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

1 THE GROUP AND ITS OPERATIONS

The Group consists of :

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

	Percentage holding of
Subsidiary companies	
- IGI Finex Securities Limited (Formerly Finex Securities Limited)	100%
- IGI Funds Limited (Formerly First International Capital Management Limited)	50.05%

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

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

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

IGI Finex Securities Limited (Formerly Finex Securities Limited)

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

IGI Funds Limited (Formerly First International Capital Management Limited)

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Presentation

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

b) Subsidiaries are entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the audited financial statements for the year ended June 30, 2007 and the carrying value of investments held by IGI BANK is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statements. Intra-Group balances and transactions have been eliminated.

c) Minority interests are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the group.

2.2 Statement of compliance

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

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

2.3 Accounting Convention

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

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

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

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

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

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

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

2.6 Critical Accounting Estimates and Judgements

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

2.7 Fixed assets

Tangible

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

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

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

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

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

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

Intangible

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

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

Assets acquired on finance lease

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

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

2.8 Investments

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

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

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

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

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

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

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

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

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

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

2.9 Trade and settlement date accounting

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

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

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

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

2.10 Derivatives

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

Hedging

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

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

2.11 Securities repurchase / resale agreements

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

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

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

2.12 Goodwill

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

2.13 Finances

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

2.14 Net investment in lease finance

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

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

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

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

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

2.16 Taxation

Current

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

Deferred

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

2.17 Assets acquired in satisfaction of claims

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

2.18 Cash and cash equivalents

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

2.19 Impairment

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

2.20 Provisions

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

2.21 Long term financing - term finance certificates (TFCs)

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

2.21.1 Employee retirement benefits

2.21.2 Defined contribution plan

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

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

2.21.3 Defined benefit plan

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

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

2.22 Employees' compensated absences

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

2.23 Proposed dividend and transfer between reserves

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

2.24 Revenue recognition

- Mark-up / interest on loans and returns on investments are recognised on a time proportion basis except that mark-up / interest / returns on classified loans and investments which are recognised on receipt basis.

- Finance method is used in accounting for recognition of income from lease financing. Under this method, the unearned lease income (the excess of aggregate lease rentals and the residual value over the cost of leased asset) is deferred and then taken to profit and loss account over the term of lease period, applying the annuity method so as to produce a constant rate of return on the outstanding balance in net investment in lease. Front-end fees, documentation charges, gains / losses on termination of lease contracts and other lease related income are taken to profit and loss account when they are realised.

- Income on Continuous Funding System (CFS) is recognised on accrual basis.

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

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

- Commission income and fees are taken to the profit and loss account when the services are provided.

- Premium or discount on acquisition of debt investments is capitalised and amortised through the profit and loss account over the remaining period till maturity.

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

- Return on bank deposits are recognised on an accrual basis.

- Brokerage income is recognised as and when such services are rendered.

- Other income is recognised as and when earned.

2.25 Borrowing cost

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

2.26 Functional and presentation currency

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

2.27 Foreign currency transactions

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

2.28 Segment reporting

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

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

2.29 Financial instruments

2.29.1 Financial asset and financial liability

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

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

2.29.2 Offsetting of financial assets and financial liabilities

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

3 FIXED ASSETS

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

3.1 Property and equipment

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

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

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

3.2 Capital work-in-progress

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

3.3 Intangible assets

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

As at June 30, 2007					
Cost	26,407	126,000	30,000	15,111	197,518
Accumulated amortisation	-	-	(14,167)	(5,733)	(19,900)
Net book value	26,407	126,000	15,833	9,378	177,618
Amortisation rate % per annum	-	-	33.33	20 - 33.33	

Description	Goodwill	Membership card and room (Note 3.3.1)	Non-competition agreement (Note 3.3.1)	Computer softwares	Total
	---------------------------------- (Rupees in thousand) ----------------------------------				
As at July 1, 2005					
Cost	-	21,000	-	4,744	25,744
Accumulated amortisation	-	-	-	(1,431)	(1,431)
Net book value	-	21,000	-	3,313	24,313
Additions (at cost)	-	-	30,000	1,588	31,588
Acquisition through business combinations	26,407	105,000	-	1,766	133,173
Amortisation charge for the year	-	-	(4,167)	(1,326)	(5,493)
Closing net book value	26,407	126,000	25,833	5,341	183,581
As at June 30, 2006					
Cost	26,407	126,000	30,000	8,098	190,505
Accumulated amortisation	-	-	(4,167)	(2,757)	(6,924)
Net book value	26,407	126,000	25,833	5,341	183,581
Amortisation rate % per annum	-	-	33.33	20-33.33	

	Note	2007	2006
		(Rupees in thousand)	
3.3.1 Membership cards and room comprises of:			
Membership card and room of Karachi Stock Exchange (Guarantee) Limited		80,000	80,000
Membership card and room of Lahore Stock Exchange (Guarantee) Limited		21,000	21,000
Membership of National Commodity Exchange Limited		25,000	25,000
		126,000	126,000

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

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

3.4 Particulars of disposal of fixed assets

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

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

* represent related parties

	Note	2007	2006
		(Rupees in thousand)	

4 LONG-TERM LOANS - NET

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

4.1 Reconciliation of carrying amount of loans to executives:

	2007	2006
Opening balance - July 1, 2006	1,760	3,758
Disbursements during the year	1,000	-
Transfer from employee cadre to executives	308	-
Receipts during the year	(603)	(1,998)
Closing Balance - June 30	2,465	1,760

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

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

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

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

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

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

5 NET INVESTMENT IN FINANCE LEASE

	Note	2007	2006
		(Rupees in thousand)	
Net investment in finance lease	5.1	2,158,836	1,929,202
Less: current maturity of net investment in finance lease		749,134	695,624
		1,409,702	1,233,578

5.1 Particulars of net investment in finance lease

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

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

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

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

5.5 Provisions for lease losses

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

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

6 LONG-TERM DEPOSITS

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

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

7 SHORT-TERM LOANS

	Note	2007	2006
		(Rupees in thousand)	
Secured			
Short-term loans - considered good	7.1	197,979	273,252

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

8 RECEIVABLE AGAINST CONTINUOUS FUNDING SYSTEM TRANSACTIONS / CARRY OVER TRANSACTIONS

	Note	2007	2006
		(Rupees in thousand)	
Receivable against continuous funding system transactions / carry over transactions	8.1	758,409	419,418

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

9 SHORT-TERM INVESTMENTS

9.1 Particulars of investments by category

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

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

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

9.2.2

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

9.2.3 Particulars of TFCs: *

Number of certificates 2007	Number of certificates 2006	Particulars	2007 Amortised cost	2007 Market value	2006 Amortised cost	2006 Market value
			(Rupees in thousand)			
		LISTED TFCs				
		Investment banks and companies				
-	1,000	First Dawood Investment Bank Limited	-	-	5,059	5,075
		Commercial banks				
2,000	2,000	Standard Chartered Bank (Pakistan) Limited I	6,765	5,707	10,456	10,086
4587	4587	Standard Chartered Bank (Pakistan) Limited II	22,907	21,981	22,917	21,771
2,000	2,000	Standard Chartered Bank (Pakistan) Limited III	9,996	10,296	10,000	10,000
6,352	6,352	United Bank Limited II	31,757	30,487	31,759	30,171
-	10,000	Bank Alfalah Limited	-	-	49,990	50,240
		Leasing				
190	190	Al-Zamin Leasing Modaraba	950	893	950	912
		Refinery				
1,448	1,448	Chanda Oil & Gas Securitization Company Limited	5,749	5,907	6,603	6,570
5,913	5,913	Naimat Basal Oil & Gas Securitization Company Limited	18,057	18,463	24,430	24,674

IGI
Investment Bank

		Miscellaneous				
5,903	5,903	Searle Pakistan Limited	29,503	29,503	29,515	29,588
897	897	Pakistan Services Limited	1,921	1,950	3,202	3,242
8,715	8,715	TeleCard Limited	31,754	26,991	43,557	39,202
2,000	2,000	WorldCALL Telecom Limited	1,350	401	4,393	4,369
			160,709	152,579	242,831	235,900

			2007	**2006**
			(Rupees in thousand)	
			Amortised cost	
		UNLISTED TFCs		
-	2,000	Development Securitisation Trust	-	4,445
5,000	-	Jahangir Siddiqui & Co.	24,995	-
5,000	-	Three Stars (Pvt.) Limited	25,000	-
2,000	2,000	Security Leasing Corporation Limited	10,000	10,000
			5,995	14,445
		Pre-IPO investments in TFCs		
5,000	-	Pak Electron	25,000	-
5,000	-	Shahmurad Sugar Mills Limited	25,000	-
			50,000	-

* Secured, unless specified otherwise.

9.2.4 Other particulars of TFCs are as follows:

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

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

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

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

9.2.6 Particulars of listed shares / certificates

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

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

			2007	2006
			(Rupees in thousand) Cost	
		UNLISTED SHARES		
		Miscellaneous		
4,000,000	4,000,000	DHA Cogen Limited	40,000	40,000
216,216	216,216	System Ltd	10,000	10,000
1,123,318	1,123,318	Techlogix Limited	12,782	12,782
			62,782	62,782

10 ADVANCES, DEPOSITS AND PREPAYMENTS

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

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

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

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

11 INTEREST, MARK-UP AND PROFIT ACCRUED

	Note	2007	2006
		(Rupees in thousand)	
Investments			
- government securities		160	160
- term finance certificates		6,709	5,935
		6,869	6,095
Finances		68,111	20,491
Fund placements		3,640	1,443
Deposits with banks		6,641	239
		85,261	28,268

12 TRADE DEBTS

	Note	2007	2006 Restated
		(Rupees in thousand)	
Secured - considered good			
Against purchase of shares on behalf of clients/ clearing balances with National Clearing Company of Pakistan Limited	12.1	640,158	336,606
Unsecured - considered good			
Commission receivable		1,813	2,300
		641,971	338,906

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

13 OTHER RECEIVABLES

	Note	2007	2006
		(Rupees in thousand)	
Secured - considered good			
Assets repossessed in respect of terminated lease contracts		12,272	5,967
Unsecured - considered good			
Dividend receivable		100	2,501
Receivable against tender offer	13.1	6,240	-
Excise duty paid on behalf of customers		4,471	4,471
Positive fair value of derivative financial instruments		-	792
Due from related parties:			
Packages Limited		-	988
IGI Income Fund	13.2	6,388	-
IGI Insurance Limited		-	1,092
		6,388	2,080
Others		14,777	2,750
Unsecured - considered doubtful			
Receivable from lessees in satisfaction of claims		6,539	5,094
		50,787	23,655
Less: provision for bad and doubtful receivables		(6,539)	(5,094)
		44,248	18,561

13.1 This represents amount receivable in respect of sale of shares of a listed company pursuant to a tender offer made by a financial institution.

13.2 This includes:

- an amount of Rs. 1,646 thousand (2006: Rs. Nil) in respect of remuneration for services rendered by IGI Funds Limited (management company).

- an amount of Rs. 3,602 thousand (2006: Rs. Nil) in respect of expenditure incurred on the incorporation and floatation of IGI Income Fund. These expenses are recoverable from the fund within a year and do not carry any mark-up.

- an amount of Rs. 1,140 thousand (2006: Rs. Nil) in respect of security deposits paid to various entities on behalf of the IGI Income Fund before its floatation. These expenses are recoverable from the fund within a year and do not carry any mark-up.

14 CASH AND BANK BALANCES

	Note	2007	2006
		(Rupees in thousand)	
In hand		51	91
In current accounts			
- State Bank of Pakistan		278	649
- Others			
local currency		14,506	178,658
foreign currencies		950	342
		15,456	179,000
Term deposit receipt- having maturity upto three months	14.1	50,000	
In saving accounts			
local currency		295,981	136,116
		361,766	315,856

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

15 SHARE CAPITAL

Authorised capital

2007	2006		2007	2006
------------- Number of shares -------------			(Rupees in thousand)	
100,000,000	100,000,000	Ordinary shares of Rs 10 each	1,000,000	1,000,000

Issued, subscribed and paid-up capital

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

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

16 RESERVES

	Note	2007	2006 Restated
		(Rupees in thousand)	
Capital reserve			
Statutory reserve		97,098	97,098
Revenue reserves			
General reserve		55,408	97,325
Unappropriated (loss) / profit		(36,439)	34,826
		116,067	229,249

17 Minority Interest

	Note	2007	2006 Restated
		(Rupees in thousand)	
Share of minority in:			
Share capital		30,000	-
Loss for the year		(4,902)	-
Transfer of resources to the minority consequent to deemed partial disposal of shareholding in IGI Funds Limited		(5,235)	-
		19,863	-

	Note	2007	2006 Restated
18 DEFICIT ON REVALUATION OF INVESTMENTS - NET		(Rupees in thousand)	
Net deficit on revaluation of:			
- government securities		(592)	(455)
- term finance certificates		(8,130)	(6,931)
- mutual funds units (open ended)		3,589	1,165
- quoted shares and certificates		(12,631)	(25,029)
- forward sale of quoted shares and certificates		-	792
	18.1	(17,764)	(30,458)
Related deferred tax asset - net	24	207	159
Minority interest thereon		(106)	-
		(17,451)	(30,299)

	Note	2007	2006 Restated
18.1 Particulars of (deficit) / surplus on revaluation of investments - net		(Rupees in thousand)	
Opening balance		(30,458)	(55,791)
Surplus arising on revaluation of investments during the year		44,127	58,121
Transferred to the profit and loss account on disposal of investments		(31,433)	(32,788)
Closing balance		(17,764)	(30,458)

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

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

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

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

20.1 This includes:

- Financing facility of Rs. 300,000 thousand obtained from a banking company in three tranches of Rs. 100,000 thousand each. The principal amount is repayable in four equal semi-annual instalments commencing from eighteen months after disbursement of each tranche and carries floating mark-up rate calculated every six months on the basis of the last six months market treasury bills auctioned cut-of yield plus 3% per annum, with a floor of 5% per annum and a ceiling of 8% per annum. The facility is secured by a first pari passu registered charge on IGI BANK'S present and future assets, with a margin of 25%.

- Financing facility of Rs. 200,000 thousand obtained from a banking company with a tenor of three years, repayable in four equal semi-annual instalments commencing from eighteen months from the date of disbursement. The principal carries mark-up at the rate of 6-month KIBOR ask side (average) plus 1.25% p.a. payable semi-annually. The facility is secured by a first pari passu charge on IGI BANK's present and future assets, with a margin of 25%.

- Financing facility of Rs. 200,000 thousand obtained from a banking company with a tenor of three years, repayable in six equal semi-annual instalments. The principal carries mark-up at the rate of 6-months KIBOR (ask side) average + 1.50% per annum. The facility is secured by first pari passu charge on leased assets, book debts, receivables and securities amounting to Rs. 271 million.

- Financing facility of Rs. 100,000 thousand obtained from a banking company with a tenor of three years, repayable in four equal semi-annual instalments of Rs. 25,000 thousand starting from 18 months from the date of disbursement. The finance carries mark-up at a floating rate of 6-month KIBOR (ask side) + 1.75% per annum payable semi-annually. The facility is secured by a first pari passu charge on leased assets amounting to Rs. 135 million.

- Financing facility of Rs. 200,000 thousand obtained from a banking company with a tenor of three years, repayable in five equal semi-annual instalments of Rs. 40,000 thousand starting from 13 months from the date of disbursement. The principal carries mark-up at a floating rate of 6-month KIBOR (ask side) average + 2% per annum payable semi-annually. The facility is secured by a first pari passu charge on IGI BANK'S movable assets, receivables, leased assets and leased receivables amounting to Rs.267 million with a margin of 25%.

- Financing facility of Rs. 200,000 thousand obtained from a banking company with a tenor of three years, repayable in twelve equal quarterly instalments of Rs. 16,667 thousand starting from the date of disbursement. The finance carries mark-up at a floating rate of 6-month KIBOR (ask side) average + 2% per annum payable quarterly. The facility is secured by a first pari passu charge on all present and future leased assets, hypothecation of movable assets and receivables of IGI BANK'S with a margin as prescribed in SBP's Prudential Regulations or the banking company's practice whichever is higher.

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

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

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

21 LONG-TERM CERTIFICATES OF DEPOSITS

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

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

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

22 LONG-TERM DEPOSITS ON LEASE CONTRACTS

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

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

23 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

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

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

	Note	2007	2006
		(Rupees in thousand)	

24 DEFERRED TAX (ASSETS) / LIABILITIES - NET

	Note	2007	2006
Deferred tax assets arising in respect of			
- Provision for bad and doubtful loans / potential lease losses		(15,707)	(12,356)
- Carry forward of assessed income tax losses	24.1	(195,597)	(102,831)
- Deficit on revaluation of investments	18	(207)	(159)
- Provision for defined benefit obligation		(112)	-
- Others		(185)	-
		(211,808)	(115,346)
Deferred tax liabilities arising in respect of			
- Accelerated tax depreciation		193,952	154,455
- Transaction costs in respect of TFCs issued		1,414	1,768
	24.2	(16,442)	40,877

24.1 The Group has an aggregate amount of Rs. 558,850 thousand (2006: 293,804 thousand) in respect of unabsorbed tax losses as at June 30, 2007 on which the management has recognised deferred tax debit balance amounting Rs. 195,597 thousand (2006: 102,831 thousand). This represents the management's best estimate of probable benefit expected to be realised in future years in the form of reduced tax liability as the Group would be able to set off the profit earned in these years against losses carried forward from prior years. The amount of this benefit has been determined based on the projected financial statements of the bank for the next five years.

24.2 Movement in deferred tax (asset) / liability

	Note	2007	2006
		(Rupees in thousand)	
Opening balance		40,877	42,570
Reversal during the year		(57,271)	(18,044)
		(16,394)	24,526
Deferred tax impact on (deficit) / surplus on revaluation of investments		(48)	16,351
		(16,442)	40,877

25 SHORT-TERM FINANCE - secured

	Note	2007	2006
Running finance utilised under mark-up arrangement	25.1	160,027	237

25.1 This includes

an amount of Rs. 77 thousand (2006: Rs. 237 thousand) borrowed from commercial banks against short term running finance facilities amounting to Rs. 200,000 thousand (2006: Rs. 200,000 thousand). The amount is secured by a first pari passu charge and hypothecation on the group's present and future assets. These facilities carries mark-up at rates ranging from 1 month KIBOR rates plus 1.5% per annum (2006: 1-month KIBOR rate plus 1.5% per annum).

an amount of Rs. 159,950 thousand (2006: Rs. Nil) borrowed from various commercial banks against short-term running finance facilities amounting to Rs. 400,000 thousand (2006: Rs. Nil). These carry mark-up rates ranging from 3 months KIBOR + 2% - 3% (2006: Nil) and are repayable by January 31, 2008. These facilities are secured by the pledge of a term deposit receipt of Rs. 50,000 thousand, listed shares held by IGI Finex Securities Limited and hypothecation of book debts of IGI Finex Securities Limited.

26 SHORT-TERM CERTIFICATES OF DEPOSIT

	Note	2007	2006
		(Rupees in thousand)	
Unsecured			
Local currency			
- Financial institutions		1,350,000	1,250,000
- Individuals		296,416	183,155
- Others		193,743	276,559
	26.1	1,840,159	1,709,714

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

27 BORROWINGS FROM FINANCIAL INSTITUTIONS

	Note	2007 (Rupees in thousand)	2006 (Rupees in thousand)
Securities sold under repurchase agreement		-	97,347
Unsecured borrowings		465,000	197,000
	27.1	465,000	294,347

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

28 INTEREST AND MARK-UP ACCRUED

Interest and mark-up accrued on:

	2007 (Rupees in thousand)	2006 (Rupees in thousand)
- Long-term finance	11,939	7,732
- Short-term finance	577	331
- Borrowings from financial institutions	2,319	10
- Term finan certificates	30,178	435
- Certificates of deposit	58,450	51,429
	103,463	59,937

29 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2007 (Rupees in thousand)	2006 Restated (Rupees in thousand)
Accrued expenses		11,854	9,469
Payable to customers on account of excess recoveries		3,028	3,028
Payable to customers in respect of brokerage business			
- Related parties		16,721	27,163
- Others		517,448	203,298
Payable to National Clearing Company of Pakistan		-	-
Distribution commission payable		2,896	-
Unclaimed dividends		347	777
Payable against services received		577	-
Payable to EOBI and provident fund		98	-
Payable against purchase of fixed assets		1,688	-
Payable to employee gratuity scheme of IGI Bank and IGI Finex Securities Limited	39.1	3,700	3,338
Payable to employee gratuity scheme of IGI Funds Limited	39.2	320	-
Advances from lessees		35,428	7,617
Advance insurance recoveries from customers		14,799	10,263
Payable in respect of non-competition fee		-	15,000
Creditors		2,440	-
Payable to IGI Insurance		38,332	-
Others		10.764	7,103
		660,440	287,056

IGI
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30 CONTINGENCIES AND COMMITMENTS

30.1 Taxation

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

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

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

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

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

31 INCOME FROM INVESTMENTS

	2007 Held to maturity	2007 Held for trading	2007 Available for sale	2007 Total	2006 Restated Held to maturity	2006 Restated Held for trading	2006 Restated Available for sale	2006 Restated Total
	(Rupees in thousand)							
Interest / mark-up / profit from:								
TDRs / COIs / fund placements	30,134	-	-	30,134	53,627	-	-	53,627
Government securities	-	225	8,686	8,911	-	3,805	2,023	5,828
US dollar bonds	-	-	-	-	-	-	2,645	2,645
TFCs	-	-	26,946	26,946	-	-	20,781	20,781
	30,134	225	35,632	65,991	53,627	3,805	25,449	82,881
Dividend income	-	-	7,817	7,817	-	523	12,854	13,377
Gain / (loss) on disposal of:								
Government securities	-	-	-	-	-	(17,617)	(28,680)	(46,297)
TFCs	-	-	464	464	-	-	52	52
Mutual fund units (open-end)	-	453	16,933	17,386	-	-	10,253	10,253
Listed shares / certificates	-	8,120	5,463	13,583	-	27	68,753	68,780
	-	8,573	22,860	31,433	-	(17,590)	50,378	32,788
	30,134	8,798	66,309	105,241	53,627	(13,262)	88,681	129,046

	2007	2006
	(Rupees in thousand)	
32 INCOME FROM LOANS		
Mark-up / interest on loans	116,406	86,922
Documentation charges and other loan related income	2,830	3,283
	119,236	90,205
33 INCOME FROM LEASE FINANCE		
Mark-up on lease finance	224,979	164,602
Front-end fees, documentation charges and other lease related income	5,569	11,651
	230,548	176,253
34 INCOME FROM FUND PLACEMENTS		
Securities purchased under resale agreements with financial institutions	72	29,563
Income from continuous funding system transactions / carry over transactions	109,533	57,677
	109,605	87,240
35 REMUNERATION FROM FUND UNDER MANAGEMENT		
Open end funds		
IGI Income Fund	3,770	-
36 INCOME FROM FEES, COMMISSION AND BROKERAGE		
Commitment and under writing fee	2,568	1,668
Corporte finance and advisory fee	3,289	2,167
Commission	9,740	6,026
Brokerage income	85,290	34,329
Distribution and sales income	12,317	1,220
Others	2,208	1,372
	115,412	46,782
37 FINANCE COSTS		
Mark-up on term finance certificates	61,051	-
Mark-up on long-term borrowings	129,920	93,854
Mark-up on certificates of deposits	255,173	215,117
Mark-up on short-term finances	528	2,586
Mark-up on borrowings from financial institutions	36,293	26,100
Finance charge on leases	486	46
Bank charges	482	331
	483,933	338,034

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

39 EMPLOYEE BENEFITS

39.1 Gratuity scheme

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

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

39.1.1 Principal actuarial assumptions

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

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

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

39.1.3 Movement in the defined benefit obligation:

	Note	2007	2006
		(Rupees in thousand)	
Present value of defined benefit obligation at the beginning of the year		9,686	5,797
Liability assumed in respect of business combination		-	3,742
Interest cost		940	892
Current service cost		3,222	1,761
Benefits paid		(1,515)	(2,506)
Settlement cost		(261)	-
Actuarial gain on obligation		529	-
Benefits payable to outgoing members		(437)	-
Present value of defined benefit obligation at the end of the year		12,164	9,686

39.1.4 Movement in the fair value of plan assets

	Note	2007	2006
Fair value of plan asset at the beginning of the year		6,839	6,762
Expected return on plan assets		726	713
Contributions to the fund		2,823	1,500
Benefits paid		(1,515)	(2,506)
Actuarial gain / (loss) on plan assets		(59)	370
Benefits payable to outgoing members		(437)	-
Fair value of plan assets at the end of the year		8,377	6,839

39.1.5 Movement of liability

	Note	2007	2006
Balance at the beginning of the year		3,338	2,817
Expense for the year	39.1.6	3,231	2,021
Contributions during the year		(2,823)	(1,500)
Adjustment		(46)	-
Balance at the end of the year		3,700	3,338

39.1.6 Gratuity scheme expense recognised in the profit and loss account

	Note	2007	2006
Current service cost		3,222	1,761
Interest cost		940	892
Expected return on plan assets		(726)	(713)
Settlement cost		-	-
Net actuarial (gain) / loss recognised during the year		(241)	18
Past service cost		36	63
		3,231	2,021

39.1.7 Plan assets comprised of following:

	----------2007---------		----------2006---------	
	(Rupees in thousand)	Percentage composition	(Rupees in thousand)	Percentage composition
Mutual fund units / shares	5,033	60%	4,029	59%
Bank account and short term deposits	5,356	64%	3,621	53%
Benefits due	(2,012)	(24%)	(811)	-12%
	8,377	100%	6,839	100%

39.1.8 5 years data in respect of (surplus) / deficit on the plan assets is as follows:

	2007	2006	2005	2004	2003
Present value of defined benefit obligation	12,164	9,686	5,797	5,481	7,269
Fair value of plan assets	(8,377)	(6,839)	(3,542)	(3,149)	-
Deficit	3,787	2,847	2,255	2,332	7,269

39.1.9 5 years data in respect of experience adjustments is as follows:

	2007	2006	2005	2004	2003
Experience adjustments on plan liabilities	(580)	(339)	(249)	(250)	(249)
Experience adjustments on plan assets	592	(281)	(73)	(74)	-

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

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

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

39.2 Defined benefit plan-IGI Funds Limited

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

39.3 Defined contribution plan

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

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

41.1 Auditors' remuneration

2007

	AF Ferguson & Co			
	IGI Bank	IGI Funds Limited	IGI Finex Securities Limited	Total
Audit fee	450	60	125	635
Half yearly review fee	100	-	-	100
Special certification and other services	100	25	50	175
Out of pocket expenses	120	3	25	148
	770	88	200	1,058

2006

	AF Ferguson & Co		M Yousuf Adil Saleem & Co	
	IGI Bank	IGI Funds Limited	IGI Finex Securities Limited	Total
Audit fee	450	30	31	486
Half yearly review fee	100	-	-	100
Special certification and other services	363	-	-	363
Out of pocket expenses	54	-	40	94
	942	30	71	1,043

42 TAXATION

	Note	2007	2006
Current			
- For the year		28,165	10,954
- For prior years		(3,211)	28
		24,954	10,982
Deferred	24.2	(57,271)	(18,044)
		(32,317)	(7,062)

	Note	2007	2006
		(Rupees in thousand)	
42.1 Relationship between tax expense and accounting profit			
Profit for the year before taxation		(108,484)	27,099
Tax at the applicable rate of 35% (2006: 35%)		(37,969)	9,485
Tax effect of income / expenses that are exempted / not allowed in determining taxable income		(7,224)	(23,736)
Tax effect of income taxed under Final Tax Regime		4,496	1,229
Prior years reversal		(3,211)	28
Tax effect of dividend income taxed at a lower rate		(10,043)	(4,013)
Minimum tax under section 113 of the Income Tax Ordinance, 2001		6,395	5,092
Other computational adjustments		15,239	4,853
Tax expense for the year		(32,317)	(7,062)

43 (LOSS) / EARNINGS PER SHARE

	2007	2006 Restated
	(Rupees in thousand)	
(Loss) / profit after taxation	(71,265)	34,161
	Number of shares	
Weighted average number of ordinary shares outstanding during the year	59,811,643	59,633,093
	Rupees	
(Loss) / earnings per share - basic and diluted	(1.19)	0.57

44 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

IGI Investment Bank Limited

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

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

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

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

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

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

IGI Finex Securities Limited

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

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

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

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

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

IGI Fund Limited

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

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

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

45 TRANSACTIONS WITH RELATED PARTIES

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

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

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

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

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

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

46 CASH GENERATED FROM OPERATING ACTIVITIES

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

46.1 Working capital changes

(Increase) / decrease in current assets:		
Short-term loans	75,273	(105,230)
Receivable against continuous funding system transactions / carry over transactions	(338,991)	(70,139)
Short-term investments	(479,737)	309,745
Trade debts	(303,065)	(297,656)
Advances, deposits, prepayments and other receivables	(348,958)	376
	(1,395,478)	(162,904)
Increase / (decrease) in current liabilities:		
Short-term certificates of deposits	130,445	539,644
Borrowings from financial institutions	170,653	(305,271)
Accrued expenses and other liabilities	373,086	199,850
	674,184	434,223
	(721,294)	271,319

47 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

	Note	2007	2006
		(Rupees in thousand)	
Cash and bank balances	14	361,766	315,856
Short-term running finance utilised under mark-up arrangements	25	(160,027)	(237)
		201,739	315,619

48 LIQUIDITY RISK

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

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

IGI
Investment Bank

As at June 30, 2007

	Total	Within one year	More than one year and less than five years	More than five years
	------------------ (Rupees in thousand) ------------------			
Assets				
Fixed assets	319,839	60,067	98,590	161,182
Investments	1,564,754	1,357,657	108,988	98,109
Loans - net	803,550	335,924	467,626	-
Net investment in lease finance - net	2,158,836	749,134	1,409,702	-
Deposits	6,306	-	-	6,306
Deferred tax assets - net	16,442	16,442	-	-
Receivable against continuous funding system transactions / carry over transactions	758,409	758,409	-	-
Taxation - net	230,851	230,851	-	-
Advances, deposits and prepayments	383,648	383,648	-	-
Interest, mark-up and profit accrued	85,261	85,261	-	-
Trade debts	641,971	641,971	-	-
Other receivables	44,248	44,248	-	-
Cash and bank balances	361,766	361,766	-	-
	7,375,881	5,025,378	2,084,906	265,597
Liabilities				
Term finance certificates / Pre-IPO subscription	495,921	61,565	434,356	-
Finance	1,363,362	581,693	781,669	-
Certificates of deposit	2,727,530	2,199,475	528,055	-
Deposits on lease contracts	4,274	757	3,517	-
Liabilities against assets subject to finance lease	465,000	465,000	-	-
Borrowings from financial institutions	515,228	85,497	429,731	-
Interest and mark-up accrued	103,463	103,463	-	-
Accrued expenses and other liabilitie	660,440	660,440	-	-
	6,335,218	4,157,890	2,177,328	-
	1,040,663	867,488	(92,422)	265,597

As at June 30, 2006

	Total	Within one year	More than one year and less than five years	More than five years
	------------------ Restated ------------------			
	------------------ (Rupees in thousand) ------------------			
Assets				
Fixed assets	246,869	25,651	61,461	159,757
Investments	1,072,217	844,650	135,000	92,567
Loans - net	782,864	450,461	329,578	2,825
Net investment in lease finance - net	1,929,202	695,624	1,231,852	1,726
Deposits	5,358	-	-	5,358
Receivable against continuous funding system transactions / carry over transactions	419,418	419,418	-	-
Taxation - net	220,248	220,248	-	-
Advances, deposits and prepayments	62,778	62,778	-	-
Interest, mark-up and profit accrued	28,268	28,268	-	-
Trade debts	338,906	338,906	-	-
Other receivables	18,561	18,561	-	-
Cash and bank balances	315,856	315,856	-	-
	5,440,545	3,420,421	1,757,891	262,233
Liabilities				
Term finance certificates / Pre-IPO subscription	369,950	369,950	-	-
Finance	1,308,570	615,237	693,333	-
Certificates of deposits	2,038,240	1,749,181	289,059	-
Deposits on lease contracts	420,767	53,315	365,885	1,567
Liabilities against assets subject to finance lease	2,676	378	2,298	-
Deferred tax liabilities- net	40,877	40,877	-	-
Borrowings from financial institutions	294,347	294,347	-	-
Interest and mark-up accrued	59,937	59,937	-	-
Accrued expenses and other liabilities	287,056	287,056	-	-
	4,822,420	3,470,278	1,350,575	1,567
	618,125	(49,857)	407,316	260,666

49 USE OF COLLATERAL AND TRADING SECURITIES

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

50 FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISKS

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

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

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

51 YIELD / MARKET RATE RISK

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

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

IGI Investment Bank

As at June 30, 2007	Effective rate	Total	Exposed to yield / market rate risk: Within one year	Exposed to yield / market rate risk: More than one year and less than five years	Exposed to yield / market rate risk: More than five years	Not exposed to yield / market rate risk
	%	(Rupees in thousand)				
FINANCIAL ASSETS						
Loans - net	14.80%	803,550	335,684	467,608	-	258
Net investment in lease finance - net	15.20%	2,158,836	749,134	1,409,702	-	-
Deposits	-	358,572	-	-	-	358,572
Receivable against continuous funding system transactions / carry over transactions	12.62%	758,409	758,409	-	-	-
Investments	10.64%	1,564,754	596,731	108,988	98,109	760,926
Interest, mark-up and profit accrued	-	85,261	-	-	-	85,261
Trade debts	-	641,971	-	-	-	641,971
Other receivables	-	44,248	-	-	-	44,248
Cash and bank balances	9.01%	361,766	345,982	-	-	15,784
		6,777,367	2,785,940	1,986,298	98,109	1,907,020
FINANCIAL LIABILITIES						
Term finance certificates / Pre-IPO subscription	12.79%	495,921	61,565	434,356	-	-
Finance	12.15%	1,363,362	581,693	781,669	-	-
Certificates of deposit	10.43%	2,727,530	2,199,475	528,055	-	-
Liabilities against assets subject to finance lease	12.50%	4,274	757	3,517	-	-
Deposits on lease contracts	-	515,228	-	-	-	515,228
Borrowings from financial institutions	9.63%	465,000	465,000	-	-	-
Intrest and mark-up accrued	-	103,463	-	-	-	103,463
Accrued expenses and other liabilities	-	625,012	-	-	-	625,012
		6,299,790	3,308,490	1,747,597	-	1,243,703
On-balance sheet gap		477,577	(522,550)	238,701	98,109	663,317
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total yield / MROR sensitivity gap		477,577	(522,550)	238,701	98,109	
Cumulative MROR sensitivity gap		477,577	(44,973)	193,728	291,837	

Restated

As at June 30, 2006	Effective rate	Total	Exposed to yield / market rate risk: Within one year	Exposed to yield / market rate risk: More than one year and less than five years	Exposed to yield / market rate risk: More than five years	Not exposed to yield / market rate risk
	%	(Rupees in thousand)				
FINANCIAL ASSETS						
Loans - net	13.63%	782,864	449,981	327,000	2,825	3,058
Net investment in lease finance - net	12.05%	1,929,202	695,624	1,231,852	1,726	-
Deposits	-	32,003	-	-	-	32,003
Receivable against continuous funding system transactions / carry over transactions	13.64%	419,418	419,418	-	-	-
Investments	11.59%	1,072,217	514,159	135,000	92,567	330,491
Interest, mark-up and profit accrued	-	28,268	-	-	-	28,268
Trade debts	-	338,906	-	-	-	338,906
Other receivables	-	18,561	-	-	-	18,561
Cash and bank balances	1.54%	315,856	108,526	-	-	207,330
		4,937,295	2,187,708	1,693,852	97,118	958.617
FINANCIAL LIABILITIES						
Term finance certificates / Pre-IPO subscription	11.90%	369,950	369,950	-	-	-
Finance	10.22%	1,308,570	615,237	693,333	-	-
Certificates of deposit	10.18%	2,038,240	1,749,181	289,059	-	-
Liabilities against assets subject to finance lease	12.50%	2,676	378	2,298	-	-
Deposits on lease contracts	-	420,767	-	-	-	420,767
Borrowings from financial institutions	8.91%	294,347	294,347	-	-	-
Intrest and mark-up accrued	-	59,937	-	-	-	59,937
Accrued expenses and other liabilities	-	279,439	-	-	-	279,439
		4,773,926	3,029,093	984,690	-	760,143
On-balance sheet gap		163,369	(841,385)	709,162	97,118	198,474
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-
Total MROR sensitivity gap		163,369	(841,385)	709,162	97,118	
Cumulative MROR sensitivity gap		163,369	(678,016)	31,146	128,264	

52 CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK

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

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

The Group follows two sets of guidelines. It has its own operating policy and also adheres to the regulations issued by the SECP. The operating policy defines the extent of fund and non-fund based exposures with reference to a particular sector or group.
The Group seeks to manage its credit risk through diversification of financing activities to avoid undue concentrations of credit risk with individuals or groups of customers in specific locations or businesses. It also obtains securities when appropriate. Details of the composition of finance and lease portfolios of the Group are given below:

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

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

53 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(a) Finances and certificates of deposit

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

(b) Investments

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

(c) Other financial instruments

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

54 SEGMENTAL ANALYSIS

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

Financing activities

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

Investment activities

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

Brokerage activities

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

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

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

55 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

56 CORRESPONDING FIGURES

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

- Receivable against continuous funding system transactions / carry over transactions amounting to Rs. 568,069 thousand (2006: Rs. 419,418 thousand) has been reclassified from fund placements and has now been shown separately on the face of the balance sheet.

- Investments in certificates of investments, term deposits and letters of placement have been reclassified from fund placements and shown as part of short-term investments - held to maturity.

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

- Provision against receivable from lessees in satisfaction of claims has been reclassified from accrued expenses and shown as a deduction from other receivables

- Income from term deposits, certificates of investments and fund placements has been reclassified and shown as part of income from investments.

- Auditors' remuneration, fixed assets written off and provision against other assets have been reclassified from administration and general expenses and shown as part of other operating expenses.

- Comparative information has also been restated to comply with the change in accounting policy as describedin note 2.9 to the financial statements.

57 DATE OF AUTHORISATION FOR ISSUE

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

58 GENERAL

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

SYED BABAR ALI **Chairman**	**SAMIR AHMED** **Managing Director & Chief Executive**