Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

1 THE GROUP AND ITS OPERATIONS

The Group consists of :

Holding company
- IGI Investment Bank Limited ("IGI BANK")

Subsidiary companies	**Percentage holding**
• IGI Finex Securities Limited ("IGI FINEX")	100%
• IGI Funds Limited ("IGI FUNDS")	86.34%

IGI Investment Bank Limited

IGI Investment Bank Limited is a public limited company incorporated in Pakistan on February 7, 1990 under the Companies Ordinance, 1984. IGI BANK is licensed to carry out investment finance activities and leasing operations as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations). IGI BANK's shares are quoted on the Karachi and Lahore Stock Exchanges. The registered office of IGI BANK is situated at 5 F.C.C., Syed Maratib Ali Road, Gulberg, Lahore. The principal place of the business is situated at 7th Floor, the Forum, Suite No. 701 to 713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi.

Based on the financial results for the year ended June 30, 2007, the Pakistan Credit Rating Agency (PACRA) maintained the long-term credit rating of IGI BANK at 'A' and the short-term rating at 'A1'.

IGI Finex Securities Limited

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

IGI Funds Limited

IGI Funds was incorporated in Pakistan on January 18, 2007 under the Companies Ordinance, 1984. IGI Funds is licensed to carry out Asset Management Services and Investment Advisory Services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The principal activities of IGI Funds are floating and managing mutual funds and investment advisory services. The registered office of IGI Funds is situated at 5 F.C.C Ground Floor, Syed Maratib Ali Road, Gulberg, Lahore.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

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

b) Subsidiaries are entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the audited financial statements for the year ended June 30, 2008 and the carrying value of investments held by IGI BANK is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statements. Intra-Group balances and transactions have been eliminated.

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

2.2 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or the directives issued by SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance,1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

The SECP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' through Circular No. 19 dated August 13, 2003 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.

The SECP has also deferred the application of Regulation 23 of the NBFC Regulations in respect of the classification and determination of provisioning requirement for non-performing assets (including disbursements against loans and advances and lease finance) through its circular No. 17 dated December 18, 2007. The classifications and provisioning requirements against non-performing assets have been determined in accordance with the regulation 7 of the Prudential Regulations applicable on NBFCs operating in Pakistan.

2.3 Accounting Convention

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

2.4 Standards, interpretations and amendments to published approved accounting standards effective in 2007

Amendments to International Accounting Standard (IAS) 1 - 'Presentation of financial statements - Capital Disclosures', introduces certain new disclosures about the level of the Group's capital and how the Group manages its capital. Adoption of this amendment has only resulted in additional disclosures which have been set out in note 51 to these financial statements.

Other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2007 and are not considered relevant or do not have any significant effect on the Group's operations, are not detailed in these financial statements.

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

The following standards, amendments and interpretations of approved accounting standards, are effective for accounting periods beginning from the dates specified below are either not relevant to the Group's operations or are not expected to have a significant impact on the consolidated financial statements other than increased disclosures in certain cases:

IAS 1 - Presentation of Financial Statements - (Revised September 2007)	effective from the period beginning on or after January 1, 2009
IAS 23 - Borrowing Costs (Revised March 2007)	effective from the period beginning on or after January 1, 2009
IAS 27 (Revised) - Consolidation and Separate Financial Statements	effective from the period beginning on or after July 1, 2009
IFRS 3 (Revised) - Business Combinations	effective from the period beginning on or after July 1, 2009
IFRS 7 - Financial Instruments: Disclosures	effective from the period beginning on or after April 28, 2008
IFRS 8 - Operating Segments	effective from the period beginning on or after January 1, 2009
IFRIC 12 - Services Concession Arrangements	effective from the period beginning on or after January 1, 2008
IFRIC 13 - Customer Loyalty Programme	effective from the period beginning on or after January 1, 2008
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	effective from the period beginning on or after January 1, 2008
IFRIC 15 - Agreements for the Construction of Real Estate	effective from the period beginning on or after January 1, 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	effective from the period beginning on or after October 1, 2008

2.6 Critical Accounting Estimates and Judgements

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

i) Provision for taxation (note 2.16)

ii) Classification and valuation of investments (note 2.8)

iii) Employee benefits (note 2.22.2)

2.7 Fixed assets

Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for capital work-in-progress which is stated at cost less accumulated impairment losses, (if any).

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

Depreciation on property and equipment is charged to income 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 any. The residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

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

Gains or losses on disposal of property and equipment, 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.

Assets acquired on finance lease

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

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

Intangible

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

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

Goodwill

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

2.8 Investments

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

(a) Held for trading

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

(b) Available for sale

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

(c) Held-to-maturity

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

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

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

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

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

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

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

2.9 Trade date accounting

All purchases and sales of investments that require delivery within the time frame established by the regulations or market conventions are recognized on the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

2.10 Derivative instruments

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

2.11 Securities repurchase / resale agreements

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

a) Sale of securities under repurchase obligations

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

b) Purchase of securities under resale obligations

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

2.12 Continuous Funding System (CFS) Transactions

Receivable against CFS transactions are recorded at the fair value of the consideration given. The CFS transactions are accounted for on the settlement date. The difference between the purchase and sale price is treated as income from CFS transactions in the profit and loss account and is recognised over the term of the respective transaction.

2.13 Finances

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

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2008

2.14 Net investment in lease finance

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

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

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

The Group also maintains general provisions at an amount equivalent to 1.5% of the secured consumer portfolio and an amount equivalent to 5% of the unsecured consumer portfolio, to protect them from the risks associated with the economic cyclical nature of the business in accordance with the requirements of SECP circulars No. 1 dated January 9, 2007. In addition to the general reserve specified by the SECP, the Group also maintains a general provision to provide for potential lease losses on the Group's loans / lease portfolio which have not been specifically identified. This provision is calculated based on management's best estimate.

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

2.16 Taxation

Current

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

Deferred

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

2.17 Assets acquired in satisfaction of claims

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

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2008

2.18 Cash and cash equivalents

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

2.19 Impairment

The carrying amount of assets is reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. If such indication exists , and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account.

2.20 Provisions

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

2.21 Long term financing - term finance certificates (TFCs)

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

2.22 Employee retirement benefits

2.22.1 Defined contribution plan

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

IGI Finex Securities Limited operates a recognised provident fund scheme for all its employees. Equal monthly contributions are made, both by IGI Finex and the employees, to the fund at the rate of 8.33% of basic salary of the employees. With effect form November 1, 2007 the contribution rate has been increased to 10% of basic salary of the employees.

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

2.22.2 Defined benefit plan

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

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

2.23 Employees' compensated absences

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

2.24 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.

2.25 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 the Group's right to receive the dividend is established.
- Commission income and fees are taken to the profit and loss account when the services are provided.
- Premium or discount on acquisition of debt investments is capitalised and amortised through the profit and loss account over the remaining period till maturity.
- Remuneration for investment advisory and asset management services are recognised on an accrual basis.
- Return on bank deposits are recognised on an accrual basis.
- Brokerage income is recognised as and when such services are rendered.
- Other income is recognised as and when earned.

2.26 Borrowing cost

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

2.27 Functional and presentation currency

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

2.28 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.

2.29 Segment reporting

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

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

2.30 Financial instruments

2.30.1 Financial asset and financial liability

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

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

2.30.2 Offsetting of financial assets and financial liabilities

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

3 FIXED ASSETS

	Note	2008	2007
		(Rupees in thousand)	
Property and equipment	3.1	177,120	132,889
Capital work-in-progress	3.2	9,373	9,332
Intangible assets	3.3	171,696	177,618
		358,189	319,839

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

3.1 Property and equipment

	Owned assets: Lease hold premises	Owned assets: Lease hold improvements	Owned assets: Office equipment	Owned assets: Computer equipment	Owned assets: Furniture, fixture and fittings	Owned assets: Motor vehicles	Leased assets: Motor vehicles	Total
2008								
	(Rupees in thousand)							
As at July 1, 2007								
Cost	8,939	19,212	21,423	38,889	23,596	58,364	4,915	175,338
Accumulated depreciation	(880)	(3,250)	(7,792)	(14,364)	(4,502)	(10,950)	(711)	(42,449)
Net book value	8,059	15,962	13,631	24,525	19,094	47,414	4,204	132,889
Additions (at cost)	–	24,334	14,462	12,983	9,612	25,724	2,497	89,612
Disposals / write-offs								
Cost	–	(220)	(246)	(652)	(554)	(6,744)	(4,915)	(13,331)
Accumulated depreciation	–	220	79	549	554	2,609	874	4,885
	–	–	(167)	(103)	–	(4,135)	(4,041)	(8,446)
Depreciation charge for the year	(621)	(5,599)	(4,421)	(10,356)	(3,160)	(12,344)	(434)	(36,935)
Closing net book value	7,438	34,697	23,505	27,049	25,546	56,659	2,226	177,120
As at June 30, 2008								
Cost	8,939	43,326	35,639	51,220	32,654	77,344	2,497	251,619
Accumulated depreciation	(1,501)	(8,629)	(12,134)	(24,171)	(7,108)	(20,685)	(271)	(74,499)
Net book value	7,438	34,697	23,505	27,049	25,546	56,659	2,226	177,120
Depreciation rate % per annum	5	10-20	10-20	20-33.33	10-20	20	20	
2007								
As at July 1, 2006								
Cost	8,939	5,794	11,313	21,493	8,141	31,785	–	87,465
Accumulated depreciation	(259)	(1,630)	(5,464)	(8,085)	(3,251)	(9,194)	–	(27,883)
Net book value	8,680	4,164	5,849	13,408	4,890	22,591	–	59,582
Additions (at cost)	–	13,418	10,247	17,396	15,455	42,853	4,915	104,284
Disposals / write-offs								
Cost	–	–	(137)	–	–	(16,274)	–	(16,411)
Accumulated depreciation	–	–	106	–	–	7,760	–	7,866
	–	–	(31)	–	–	(8,514)	–	(8,545)
Depreciation charge for the year	(621)	(1,620)	(2,434)	(6,279)	(1,251)	(9,516)	(711)	(22,432)
Closing net book value	8,059	15,962	13,631	24,525	19,094	47,414	4,204	132,889
As at June 30, 2007								
Cost	8,939	19,212	21,423	38,889	23,596	58,364	4,915	175,338
Accumulated depreciation	(880)	(3,250)	(7,792)	(14,364)	(4,502)	(10,950)	(711)	(42,449)
Net book value	8,059	15,962	13,631	24,525	19,094	47,414	4,204	132,889
Depreciation rate % per annum	5	10-20	10-20	20-33.33	10-20	20	20	

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2008

3.1.1 Cost and accumulated depreciation at the end of the year include Rs. 23,399 thousand (2007: Rs. 11,203 thousand) in respect of fully depreciated assets still in use.

3.2 Capital work-in-progress

	Note	2008	2007
		(Rupees in thousand)	
Civil works		6,777	5,505
Advance for purchase of computer software		–	1,575
Advance for purchase of vehicles		2,596	2,252
		9,373	9,332

3.3 Intangible assets

Description	Goodwill	Membership card and room (note 3.3.1)	Non-competition agreement (note 3.3.2)	Computer softwares	Total
	2008				
	(Rupees in thousand)				
As at July 1, 2007					
Cost	26,407	126,000	30,000	15,111	197,518
Accumulated amortisation	–	–	(14,167)	(5,733)	(19,900)
Net book value	26,407	126,000	15,833	9,378	177,618
Additions (at cost)	–	–	–	9,688	9,688
Disposals / write-offs					
Cost	–	–	–	(6)	(6)
Accumulated amortisation	–	–	–	6	6
	–	–	–	–	–
Amortisation charge for the year	–	–	(10,000)	(5,610)	(15,610)
Closing net book value	26,407	126,000	5,833	13,456	171,696
As at June 30, 2008					
Cost	26,407	126,000	30,000	24,793	207,200
Accumulated amortisation	–	–	(24,167)	(11,337)	(35,504)
Net book value	26,407	126,000	5,833	13,456	171,696
Amortisation rate % per annum	–	–	33.33	20 - 33.33	
	2007				
As at July 1, 2006					
Cost	26,407	126,000	30,000	8,098	190,505
Accumulated amortisation	–	–	(4,167)	(2,757)	(6,924)
Net book value	26,407	126,000	25,833	5,341	183,581
Additions (at cost)	–	–	–	7,013	7,013
Amortisation charge for the year	–	–	(10,000)	(2,976)	(12,976)
Closing net book value	26,407	126,000	15,833	9,378	177,618
As at June 30, 2007					
Cost	26,407	126,000	30,000	15,111	197,518
Accumulated amortisation	–	–	(14,167)	(5,733)	(19,900)
Net book value	26,407	126,000	15,833	9,378	177,618
Amortisation rate % per annum	–	–	33.33	20 - 33.33	

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

3.3.1 Membership cards and room comprises of:

	2008	2007
	(Rupees in thousand)	
Membership card and room of Karachi Stock Exchange (Guarantee) Limited	80,000	80,000
Membership card and room of Lahore Stock Exchange (Guarantee) Limited	21,000	21,000
Membership of National Commodity Exchange Limited	25,000	25,000
	126,000	126,000

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

3.3.3 Cost and accumulated amortisation as at the end of the year include Rs. 3,164 thousand (2007: Rs. 987 thousand) in respect of fully depreciated assets still in use.

3.4 Particulars of disposal of fixed assets

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

	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser
	(Rupees in thousand)						
Property and equipment							
Office equipment							
Mobile phone	10	1	9	9	–	As per policy	Adnan Asaf (Ex-executive) *
Mobile phone	5	–	5	5	–	As per policy	Danish Khan (Ex-employee)
Mobile phone	10	–	10	10	–	As per policy	Tahir Ali (Ex-employee)*
Mobile phone	5	1	4	4	–	As per policy	Mehmood Ahmed Abbasi - (Ex-employee)*
Mobile phone	15	3	12	7	(5)	As per policy	Syed Ali Adnan (Ex-executive) *
Mobile phone	10	2	8	8	–	As per policy	Syed Asrar Hussain (Ex-executive) *
Mobile phone	10	3	7	2	(5)	As per policy	Rehan Abid (Ex-executive) *
Phone system	112	–	112	112	–	Negotiation	IGI Insurance Limited *
	177	10	167	157	(10)		
Computer Equipment							
Laptop	70	27	43	43	–	As per policy	Tahir Ali - ex-employee*
Fax machine	11	2	9	10	1	Negotiation	Panasonic Office Product
	81	29	52	53	1		
Vehicles							
Honda City	835	281	554	586	32	Tender	Zahid Qadri
Suzuki Cultus	560	127	433	520	87	Insurance claim	IGI Insurance Limited *
Honda City	763	610	153	76	(77)	As per policy	Feroz Iqbal (Executive) *
Mitsubishi Lancer	1,099	190	909	1,018	109	As per policy	Syed Asrar Hussain (Ex-executive) *
Suzuki Cultus	600	136	464	465	1	Tender	Arshad Nazir
Honda City	795	533	262	490	228	Tender	Ameer Akbar Khan
Honda City	781	622	159	525	366	Tender	Naseer Ahmad Khalid
Suzuki Cultus	661	88	573	573	–	As per policy	Tahir Ali (Ex-employee)
Toyota Corolla	650	22	628	637	9	Negotiation	Zafar Ali Khan
	6,744	2,609	4,135	4,890	755		

* represent related parties

4 LONG-TERM LOANS - NET

	Note	2008	2007
		(Rupees in thousand)	
Secured - Due from others			
Executives - considered good	4.1 & 4.2	16,406	2,207
Employees - considered good	4.2	1,057	960
Companies, organisations and individuals	4.4 & 4.5	495,548	550,404
		513,011	553,571
Unsecured - Due from others			
Executives - considered good	4.1 & 4.6	1,033	258
Employees - considered good	4.6	192	–
Companies, organisations and individuals	4.4	47,327	62,059
		561,563	615,888
Less: provision for bad and doubtful loans	4.7	20,912	10,317
		540,651	605,571
Less: current maturity of long-term loans		209,393	137,945
		331,258	467,626

4.1 A reconciliation of the carrying amount of loans to the executives is as follows:

	2008			2007		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	(Rupees in thousand)					
As at July 1	2,207	258	2,465	1,760	–	1,760
Disbursements	15,087	1,200	16,287	742	–	742
Transfer from employee cadre to executives	–	–	–	308	308	616
Repayments	(888)	(425)	(1,313)	(603)	(50)	(653)
As at June 30	16,406	1,033	17,439	2,207	258	2,465

4.2 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 11.04% (2007: 2.5% to 10.09%) per annum and are repayable on monthly basis over varying period of upto 18 years. These loans are secured against mortgage of house properties and hypothecation of vehicles.

4.3 The maximum aggregate amount due from executive at the end of any month during the year was Rs. 18,021 thousand (2007: Rs. 2,615 thousand).

4.4 These loans carry mark-up at rates ranging from 10% to 20% (2007: 7.25% to 20%) per annum and are repayable over periods ranging from 1 year to 5 years from the date of disbursement. Repayment terms vary from monthly basis to repayments at maturity.

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

4.6 This represents personal and business loans given to employees and executives in accordance with the terms of their employment. These loans are unsecured, carry markup at the rate of 12% (2007: 11%) and are recovered through equal monthly deduction from salaries over varying periods upto a maximum period of 18 months.

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2008

4.7 Long-term loans include Rs. 68,633 thousand (2007: Rs. 42,504 thousand) relating to loans due from companies, organisations and individuals 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:

	2008			2007		
	Specific	General	Total	Specific	General	Total
	(Rupees in thousand)					
Opening balance	5,512	4,805	10,317	2,789	6,189	8,978
Charge for the year	10,692	8	10,700	3,536	537	4,073
Reversal during the year	(105)	–	(105)	(813)	(1,921)	(2,734)
Closing balance	16,099	4,813	20,912	5,512	4,805	10,317

5 NET INVESTMENT IN FINANCE LEASE

	Note	2008	2007
		(Rupees in thousand)	
Net investment in finance lease	5.1	2,511,140	2,193,395
Less: provision for lease losses		53,136	34,559
Less: current maturity of net investment in finance lease		990,043	749,134
		1,467,961	1,409,702

5.1 Particulars of net investment in finance lease

	2008				2007			
	Not later than one year	Later than one year but not later than five years	Later than five years	Total	Not later than one year	Later than one year but not later than five years	Later than five years	Total
	(Rupees in thousand)							
Lease rental receivable	1,110,193	1,180,843	–	2,291,036	919,224	1,089,410	–	2,008,634
Add: residual value of leased assets	156,309	420,393	–	576,702	85,497	435,565	–	521,062
Gross investment in finance lease - note 5.2 & 5.3	1,266,502	1,601,236	–	2,867,738	1,004,721	1,524,975	–	2,529,696
Less: unearned finance income	223,323	133,275	–	356,598	221,028	115,273	–	336,301
Net investment in finance lease - note 5.2 & 5.3	1,043,179	1,467,961	–	2,511,140	783,693	1,409,702	–	2,193,395

5.2 The Group has entered into various lease agreements for periods ranging from one to seven years (2007: three to seven years). Security deposits ranging from 0% to 79% (2007: 0% to 40%) are obtained at the time of disbursement of the lease amount. The rate of return implicit in the leases ranges from 7% to 23% (2007: 6.4% to 23.4%) per annum.

5.3 Gross investment in finance lease and net investment in finance lease include Rs. 1,833,522 thousand and Rs. 1,638,876 thousand (2007: Rs.1,195,334 thousand and Rs. 1,058,000 thousand) respectively in respect of leases which have been entered into at KIBOR plus margins, ranging from 7.5% to 21% (2007: 9.5% to 22.31%) per annum, with floor ranging from 4.5% to 15% (2007: 6.5% to 10%) per annum and ceilings ranging from 7.5% to 15% (2007: 7.5% to 12%) per annum. The mark-up rates on these leases are revised periodically (every three to six months) in line with the changes to the KIBOR rates.

5.4 Provisions for lease losses

	2008			2007		
	Specific	General	Total	Specific	General	Total
	(Rupees in thousand)					
Opening balance	9,428	25,131	34,559	6,838	19,487	26,325
Charge for the year	13,419	5,249	18,668	2,590	5,644	8,234
Reversal during the year	(91)	–	(91)	–	–	–
Closing balance	22,756	30,380	53,136	9,428	25,131	34,559

5.4.1 Net investment in finance lease include Rs. 140,256 thousand (2007: Rs. 168,370 thousand) which have been classified as non-performing as per the requirements of the Prudential Regulations issued by the Securities and Exchange Commission of Pakistan.

6 LONG-TERM DEPOSITS

	Note	2008	2007
		(Rupees in thousand)	
Security deposits		5,059	1,150
Deposits with/for:			
- Karachi Stock Exchange (Guarantee) Limited		1,000	1,200
- Lahore Stock Exchange (Guarantee) Limited		480	–
- National Commodity Exchange Limited	6.1	3,250	3,250
- Leasing companies against assets acquired on finance lease		249	489
- Office rent		500	–
- Club Membership	6.2	1,200	–
Others		1,859	217
		13,597	6,306

6.1 This includes an amount of Rs 2,500 (2007: Rs 2,500) in respect of an advance given to National Commodity Exchange Limited for acquiring office premises.

6.2 This represents Club membership fee paid for Chief Operating Officer of IGI Finex Securities Limited.

7 DEFERRED TAX ASSETS / (LIABILITIES) - NET

	Note	2008	2007
		(Rupees in thousand)	
Deferred tax assets arising in respect of			
- Provision for bad and doubtful loans / potential lease losses		–	15,707
- Carry forward of assessed income tax losses	7.1	373,197	195,597
- Deficit on revaluation of investments	21	2,770	207
- Provision for defined benefit obligation		283	112
- Others		341	185
		376,591	211,808
Deferred tax liabilities arising in respect of			
- Accelerated tax depreciation		(290,832)	(193,952)
- Transaction costs in respect of TFCs issued		(775)	(1,414)
	7.2	84,984	16,442

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2008

7.1 The Group has an aggregate amount of Rs. 1,068,382 thousand (2007: 558,850 thousand) in respect of unabsorbed tax losses as at June 30, 2008 on which the management has recognised deferred tax debit balance amounting Rs.373,197 thousand (2007: 195,597 thousand). This represents the management's best estimate of probable benefit expected to be realised in future years in the form of reduced tax liability as the Group would be able to set off the profit earned in these years against losses carried forward from prior years. The amount of this benefit has been determined based on the projected financial statements for the next 5 years.

7.2 Movement in deferred tax asset / (liability)

	Note	2008	2007
		(Rupees in thousand)	
Opening balance		16,442	(40,877)
Recognised during the year		65,979	57,271
		82,421	16,394
Deferred tax impact on surplus on revaluation of investments		2,563	48
		84,984	16,442

8 SHORT-TERM LOANS

Secured

	Note	2008	2007
Short-term loans - considered good	8.1	410,691	197,979

8.1 These loans carry interest at rates ranging from 11.56% to 18.43% (2007: 13.4% to 16.2%) per annum and are repayable over periods ranging from 2 months to 1 year (2007: 1 month 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.

9 LENDINGS - SECURED

	Note	2008	2007
		(Rupees in thousand)	
Repurchase agreements lendings (Reverse Repo)	9.1 & 9.2	1,025,513	–

9.1 This includes reverse repo entered into with Arif Ali Shah Bukhari, Director KASB Securities Limited against 11,000,000 shares of KASB Bank Limited, at a mark-up of 14.25%.

9.2 These carry mark-up at rates ranging from 10% to 20% (2007: Nil) per annum and are repayable by July 4, 2008. These lendings are secured against share market treasury bills and Pakistan Investment Bonds. Out of the total value of collaterals, market treasury bills having face value of Rs 400 million have further been given as collateral for obtaining borrowing from financial institutions.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

10 RECEIVABLE AGAINST CONTINUOUS FUNDING SYSTEM TRANSACTIONS

	Note	2008	2007
		(Rupees in thousand)	
Receivable against continuous funding system transactions	10.1	483,912	758,409

10.1 These carry yields ranging from 12.52% to 30.02% (2007: 11.28% to 19.78%) per annum. The market value of the securities held as collateral against these receivables amounted to Rs. 463,152 thousand (2007: Rs. 769,213 thousand).

11 SHORT-TERM INVESTMENTS

11.1 Particulars of investments by category

	2008			2007		
	Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
	(Rupees in thousand)					
Held to maturity						
Commercial papers - 11.2.2	172,243	–	172,243	–	–	–
Fund placements	100,000	–	100,000	240,000	–	240,000
Term deposit receipts	350,000	–	350,000	100,000	–	100,000
	622,243	–	622,243	340,000	–	340,000
Held for trading						
Federal investment bonds	–	–	–	2,103	–	2,103
Pakistan investment bonds	41,579	–	41,579	1,392	–	1,392
Market treasury bills	–	430,741	430,741	197,759	–	197,759
Listed term finance certificates	2,309	–	2,309	–	–	–
Units of open end mutual funds	159,748	–	159,748	17,910	–	17,910
	203,636	430,741	634,377	219,164	–	219,164
Available-for-sale						
Listed term finance certificates	148,603	–	148,603	152,579	–	152,579
Unlisted term finance certificates	260,509	–	260,509	59,995	–	59,995
Pre-IPO investment in term finance certificates	–	–	–	50,000	–	50,000
Units of open end mutual funds	9,710	–	9,710	514,163	–	514,163
Pre-IPO investment in open end mutual fund	100,000	–	100,000	–	–	–
Listed shares / certificates	468,012	–	468,012	166,071	–	166,071
Pre-IPO investment in unlisted shares	40,000	–	40,000	–	–	–
Unlisted shares / certificates	62,782	–	62,782	62,782	–	62,782
	1,089,616	–	1,089,616	1,005,590	–	1,005,590
	1,915,495	430,741	2,346,236	1,564,754	–	1,564,754

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2008

11.2 Particulars of investments by type

	Note	2008	2007
		(Rupees in thousand)	
Investments in:			
- Commercial papers	11.2.1 & 11.2.2	172,243	–
- Fund placements	11.2.1	100,000	240,000
- Term deposit receipts	11.2.1	350,000	100,000
- Government securities	11.2.3	472,320	201,254
- Listed term finance certificates	11.2.4	150,912	152,579
- Unlisted term finance certificates	11.2.4	260,509	59,995
- Pre-IPO investment in term finance certificates	11.2.4	–	50,000
- Mutual fund units (open ended)	11.2.6	169,458	532,073
- Pre-IPO investment in open end mutual funds	11.2.7	100,000	–
- Listed shares / certificates	11.2.8	468,012	166,071
- Pre-IPO investment in unlisted shares	11.2.9	40,000	–
- Unlisted shares / certificates	11.2.10	62,782	62,782
		2,346,236	1,564,754

11.2.1 These carry rate of return ranging from 10.56% to 19% (2007: 10.25% to 10.8%) per annum and are maturing on various dates by October 23, 2008.

11.2.2 This includes commercial paper amounting to Rs 72,628 thousand which was purchased from IGI Insurance Limited (a related party).

11.2.3 Significant particulars relating to government securities are as follows:

Particulars	2008 Maturity date	2008 Face Value Rupees in thousand	2008 Coupon rate	2007 Maturity date	2007 Face Value Rupees in thousand	2007 Coupon rate
Federal investment bonds	–	–	–	12-Jan-2008	2,200	15% per annum paid semi-annually
Market treasury bills	26-Feb-2009	50,000	10.0%	16-Aug-2007	200,000	8.79%
	9-Oct-2008	100,000	9.0%			
	12-Mar-2009	100,000	10.0%			
	25-Sep-2008	200,000	9.5%			
Pakistan investment bonds	18-Jun-2012	100	11.0%	18-Jun-2012	1,400	11% per annum paid semi-annually
	18-Jun-2012	1,300	11.0%			
	22-Aug-2017	50,000	9.6%			

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

11.2.4 Particulars of TFCs: *

Number of certificates 2008	Number of certificates 2007	Particulars	2008 Amortised cost	2008 Market value	2007 Amortised cost	2007 Market value
			(Rupees in thousand)			
		HELD FOR TRADING				
457	–	Engro Chemical Pakistan Limited	2,285	2,309	–	–
		AVAILABLE FOR SALE				
		Listed TFCs				
		Commercial banks				
–	2,000	Standard Chartered Bank (Pakistan) Limited I	–	–	6,765	5,707
4,587	4,587	Standard Chartered Bank (Pakistan) Limited II	22,898	22,898	22,907	21,981
–	2,000	Standard Chartered Bank (Pakistan) Limited III	–	–	9,996	10,296
6,352	6,352	United Bank Limited II	31,756	31,756	31,757	30,487
		Leasing				
190	190	Al-Zamin Leasing Modaraba	646	646	950	893
		Refinery				
–	1,448	Chanda Oil & Gas Securitization Company Limited	–	–	5,749	5,907
–	5,913	Naimat Basal Oil & Gas Securitization Company Limited	–	–	18,057	18,463
		Miscellaneous				
5,903	5,903	Searle Pakistan Limited	22,127	22,127	29,503	29,503
897	897	Pakistan Services Limited	640	666	1,921	1,950
8,715	8,715	TeleCard Limited	29,936	28,290	31,754	26,991
5,000	–	Jahangir Siddiqui and Company Limited	24,985	24,985	–	–
3,447	–	Pak Arab Fertilizer (Private) Limited	17,235	17,235	–	–
–	2,000	WorldCall Telecom Limited	–	–	1,350	401
			150,223	148,603	160,709	152,579
		Unlisted TFCs				
–	5,000	Jahangir Siddiqui and Company Limited	–	–	24,995	–
–	5,000	Three Stars (Pvt.) Limited	–	–	25,000	–
–	2,000	Security Leasing Corporation Limited	–	–	10,000	–
10,000	–	New Allied Electronics Industries (Private) Limited	50,000	50,335	–	–
16,000	–	Engro Chemical Pakistan Limited	80,000	80,000	–	–
10,000	–	Eden Housing Limited	50,000	50,000	–	–
6,000	–	Maple Leaf Cement Factory Limited	30,000	30,174	–	–
10,000	–	Al-Zamin Leasing Modaraba	50,000	50,000	–	–
			260,000	260,509	59,995	–

Number of certificates 2008	Number of certificates 2007	Particulars	2008 (Rupees in thousand) Amortised cost	2007 (Rupees in thousand) Amortised cost
		Pre-IPO investments in TFCs		
-	5,000	Pak Electron	–	25,000
-	5,000	Shahmurad Sugar Mills Limited	–	25,000
			–	50,000

* Secured, unless specified otherwise.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

11.2.5 Other particulars of TFCs are as follows:

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Redemption
Engro Chemical Pakistan Limited	5,000	Six months Karachi Inter-Bank Offer Rate (KIBOR) plus 1.55% p.a. without any floor and cap.	Semi-annually	Principal redemption will take place in sixteen equal semi annual installments and commence from the 30th May, 2008
Standard Chartered Bank (Pakistan) Limited (II)	5,000	Floor 5%, cap 10.75%, cut off yield of 5-years PIB + 0.75%.	Semi-annually	Redemption will commence from the 54th month of the issue date.
United Bank Limited (II)	5,000	1.35% p.a. + Trading yield 8 year PIBs.	Semi-annually	Bullet redemption at the end of 8th year.
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.
Searle Pakistan Limited	5,000	Average ask rate of six months KIBOR + 2.5%.	Semi-annually	0.04% of the principal will be redeemed within 12 months. The remaining principal amount will be redeemed in 8 equal semi-annual installments of 12.495 % of the outstanding amount.
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 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 com mencing from 18 months from the issue date.
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
Pak Arab Fertilizers (Private) Limited	5,000	Average ask rate of six months KIBOR + 1.5%.	Semi-annually	Principal redemption will be as follows: a) 30th month 300 of the principal b) 36 - 42nd month 1,000 of the principal c) 48th month 1,000 of the principal d) 54th month 1,200 of the principal e) 60th month 1,500 of the principal
New Allied Electronics Industries (Private) Limited	5,000	Average ask rate of three months KIBOR 2.2% (Floor 7% and ceiling 20%).	Semi-annually	Principal redemption will take place in six equal semi annual installments. This will commence from the 30th month of the date of public subscription after a grace period of 24 months.
Engro Chemical Pakistan Limited	5,000	Six months KIBOR + 1.7%	Semi-annually	The TFCs are prepetual in nature with a five year call and ten year put option.
Eden Housing Limited	5,000	Average ask rate of six months KIBOR + 2.5% (Floor 7% and ceiling 20%).	Semi-annually	Principal redemption will take place in eight equal semi annual installments. This will commence from the 18th month of the date of public subscription after a grace period of 12 months.
Maple Leaf Cement Factory Limited	5,000	Average ask rate of six months KIBOR + 1.7%.	Semi-annually	Principal redemption will be as follows: a) 6-24th month 0 of the principal b) 30-48th month 2,000 of the principal c) 54-72nd month 3,000 of the principal
Al-Zamin Leasing Modaraba (II)	5,000	Average ask rate of six months KIBOR + 1.9% (with no floor and cap)	Semi-annually	Principal redemption will be as follows: a) 36th month 1,600 of the principal b) 48th month1,700 of the principal c) 60th month 1,700 of the principal

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

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

No. of units 2008	No. of units 2007	Particulars	2008 Average cost	2008 Market value	2007 Average cost	2007 Market value
			(Rupees in thousand)			
		Held for trading				
–	100,000	Alfalah GHP Fund Income Fund (Face value Rs. 50 each)	–	–	5,000	5,019
–	18,612	KASB Liquid Fund (Face value Rs. 100 each)	–	–	2,000	2,066
1,555,024	106,089	IGI Income Fund (a related party)	158,312	159,748	10,599	10,825
			158,312	159,748	17,599	17,910
		Available-for-sale				
14,704	–	IGI Income Fund *	1,500	1,511	–	–
–	200,000	Alfalah GHP Fund Income Fund (Face value Rs. 50 each)	–	–	10,000	10,033
–	900,131	AMZ Plus Income Fund (Face value Rs. 100 each)	–	–	100,000	100,919
–	901,347	Askari Income Fund (Face value Rs. 100 each)	–	–	100,000	100,617
–	406,771	Dawood Money Market Fund (Face value Rs. 100 each)	–	–	45,000	45,241
–	391,196	HBL Income Fund (Face value Rs. 100 each)	–	–	40,000	40,168
–	918,127	KASB Liquid Fund (Face value Rs. 100 each)	–	–	100,885	101,885
–	4,098,958	NAFA Cash Fund (Face value Rs. 10 each)	–	–	45,000	45,355
156,617	156,617	National Investment Trust	10,000	8,199	10,000	9,655
–	547,097	United Money Market Fund (Face value Rs. 100 each)	–	–	60,000	60,290
			11,500	9,710	510,885	514,163
			169,812	169,458	528,484	532,073

11.2.7 Particulars of Pre-IPO investment in open end mutual funds

No. of units 2008	No. of units 2007		Cost 2008	Cost 2007
			(Rupees in thousand)	
10,000	–	IGI Stock Fund *	100,000	–

*This represents investments made in collective investment schemes managed by IGI Funds Limited. The matter relating to the classification and recognition of these investments has been referred by the various fund managers to the Professional Standard and Technical Advisory Committee and Joint Committee of the Institute of Chartered Accountants of Pakistan (ICAP) and Mutual Funds Association of Pakistan (MUFAP). Pending outcome of the matter referred as above, the investments of the Group in the collective investment schemes have been classified as held for trading and available for sale in these financial statements.

11.2.8 Particulars of listed shares / certificates

No. of ordinary shares / certificates of Rs. 10/- each 2008	2007	Particulars	2008 Average cost	2008 Market value	2007 Average cost	2007 Market value
			(Rupees in thousand)			
		Mutual fund (closed ended)				
775,500	950,000	Atlas Fund of Funds	7,384	6,910	9,048	8,740
3,634,559	4,215,559	First Dawood Mutual Fund	30,561	25,951	35,447	37,940
155,500	–	Golden Arrow - GASF	1,087	1,045	–	–
245,000	–	JS Value Fund - JSVFL	5,526	4,736	–	–
421,000	999,500	Meezan Balance Fund	4,210	4,021	9,995	10,245
197,000	–	Pak Premier Fund - PPFL	2,493	2,634	–	–
500,000	500,000	PICIC Investment Fund	9,311	5,940	9,311	7,625
3,418,265	3,403,765	Safeway Mutual Fund	42,003	44,437	41,866	40,845
158,500	–	PICIC Growth Fund - PGF	4,489	3,768	–	–
49,500	–	UTP Large Capital Fund - UTPLCF	437	446	–	–
500,226	–	JS Growth Fund - JSGF	9,116	6,088	–	–
–	404,850	AKD Index Tracker Fund	–	–	4,051	5,547
–	500,226	UTP Growth Fund	–	–	9,116	7,003
		Leasing				
128,200	78,200	ORIX Leasing Pakistan Limited	4,292	3,204	2,715	2,326
		Investment Banks / Companies / Securities				
15,000	500	Arif Habib Securities Limited	2,938	2,422	48	59
48,600	–	First Capital Securities Corporation Limited	4,069	2,877	–	–
300,000	–	Jahangir Siddiqui & Company Limited	131,257	159,047	–	–
		Commercial banks				
15,000	–	MCB Bank Limited	5,716	4,896	–	–
10,000	–	NIB Bank Limited	120	114	–	–
39,000	–	National Bank Limited	9,225	5,753	–	–
–	950	Bank Alfalah Limited	–	–	49	62
		Balance c/f	**274,234**	**284,289**	**121,646**	**120,392**

No. of ordinary shares / certificates of Rs. 10/- each 2008	2007	Particulars	2008 Average cost	2008 Market value	2007 Average cost	2007 Market value
			(Rupees in thousand)			
		Balance b/f	**274,234**	**284,289**	**121,646**	**120,392**
		Textile spinning				
–	1,200,326	Dewan Farooque Spinning Mills Limited	–	–	12,003	10,743
1,758,280	1,758,280	Hira Textile Mills Limited	21,979	11,165	21,979	17,583
		Textile composite				
221,551	221,551	Kohinoor Textile Mills Limited	10,887	3,073	10,887	5,926
2,000,000	–	Azgard Nine	107,569	123,120	–	–
		Textile weaving				
605,302	605,302	Zephyr Textiles Limited	5,732	2,960	5,732	4,963
		Cement				
5,000	–	Lucky Cement Limited	573	490	–	–
40,000	–	DG Khan Cement	4,383	2,686	–	–
		Refinery				
2,000	–	National Refinery Limited	596	595	–	–
–	43,975	Attock Refinery Limited	–	–	5,117	5,125
		Power generation and distribution				
50,000	1,500	Kot Addu Power Company Limited	2,494	2,350	85	90
		Oil and gas Marketing Companies				
17,000	–	Pakistan State Oil Company Limited	7,802	7,094	–	–
25,000	–	Sui Northern Gas Company Limited	1,206	1,089	–	–
		Oil and gas exploration				
600	2,200	Oil and Gas Development Company Limited	76	75	262	264
–	1,700	Pakistan Oilfield Limited	–	–	555	539
31,000	1,700	Pakistan Petroleum Limited	8,212	7,626	436	446
		Fertilizer				
10,000	–	Fauji Fertilizer Company Limited	1,400	1,323	–	–
1,000	–	Engro Chemical Pakistan Limited	175	126	–	–
50,000	–	Fauji Fertilizer Bin Qasim	1,885	1,799	–	–
		Jute				
45,100	–	Thall Limited	11,481	8,841	–	–
		Automobile Assembler				
12,185	–	Indus Motor	3,924	2,438	–	–
		Technology and communication				
42,000	–	Pakistan Telecommunication	2,020	1,623	–	–
		Synthetic and Rayon				
100,000	–	Ibrahim Fibres	5,809	5,250	–	–
			472,437	468,012	178,702	166,071

11.2.9 Pre-IPO investment in unlisted shares

No. of ordinary shares / certificates of Rs. 10/- each 2008	2007	Particulars	Cost 2008	Cost 2007
			(Rupees in thousand)	
4,000,000	–	Descon Oxychem	40,000	–

11.2.10 Unlisted shares / certificates

No. of ordinary shares / certificates of Rs. 10/- each 2008	2007	Particulars	Cost 2008	Cost 2007
			(Rupees in thousand)	
4,000,000	4,000,000	DHA Cogen Limited	40,000	40,000
518,918	216,216	System Limited	10,000	10,000
1,123,318	1,123,318	Techlogix Limited	12,782	12,782
			62,782	62,782

12 ADVANCES, DEPOSITS AND PREPAYMENTS

	Note	2008	2007
		(Rupees in thousand)	
Advance against leases	12.1	7,606	1,903
Exposure deposits with Karachi Stock Exchange (Guarantee) Limited	12.2	38,108	343,892
Exposure deposits with Lahore Stock Exchange (Guarantee) Limited	12.2	5,500	5,000
Advance to suppliers		2,418	17,288
Advance to employees		498	11
Prepaid expenses	12.3	17,672	12,191
Receivable from NCCPL / CDC		1,540	1,400
Margin deposit with National Commodity Exchange Limited		1,100	1,540
Others		420	423
		74,862	383,648

12.1 These represent advances paid to suppliers against assets to be leased out. Mark-up is recovered from the customers at rates ranging from 17.16% to 19.69% (2007: 14.95% to 15.41%).

12.2 These represent the deposit held at the year end against exposures arising out of trading in securities in accordance with the regulations of the Karachi Stock Exchange (Guarantee) Limited and the Lahore Stock Exchange (Guarantee) Limited. Interest is earned on the deposits at rates as decided by the Exchanges.

12.3 This includes Rs. 5,193 thousand (2007: Rs. 7,446 thousand) in respect of advance rent of premises utilised by the Group.

13 INTEREST, MARK-UP AND PROFIT ACCRUED

	Note	2008	2007
		(Rupees in thousand)	
Investments			
- government securities		1,720	160
- term finance certificates		11,966	6,709
- term deposit receipts		4,545	114
- fund placements		1,301	256
		19,532	7,239
Finances		32,428	68,111
Lendings and continuous funding system transactions		8,926	3,270
Deposits with banks		4,465	6,641
		65,351	85,261

14 TRADE DEBTS

	Note	2008	2007
Secured - considered good			
Against purchase of shares on behalf of clients / clearing balances with National Clearing Company of Pakistan Limited	14.1	1,431,356	640,158
Receivable from Karachi Stock Exchange (Guarantee) Limited against provisional listing and arbitrage transaction		6,038	–
Unsecured - considered good			
Commission receivable		1,519	1,813
		1,438,913	641,971

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

14.1 This includes an amount of Rs. 15,034 thousand (2007: Rs 97,257 thousand) receivable from National Clearing Company of Pakistan Limited in respect of trading in securities which was settled subsequent to the year end.

15 RECEIVABLE AGAINST SALE OF SECURITIES

	Note	2008	2007
		(Rupees in thousand)	
Secured - Considered good		778,234	–

16 OTHER RECEIVABLES

	Note	2008	2007
Secured - considered good			
Assets repossessed in respect of terminated lease contracts		5,559	12,272
Unsecured - considered good			
Dividend receivable		356	100
Receivable against tender offer		–	6,240
Excise duty paid on behalf of customers		4,471	4,471
Due from related parties:			
Packages Limited		445	–
IGI Income Fund	16.1	3,304	6,388
IGI Stock Fund		257	–
IGI Insurance Limited		628	–
Staff Provident Fund of IGI BANK		3,554	–
Staff Gratuity Fund of IGI BANK		70	–
		8,258	6,388
Accrued commission / fee income	16.2	12,285	–
Others		5,858	14,777
Unsecured - considered doubtful			
Receivable from lessees in satisfaction of claims		10,418	6,539
		47,205	50,787
Less: provision for bad and doubtful receivables		(10,418)	(6,539)
		36,787	44,248

16.1 This represents remuneration for services rendered as a management company. The amount has been calculated by applying the management fee rate of 1.25% on the average annual net assets of the fund determined on a daily basis in accordance with the provisions of the Non- Banking Finance Companies (Establishment & Regulation) Rules, 2003 (the NBFC Rules) and the Non- Banking Finance Companies and Notified Entities Regulations, 2007.

16.2 This includes commission amounting to Rs. 614 thousand (2007: Nil) due from IGI Income Fund, a related party.

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2008

17 CASH AND BANK BALANCES

	Note	2008	2007
		(Rupees in thousand)	
In hand		81	51
In current accounts			
- State Bank of Pakistan		1,547	278
- Others			
local currency		84,052	14,506
foreign currencies		1,045	950
		85,097	15,456
Term deposit receipt- having original maturity upto three months	17.1	50,000	50,000
In saving accounts			
local currency		838,120	295,981
		974,845	361,766

17.1 This carries interest at the rate of 10% (2007: 9.75%) and is maturing on July 30, 2008. This TDR is pledged against the running finance facility availed by the Group as disclosed in note 27 to these financial statements.

18 SHARE CAPITAL

Authorised capital

2008	2007		2008	2007
(Number of Shares)			(Rupees in thousand)	
300,000,000	100,000,000	Ordinary shares of Rs 10 each	3,000,000	1,000,000

Issued, subscribed and paid-up capital

2008 Issued for cash	2008 Issued as bonus shares	2008 Total	2007 Issued for cash	2007 Issued as bonus shares	2007 Total		2008 (Rupees in thousand)	2007 (Rupees in thousand)
No. of shares								
71,109,250	–	71,109,250	25,000,000	–	25,000,000	Ordinary shares paid in cash	711,092	250,000
–	21,109,250	21,109,250	–	16,917,500	16,917,500	Ordinary shares issued as bonus shares	211,092	169,175
71,109,250	21,109,250	92,218,500	25,000,000	16,917,500	41,917,500		922,184	419,175
–	–	–	–	4,191,750	4,191,750	Bonus shares issued during the year	–	41,917
119,884,050	–	119,884,050	46,109,250	–	46,109,250	Right shares issued during the year	1,198,841	461,092
190,993,300	21,109,250	212,102,550	71,109,250	21,109,250	92,218,500		2,121,025	922,184

18.1 The following shares were held by the related parties of the Group as at June 30, 2008:

Name of related party	2008 Shares held (in million)	2008 Percentage	2007 Shares held (in million)	2007 Percentage
Packages Limited	4.611	2.175%	4.611	4.940%
IGI Insurance Limited	89.095	42.026%	32.942	35.295%
Directors, Chief Executive and their spouse and minor children	7.521	3.548%	4.999	5.356%
Executives	0.010	0.005%	0.010	0.600%

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2008

19 RESERVES

	Note	2008	2007
		(Rupees in thousand)	
Capital reserve			
Statutory reserve		97,098	97,098
Revenue reserves			
General reserve		39,733	55,408
Unappropriated loss		(95,011)	(36,439)
		41,820	116,067

20 MINORITY INTEREST

Share of minority in:			
Share capital		30,000	30,000
Unappropriated loss brought forward		(4,902)	–
Loss for the year		(14,071)	(4,902)
Transfer of resources to the minority interest consequent to deemed partial disposal of shareholding in IGI Funds Limited		(5,235)	(5,235)
Transfer of resources to the minority shareholders consequent to the right issue in IGI Funds Limited		17,592	–
		23,384	19,863

21 DEFICIT ON REVALUATION OF INVESTMENTS - NET

Net deficit on revaluation of:			
- government securities		(8,423)	(592)
- term finance certificates		(1,087)	(8,130)
- mutual funds units (open ended)		(354)	3,589
- quoted shares and certificates		(4,425)	(12,631)
- forward sale of quoted shares and certificates		(49,090)	–
	21.1	(63,379)	(17,764)
Related deferred tax asset - net	7	2,770	207
Minority interest thereon		378	106
		(60,231)	(17,451)

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

Opening balance- July 1		(17,764)	(30,458)
Surplus arising on revaluation of investments during the year		81,184	44,127
Transferred to the profit and loss account on disposal of investments		(126,799)	(31,433)
Closing balance- June 30		(63,379)	(17,764)

22 TERM FINANCE CERTIFICATES

Term finance certificates	22.1	437,325	499,961
Less: transaction costs	22.2	2,215	4,040
		435,110	495,921
Less: current maturity of term finance certificates and transaction costs		124,950	61,565
		310,160	434,356

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

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

23 LONG-TERM FINANCE

	Note	2008	2007
		(Rupees in thousand)	
Secured			
Local currency - banking companies	23.1	890,000	1,203,335
Less: current maturity of long-term finance		481,667	421,666
		408,333	781,669

23.1 This includes:

Lender	Amount (Rs in '000)	Date of disbursement	Date of maturity	Installments payable	Pricing structure	Security
MCB Bank Limited	300,000	4-May-07	4-May-10	4 equal semi-annual installments, commencing from 18 months from the date of disbursement.	A floating rate of 3 month KIBOR plus 1.35% payable quarterly.	The facility is secured by a first pari passu charge on all present and future assets and receivables of IGI BANK with a margin of 25%.
MCB Bank Limited	100,000	22-Jun-06	22-Jun-09	4 equal semi-annual installments, commencing from 18 months from the date of disbursement.	A floating rate of 6 months KIBOR plus 1.35% with no floor and or cap payable semi-annually.	The facility is secured by a first pari passu charge on all present and future assets and receivables of IGI BANK's with a margin of 25%.
Allied Bank Limited	40,000	28-Dec-05	28-Dec-08	5 equal semi-annual installments of Rs 40,000 commencing from 13 months from the date of disbursement.	A floating rate of 6 months KIBOR plus 1.35 % p.a. payable semi-annually in arrears.	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%.
Allied Bank Limited	250,000	30-Mar-07	30-Mar-10	4 equal semi-annual installments commencing from 18 months from the date of disbursement.	A floating rate of 6 months KIBOR plus 1.35 % p.a. with no floor or cap payable semi annually in arrears.	The facility is secured by a first pari passu charge on IGI BANK's movable assets and all receivables including leased assets and leased receivables with a margin of 25%.
United Bank Limited	200,000	28-Apr-08	28-Apr-11	6 equal semi-annual installments commencing 180 days from the date of disbursement.	A floating rate of 3 months KIBOR plus 1.30% p.a. with no floor or cap payable quarterly in arrears.	The facility is secured by a first pari passu charge on all present and future assets and receivables of IGI BANK's amounting to Rs 285.71 million with a margin of 30%.

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2008

24 LONG-TERM CERTIFICATES OF DEPOSITS

	Note	2008	2007
		(Rupees in thousand)	
Unsecured			
Local currency			
- Financial institutions		200,000	400,000
- Individuals		447,750	420,375
- Others		143,932	66,996
	24.1	791,682	887,371
Less: current maturity of long-term certificates of deposit		319,784	359,316
		471,898	528,055

24.1 These certificates of deposit have contractual maturities ranging from 1 to 5 years (2007: 1 to 5 years) from the contract date. Expected rates of return payable on these certificates of deposits are 6% to 13.50% (2007: 4.75% to 13%) per annum.

25 LONG-TERM DEPOSITS ON LEASE CONTRACTS

	Note	2008	2007
		(Rupees in thousand)	
Deposits on lease contracts	25.1	574,504	515,228
Less: current maturity of deposits on lease contracts		156,283	85,497
		418,221	429,731

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

26 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The Group has entered into various lease agreements with Faysal Bank Limited for leases of motor vehicles having term of 5 years. The liabilities are subject to finance charge at the rate of 15% (2007: 12.5%).

The cost of operating and maintaining the leased assets is borne by the Group. The amount of future payments for the finance lease and the period in which these payments will become due are as follows:

	2008		2007	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
	(Rupees in thousand)			
Not later than one year	639	359	1,188	757
Later than one year and not later than five years	2,379	1,917	4,154	3,517
Later than five years	–	–	–	–
	3,018	2,276	5,342	4,274
Less: finance charge not yet due	742	–	1,068	–
	2,276	2,276	4,274	4,274
Less: current maturity of liabilities against assets subject to finance lease	359	359	757	757
	1,917	1,917	3,517	3,517

27 SHORT-TERM FINANCE - SECURED

	Note	2008	2007
		(Rupees in thousand)	
Running finance utilised under mark-up arrangement	27.1	826,061	160,027

27.1 Partiulars of the facilities available to the group for short term finances are as follows:

Lender	Facility amount (Rs in '000)	Date of expiry	Pricing structure	Security
Allied Bank Limited	100,000	31-Oct-08	Mark-up at 1-month KIBOR rate plus 1.5% per annum.	1st pari passu charge on IGI BANK's movable assets including leased assets and lease receivables with a margin of 25%.
United Bank Limited	200,000	28-Feb-09	Mark-up at 1-month KIBOR rate plus 1.25% per annum.	First pari passu charge over present and future assets and receivables of IGI BANK with a margin of 25% amounting to Rs 200 million and incremental charge of Rs 67 million on all present and future assets and receivables of IGI BANK's with 25% charge registered with SECP.
Various banks	1,000,000	18-May-09	Mark-up at rates ranging from 1-3 months KIBOR plus 1-2%	Pledge of a term deposit receipt of Rs 50 million, listed shares held by the group and hypothecation of book debts.

28 SHORT-TERM CERTIFICATES OF DEPOSIT

	Note	2008	2007
		(Rupees in thousand)	
Unsecured			
Local currency			
- Financial institutions		1,740,000	1,350,000
- Individuals		343,987	296,416
- Others		599,490	193,743
	28.1 & 28.2	2,683,477	1,840,159

28.1 These includes certificates of deposit amounting to Rs 1,700 thousand (2007: NIL) issued to employees at mark-up rate of 9.25% (2007: NIL).

28.2 These certificates of deposits have contractual maturities ranging from 1 to 12 months (2007: 1 to 12 months) from the contract date. Expected rates of return payable on these certificates of deposits are 8.5% to 15.15% (2007: 8.75% to 11.65%) per annum.

29 BORROWINGS FROM FINANCIAL INSTITUTIONS

	Note	2008	2007
		(Rupees in thousand)	
Securities sold under repurchase agreement	29.1	819,109	–
Unsecured borrowings	29.2	740,000	465,000
		1,559,109	465,000

29.1 These carry mark-up at rates ranging from 9.62% to 11.00% (2007: Nil) per annum and are repayable on various dates by July 31, 2008.

29.2 These carry mark-up at rates ranging from 10.50% to 16.25% (2007: 8.80% to 9.75%) per annum and are repayable on various dates by November 6, 2008.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

30 INTEREST AND MARK-UP ACCRUED

	Note	2008	2007
		(Rupees in thousand)	
Interest and mark-up accrued on:			
- Long-term finance		17,411	11,939
- Short-term finance		6,466	577
- Borrowings from financial institutions		8,186	2,319
- Term finance certificates		25,217	30,178
- Certificates of deposit		114,434	58,450
		171,714	103,463

31 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2008	2007
Accrued expenses		27,546	11,854
Payable to customers on account of excess recoveries		3,028	3,028
Payable to customers in respect of brokerage business			
- Related parties		4,359	16,721
- Others		963,730	517,448
Discretionary client funds' payable	31.1	55,389	–
Distribution commission payable		6,052	2,896
Unclaimed dividends		316	347
Payable against services received		1,143	577
Payable to EOBI and provident fund		–	98
Payable against purchase of fixed assets		1,605	1,688
Payable to employee gratuity scheme of IGI Bank and IGI Finex Securities Limited	41.1.2	6,733	3,700
Payable to employee gratuity scheme of IGI Funds Limited		808	320
Advances from lessees		20,925	35,428
Advance insurance recoveries from customers		7,615	14,799
Creditors		–	2,440
Payable to IGI Insurance Limited		45,513	38,332
Fair value of derivative financial instruments		49,090	–
Others		19,913	10,764
		1,213,765	660,440

31.1 The IGI BANK has received an amount of Rs. 100 million from Packages Limited Management Staff Pension Fund and Packages Limited Management Staff Provident Fund under discretionary portfolio management services agreement dated January 1, 2008. Out of the total amount received, an amount of Rs. 55.389 million (including Rs. 1.102 million which represents profit realised during the period) remained uninvested as at June 30, 2008. The total cost and total market value of the invested portfolios as at June 30, 2008 amounting to Rs 45.713 million and Rs 39.407 million respectively (2007: Rs Nil and Rs Nil respectively). The IGI BANK is entitled to fee and proportionate amount of agreed profit for the management of the above discretionary client portfolio which is included in fee, commission and brokerage.

32 CONTINGENCIES AND COMMITMENTS

32.1 Taxation

(a) The provision for taxation has been computed by IGI BANK at the rate applicable to a public company. In the original assessments made by the Deputy Commissioner of Income Tax (DCIT), the rate for the assessment years 1991-1992 to 2000-2001 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.

(b) Income tax return for tax year 2003 was filed and deemed to be assessed under section 120 of the Income Tax Ordinance, 2001. However, by resorting to the powers given under section 177 of the Ordinance, the CIT had selected the aforementioned tax return for audit which was also confirmed by the Supreme Court in its decision dated March 1, 2006 under which the department was directed to issue fresh notices to IGI BANK in terms of Section 177 of the Ordinance disclosing criteria / reasons for selecting the above tax return for audit purposes. Pursuant to this order the department had selected Tax Year 2003 for audit and has consequently ammended the assessment for the said year by making certain additions on account of depreciation on leased assets, provision for finance losses and other miscellaneous expenses. The company had preferred an appeal before the CIT (A) to agitate against the additions. The appeal proceeding in this regard has been completed and the order is still awaited.

If the provision for taxation were to be made at the rate applicable to a banking company, taxation of dividend income as mentioned above and disallowance of expenses / add backs to income is decided against IGI BANK, the additional provision for all assessment years upto the tax year 2008 amounts to Rs 199 million (2007: 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.

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2008

		2008	2007
		(Rupees in thousand)	
32.2	Claims not acknowledged as debts	81,570	81,570
32.3	Commitments		
	- Underwriting commitments	–	75,000
	- Commitments in respect of capital expenditure	1,624	5,960
	- Commitments in respect of lease disbursements	307,408	–
	- Commitments in respect of forward sale of shares	283,109	–
	- Commitments in respect of continuous funding system transactions - receivable	142,010	188,485
	- Commitments in respect of continuous funding system transactions - payable	32,233	–

33 INCOME FROM INVESTMENTS - NET

	2008				2007			
	Held to maturity	Held for trading	Available for sale	Total	Held to maturity	Held for trading	Available for sale	Total
	(Rupees in thousand)							
Interest / mark-up / profit from:								
TDRs / Commercial Papers / fund placements	39,294	–	–	39,294	30,134	–	–	30,134
Government securities	–	14,971	–	14,971	–	225	8,686	8,911
TFCs	–	–	44,235	44,235	–	–	26,946	26,946
	39,294	14,971	44,235	98,500	30,134	225	35,632	65,991
Dividend income	–	–	21,168	21,168	–	–	7,817	7,817
Gain / (loss) on disposal of:								
TFCs	–	–	4,106	4,106	–	–	464	464
Mutual fund units (open-end)	–	–	49,651	49,651	–	453	16,933	17,386
Listed shares / certificates	–	–	73,042	73,042	–	8,120	5,463	13,583
	–	–	126,799	126,799	–	8,573	22,860	31,433
	39,294	14,971	192,202	246,467	30,134	8,798	66,309	105,241

34 INCOME FROM LOANS

	2008	2007
	(Rupees in thousand)	
Mark-up / interest on loans	118,229	116,406
Documentation charges and other loan related income	1,480	3,353
	119,709	119,759

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2008

35 INCOME FROM LEASE FINANCE

	Note	2008	2007
		(Rupees in thousand)	
Mark-up on lease finance		224,685	224,979
Front-end fees, documentation charges and other lease related income		6,711	5,569
		231,396	230,548

36 INCOME FROM LENDINGS AND CONTINUOUS FUNDING SYSTEM TRANSACTIONS

		2008	2007
Securities purchased under resale agreements		35,910	72
Income from continuous funding system transactions		137,223	109,533
		173,133	109,605

37 REMUNERATION FROM FUND UNDER MANAGEMENT

	Note	2008	2007
Open end fund			
IGI Income Fund (a related party)	37.1	38,577	3,770

37.1 Remuneration for services rendered as the management company has been calculated by applying the management fee rate of 1.25% on the average annual net assets of the fund determined on a daily basis in accordance with the provisions of the Non- Banking Finance Companies (Establishment & Regulation) Rules, 2003 (the NBFC Rules) and the Non- Banking Finance Companies and Notified Entities Regulations, 2007.

38 INCOME FROM FEES, COMMISSION AND BROKERAGE

	2008	2007
	(Rupees in thousand)	
Commitment and underwriting fee	1,020	2,568
Corporate finance and advisory fee	11,358	3,289
Commission	11,395	9,740
Brokerage income	142,293	85,290
Distribution and sales income	38,362	12,317
Others	–	1,685
	204,428	114,889

39 FINANCE COSTS

	2008	2007
Mark-up on term finance certificates	57,953	61,051
Mark-up on long-term borrowings	121,358	129,920
Mark-up on certificates of deposits	321,910	255,173
Mark-up on short-term finances	30,648	528
Mark-up on borrowings from financial institutions	68,595	36,293
Finance charge on leases	234	486
Bank charges	962	482
	601,660	483,933

40 ADMINISTRATION AND GENERAL EXPENSES

	Note	2008	2007
		(Rupees in thousand)	
Salaries, allowances and benefits		219,223	149,894
Honorarium to Chairman of IGI Funds Limited		600	212
Contribution to provident fund	41.3	5,593	5,625
Gratuity scheme expense			
- IGI BANK and IGI Finex Securities Limited	41.1.6	4,655	3,231
- IGI Funds Limited	41.2	488	320
Contribution to employees' old-age benefit institution		429	381
Depreciation on property and equipment	3.1	36,935	22,432
Amortisation on intangible assets	3.3	15,610	12,976
Rent, rates and taxes		38,766	23,905
Travelling and entertainment		18,009	9,768
Telephone, telex and fax		12,489	10,311
Printing, postage and stationery		10,225	7,975
Staff training and development		431	565
Insurance		3,004	3,145
Lighting, heating and cooling		11,132	6,776
Repairs and maintenance		7,060	4,892
Brokerage and commission		20,914	4,558
Legal and professional fees		11,857	12,788
Subscriptions		38,376	20,726
Computer expenses		11,886	4,897
Advertisement		48,625	20,306
Bad debts written off		961	520
Other expenses		6,440	7,058
		523,708	333,261

41 EMPLOYEE BENEFITS

41.1 Gratuity scheme

As mentioned in note 2.22.2, the Group operates two funded gratuity schemes and one unfunded gratuity scheme for all its permanent employees.

In respect of IGI Bank Limited and IGI Finex Securities Limited, annual provisions are based on the actuarial valuations and the latest valuations of the schemes were carried out as at June 30, 2008 using Projected Unit Credit Method. In IGI Funds Limited, annual provisions to cover the obligation are based on the management's best estimates.

41.1.1 Principal actuarial assumptions

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

	2008		2007	
	IGI BANK	IGI Finex Securities Limited	IGI BANK	IGI Finex Securities Limited
	Per annum			
Expected rate of increase in salary	11.09%	12.00%	8.89%	10.00%
Discount rate	13.25%	12.00%	11.00%	9.00%
Expected rate of return on plan assets	13.25%	10.00%	11.00%	10.00%

41.1.2 Amount recognised in the balance sheet

	Note	2008	2007
		(Rupees in thousand)	
Present value of defined benefit obligation	41.1.3	18,304	12,164
Fair value of plan assets	41.1.4	(11,112)	(8,377)
Unrecognised actuarial loss (net)		(459)	(24)
Past service cost		–	(63)
		6,733	3,700

41.1.3 Movement in the defined benefit obligation

	2008	2007
Present value of defined benefit obligation at the beginning of the year	12,164	9,686
Interest cost	1,296	940
Current service cost	4,203	3,222
Benefits paid	–	(1,515)
Settlement cost	–	(261)
Actuarial gain on obligation	641	529
Benefits payable to outgoing members	–	(437)
Present value of defined benefit obligation at the end of the year	18,304	12,164

41.1.4 Movement in the fair value of plan assets

	2008	2007
Fair value of plan asset at the beginning of the year	8,377	6,839
Expected return on plan assets	910	726
Contributions to the fund	1,622	2,823
Benefits paid	–	(1,515)
Actuarial gain / (loss) on plan assets	203	(59)
Benefits payable to outgoing members	–	(437)
Fair value of plan assets at the end of the year	11,112	8,377

41.1.5 Movement of liability

	Note	2008	2007
Balance at the beginning of the year		3,700	3,338
Expense for the year	41.1.6	4,655	3,231
Contributions during the year		(1,622)	(2,823)
Adjustment		–	(46)
Balance at the end of the year		6,733	3,700

41.1.6 Gratuity scheme expense recognised in the profit and loss account

	2008	2007
Current service cost	4,203	3,222
Interest cost	1,296	940
Expected return on plan assets	(910)	(726)
Net actuarial (gain) / loss recognised during the year	3	(241)
Past service cost	63	36
	4,655	3,231

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2008

41.1.7 Plan assets comprised of following:

	2008		2007	
	(Rupees in thousand)	Percentage composition	(Rupees in thousand)	Percentage composition
Mutual fund units / shares	5,024	45%	5,033	60%
Term finance certificates	232	2%	–	0%
Bank account and short term deposits	6,016	54%	5,356	64%
Benefits due	(160)	(1%)	(2,012)	(24%)
	11,112	100%	8,377	100%

41.1.8 5 years data in respect of (surplus) / deficit on the plan assets is as follows:

	2008	2007	2006	2005	2004
	(Rupees in thousand)				
Present value of defined benefit obligation	18,304	12,164	9,686	5,797	5,481
Fair value of plan assets	(11,112)	(8,377)	(6,839)	(3,542)	(3,149)
Deficit	7,192	3,787	2,847	2,255	2,332

41.1.9 5 years data in respect of experience adjustments is as follows:

	2008	2007	2006	2005	2004
	(Rupees in thousand)				
Experience adjustments on plan liabilities	307	(580)	(339)	(249)	(250)
Experience adjustments on plan assets	203	(59)	(281)	(73)	(74)

41.1.10 Actual return on plan assets during the year was Rs. 1,113 thousand (2007: Rs. 667 thousand).

41.1.11 Based on actuarial advice IGI BANK and IGI Finex Securities Limited intend to charge an amount of approximately Rs. 6,671 thousand in the financial statements for the year ending June 30, 2009.

41.1.12 The information provided in notes 42.1.1 to 42.1.11 has been obtained from the valuation carried out by an independent actuary as at June 30, 2008.

41.2 Defined benefit plan - IGI Funds Limited

An amount of Rs 488 thousand (2007: Rs 320 thousand) has been charged during the year in respect of defined gratuity scheme operated by IGI Funds Limited which is based on the management's best estimate.

41.3 Defined contribution plan

An amount of Rs. 5,593 thousand (2007: Rs. 5,625 thousand) has been charged during the year in respect of contributory provident fund maintained by the Group.

42 OTHER OPERATING INCOME

	Note	2008	2007
		(Rupees in thousand)	
Income from financial assets			
Income from deposits with banks		26,879	28,718
Interest on loan to employees		558	–
Liquidated damages		26,991	–
Others		158	–
		54,586	28,718
Income from non-financial assets			
Income from deemed partial disposal of shareholding in subsidiary		–	5,235
Income from advisory service		2,039	393
Gain on disposal of fixed assets		446	2,589
Other income		5,058	1,074
		62,129	38,009

43 OTHER OPERATING EXPENSES

	Note	2008	2007
Expense from deemed partial acquisiton of shareholding in subsidiary		17,592	–
Provision against other assets		3,879	1,470
Auditors' remuneration	43.1	1,452	1,058
Amortisation of transaction cost on TFCs		1,825	1,010
Donations	43.2	105	–
		24,853	3,538

43.1 Auditors' remuneration

	2008			
	IGI Bank	IGI Funds Limited	IGI Finex Securities Limited	Total
	(Rupees in thousand)			
Audit fee	500	150	150	800
Half yearly review fee	150	50	–	200
Special certification and other services	75	–	155	230
Out of pocket expenses	150	42	30	222
	875	242	335	1,452

	2007			
Audit fee	450	60	125	635
Half yearly review fee	100	–	–	100
Special certification and other services	100	25	50	175
Out of pocket expenses	120	3	25	148
	770	88	200	1,058

43.2 Donations were not made to any donee in which Group or a director or his spouse had any interest.

44 TAXATION

	Note	2008	2007
		(Rupees in thousand)	
Current			
- For the year		35,525	28,165
- For prior years		(457)	(3,211)
		35,068	24,954
Deferred			
- For the year		(66,150)	(57,271)
- For prior years		171	–
	7.2	(65,979)	(57,271)
		(30,911)	(32,317)

44.1 Relationship between tax expense and accounting loss

	2008	2007
Loss for the year before taxation	(103,554)	(108,484)
Tax at the applicable rate of 35% (2007: 35%)	(36,244)	(37,969)
Tax effect of income / expenses that are exempted / not allowed in determining taxable income	(8,554)	(7,224)
Tax effect of income taxed under Final Tax Regime	(9,591)	4,496
Prior years reversal	(457)	(3,211)
Tax effect of dividend income taxed at a lower rate	(12,962)	(10,043)
Minimum tax under section 113 of the Income Tax Ordinance, 2001	17,545	6,395
Other computational adjustments	19,352	15,239
Tax expense for the year	(30,911)	(32,317)

45 LOSS PER SHARE

	2008	2007 Restated
	(Rupees in thousand)	
Loss after taxation	(58,572)	(71,265)
	Number of shares	
Weighted average number of ordinary shares outstanding during the year	109,151,644	61,433,977
	(Rupees)	
Loss per share - basic	(0.54)	(1.16)

45.1 Diluted earnings per share has not been presented as the Group does not have any convertible instruments in issue as at June 30, 2007, and 2008 which would have any effect on the earnings per share if the option to convert is exercised.

46 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

46.1 IGI Investment Bank Limited

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

	Chief Executive		Executives		Director		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
	(Rupees in thousand)							
Short-term employee benefit (including bonus)								
Managerial remuneration (including bonus)	5,065	4,500	23,680	20,297	3,727	–	32,472	24,797
House rent	1,519	–	10,656	8,123	1,677	–	13,852	8,123
Utilities	405	417	2,368	1,805	373	–	3,146	2,222
Medical expenses	–	424	915	601	–	–	915	1,025
Conveyance	155	125	3,326	2,897	158	–	3,639	3,022
Others	495	381	2,329	1,983	516	–	3,340	2,364
Post employment benefits								
Retirement benefits	405	755	1,680	3,560	373	–	2,458	4,315
	8,044	6,602	44,954	39,266	6,824	–	59,822	45,868
Number of persons	**1**	**1**	**38**	**29**	**1**	**–**	**40**	**30**

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

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

46.4 Meeting fees of Rs 10,000 (2007: Nil) were paid to the directors for attending the board meetings.

Notes to and Forming Part of the Consolidated Financial Statements For the Year Ended June 30, 2008

46.5 IGI Finex Securities Limited

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

	Chief Executive		Executives		Director		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	(Rupees in thousand)							
Short-term employee benefit (including bonus)								
Managerial remuneration	2,917	2,389	13,975	4,543	796	487	17,688	7,419
Bonus	2,117	162	1,967	633	75	50	4,159	845
Reimbursements / other allowances	957	524	5,528	1,840	420	248	6,905	2,612
Retirement benefits	583	239	2,279	475	132	47	2,994	761
Housing	1,313	955	6,318	2,045	291	219	7,922	3,219
Utilities	292	271	1,398	454	65	44	1,755	769
Commission	–	–	2,819	549	–	260	2,819	809
	8,179	4,540	34,284	10,539	1,779	1,355	44,242	16,434
Number of persons	**1**	**1**	**27**	**11**	**2**	**1**	**30**	**13**

46.6 Managerial remuneration to directors includes an amount of Rs 150,000 in respect of consultancy fee paid to Mr Javed Masud, who is a non-executive director.

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

46.8 No meeting fees were paid to any of the Directors for attending the Board meetings (2007: Rs Nil).

46.9 IGI Funds Limited

The aggregate amounts charged in the financial statements for the year in respect of remuneration, including all benefits, to the Chief Executive and other executives of the company are as follows:

	Chief Executive		Executives		Director		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	(Rupees in thousand)							
Managerial remuneration	4,073	3,512	4,767	5,264	600	–	9,440	8,776
House rent allowance	1,834	1,580	2,145	2,369	–	–	3,979	3,949
Utility allowance	407	351	477	527	–	–	884	878
Medical	407	–	397	243	–	–	804	243
Bonus	968	–	1,274	556	–	–	2,242	556
Contributions to Provident Fund	407	338	462	224	–	–	869	562
Reimbursements	816	276	858	642	–	–	1,674	918
Leave Fare Assistance	–	–	–	537	–	–	–	537
Total	8,912	6,057	10,380	10,362	600	–	19,892	16,419
	1	**1**	**5**	**5**	**1**	**–**	**7**	**6**

46.10 The Chief Executive of the company is provided with free use of company owned and maintained vehicles.

47 TRANSACTIONS WITH RELATED PARTIES

Description	2008		
	Other related parties including associated undertaking	Key Management personnel	Total
	(Rupees in thousand)		
Transactions during the year			
Certificate of deposits issued and mark-up paid thereon	912,007	164,198	1,076,205
Purchase of marketable securities	30,371,219	37,031	30,408,250
Sale of marketable securities	30,457,774	37,225	30,494,999
Insurance premium paid	20,906	–	20,906
Brokerage income earned	8,768	28	8,796
Income from finance	949	60	1,009
Gain on sale of investments	26,037	–	26,037
Rent expense	11,669	–	11,669
Insurance expense	1,975	–	1,975
Charge for the year in respect of employee benefit and contribution plan	13,710	–	13,710
Expenses incurred by IGI Insurance Limited	9,796	–	9,796
Remuneration received from IGI Income Fund	38,577	–	38,577
Purchase of units of IGI Income Fund	210,300	–	210,300
Sale of units of IGI Income Fund	63,800	–	63,800
Remuneration to key management personnel	–	64,530	64,530
Legal & professional charges for IGI Stock Fund	190	–	190
Advertisement & publicity for IGI Stock Fund	16	–	16
Authorization Fee for IGI Stock Fund	1,000	–	1,000
Other charges to IGI Stock Fund	20	–	20
Asset purchased	4,319	–	4,319
Liquidated damages	288	–	288
Balance outstanding as at year end			
Loans and advances	–	1,408	1,408
Certificates of deposit	237,958	–	237,958
Remuneration receivable from IGI Income Fund	3,304	–	3,304
Formation cost receivable from IGI Stock Fund	1,286	–	1,286
Payable in respect of advertisement expenses	1,649	–	1,649
Mark-up accrued - certificate of deposits	3,405	282	3,687

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2008

Description	2007		
	Other related parties including associated undertaking	Key Management personnel	Total
	(Rupees in thousand)		
Transactions during the year			
Certificate of deposits issued and mark-up paid thereon	714,161	1,000	715,161
Purchase of marketable securities	11,721,011	1,277	11,722,288
Sale of marketable securities	11,852,076	1,316	11,853,392
Insurance premium paid	14,208	–	14,208
Brokerage income earned	4,328	5	4,333
Income from finance	–	326	326
Gain on sale of investments	4,955	–	4,955
Return on deposits	20,870	–	20,870
Rent expense	1,155	–	1,155
Insurance expense	182	–	182
Travelling and lodging	1,135	–	1,135
Charge for the year in respect of employee	3,328	–	3,328
benefit and contribution plan	10,736	–	10,736
Remuneration received from IGI Income Fund	3,770	–	3,770
Purchase of units of IGI Income Fund	31,500	–	31,500
Sale of units of IGI Income Fund	21,200	–	21,200
Remuneration to key management personnel	–	39,714	39,714
Legal & professional charges for IGI Stock Fund	80	–	80
Balance outstanding as at year end			
Loans and advances	–	2,028	2,028
Certificates of deposit	485,696	–	485,696
Remuneration receivable from IGI Income Fund	1,646	–	1,646
Formation cost receivable from IGI Income Fund	3,602	–	3,602
Trade debt	3,654	48	3,702
Insurance premium prepaid	18	–	18
Payable in respect of advertisement expenses	1,105	–	1,105
Mark-up accrued - certificate of deposits	430	3	433

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

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

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

48 CASH GENERATED FROM OPERATING ACTIVITIES

	Note	2008	2007
		(Rupees in thousand)	
Loss for the year before taxation		(103,554)	(108,484)
Adjustments for non cash and other items:			
Gain on disposal of fixed assets		(446)	(2,589)
Depreciation on property and equipment		36,935	22,432
Amortisation of intangible assets		15,610	12,976
Amortisation of transaction cost on TFCs		1,825	1,010
Gratuity scheme expense			
- IGI BANK and IGI Finex Securities Limited		4,655	3,231
- IGI Funds Limited		488	320
Interest, mark-up and profit income		(641,984)	(545,699)
Expense from deemed partial acquisition of shares in subsidiary		17,592	–
Income from deemed partial disposal of subsidiary		–	(5,235)
Dividend income		(21,168)	(7,817)
Finance cost		601,660	483,933
Provision for bad and doubtful loans / potential lease losses - general		5,257	4,260
Provision for bad and doubtful loans / lease losses - specific - net		23,915	5,313
Working capital changes	48.1	(496,554)	(721,294)
		(452,215)	(749,159)
		(555,769)	(857,643)

48.1 Working capital changes

	2008	2007
(Increase) / decrease in current assets:		
Short-term loans	(212,712)	75,273
Lendings	(1,025,513)	–
Receivable against continuous funding system transactions	274,497	(338,991)
Short-term investments	(826,825)	(479,737)
Trade debts	(796,942)	(303,065)
Receivable against sale of securities	(778,234)	–
Advances, deposits, prepayments and other receivables	316,503	(348,958)
	(3,049,226)	(1,395,478)
Increase / (decrease) in current liabilities:		
Short-term certificates of deposits	843,318	130,445
Payable against purchase of securities	65,410	–
Borrowings from financial institutions	1,094,109	170,653
Accrued expenses and other liabilities	549,835	373,086
	2,552,672	674,184
	(496,554)	(721,294)

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2008

49 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

	Note	2008	2007
		(Rupees in thousand)	
Cash and bank balances	17	974,845	361,766
Short-term running finance utilised under mark-up arrangements	27	(826,061)	(160,027)
		148,784	201,739

50 LIQUIDITY RISK

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

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

As at June 30, 2008	Total	Within one year	More than one year and less than five years	More than five years
	(Rupees in thousand)			
Assets				
Fixed assets	358,189	73,033	132,749	152,407
Investments	2,346,236	2,346,236	–	–
Loans - net	951,342	620,084	317,877	13,381
Net investment in lease finance - net	2,458,004	990,043	1,467,961	–
Deposits	13,597	1,965	1,915	9,717
Deferred tax assets - net	84,984	–	84,984	–
Lendings	1,025,513	1,025,513	–	–
Receivable against continuous funding system transactions	483,912	483,912	–	–
Taxation - net	248,337	248,337	–	–
Advances, deposits and prepayments	74,862	74,862	–	–
Interest, mark-up and profit accrued	65,351	65,351	–	–
Trade debts	1,438,913	1,438,913	–	–
Receivable against sale of securities	778,234	778,234	–	–
Other receivables	36,787	36,787	–	–
Cash and bank balances	974,845	974,845	–	–
	11,339,106	9,158,115	2,005,486	175,505
Liabilities				
Term finance certificates / Pre-IPO subscription	435,110	124,950	310,160	–
Finance	1,716,061	1,307,728	408,333	–
Certificates of deposit	3,475,159	3,003,261	471,898	–
Deposits on lease contracts	574,504	156,283	418,221	–
Liabilities against assets subject to finance lease	2,276	359	1,917	–
Borrowings from financial institutions	1,559,109	1,559,109	–	–
Interest and mark-up accrued	171,714	171,714	–	–
Payable against purchase of securities	65,410	65,410	–	–
Accrued expenses and other liabilities	1,213,765	1,212,957	808	–
	9,213,108	7,601,771	1,611,337	–
	2,125,998	1,556,344	394,149	175,505

As at June 30, 2008	Total	Within one year	More than one year and less than five years	More than five years
	(Rupees in thousand)			
Assets				
Fixed assets	319,839	60,067	98,590	161,182
Investments	1,564,754	1,357,657	108,988	98,109
Loans - net	803,550	335,924	467,626	–
Net investment in lease finance - net	2,158,836	749,134	1,409,702	–
Deposits	6,306	–	–	6,306
Deferred tax assets - net	16,442	–	16,442	–
Lendings	–	–	–	–
Receivable against continuous funding system transactions / carry over transactions	758,409	758,409	–	–
Taxation - net	230,851	230,851	–	–
Advances, deposits and prepayments	383,648	383,648	–	–
Interest / mark-up / profit accrued	85,261	85,261	–	–
Receivable against sale of securities	–	–	–	–
Trade debts	641,971	641,971	–	–
Other receivables	44,248	44,248	–	–
Cash and bank balances	361,766	361,766	–	–
	7,375,881	5,008,936	2,101,348	265,597
Liabilities				
Term finance certificates / Pre-IPO subscription	495,921	61,565	434,356	–
Finance	1,363,362	581,693	781,669	–
Certificates of deposits	2,727,530	2,199,475	528,055	–
Liabilities against assets subject to finance lease	4,274	757	3,517	–
Borrowings from financial institutions	465,000	465,000	–	–
Deposits on lease contracts	515,228	85,497	429,731	–
Interest and mark-up accrued	103,463	103,463	–	–
Accrued expenses and other liabilities	660,440	660,120	320	–
	6,335,218	4,157,570	2,177,648	–
	1,040,663	851,366	(76,300)	265,597

51 CAPITAL RISK MANAGEMENT

The objective of managing capital is to safeguard the Group's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of the Group to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Group recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Goals of managing capital

The goals of managing capital of Group are as follows:

- To be an appropriately capitalized institution, as defined by regulatory authorities and comparable to the peers;
- Maintain strong ratings and to protect against unexpected events;
- Availability of adequate capital at a reasonable cost so as to expand; and achieve low overall cost of capital with appropriate mix of capital elements.

The Securities Exchange Commission of Pakistan through it's SRO 1132(i)2007 dated November 21, 2007 has issued Non-Banking Finance Companies and Notified Entities Regulations, 2007 in which the capital requirements for an NBFC licensed by the commission to undertake different form of business have been prescribed. The present issued, subscribed and paid-up capital of the Group adequately covers the minimum levels specified by the NBFC Regulations.

52 FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISKS

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

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

b) The Group enters into security transactions on behalf of its clients involving future settlement. The Group has entered into transactions that gives rise to future settlement, the unsettled amount as on June 30, 2008 of these future transactions is Rs. 283,109 thousand. Transactions involving future settlement give rise to market risk, which represents the potential loss that can be caused by a change in the market value of a particular financial instrument. The credit risk for these transactions is limited to the unrealised market valuation losses which have been recorded in the statement of accounts of the customers. As explained above, credit risk is controlled through a variety of reporting and controls procedures.

53 YIELD / MARKET RATE RISK

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

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

As at June 30, 2008	Effective rate	Total	Exposed to yield / market rate risk			Not exposed to yield / market rate risk
			Within one year	More than one year and less than five years	More than five years	
		(Rupees in thousand)				
FINANCIAL ASSETS						
Loans - net	15.06%	951,342	620,084	317,877	13,381	
Net investment in lease finance - net	14.50%	2,458,004	990,043	1,467,961	–	–
Advances and deposits		70,787	–	–	–	70,787
Lendings	13.41%	1,025,513	1,025,513	–	–	–
Receivable against continuous funding system transactions / carry over transactions	21.24%	483,912	483,912	–	–	162,057
Investments	11.66%	2,346,236	2,184,179			
Interest, mark-up and profit accrued		65,351	–	–	–	65,351
Trade debts		1,438,913				1,438,913
Receivable against sale of securities		778,234	–	–	–	778,234
Other receivables		36,787	–	–	–	36,787
Cash and bank balances	8.85%	974,845	888,120	–	–	86,725
		10,629,924	6,191,851	1,785,838	13,381	2,638,854
FINANCIAL LIABILITIES						
Term finance certificates / Pre-IPO subscription	12.27%	435,110	124,950	310,160	–	–
Finance	12.43%	1,716,061	1,307,728	408,333	–	–
Certificates of deposit	11.17%	3,475,159	3,003,261	471,898	–	–
Liabilities against assets subject to finance lease	15.00%	2,276	359	1,917		
Deposits on lease contracts		574,504	–	–	–	574,504
Borrowings from financial institutions	12.40%	1,559,109	1,559,109	–	–	–
Interest and mark-up accrued		171,714	–	–	–	171,714
Payable against purchase of securities		65,410	–	–	–	65,410
Accrued expenses and other liabilities		1,213,765	–	–	–	1,213,765
		9,213,108	5,995,407	1,192,308	-	2,025,393
On-balance sheet gap		1,416,816	196,444	593,530	13,381	613,461
Commitments in respect of forward sale of shares		283,109	283,109	–	–	–
Commitments in respect of continuous funding system transactions - receivable		142,010	142,010	–	–	–
Commitments in respect of continuous funding system transactions - payable		(32,233)	(32,233)	–	–	–
Off-balance sheet gap		392,886	392,886	–	–	–

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2008

As at June 30, 2007	Effective rate	Total	Exposed to yield / market rate risk: Within one year	Exposed to yield / market rate risk: More than one year and less than five years	Exposed to yield / market rate risk: More than five years	Not exposed to yield / market rate risk
		(Rupees in thousand)				
FINANCIAL ASSETS						
Loans - net	14.80%	803,550	335,684	467,608	–	258
Net investment in lease finance - net	15.20%	2,158,836	749,134	1,409,702	–	–
Deposits		358,572	–	–	–	358,572
Receivable against continuous funding system transactions / carry over transactions	12.62%	758,409	758,409	–	–	–
Investments	10.64%	1,564,754	596,731	108,988	98,109	760,926
Interest, mark-up and profit accrued		85,261	–	–	–	85,261
Trade debts		641,971	–	–	–	641,971
Other receivables		44,248	–	–	–	44,248
Cash and bank balances	9.01%	361,766	345,982	–	–	15,784
		6,777,367	2,785,940	1,986,298	98,109	1,907,020
FINANCIAL LIABILITIES						
Term finance certificates / Pre-IPO subscription	12.79%	495,921	61,565	434,356	–	–
Finance	12.15%	1,363,362	581,693	781,669	–	–
Certificates of deposit	10.43%	2,727,530	2,199,475	528,055	–	–
Liabilities against assets subject to finance lease	12.50%	4,274	757	3,517	–	–
Deposits on lease contracts		515,228	–	–	–	515,228
Borrowings from financial institutions	9.63%	465,000	465,000	–	–	–
Interest and mark-up accrued		103,463	–	–	–	103,463
Accrued expenses and other liabilities		625,012	–	–	–	625,012
		6,299,790	3,308,490	1,747,597	-	1,243,703
On-balance sheet gap		477,577	(522,550)	238,701	98,109	663,317
Commitments in respect of continuous funding system transactions - receivable		188,485	188,485	–	–	–
Off-balance sheet gap		188,485	188,485	–	–	–

54 CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK

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

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2008

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

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

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

	2008		2007	
	(Rupees in thousand)	%	(Rupees in thousand)	%
Finance and leases				
Dairy and poultry	1,008	0.03	2,454	0.08
Cement	1,208	0.04	24,444	0.83
Health	48,259	1.42	41,920	1.42
Glass and ceramics	14,436	0.42	3,259	0.11
Leather	67,933	1.99	21,343	0.72
Paper and board	74,151	2.17	47,731	1.61
Construction	275,694	8.09	95,716	3.23
Energy, oil and gas	294,670	8.64	72,796	2.46
Financial institutions	53,116	1.56	89,260	3.01
Electric and electric goods	86,387	2.53	20,685	0.70
Chemicals / fertilizers / pharmaceuticals	91,886	2.70	63,207	2.13
Food, tobacco and beverages	157,329	4.61	110,240	3.72
Steel, engineering and automobiles	191,316	5.61	114,107	3.85
Transport	395,640	11.60	226,287	7.64
Textile / textile composite	412,110	12.10	360,168	12.16
Miscellaneous (including individuals)	1,244,203	36.49	1,668,769	56.33
	3,409,346	100.00	2,962,386	100.00

Sector-wise concentration of investments has been included in note 11 to these financial statements.

55 FAIR VALUE OF FINANCIAL INSTRUMENTS

55.1 As at June 30, 2008, 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.

56 SEGMENTAL ANALYSIS

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

Financing activities

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

Investment activities

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

Brokerage activities

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

Assest managment services activities

Assest managment services include the services provided for the managment of collective investment schemes carried out by IGI Funds Limited.

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2008

	Financing activities	Investment activities	Brokerage activities	Asset Management Services	Total
	(Rupees in thousand)				
Segmental information for the year ended June 30, 2008					
Segment revenue	490,935	307,453	163,677	39,572	1,001,637
Unallocated revenue					74,202
					1,075,839
Segment result	(50,147)	1,359	26,479	(41,924)	(64,233)
Unallocated result					(39,321)
Loss before taxation					(103,554)
Loss before taxation					(103,554)
Taxation					30,911
Loss after taxation					(72,643)
Loss attributable to minority interest					14,071
Loss attributable to ordinary shareholders					(58,572)
Segment assets	4,514,499	3,640,191	1,497,242	166,647	9,818,579
Unallocated assets					1,520,527
					11,339,106
Segment liabilities	1,160,372	–	1,072,811	–	2,233,183
Unallocated liabilities					6,979,925
					9,213,108
Capital expenditure - tangible	–	–	8,846	–	8,846
Unallocated capital expenditure - tangible					80,766
					89,612
Capital expenditure - intangible	–	–	4,167	–	4,167
Unallocated capital expenditure - intangible					5,521
					9,688
Segment depreciation and amortisation of fixed assets	14,973	9,291	10,000	–	34,264
Unallocated depreciation and amortisation					18,281
					52,545
Segmental information for the year ended June 30, 2007					
Segment revenue	373,147	242,988	95,031	3,770	714,936
Unallocated revenue					6,885
					721,821
Segment result	(42,776)	12,767	(49,813)	3,650	(76,172)
Unallocated loss before profit					(32,312)
Loss before taxation					(108,484)

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2008

	Financing activities	Investment activities	Brokerage activities	Asset Management Services	Total
	(Rupees in thousand)				
Loss before taxation					(108,484)
Taxation					32,317
Loss after taxation					(76,167)
Loss attributable to minority interest					4,902
Loss attributable to ordinary shareholders					(71,265)
Segment assets	3,032,142	2,086,544	1,503,808	25,373	6,647,867
Unallocated assets					728,014
					7,375,881
Segment liabilities	550,656	–	727,179	–	1,277,835
Unallocated liabilities					5,057,383
					6,335,218
Capital expenditure - tangible	–	–	22,283	–	22,283
Unallocated capital expenditure					82,001
					104,284
Capital expenditure - intangible	–	–	2,480	–	2,480
Unallocated capital expenditure - intangible					4,533
					7,013
Segment depreciation and amortisation of fixed assets	13,057	7,566	13,477	–	34,100
Unallocated depreciation and amortisation					1,308
					35,408

57 CORRESPONDING FIGURES

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

58 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 20, 2008 by the Board of Directors of IGI BANK.

59 GENERAL

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

Syed Babar Ali
Chairman

Samir Ahmed
Managing Director & Chief Executive