrial engineering				
91,621	-	Millat Tractors Limited	49,817	55,129	-	-
		Fertilizer				
267,000	138,111	Fauji Fertilizer Company Limited	39,330	40,143	14,305	14,235
		Chemicals				
-	273,201	Descon Oxychem Limited	-	-	2,131	1,246
-	80,000	Engro Corporation Limited	-	-	14,279	13,886
		Technology and communication				
-	32,000	Pakistan Telecommunication Limited	-	-	565	570
			326,020	312,520	286,344	274,419

14.6.1 Included herein is Rs.58.128 million (2010: Rs.150.583 million) of equity investments purchased and simultaneously sold in futures market with a view to generate a spread on the transaction.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

		Note	2011	2010
			-------- (Rupees in '000)	---------
14.7	**Movement in provision against investment**			
	Opening balance		100,731	99,000
	Charge for the year		38,714	50,731
	Reversals during the year	15.4	(22,309)	(49,000)
	Transferred during the year	15.4	(8,450)	-
	Closing balance		108,686	100,731

		Note	2011	2010
15.	**DEPOSIT, PREPAYMENTS AND OTHER RECEIVABLES**			
	Deposit			
	Short-term deposit		-	20,000
	Prepayments			
	Rent		12,395	10,625
	Others		1,278	1,618
	Other receivables - net			
	Secured - considered good			
	Assets repossessed in respect of terminated lease contracts		1,951	2,092
	Excise duty paid on behalf of customers		4,471	4,471
	Dividend receivable		1,625	-
	Balances due from related parties:			
	Packages Limited		-	273
	Staff Provident Fund		744	-
	Staff Gratuity Fund		254	254
	Receivable against sale of securities	15.1	46,148	1,221
			47,146	1,748
	Accrued commission / fee income	15.2	5,937	4,945
	Fair value of derivative financial instruments	20	401	5,263
	Insurance rentals receivable		1,071	-
	Others	15.3	8,886	4,625
	Unsecured and considered doubtful			
	Receivable from lessees in satisfaction of claims		20,186	18,527
	Receivable against settlement of fund placement	15.4	13,750	-
			33,936	18,527
			119,097	73,914
	Less: Provision against bad and doubtful receivables		(28,636)	(18,527)
			90,461	55,387

15.1 The market value of these securities at year end is Rs.46.207 million (2010: Rs.1.211 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

15.2 This includes commission aggregating to Rs.2.520 million (2010: Rs.1.915 million) due from IGI Finex Securities Limited, IGI Funds Limited, IGI Insurance Limited and Packages Limited (related parties).

15.3 Included herein is a sum of Rs.2.3 million (2010: Rs.Nil) representing an amount deposited with Honorable High Court of Sindh (SHC) in respect of assets repossessed and sold subsequently upon termination of lease contract.

15.4 The Bank had a clean placement with Saudi Pak Leasing Company Limited (SPLC) amounting to Rs.59 million against which a provision of Rs.30 million was made in the books as at June 30, 2010. In July and August 2010, an aggregate amount of Rs.1.500 million was paid by SPLC in cash. However, SPLC failed to fulfill its remaining obligation when it became due. The outstanding amount was settled by entering into a Settlement Agreement on November 24, 2010. Under the terms of the said Agreement, SPLC transferred lease receivables to the Bank aggregating to Rs.42.228 million whereas the remaining balance was agreed to be settled separately. Accordingly, provision amounting to Rs.21.550 million (included in note 14.7) was reversed proportionately while the balance provision of Rs.8.450 million was retained in the books of account. Thereafter, SPLC paid cash amounting to Rs.1.522 million while the remaining balance of Rs.13.750 million is pending settlement through transfer of further lease receivables. The Bank is in negotiations with the potential lessees to finalise the terms of the transfer/lease. In the meantime, the Bank has shown the above balance (Rs.13.750 million) as part of its other receivables and has transferred the provision of Rs.8.450 million against investments to provision against other receivables at the year end.

16. INTEREST, MARK-UP AND PROFIT ACCRUED

	Note	2011	2010
		-------- (Rupees in '000)	---------
Interest, mark-up and profit accrued on:			
Investments in:			
government securities		1,702	1,702
term finance certificates		41,173	74,980
fund placements		-	110
		42,875	76,792
Loans and advances		5,672	6,654
Lendings		131	1,275
Deposits with banks		1,110	1,285
		49,788	86,006

17. CASH AND BANK BALANCES

	Note	2011	2010
In hand		60	66
In current accounts			
State Bank of Pakistan		5,785	1,435
Others			
Local currency		39,937	4,620
Foreign currency		1,109	1,304
		41,046	5,924
In saving accounts			
Local currency	17.1	78,515	207,409
		125,406	214,834

17.1 These represent deposit accounts with commercial banks carrying mark-up at the rate ranging between 5% to 13% (2010: 5% to 13%).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
	-------- (Rupees in '000) ---------	
18. SHARE CAPITAL		
Authorised capital		
300,000,000 (2010: 300,000,000) Ordinary shares of Rs.10 each	3,000,000	3,000,000
Issued, subscribed and paid-up capital		
190,993,300 (2010: 190,993,300) Ordinary shares of Rs.10 each fully paid in cash	1,909,933	1,909,933
21,109,250 (2010: 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, 2011:

	2011		2010	
Name of related party	Shares held (in million)	Percentage	Shares held (in million)	Percentage
Packages Limited	4.611	2.175%	4.611	2.175%
IGI Insurance Limited	89.095	42.026%	89.095	42.026%
Directors, Chief Executive and their spouse and minor children	9.984	4.710%	10.535	4.967%

	Note	2011	2010
19. RESERVES		-------- (Rupees in '000) ---------	
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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

		Note	2011	2010
			-------- (Rupees in '000) ---------	
20.	**DEFICIT ON REVALUATION OF INVESTMENTS - NET**			
	Net surplus / (deficit) on revaluation of:			
	government securities		(9,383)	(4,188)
	listed and unlisted term finance certificates		(55,250)	(33,160)
	units of open end mutual funds		-	(2,766)
	listed shares and certificates		(13,500)	(11,925)
	fair value of derivative financial instruments	15	401	5,263
			(77,732)	(46,776)
	Impairment loss on equity investments classified as 'available-for-sale' - transferred to profit and loss account		4,933	-
		20.1	(72,799)	(46,776)
	Related deferred tax asset - net	10	17,255	9,471
			(55,544)	(37,305)
20.1	**Particulars of deficit on revaluation of investments - net**			
	Opening balance		(46,776)	(3,178)
	Deficit arising on revaluation of investments during the year		(30,956)	(43,598)
			(77,732)	(46,776)
	Impairment on equity securities held as at year end		4,933	-
	Closing balance		(72,799)	(46,776)
21.	**REDEEMABLE CAPITAL**			
	Secured			
	Term finance certificates	21.1	62,475	187,425
	Less: Transaction costs		-	(342)
			62,475	187,083
	Less: Current maturity of redeemable capital	25	(62,475)	(124,950)
			-	62,133

21.1 These represent listed term finance certificates issued by the Bank on July 10, 2006 having tenor of 5 years. The total issue comprises of Private Placement (Pre-IPO) of Rs.375 million and Initial Public Offering (IPO) of Rs.125 million. These are secured against the present and future movable fixed assets and current assets of the Bank and carry mark-up at KIBOR plus 2.25% per annum payable semi-annually with no floor and cap. The principal amount of these term finance certificates is redeemable within 5 years in 8 equal semi-annual installments in arrears after a grace period of 12 months from the date of the issue. The credit rating of these term finance certificates has been maintained at ‘A+’ (single A plus) by PACRA as at June 30, 2011.

		Note	2011	2010
22.	**LONG-TERM FINANCE**		-------- (Rupees in '000) ---------	
	Secured			
	Local currency - banking companies	22.1	150,000	316,667
	Less: Current maturity of long-term finance	25	(100,000)	(166,667)
			50,000	150,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

22.1 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.

23. LONG-TERM CERTIFICATES OF DEPOSIT

	Note	2011	2010
		-------- (Rupees in '000)	---------
Unsecured			
Financial institutions		53,382	2,179
Individuals		395,382	166,109
Others		744,954	448,319
	23.1 & 23.2	1,193,718	616,607
Less: Current maturity of long-term certificates of deposit	25	(833,785)	(344,898)
	14.2.3	359,933	271,709

23.1 These certificates of deposit have contractual maturities ranging from 1 to 8 years (2010: 1 to 8 years) from the contract date. Expected rates of return payable on these certificates ranges from 10.15% to 20% (2010: 9.75% to 20%) per annum.

23.2 Included herein is a sum of Rs.50 million (2010: Rs.60 million) representing amount payable to related parties.

24. LONG-TERM DEPOSITS UNDER LEASE CONTRACTS

	Note	2011	2010
		-------- (Rupees in '000)	---------
Deposits under lease contracts	24.1	335,036	432,887
Less: Current maturity of deposits under lease contracts	25	(285,818)	(299,086)
		49,218	133,801

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

25. CURRENT MATURITY OF NON-CURRENT LIABILITIES

	Note	2011	2010
		-------- (Rupees in '000)	---------
Current maturity of redeemable capital	21	62,475	124,950
Current maturity of long-term finance	22	100,000	166,667
Current maturity of long-term certificates of deposit	23	833,785	344,898
Current maturity of long-term deposits under lease contracts	24	285,818	299,086
		1,282,078	935,601

26. SHORT-TERM CERTIFICATES OF DEPOSIT

	Note	2011	2010
Unsecured			
Local currency			
Financial institutions		151,647	-
Individuals	26.1	504,525	703,307
Others		1,179,860	2,562,037
	26.2, 26.3 & 14.2.3	1,836,032	3,265,344

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

26.1 These include certificates of deposit amounting to Rs.Nil (2010: Rs.3.091 million) issued to employees of the Bank.

26.2 These certificates of deposit have contractual maturities ranging from 1 to 12 months (2010: 1 to 12 months) from the contract date. Expected rates of return payable on these certificates of deposit are 10% to 16.48% (2010: 10.15% to 14.85%) per annum.

26.3 Included herein is a sum of Rs.428.656 million (2010: Rs.1,092.69 million) representing amount payable to related parties.

	Note	2011	2010
		-------- (Rupees in '000) ---------	
27. BORROWINGS FROM FINANCIAL INSTITUTIONS			
Secured			
Running finance utilised under mark-up arrangement	27.1	204,522	149,710
Securities sold under repurchase agreements to:			
Related parties		89,217	200,000
Others		3,192,514	1,141,979
	27.2	3,281,731	1,341,979
Unsecured borrowings		-	100,000
		3,486,253	1,591,689

27.1 The principal terms of running finance utilised under mark-up arrangement are as follows:

Lender	Facility amount (Rs in '000)	Date of expiry	Pricing structure	Security
Allied Bank Limited	100,000	October 31, 2011	Mark-up at 1-month KIBOR plus 1.75% per annum.	First pari passu charge on the Bank's movable assets including leased assets and lease receivables with a margin of 25%.
United Bank Limited	100,000	November 30, 2011	Mark-up at 3-month KIBOR plus 2.00% per annum.	First pari passu charge on present and future moveable assets and receivables of the Bank including leased assets and leased receivables with a margin of 25%.

27.2 These carry mark-up at the rate ranging from 12.60% to 14.25% (2010: 12.10% to 12.50%) per annum and are repayable latest by July 04, 2011.

	Note	2011	2010
		-------- (Rupees in '000) ---------	
28. INTEREST AND MARK-UP ACCRUED			
Interest and mark-up accrued on:			
Redeemable capital		4,647	12,815
Long-term finance		1,580	4,087
Certificates of deposit	28.1	110,930	116,604
Borrowings from financial institutions	28.2	54,047	23,819
		171,204	157,325

28.1 Included herein is a sum of Rs.10.682 million (2010: Rs.13.899 million) representing amount payable to related parties.

28.2 Included herein is a sum of Rs.9.825 million (2010: Rs.1.164 million) representing amount payable to related parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		-------- (Rupees in '000) ---------	
29. TRADE AND OTHER PAYABLES			
Accrued expenses		8,397	4,873
Payable to customers on account of excess recoveries		3,028	3,028
Unclaimed dividends		316	316
Payable to employee gratuity scheme	37.4	4,289	4,777
Advances from lessees		16,196	21,553
Advance insurance recoveries from customers		-	1,212
Payable against purchase of securities		28,022	19,541
Others		8,465	5,559
		68,713	60,859

30. CONTINGENCIES AND COMMITMENTS

30.1 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 directions 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

(b) Income tax return for tax year 2003 was filed and deemed to be assessed under section 120 of the Income Tax Ordinance, 2001. However, by resorting to the powers given under section 177 of the Ordinance, the CIR had selected the aforementioned tax return for audit which was also confirmed by the Supreme Court in its decision dated March 01, 2006 under which the department was directed to issue fresh notices to the Bank in terms of Section 177 of the Ordinance disclosing criteria / reasons for selecting the above tax return for audit purposes. Pursuant to this order the department had selected tax year 2003 for audit and has consequently amended the assessment for the said year by making certain additions on account of depreciation on leased assets, provision for finance losses and other miscellaneous expenses. The Bank had preferred an appeal before the CIR(A) to agitate against the additions. The CIR(A) has decided the appeal by confirming certain additions. Against the appellate order of CIR(A), the Bank has filed an appeal before the ATIR which is pending to date. The Bank is confident that the additions confirmed by the CIR(A) will be deleted by the ATIR.

If the provision for taxation were to be made at the rate applicable to a banking company, taxation of dividend income as mentioned above and disallowance of expenses / add backs to income is decided against the Bank, the additional provision for all assessment years amounts to Rs.199 million (2010: Rs.199 million). Based on the previous decisions, the management is confident that the eventual outcome of the above matters will be decided in favour of the Bank, hence no provision has been made in these financial statements.

(c) The returns for the tax years 2004, 2006 and 2007 filed by the Bank were amended by the Additional Commissioner through proceedings under section 122(5A) who raised a demand aggregating to Rs.24.231 million. The Bank has filed appeals before the Commissioner Inland Revenue to agitate against the above demand. Pending the outcome of the appeals, no provision has been made in the financial statements for the demand raised as the management and its tax advisor are confident that the outcome of the appeals will be in favour of the Bank.

During the year, the Bank has received an assessment order for the tax year 2005, wherein the DCIR has assessed income of Rs.93.709 million by disallowing expenses / claims aggregating to Rs.182.657 million and has raised a demand of Rs.21.043 million. Subsequent to the year end, the management has filed an appeal with CIR(A) and, based on the advice of tax consultants, is confident that these disallowances will be deleted at the appeal stage. Accordingly, no provision has been made for the tax demand raised and deferred tax asset recognised on unabsorbed tax loss for the year 2005 has not been adjusted in the books of account.

		2011	2010
		-------- (Rupees in '000) ---------	
30.2	**Claims not acknowledged as debts**	81,570	81,570
30.3	**Commitments**		
	Commitments in respect of forward sale of shares	58,936	155,806
	Commitments in respect of forward purchase of shares	-	20,760

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

31. INCOME FROM INVESTMENTS

	2011					2010				
	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	4,712	-	-	-	4,712	59,167	-	-	-	59,167
Commercial paper	959	-	-	-	959	-	-	-	-	-
Market treasury bills	-	225,579	-	-	225,579	-	160,273	-	-	160,273
Pakistan investment bonds	-	5,260	-	-	5,260	-	5,243	-	-	5,243
Term finance certificates	-	-	233,400	-	233,400	-	-	200,161	-	200,161
	5,671	230,839	233,400	-	469,910	59,167	165,516	200,161	-	424,844
Dividend income	-	-	49,448	9,954	59,402	-	-	5,011	-	5,011
Gain on disposal of:										
Market treasury bills	-	236	-	-	236	-	19	-	-	19
Pakistan investment bonds	-	150	-	-	150	-	2,286	-	-	2,286
Term finance certificates	-	-	10,141	-	10,141	-	-	43,161	-	43,161
Units of open end mutual funds	-	-	4,676	23,057	27,733	-	-	5,886	94,086	99,972
Listed shares and certificates	-	-	111,814	-	111,814	-	-	12,575	-	12,575
	-	386	126,631	23,057	150,074	-	2,305	61,622	94,086	158,013
	5,671	231,225	409,479	33,011	679,386	59,167	167,821	266,794	94,086	587,868

	2011	2010
	-------- (Rupees in '000) ---------	
32. INCOME FROM LOANS AND ADVANCES		
Mark-up / interest on loans and advances	36,064	66,358
Documentation charges and other loan related income	666	200
	36,730	66,558
33. INCOME FROM LEASE FINANCE		
Mark-up on lease finance	72,839	142,534
Front-end fees, documentation charges and other lease related income	4,116	6,255
	76,955	148,789
34. INCOME FROM FEES, COMMISSION AND BROKERAGE		
Fee from corporate finance services	8,001	6,154
Commission and advisory income	18,447	15,981
	26,448	22,135

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

35. FINANCE COSTS

	Note	2011	2010
		-------- (Rupees in '000) ---------	
Mark-up on:			
Redeemable capital		15,052	33,192
Long-term finance		38,664	55,826
Certificates of deposit		472,606	439,530
Borrowings from financial institutions		264,711	138,194
Bank charges		1,594	707
		792,627	667,449

36. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2011	2010
Salaries, allowances and benefits		94,701	90,574
Contribution to the provident fund	37.10	3,598	3,744
Gratuity scheme expense	37.5	388	(45)
Contribution to employees' old-age benefit institution		320	392
Depreciation on property and equipment	6.1	18,760	22,670
Amortisation on intangible assets	6.2	2,243	2,398
Rent, rates and taxes		18,873	19,969
Travelling and entertainment		4,107	3,029
Telephone, telex and fax		3,462	3,428
Printing, postage and stationery		3,030	3,346
Insurance		4,243	3,326
Lighting, heating and cooling		7,327	4,654
Repairs and maintenance		2,593	7,226
Brokerage and commission		3,339	3,170
Legal and professional fees		9,936	6,204
Subscriptions		3,855	4,352
Advertisement		1,201	1,829
Other expenses		4,319	7,494
		186,295	187,760

37. DEFINED BENEFIT PLAN - GRATUITY SCHEME

As disclosed in note 3.15.2, the Bank terminated its approved funded staff gratuity scheme on May 17, 2011. Hence, the most recent actuarial valuation was carried out as at May 17, 2011, using the Projected Unit Credit Method. Following assumptions were used:

	2011	2010
Discount rate	14.00%	13.00%
Expected rate of increase in salary	11.75%	10.85%
Expected rate of return on plan assets	14.00%	13.00%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		-------- (Rupees in '000) ---------	
37.1 Amount recognised in the balance sheet			
Present value of defined benefit obligation	37.2	8,523	7,734
Fair value of plan assets	37.3	(4,234)	(3,852)
Unrecognised actuarial gain - net		-	895
	37.4	4,289	4,777

37.2 Movement in the defined benefit obligation

	2011	2010
Present value of defined benefit obligation at the beginning of the year	7,734	7,887
Interest cost	876	790
Current service cost	2,115	2,163
Benefits paid	(876)	(1,486)
Loss / (gain) on curtailment of staff gratuity scheme	188	(2,242)
Actuarial (gain) / loss on obligation	(1,514)	622
Present value of defined benefit obligation at the end of the year	8,523	7,734

37.3 Movement in the fair value of plan assets

	2011	2010
Fair value of plan assets at the beginning of the year	3,852	2,875
Expected return on plan assets	385	217
Contributions to the fund	876	1,486
Benefits paid	(876)	(1,486)
Actuarial (loss) / gain on plan assets	(3)	760
Fair value of plan assets at the end of the year	4,234	3,852

37.4 Movement of liability

	Note	2011	2010
Balance at the beginning of the year		4,777	6,308
Expense / (income) for the year - net	37.5	388	(45)
Contributions during the year		(876)	(1,486)
Balance at the end of the year	29	4,289	4,777

37.5 Gratuity scheme expense / (income) recognised in the profit and loss account

	2011	2010
Current service cost	2,115	2,163
Interest cost	876	790
Expected return on plan assets	(385)	(218)
Net actuarial gain recognised during the year	(2,406)	(538)
	200	2,197
Loss / (gain) on curtailment of staff gratuity fund	188	(2,242)
	388	(45)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

37.6 Plan assets comprise of the following:

	2011		2010	
	(Rupees in '000)	Percentage composition	(Rupees in '000)	Percentage composition
Units of mutual funds / shares	4,141	98	582	15
Bank account and short term deposits	93	2	3,270	85
	4,234	100	3,852	100

37.7 5 years data in respect of deficit on the plan assets is as follows:

	2011	2010	2009	2008	2007
	(Rupees in '000)				
Present value of defined benefit obligation	8,523	7,734	7,887	12,042	8,059
Fair value of plan assets	(4,234)	(3,852)	(2,875)	(8,022)	(7,220)
Deficit	4,289	3,882	5,012	4,020	839

37.8 5 years data in respect of experience adjustments is as follows:

	2011	2010	2009	2008	2007
Experience adjustments on plan liabilities	-	8%	(41)%	8%	-
Experience adjustments on plan assets	-	20%	(75)%	-	10%

37.9 Actual return on plan assets during the year was Rs.0.382 million (2010: Rs.0.978 million).

37.10 Defined contribution plan

An amount of Rs.3.598 million (2010: Rs.3.744 million) has been charged during the year in respect of contributory provident fund maintained by the Bank.

38. OTHER OPERATING INCOME

	Note	2011	2010
		(Rupees in '000)	
Income from financial assets			
Income from deposits with banks		11,158	23,838
Income from non-financial assets			
Gain on disposal of fixed assets		-	2,627
Miscellaneous income		3,226	1,216
		14,384	27,681

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
39. OTHER OPERATING EXPENSES		-------- (Rupees in '000)	---------
Provision against other assets		1,659	5,342
Loss on disposal of fixed assets		3,058	-
Auditors' remuneration	39.1	1,500	1,136
Donation	39.2	610	-
		6,827	6,478

39.1 Auditors' remuneration

	2011	2010
Statutory audit fee	850	700
Half yearly review fee	250	150
Special certification and other services	175	130
Out of pocket expenses	225	156
	1,500	1,136

39.2 Recipient of donation does not include any done with whom any director or spouse had any interest.

	Note	2011	2010
40. TAXATION		-------- (Rupees in '000)	---------
Current		24,392	5,878
Deferred	10.2	55,915	(192,925)
		80,307	(187,047)

40.1 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.

	2011	2010
41. LOSS PER SHARE	-------- (Rupees in '000)	---------
Loss after taxation	(168,995)	(199,370)
	Number of shares	
Weighted average number of ordinary shares outstanding during the year	212,102,550	212,102,550
	(Rupee)	
Loss per share - basic	(0.80)	(0.94)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

41.1 Diluted earnings per share is not disclosed as (a) the Bank does not have any convertible instruments in issue as at June 30, 2011 (2010: Nil) and (b) the amount of dilution, if any, would be anti-dilutive.

42. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives		Total	
	2011	2010	2011	2010	2011	2010
	(Rupees in '000)					
Managerial remuneration (including bonus)	6,869	5,772	26,014	27,817	32,883	33,589
House rent	2,731	2,217	11,706	12,514	14,437	14,731
Utilities	607	-	2,601	2,781	3,208	2,781
Medical expenses	607	493	1,059	1,022	1,666	1,515
Conveyance	494	369	2,602	2,384	3,096	2,753
Retirement benefits	607	495	2,266	2,418	2,873	2,913
Others	1,360	710	5,361	4,029	6,721	4,739
	13,275	10,056	51,609	52,965	64,884	63,021
Number of persons	1	1	29	31	30	32

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

42.2 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.

42.3 Total fees of Rs.55,000 (2010: Rs.40,000) were paid to the directors for attending the board meetings.

43. 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 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, 2011 and June 30, 2010, refer to respective notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

2011

Description	Subsidiaries	Other related parties including associated undertakings	Key Management personnel	Total
	(Rupees in '000)			
Transactions during the year				
Certificates of deposit issued	-	4,104,228	118,292	4,222,520
Certificates of deposit matured	-	3,329,051	116,006	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	8	47	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	-	249,795	-	249,795
Purchase of term finance certificates	-	217,771	-	217,771
Group shared services (see note 43.1)	-	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	-	556,281	-	556,281
Purchase of government securities	-	486	-	486
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	-	126,550	1,279	127,829
Rent expense	261	17,551	-	17,812
Reimbursement of rent	5,992	3,951	-	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

2010

Description	Subsidiaries	Other related parties including associated undertakings	Key Management personnel	Total
	(Rupees in '000)			
Transactions during the year				
Certificates of deposit issued	-	5,287,927	182,203	5,470,130
Certificates of deposit matured	-	4,124,243	160,304	4,284,547
Insurance premium paid	-	2,106	-	2,106
Purchase of fixed assets	1,077	348	-	1,425
Sale of fixed assets	3,429	164	-	3,593
Lendings - secured	3,357,300	-	-	3,357,300
Repayment of secured lendings	3,192,300	-	-	3,192,300
Purchase of marketable securities	601,978	-	-	601,978
Sale of marketable securities	522,087	-	-	522,087
Sale of term finance certificates	93,003	1,025,533	-	1,118,536
Purchase of term finance certificates	92,417	1,015,487	-	1,107,904
Group shared services (see note 43.1)	-	18,654	-	18,654
Investment in mutual fund units	-	3,989,865	-	3,989,865
Redemption of mutual fund units	-	3,762,586	-	3,762,586
Income from loans and advances	-	-	312	312
Borrowings - secured	-	200,000	-	200,000
Repayment of borrowings - secured	-	202,055	-	202,055
Brokerage, commission and fees paid	949	-	-	949
Return on certificates of deposit	-	72,657	1,500	74,157
Rent expense	6	15,955	-	15,961
Reimbursement of rent	7,767	563	-	8,330
Short-term deposit	20,000	-	-	20,000
Reimbursement of subscription expense	1,235	-	-	1,235
Charge for the year in respect of employee benefit and contribution plan	-	3,699	-	3,699

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

43.1 Group shared services

The 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.

44. CASH GENERATED FROM OPERATIONS

	Note	2011	2010
		-------- (Rupees in '000) ---------	
Loss before taxation		(88,688)	(386,417)
Adjustments for non cash and other items:			
Loss / (gain) on disposal of fixed assets		3,058	(2,627)
Depreciation on property and equipment		18,760	22,670
Amortisation on intangible assets		2,243	2,398
Amortisation of transaction cost on term finance certificates		342	753
Provision / (reversal) for staff gratuity scheme		388	(45)
Interest, mark-up and profit income		(689,633)	(676,425)
Dividend income		(59,402)	(5,011)
Finance costs		792,627	667,449
Reversal for bad and doubtful loans and advances / lease losses - general - net		-	(36,469)
Provision for bad and doubtful loans and advances / lease losses - specific - net		10,485	300,663
Working capital changes	44.1	(1,244,224)	153,057
		(1,165,356)	426,413
		(1,254,044)	39,996

44.1 Working capital changes

	2011	2010
(Increase) / decrease in current assets:		
Short-term loans and advances	(10,217)	240,706
Lendings - secured	353,391	(552,791)
Short-term investments	(1,972,731)	(1,691,115)
Deposit, prepayments and other receivables	(33,449)	(25,547)
	(1,663,006)	(2,028,747)
(Decrease) / increase in current liabilities:		
Short-term certificates of deposit	(1,429,312)	1,017,010
Borrowings from financial institutions	1,839,752	1,216,111
Trade and other payables	8,342	(51,317)
	418,782	2,181,804
	(1,244,224)	153,057

45. CASH AND CASH EQUIVALENTS

	Note	2011	2010
Cash and bank balances	17	125,406	214,834
Short-term running finance utilised under mark-up arrangement	27	(204,522)	(149,710)
		(79,116)	65,124

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

46. 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:

	2011	2010
	------------- Number---------------	
Equity portfolio		
Number of clients	3	1
	---------- (Rupees in '000)---------	
Cost	132,907	120,602
Market value	135,488	115,093
	------------- Number---------------	
Debt portfolio		
Number of clients	2	-
	---------- (Rupees in '000)---------	
Cost	139,051	-
Market value	139,086	-

46.1 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.

46.2 The fee earned on these services during the year amounted to Rs.7.811 million (2010: Rs.4.272 million).

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank's principal financial liabilities, other than derivatives, comprise redeemable capital, term finances, certificate of deposits, borrowings, 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, loan, 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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.

47.1 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.

47.1.1 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.

47.1.2 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, lendings, investments, running finance on mark-up arrangements, redeemable capital, borrowings 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

As at June 30, 2011	Effective rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
			Within one year	More than one year and less than five years	More than five years	
	%	(Rupees in '000)				
Financial assets						
Loans and advances - net	7.50% - 24.00%	314,859	68,335	246,524	-	-
Net investment in finance lease	6.64% -23.00%	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	-	-	-
Deposit and other receivables	-	76,788	-	-	-	76,788
Cash and bank balances	5.00% - 13%	125,406	78,515	-	-	46,891
		8,069,996	4,565,672	1,030,904	942,596	1,530,824
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% - 20%	3,029,750	2,669,817	219,933	140,000	-
Long-term deposits under lease contracts	-	335,036	-	-	-	335,036
Borrowings from financial institutions	12.60% - 15.65%	3,486,253	3,486,253	-	-	-
Trade and other payables	-	52,517	-	-	-	52,517
		7,116,031	6,318,545	269,933	140,000	387,553
On-balance sheet gap		953,965	(1,752,873)	760,971	802,596	1,143,271
Commitments in respect of forward sale of shares		58,936	-	-	-	58,936
Off-balance sheet gap		58,936	-	-	-	58,936

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

As at June 30, 2010	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	11.50% - 17.39%	405,868	201,174	202,894	1,800	-
Net investment in finance lease	6.64% -23.00%	1,095,712	768,528	327,184	-	-
Investments	9.60% - 13.35%	5,053,144	1,245,720	445,188	1,560,962	1,801,274
Long-term deposits	-	5,345	-	-	-	5,345
Lendings - secured	12.00% - 15.50%	651,391	651,391	-	-	-
Deposit and other receivables	-	43,144	-	-	-	43,144
Cash and bank balances	5.00% - 13.00%	214,834	207,409	-	-	7,425
		7,469,438	3,074,222	975,266	1,562,762	1,857,188
Financial liabilities						
Redeemable capital	14.61%	187,083	124,950	62,133	-	-
Long-term finance	13.64% - 14.60%	316,667	166,667	150,000	-	-
Certificates of deposit	9.75% - 20.00%	3,881,951	3,610,242	131,709	140,000	-
Long-term deposits under lease contracts	-	432,887	-	-	-	432,887
Borrowings from financial institutions	12.10% - 12.50%	1,591,689	1,591,689	-	-	-
Trade and other payables	-	39,306	-	-	-	39,306
		6,449,583	5,493,548	343,842	140,000	472,193
On-balance sheet gap		1,019,855	(2,419,326)	631,424	1,422,762	1,384,995
Commitments in respect of forward sale of shares		155,806	-	-	-	155,806
Commitments in respect of forward purchase of shares		(20,760)	-	-	-	(20,760)
Off-balance sheet gap		135,046	-	-	-	135,046

47.1.3 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.

47.2 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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:

	2011		2010	
	(Rupees in '000)	%	(Rupees in '000)	%
Loans and leases				
Dairy and poultry	315	0.03	315	0.02
Cement	3,100	0.32	3,627	0.24
Health	4,317	0.44	23,455	1.56
Glass and ceramics	1,319	0.13	7,950	0.53
Leather	5,535	0.56	19,228	1.28
Paper and board	26,047	2.66	46,189	3.08
Construction	38,601	3.94	136,776	9.11
Energy, oil and gas	84,448	8.62	81,260	5.41
Financial institutions	94,750	9.67	105,778	7.04
Electric and electric goods	46,940	4.79	53,325	3.55
Chemicals / fertilizers / pharmaceuticals	5,677	0.58	21,508	1.43
Food, tobacco and beverages	31,623	3.23	50,800	3.38
Steel, engineering and automobiles	109,659	11.19	161,529	10.76
Transport	74,716	7.62	177,099	11.79
Textile / textile composite	196,320	20.03	236,574	15.76
Miscellaneous (including individuals)	256,579	26.19	376,167	25.06
	979,946	100.00	1,501,580	100.00

47.3 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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.

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	-	-
Deposit, 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
Long-term 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, 2011

As at June 30, 2010	Total	Within one year	More than one year and less than five years	More than five years
	(Rupees in '000)			
Assets				
Fixed assets	63,024	31,550	31,474	-
Investments	5,053,144	1,186,972	741,841	3,124,331
Loans and advances - net	405,868	201,174	75,394	129,300
Net investment in finance lease	1,095,712	768,528	327,184	-
Long-term deposits	5,345	-	-	5,345
Deferred tax asset- net	350,924	-	350,924	-
Lendings - secured	651,391	651,391	-	-
Taxation - net	251,741	251,741	-	-
Deposit, prepayments and other receivables	55,387	55,387	-	-
Interest, mark-up and profit accrued	86,006	86,006	-	-
Cash and bank balances	214,834	214,834	-	-
	8,233,376	3,447,583	1,526,817	3,258,976
Liabilities				
Redeemable capital	187,083	124,950	62,133	-
Long-term finance	316,667	166,667	150,000	-
Certificates of deposit	3,881,951	3,610,242	131,709	140,000
Long-term deposits under lease contracts	432,887	299,086	133,801	-
Borrowings from financial institutions	1,591,689	1,591,689	-	-
Interest and mark-up accrued	157,325	157,325	-	-
Trade and other payables	60,859	60,859	-	-
	6,628,461	6,010,818	477,643	140,000
	1,604,915	(2,563,235)	1,049,174	3,118,976

48. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

	2011	**2010**
	-------- (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	(784,631)	(615,636)
	1,473,225	1,642,220

No other changes were made in the objectives, policies or processes during the years ended June 30, 2011 and June 30, 2010.

49. FAIR VALUE OF FINANCIAL INSTRUMENTS

49.1 As at June 30, 2011, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

50. DATE OF AUTHORISATION FOR ISSUE

The financial statements were approved by the Board of Directors and authorised for issue on August 26, 2011.

51. GENERAL

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

51.2 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**	**S. JAVED HASSAN** **Managing Director & Chief Executive**

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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 as at 30 June 2011 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 separate opinions on the financial statements of the Bank and its subsidiary companies except for the financial statements of IGI Finex Securities Limited which were audited by another firm of auditors, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, 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 2011 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.

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

Audit Engagement Partner: Shabbir Yunus

Date: August 29, 2011
Karachi

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2011

	Note	2011	2010
		----------- (Rupees in '000) -----------	
ASSETS			(Restated)
Non-current assets			
Fixed assets	6	151,764	188,030
Investment property	7	6,217	6,517
Long-term investments	8	22,932	22,932
Long-term loans and advances - net	9	246,524	204,795
Investment in associates	10	372,890	837,704
Net investment in finance lease	11	142,264	327,184
Long-term deposits		11,935	10,730
Receivable from funds		-	3,533
Deferred tax asset - net	12	455,182	481,055
		1,409,708	2,082,480
Current assets			
Current maturity of non-current assets	13	559,892	949,108
Short-term loans and advances	14	31,834	23,516
Lendings - secured	15	114,000	600,391
Short-term investments	16	5,505,653	3,568,972
Trade debts - net	17	969,224	570,123
Deposits, prepayments and other receivables	18	162,210	142,857
Interest, mark-up and profit accrued	19	151,750	88,859
Taxation - net		272,080	273,182
Cash and bank balances	20	138,606	216,618
		7,905,249	6,433,626
TOTAL ASSETS		9,314,957	8,516,106
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	2,121,025	2,121,025
Reserves	22	115,145	115,145
Accumulated loss		(1,124,152)	(852,534)
		1,112,018	1,383,636
Non-controlling interest	23	45	45
		1,112,063	1,383,681
Deficit on revaluation of investments - net of tax	24	(55,489)	(38,141)
		1,056,574	1,345,540
Non-current liabilities			
Redeemable capital	25	-	62,133
Long-term finance	26	50,000	150,000
Long-term certificates of deposit	27	359,933	271,709
Liabilities against assets subject to finance lease		-	635
Long-term deposits under lease contracts	28	49,218	133,801
		459,151	618,278
Current liabilities			
Current maturity of non-current liabilities	29	1,282,078	935,903
Short-term certificates of deposit	30	1,836,032	3,265,344
Borrowings from financial institutions	31	4,161,157	1,889,999
Interest and mark-up accrued	32	194,817	168,009
Trade and other payables	33	325,148	293,033
		7,799,232	6,552,288
TOTAL LIABILITIES		8,258,383	7,170,566
Contingencies and commitments	34		
TOTAL EQUITY AND LIABILITIES		9,314,957	8,516,106

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

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

IGI
Investment Bank

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		--------- (Rupees in '000) ---------	
Income			
Income from investments	35	594,004	619,171
Income from loans and advances	36	36,730	66,558
Income from lease finance	37	76,955	148,789
Income from lendings - secured		46,405	26,057
Remuneration from funds under management - net	38	44,720	33,710
Income from fees, commission and brokerage	39	127,417	152,951
		926,231	1,047,236
Finance costs	40	873,001	705,419
		53,230	341,817
Administrative and general expenses	41	380,537	423,043
		(327,307)	(81,226)
Other operating income	43	168,593	68,299
		(158,714)	(12,927)
Other operating expenses	44	(41,250)	(34,119)
Operating loss before provisions and share of profit in associates		(199,964)	(47,046)
Reversal for bad and doubtful loans and advances / lease losses - general - net	9.4 & 11.4	-	36,469
Provision for bad and doubtful loans and advances / lease losses - specific - net	9.4, 11.4 & 14.4	(10,485)	(300,663)
		(10,485)	(264,194)
Impairment against intangible assets	6.3	-	(77,157)
Impairment against investments:			
fund placements and term finance certificates - net	16.8	(16,405)	(1,731)
equity securities:			
equity securities held as at year end	24	(4,933)	-
unquoted equity securities and preference shares	8.1 & 8.2	-	(96,000)
		(4,933)	(96,000)
		(21,338)	(97,731)
		(231,787)	(486,128)
Share of profit in associates	10.1	23,020	86,338
Loss before taxation		(208,767)	(399,790)
Taxation	45	(62,851)	235,522
Loss after taxation		(271,618)	(164,268)
(Loss) / gain attributable to non-controlling interest		-	-
Loss attributable to shareholders		(271,618)	(164,268)
Loss after taxation		(271,618)	(164,268)
Other comprehensive income - net of tax		-	-
Total comprehensive loss - net of tax		(271,618)	(164,268)
(Loss) / gain attributable to non-controlling interest		-	-
Loss attributable to shareholders		(271,618)	(164,268)
		------------ (Rupee) ------------	
Loss per share - basic	46	(1.28)	(0.77)

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

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		--------- (Rupees in '000) ---------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash used in operations	50	(1,372,715)	(196,871)
Repayment / (disbursements) of long-term loans and advances - net		104,505	(41,081)
Net recovery from finance lease		417,339	585,592
Long-term deposits		(1,205)	1,878
Disbursements of long-term certificates of deposit		577,111	208,066
Payments of deposits under lease contracts		(97,851)	(91,651)
Interest, mark-up and profit received		576,647	648,350
Dividend received		48,779	8,410
Finance cost paid		(846,193)	(680,583)
Income tax paid		(28,092)	(35,360)
Gratuity paid		(876)	(3,668)
Net cash (used in) / generated from operating activities		(622,551)	403,082
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(22,146)	(17,071)
Proceeds from disposal of fixed assets		18,437	15,877
Long-term investments made		-	76,000
Paid to / (received) from funds		5,370	(2,681)
Investment made / (disposed) in associates		403,684	(187,497)
Net cash generated from / (used in) investing activities		405,345	(115,372)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal redemption of term finance certificates		(124,608)	(124,950)
Lease rental paid		(937)	(980)
Long-term finance - net repaid		(166,667)	(91,666)
Net cash used in financing activities		(292,212)	(217,596)
Net (decrease) / increase in cash and cash equivalents		(509,418)	70,114
Cash and cash equivalents at the beginning of the year		(231,402)	(301,516)
Cash and cash equivalents at the end of the year	51	(740,820)	(231,402)

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

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2011

		Reserves						
		Capital		Revenue				
	Issued, subscribed and paid-up capital	Reserve arising on acquisition of non-controlling interest	Statutory reserve	General reserve	Accumulated losses	Total reserves	Non-controlling interest	Total
	(Rupees in '000)							
Balance as at July 01, 2009	2,121,025	(21,686)	97,098	39,733	(660,627)	(545,482)	45	1,575,588
Loss after taxation for the year ended June 30, 2010	-	-	-	-	(164,268)	(164,268)	-	(164,268)
Loss attributable to non-controlling interest	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(164,268)	(164,268)	-	(164,268)
Balance as at June 30, 2010	2,121,025	(21,686)	97,098	39,733	(824,895)	(709,750)	45	1,411,320
Effect of prior period errors - net of tax (see note 11.6)	-	-	-	-	(27,639)	(27,639)	-	(27,639)
Balance as at June 30, 2010 as restated	2,121,025	(21,686)	97,098	39,733	(852,534)	(737,389)	45	1,383,681
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

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

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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%

IGI Investment Bank Limited (IGI Bank)

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.

Based on the financial statements of IGI Bank for the year ended June 30, 2010, the Pakistan Credit Rating Agency (PACRA) has maintained the long-term credit rating of IGI Bank as 'A' and the short-term rating as 'A1'.

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 company is situated at Suite No. 701-713, 7th Floor, The Forum, G-20, Khayaban-e-Jami, Block-9, Clifton, Karachi. The company is a public unlisted company and a corporate member of the Karachi Stock Exchange (Guarantee) Limited, the Lahore Stock Exchange (Guarantee) Limited and Pakistan Mercantile Exchange Limited (formerly National Commodity Exchange Limited). The company is a wholly owned subsidiary of IGI Investment Bank Limited.

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/continuous funding system transactions.

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. The Company obtained its Certificate of commencement of business on May 12, 2006. The name of the Company was subsequently changed to "IGI Funds Limited" on July 11, 2006. The Company 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 the Company are floating and managing mutual funds. The registered office of the Company is situated at 5 F.C.C Ground Floor, Syed Maratib Ali Road Gulberg, Lahore.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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

	Note	Net asset value 2011	2010
		--------- (Rupees in '000) ---------	
Open-end mutual funds			
- IGI Income Fund		830,104	2,436,437
- IGI Stock Fund		282,389	427,082
- IGI Islamic Income Fund		680,474	399,017
- IGI Money Market Fund		2,694,679	816,492
- IGI Aggressive Income Fund	1.1	721,726	809,466

1.1 During the year, the Company acquired the management rights of POBOP Advantage Plus Fund (Now IGI Aggressive Income Fund) from Pak Oman Asset Management Company Limited (POAMCL).The transfer was made effective under the second supplementary trust deed signed on August 06, 2010 whereby the management rights were transferred from POAMCL to the Company.

IGI Funds is in the process of floating the IGI Capital Protected Fund.

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.

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, 2011 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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:

IFRS 2 – Group Cash-settled Share-based Payment Arrangements
IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues (Amendment)
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB

Issued in 2009
IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations
IFRS 8 – Operating Segments
IAS 1 – Presentation of Financial Statements
IAS 17 – Leases
IAS 36 – Impairment of Assets

Issued in April 2010
IFRS 3 – Business Combinations
IAS 27 – Consolidated and Separate Financial Statements

The adoption of the above standards, amendments and interpretations 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.

(c) Assets subject to Finance Leases

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

(d) 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 6.3 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.

(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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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 securities' 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 securities' 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.

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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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.

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 Redeemable capital - Term Finance Certificates

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

3.15 Staff retirement benefits

3.15.1 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.

3.15.2 Defined benefit plan

During the year, IGI Bank terminated its approved funded staff gratuity scheme. The liability recognised in the balance sheet in respect of defined benefit gratuity scheme is based on the terminal value i.e. the benefits to be paid to the permanent employees who have completed qualifying period under the scheme. All the unrecognised actuarial gains or losses and past service cost have been recognised in the profit and loss account during the current year (see note 42).

3.15.3 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

3.16 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.

3.17 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.

3.18 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.

3.19 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.

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.

3.20 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.

3.21 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) Amortisation of intangible assets (notes 3.1.2 and 6.3)

ii) Provision for taxation and deferred tax (notes 3.9, 12 and 45)

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

iv) Determination and measurement of useful life and residual value of property and equipment (notes 3.1.1, 6.1 and 6.2)

v) Employee benefits - defined benefit plan and compensated absences (notes 3.15.2, 3.15.3 and 42)

vi) Classification and provision of loans and advances, net investment in finance lease, trade debts and other receivables (notes 3.8, 9.4, 11.4, 17 and 18)

vii) Impairment of investments (notes 8.1, 8.2 and 16.8)

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

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

Standards or interpretations	Effective date (accounting periods beginning on or after)
IAS 1 – Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IAS 12 – Income Tax (Amendment) – Deferred Taxes : Recovery of Underlying Assets	January 01, 2012
IAS 19 – Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 01, 2013

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

IAS 24 – Related Party Disclosures (Revised)	January 01, 2011
IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

The Group expects that the adoption of the above standards and interpretations will not have any material impact on the Group's financial statements in the period of initial application.

Further, 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 (accounting periods beginning on or after)**
IFRS 9 – Financial Instruments	January 01, 2013
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

6. FIXED ASSETS

	Note	**2011**	**2010**
		-------- (Rupees in '000) ---------	
Property and equipment - owned	6.1	72,307	101,184
Property and equipment - leased	6.2	-	1,414
Intangible assets	6.3	79,394	84,010
Capital work-in-progress	6.4	63	1,422
		151,764	188,030

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

6.1 Property and equipment - owned

	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	

	2010							
	Cost			Depreciation			Net book value	Rate
Particulars	As at July 01, 2009	Additions / (deletions)	As at June 30, 2010	As at July 01, 2009	Charge for the year / (on deletions)	As at June 30, 2010	As at June 30, 2010	Per annum
Tangible	---------- (Rupees in '000) ----------							%
Leasehold improvements	53,386	1,604 (51)	54,939	16,816	8,250 (18)	25,048	29,891	20
Furniture and fittings	31,796	554 (2,175)	30,175	9,984	3,363 (1,084)	12,263	17,912	10 & 20
Motor vehicles	67,933	5,742 (18,847)	54,828	23,941	9,640 (10,452)	23,129	31,699	20
Office equipment	37,130	1,002 (3,881)	34,251	16,956	5,091 (1,865)	20,182	14,069	20
Computer equipment	55,957	447 (1,482)	54,922	37,240	10,973 (904)	47,309	7,613	20
	246,202	9,349 (26,436)	229,115	104,937	37,317 (14,323)	127,931	101,184	

6.1.1 Cost and accumulated depreciation at the end of the year includes Rs.31.703 million (2010: Rs.47.213 million) in respect of fully depreciated assets still in use.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

6.2 Property and equipment - leased

2011

Particulars	Cost: As at July 01, 2010	Cost: Additions / (deletions) / (transfers)*	Cost: As at June 30, 2011	Depreciation: As at July 01, 2010	Depreciation: Charge for the year / (on deletions) / (on transfers)*	Depreciation: As at June 30, 2011	Net book value: As at June 30, 2011	Rate: Per annum
	(Rupees in '000)							%
Tangible								
Motor vehicles	2,497	- (2,497) *	-	1,083	78 (1,161) *	-	-	20
	2,497	- (2,497)	-	1,083	78 (1,161)	-	-	

2010

Particulars	Cost: As at July 01, 2009	Cost: Additions / (deletions)	Cost: As at June 30, 2010	Depreciation: As at July 01, 2009	Depreciation: Charge for the year / (on deletions)	Depreciation: As at June 30, 2010	Net book value: As at June 30, 2010	Rate: Per annum
	(Rupees in '000)							%
Tangible								
Motor vehicles	2,497	- -	2,497	770	313 -	1,083	1,414	20
	2,497	- -	2,497	770	313 -	1,083	1,414	

6.3 Intangible assets

2011

Particulars	Cost: As at July 01, 2010	Cost: Additions / (deletions) / (written off)*	Cost: As at June 30, 2011	Amortisation / impairment: As at July 01, 2010	Amortisation / impairment: Charge for the year / (on deletions) / (written off)*	Amortisation / impairment: As at June 30, 2011	Net book value: As at June 30, 2011	Rate: 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 6.3.1 & 6.3.1.1)	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

FOR THE YEAR ENDED JUNE 30, 2011

	2010							
	Cost			Amortisation / impairment			Net book value	Rate
Particulars	As at July 01, 2009	Additions / (deletions)	As at June 30, 2010	As at July 01, 2009	Charge for the year / (on deletions)	As at June 30, 2010	As at June 30, 2010	Per annum
	-- (Rupees in '000)						-----------------------------------	%
Goodwill	26,407	- -	26,407	- -	26,407	26,407	-	-
Club Membership	-	2,000 -	2,000	-	1,000	1,000 -	1,000	50
Stock Exchange Membership cards (see note 6.3.1 & 6.3.1.1)	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	26,523	4,300 -	30,823	17,637	5,426 -	23,063	7,760	20 - 33.33
	208,930	6,300 -	215,230	47,637	83,583 -	131,220	84,010	

	2011	2010
	-------- (Rupees in '000)	---------
6.3.1 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

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

6.3.2 Cost and accumulated amortisation as at the end of the year include Rs.9.247 million (2010: Rs.7.992 million) in respect of fully amortised assets still in use.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

6.3.3 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	936	699	237	368	131	Group Policy	Raeda Abdul Latif Hashim* (Executive) - Karachi
	660	422	238	414	176	Tender	Muhammad Kamran - Karachi
	1,016	516	500	615	115	Group Policy	Shah Muhammad Tahir Abbasi* - Karachi
	459	318	141	165	24	Group Policy	Syed Yousuf Farhan Ali* - Karachi
	969	465	504	639	135	Group Policy	Saqib Aziz* (Executive) - Karachi
	1,052	469	583	711	128	Group Policy	Abdul Wahid* (Executive) - Karachi
	469	213	256	418	162	Tender	Manzoor Ahmed - Karachi
	475	215	260	332	72	Group Policy	Yasir Arif Hereker* - Karachi
	440	164	276	546	270	Tender	Noman Hassan - Karachi
	1,405	94	1,311	1,423	112	Group Policy	Maham Iftikhar* - Karachi
	650	464	186	626	440	Tender	Noman Hassan Khan - Karachi
	650	208	442	710	268	Tender	Saifullah Qureshi - Karachi
	1,325	71	1,254	1,300	46	Tender	Muhammad Kamran Jamil - Karachi
	851	216	635	720	85	Tender	Sheikh Waqas Inam - Islamabad
	600	452	148	433	285	Group Policy	Sabahuddin* -Karachi
	620	481	139	600	461	Tender	Ghanee Sozer - Karachi
	979	816	163	807	644	Group Policy	Abrar Raza* - Lahore
	820	250	570	697	127	Group Policy	Akbar Ali Tejani* - Karachi
	893	726	167	466	299	Group Policy	Samira Omer*- Karachi
	1,422	506	916	1,390	474	Group Policy	Abrar Raza* - Lahore
	579	434	145	302	157	Group Policy	Pervaiz Farooqui* - Karachi
	975	860	115	509	394	Group Policy	Shafqat Ali Shah* - Islamabad
	1,564	886	678	1,540	862	Tender	Najma Noor - Karachi
Office equipment	919	639	280	425	145	Tender	Syed Aftab Ali Shah - Karachi
Computer equipment	193	164	29	47	18	Negotiation	IGI Insurance Limited - Karachi**
Property and equipment having book value not exceeding Rs.50,000 each	1,009	977	32	51	19		
	21,930	11,725	10,205	16,254	6,049		
Written off							
Property and equipment (see note 6.3.4)							
Leasehold improvements	15,879	9,392	6,487	-	(6,487)		Written off
Furniture and fittings	6,368	5,008	1,360	-	(1,360)		Written off
Office equipment	8,900	8,048	852	-	(852)		Written off
Computer equipment	23,504	22,623	881	-	(881)		Written off
	54,651	45,071	9,580	-	(9,580)		
	76,581	56,796	19,785	16,254	(3,531)		
Intangible asset							
Computer software	2,757	2,752	5	-	(5)		
2011	79,338	59,548	19,790	16,254	(3,536)		
2010	26,436	14,323	12,113	15,877	3,764		

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

6.3.4 During the current year, the management carried out an exercise of physical verification of fixed assets and as a result identified certain assets which were physically not available with IGI Bank. These assets mainly include leasehold improvements pertaining to locations from where the IGI Bank used to operate in the past. Accordingly, assets having a net book value of Rs.5.254 million were written off during the year.

	2011	2010
6.4 Capital work-in-progress	--------- (Rupees in '000)	---------
Advance to suppliers against:		
Acquisition of computer softwares	63	-
Acquisition of motor vehicles	-	1,422
	63	1,422

7. INVESTMENT PROPERTY

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)	------------	------------	------------	%
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	

2010

Particulars	Cost			Depreciation			Net book value	Rate
	As at July 01, 2009	Additions / (deletions)	As at June 30, 2010	As at July 01, 2009	Charge for the year / (on deletions)	As at June 30, 2010	As at June 30, 2010	Per annum
	------------	------------	------------	(Rupees in '000)	------------	------------	------------	%
Leasehold premises	8,939	- -	8,939	2,122	300 -	2,422	6,517	5
	8,939	- -	8,939	2,122	300 -	2,422	6,517	

7.1 This property is located at 7th Floor, Nacon House, MDM Wafai Road, Karachi given to a tenant on rental basis. The fair value of the property on the basis of valuation carried out by SURVAL at April 06, 2010 was Rs.25.149 million (2009: Rs.25.149 million). The rental income for the year ended June 30, 2011 from this property amounted to Rs.1.878 million (2010: Rs.2.211 million).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		-------- (Rupees in '000) ---------	
8. LONG-TERM INVESTMENTS			
Available-for-sale - at cost			
Investment in unquoted companies	8.1	22,932	22,932
Investment in unquoted preference shares	8.2	-	-
		22,932	22,932

8.1 Investment in unquoted companies

Number of ordinary shares 2011	Number of ordinary shares 2010	Particulars	2011	2010
			-------- (Rupees in '000) ---------	
7,600,000	7,600,000	DHA Cogen Limited	76,000	76,000
637,447	637,447	System Limited (related party)	10,150	10,150
1,123,318	1,123,318	Techlogix International Limited	12,782	12,782
			98,932	98,932
Less: Provision for impairment			(76,000)	(76,000)
			22,932	22,932

8.2 Investment in unquoted preference shares

Number of preference shares of Rs.10 each 2011	Number of preference shares of Rs.10 each 2010		2011	2010
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)
			-	-

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

9. LONG-TERM LOANS AND ADVANCES - NET	Note	2011	2010
		-------- (Rupees in '000)	---------
Secured and considered good - due from:			
Related parties			
Executives	9.1 & 9.2	1,992	1,869
Others			
Employees	9.2	344	120
Companies, organisations and individuals	9.3	182,245	233,029
		182,589	233,149
Unsecured and considered good - due from:			
Related parties			
Executives		-	70
Employees		26	434
		26	504
Others			
Individuals		-	5,534
		-	5,534
Considered doubtful - due from:			
Others			
Companies, organisations and individuals - secured	9.3	141,041	189,577
Individuals - unsecured		21,628	21,148
		162,669	210,725
Less: Provision thereagainst	9.4	(63,683)	(68,243)
		98,986	142,482
		283,593	383,538
Less: Current maturity of long-term loans and advances - net	13	(37,069)	(178,743)
		246,524	204,795

9.1 Reconciliation of carrying amounts of loans and advances to Executives:	Executives 2011	2010
Opening balance	1,869	3,685
Disbursements during the year	490	-
Repayments during the year	(367)	(1,816)
	1,992	1,869

9.1.1 Maximum aggregate amount outstanding at the any time during the year was Rs.1.8 million (2010: Rs.1.9 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 rates ranging from 12.91% to 14.82% (2010: 14.82% to 15.30%) per annum and are repayable on monthly basis over a period ranging from 2 to 20 years (2010: 5 to 20 years). These loans are secured against mortgage of house properties and hypothecation of vehicles.

9.3 These loans carry mark-up at rates ranging from 7.5% to 24% (2010: 12% to 22%) per annum and are repayable over periods ranging from 1 to 5 years (2010: 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

9.4 Long-term loans include Rs.162.669 million (2010: Rs.210.725 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:

	2011			2010		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	68,243	-	68,243	46,946	4,813	51,759
Charge for the year	-	-	-	21,297	-	21,297
Reversal during the year	(4,560)	-	(4,560)	-	(4,813)	(4,813)
	(4,560)	-	(4,560)	21,297	(4,813)	16,484
Closing balance	63,683	-	63,683	68,243	-	68,243

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.

10.1 Movement of investment in associates

	Note	2011	2010
		(Rupees in '000)	
Opening balance		697,574	510,077
Net additions made during the year		(403,684)	187,497
Total acquisition at cost	10.2	293,890	697,574
Post acquisition share of associates' profit		79,000	140,130
	10.2.2 & 10.2.3	372,890	837,704

10.2 Number of units

2011	2010	Name of the Fund			
-	1,777,263	IGI Stock Fund		-	271,365
748,394	2,657,853	IGI Income Fund		66,985	276,209
719,090	995,076	IGI Money Market Fund		70,293	100,000
566,736	500,000	IGI Islamic Income Fund		56,612	50,000
1,000,000	-	IGI Capital Protected Fund	10.2.1	100,000	-
				293,890	697,574

10.2.1 This represents Pre-IPO investment in IGI Capital Protected Fund which is in the process of floatation.

10.2.2 This includes Rs.150 million (2010: Rs.150 million) being core investment of IGI Bank, which as per the offering document of IGI Stock Fund, IGI Money Market Fund and IGI Islamic Income Fund is not redeemable for a period of first two years from the date of closure of the initial period, however, these are transferable with the condition that the units are not redeemed before the expiry of the period of first two years mentioned herein above.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

10.2.3 Particulars of the Group's associates as per the audited financial statements for the year ended June 30, 2011 are as follows:

Particulars	Country of Incorporation	Year of Incorporation	Assets	Liabilities	Net assets	Revenues	Profit after taxation
			2011				
			(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

Particulars	Country of Incorporation	Year of Incorporation	Assets	Liabilities	Net assets	Revenues	Profit after taxation
			2010				
			(Rupees in '000)				
IGI Stock Fund	Pakistan	2008	434,327	7,245	427,082	118,543	98,001
IGI Income Fund	Pakistan	2006	2,570,113	133,677	2,436,436	283,154	237,128
IGI Money Market Fund	Pakistan	2010	822,509	6,017	816,492	8,978	8,041
IGI Islamic Income Fund	Pakistan	2009	402,631	3,614	399,017	24,655	19,625

11. NET INVESTMENT IN FINANCE LEASE

	Note	2011	2010
		(Rupees in '000)	(Restated)
Lease rental receivables		582,065	982,819
Add: Residual value		337,126	436,700
		919,191	1,419,519
Less: Unearned finance income		(40,380)	(107,333)
	11.1	878,811	1,312,186
Less: Provision for lease losses	11.4	(213,724)	(216,474)
Less: Current maturity of net investment in finance lease	13	(522,823)	(768,528)
		142,264	327,184

11.1 Particulars of net investment in finance lease

	2011			2010		
	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)			(Restated)		
Lease rental receivables	480,495	101,570	582,065	727,292	255,527	982,819
Add: Residual value	286,757	50,369	337,126	301,748	134,952	436,700
Gross investment in finance lease	767,252	151,939	919,191	1,029,040	390,479	1,419,519
Less: Unearned financeincome	(30,705)	(9,675)	(40,380)	(44,038)	(63,295)	(107,333)
Net investment in finance lease	736,547	142,264	878,811	985,002	327,184	1,312,186

11.2 The Group has entered into various lease agreements for period of 1 to 7 years (2010: 1 to 7 years). The rate of return implicit in the leases ranges from 6.64% to 23% (2010: 6.64% to 23%) 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 IGI 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	2011			2010		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
11.4 Provisions for lease losses						
Opening balance	216,474	-	216,474	79,548	31,656	111,204
Charge for the year	13,286	-	13,286	136,926	-	136,926
Reversal during the year	-	-	-	-	(31,656)	(31,656)
Written-off during the year	(16,036)	-	(16,036)	-	-	-
	(2,750)	-	(2,750)	136,926	(31,656)	105,270
Closing balance	213,724	-	213,724	216,474	-	216,474

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.345.859 million (2010: Rs.386.479 million) against which a provision of Rs.213.724 million (2010: Rs.216.474 million) has been made after deducting the value of collateral (i.e. forced sale value) amounting to Rs.17.346 million (2010: Rs.43.244 million). The total income suspended against the non-performing parties amounted to Rs.66.305 million (2010: Rs.69.158 million).

11.5 As at June 30, 2011, 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. The Group is reviewing its business plan with respect to leasing operations and is currently devising a strategy to revive its leasing business through long-term credit facility from banks as per the guidance provided by and with the approval of the Board of Directors.

11.6 During the year, the management has carried out an exercise to reconcile its lease management system (LMS) with its core banking software (PIBAS). The results of the exercise highlighted the existence of prior period errors relating to the "unearned finance income" balances of the two applications. The cumulative difference amounted to Rs.27.639 million (net of tax). In accordance with the requirements of International Accounting Standard (IAS) – 8 'Accounting Policies, Changes in Accounting Estimates and Errors' the difference has been adjusted in the balance of accumulated loss as at June 30, 2010, being the earliest period for which restatement was practicable. Due to the lack of reliable historic data, period-specific effects were not determinable.

The effects of prior period errors on account balances is as follows:

	As originally reported	Effects of prior period errors	Restated
	(Rupees in '000)		
Balances as at June 30, 2010			
Net investment in finance lease	369,706	(42,522)	327,184
Deferred tax asset	466,172	14,883	481,055
Accumulated loss	(824,895)	(27,639)	(852,534)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

12. DEFERRED TAX ASSET - NET

	Note	2011	2010
		-------- (Rupees in '000)	--------- (Restated)
Deferred tax assets arising in respect of:			
Provision for bad and doubtful loans and advances / lease losses, other receivables		238,286	224,399
Carry forward of income tax losses	12.1	186,022	275,085
Minimum tax		13,115	4,280
Deficit on revaluation of investments	24	17,255	9,471
Impairment against fund placement / unlisted term finance certificates and equity securities		84,601	72,686
		539,279	585,921
Deferred tax liabilities arising in respect of:			
Accelerated tax depreciation		(84,097)	(104,746)
Transaction costs in respect of term finance certificates issued		-	(120)
		(84,097)	(104,866)
	12.2	455,182	481,055

12.1 The Group has an aggregate amount of Rs.531.491 million (2010: Rs.784.661 million) in respect of unabsorbed tax losses as at June 30, 2011 on which the management has recognised deferred tax asset of Rs.186.022 million (2010: Rs.274.631 million). The management of the Group believes that based on the projections of future taxable profit, it would be able to realise these tax losses in the future.

12.2 Movement in deferred tax asset

	2011	2010
	-------- (Rupees in '000)	--------- (Restated)
Opening balance	481,055	217,593
Recognised during the year	(33,657)	255,402
	447,398	472,995
Deferred tax impact on surplus / (deficit) on revaluation of investments	7,784	8,060
	455,182	481,055

13. CURRENT MATURITY OF NON-CURRENT ASSETS

	Note	2011	2010
		-------- (Rupees in '000)	---------
Current maturity of long-term loans and advances - net	9	37,069	178,743
Current maturity of net investment in finance lease	11	522,823	768,528
Current maturity of receivable from funds		-	1,837
		559,892	949,108

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		-------- (Rupees in '000) ---------	
14. SHORT-TERM LOANS AND ADVANCES - NET			
Unsecured and considered good - due from:			
Related parties			
Executives	14.1	21	67
Employees		55	169
		76	236
Secured and considered good			
Others			
Short-term loans and advances	14.2	31,758	21,521
Considered doubtful			
Short-term loans and advances	14.2	174,199	174,199
Less: Provision thereagainst	14.3 & 14.4	(174,199)	(172,440)
		-	1,759
		31,834	23,516

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

14.2 These loans carry interest at rates ranging from 14.75% to 18.76% (2010: 12% to 17.39%) per annum and are repayable over periods ranging from 1 month to 1 year (2010: 1 month to 1 year). These are secured against mortgage of properties, hypothecation of vehicles, pledge of securities and personal guarantees of the borrowers.

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

14.4 Movement in provision

	2011	2010
Opening balance	172,440	30,000
Charge for the year	1,759	142,440
Closing balance	174,199	172,440

15. LENDINGS - SECURED

	Note	2011	2010
Repurchase agreements (Reverse Repo)	15.1	114,000	600,391

15.1 These carry mark-up at rates ranging from 18% to 19% (2010: 12.00% to 19.00%) per annum. These lendings are secured against quoted shares.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

16. SHORT-TERM INVESTMENTS

	Note	2011 Held by the Group	2011 Given as collateral	2011 Total	2010 Held by the Group	2010 Given as collateral	2010 Total
		(Rupees in '000)					
Held-to-maturity							
Fund placements		-	-	-	159,000	-	159,000
Commercial paper	16.1	9,895	-	9,895	-	-	-
		9,895	-	9,895	159,000	-	159,000
Held-for-trading							
Government securities	16.2	463,203	3,155,529	3,618,732	143,735	1,012,230	1,155,965
Listed shares and units of open end mutual funds	16.3	8,225	-	8,225	18,211	-	18,211
Listed term finance certificates	16.4	2,197	-	2,197	2,238	-	2,238
		473,625	3,155,529	3,629,154	164,184	1,012,230	1,176,414
Available-for-sale							
Listed term finance certificates	16.5	383,811	260,468	644,279	908,962	370,303	1,279,265
Unlisted term finance certificates	16.5	1,018,491	-	1,018,491	630,507	127,864	758,371
Units of open end mutual funds	16.6	-	-	-	22,234	-	22,234
Listed shares and certificates	16.7	312,520	-	312,520	274,419	-	274,419
		1,714,822	260,468	1,975,290	1,836,122	498,167	2,334,289
Impairment loss on term finance certificates	16.8	(108,686)	-	(108,686)	(100,731)	-	(100,731)
		2,089,656	3,415,997	5,505,653	2,058,575	1,510,397	3,568,972

16.1 Held-to-maturity investments - commercial paper

	Note	2011	2010
		(Rupees in '000)	
Pak Elektron Limited	16.1.1	9,895	-

16.1.1 Face value of this commercial paper amounted to Rs.10 million (2010: Rs.Nil) carrying a mark-up rate of 16.11% (2010: Nil) and maturing in July 2011.

16.2 Particulars relating to government securities are as follows:

Particulars	Note	2011 Face value	2011 Amortised cost	2011 Market value	2010 Face value	2010 Amortised cost	2010 Market value
		(Rupees in '000)					
Market Treasury Bills	16.2.1	3,700,000	3,580,126	3,576,382	1,150,000	1,112,470	1,111,777
Pakistan Investment Bonds	16.2.2	51,400	47,989	42,350	51,400	47,683	44,188
	16.2.3	3,751,400	3,628,115	3,618,732	1,201,400	1,160,153	1,155,965

16.2.1 These carry mark-up at the rate ranging between 12.44% and 13.45% (2010: 11.50% and 12.20%) per annum and have terms of three months to one year maturing latest by July 28, 2011.

16.2.2 These carry mark-up at the rate from 9.6% to 11% (2010: 9.6% to 11%) per annum receivable semi-annually and have terms of 10 years maturing latest by August 22, 2017.

16.2.3 In accordance with the requirements of NBFC Regulations, IGI Bank has invested Rs.476.400 million (2010: Rs.651.400 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

16.3 Held-for-trading investments - listed shares and units of open-end mutual fund

Number of ordinary shares / units 2011	2010	Name of Company / Fund	2011 Average cost	2011 Market value	2010 Average cost	2010 Market value
			(Rupees in '000)			
		Commercial Banks				
859,405	859,405	Bank Alfalah Limited	8,130	8,225	9,067	8,130
		Open End Mutual Fund				
-	97,961	UBL Liquidity Plus Fund	-	-	10,000	10,081
			8,130	8,225	19,067	18,211

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

Number of certificates 2011	2010	Particulars	Issue date	2011 Amortised cost	2011 Market value	2010 Amortised cost	2010 Market value
				(Rupees in '000)			
		Chemical					
457	457	Engro Chemical Pakistan Limited *	November 30, 2007	2,237	2,197	2,218	2,238

* For significant terms and conditions (see note 16.5.1).

16.5 Available-for-sale investments - term finance certificates

Number of certificates 2011	2010	Particulars	Issue date	2011 Amortised cost	2011 Market value	2010 Amortised cost	2010 Market value
				(Rupees in '000)			
		LISTED TERM FINANCE CERTIFICATES					
		Commercial Banks / NBFIs					
-	30,000	Allied Bank Limited	August 28, 2009	-	-	139,999	143,358
20,000	32,800	Askari Bank Limited	November 18, 2009	101,769	103,371	167,250	161,399
5,000	5,000	Jahangir Siddiqui and Company Limited	November 21, 2006	24,955	25,253	24,965	25,215
63,432	53,432	NIB Bank Limited	March 5, 2008	312,682	305,354	255,657	256,312
-	4,587	Standard Chartered Bank (Pakistan) Limited II	January 20, 2004	-	-	11,468	11,342
494	-	United Bank Limited I	August 10, 2004	2,285	2,335	-	-
6,252	18,252	United Bank Limited II	March 15, 2005	31,252	28,440	83,774	80,499
-	8,000	United Bank Limited III	September 8, 2006	-	-	39,944	39,408
-	75,861	United Bank Limited IV	February 14, 2008	-	-	359,419	360,317
		Textile					
5,000	5,000	Azgard Nine Limited II*	September 20, 2005	17,707	18,119	17,707	18,119
		Chemical					
-	14,000	Engro Fertilizers Limited III	November 30, 2007	-	-	68,676	68,557
		Miscellaneous					
10,000	10,000	Pace (Pakistan) Limited	February 15, 2008	48,805	33,585	48,648	48,633
3,447	3,447	Pak Arab Fertilizers Limited	February 28, 2008	14,477	14,607	17,221	16,800
21,500	6,000	Pakistan Mobile Communications Limited	October 28, 2008	99,229	101,205	29,513	25,950
-	5,903	Searle Pakistan Limited	March 9, 2006	-	-	7,376	7,202
8,715	8,715	Telecard Limited	May 27, 2005	16,014	12,010	17,936	16,154
				669,175	644,279	1,289,553	1,279,265

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

Number of certificates 2011	Number of certificates 2010	Particulars	Issue date	2011 Amortised cost	2011 Market value	2010 Amortised cost	2010 Market value
				(Rupees in '000)			
		UNLISTED TERM FINANCE CERTIFICATES					
4,000	4,000	Agritech Limited*	November 30, 2007	19,654	18,845	19,654	18,845
17,000	17,000	Al-Zamin Leasing Modaraba II*	May 12, 2008	64,392	64,295	70,880	70,304
3,547	3,547	Avari Hotels Limited	April 30, 2009	14,493	14,666	15,630	15,344
13,000	13,000	Azgard Nine Limited IV*	December 04, 2007	64,799	59,597	64,799	59,597
40,598	35,778	Bank Al Habib Limited III	June 15, 2009	210,376	205,248	187,558	182,989
6,000	-	Bank Al Habib Limited IV	June 30, 2011	30,000	30,000	-	-
11,803	11,803	Bank Alfalah Limited IV Fixed	December 02, 2009	58,980	57,927	59,003	59,741
10,650	8,000	Bank Alfalah Limited IV Floating	December 02, 2009	53,435	53,963	39,992	39,183
50	50	Century Paper & Board Mills Limited	September 25, 2007	171	168	220	215
10,000	10,000	Eden Housing Limited	December 31, 2007	33,720	31,240	37,500	34,742
200	-	Engro Fertilizer Limited - Sukuk	September 06, 2007	1,050	1,000	-	-
28,400	13,400	Engro Fertilizer Limited (Perp I)	March 18, 2008	132,590	133,480	64,672	59,790
4,000	4,000	Engro Fertilizer Limited (Perp II)	March 18, 2008	19,364	20,283	19,270	18,739
25,500	-	Faysal Bank Limited II	December 27, 2010	128,197	128,197	-	-
13,000	13,000	KASB Securities Limited	June 27, 2007	40,274	43,060	58,892	63,329
-	10,000	Kashaf Foundation	November 05, 2007	-	-	7,121	7,130
12,000	12,825	Maple Leaf Cement Factory Limited - Sukuk	December 03, 2007	57,497	37,581	61,347	54,484
825	-	Maple Leaf Cement Factory Limited - Sukuk	March 31, 2010	4,125	2,904	-	-
10,000	10,000	New Allied Electronics Industries (Private) Limited - Sukuk*	December 03, 2007	49,241	49,241	50,000	50,000
250	250	Orix Leasing Pakistan Limited	January 15, 2008	16,487	16,796	24,705	23,939
10,000	-	Pak Libya Holding Company (Private) Limited	February 07, 2011	50,000	50,000	-	-
				1,048,845	1,018,491	781,243	758,371

* These represent non-performing Term Finance Certificates and provision is made thereagainst as per the NBFC Regulations (see note 16.8).

16.5.1 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	November 25, 2015	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	Six month KIBOR plus 2.50% per annum for 1 to 5 year. Six 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 & 10th year.
Jahangir Siddiqui and Company Limited	5,000	Average ask rate of six month KIBOR plus 2.5% (Floor 6 % and cap 16%)	Semi-annually	May 21, 2012	Principal redemption will be as follows: a) 6-54th month 0.18% of the principal. b) 60th month 49.91% of the principal. c) 66th month 49.91% of the principal.
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 pricipal in the first 78 months on semi annually and remaining 33.25% 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% (PKR 699 million), 2016-2017 53% (PKR 799 million).
Pace (Pakistan) Limited	5,000	Average ask rate of six months KIBOR plus 1.50% (with no floor and cap)	Semi-annually	February 15, 2013	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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Maturity date	Redemption
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).	Semi-annually	November 27, 2013	Principal will be redeemed in nine semi-annual installments as follows: a) 0-6 months 1.47% of principal. b) 6-24 months 4.41% of principal. c) 24-48 months 6.25% of principal. d) 48-54 months 7.34% of principal.
Unlisted Term Finance Certificates / Sukuk					
Agritech Limited	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% (PKR 524,580,000), 2015-2017 65% (PKR 974,220,000).
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 six months KIBOR plus 3.25%	Semi-annually	October 30, 2014	In 10 consecutive stepped up semi-annual installments. The first such installment shall fall due at the end of 30 months from the effective date and subsequently every six month thereafter until the issue is reduced to zero.
Azgard Nine Limited IV	5,000	6 Month Kibor plus 1% 2010-2011, 6 Month Kibor plus 1.25% 2012-2015, 6 Months Kibor plus 1.75 % 2016-2017	Semi-annually	December 04, 2017	12 semi-annually installments with stepped up repayment plan, 2012-2015 47% (PKR 1,166 million), 2016-2017 53% (PKR 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 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 six months KIBOR plus 2.5% (Floor 7% and cap 20%)	Semi-annually	December 31, 2012	Principal redemption will take place in eight equal semi annual installments. This will commence from the 18th month of the date of public subscription after a grace period of 12 months.
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.
KASB Securities Limited	5,000	Six month KIBOR plus 1.90%	Semi-annually	June 27, 2012	Instrument is structured to redeem 0.020%, of the principal semi annually in the first 42 months and remaining principal of 33.280% each of the issue amount respectively starting from the 48th month.
Maple Leaf Cement Factory Limited - Sukuk	5,000	Average ask rate of three months KIBOR plus 1.0%	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%	Quarterly	March 31, 2012	Bullet repayment at maturity.
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 1.40%	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.
Pak Libya Holding Company (Private) Limited	5,000	Average ask rate of six month KIBOR plus 1.6%	Semi-annually	February 07, 2016	Principal to be repaid in six equal semi annual installments commencing from 30th month from the issue date and subsequently every six months thereafter.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

16.6 Available-for-sale investments - units of open end mutual funds

No. of units 2011	No. of units 2010	Particulars	2011 Average cost	2011 Market value	2010 Average cost	2010 Market value
			(Rupees in '000)			
-	49,203	HBL Stock Fund	-	-	5,000	4,480
-	203,998	JS Fund of Funds	-	-	20,000	17,754
			-	-	25,000	22,234

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

No. of ordinary shares / certificates 2011	No. of ordinary shares / certificates 2010	Name of Company / Fund	2011 Average cost	2011 Market value	2010 Average cost	2010 Market value
			(Rupees in '000)			
		Mutual fund (closed ended)				
-	625,000	Pakistan Strategic Allocation Fund	-	-	4,400	4,281
3,323,350	3,421,760	Safeway Mutual Fund	25,755	22,167	26,518	22,652
		Commercial banks				
-	4,000,000	Bank Alfalah Limited	-	-	37,520	37,840
1,000,000	-	Faysal Bank Limited	14,193	9,260	-	-
-	75,000	MCB Bank Limited	-	-	14,776	14,564
-	165,000	National Bank of Pakistan Limited	-	-	10,806	10,576
208,260	406,205	United Bank Limited	12,912	12,893	22,266	22,020
		Cement				
1,155,000	-	DG Khan Cement Limited	34,935	26,554	-	-
636,850	691,717	Lucky Cement Limited	45,216	45,115	47,120	42,984
		Refinery				
-	7,902	National Refinery Limited	-	-	1,569	1,445
		Power generation and distribution				
2,328,155	1,058,000	Hub Power Company Limited	88,398	87,539	34,433	33,814
1,000,000	-	Nishat Chunian Power Limited	15,464	13,720	-	-
		Oil and gas marketing companies				
-	169,500	Pakistan State Oil Company Limited	-	-	45,492	44,104
		Oil and gas exploration				
-	72,000	Oil and Gas Development Company Limited	-	-	10,164	10,202
		Industrial engineering				
91,621	-	Millat Tractors Limited	49,817	55,129	-	-
		Fertilizer				
267,000	138,111	Fauji Fertilizer Company Limited	39,330	40,143	14,305	14,235
		Chemicals				
-	273,201	Descon Oxychem Limited	-	-	2,131	1,246
-	80,000	Engro Corporation Limited	-	-	14,279	13,886
		Technology and Communication				
-	32,000	Pakistan Telecommunication Limited	-	-	565	570
			326,020	312,520	286,344	274,419

16.7.1 Included herein is Rs.58.128 million (2010: Rs.150.583 million) of equity investments purchased and simultaneously sold in futures market with a view to generate a spread on the transaction.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

		Note	2011	2010
			-------- (Rupees in '000) ---------	
16.8	**Movement in provision against investment**			
	Opening balance		100,731	99,000
	Charge for the year		38,714	50,731
	Reversals during the year	18.4	(22,309)	(49,000)
	Transferred during the year	18.4	(8,450)	-
	Closing balance		108,686	100,731
17.	**TRADE DEBTS - NET**			
	Receivable against purchase of marketable securities	17.1 & 17.2	968,309	563,071
	Commission receivable		915	7,052
			969,224	570,123
17.1	**Unsecured**			
	Considered good		968,309	537,455
	Considered doubtful		186,750	178,932
			1,155,059	716,387
	Less: Provision for doubtful debts	17.3	(186,750)	(153,316)
			968,309	563,071

17.2 This includes amounts due from related parties are as under:

		2011	2010
Key management personnel		7,367	-
Group companies		7,144	-
Other		6,424	4
		20,935	4

17.3 It includes provision in respect of IGI Insurance Limited (related party) amounting to Rs.3.380 million (2010: Rs.3.830 million).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		-------- (Rupees in '000) ---------	
18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Deposits			
Pakistan Mercantile Exchange Limited - margin deposit		11,479	5,000
National Commodity Exchange Limited - margin deposit		-	20,000
Exposure deposits with Karachi Stock Exchange (Guarantee) Limited	18.1	39,800	55,650
Others		1,772	6,407
		53,051	87,057
Prepaid expenses		21,710	16,838
Other receivables - net			
Secured - considered good			
Assets repossessed in respect of terminated lease contracts		1,951	2,092
Excise duty paid on behalf of customers		4,471	4,471
Dividend receivable		1,625	-
Balances due from related parties:			
Packages Limited		-	273
IGI Income Fund		1,338	2,953
IGI Stock Fund		929	853
IGI Islamic Income Fund		2,024	493
IGI Money Market Fund		1,603	518
IGI Aggressive Income Fund		1,468	-
IGI Capital Protected Fund		1,165	-
IGI Pak Brunei Income Plus Fund		-	1,042
Staff Provident Fund of IGI Bank Limited		744	-
Staff Gratuity Fund of IGI Bank Limited		254	254
		9,525	6,386
Accrued commission / fee income		5,937	4,945
Advance against vehicle		-	1,879
Receivable against sale of securities	18.2	46,148	1,221
Fair value of derivative financial instruments	24	401	5,263
Insurance rental recievable		1,071	-
Others	18.3	11,020	12,705
Unsecured and considered doubtful			
Other receivables		25,583	25,583
Receivable from lessees in satisfaction of claims		20,186	18,527
Receivable against settlement of fund placement	18.4	13,750	-
		59,519	44,110
Less: Provision for bad and doubtful receivables	18.4 &18.5	(54,219)	(44,110)
		162,210	142,857

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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 The market value of these securities at year end is Rs.46.207 million (2010: Rs.1.211 million).

18.3 Included herein is a sum of Rs.2.3 million (2010: Rs.Nil) representing an amount deposited with Honorable High Court of Sindh (SHC) in respect of assets repossessed and sold subsequently upon termination of lease contract.

18.4 IGI Bank had a clean placement with Saudi Pak Leasing Company Limited (SPLC) amounting to Rs.59 million against which a provision of Rs.30 million was made in the books as at June 30, 2010. In July and August 2010, an aggregate amount of Rs.1.500 million was paid by SPLC in cash. However, SPLC failed to fulfil its remaining obligation when it became due. The outstanding amount was settled by entering into a Settlement Agreement on November 24, 2010. Under the terms of the said Agreement, SPLC transferred lease receivables to IGI Bank aggregating to Rs.42.228 million whereas the remaining balance was agreed to be settled separately. Accordingly, provision amounting to Rs.21.550 million (included in note 16.8) was reversed proportionately while the balance provision of Rs.8.450 million was retained in the books of account. Thereafter, SPLC paid cash amounting to Rs.1.522 million while the remaining balance of Rs.13.750 million is pending settlement through transfer of further lease receivables. IGI Bank is in negotiations with the potential lessees to finalise the terms of the transfer/lease. In the meantime, IGI Bank has shown the above balance (Rs.13.750 million) as part of its other receivables and has transferred the provision of Rs.8.450 million against investments to provision against other receivables at the year end.

18.5 Movement in provision against receivables	**2011**	**2010**
	-------- (Rupees in '000)	---------
Opening balance	44,110	13,185
Charge for the year	1,659	30,925
Transferred during the year	8,450	-
Closing balance	54,219	44,110

19. INTEREST, MARK-UP AND PROFIT ACCRUED

	2011	2010
Interest, mark-up and profit accrued on:		
Investments in:		
government securities	1,702	1,702
term finance certificates	41,204	75,007
fund placements	-	110
	42,906	76,819
Loans and advances	94,659	6,654
Lendings	12,571	3,861
Deposits with banks	1,614	1,525
	151,750	88,859

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		-------- (Rupees in '000) ---------	
20. CASH AND BANK BALANCES			
In hand		65	95
In current accounts			
State Bank of Pakistan		5,785	1,435
Others			
local currency		51,336	5,101
Foreign currency		1,109	1,304
		52,445	6,405
In saving accounts			
local currency	20.1	80,311	208,683
	51	138,606	216,618

20.1 These represent deposit accounts with commercial banks and carry mark-up at the rate ranging between 5% to 13% (2010: 5% to 13%).

	2011	2010
	-------- (Rupees in '000) ---------	
21. SHARE CAPITAL		
Authorised capital		
300,000,000 (2010: 300,000,000) Ordinary shares of Rs.10 each		
Issued, subscribed and paid-up capital		
190,993,300 (2010: 190,993,300) Ordinary shares of Rs.10 each fully paid in cash	1,909,933	1,909,933
21,109,250 (2010: 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

21.1 The following shares were held by the related parties of the Group as at June 30, 2011:

	2011		2010	
Name of related party	**Shares held (in million)**	**Percentage**	**Shares held (in million)**	**Percentage**
Packages Limited	4.611	2.175%	4.611	2.175%
IGI Insurance Limited	89.095	42.026%	89.095	42.026%
Directors, Chief Executive and their spouse and minor children	9.984	4.710%	10.535	4.970%

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		-------- (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	2011	2010
		-------- (Rupees in '000) ---------	
23. NON-CONTROLLING INTEREST			
Share of non-controlling interest in:			
Share capital		70	70
Accumulated loss		(25)	(25)
		45	45
24. DEFICIT ON REVALUATION OF INVESTMENTS - NET OF TAX			
Net surplus / (deficit) on revaluation of:			
government securities		(9,383)	(4,188)
listed and unlisted term finance certificates		(55,290)	(33,140)
units of open end mutual funds		-	(2,685)
listed shares and certificates		(13,405)	(12,862)
fair value of derivative financial instruments	18	401	5,263
		(77,677)	(47,612)
Impairment loss on equity investments classified as 'available-for-sale' - transferred to profit and loss account		4,933	-
	24.1	(72,744)	(47,612)
Related deferred tax asset - net	12	17,255	9,471
		(55,489)	(38,141)
24.1 Particulars of deficit on revaluation of investments - net			
Opening balance		(47,612)	(10,405)
Deficit arising on revaluation of investments during the year		(30,065)	(37,207)
		(77,677)	(47,612)
Impairment on equity securities held as at year end		4,933	-
Closing balance		(72,744)	(47,612)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

25. REDEEMABLE CAPITAL

	Note	2011	2010
		-------- (Rupees in '000) ---------	
Secured			
Term finance certificates	25.1	62,475	187,425
Less: Transaction costs		-	(342)
		62,475	187,083
Less: Current maturity of redeemable capital	29	(62,475)	(124,950)
		-	62,133

25.1 These represent listed term finance certificates issued by IGI Bank on July 10, 2006 having tenor of 5 years. The total issue comprises of Private Placement (Pre-IPO) of Rs.375 million and Initial Public Offering (IPO) of Rs.125 million. These are secured against the present and future movable fixed assets and current assets of IGI Bank and carry mark-up at KIBOR plus 2.25% per annum payable semi-annually with no floor and cap. The principal amount of these term finance certificates is redeemable within 5 years in 8 equal semi-annual installments in arrears after a grace period of 12 months from the date of the issue. The credit rating of these term finance certificates has been maintained at ‘A+’ (single A plus) by PACRA as at June 30, 2011.

26. LONG-TERM FINANCE

	Note	2011	2010
		-------- (Rupees in '000) ---------	
Secured			
Local currency - banking companies	26.1	150,000	316,667
Less: Current maturity of long-term finance	29	(100,000)	(166,667)
		50,000	150,000

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.

27. LONG-TERM CERTIFICATES OF DEPOSIT

	Note	2011	2010
		-------- (Rupees in '000) ---------	
Unsecured			
Financial institutions		53,382	2,179
Individuals		395,382	166,109
Others		744,954	448,319
	27.1 & 27.2	1,193,718	616,607
Less: Current maturity of long-term certificates of deposit	29	(833,785)	(344,898)
		359,933	271,709

27.1 These certificates of deposit have contractual maturities ranging from 1 to 8 years (2010: 1 to 8 years) from the contract date. Expected rates of return payable on these certificates ranges from 10.15% to 20% (2010: 9.75% to 20%) per annum.

27.2 Included herein is a sum of Rs.50 million (2010: Rs.60 million) representing amount payable to related parties.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		-------- (Rupees in '000) ---------	
28. LONG-TERM DEPOSITS UNDER LEASE CONTRACTS			
Deposits under lease contracts	28.1	335,036	432,887
Less: Current maturity of deposits under lease contracts	29	(285,818)	(299,086)
		49,218	133,801

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	2011	2010
Current maturity of redeemable capital	25	62,475	124,950
Current maturity of long-term finance	26	100,000	166,667
Current maturity of long-term certificates of deposit	27	833,785	344,898
Current maturity of long-term deposits under lease contracts	28	285,818	299,086
Current maturity of liabilities against asset subject to finance lease		-	302
		1,282,078	935,903

	Note	2011	2010
30. SHORT-TERM CERTIFICATES OF DEPOSIT		-------- (Rupees in '000) ---------	
Unsecured			
Local currency			
Financial institutions		151,647	-
Individuals	30.1	504,525	703,307
Others		1,179,860	2,562,037
	30.2 & 30.3	1,836,032	3,265,344

30.1 These include certificates of deposit amounting to Rs.Nil (2010: Rs.3.091 million) issued to employees of the Group.

30.2 These certificates of deposit have contractual maturities ranging from 1 to 12 months (2010: 1 to 12 months) from the contract date. Expected rates of return payable on these certificates of deposit are 10% to 16.48% (2010: 10.15% to 14.85%) per annum.

30.3 Included herein is a sum of Rs.428.656 million (2010: Rs.1,092.69 million) representing amount payable to related parties.

	Note	2011	2010
31. BORROWINGS FROM FINANCIAL INSTITUTIONS		-------- (Rupees in '000) ---------	
Secured			
Running finance utilised under mark-up arrangement	31.1	879,426	448,020
Securities sold under repurchase agreements to:			
Related parties		89,217	200,000
Others		3,192,514	1,141,979
	31.2	3,281,731	1,341,979
Unsecured borrowings		-	100,000
		4,161,157	1,889,999

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

31.1 The principal terms of running finance utilised under mark-up arrangement are as follows:

Lender	Facility amount (Rs in '000)	Date of expiry	Pricing structure	Security
Allied Bank Limited	100,000	October 31, 2011	Mark-up at 1-month KIBOR plus 1.75% per annum.	First pari passu charge on the Bank's movable assets including leased assets and lease receivables with a margin of 25%.
United Bank Limited	200,000	November 30, 2011	Mark-up at 3-month KIBOR plus 2.00% per annum.	First pari passu charge on present and future moveable assets and receivables of the Bank including leased assets and leased receivables with a margin of 25%.
Various banks	850,000	October 31, 2011 to March 31, 2012	Mark-up at 3-month KIBOR plus 2% - 2.25% per annum.	First hypothecation charge on present and future current assets of IGI Finex with 40% margin and pledge of shares of companies quoted at the Karachi Stock Exchange with a 35% to 50% margin.

31.2 These carry mark-up at the rate ranging from 12.60% to 14.25% (2010: 12.10% to 12.50%) per annum and are repayable latest by October 12, 2011.

32. INTEREST AND MARK-UP ACCRUED

	Note	2011	2010
		-------- (Rupees in '000)	---------
Interest and mark-up accrued on:			
Redeemable capital		4,647	12,815
Long-term finance		1,580	4,087
Certificates of deposit	32.1	110,930	116,604
Borrowings from financial institutions	32.2	77,660	34,503
		194,817	168,009

32.1 Included herein is a sum of Rs.10.682 million (2010: Rs.13.899 million) representing amount payable to related parties.

32.2 Included herein is a sum of Rs.9.825 million (2010: Rs.1.164 million) representing amount payable to related parties.

33. TRADE AND OTHER PAYABLES

	Note	2011	2010
		-------- (Rupees in '000)	---------
Accrued expenses		14,401	6,258
Payable to customers on account of excess recoveries		3,028	3,028
Management fee and distribution commission payable		15,327	4,569
Unclaimed dividends		316	316
Payable against services received		-	1,629
Payable to suppliers - others		-	321
Payable in respect of employee gratuity scheme of IGI Bank	42.1	4,289	4,777
Advances from lessees		16,196	21,553
Advance insurance recoveries from customers		-	1,212
Payable against purchase of securities		177,634	221,885
Clearing balance with National Clearing Company of Pakistan Limited		71,920	11,880
Unearned income		-	1,878
Provision for leave encashment		3,482	3,968
Workers' Welfare Funds payable		382	66
Others		18,173	9,693
		325,148	293,033

34. CONTINGENCIES AND COMMITMENTS

34.1 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 directions 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.

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) Income tax return for tax year 2003 was filed and deemed to be assessed under section 120 of the Income Tax Ordinance, 2001. However, by resorting to the powers given under section 177 of the Ordinance, the CIR had selected the aforementioned tax return for audit which was also confirmed by the Supreme Court in its decision dated March 01, 2006 under which the department was directed to issue fresh notices to IGI Bank in terms of Section 177 of the Ordinance disclosing criteria / reasons for selecting the above tax return for audit purposes. Pursuant to this order the department had selected tax year 2003 for audit and has consequently amended the assessment for the said year by making certain additions on account of depreciation on leased assets, provision for finance losses and other miscellaneous expenses. IGI Bank had preferred an appeal before the CIR(A) to agitate against the additions. The CIR(A) has decided the appeal by confirming certain additions. Against the appellate order of CIR(A), IGI Bank has filed an appeal before the ATIR which is pending to date. IGI Bank is confident that the additions confirmed by the CIR(A) will be deleted by the ATIR.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

If the provision for taxation were to be made at the rate applicable to a banking company, taxation of dividend income as mentioned above and disallowance of expenses / add backs to income is decided against IGI Bank, the additional provision for all assessment years amounts to Rs.199 million (2010: Rs.199 million). Based on the previous decisions, the management is confident that the eventual outcome of the above matters will be decided in favour of IGI Bank, hence no provision has been made in these financial statements.

(c) The returns for the tax years 2004, 2006 and 2007 filed by IGI Bank were amended by the Taxation Officer through proceedings under section 122(5A) who raised a demand aggregating to Rs.24.231 million. IGI Bank has filed appeals before the Commissioner Inland Revenue to agitate against the above demand. Pending the outcome of the appeals, no provision has been made in the financial statements for the demand raised as the management and its tax advisor are confident that the outcome of the appeals will be in favour of IGI Bank.

During the year, IGI Bank has received an assessment order for the tax year 2005, wherein the DCIR has assessed income of Rs.93.709 million by disallowing expenses / claims aggregating to Rs.182.657 million and has raised a demand of Rs.21.043 million. Subsequent to the year end, the management has filed an appeal with CIR(A) and, based on the advice of tax consultants, is confident that these disallowances will be deleted at the appeal stage. Accordingly, no provision has been made for the tax demand raised and deferred tax asset recognised on unabsorbed tax loss for the year 2005 has not been adjusted in the books of account.

	Note	2011	2010
		-------- (Rupees in '000) ---------	
34.2 Claims not acknowledged as debts		81,570	81,570
34.3 Commitments			
Commitments in respect of forward sale of shares		58,936	155,806
Commitments in respect of forward purchase of shares		-	20,760

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

35. INCOME FROM INVESTMENTS

	2011					2010				
	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	4,712	-	-	-	4,712	59,167	-	-	-	59,167
Commercial paper	959	-	-	-	959	-	-	-	-	-
Market treasury bills	-	225,579	-	-	225,579	-	160,273	-	-	160,273
Pakistan investment bonds	-	5,260	-	-	5,260	-	5,243	-	-	5,243
Term finance certificates	-	332	233,400	-	233,732	-	332	200,161	-	200,493
	5,671	231,171	233,400	-	470,242	59,167	165,848	200,161	-	425,176
Dividend income	-	-	49,448	956	50,404	-	2,836	5,011	-	7,847
Gain on disposal of:										
Market treasury bills	-	236	-	-	236	-	19	-	-	19
Pakistan investment bonds	-	150	-	-	150	-	2,286	-	-	2,286
Term finance certificates	-	-	10,141	-	10,141	-	3,439	43,161	-	46,600
Units of open end mutual fund	-	3,699	4,676	26,792	35,167	-	-	5,886	94,086	99,972
Reversal of share of profit on disposal of investment in associate	-	-	-	(84,150)	(84,150)	-	-	-	-	-
Listed shares and certificates	-	-	111,814	-	111,814	-	24,696	12,575	-	37,271
	-	4,085	126,631	(57,358)	73,358	-	30,440	61,622	94,086	186,148
	5,671	235,256	409,479	(56,402)	594,004	59,167	199,124	266,794	94,086	619,171

36. INCOME FROM LOANS AND ADVANCES

	Note	2011	2010
		(Rupees in '000)	
Mark-up / interest on loans and advances		36,064	66,358
Documentation charges and other loan related income		666	200
		36,730	66,558

37. INCOME FROM LEASE FINANCE

		2011	2010
Mark-up on lease finance		72,839	142,534
Front-end fees, documentation charges and other lease related income		4,116	6,255
		76,955	148,789

38. REMUNERATION FROM FUNDS UNDER MANAGEMENT - NET

	Note	2011	2010
Management fee and sales load - net	38.1 & 38.2	44,720	33,710

38.1 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% and 2%, respectively, for IGI Income Fund, IGI Stock Fund, IGI Islamic Income Fund, IGI Money Market Fund and IGI Aggressive Income Fund 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.

38.2 The above amount is stated net of management fee sharing of Rs.18.482 million (2010: Rs.10.256 million) and sales load sharing of Rs.3.417 million (2010: Rs.0.037 million).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

		Note	2011	2010
			-------- (Rupees in '000) ---------	
39.	**INCOME FROM FEES, COMMISSION AND BROKERAGE**			
	Fee from corporate finance services		8,001	6,154
	Brokerage income		88,348	116,281
	Commission and advisory income		31,068	30,516
			127,417	152,951
40.	**FINANCE COSTS**			
	Mark-up on:			
	Redeemable capital		15,052	33,192
	Long-term finance		38,664	55,826
	Certificates of deposits		472,606	439,530
	Borrowings from financial institutions		344,267	175,199
	Finance charges on lease assets		63	200
	Bank charges		2,349	1,472
			873,001	705,419
41.	**ADMINISTRATIVE AND GENERAL EXPENSES**			
	Salaries, allowances and benefits		193,334	198,055
	Contribution to provident fund	42.10	4,342	8,082
	Gratuity scheme expense			
	IGI Bank and IGI Finex	42.5	388	(45)
	Contribution to employees' old-age benefit institution		320	392
	Depreciation on property and equipment and investment property	6.1, 6.2 & 7	32,352	37,930
	Amortisation on intangible assets	6.3	5,026	6,426
	Rent, rates and taxes		33,641	37,868
	Travelling and entertainment		8,970	9,910
	Telephone, telex and fax		7,472	9,255
	Printing, postage and stationery		5,348	7,420
	Staff training and development		3	287
	Insurance		6,606	7,872
	Lighting, heating and cooling		14,039	12,764
	Repairs and maintenance		4,797	11,052
	Brokerage and commission		3,434	8,651
	Legal and professional fees		19,303	13,954
	Subscriptions		18,669	20,257
	Computer expenses		6,723	6,912
	Advertisement		2,566	3,401
	Bad debts written off		2,355	4,421
	Provision for doubtful debts		-	6,239
	Workers' Welfare Fund		316	66
	Other expenses		10,533	11,874
			380,537	423,043

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

42. DEFINED BENEFIT PLAN - GRATUITY SCHEME

As disclosed in note 3.15.2, IGI Bank terminated its approved funded staff gratuity scheme on May 17, 2011. Hence, the most recent actuarial valuation was carried out as at May 17, 2011, using the Projected Unit Credit Method. Following assumptions were used:

	2011	2010
	---------- (Percentage) ----------	
Discount rate	14.00%	13.00%
Expected rate of increase in salary	11.75%	10.85%
Expected rate of return on plan assets	14.00%	13.00%

	Note	2011	2010
		-------- (Rupees in '000) ---------	
42.1 Amount recognised in the balance sheet			
Present value of defined benefit obligation	42.2	8,523	7,734
Fair value of plan assets	42.3	(4,234)	(3,852)
Unrecognised actuarial gain - net		-	895
	42.4	4,289	4,777
42.2 Movement in the defined benefit obligation			
Present value of defined benefit obligation at the beginning of the year		7,734	7,887
Interest cost		876	790
Current service cost		2,115	2,163
Benefits paid		(876)	(1,486)
Loss / (gain) on curtailment of staff gratuity scheme		188	(2,242)
Actuarial (gain) / loss on obligation		(1,514)	622
Present value of defined benefit obligation at the end of the year		8,523	7,734
42.3 Movement in the fair value of plan assets			
Fair value of plan asset at the beginning of the year		3,852	7,638
Expected return on plan assets		385	217
Contributions to the fund		876	2,486
Benefits paid		(876)	(7,249)
Actuarial (loss) / gain on plan assets		(3)	760
Fair value of plan assets at the end of the year		4,234	3,852
42.4 Movement of liability			
Balance at the beginning of the year		4,777	7,308
Expense / (income) for the year - net	42.5	388	(45)
Contributions during the year		(876)	(2,486)
Balance at the end of the year		4,289	4,777

	2011	2010
	-------- (Rupees in '000) ---------	
42.5 Gratuity scheme expense / (income) recognised in the profit and loss account		
Current service cost	2,115	2,163
Interest cost	876	790
Expected return on plan assets	(385)	(218)
Net actuarial gain recognised during the year	(2,406)	(538)
	200	2,197
Loss / (gain) on curtailment of staff gratuity fund	188	(2,242)
	388	(45)

42.6 Plan assets comprised of following:

	2011		2010	
	(Rupees in '000)	Percentage composition	(Rupees in '000)	Percentage composition
Units of mutual funds / shares	4,141	98	582	15
Bank account and short term deposits	93	2	3,270	85
	4,234	100	3,852	100

42.7 5 years data in respect of deficit on the plan assets is as follows:

	2011	2010	2009	2008	2007
	(Rupees in '000)				
Present value of defined benefit obligation	8,523	7,734	7,887	12,042	8,059
Fair value of plan assets	(4,234)	(3,852)	(2,875)	(8,022)	(7,220)
Deficit	4,289	3,882	5,012	4,020	839

42.8 5 years data in respect of experience adjustments is as follows:

	2011	2010	2009	2008	2007
Experience adjustments on plan liabilities	-	8%	(41)%	8%	-
Experience adjustments on plan assets	-	20%	(75)%	-	10%

42.9 Actual return on plan assets during the year was Rs.0.382 million (2010: Rs.0.978 million).

42.10 Defined contribution plan

An amount of Rs.4.342 million (2010: Rs.8.802 million) has been charged during the year in respect of contributory provident fund maintained by the Group.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		-------- (Rupees in '000) ---------	
43. OTHER OPERATING INCOME			
Income from financial assets			
Income from deposits with banks		13,988	25,819
Liquidated damages		18,675	14,716
Others		333	603
		32,996	41,138
Income from non-financial assets			
Income from advisory service		129,782	16,032
Gain on disposal of fixed assets		-	3,764
Miscellaneous income		5,815	7,365
		168,593	68,299
44. OTHER OPERATING EXPENSES			
Provision against other assets		35,119	30,925
Loss on disposal of fixed assets		2,897	-
Auditors' remuneration	44.1	2,624	1,881
Donations	44.2	610	1,313
		41,250	34,119

44.1 Auditors' remuneration

	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

	2010			
	IGI Bank	IGI Funds	IGI Finex	Total
	----------------------- (Rupees in '000) -----------------------			
Statutory audit fee	550	200	250	1,000
Half yearly review fee	150	50	-	200
Fee for consolidated financial statements of the Group	150	-	-	150
Special certification and other services	130	-	137	267
Out of pocket expenses	156	58	50	264
	1,136	308	437	1,881

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

45. TAXATION

	Note	2011	2010
		-------- (Rupees in '000) ---------	
Current			
For the year		29,194	19,045
For prior years		-	835
		29,194	19,880
Deferred		33,657	(255,402)
		62,851	(235,522)

45.1 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.

46. LOSS PER SHARE

	2011	2010
	-------- (Rupees in '000) ---------	
Loss after taxation	(271,618)	(164,268)
	Number of shares	
Weighted average number of ordinary shares outstanding during the year	212,102,550	212,102,550
	(Rupee)	
Loss per share - basic	(1.28)	(0.77)

46.1 Diluted earnings per share is not disclosed as (a) the Group does not have any convertible instruments in issue as at June 30, 2011 (2010: Nil) (b) the amount of dilution, if any, would be anti-dilutive.

47. 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 Group are as under:

	2011	2010
Equity portfolio	-------------- Number---------------	
Number of clients	3	1
	---------- (Rupees in '000)---------	
Cost	132,907	120,602
Market value	135,488	115,093
Debt portfolio	-------------- Number---------------	
Number of clients	2	-
	---------- (Rupees in '000)---------	
Cost	139,051	-
Market value	139,086	-

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

47.1 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.

47.2 The fee earned on these services during the year amounted to Rs.7.811 million (2010: Rs.4.272 million).

48. REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

48.1 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	
	2011	2010	2011	2010	2011	2010
	(Rupees in '000)					
Managerial remuneration (including bonus)	6,869	5,772	26,014	27,817	32,883	33,589
House rent	2,731	2,217	11,706	12,514	14,437	14,731
Utilities	607	-	2,601	2,781	3,208	2,781
Medical expenses	607	493	1,059	1,022	1,666	1,515
Conveyance	494	369	2,602	2,384	3,096	2,753
Retirement benefits	607	495	2,266	2,418	2,873	2,913
Others	1,360	710	5,361	4,029	6,721	4,739
	13,275	10,056	51,609	52,965	64,884	63,021
Number of persons	1	1	29	31	30	32

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

48.1.2 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.

48.1.3 Total fees of Rs.55,000 (2010: Rs.40,000) were paid to the directors for attending the board meetings.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

48.2 IGI Finex

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

	Chief Executive		Executives		Directors		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	(Rupees in '000)							
Managerial remuneration	4,098	3,564	17,966	17,142	600	600	22,664	21,306
Reimbursements / other allowances	809	420	2,049	451	-	-	2,858	871
Retirement benefits	548	356	398	1,714	-	-	946	2,070
Housing	1,844	1,604	8,085	7,714	-	-	9,929	9,318
Utilities	410	356	1,797	1,714	-	-	2,207	2,070
Commission	-	-	63	719	-	-	63	719
	7,709	6,300	30,358	29,454	600	600	38,667	36,354
Number of persons	1	1	11	24	1	1	13	26

48.2.1 The Chief Executive, certain Executives and a Director of IGI Finex are provided with free use of Company owned and maintained vehicles. The Chief Executive Officer and one Executive are also provided free use of residential telephones.

48.2.2 No meeting fees were paid to any of the Directors for attending the Board meetings.

48.2.3 During the year 2011, bonus of Rs. 500,000 was paid to the Chief Executive which pertained to the year ended June 30, 2010.

48.3 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	
	2011	2010	2011	2010	2011	2010
	(Rupees in '000)					
Managerial remuneration	3,565	2,147	4,652	4,283	8,217	6,430
House rent allowance	1,604	966	2,093	1,927	3,697	2,893
Utility allowance	357	215	465	428	822	643
Medical	357	204	387	357	744	561
Special allowance	-	5	1,667	1,018	1,667	1,023
Bonus	-	-	387	-	387	-
Contributions to provident fund	357	215	-	419	357	634
Reimbursements	318	205	493	308	811	513
Total	6,558	3,957	10,144	8,740	16,702	12,697
Number of persons	1	1	6	7	7	8

48.3.1 The Chief Executive of IGI Funds is provided with free use of company owned and maintained vehicles.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

49. 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, 2011 and June 30, 2010, refer to respective notes.

	2011		
Description	Related parties including associated undertakings	Key Management personnel	Total
	(Rupees in '000)		
Transactions during the year			
Certificate of deposits issued	4,104,228	118,292	4,222,520
Certificates of deposit matured	3,329,051	116,006	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 through IGI Finex	827,229	80,720	907,949
Sale of marketable securities through IGI Finex	293,648	74,455	368,103
Income from loan and finance	-	240	240
Brokerage, commission and fee earned	1,601	208	1,810
Sales of Term Finance Certificates	249,795	-	249,795
Purchase of Term Finance Certificates	217,771	-	217,771
Group shared services (see note 49.1)	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 certificate of deposits	126,550	1,279	127,829
Sale of Government Securities	556,281	-	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 to outgoing employees	136	-	136
Charge for the year in respect of employees benefit and contribution plan	5,074	-	5,074
Liquidated damages	-	725	725

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Description	2010 Related parties including associated undertakings	Key Management personnel	Total
	(Rupees in '000)		
Transactions during the year			
Certificate of deposits issued	5,287,927	182,203	5,470,130
Certificates of deposit matured	4,124,243	160,304	4,284,547
Insurance premium paid	2,401	-	2,401
Purchase of fixed assets	607	-	607
Sale of fixed assets	231	-	231
Purchase of marketable securities through IGI Finex	370,595	67,637	438,232
Sale of marketable securities through IGI Finex	609,889	68,080	677,969
Income from loan & finance	-	312	312
Gain on sale of investments	6,928	-	6,928
Brokerage, commission and fee earned	2,531	61	2,592
Sales of Term Finance Certificates	1,025,533	-	1,025,533
Purchase of Term Finance Certificates	1,015,487	-	1,015,487
Group shared services (see note 49.1)	18,654	-	18,654
Investment in mutual fund units	4,119,688	-	4,119,688
Redemption of mutual fund units	3,810,265	-	3,810,265
Return on certificate of deposits	72,657	1,500	74,157
Borrowings-secured	200,000	-	200,000
Repayment of borrowings-secured	202,055	-	202,055
Rent expense	15,955	-	15,955
Reimbursement of rent	563	-	563
Expenses incurred by IGI Insurance Limited and Packages Limited on behalf of IGI Funds	1,739	-	1,739
Remuneration from IGI Income Fund, IGI Stock Fund, IGI Islamic Income Fund and IGI Money Market Fund	43,930	-	43,930
NCCPL charges paid on behalf of IGI Income Fund	3	-	3
Sales load- IGI Stock Fund and IGI Islamic Income Fund	40	-	40
Legal and Professional charges paid on behalf of IGI Islamic Income Fund and IGI Money Market Fund	760	-	760
Printing charges paid on behalf of IGI Income Fund, IGI Stock Fund, IGI Islamic Income Fund and IGI Money Market Fund	276	-	276
Printing of Pre-IPO and IPO advertisement paid on behalf of IGI Islamic Fund and IGI Money Market Fund	753	-	753
Other receivable from IGI Islamic Income Fund and IGI Money Market Fund	190	-	190
Authorisation fee paid on behalf of IGI Money Market Fund	1,000	-	1,000
Payment made in respect of final settlement of an outgoing employees	3,574	-	3,574
Charge for the year in respect of employees benefit and contribution plan	8,037	-	8,037
Liquidated damages	10	143	153

49.1 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, 2011

	Note	2011	2010
		-------- (Rupees in '000) ---------	
50. CASH GENERATED FROM OPERATING ACTIVITIES			
Loss for the year before taxation		(208,767)	(399,790)
Adjustments for non cash and other items:			
Loss / (gain) on disposal of fixed assets		2,897	(3,764)
Depreciation on property and equipment and investment property		32,352	37,930
Amortisation on intangible assets		5,026	6,426
(Reversal) / provision for staff gratuity scheme IGI Bank and IGI Finex		388	(45)
Interest, mark-up and profit income		(639,538)	(685,944)
Dividend income		(50,404)	(7,847)
Finance cost		873,001	705,419
Bad debts written off		2,355	4,421
Provision against other assets		35,119	30,925
(Reversal) / provision for bad and doubtful loans and advances / lease losses - general - net		-	(36,469)
Provision for bad and doubtful loans and advances / lease losses - specific - net		10,485	300,663
Provision for doubtful debts		-	6,239
Impairment against intangible assets		-	77,157
Reversal of share of profit on disposal of investment in associate		84,150	-
Share of profit in associates		(23,020)	(86,338)
Working capital changes	50.1	(1,496,759)	(145,854)
		(1,163,948)	202,919
		(1,372,715)	(196,871)

50.1 Working capital changes

	2011	2010
Decrease / (increase) in current assets:		
Short-term loans and advances	(10,077)	240,193
Lendings - secured	486,391	(551,791)
Receivable against continuous funding system transactions	-	-
Short-term investments	(1,961,813)	(1,692,555)
Trade debts - net	(432,561)	(312,612)
Deposits, prepayments and other receivables	(21,742)	(103,610)
	(1,939,802)	(2,420,375)
Increase / (decrease) in current liabilities:		
Short-term certificates of deposit	(1,429,312)	1,017,010
Borrowings from financial institutions	1,839,752	1,216,111
Trade and other payables	32,603	41,400
	443,043	2,274,521
	(1,496,759)	(145,854)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

51. CASH AND CASH EQUIVALENTS

	Note	2011	2010
		-------- (Rupees in '000) ---------	
Cash and bank balances	20	138,606	216,618
Short-term running finance - secured	31	(879,426)	(448,020)
		(740,820)	(231,402)

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise redeemable capital, 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, 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.

52.1 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.

52.1.1 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.

52.1.2 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, redeemable capital, 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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, 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 / 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	6.64 - 23.00	665,087	522,823	142,264	-	-
Long-term deposits	-	11,935	-	-	-	11,935
Lendings - secured	18.00 - 19.00	114,000	114,000	-	-	-
Investments	9.6 - 13.35	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
Cash and bank balances	5.00 - 13.00	138,606	80,311	-	-	58,295
		8,256,254	4,386,233	1,030,904	942,596	1,896,521
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 - 20	3,029,750	2,669,817	219,933	140,000	-
Long-term deposits under lease contracts	-	335,036	-	-	-	335,036
Borrowings from financial institutions	12.10 - 12.50	4,161,157	4,161,157	-	-	-
Trade and other payables	-	308,570	-	-	-	308,570
		8,046,988	6,993,449	269,933	140,000	643,606
On-balance sheet gap		209,266	(2,607,216)	760,971	802,596	1,252,915
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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

As at June 30, 2010	Effective rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / market rate risk
			Within one year	More than one year and less than five years	More than five years	
	%	(Rupees in '000)				
Financial assets						
Loans and advances - net	11.50 - 17.39	407,054	202,259	204,795	-	-
Net investment in lease finance	7.00 - 23.00	1,095,712	768,528	327,184	-	-
Long-term deposits	-	10,730	-	-	-	10,730
Receivable from funds	-	3,533	-	-	-	3,533
Lendings - secured	12.00 - 19.00	600,391	600,391	-	-	-
Investments	9.60 - 13.35	4,429,608	1,247,958	445,188	1,560,962	1,175,500
Trade debts - net	-	570,123	-	-	-	570,123
Deposit and other receivables	-	124,140	-	-	-	124,140
Cash and bank balances	5.00 -13.00	216,618	208,683	-	-	7,935
		7,457,909	3,027,819	977,167	1,560,962	1,891,961
Financial liabilities						
Redeemable capital	14.16	187,083	124,950	62,133	-	-
Long-term finance	13.64 - 14.60	316,667	166,667	150,000	-	-
Certificates of deposit	9.75 - 20	3,881,951	3,610,242	271,709	-	-
Liabilities against assets subject to finance lease	15.00	937	302	635	-	-
Long-term deposits under lease contracts	-	432,887	-	-	-	432,887
Borrowings from financial institutions	12.10 - 12.50	1,889,999	1,889,999	-	-	-
Trade and other payables	-	271,414	-	-	-	271,414
		6,980,938	5,792,160	484,477	-	704,301
On-balance sheet gap		476,971	(2,764,341)	492,690	1,560,962	1,187,660
Commitments in respect of forward sale of shares		155,806	-	-	-	155,806
Commitments in respect of forward purchase of shares		(20,760)	-	-	-	(20,760)
Off-balance sheet gap		135,046	-	-	-	135,046

52.1.3 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

52.2 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:

	2011		2010	
	(Rupees in '000)	%	(Rupees in '000)	%
Finance and leases				
Dairy and poultry	315	0.03	315	0.02
Cement	3,100	0.32	3,627	0.24
Health	4,317	0.44	23,455	1.56
Glass and ceramics	1,319	0.13	7,950	0.53
Leather	5,535	0.56	19,228	1.28
Paper and board	26,047	2.66	46,189	3.07
Construction	38,601	3.94	136,776	9.10
Energy, oil and gas	84,448	8.61	81,260	5.41
Financial institutions	94,750	9.66	105,778	7.04
Electric and electric goods	46,940	4.79	53,325	3.55
Chemicals / fertilizers / pharmaceuticals	5,677	0.58	21,508	1.43
Food, tobacco and beverages	31,623	3.23	50,800	3.38
Steel, engineering and automobiles	109,659	11.18	161,529	10.75
Transport	74,716	7.62	177,099	11.78
Textile / textile composite	196,320	20.02	236,574	15.74
Miscellaneous (including individuals)	257,147	26.23	377,353	25.12
	980,514	100.00	1,502,766	100.00

52.3 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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, 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 lease finance	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

As at June 30, 2010	Total	Within one year	More than one year and less than five years	More than five years
	(Rupees in '000)			
Assets				
Fixed assets	188,030	45,232	142,798	-
Investment property	6,517	300	1,500	4,717
Loans and advances - net	407,054	202,259	204,795	-
Net investment in lease finance	1,095,712	768,528	327,184	-
Long-term deposits	10,730	-	5,479	5,251
Receivable from funds	5,370	1,837	3,533	-
Deferred tax assets - net	481,055	-	481,055	-
Lendings - secured	600,391	600,391	-	-
Investments	4,429,608	1,247,958	445,188	2,736,462
Trade debts - net	570,123	570,123	-	-
Deposits, prepayments and other receivables	142,857	138,386	4,471	-
Interest, mark-up and profit accrued	88,859	88,859	-	-
Taxation - net	273,182	273,182	-	-
Cash and bank balances	216,618	216,618	-	-
	8,516,106	4,153,673	1,616,003	2,746,430
Liabilities				
Redeemable capital	187,083	124,950	62,133	-
Long-term finance	316,667	166,667	150,000	-
Certificates of deposit	3,881,951	3,610,242	271,709	-
Deposits under lease contracts	432,887	299,086	133,801	-
Liabilities against assets subject to finance lease	937	302	635	-
Borrowings from financial institutions	1,889,999	1,889,999	-	-
Interest and mark-up accrued	168,009	168,009	-	-
Trade and other payables	293,033	293,033	-	-
	7,170,566	6,552,288	618,278	-
	1,345,540	(2,398,615)	997,725	2,746,430

53. 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. Pursuant to SRO 764(I)/2009 dated September 02, 2009 issued by SECP in which the capital requirements for NBFCs licensed by the commission to undertake different form of business have been prescribed. The present issued, subscribed and paid up capital of IGI Bank adequately covers the minimum levels specified by the aforementioned regulations for the year ended June 30, 2011.

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 Funds

The minimum equity requirements for NBFCs undertaking permissible form of business are set out in the NBFC Regulations. IGI Funds possesses the licenses for carrying out Asset Management Services and Investment Advisory Services as at June 30, 2011. IGI Funds is in compliance with the minimum equity requirements as applicable as on June 30, 2011.

54. FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

(a) IGI Finex purchases and sells securities as either principal or agent on behalf of its customers. If either the customer or a counter party 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 (except for customer operating through institutional delivery system) and other financial institutions in case of money market brokerage. IGI Finex seeks to control its credit risk through a variety of reporting and control procedures, including establishing credit limits based upon a review of the counter parties' financial condition. IGI Finex monitors collateral level on regular basis and requests changes in collateral level as appropriate or if considered necessary.

(b) IGI Finex enters into security transactions on behalf of its clients involving future settlement. IGI Finex has entered into transactions that give rise to future settlement, the unsettled amount as on June 30, 2011 of these future transactions is Rs.274.475 million (2010: Rs.424.288 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 of 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 control procedures.

55. FAIR VALUE OF FINANCIAL INSTRUMENTS

55.1 As at June 30, 2011, the fair values of all financial instruments are based on the valuation methodology outlined below:

(a) Finances and certificates of deposit

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

(b) Investments

The fair values of quoted investments are based on quoted market prices. Unquoted investments, except where an active market exists, are carried at cost less accumulated impairment, if any, which approximates their fair value in the absence of an active market.

(c) Other financial instruments

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

56. SEGMENTAL ANALYSIS

	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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

	2010				
	Financing activities	Investment activities	Brokerage activities	Asset Management Services	Total
	(Rupees in '000)				
Income from investments	-	674,206	27,532	3,771	705,509
Income from loans and advances	66,558	-	-	-	66,558
Income from lease finance	148,789	-	-	-	148,789
Income from lendings - secured	7,869	-	18,188	-	26,057
Remuneration from funds under management - net	-	-	-	33,710	33,710
Income from fees, commission and brokerage	-	36,670	116,281	-	152,951
Total income for reportable segments	223,216	710,876	162,001	37,481	1,133,574
Finance costs	(185,716)	(470,751)	(48,745)	(207)	(705,419)
Administrative and general expenses (excluding depreciation and amortisation)	(25,221)	(28,261)	(19,619)	(11,252)	(84,353)
Depreciation and amortisation	(6,954)	(18,114)	(15,530)	(3,758)	(44,356)
Provision for bad and doubtful debts (general and specific) - net	(264,194)	-	-	-	(264,194)
Provision against other assets	(5,342)	-	(25,583)	-	(30,925)
Impairment against intangible assets	-	-	(77,157)	-	(77,157)
Impairment charge against investments	-	(97,731)	-	-	(97,731)
Segment result	(264,211)	96,019	(24,633)	22,264	(170,561)
Other operating income					68,299
Unallocated administrative expenses					(294,334)
Unallocated other operating expenses					(3,194)
Loss before taxation					(399,790)
Segment assets	1,504,859	5,222,140	759,904	78,934	7,565,837
Unallocated assets					950,269
					8,516,106
Segment liabilities	1,833,119	4,752,670	512,531	3,982	7,102,302
Unallocated liabilities					68,264
					7,170,566
Capital expenditure - tangible	1,293	7,162	837	57	9,349
Capital expenditure - intangible	346	1,225	4,466	263	6,300

57. DATE OF AUTHORISATION FOR ISSUE

The financial statements were approved by the Board of Directors and authorised for issue on August 26, 2011.

58. GENERAL

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

58.2 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

S. JAVED HASSAN
Managing Director & Chief Executive

INFORMATION FOR SHAREHOLDERS

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

Shares Registrar
Noble Computer Services (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
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 2011-12 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 **3,049** 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 Limited
Tel.: (042) 111-234-234
(042) 5756701, 5777861-70
Fax : (042) 111-567-567

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

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

INFORMATION FOR SHAREHOLDERS

Service	For request received through post	Over the counter
Transfer of shares	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	08 Days after receipt
Change of address	04 Days after receipt	04 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 14, 2011 to October 21, 2011 (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.

INFORMATION FOR SHAREHOLDERS

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

Proxies

Pursuant to Section 161 of the Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of IGI Investment Bank, every shareholder of IGI investment Bank who is entitled to attend and vote at a General Meeting of IGI Investment Bank, can appoint another person as his/her proxy to attend and vote instead of 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, 2011
Non-receipt of annual/half-yearly/quarterly reports	1	1	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.

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2011

NUMBER OF SHARE HOLDERS	SHAREHOLDINGS FROM	SHAREHOLDINGS TO	TOTAL SHARES HELD
283	1	100	11,935
487	101	500	160,336
414	501	1,000	371,859
1,019	1,001	5,000	2,755,154
309	5,001	10,000	2,428,504
130	10,001	15,000	1,611,440
75	15,001	20,000	1,370,032
57	20,001	25,000	1,321,667
37	25,001	30,000	1,049,633
25	30,001	35,000	835,675
18	35,001	40,000	699,923
13	40,001	45,000	556,141
19	45,001	50,000	912,644
9	50,001	55,000	477,208
11	55,001	60,000	639,185
6	60,001	65,000	378,700
9	65,001	70,000	613,954
6	70,001	75,000	440,468
2	75,001	80,000	160,000
6	80,001	85,000	494,560
1	85,001	90,000	86,850
2	90,001	95,000	186,800
11	95,001	100,000	1,085,323
2	100,001	105,000	205,500
5	105,001	110,000	532,382
2	110,001	115,000	229,801
1	115,001	120,000	118,969
3	120,001	125,000	367,707
3	125,001	130,000	382,560
2	135,001	140,000	277,390
1	140,001	145,000	144,200
3	145,001	150,000	443,940
2	155,001	160,000	312,439
5	160,001	165,000	811,445
2	165,001	170,000	335,895
3	170,001	175,000	517,389
1	175,001	180,000	178,470
3	180,001	185,000	550,972
1	185,001	190,000	190,000
2	190,001	195,000	382,024
5	195,001	200,000	997,843
2	200,001	205,000	406,000
1	220,001	225,000	222,000
1	235,001	240,000	240,000
1	240,001	245,000	241,532
1	245,001	250,000	246,732

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2011

NUMBER OF SHARE HOLDERS	SHAREHOLDINGS FROM	SHAREHOLDINGS TO	TOTAL SHARES HELD
1	250,001	255,000	254,738
1	260,001	265,000	265,000
1	270,001	275,000	275,000
1	295,001	300,000	295,100
2	300,001	305,000	606,192
1	320,001	325,000	322,000
1	340,001	345,000	340,730
1	345,001	350,000	345,754
1	350,001	355,000	355,000
1	375,001	380,000	375,500
2	380,001	385,000	763,994
1	385,000	390,000	387,566
1	410,001	415,000	411,000
2	415,001	420,000	835,992
1	450,001	455,000	452,500
1	465,001	470,000	468,726
1	470,001	475,000	474,331
1	550,001	555,000	551,461
1	605,001	610,000	606,191
1	610,001	615,000	610,874
1	695,001	700,000	700,000
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	885,001	890,000	885,501
1	930,001	935,000	932,199
1	995,001	1,000,000	1,000,000
1	1,060,001	1,065,000	1,060,507
1	1,145,001	1,150,000	1,148,358
1	1,240,001	1,245,000	1,244,000
1	1,245,001	1,250,000	1,250,000
1	1,440,001	1,445,000	1,444,300
1	1,595,001	1,600,000	1,600,000
1	1,820,001	1,825,000	1,823,800
1	1,995,001	2,000,000	2,000,000
1	2,120,001	2,125,000	2,121,023
1	4,610,001	4,615,000	4,610,915
1	5,870,001	5,875,000	5,873,304
1	7,680,001	7,685,000	7,682,579
1	9,795,001	9,800,000	9,796,627
1	9,985,001	9,990,000	9,986,501
1	13,430,001	13,435,000	13,431,613
1	15,310,001	15,315,000	15,311,000
1	89,095,001	89,100,000	89,095,494
3,049			**212,102,550**

PATTERN OF SHAREHOLDING AS REQUIRED BY THE CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2011

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**
	NIT		7,883,622	3.72
	ICP		2,742	0.00
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**	**11,894,241**	**5.61**
5	**Investment Companies**	**4**	**2,191**	**0.00**
6	**Joint Stock Companies**	**59**	**36,383,976**	**17.15**
7	**Foreign Investors**	**8**	**6,249,358**	**2.95**
8	**Cooperative Societies**	**1**	**99**	**0.00**
9	**Charitable Trusts**	**8**	**3,715,688**	**1.75**
10	**Others**	**7**	**1,851,445**	**0.87**
11	**Individuals**	**2,930**	**40,427,926**	**19.06**
	Total	**3,049**	**212,102,550**	**100**

PATTERN OF SHAREHOLDING AS REQUIRED BY THE CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2011

Shareholders having more than 10% Holdings

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

Shareholders' Category

Category of Shareholders	Number of Shareholders	Number of Shares held	Holding %
Individuals	2,930	40,427,926	19.06
Investment Companies	4	2,191	0.00
Joint Stock Companies	59	36,383,976	17.15
Directors, CEO, Spouses and Minor Children	8	9,984,853	4.71
NIT / ICP	5	7,886,364	3.72
Associated Companies	2	93,706,409	44.18
Financial Institutions	3	10,777,834	0.05
Leasing Companies	3	482	0.00
Insurance Companies	5	1,084,988	0.01
Modarabas	4	17,437	0.00
Mutual Funds	2	13,500	0.00
Foreign Investors	8	6,249,358	2.95
Cooperative Societies	1	99	0.00
Charitable Trusts	8	3,715,688	1.75
Others	7	1,851,445	0.87
Total	**3,049**	**212,102,550**	**100**

FORM OF PROXY

Twenty First Annual General Meeting

I/We ____ of

(Name)

____ being member(s) of

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

(Number of Shares)

Share Register **Folio No.**_______________________________________ and / or **CDC participant I.D. No.**_________________________ and Sub Account No.______________________ hereby appoint

_____________________________________of _________________________ or failing him/ her

(Name)

_____________________________________of _____________________________ as my proxy

(Name)

to vote for me and on my behalf at the Annual General Meeting of the company to be held on Friday, October 21, 2011 at 10:30 a.m. at 5 - F.C.C. Ground Floor, Syed Maratib Ali Road, Gulberg, Lahore and at any adjournment thereof.

Signed this _____________________day of ___________________ 2011

WITNESSES:

1. Signature: ____________________

Name: ____________________

Address: ____________________

CNIC or

Passport No. ____________________

Signature

Please affix Rs. 5/- Revenue Stamp

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

2. Signature: ____________________

Name: ____________________

Address: ____________________

CNIC or

Passport No. ____________________

Note: Proxies in order to be effective, must be received by the company not less than 48 hours before the meeting. A proxy need not to be a member of the company.

CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their National Identity Card or Passport with this proxy form before submission to the company.

The shareholders having shares deposited with the Central Depository Company (CDC) are requested to bring their Original Computerized National Identity Cards and CDC account number for verification.

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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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Printed by YAQEEN UAN: 111-927-336 Designed by: Mansoor Ahmed

IGI Investment Bank Limited

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