

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

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### 1 LEGAL STATUS AND OPERATIONS

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 Maratab Ali Road, Gulberg, Lahore. The principal place of business is situated at 7th Floor, The Forum, Suite No. 701 to 713, G-20, Block-9, Khayaban-e-Jami, Clifton, Karachi.

Based on the financial results 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'.

These financial statements are the separate financial statements of IGI BANK. In addition to these financial statements, consolidated financial statements of IGI BANK and its subsidiary companies, IGI Finex Securities Limited and IGI Funds Limited, have also been prepared.

#### 1.1 Transfer of brokerage business and disposal of brokerage assets

During the current year, IGI BANK has transferred its brokerage business and sold the related assets of its brokerage business to IGI Finex Securities Limited (a wholly owned subsidiary). The details of the transfer of brokerage business and disposal of assets are disclosed in note 41 to the financial statements.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

#### 2.1 Basis of preparation

##### a) 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.

**b) 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.

**c) Amendments to published accounting standards that are effective in the current period**

IAS-19 (Amendment), Employee Benefit is mandatory for IGI BANK'S accounting period 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 IGI BANK 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 IGI BANK'S operations are therefore not detailed here.

**d) 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 IGI BANK'S accounting periods beginning July 1, 2007. These standards are either not relevant to IGI BANK'S operations or are not expected to have significant impact on IGI BANK'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

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## **e) Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements of IGI BANK are disclosed in note 51 to the financial statements.

## **2.2 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 IGI BANK 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 3.1 to 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 off, 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 3.2 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 IGI BANK. 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.

## **2.3 Investments**

The management of IGI BANK determines the appropriate classification of its investments at the time of purchase of investment and re-evaluates this classification on a regular basis. The existing investment portfolio of IGI BANK has been 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 other than those in subsidiaries 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 IGI BANK 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.

Investments in subsidiaries are stated at cost less accumulated impairment losses, if any. In arriving at the impairment loss in the value of these investments, consideration is only given if there is a permanent impairment in the value of investments.

Unquoted investments 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 IGI BANK has transferred substantially all risks and rewards of ownership.

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

**2.4 Trade and settlement date accounting**

The Board of Directors in its meeting dated October 27, 2006 has decided 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 IGI BANK'S 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 :

	<b>2007</b>	<b>2006</b>
	<b>(Rupees in thousand)</b>	
Investments would have been higher by	2,824	104,396
Trade debts would have been lower by	-	114,983
Accrued expenses and other liabilities would have been higher / (lower) by	2,800	(11,230)
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

## 2.5 Derivatives

Derivative instruments held by IGI BANK 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 IGI BANK 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.

## 2.6 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.

### **2.7 Finances**

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

### **2.8 Net investment in lease finance**

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

### **2.9 Provision for bad and doubtful loans / potential lease losses and write offs**

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

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

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

### **2.10 Taxation**

#### **Current**

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

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## **Deferred**

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

### **2.11 Assets acquired in satisfaction of claims**

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

### **2.12 Cash and cash equivalents**

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

### **2.13 Impairment**

The carrying amount of IGI BANK'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.

### **2.14 Provisions**

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

### **2.15 Long term financing - term finance certificates (TFCs)**

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

### **2.16 Employee retirement benefits**

#### **2.16.1 Defined contribution plan**

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

### **2.16.2 Defined benefit plan**

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

### **2.17 Employees' compensated absences**

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

### **2.18 Proposed dividend and transfer between reserves**

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

### **2.19 Revenue recognition**

- Mark-up / interest on loans and returns on investments are recognised on a time proportion basis except that mark-up / interest / returns on classified loans and investments are recognised on receipt basis.
- Finance method is used in accounting for recognition of income from lease financing. Under this method, the unearned lease income (the excess of aggregate lease rentals and the residual value over the cost of leased asset) is deferred and then taken to profit and loss account over the term of lease period, applying the annuity method so as to produce a constant rate of return on the outstanding balance in net investment in lease. Front-end fees, documentation charges, gains / losses on termination of lease contracts and other lease related income are taken to profit and loss account when they are realised.
- Income on Continuous Funding System (CFS) is recognised on accrual basis.
- Gains / losses arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Dividend from equity securities is recognised when IGI BANK'S right to receive the dividend is established.
- Commission income and fees are taken to the profit and loss account when the services are provided.
- Premium or discount on acquisition of debt investments is capitalised and amortised through the profit and loss account over the remaining period till maturity.
- Return on bank deposits are recognised on an accrual basis.
- Brokerage income is recognised as and when such services are rendered.
- Other income is recognised as and when earned.

### **2.20 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.



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## **2.21 Functional and presentation currency**

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

## **2.22 Foreign currency transactions**

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

## **2.23 Segment reporting**

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

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

## **2.24 Financial instruments**

### **2.24.1 Financial asset and financial liability**

Financial asset 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 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.

### **2.24.2 Offsetting of financial assets and financial liabilities**

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

	Note	2007	2006
(Rupees in thousand)			
<b>3 FIXED ASSETS</b>			
Property and equipment	3.1	85,573	40,369
Intangible assets	3.2	21,958	50,714
		<u>107,531</u>	<u>91,083</u>

### 3.1 Property and equipment

	Lease hold improvements	Office equipment	Computer equipment	Furniture and fittings	Motor vehicles	Total
(Rupees in thousand)						
<b>As at July 1, 2006</b>						
Cost	4,327	9,404	19,369	7,341	25,967	66,408
Accumulated depreciation	(1,597)	(5,364)	(7,555)	(3,204)	(8,319)	(26,039)
Net book value	<u>2,730</u>	<u>4,040</u>	<u>11,814</u>	<u>4,137</u>	<u>17,648</u>	<u>40,369</u>
Additions (at cost)	12,816	6,300	6,776	14,981	31,328	72,201
Disposals (at net book value)	-	(80)	(1,421)	-	(11,003)	(12,504)
Depreciation charge for the year	(1,451)	(1,576)	(3,924)	(1,137)	(6,405)	(14,493)
Closing net book value	<u>14,095</u>	<u>8,684</u>	<u>13,245</u>	<u>17,981</u>	<u>31,568</u>	<u>85,573</u>
<b>As at June 30, 2007</b>						
Cost	17,143	15,589	23,824	22,322	40,771	119,649
Accumulated depreciation	(3,048)	(6,905)	(10,579)	(4,341)	(9,203)	(34,076)
Net book value	<u>14,095</u>	<u>8,684</u>	<u>13,245</u>	<u>17,981</u>	<u>31,568</u>	<u>85,573</u>
Depreciation rate % per annum	<u>20</u>	<u>20</u>	<u>20</u>	<u>10-20</u>	<u>20</u>	
<b>As at July 1, 2005</b>						
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	<u>3,575</u>	<u>4,069</u>	<u>6,060</u>	<u>3,002</u>	<u>11,015</u>	<u>27,721</u>
Additions (at cost)	-	1,212	7,738	1,856	10,938	21,744
Disposals (at net book value)	-	(30)	-	-	(1,136)	(1,166)
Depreciation charge for the year	(845)	(1,211)	(1,984)	(721)	(3,169)	(7,930)
Closing net book value	<u>2,730</u>	<u>4,040</u>	<u>11,814</u>	<u>4,137</u>	<u>17,648</u>	<u>40,369</u>
<b>As at June 30, 2006</b>						
Cost	4,327	9,404	19,369	7,341	25,967	66,408
Accumulated depreciation	(1,597)	(5,364)	(7,555)	(3,204)	(8,319)	(26,039)
Net book value	<u>2,730</u>	<u>4,040</u>	<u>11,814</u>	<u>4,137</u>	<u>17,648</u>	<u>40,369</u>
Depreciation rate % per annum	<u>20</u>	<u>20</u>	<u>20</u>	<u>10-20</u>	<u>20</u>	

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 Intangible assets

Description	Membership card and room of Lahore Stock Exchange	Non-competition agreement (note 3.2.1)	Computer software	Total
----- (Rupees in thousand) -----				
<b>As at July 1, 2006</b>				
Cost	21,000	30,000	6,332	57,332
Accumulated amortisation	-	(4,167)	(2,451)	(6,618)
Net book value	<u>21,000</u>	<u>25,833</u>	<u>3,881</u>	<u>50,714</u>
Additions (at cost)	-	-	4,533	4,533
Disposals (at net book value)	(21,000)	-	(987)	(21,987)
Amortisation charge for the year	-	(10,000)	(1,302)	(11,302)
Closing net book value	<u>-</u>	<u>15,833</u>	<u>6,125</u>	<u>21,958</u>
<b>As at June 30, 2007</b>				
Cost	-	30,000	9,265	39,265
Accumulated amortisation	-	(14,167)	(3,140)	(17,307)
Net book value	<u>-</u>	<u>15,833</u>	<u>6,125</u>	<u>21,958</u>
Amortisation rate % per annum	-	33.33	20	
Description	Membership card and room of Lahore Stock Exchange	Non-competition agreement (note 3.2.1)	Computer software	Total
----- (Rupees in thousand) -----				
<b>As at July 1, 2005</b>				
Cost	21,000	-	4,744	25,744
Accumulated amortisation	-	-	(1,431)	(1,431)
Net book value	<u>21,000</u>	<u>-</u>	<u>3,313</u>	<u>24,313</u>
Additions (at cost)	-	30,000	1,588	31,588
Amortisation charge for the year	-	(4,167)	(1,020)	(5,187)
Closing net book value	<u>21,000</u>	<u>25,833</u>	<u>3,881</u>	<u>50,714</u>
<b>As at June 30, 2006</b>				
Cost	21,000	30,000	6,332	57,332
Accumulated amortisation	-	(4,167)	(2,451)	(6,618)
Net book value	<u>21,000</u>	<u>25,833</u>	<u>3,881</u>	<u>50,714</u>
Amortisation rate % per annum	-	33.33	20	

3.2.1 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.

3.2.2 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.

### 3.3 Particulars of disposal of fixed assets

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

Particulars	Cost	Accumulated depreciation/ amortisation	Book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal / settlement	Particulars of purchaser
----- (Rupees in thousand) -----							
<b>Property and equipment</b>							
Office equipment	94	28	66	65	(1)	Negotiation	IGI Finex Securities Limited *
<b>Computer equipment</b>							
Inbox computer	636	106	530	360	(170)	Negotiation	IGI Finex Securities Limited *
Acer travel mate	81	26	55	40	(15)	Negotiation	IGI Finex Securities Limited *
J-pet	180	63	117	180	63	Negotiation	IGI Finex Securities Limited *
Inbox computer	159	27	132	90	(42)	Negotiation	IGI Finex Securities Limited *
Inbox computer	106	18	88	60	(28)	Negotiation	IGI Finex Securities Limited *
HP Compaq	400	153	247	350	103	Negotiation	IGI Finex Securities Limited *
Router Cisco	100	38	62	70	8	Negotiation	IGI Finex Securities Limited *
Personal Computer	200	200	-	150	150	Negotiation	IGI Finex Securities Limited *
Personal Computer	120	120	-	90	90	Negotiation	IGI Finex Securities Limited *
Personal Computer	40	40	-	30	30	Negotiation	IGI Finex Securities Limited *
Personal Computer	40	40	-	30	30	Negotiation	IGI Finex Securities Limited *
HP Laser Jet	20	15	5	5	-	Negotiation	IGI Finex Securities Limited *
HP Laser Jet 24360 TN	74	25	49	45	(4)	Negotiation	IGI Finex Securities Limited *
Cisco Switch	6	3	3	3	-	Negotiation	IGI Finex Securities Limited *
Inbox computer	53	9	44	30	(14)	Negotiation	IGI Finex Securities Limited *
Inbox computer	106	17	89	60	(29)	Negotiation	IGI Finex Securities Limited *
	2,321	900	1,421	1,593	172		
<b>Vehicles</b>							
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
Suzuki cultus	560	112	448	455	7	Negotiation	IGI Finex Securities Limited *
Mitsubishi lancer	999	380	619	680	61	Negotiation	Packages Limited*
Toyota corolla	954	280	674	840	166	Negotiation	IGI Finex Securities Limited *
Honda city	795	357	438	620	182	As per policy	Amir Khanzada-Executive
Suzuki alto	469	6	463	463	-	Negotiation	IGI Finex Securities Limited *
Suzuki alto	464	19	445	445	-	Negotiation	IGI Finex Securities Limited *
Honda city	931	62	869	869	-	Negotiation	IGI Finex Securities Limited *
	16,394	5,418	10,976	12,295	1,319		
<b>Intangible assets</b>							
Membership card and room of Lahore Stock Exchange	21,000	-	21,000	43,000	22,000	Negotiation	IGI Finex Securities Limited *
Computer software	1,600	613	987	1,000	13	Negotiation	IGI Finex Securities Limited *
	22,600	613	21,987	44,000	22,013		
<b>June 30, 2007</b>	41,409	6,959	34,450	57,953	23,503		

\* Represent related parties

#### 4 LONG-TERM INVESTMENTS

	IGI Finex Securities Limited		IGI Funds Limited (Note 4.3)		Total	
	2007	2006	2007	2006	2007	2006
------(Rupees in thousand)-----						
Opening balance	152,571	-	30,000	-	182,571	-
Investments made during the year	500,000	152,571	-	30,000	500,000	182,571
Closing balance	652,571	152,571	30,000	30,000	682,571	182,571

##### Investments in subsidiaries

4.1 During the year, IGI BANK has made an additional investment of Rs. 500 million in IGI Finex Securities Limited through the subscription of 50 million right shares at the rate of Rs. 10 per share. The additional investment has been approved by the Securities and Exchange Commission of Pakistan (SECP) through its letter number SEC/NBFC-I-JD/FIIBL/2006 dated October 11, 2006.

4.2 Other details of subsidiary companies are as follows:

Particulars	Country of Incorporation	Year of Incorporation	Assets	Liabilities	Net assets	Revenues*	Profit / (loss) after taxation	%age Holding
------(Rupees in thousand)-----								
IGI Finex Securities Limited	Pakistan	1994	1,589,789	1,062,715	527,074	105,403	26,913	100%
IGI Funds Limited	Pakistan	2006	50,746	10,871	39,875	6,884	(19,313)	50.05%

\* Represent revenue from all sources of activities.

4.3 Investment in IGI Funds Limited has been classified as 'investment in subsidiary' as the management maintains that IGI BANK has more than half of the voting rights in IGI Funds Limited by virtue of direct shareholding of 49.95% and indirect holding of 0.1% of the nominee directors appointed by IGI BANK.

#### 5 LONG-TERM LOANS - NET

Note      2007      2006  
(Rupees in thousand)

##### Secured - Due from others

Executives - considered good	5.1 & 5.2	2,207	1,760
Employees - considered good	5.2	960	796
Companies, organisations and individuals	5.4 & 5.5	550,404	508,409

##### Unsecured - Due from others

Companies, organisations and individuals	5.4	62,059	44,567
Less: provision for bad and doubtful loans	5.6	10,317	8,978
		605,313	546,554
Less: current maturity of long-term loans		137,705	176,729
		467,608	369,825

5.1 Reconciliation of carrying amount of loans to executives:

Opening balance	1,760	3,758
Disbursements during the year	1,000	-
Receipts during the year	(553)	(1,998)
	2,207	1,760

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

5.3 The maximum aggregate amount due from executive at the end of any month during the year was Rs. 2,307 thousand (2006: Rs. 3,703 thousand).

- 5.4 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 year to 7 years from the date of disbursement. Repayment terms vary from monthly basis to repayments at maturity.
- 5.5 These loans are secured against mortgage of properties and hypothecation of vehicles.
- 5.6 Long-term loans include Rs.42,504 thousand (2006: Rs.9,689 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	<u>5,512</u>	<u>4,805</u>	<u>10,317</u>	<u>2,789</u>	<u>6,189</u>	<u>8,978</u>

	Note	2007 (Rupees in thousand)	2006 (Rupees in thousand)
<b>6 NET INVESTMENT IN FINANCE LEASE</b>			
Net investment in finance lease	6.1	2,158,836	1,929,202
Less: current maturity of net investment in finance lease		<u>749,134</u>	<u>695,624</u>
		<u>1,409,702</u>	<u>1,233,578</u>

### 6.1 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 - note 6.4	<u>1,004,721</u>	<u>1,524,975</u>	<u>-</u>	<u>2,529,696</u>	<u>873,011</u>	<u>1,406,519</u>	<u>1,752</u>	<u>2,281,282</u>
Less: unearned finance income	221,028	115,273	-	336,301	151,062	174,667	26	325,755
Net investment in finance lease - note 6.2, 6.3 & 6.4	<u>783,693</u>	<u>1,409,702</u>	<u>-</u>	<u>2,193,395</u>	<u>721,949</u>	<u>1,231,852</u>	<u>1,726</u>	<u>1,955,527</u>
Less: provision for lease losses - note 6.5	34,559	-	-	34,559	26,325	-	-	26,325
Net investment in finance lease - net of provision	<u>749,134</u>	<u>1,409,702</u>	<u>-</u>	<u>2,158,836</u>	<u>695,624</u>	<u>1,231,852</u>	<u>1,726</u>	<u>1,929,202</u>

- 6.2 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).

- 6.3 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.
- 6.4 Net investment in finance lease and net investment in finance lease includes Rs. 1,058 thousand (2006: Rs. 782,081 thousand) 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.

#### 6.5 Provisions for lease losses

	2007			2006		
	Specific	General	Total	Specific	General	Total
----- (Rupees in thousand) -----						
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

- 6.5.1 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.

	Note	2007 (Rupees in thousand)	2006 (Rupees in thousand)
<b>7 LONG-TERM DEPOSITS</b>			
Security deposits		<u>1,150</u>	<u>3,707</u>

#### 8 SHORT-TERM LOANS

##### Secured

Short-term loans - considered good	8.1	<u>197,979</u>	<u>273,252</u>
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- 8.1 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.

	Note	2007 (Rupees in thousand)	2006 (Rupees in thousand)
<b>9 RECEIVABLE AGAINST CONTINUOUS FUNDING SYSTEM TRANSACTIONS / CARRY OVER TRANSACTIONS</b>			

#### 9 RECEIVABLE AGAINST CONTINUOUS FUNDING SYSTEM TRANSACTIONS / CARRY OVER TRANSACTIONS

Receivable against continuous funding system transactions / carry over transactions	9.1	<u>556,265</u>	<u>419,418</u>
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- 9.1 These carry yields ranging from 11.5% to 13.75% (2006: 13% to 25%) per annum. The market value of the securities held as collateral against these receivables amounted to Rs. 563,850 thousand (2006: Rs.445,204 thousand). Out of total collateral held, securities having market value of Rs. 547,933 thousand (2006: Rs 289,637 thousand) have been kept with IGI Finex Securities for onward deposit with Karachi and Lahore Exchanges for meeting the exposure deposit requirement.

## 10 SHORT-TERM INVESTMENTS

### 10.1 Particulars of investments by category

	2007			----- Restated ----- 2006		
	Held by IGI BANK	Given as collateral	Total	Held by IGI BANK	Given as collateral	Total
----- (Rupees in thousand) -----						
<b>Held to maturity</b>						
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
<b>Held for trading</b>						
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
	201,254	-	201,254	3,860	97,372	101,232
<b>Available-for-sale</b>						
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)	513,169	-	513,169	95,859	-	95,859
Listed shares / certificates	166,071	-	166,071	87,006	59,537	146,543
Unlisted shares / certificates	62,782	-	62,782	62,782	-	62,782
	1,004,596	-	1,004,596	495,992	59,537	555,529
	1,545,850	-	1,545,850	890,001	156,909	1,046,910

Note                      2007                      2006  
(Restated)  
(Rupees in thousand)

### 10.2 Particulars of investments by type

Investments in:				
Certificate of investments			-	50,000
Fund placements	10.2.1		240,000	40,149
Term deposit receipts	10.2.1		100,000	300,000
Government securities	10.2.2		201,254	101,232
Listed term finance certificates	10.2.3		152,579	235,900
Unlisted term finance certificates	10.2.3		59,995	14,445
Pre-IPO investment in term finance certificates	10.2.3		50,000	-
Mutual fund units (open ended)	10.2.5		513,169	95,859
Listed shares / certificates	10.2.6		166,071	146,543
Unlisted shares / certificates	10.2.6		62,782	62,782
			<u>1,545,850</u>	<u>1,046,910</u>

10.2.1 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.

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



### 10.2.3 Particulars of TFCs: \*

Number of certificates		Particulars	2007		2006	
2007	2006		----- (Rupees in thousand) -----			
			Amortised cost	Market value	Amortised cost	Market value
<b>LISTED TFCs</b>						
<b>Investment banks and companies</b>						
-	1,000	First Dawood Investment Bank Limited	-	-	5,059	5,075
<b>Commercial banks</b>						
2,000	2,000	Standard Chartered Bank (Pakistan) Limited I	6,765	5,707	10,456	10,086
4,587	4,587	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
<b>Leasing</b>						
190	190	Al-Zamin Leasing Modaraba	950	893	950	912
<b>Refinery</b>						
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
<b>Miscellaneous</b>						
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
			<u>160,709</u>	<u>152,579</u>	<u>242,831</u>	<u>235,900</u>
			<b>2007</b>		<b>2006</b>	
			<b>(Rupees in thousand)</b>			
			<b>Amortised cost</b>			
<b>UNLISTED TFCs</b>						
-	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
			-	<u>59,995</u>	-	<u>14,445</u>
<b>Pre-IPO investments in TFCs</b>						
5,000	-	Pak Electron	-	25,000	-	-
5,000	-	Shahmurad Sugar Mills Limited	-	25,000	-	-
			-	<u>50,000</u>	-	-

\* Secured, unless specified otherwise.

**10.2.4 Other particulars of TFCs are as follows:**

<b>Particulars</b>	<b>Certificates denomination</b>	<b>Profit rate per annum</b>	<b>Profit payment</b>	<b>Redemption terms</b>
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 Rs. 1 in the first 8 semi-annual installments. 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 6 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 Rs 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.

### 10.2.5 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
200,000	-	Alfalalah 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	-	-
909,174	98,678	KASB Liquid Fund (Face value Rs. 100 each)	100,000	100,891	10,000	10,006
4,098,958	1,962,709	NAFA Cash Fund (Face value Rs. 10 each)	45,000	45,355	20,000	19,370
156,617	-	National Investment Trust	10,000	9,655	-	-
547,097	-	United Money Market Fund (Face value Rs. 100 each)	60,000	60,290	-	-
			<u>510,000</u>	<u>513,169</u>	<u>95,000</u>	<u>95,859</u>

### 10.2.6 Particulars of listed shares / certificates

No. of ordinary shares / certificates of Rs. 10/- each		Particulars	2007		2006	
2007	2006		(Rupees in thousand)			
			Average cost	Market value	Average cost	Market value
<b>Mutual fund (closed ended)</b>						
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	-	-
<b>Leasing</b>						
78,200	78,200	ORIX Leasing Pakistan Limited	2,715	2,326	2,715	2,006
<b>Investment Banks / Companies / Securities</b>						
-	29,000	International Housing Finance Limited	-	-	218	180
500	-	Arif Habib Securities Limited	48	59	-	-
950	-	Bank Alfalah Limited	49	62	-	-
<b>Commercial banks</b>						
-	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
<b>Textile spinning</b>						
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
<b>Textile composite</b>						
-	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
		<b>Balance c/f</b>	<u>172,247</u>	<u>159,607</u>	<u>123,565</u>	<u>106,478</u>

No. of ordinary shares / certificates of Rs. 10/- each		Particulars	2007		2006	
			Average cost	Market value	Average cost	Market value
		<b>Balance b/f</b>	<b>172,247</b>	<b>159,607</b>	<b>123,565</b>	<b>106,478</b>
		<b>Cement</b>				
-	26,000	Lucky Cement Limited	-	-	2,782	2,692
		<b>Refinery</b>				
43,975	41,980	Attock Refinery Limited	5,117	5,125	6,037	3,640
		<b>Power generation and distribution</b>				
-	100,000	HUB Power Company Limited	-	-	4,217	2,300
1,500	-	Kot Addu Power Company Limited	85	90	-	-
		<b>Oil and gas exploration</b>				
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
		<b>Technology and communication</b>				
-	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
		<b>Paper &amp; Board</b>				
-	12,700	Packages Limited (a related party)	-	-	2,113	2,659
		<b>Synthetic and Rayon</b>				
-	10,000	Dewan Salman Fibre Limited	-	-	112	112
			<u>178,702</u>	<u>166,071</u>	<u>171,572</u>	<u>146,543</u>
		<b>UNLISTED SHARES</b>			<b>2007</b>	<b>2006</b>
					<b>(Rupees in thousand)</b>	
					<b>Cost</b>	
		<b>Miscellaneous</b>				
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
					<u>62,782</u>	<u>62,782</u>

## 11 ADVANCES, DEPOSITS AND PREPAYMENTS

	Note	2007	2006
		<b>(Rupees in thousand)</b>	
Advance against leases	11.1	1,903	18,545
Short-term deposits	11.2	115,000	115,000
Advance to suppliers		17,288	5,534
Prepaid expenses	11.3	7,701	12,054
Receivable from NCCPL / CDC		1,400	-
Others		423	571
		<u>143,715</u>	<u>151,704</u>

- 11.1 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%).
- 11.2 This represents interest free deposit placed with IGI Finex Securities Limited (a wholly owned subsidiary) for meeting the exposure deposit requirements arising on trading in future and continuous funding system transactions.
- 11.3 This includes Rs. 7,446 thousand (2006: Rs. 8,495 thousand) in respect of advance rent of premises utilised by IGI BANK.

	2007	2006
	(Rupees in thousand)	
<b>12 INTEREST, MARK-UP AND PROFIT ACCRUED</b>		
Investments		
- government securities	160	160
- term finance certificates	6,709	5,935
	6,869	6,095
Finances	68,111	20,727
Fund placements	2,933	1,443
Deposits with banks	361	61
	78,274	28,326

	2007	2006
	(Rupees in thousand)	
<b>13 TRADE DEBTS</b>		
Secured		
Considered good	-	187,848

	2007	2006
	(Rupees in thousand)	
<b>14 OTHER RECEIVABLES</b>		
Secured - considered good		
Assets repossessed in respect of terminated lease contracts	12,272	5,967
Unsecured - considered good		
Dividend receivable	14.1 18,300	2,501
Receivable against tender offer	14.2 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	-	963
IGI Finex Securities Limited	20,869	-
IGI Funds Limited	2,572	1,377
IGI Insurance Limited	-	1,067
	23,441	3,407
Others	3,174	2,750
Unsecured - considered doubtful		
Receivable from lessees in satisfaction of claims	6,539	5,094
	74,437	24,982
Less: provision for bad and doubtful receivables	(6,539)	(5,094)
	67,898	19,888

- 14.1 This includes dividend amounting to Rs 18,200 thousand receivable from IGI Finex Securities Limited.
- 14.2 This represents amount receivable in respect of sale of shares of a listed company pursuant to a tender offer made by a financial institution.

	2007	2006
	(Rupees in thousand)	
<b>15 CASH AND BANK BALANCES</b>		
In hand	51	91
In current accounts		
- State Bank of Pakistan	278	649
- Others		
local currency	4,023	104,188
foreign currencies	950	342
	4,973	104,530
In saving accounts		
local currency	264,664	91,708
	<u>269,966</u>	<u>196,978</u>

**16 SHARE CAPITAL**

**Authorised capital**

2007	2006		2007	2006
----- Number of shares -----				
<u>100,000,000</u>	<u>100,000,000</u>		<u>1,000,000</u>	<u>1,000,000</u>
		Ordinary shares of Rs 10 each		

**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	-
<u>71,109,250</u>	<u>21,109,250</u>	<u>92,218,500</u>	<u>25,000,000</u>	<u>16,917,500</u>	<u>41,917,500</u>		<u>922,184</u>	<u>419,175</u>

16.1 IGI Insurance Limited, a related party, holds 11,523 thousand (2006: 14,677 thousand) ordinary shares of Rs. 10 each of IGI BANK as at June 30, 2007.

	Note	2007	2006 Restated
		(Rupees in thousand)	
<b>17 RESERVES</b>			
<b>Capital reserve</b>			
Statutory reserve	17.1	97,098	97,098
<b>Revenue reserves</b>			
General reserve		55,408	97,325
<b>Unappropriated profit / (loss)</b>		<u>(7,155)</u>	32,002
		<u>145,351</u>	<u>226,425</u>

- 17.1 Statutory reserve represents 20% of the profit after taxation set aside to comply with the Regulation No. 2 of Part III of the Prudential Regulation for Non-Banking Finance Companies issued by the Securities and Exchange Commission of Pakistan.

	Note	2007	2006 Restated
<b>18 DEFICIT ON REVALUATION OF INVESTMENTS - NET</b>		<b>(Rupees in thousand)</b>	
Net deficit on revaluation of:			
- government securities		(592)	(455)
- term finance certificates		(8,130)	(6,931)
- mutual funds units (open ended)		3,169	859
- quoted shares and certificates		(12,631)	(25,029)
- forward sale of quoted shares and certificates		-	792
	18.1	<u>(18,184)</u>	<u>(30,764)</u>
Related deferred tax asset - net	23	<u>207</u>	<u>159</u>
		<u>(17,977)</u>	<u>(30,605)</u>

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

Opening balance	(30,764)	(55,791)
Surplus arising on revaluation of investments during the year	33,777	57,622
Transferred to the profit and loss account on disposal of investments	<u>(21,197)</u>	<u>(32,595)</u>
Closing balance	<u>(18,184)</u>	<u>(30,764)</u>

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

- 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 installments in arrears after a grace period of 12 months from the date of issue. The issue of these TFCs has been approved by the Securities and Exchange Commission of Pakistan 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.

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

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 installments 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 installments 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 installments. 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 installments 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 installments 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 installments 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 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 installments 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 installments 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 installments 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%.

<b>21 LONG-TERM CERTIFICATES OF DEPOSITS</b>	<b>Note</b>	<b>2007</b>	<b>2006</b>
		<b>(Rupees in thousand)</b>	
<b>Unsecured</b>			
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		<u>359,316</u>	<u>39,467</u>
		<u>528,055</u>	<u>289,059</u>

21.1 These include 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.

<b>22 LONG-TERM DEPOSITS ON LEASE CONTRACTS</b>	<b>Note</b>	<b>2007</b>	<b>2006</b>
		<b>(Rupees in thousand)</b>	
Deposits on lease contracts	22.1	515,228	420,767
Less: current maturity of deposits on lease contracts		<u>85,497</u>	<u>53,315</u>
		<u>429,731</u>	<u>367,452</u>

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

<b>23 DEFERRED TAX (ASSETS) / LIABILITIES - NET</b>	<b>Note</b>	<b>2007</b>	<b>2006</b>
		<b>(Rupees in thousand)</b>	
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	23.1	(182,764)	(102,670)
- Deficit on revaluation of investments	18	(207)	(159)
		<u>(198,678)</u>	<u>(115,185)</u>
Deferred tax liabilities arising in respect of			
- Accelerated tax depreciation		192,492	154,411
- Transaction costs in respect of TFCs issued		1,414	1,768
	23.2	<u>(4,772)</u>	<u>40,994</u>

23.1 IGI BANK has an aggregate amount of Rs. 522,183 thousand in respect of unabsorbed tax losses as at June 30, 2007 on which the management has recognised deferred tax debit balance amounting Rs. 182,764 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 IGI BANK would be able to set off the profit earned in these years against losses carried forward from prior years. The amount of this benefit has been determined based on the projected financial statements of the bank for the next few years.

<b>23.2 Movement in deferred tax (asset) / liability</b>	<b>Note</b>	<b>2007</b>	<b>2006</b>
		<b>(Rupees in thousand)</b>	
Opening balance		40,994	42,570
Reversal during the year		<u>(45,718)</u>	<u>(17,927)</u>
		(4,724)	24,643
Deferred tax impact on (deficit) / surplus on revaluation of investments		(48)	16,351
		<u>(4,772)</u>	<u>40,994</u>

## **24 SHORT-TERM FINANCE - secured**

Running finance utilised under mark-up arrangement	24.1	<u>77</u>	<u>237</u>
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24.1 This represents amount borrowed from a commercial banks against a short term running finance facility amounting to Rs. 200,000 thousand (2006: Rs. 200,000 thousand). The amount is secured by a first pari passu charge and hypothecation on IGI BANK's present and future receivables and book debts. This facility carries mark-up at 1-month KIBOR rate plus 1.5% per annum (2006: 1-month KIBOR rate plus 1.5% per annum).

<b>25 SHORT-TERM CERTIFICATES OF DEPOSIT</b>	<b>Note</b>	<b>2007</b>	<b>2006</b>
		<b>(Rupees in thousand)</b>	
<b>Unsecured</b>			
Local currency			
- Financial institutions		1,350,000	1,250,000
- Individuals		296,416	183,155
- Others		193,743	276,559
	25.1	<u>1,840,159</u>	<u>1,709,714</u>

25.1 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.

	Note	2007 (Rupees in thousand)	2006
<b>26 BORROWINGS FROM FINANCIAL INSTITUTIONS</b>			
Securities sold under repurchase agreement		-	97,347
Unsecured borrowings		<u>465,000</u>	<u>197,000</u>
	26.1	<u>465,000</u>	<u>294,347</u>
26.1	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.		
<b>27 INTEREST AND MARK-UP ACCRUED</b>		<b>2007</b>	<b>2006</b>
		<b>(Rupees in thousand)</b>	
<b>Interest and mark-up accrued on:</b>			
- Long-term finance		11,939	7,732
- Short-term finance		331	331
- Borrowings from financial institutions		2,319	10
- TFCs		30,178	435
- Certificates of deposit		<u>58,450</u>	<u>51,429</u>
		<u>103,217</u>	<u>59,937</u>
<b>28 ACCRUED EXPENSES AND OTHER LIABILITIES</b>		<b>2007</b>	<b>2006</b>
		<b>Restated</b>	
		<b>(Rupees in thousand)</b>	
Accrued expenses		10,750	8,036
Payable to customers on account of excess recoveries		3,028	3,028
Payable to customers in respect of brokerage business			
- Related parties		-	29,643
- Others		-	65,964
Payable to IGI Insurance limited - Related party		12,883	-
Unclaimed dividends		347	777
Payable to employee gratuity scheme	36.1.2	2,078	2,845
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
Others		<u>9,837</u>	<u>7,062</u>
		<u>89,150</u>	<u>150,235</u>

## 29 CONTINGENCIES AND COMMITMENTS

### 29.1 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.

### 29.2 Commitments

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

**30 INCOME FROM INVESTMENTS**

	2007				2006			
	Held to maturity	Held for trading	Available for sale	Total	Held to maturity	Held for trading	Available for sale	Total
					Restated			
	(Rupees in thousand)							
<b>Interest / mark-up / profit from:</b>								
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
<b>Dividend income</b>	-	-	33,478	33,478	-	523	12,854	13,377
<b>Gain / (loss) on disposal of:</b>								
Government securities	-	-	-	-	-	(17,617)	(28,680)	(46,297)
TFCs	-	-	464	464	-	-	52	52
Mutual fund units (open end)	-	-	15,270	15,270	-	-	10,253	10,253
Listed shares / certificates	-	-	5,463	5,463	-	(166)	68,753	68,587
	-	-	21,197	21,197	-	(17,783)	50,378	32,595
	30,134	225	90,307	120,666	53,627	(13,455)	88,681	128,853

Note  
2007  
2006  
(Rupees in thousand)

**31 INCOME FROM LOANS**

Mark-up / interest on loans	121,692	87,716
Documentation charges and other loan related income	2,830	3,283
	<u>124,522</u>	<u>90,999</u>

**32 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
	<u>230,548</u>	<u>176,253</u>

**33 INCOME FROM FUND PLACEMENTS**

Securities purchased under resale agreements with financial institutions	72	29,563
Income from continuous funding system transactions / carry over transactions	82,789	57,677
	<u>82,861</u>	<u>87,240</u>

**34 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	283	2,586
Mark-up on borrowings from financial institutions	36,293	26,100
Bank charges	153	313
	<u>482,873</u>	<u>337,970</u>

	Note	2007 (Rupees in thousand)	2006
<b>35 ADMINISTRATION AND GENERAL EXPENSES</b>			
Salaries, allowances and benefits		85,577	65,262
Contribution to provident fund		3,750	2,478
Gratuity scheme expense	36.1.6	1,610	1,528
Contribution to employees' old-age benefit institution		381	176
Depreciation on property and equipment	3.1	14,493	7,930
Amortisation on intangible assets	3.2	11,302	5,187
Rent, rates and taxes		17,218	11,935
Travelling and entertainment		6,473	3,387
Telephone, telex and fax		5,844	4,078
Printing, postage and stationery		5,447	4,167
Insurance		1,888	1,373
Lighting, heating and cooling		3,125	2,413
Repairs and maintenance		4,256	1,873
Brokerage and commission		13,841	13,200
Legal and professional fees		11,310	9,314
Subscriptions		2,142	529
Advertisement		14,680	1,701
Other expenses		4,658	5,134
		<u>207,995</u>	<u>141,665</u>

### 36 EMPLOYEE BENEFITS

#### 36.1 Gratuity scheme

As mentioned in note 2.16.2, IGI BANK operates an approved funded gratuity scheme. The scheme provides for gratuity benefits for all permanent employees who have completed the prescribed qualifying period of service with IGI BANK.

Annual provision is based on actuarial valuation and the latest valuation of the scheme was carried out as at June 30, 2007 using Projected Unit Credit Method.

#### 36.1.1 Principal actuarial assumptions

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

	2007	2006
Expected rate of increase in salary	8.89%	9.52%
Discount rate	11.00%	11.65%
Expected rate of return on plan assets	11.00%	11.65%

#### 36.1.2 Amount recognised in the balance sheet

	Note	2007 (Rupees in thousand)	2006
Present value of defined benefit obligation	36.1.3	8,059	6,462
Fair value of plan assets	36.1.4	(7,220)	(4,755)
Unrecognised actuarial gain (net)		1,239	1,138
		<u>2,078</u>	<u>2,845</u>

#### 36.1.3 Movement in the defined benefit obligation:

Present value of defined benefit obligation at the beginning of the year		6,462	5,797
Interest cost		650	601
Current service cost		1,786	1,379
Benefits paid		(549)	(1,315)
Settlement cost		(261)	-
Actuarial gain on obligation		(29)	-
Present value of defined benefit obligation at the end of the year		<u>8,059</u>	<u>6,462</u>

	Note	2007 (Rupees in thousand)	2006
<b>36.1.4 Movement in the fair value of plan assets</b>			
Fair value of plan asset at the beginning of the year		4,755	3,542
Expected return on plan assets		538	423
Contributions to the fund		2,377	1,500
Benefits paid		(549)	(1,315)
Actuarial loss on plan assets		99	605
Fair value of plan assets at the end of the year		<u>7,220</u>	<u>4,755</u>

<b>36.1.5 Movement of liability</b>			
Balance at the beginning of the year		2,845	2,817
Expense for the year	36.1.6	1,610	1,528
Contributions during the year		<u>(2,377)</u>	<u>(1,500)</u>
Balance at the end of the year		<u>2,078</u>	<u>2,845</u>

<b>36.1.6 Gratuity scheme expense recognised in the profit and loss account</b>			
Current service cost		1,786	1,379
Interest cost		650	601
Expected return on plan assets		(538)	(423)
Settlement cost		(261)	-
Net actuarial gain recognised during the year		<u>(27)</u>	<u>(29)</u>
		<u>1,610</u>	<u>1,528</u>

	-----2007-----		-----2006-----	
	(Rupees in thousand)	Percentage composition	(Rupees in thousand)	Percentage composition
Mutual fund units / shares	4,801	66%	3,753	79%
Bank account and short term deposits	4,431	61%	1,813	38%
Benefits due	(2,012)	(28%)	(811)	(17%)
	<u>7,220</u>	<u>100</u>	<u>4,755</u>	<u>100</u>

**36.1.8 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	8,059	6,462	5,797	5,481	7,269
Fair value of plan assets	<u>(7,220)</u>	<u>(4,755)</u>	<u>(3,542)</u>	<u>(3,149)</u>	-
Deficit	<u>839</u>	<u>1,707</u>	<u>2,255</u>	<u>2,332</u>	<u>7,269</u>

**36.1.9 5 years data in respect of experience adjustments is as follows:**

	2007	2006	2005	2004	2003
Experience adjustments on plan liabilities	(22)	(7)	(249)	(250)	(249)
Experience adjustments on plan assets	750	(46)	(73)	(74)	-

**36.1.10** Actual return on plan assets during the year was Rs. 637 thousand (2006: Rs. 1,028 thousand).

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

**36.1.12** The information provided in notes 36.1.1 to 36.1.11 has been obtained from the valuation carried out by an independent actuary as at June 30, 2007.

**36.2 Defined contribution plan**

An amount of Rs. 3,750 thousand (2006: Rs. 2,478 thousand) has been charged during the year in respect of contributory provident fund maintained by IGI BANK.

	Note	2007 (Rupees in thousand)	2006
<b>37 OTHER OPERATING INCOME</b>			
<b>Income from financial assets</b>			
Income from deposits with banks		14,888	3,945
<b>Income from non-financial assets</b>			
Gain on disposal of fixed assets	37.1	23,518	1,326
Other income		28	429
		<u>38,434</u>	<u>5,700</u>
37.1 This includes Rs. 22,184 thousand in respect of gain on disposal of brokerage assets to IGI Finex Securities Limited (a wholly owned subsidiary) as more fully explained in note 41 to the financial statements.			
<b>38 OTHER OPERATING EXPENSES</b>	Note	2007 (Rupees in thousand)	2006
Net exchange loss		-	8
Fixed assets written off		-	30
Provision against other assets		1,470	5,094
Auditors' remuneration	38.1	770	942
Amortisation of transaction cost on TFCs		1,010	-
		<u>3,250</u>	<u>6,074</u>
<b>38.1 Auditors' remuneration</b>			
Statutory audit fee		450	425
Half yearly review fee		100	100
Special certification and other services		100	363
Out of pocket expenses		120	54
		<u>770</u>	<u>942</u>
<b>39 TAXATION</b>			
Current			
- For the year		8,811	9,404
- For prior years		(3,203)	-
		5,608	9,404
Deferred	23.2	(45,718)	(17,927)
		<u>(40,110)</u>	<u>(8,523)</u>
<b>39.1 Relationship between tax expense and accounting profit</b>			
Profit for the year before taxation		(79,267)	22,814
Tax at the applicable rate of 35% (2006: 35%)		(27,743)	7,985
Tax effect of income / expenses that are exempted / not allowed in determining taxable income		(5,844)	(24,003)
Tax effect of income taxed under Final Tax Regime		347	1,563
Prior years reversal		(3,203)	-
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		6,376	5,092
Others		-	4,853
Tax expense for the year		<u>(40,110)</u>	<u>(8,523)</u>
		<b>2007</b>	<b>2006</b>
<b>40 (LOSS) / EARNINGS PER SHARE</b>			<b>Restated</b>
(Loss) / profit after taxation		<u>(39,157)</u>	<u>31,337</u>
		<b>Number of shares</b>	
Weighted average number of ordinary shares outstanding during the year		<u>59,811,643</u>	<u>59,633,093</u>
		<b>Rupees</b>	
(Loss) / earnings per share - basic and diluted		<u>(0.65)</u>	<u>0.53</u>



#### 41 TRANSFER OF BROKERAGE BUSINESS AND DISPOSAL OF RELATED ASSETS

IGI BANK has transferred its brokerage business including its brokerage customers and their portfolio comprising customer securities and margins to IGI Finex Securities Limited (a wholly owned subsidiary company) on September 30, 2006 (the transfer date). IGI BANK has sold the related assets of its brokerage business to IGI Finex Securities Limited at an aggregate sale consideration of Rs 45,658 thousand. The value of the assets sold to IGI Finex Securities Limited has been determined by an independent valuer listed on Pakistan Bank's Association (PBA). The transfer of business and sale of assets to IGI Finex Securities Limited has been approved by the Board of Directors of IGI BANK in its meeting dated August 28, 2006.

Details of the assets sold are as follows:

	Note	Rupees in thousand
Membership card and room of Lahore Stock Exchange (Guarantee) Limited	41.1	43,000
Computer hardware and software		2,658
		45,658
Net book value of the above assets as at September 30, 2006		23,474
Gain on disposal of assets		<u>22,184</u>

- 41.1 The transfer of membership card to IGI Finex Securities Limited has also been approved by the Lahore Stock Exchange (Guarantee) Limited. As per the terms of the agreement entered into between IGI BANK and IGI Finex Securities Limited, IGI BANK will be responsible for any and all claims subsequently made by its customers in relation to any stock exchange related transactions executed by IGI BANK prior to the transfer of the membership to IGI Finex Securities Limited.

#### 42 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives		Directors		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
----- (Rupees in thousand) -----								
<b>Short-term employee benefit (including bonus)</b>								
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
<b>Post employment benefits</b>								
Retirement benefits	755	586	3,560	2,075	-	-	4,315	2,661
	<u>6,602</u>	<u>5,740</u>	<u>39,266</u>	<u>29,009</u>	<u>-</u>	<u>-</u>	<u>45,868</u>	<u>34,749</u>
Number of persons	<u>1</u>	<u>1</u>	<u>29</u>	<u>22</u>	<u>7</u>	<u>7</u>	<u>30</u>	<u>23</u>

- 42.1 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.
- 42.2 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.
- 42.3 No meeting fees were paid to any of the Directors for attending the board meetings (2006: Rs Nil).

#### 43 TRANSACTIONS WITH RELATED PARTIES

Description	2007			Total
	Subsidiaries	Other related parties including associated undertakings	Key Management personnel	
(Rupees in thousand)				
<b>Transactions during the year</b>				
Certificate of deposits issued and markup paid thereon	-	714,161	1,000	715,161
Markup on finance provided	5,286	-	-	5,286
Insurance premium paid	-	14,124	-	14,124
Purchase of marketable securities	41,518,053	-	-	41,518,053
Sale of marketable securities	41,239,633	-	-	41,239,633
Dividend received	7,800	-	-	7,800
Income from finance	-	-	326	326
Brokerage income	17,383	-	-	17,383
Return on deposits	-	20,870	-	20,870
Rent expense	-	1,155	-	1,155
Insurance expense	-	182	-	182
Travelling and lodging	-	1,135	-	1,135
Proceed from finance provided	40,000	-	-	40,000
Remuneration to key management personnel	-	-	25,572	25,572
<b>Balance outstanding as at year end</b>				
Deposit against CFS and cash future	115,000	-	-	115,000
Certificates of deposit	-	485,696	-	485,696
Accrued expenses and other liabilities	-	12,883	-	12,883
Other receivables	25,106	-	-	25,106
Mark-up accrued - certificate of deposits	-	430	3	433
<b>2006</b>				
Description	Subsidiaries	Other related parties including associated undertakings	Key Management personnel	Total
<b>Transactions during the year</b>				
Certificate of deposits issued	-	1,721,908	-	1,721,908
Insurance premium paid	-	1,074	-	1,074
Finance provided	40,000	-	6,386	46,386
Income from finances	1,905	-	249	2,154
Brokerage income	6,956	2,827	73	9,856
Commission earned	68	-	-	68
Return on deposits	-	29,669	-	29,669
Rent expense	-	2,882	-	2,882
Insurance expense	-	1,155	-	1,155
Travelling and lodging	-	721	-	721
Remuneration to key management personnel	-	-	24,745	24,745
<b>Balance outstanding as at year end</b>				
Loans	40,000	-	3,554	43,554
Deposit against CFS and future trading	115,000	-	-	115,000
Deposit accounts	-	(517)	-	(517)
Certificates of deposits	-	148,295	-	148,295
Trade debts	-	21,022	-	21,022
Other receivables	1,377	2,030	-	3,407
Mark-up accrued - certificate of deposits	-	1,485	-	1,485
Mark-up accrued - finances	230	-	4	234
Other liabilities	2,480	22,590	4,573	29,643

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

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

All balances outstanding from related parties are interest free (except for certificates of deposits), unsecured and repayable / receivable on demand. Particulars of disposal of fixed assets, transactions with staff retirement benefit funds and other outstanding balances and transactions relating to the related parties are disclosed in notes 1.2, 3.3, 4, 14, 16, 36 and note 41 to the financial statements.

IGI BANK also enters into security purchase transactions including transactions relating to cash future, continues funding system and other marketable securities through IGI Finex Securities Limited. In addition to the above, IGI BANK also charges certain expenses to group companies (including subsidiaries and associated undertakings) under Group Shared Services (GSS) agreement on actual basis.

	Note	2007 (Rupees in thousand)	(Restated) 2006
<b>44 CASH GENERATED FROM OPERATING ACTIVITIES</b>			
(Loss) / profit for the year from ordinary activities before taxation		(79,267)	22,814
<b>Adjustments for non cash and other items:</b>			
Gain on disposal of fixed assets (including Rs 22,184 thousand relating to gain on disposal of brokerage business)		(23,518)	(1,326)
Net exchange loss		-	8
Fixed assets written off		-	30
Depreciation on property and equipment		14,493	7,930
Amortisation of intangible assets		11,302	5,187
Amortisation of transaction cost on TFCs		1,010	-
Provision for gratuity scheme		1,610	1,528
Interest, mark-up and profit income		(510,411)	(426,384)
Dividend income		(33,478)	(13,377)
Finance cost		482,873	337,970
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	44.1	(143,098)	222,246
		<u>(189,644)</u>	<u>141,518</u>
		<u>(268,911)</u>	<u>164,332</u>
<b>44.1 Working capital changes</b>			
<b>(Increase) / decrease in current assets:</b>			
Short-term loans		75,273	(105,230)
Receivable against continuous funding system transactions / carry over transactions		(136,847)	(70,139)
Short-term investments		(486,360)	135,613
Trade debts		187,848	52,535
Advances, deposits, prepayments and other receivables		(24,222)	(89,877)
		<u>(384,308)</u>	<u>(77,098)</u>
<b>Increase / (decrease) in current liabilities:</b>			
Short-term certificates of deposits		130,445	539,644
Borrowings from financial institutions		170,653	(305,271)
Accrued expenses and other liabilities		(59,888)	64,971
		<u>241,210</u>	<u>299,344</u>
		<u>(143,098)</u>	<u>222,246</u>

45 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	Note	2007 (Rupees in thousand)	2006
Cash and bank balances	15	269,966	196,978
Short-term running finance utilised under mark-up arrangements	24	(77)	(237)
		<u>269,889</u>	<u>196,741</u>

#### 46 LIQUIDITY RISK

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

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

As at June 30, 2007

	Total	Within one year	More than one year and less than five years	More than five years
	(Rupees in thousand)			
<b>Assets</b>				
Fixed assets	107,531	34,666	72,865	-
Investments	2,228,421	1,338,753	108,988	780,680
Loans - net	803,292	335,684	467,608	-
Net investment in lease finance - net	2,158,836	749,134	1,409,702	-
Deposits	1,150	-	-	1,150
Deferred tax assets - net	4,772	4,772	-	-
Receivable against continuous funding system transactions / carry over transactions	556,265	556,265	-	-
Taxation - net	228,896	228,896	-	-
Advances, deposits and prepayments	143,715	143,715	-	-
Interest, mark-up and profit accrued	78,274	78,274	-	-
Trade debts	-	-	-	-
Other receivables	67,898	67,898	-	-
Cash and bank balances	269,966	269,966	-	-
	<u>6,649.016</u>	<u>3,808.023</u>	<u>2,059.163</u>	<u>781.830</u>
<b>Liabilities</b>				
Term finance certificates / Pre-IPO subscription Finance	495,921	61,565	434,356	-
Finance	1,203,412	421,743	781,669	-
Certificates of deposit	2,727,530	2,199,475	528,055	-
Deposits on lease contracts	515,228	85,497	429,731	-
Borrowings from financial institutions	465,000	465,000	-	-
Interest and mark-up accrued	103,217	103,217	-	-
Accrued expenses and other liabilities	89,150	89,150	-	-
	<u>5,599.458</u>	<u>3,425.647</u>	<u>2,173.811</u>	<u>-</u>
	<u>1,049,558</u>	<u>382,376</u>	<u>(114,648)</u>	<u>781,830</u>

As at June 30, 2006	-----Restated-----			
	Total	Within one year	More than one year and less than five years	More than five years
	----- (Rupees in thousand) -----			
<b>Assets</b>				
Fixed assets	91,083	20,501	49,582	21,000
Investments	1,229,481	819,343	135,000	275,138
Loans - net	819,806	449,981	367,000	2,825
Net investment in lease finance - net	1,929,202	695,624	1,231,852	1,726
Deposits	3,707	-	-	3,707
Receivable against continuous funding system transactions / carry over transactions	419,418	419,418	-	-
Taxation - net	220,594	220,594	-	-
Advances, deposits and prepayments	151,704	151,704	-	-
Interest, mark-up and profit accrued	28,326	28,326	-	-
Trade debts	187,848	187,848	-	-
Other receivables	19,888	19,888	-	-
Cash and bank balances	196,978	196,978	-	-
	5 298 035	3,210,205	1,783,434	304,396

#### 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
Deferred tax liabilities- net	40,994	40,994	-	-
Borrowings from financial institutions	294,347	294,347	-	-
Interest and mark-up accrued	59,937	59,937	-	-
Accrued expenses and other liabilities	150,235	150,235	-	-
	4,683,040	2,963,246	1,348,277	371,517
	614,995	246,959	435,157	(67,121)

#### 47 YIELD / MARKET RATE RISK

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

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

**As at June 30, 2007**

Effective rate	Total	Exposed to yield / market rate risk			Not exposed to yield / market rate risk
		Within one year	More than one year and less than five years	More than five years	
%	(Rupees in thousand)				
<b>FINANCIAL ASSETS</b>					
Loans	14.80%	803,292	335,684	467,608	-
Net investment in lease finance	15.20%	2,158,836	749,134	1,409,702	-
Receivable against continuous funding system transactions / carry over transactions	11.56%	556,265	556,265	-	-
Investments	10.64%	1,545,850	596,731	108,988	98,109
Deposits	-	117,973	-	-	117,973
Interest, mark-up and profit accrued	-	78,274	-	-	78,274
Trade debts	-	-	-	-	-
Other receivables	-	67,898	-	-	67,898
Cash and bank balances	9.62%	269,966	264,664	-	5,302
		5,598,354	2,502,478	1,986,298	98,109
					1,011,469
<b>FINANCIAL LIABILITIES</b>					
Term finance certificates / Pre-IPO subscription	12.79%	495,921	61,565	434,356	-
Finance	12.23%	1,203,412	421,743	781,669	-
Certificates of deposit	10.43%	2,727,530	2,199,475	528,055	-
Deposits on lease contracts	-	515,228	-	-	515,228
Borrowings from financial institutions	9.63%	465,000	465,000	-	-
Interest, mark-up accrued	-	103,217	-	-	103,217
Accrued expenses and other liabilities	-	40,894	-	-	40,894
		5,551,202	3,147,783	1,744,080	-
					659,339
<b>On-balance sheet gap</b>		47,152	(645,305)	242,218	98,109
<b>Off-balance sheet financial instruments</b>		-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-
<b>Total MROR sensitivity gap</b>		47,152	(645,305)	242,218	98,109
<b>Cumulative MROR sensitivity gap</b>		47,152	(598,153)	(355,935)	(257,826)

**As at June 30, 2006**

Effective rate	Total	Exposed to yield / market rate risk			Not exposed to yield / market rate risk
		Within one year	More than one year and less than five years	More than five years	
%	(Rupees in thousand)				
<b>FINANCIAL ASSETS</b>					
Loans	13.63%	819,806	449,981	367,000	2,825
Net investment in lease finance	12.05%	1,929,202	695,624	1,231,852	1,726
Deposits	-	119,278	-	-	-
Receivable against continuous funding system transactions / carry over transactions	13.64%	419,418	419,418	-	-
Investments	11.59%	1,046,910	514,159	135,000	92,567
Interest, mark-up and profit accrued	-	28,326	-	-	-
Trade debts	-	187,848	-	-	187,848
Other receivables	-	19,888	-	-	19,888
Cash and bank balances	2.86%	196,978	91,708	-	-
		4,767,654	2,170,890	1,733,852	97,118
					765,794
<b>FINANCIAL LIABILITIES</b>					
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	-
Deposits on lease contracts	10.22%	420,767	-	-	420,767
Borrowings from financial institutions	8.91%	294,347	294,347	-	-
Interest and mark-up accrued	-	59,937	-	-	59,937
Accrued expenses and other liabilities	-	131,737	-	-	131,737
		4,623,548	2,658,765	982,392	369,950
					630,939
<b>On-balance sheet gap</b>		144,106	(487,875)	751,460	(272,832)
<b>Off-balance sheet financial instruments</b>		-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-
<b>Total MROR sensitivity gap</b>		144,106	(487,875)	751,460	(272,832)
<b>Cumulative MROR sensitivity gap</b>		144,106	(343,769)	407,691	134,859

## 48 CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK

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

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

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

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

	2007		2006	
	(Rupees in thousand)	%	(Rupees in thousand)	%
<b>Finance and leases</b>				
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	0.75
Glass and ceramics	3,259	0.11	8,012	0.29
Leather	21,343	0.72	29,419	1.07
Paper and board	47,731	1.61	55,360	2.01
Construction	95,716	3.23	39,360	1.43
Energy, oil and gas	72,796	2.46	65,333	2.38
Financial institutions	89,260	3.01	79,260	2.88
Electric and electric goods	20,685	0.70	55,811	2.03
Chemicals / fertilizers / pharmaceuticals	63,207	2.13	75,707	2.75
Food, tobacco and beverages	110,240	3.72	91,607	3.33
Steel, engineering and automobiles	114,107	3.85	131,366	4.78
Transport	226,287	7.64	261,333	9.51
Textile / textile composite	360,168	12.16	515,900	18.77
Miscellaneous (including individuals)	1,668,511	56.33	1,310,134	47.66
	<u>2,962,128</u>	<u>100.00</u>	<u>2,749,008</u>	<u>100.00</u>

Sector-wise concentration of investments has been included in note 10 to these financial statements.

## 49 FAIR VALUE OF FINANCIAL INSTRUMENTS

49.1 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.

**50 SEGMENTAL ANALYSIS**

IGI BANK's activities are broadly categorised into two primary business segments namely financing activities and investment activities within Pakistan. As more fully explained in note 41 to the financial statements IGI BANK has transferred its brokerage business and sold its assets of brokerage to IGI Finex Securities on September 30, 2006. Accordingly, the segment information presented below in respect of brokerage entities reflects the brokerage results for the period from July 1, 2006 to September 30, 2006.

**Financing activities**

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

**Investment activities**

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

	Note	Financing activities	Investment activities	Brokerage activities	Total
----- (Rupees in thousand) -----					
<b>Segmental information for the year ended June 30, 2007</b>					
Segment revenue		<u>376,956</u>	<u>218,443</u>	<u>29,025</u>	<u>624,424</u>
Segment result		<u>(48,550)</u>	<u>(20,716)</u>	<u>(10,001)</u>	<u>(79,267)</u>
Loss before taxation					(79,267 )
Taxation					(40,110 )
Loss for the year after taxation					<u>(39,157)</u>
Segment assets		<u>3,032,142</u>	<u>2,794,488</u>	<u>-</u>	<u>5,826,630</u>
Unallocated assets					<u>822,386</u>
					<u>6,649,016</u>
Segment liabilities		<u>550,656</u>	<u>-</u>	<u>-</u>	<u>550,656</u>
Unallocated liabilities					<u>5,048,802</u>
					<u>5,599,458</u>
Unallocated capital expenditure - tangible					<u>72,201</u>
Unallocated capital expenditure - intangible					<u>4,533</u>
Segment depreciation and amortisation of fixed assets	50.1	<u>13,057</u>	<u>7,566</u>	<u>5,172</u>	<u>25,795</u>



	Note	-----Restated-----			Total
		Financing activities	Investment activities	Brokerage activities	
----- (Rupees in thousand) -----					
<b>Segmental information for the year ended June 30, 2006</b>					
Segment revenue		268,578	226,886	20,765	516,229
Segment result		(8,419)	35,668	(4,435)	22,814
Profit before taxation					22,814
Taxation					(8,523)
Profit for the year after taxation					31,337
Segment assets		2,804,272	1,659,730	394,440	4,858,442
Unallocated assets					439,593
					5,298,035
Segment liabilities		428,384	-	105,513	533,897
Unallocated liabilities					4,149,143
					4,683,040
Segment capital expenditure - intangible		-	-	30,000	30,000
Unallocated capital expenditure - tangible					21,744
					21,744
Unallocated capital expenditure - intangible					1,588
Segmented depreciation and amortisation	50.1	4,603	3,991	4,523	13,117

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

## 51 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

- i) Classification and valuations of investments (notes 2.3 and 10)
- ii) Income taxes (notes 2.10, 23 and 39)
- iii) Employee benefits (notes 2.16.2 and 36)

## 52 NUMBER OF EMPLOYEES

The total number of employees at the year-end was 111 (2006: 140).

## 53 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. 556,265 (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 described in note 2.4 to the financial statements.

#### **54 DATE OF AUTHORISATION FOR ISSUE**

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

#### **55 GENERAL**

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

**SYED BABAR ALI**  
Chairman

**SAMIR AHMED**  
Managing Director & Chief Executive