

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

1 LEGAL STATUS AND OPERATIONS

IGI Investment Bank Limited ("IGI BANK") is a public limited company incorporated in Pakistan on February 7, 1990 under the Companies Ordinance, 1984. IGI BANK is licensed to carry out investment finance activities and leasing operations as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984, 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 Maratab Ali Road, Gulberg, Lahore. The principal place of business is situated at 7th Floor, The Forum, Suite No. 701 to 713, G-20, Block-9, Khayaban-e-Jami, Clifton, Karachi.

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

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

2 BASIS OF PREPARATION

2.1 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. However, the classifications and provisioning requirements against non-performing assets have been considered in accordance with the regulation 7 of the prudential regulations applicable on NBFCs operating in Pakistan. Accordingly, the requirements of the above regulation have not been considered in the preparation of these financial statements.

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

2.2 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.

2.3 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 company's capital and how the company manages its capital. Adoption of this amendment has only resulted in additional disclosures which have been set out in note 50 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 company's operations, are not detailed in these financial statements.

2.4 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 IGI BANK's operations or are not expected to have a significant impact on IGI BANK's 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

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

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 IGI BANK'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 company's financial statements are as follows:

- i) Provision for taxation (note 3.10)
- ii) Classification and valuation of investments (note 3.2)
- iii) Recognition and measurement of deferred tax assets and liabilities (note 3.10)
- iv) Employee benefits (note 3.16.2)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Fixed assets

3.1.1 Property and equipment

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

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

Depreciation on property and equipment is charged to income using the straight line method in accordance with the rates specified in note 4.1 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 asset is 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.

3.1.2 Intangible

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. These are amortized from the month when they are available for use using the straight line method in accordance with the rates specified in note 4.2 to the financial statements whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to IGI BANK. The residual values and useful lives are reviewed and adjusted, if appropriate at each balance sheet date.

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

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.

3.2 Investments

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

(a) Held for trading

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

(b) Available for sale

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

(c) Held-to-maturity

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

All investments are initially recognized 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 amortization of premium or discount, if any) and market value is taken to the surplus / (deficit) on revaluation of investments account and shown separately in the balance sheet below shareholders' equity. At the time of disposal the respective surplus or deficit is transferred to the profit and loss account.

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

Unquoted investments, except where an active market exists, are carried at cost less accumulated impairment losses, if any, in accordance with the requirements of the above mentioned circular.

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

Investments are derecognized when the right to receive the cash flows from the investments has expired, has been realized or transferred and IGI BANK has transferred substantially all risks and rewards of ownership.

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

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

3.3 Trade date accounting

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

3.4 Derivatives 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.

3.5 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 recognized 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 amortized 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 recognized in the financial statements as investments. The difference between purchase and resale price is accrued as income over the life of the reverse repo agreement.

3.6 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.

At the time of initial recognition, all financial assets and financial liabilities are measured at the fair value of the consideration given or received for it. The particular recognition method adopted for recognition of financial assets and financial liabilities subsequent to initial recognition is disclosed in the policy statements associated with each item.

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

3.7 Finances

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

3.8 Net investment in lease finance

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

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

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

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

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

3.10 Taxation

Current

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

Deferred

Deferred tax is recognized 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 recognized 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 utilized. 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 utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance sheet date. IGI BANK also recognizes 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'.

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

3.11 Assets acquired in satisfaction of claims

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

3.12 Cash and cash equivalents

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

3.13 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.

3.14 Provisions

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

3.15 Long term financing - term finance certificates (TFCs)

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

3.16 Employee benefits

3.16.1 Defined contribution plan

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

3.16.2 Defined benefit plan

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

3.17 Employees' compensated absences

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

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

3.18 Proposed dividend and transfer between reserves

Dividends declared and transfer between reserves, except appropriations which are required by law, made subsequent to the balance sheet date are considered as non-adjusting events and are recognized in the financial statements in the period in which such dividends are declared / transfers are made.

3.19 Revenue recognition

- Mark-up / interest on loans and returns on investments are recognized on a time proportion basis except that mark-up / interest / returns on classified loans and investments are recognized 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 realized.
- Income on Continuous Funding System (CFS) is recognized 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 recognized when IGI BANK'S right to receive the dividend is established.
- Commission income and fees are taken to the profit and loss account when the services are provided and when right to receive the fees is established.
- Premium or discount on acquisition of debt investments is capitalized and amortized through the profit and loss account over the remaining period till maturity.
- Return on bank deposits are recognized on an accrual basis.
- Other income is recognised as and when incurred.

3.20 Borrowing cost

Borrowing costs are recognized 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 capitalized as part of the cost of the relevant asset.

3.21 Functional and presentation currency

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

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

3.22 Foreign currency transactions

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

3.23 Segment reporting

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

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

3.24 Financial instruments

3.24.1 Financial asset and financial liability

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

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

3.24.2 Offsetting of financial assets and financial liabilities

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

	Note	2008 (Rupees in thousand)	2007
4 FIXED ASSETS			
Property and equipment	4.1	104,369	85,573
Intangible assets	4.2	7,683	21,958
		<u>112,052</u>	<u>107,531</u>

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

4.1 Property and equipment

	2008					Total
	Lease hold improvements	Office equipment	Computer equipment	Furniture and fittings	Motor vehicles	
	(Rupees in thousand)					
As at July 1, 2007						
Cost	17,143	15,589	23,824	22,322	40,771	119,649
Accumulated depreciation	(3,048)	(6,905)	(10,579)	(4,341)	(9,203)	(34,076)
Net book value	<u>14,095</u>	<u>8,684</u>	<u>13,245</u>	<u>17,981</u>	<u>31,568</u>	<u>85,573</u>
Additions (at cost)	12,281	6,540	5,093	3,281	18,529	45,724
Disposals / write-offs						
Cost	(220)	(226)	(487)	(554)	(7,313)	(8,800)
Accumulated depreciation	220	78	487	554	2,772	4,111
	-	(148)	-	-	(4,541)	(4,689)
Depreciation charge for the year	(4,947)	(2,984)	(4,734)	(2,448)	(7,126)	(22,239)
Closing net book value	<u>21,429</u>	<u>12,092</u>	<u>13,604</u>	<u>18,814</u>	<u>38,430</u>	<u>104,369</u>
As at June 30, 2008						
Cost	29,204	21,903	28,430	25,049	51,987	156,573
Accumulated depreciation	(7,775)	(9,811)	(14,826)	(6,235)	(13,557)	(52,204)
Net book value	<u>21,429</u>	<u>12,092</u>	<u>13,604</u>	<u>18,814</u>	<u>38,430</u>	<u>104,369</u>
Depreciation rate % per annum	<u>20</u>	<u>20</u>	<u>20</u>	<u>10-20</u>	<u>20</u>	
2007						
As at July 1, 2006						
Cost	4,327	9,404	19,369	7,341	25,967	66,408
Accumulated depreciation	(1,597)	(5,364)	(7,555)	(3,204)	(8,319)	(26,039)
Net book value	<u>2,730</u>	<u>4,040</u>	<u>11,814</u>	<u>4,137</u>	<u>17,648</u>	<u>40,369</u>
Additions (at cost)	12,816	6,300	6,776	14,981	31,328	72,201
Disposals / write-offs						
Cost	-	(115)	(2,321)	-	(16,524)	(18,960)
Accumulated depreciation	-	35	900	-	5,521	6,456
	-	(80)	(1,421)	-	(11,003)	(12,504)
Depreciation charge for the year	(1,451)	(1,576)	(3,924)	(1,137)	(6,405)	(14,493)
Closing net book value	<u>14,095</u>	<u>8,684</u>	<u>13,245</u>	<u>17,981</u>	<u>31,568</u>	<u>85,573</u>
As at June 30, 2007						
Cost	17,143	15,589	23,824	22,322	40,771	119,649
Accumulated depreciation	(3,048)	(6,905)	(10,579)	(4,341)	(9,203)	(34,076)
Net book value	<u>14,095</u>	<u>8,684</u>	<u>13,245</u>	<u>17,981</u>	<u>31,568</u>	<u>85,573</u>
Depreciation rate % per annum	<u>20</u>	<u>20</u>	<u>20</u>	<u>10-20</u>	<u>20</u>	

4.1.1 Cost and accumulated depreciation at the end of the year include Rs. 12,496 thousand (2007: Rs. 11,203 thousand) in respect of fully depreciated assets still in use.

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4.2 Intangible assets

Description	2008			
	Membership card and room of Lahore Stock Exchange	Non-competition agreement	Computer software	Total
	----- (Rupees in thousand) -----			
Cost	–	30,000	9,265	39,265
Accumulated amortisation	–	(14,167)	(3,140)	(17,307)
Net book value	–	15,833	6,125	21,958
Additions (at cost)	–	–	3,583	3,583
Disposals - note 4.4				
Cost	–	(30,000)	(6)	(30,006)
Accumulated amortization	–	14,167	6	14,173
	–	(15,833)	–	(15,833)
Amortization charge for the year	–	–	(2,025)	(2,025)
Closing net book value	–	–	7,683	7,683
As at June 30, 2008				
Cost	–	–	12,842	12,842
Accumulated amortisation	–	–	(5,159)	(5,159)
Net book value	–	–	7,683	7,683
Amortisation rate % per annum	–	–	20	
	2007			
As at July 1, 2006				
Cost	21,000	30,000	6,332	57,332
Accumulated amortisation	–	(4,167)	(2,451)	(6,618)
Net book value	21,000	25,833	3,881	50,714
Additions (at cost)	–	–	4,533	4,533
Disposals				
Cost	(21,000)	–	(1,600)	(22,600)
Accumulated amortization	–	–	613	613
	(21,000)	–	(987)	(21,987)
Amortization charge for the year	–	(10,000)	(1,302)	(11,302)
Closing net book value	–	15,833	6,125	21,958
As at June 30, 2007				
Cost	–	30,000	9,265	39,265
Accumulated amortisation	–	(14,167)	(3,140)	(17,307)
Net book value	–	15,833	6,125	21,958
Amortisation rate % per annum	–	33.33	20	

4.2.1 Cost and accumulated depreciation at the end of the year include Rs. 1,320 thousand (2007: Rs. 987 thousand) in respect of fully depreciated assets still in use.

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4.3 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 IGI BANK are as follows:

Particulars	Cost	Accumulated depreciation / amortisation	Book value	Disposal 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	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 *
	157	9	148	138	(10)		
Vehicles							
Honda City	791	232	559	559	–	Negotiation	IGI Finex Securities Limited *
Suzuki Cultus	620	41	579	579	–	Negotiation	IGI Finex Securities Limited *
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 Alto	469	–	469	469	–	Negotiation	IGI Finex Securities Limited *
	7,313	2,772	4,541	5,287	746		
Intangible assets							
Non competition fee - Note 4.4	30,000	14,167	15,833	30,000	14,167	Negotiation	IGI Finex Securities Limited *

* Represent related parties

4.4 At the time of acquisition of 100% shareholding in Finex Securities Limited (the company), IGI BANK had made a payment of Rs 30 million to a previous shareholder of the company as consideration for the agreement of not entering into the brokerage business for a period of three years. This amount was recognised in the books of IGI BANK as intangible asset and was being amortised over a period of three years. Accumulated amortisation till June 30, 2007 amounted to Rs 14.167 million.

During the year, IGI BANK has transferred the non-competition agreement (alongwith the rights contained therein) to IGI Finex Securities Limited (now wholly owned subsidiary company of IGI BANK) at an aggregate consideration of Rs 30 million (which is equal to the cost originally paid by the IGI BANK) and has recognised a net gain of Rs 14.167 million. The gain essentially represents the amortisation of cost recognised in the financial statements of IGI BANK for the years ended June 30, 2006 and June 30, 2007.

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

5 LONG-TERM INVESTMENTS

	IGI Finex Securities Limited		IGI Funds Limited		Total	
	2008	2007	2008	2007	2008	2007
(Rupees in thousand)						
Investments in subsidiary companies						
Opening balance	652,571	152,571	30,000	30,000	682,571	182,571
Investments made during the year	–	500,000	159,940	–	159,940	500,000
Closing balance	652,571	652,571	189,940	30,000	842,511	682,571

5.1 During the year, IGI BANK has made an additional investment of Rs. 159.94 million in IGI Funds Limited through the subscription of 15.994 million right shares at the rate of Rs. 10 per share. The additional investment was approved by the shareholders of IGI BANK in their meeting held on June 14, 2007.

5.2 Other details of IGI BANK's subsidiary companies are as follows:

Particulars	Country of Incorporation	Year of Incorporation	2008					Profit / (loss) after taxation	%age of shareholding
			Assets	Liabilities	Net assets	Revenues*			
(Rupees in thousand)									
IGI Finex Securities Limited	Pakistan	1994	2,129,150	1,606,788	522,362	309,903	25,968	100%	
IGI Funds Limited	Pakistan	2006	217,625	46,431	171,194	42,547	(28,512)	86%	
2007									
IGI Finex Securities Limited	Pakistan	1994	1,589,789	1,062,715	527,074	105,403	26,913	100%	
IGI Funds Limited	Pakistan	2006	50,746	10,871	39,875	6,884	(19,313)	50%	

* Represents revenue from all sources of activities.

6 LONG-TERM LOANS - NET

	Note	2008 (Rupees in thousand)	2007 (Rupees in thousand)
Secured - Due from others			
Executives - considered good	6.1 & 6.2	2,904	2,207
Employees - considered good	6.2	1,057	960
Companies, organizations and individuals	6.4 & 6.5	525,548	550,404
		529,509	553,571
Unsecured - Due from others			
Companies, organisations and individuals	6.4	47,327	62,059
		576,836	615,630
Less: provision for bad and doubtful loans	6.6	20,912	10,317
		555,924	605,313
Less: current maturity of long-term loans		208,085	137,705
		347,839	467,608

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

6.1 Reconciliation of carrying amount of loans to executives:

	2008	2007
	(Rupees in thousand)	
Opening balance	2,207	1,760
Disbursements during the year	1,550	1,000
Receipts during the year	(853)	(553)
	<u>2,904</u>	<u>2,207</u>

6.2 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 a period of 18 years. These loans are secured against mortgage of house properties and hypothecation of vehicles.

6.3 The maximum aggregate amount due from executive at the end of any month during the year was Rs. 3,285 thousand (2007: Rs. 2,307 thousand).

6.4 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.

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

6.6 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	<u>16,099</u>	<u>4,813</u>	<u>20,912</u>	<u>5,512</u>	<u>4,805</u>	<u>10,317</u>

7 NET INVESTMENT IN FINANCE LEASE

	Note	2008	2007
		(Rupees in thousand)	
Net investment in finance lease	7.1	2,511,140	2,193,395
Less: provision for lease losses	7.4	53,136	34,559
Less: current maturity of net investment in finance lease		990,043	749,134
		<u>1,467,961</u>	<u>1,409,702</u>

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

7.1 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 7.2 & 7.3	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 7.2 & 7.3	1,043,179	1,467,961	–	2,511,140	783,693	1,409,702	–	2,193,395

7.2 IGI BANK 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.

7.3 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.

7.4 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

7.4.1 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.

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

8 LONG-TERM DEPOSITS

	Note	2008 (Rupees in thousand)	2007
Security deposits		<u>5,059</u>	<u>1,150</u>

9 DEFERRED TAX ASSETS - NET

Deferred tax assets arising on deductible temporary differences:			
- Provision for bad and doubtful loans / potential lease losses		-	15,707
- Carry forward of assessed income tax losses	9.1	344,576	182,764
- Deficit on revaluation of investments	21	<u>2,770</u>	<u>207</u>
		347,346	198,678
Deferred tax liabilities arising on taxable temporary differences:			
- Accelerated tax depreciation		(287,846)	(192,492)
- Transaction costs in respect of TFCs issued		<u>(775)</u>	<u>(1,414)</u>
	9.2	<u>58,725</u>	<u>4,772</u>

9.1 IGI BANK has an aggregate amount of Rs. 984,502 thousand (2007: 522,183 thousand) in respect of unabsorbed tax losses as at June 30, 2008 on which the management has recognized deferred tax debit balance amounting to Rs. 344,576 thousand (2007: 182,764 thousand). This represents the management's best estimate of probable benefit expected to be realized in future years in the form of reduced tax liability as IGI BANK would be able to set off the profit earned in these years against losses carried forward from prior years. The amount of this benefit has been determined based on the projected financial statements of IGI BANK for the next few years.

9.2 Movement in deferred tax asset / (liability)

	Note	2008 (Rupees in thousand)	2007
Opening balance		4,772	(40,994)
Recognised during the year		<u>51,390</u>	<u>45,718</u>
		56,162	4,724
Deferred tax impact on surplus on revaluation of investments		<u>2,563</u>	48
		<u>58,725</u>	<u>4,772</u>

10 SHORT-TERM LOANS

Secured

Short-term loans - considered good	10.1	<u>410,691</u>	<u>197,979</u>
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10.1 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.

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

11 LENDINGS - SECURED

	Note	2008 (Rupees in thousand)	2007
Repurchase agreements lendings (Reverse Repo)	11.1	<u>900,513</u>	<u>—</u>
11.1	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.		

12 RECEIVABLE AGAINST CONTINUOUS FUNDING SYSTEM TRANSACTIONS

	Note	2008 (Rupees in thousand)	2007
Receivable against continuous funding system transactions	12.1	<u>360,468</u>	<u>556,265</u>
12.1	These carry yields ranging from 15.0% to 24.05% (2007: 11.5% to 13.75%) per annum. The market value of the securities held as collateral against these receivables amounted to Rs. 339,708 thousand (2007: Rs. 563,850 thousand).		

13 SHORT-TERM INVESTMENTS

13.1 Particulars of investments by category

	2008			2007		
	Held by IGI BANK	Given as collateral	Total	Held by IGI BANK	Given as collateral	Total
(Rupees in thousand)						
Held to maturity						
Commercial papers - 13.2.2	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
	41,579	430,741	472,320	201,254	—	201,254
Available-for-sale						
Listed term finance certificates	148,603	—	148,603	152,579	—	152,579
Unlisted term finance certificates	180,509	—	180,509	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	513,169	—	513,169
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
	1,009,616	—	1,009,616	1,004,596	—	1,004,596
	<u>1,673,438</u>	<u>430,741</u>	<u>2,104,179</u>	<u>1,545,850</u>	<u>—</u>	<u>1,545,850</u>

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

13.2 Particulars of investments by type

	Note	2008 (Rupees in thousand)	2007
Investments in:			
Fund placements	13.2.1	100,000	240,000
Term deposit receipts	13.2.1	350,000	100,000
Commercial papers	13.2.1	172,243	–
Government securities	13.2.3	472,320	201,254
Listed term finance certificates	13.2.4	148,603	152,579
Unlisted term finance certificates	13.2.4	180,509	59,995
Pre-IPO investment in term finance certificates	13.2.4	–	50,000
Units of open end mutual fund	13.2.6	9,710	513,169
Pre-IPO investment in open end mutual funds	13.2.7	100,000	–
Listed shares / certificates	13.2.8	468,012	166,071
Pre-IPO investment in unlisted shares	13.2.9	40,000	–
Unlisted shares / certificates	13.2.10	62,782	62,782
		<u>2,104,179</u>	<u>1,545,850</u>

13.2.1 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.

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

13.2.3 Significant particulars relating to government securities are as follows:

Particulars	2008			2007		
	Maturity date	Face Value Rupees in thousand	Coupon rate	Maturity date	Face Value Rupees in thousand	Coupon rate
Federal investment bonds	–	–	–	12-Jan-2008	2,200	15% per annum paid semi-annually
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 Financial Statements For the Year Ended June 30, 2008

13.24 Particulars of TFCs: *

Number of certificates		Particulars	2008		2007	
2008	2007		Amortised cost	Market value	Amortised cost	Market value
----- (Rupees in thousand) -----						
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
----- (Rupees in thousand) -----						
UNLISTED TFCs						
–	5,000	Jahangir Siddiqui and Company Limited	–	–	24,995	–
–	5,000	Three Stars (Private) Limited	–	–	25,000	–
–	2,000	Security Leasing Corporation Limited	–	–	10,000	–
10,000	–	New Allied Electronics Industries (Private) Limited	50,000	50,335	–	–
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	–	–
			180,000	180,509	59,995	–
----- (Rupees in thousand) -----						
Pre-IPO investments in TFCs						
–	5,000	Pak Electron	–	–	–	25,000
–	5,000	Shahmurad Sugar Mills Limited	–	–	–	25,000
			–	–	–	50,000
			–	–	–	50,000

* Secured, unless specified otherwise.

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

13.2.5 Other particulars of TFCs are as follows:

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Redemption
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 commencing 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.
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 month 1,700 of the principal c) 60th month 1,700 of the principal

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

13.2.6 Particulars of investment in open end mutual fund units

No. of units		Particulars	2008		2007	
			Average cost	Market value	Average cost	Market value
2008	2007		----- (Rupees in thousand) -----			
14,704	–	IGI Income Fund *	1,500	1,511	–	–
–	200,000	Alfalsh 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
–	909,174	KASB Liquid Fund (Face value Rs. 100 each)	–	–	100,000	100,891
–	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
			<u>11,500</u>	<u>9,710</u>	<u>510,000</u>	<u>513,169</u>

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

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

* Represents related parties

13.2.8 Particulars of listed shares / certificates

No. of ordinary shares / certificates of Rs. 10/- each		Particulars	2008		2007	
2008	2007		Average cost	Market value	Average cost	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
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 Mills Limited	5,732	2,960	5,732	4,963
Balance c/f			420,401	424,607	172,247	159,607

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

No. of ordinary shares / certificates of Rs. 10/- each		Particulars	2008		2007	
			Average cost	Market value	Average cost	Market value
2008	2007		(Rupees in thousand)			
		Balance b/f	420,401	424,607	172,247	159,607
		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

13.2.9 Pre-IPO investment in unlisted shares

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

13.2.10 Unlisted shares / certificates

No. of ordinary shares / certificates of Rs. 10/- each		Particulars	Cost	
			2008	2007
2008	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

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

14 ADVANCES, DEPOSITS AND PREPAYMENTS

	Note	2008 (Rupees in thousand)	2007
Advance against leases	14.1	7,606	1,903
Short-term deposits	14.2	15,000	115,000
Advance to suppliers		2,418	17,288
Prepaid expenses	14.3	9,938	7,701
Receivable from NCCPL / CDC		1,100	1,400
Others		400	423
		<u>36,462</u>	<u>143,715</u>

14.1 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%).

14.2 This represents interest free deposit placed with IGI Finex Securities Limited (a wholly owned subsidiary) for meeting the exposure deposit requirements arising on continuous funding system transactions.

14.3 This includes Rs. 5,193 thousand (2007: Rs. 7,446 thousand) in respect of advance rent of premises utilised by IGI BANK.

15 INTEREST, MARK-UP AND PROFIT ACCRUED

	2008 (Rupees in thousand)	2007
Investments		
- government securities	1,720	160
- term finance certificates	9,270	6,709
- term deposit receipts	4,545	114
- fund placements	1,301	256
	16,836	7,239
Finances	33,105	68,111
Lendings and continuous funding system transactions	5,397	2,563
Deposits with banks	2,211	361
	<u>57,549</u>	<u>78,274</u>

16 RECEIVABLE AGAINST SALE OF SECURITIES

Secured

Considered good	<u>806,190</u>	<u>—</u>
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Notes to and Forming Part of the Financial Statements
For the Year Ended June 30, 2008

17 OTHER RECEIVABLES

	Note	2008 (Rupees in thousand)	2007
Secured - considered good			
Assets repossessed in respect of terminated lease contracts		5,559	12,272
Unsecured - considered good			
Dividend receivable	17.1	356	18,300
Receivable against tender offer		–	6,240
Excise duty paid on behalf of customers		4,471	4,471
Balances due from related parties:			
Packages Limited		445	–
IGI Finex Securities Limited		4,235	20,869
IGI Funds Limited		–	2,572
Staff Provident Fund of IGI BANK		3,554	–
Staff Gratuity Fund of IGI BANK		70	–
		8,304	23,441
Accrued commission / fee income	17.2	12,285	–
Others		4,803	3,174
Unsecured - considered doubtful			
Receivable from lessees in satisfaction of claims		10,418	6,539
		46,196	74,437
Less: provision for bad and doubtful receivables		(10,418)	(6,539)
		35,778	67,898

17.1 This includes dividend amounting to Rs.Nil (2007: Rs.18,200 thousand) receivable from IGI Finex Securities Limited, a related party.

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

18 CASH AND BANK BALANCES

	2008 (Rupees in thousand)	2007
In hand	41	51
In current accounts		
- State Bank of Pakistan	1,547	278
- Others		
local currency	9,438	4,023
foreign currencies	1,045	950
	10,483	4,973
In saving accounts		
local currency	837,792	264,664
	849,863	269,966

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

19 SHARE CAPITAL

Authorised capital

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

Issued, subscribed and paid-up capital

2008			2007					
Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total			
----- 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
<u>190,993,300</u>	<u>21,109,250</u>	<u>212,102,550</u>	<u>71,109,250</u>	<u>21,109,250</u>	<u>92,218,500</u>		<u>2,121,025</u>	<u>922,184</u>

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

Name of related party	2008		2007	
	Shares held (in million)	Percentage	Shares held (in million)	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%

20 RESERVES

	Note	2008 (Rupees in thousand)	2007 (Rupees in thousand)
Capital reserve			
Statutory reserve	20.1	97,098	97,098
Revenue reserves			
General reserve		39,733	55,408
Accumulated loss		<u>(13,541)</u>	<u>(7,155)</u>
		<u>123,290</u>	<u>145,351</u>

- 20.1 Statutory reserve represents amount set aside as per the requirements of clause 14 of the Non-Banking Finance Companies and Notified Entities Regulations, 2007 issued by the Securities and Exchange Commission of Pakistan.

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

21 DEFICIT ON REVALUATION OF INVESTMENTS - NET

	Note	2008 (Rupees in thousand)	2007
Net deficit on revaluation of:			
- government securities		(8,423)	(592)
- listed and unlisted term finance certificates		(1,111)	(8,130)
- mutual funds units (open ended)		(1,790)	3,169
- quoted shares and certificates		(4,425)	(12,631)
- forward sale of quoted shares and certificates		(49,090)	-
	21.1	<u>(64,839)</u>	<u>(18,184)</u>
Related deferred tax asset - net	9	<u>2,770</u>	<u>207</u>
		<u>(62,069)</u>	<u>(17,977)</u>

21.1 Particulars of deficit on revaluation of investments - net

Opening balance		(18,184)	(30,764)
Surplus arising on revaluation of investments during the year		39,874	33,777
Transferred to the profit and loss account on disposal of investments		(86,529)	(21,197)
Closing balance		<u>(64,839)</u>	<u>(18,184)</u>

22 TERM FINANCE CERTIFICATES

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

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 installments in arrears after a grace period of 12 months from the date of issue. The issue of these TFCs has been approved by the Securities and Exchange Commission of Pakistan 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 (Rupees in thousand)	2007
Secured			
Local currency - banking companies	23.1	890,000	1,203,335
Less: current maturity of long-term finance		<u>481,667</u>	<u>421,666</u>
		<u>408,333</u>	<u>781,669</u>

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

23.1 The principal terms of borrowings are as follows:

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%.

24 LONG-TERM CERTIFICATES OF DEPOSITS

	Note	2008 (Rupees in thousand)	2007
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
		<u>471,898</u>	<u>528,055</u>

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

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

- 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 SHORT-TERM FINANCE - SECURED

	Note	2008 (Rupees in thousand)	2007
Running finance utilised under mark-up arrangement	26.1	<u>299,182</u>	<u>77</u>

- 26.1 The principal terms of running finance utilised under make-up arrangements 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 600 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.

27 SHORT-TERM CERTIFICATES OF DEPOSIT

	Note	2008 (Rupees in thousand)	2007
Unsecured			
Local currency			
- Financial institutions		1,740,000	1,350,000
- Individuals		343,987	296,416
- Others		599,490	193,743
	27.1 & 27.2	<u>2,683,477</u>	<u>1,840,159</u>

- 27.1 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).

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

27.2 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.

28 BORROWINGS FROM FINANCIAL INSTITUTIONS

	Note	2008 (Rupees in thousand)	2007
Securities sold under repurchase agreement	28.1	819,109	–
Unsecured borrowings	28.2	740,000	465,000
		<u>1,559,109</u>	<u>465,000</u>

28.1 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.

28.2 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.

29 INTEREST AND MARK-UP ACCRUED

	Note	2008 (Rupees in thousand)	2007
Interest and mark-up accrued on:			
- Long-term finance		17,411	11,939
- Short-term finance		1,356	331
- Borrowings from financial institutions		8,186	2,319
- Term Finance Certificates (TFCs)		25,217	30,178
- Certificates of deposit		114,434	58,450
		<u>166,604</u>	<u>103,217</u>

30 PAYABLE AGAINST PURCHASE OF SECURITIES

Secured

Considered good		<u>65,410</u>	<u>–</u>
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31 ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses		22,035	10,750
Payable to customers on account of excess recoveries		3,028	3,028
Payable to related parties:			
IGI Insurance limited		5,396	12,883
IGI Funds limited		64	–
Discretionary client funds' payable	31.1	55,389	–
Unclaimed dividends		316	347
Payable to employee gratuity scheme	40.1.2	4,224	2,078
Advances from lessees		20,925	35,428
Advance insurance recoveries from customers		7,615	14,799
Fair value of derivative financial instruments		49,090	–
Others		15,990	9,837
		<u>184,072</u>	<u>89,150</u>

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

- 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 amended the assessment for the said year by making certain additions on account of depreciation on leased assets, provision for finance losses and other miscellaneous expenses. The 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.

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

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.

	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	1,200	-
- 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

	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	-	-	35,026	35,026	-	-	26,946	26,946
	39,294	14,971	35,026	89,291	30,134	225	35,632	65,991
Dividend income	-	-	51,848	51,848	-	-	33,478	33,478
Gain on disposal of:								
TFCs	-	-	4,106	4,106	-	-	464	464
Units of open end mutual fund	-	-	48,410	48,410	-	-	15,270	15,270
Listed shares / certificates	-	-	34,013	34,013	-	-	5,463	5,463
	-	-	86,529	86,529	-	-	21,197	21,197
	39,294	14,971	173,403	227,668	30,134	225	90,307	120,666

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

34 INCOME FROM LOANS

	2008	2007
	(Rupees in thousand)	
Mark-up / interest on loans	120,738	121,692
Documentation charges and other loan related income	1,505	3,353
	<u>122,243</u>	<u>125,045</u>

35 INCOME FROM LEASE FINANCE

Mark-up on lease finance	224,685	224,979
Front-end fees, documentation charges and other lease related income	6,711	5,569
	<u>231,396</u>	<u>230,548</u>

36 INCOME FROM LENDINGS AND CONTINUOUS FUNDING SYSTEM TRANSACTIONS

Securities purchased under resale agreements	23,917	72
Income from continuous funding system transactions	96,276	82,789
	<u>120,193</u>	<u>82,861</u>

37 This includes management fee amounting to Rs 6,000 thousand each earned from IGI Finex Securities Limited (a related party) and IGI Funds Limited (a related party) on account of advisory service provided by IGI BANK.

38 FINANCE COSTS

	2008	2007
	(Rupees in thousand)	
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	1,139	283
Mark-up on borrowings from financial institutions	68,595	36,293
Bank charges	131	153
	<u>571,086</u>	<u>482,873</u>

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

39 ADMINISTRATION AND GENERAL EXPENSES

	Note	2008 (Rupees in thousand)	2007
Salaries, allowances and benefits		106,022	85,577
Contribution to provident fund	40.2	3,227	3,750
Gratuity scheme expense	40.1.6	2,146	1,610
Contribution to employees' old-age benefit institution		429	381
Depreciation on property and equipment	4.1	22,239	14,493
Amortisation on intangible assets	4.2	2,025	11,302
Rent, rates and taxes		20,204	17,218
Travelling and entertainment		8,565	6,473
Telephone, telex and fax		4,680	5,844
Printing, postage and stationery		5,136	5,447
Insurance		1,975	1,888
Lighting, heating and cooling		3,365	3,125
Repairs and maintenance		4,019	4,256
Brokerage and commission		20,488	13,841
Legal and professional fees		7,638	11,310
Subscriptions		553	2,142
Advertisement		19,920	14,680
Other expenses		1,477	4,658
		<u>234,108</u>	<u>207,995</u>

40 EMPLOYEE BENEFITS

40.1 Gratuity scheme

As mentioned in note 3.16.2, IGI BANK operates an approved funded gratuity scheme. The scheme provides for gratuity benefits for all permanent employees who have completed the prescribed qualifying period of service with IGI BANK.

Annual provision is based on actuarial valuation and the latest valuation of the scheme was carried out as at June 30, 2008 using Projected Unit Credit Method.

40.1.1 Principal actuarial assumptions

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

	2008	2007
Expected rate of increase in salary	11.09%	8.89%
Discount rate	13.25%	11.00%
Expected rate of return on plan assets	13.25%	11.00%

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

40.1.2 Amount recognised in the balance sheet

	Note	2008 (Rupees in thousand)	2007
Present value of defined benefit obligation	40.1.3	12,042	8,059
Fair value of plan assets	40.1.4	(8,022)	(7,220)
Unrecognised actuarial gain (net)		204	1,239
		<u>4,224</u>	<u>2,078</u>

40.1.3 Movement in the defined benefit obligation:

Present value of defined benefit obligation at the beginning of the year		8,059	6,462
Interest cost		886	650
Current service cost		2,122	1,786
Benefits paid		–	(549)
Settlement cost		–	(261)
Actuarial loss / (gain) on obligation		975	(29)
Present value of defined benefit obligation at the end of the year		<u>12,042</u>	<u>8,059</u>

40.1.4 Movement in the fair value of plan assets

Fair value of plan asset at the beginning of the year		7,220	4,755
Expected return on plan assets		794	538
Contributions to the fund		–	2,377
Benefits paid		–	(549)
Actuarial gain on plan assets		8	99
Fair value of plan assets at the end of the year		<u>8,022</u>	<u>7,220</u>

40.1.5 Movement of liability

Balance at the beginning of the year		2,078	2,845
Expense for the year	40.1.6	2,146	1,610
Contributions during the year		–	(2,377)
Balance at the end of the year		<u>4,224</u>	<u>2,078</u>

40.1.6 Gratuity scheme expense recognised in the profit and loss account

Current service cost		2,122	1,786
Interest cost		886	650
Expected return on plan assets		(794)	(538)
Settlement cost		–	(261)
Net actuarial gain recognised during the year		(68)	(27)
		<u>2,146</u>	<u>1,610</u>

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

40.1.7 Plan assets comprised of following:

	2008		2007	
	(Rupees in thousand)	Percentage composition	(Rupees in thousand)	Percentage composition
Mutual fund units / shares	5,024	63	4,801	67
Bank account and short term deposits	3,158	39	4,431	61
Benefits due	(160)	(2)	(2,012)	(28)
	<u>8,022</u>	<u>100</u>	<u>7,220</u>	<u>100</u>

40.1.8 5 years data in respect of deficit on the plan assets is as follows:

	2008	2007	2006	2005	2004
	(Rupees in thousand)				
Present value of defined benefit obligation	12,042	8,059	6,462	5,797	5,481
Fair value of plan assets	(8,022)	(7,220)	(4,755)	(3,542)	(3,149)
Deficit	<u>4,020</u>	<u>839</u>	<u>1,707</u>	<u>2,255</u>	<u>2,332</u>

40.1.9 5 years data in respect of experience adjustments is as follows:

	2008	2007	2006	2005	2004
	(Rupees in thousand)				
Experience adjustments on plan liabilities	8%	0%	0%	(4%)	(5%)
Experience adjustments on plan assets	0%	10%	(1%)	(2%)	(2%)

40.1.10 Actual return on plan assets during the year was Rs. 802 thousand (2007: Rs. 637 thousand).

40.1.11 Based on actuarial advice IGI BANK intends to charge an amount of approximately Rs. 4,224 thousand in the financial statements for the year ending June 30, 2009.

40.1.12 The information provided in notes 40.1.1 to 40.1.11 has been obtained from the valuation carried out by an independent actuary as at June 30, 2008.

40.2 Defined contribution plan

An amount of Rs. 3,227 thousand (2007: Rs. 3,750 thousand) has been charged during the year in respect of contributory provident fund maintained by IGI BANK.

41 OTHER OPERATING INCOME

	Note	2008 (Rupees in thousand)	2007
Income from financial assets			
Income from deposits with banks		14,284	14,888
Income from non-financial assets			
Gain on disposal of property and equipment	41.1	14,903	23,518
Miscellaneous income		2,089	28
		<u>31,276</u>	<u>38,434</u>

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

41.1 This includes gain amounted to Rs 14.167 million relating to disposal of non-competition agreement to IGI Finex Securities Limited as more fully explained in note 4.4 to the financial statements.

42 OTHER OPERATING EXPENSES

	Note	2008 (Rupees in thousand)	2007
Provision against other assets		3,879	1,470
Auditors' remuneration	42.1	875	770
Amortisation of transaction cost on TFCs		1,825	1,010
Donations	42.2	105	–
		<u>6,684</u>	<u>3,250</u>
42.1 Auditors' remuneration			
Statutory audit fee		500	450
Half yearly review fee		150	100
Special certification and other services		75	100
Out of pocket expenses		150	120
		<u>875</u>	<u>770</u>

42.2 Donations were not made to any donee in which IGI BANK or a director or his spouse had any interest.

43 TAXATION

	Note	2008 (Rupees in thousand)	2007
Current			
- For the year		12,139	8,811
- For prior years		–	(3,203)
		12,139	5,608
Deferred	9.2	(51,390)	(45,718)
		<u>(39,251)</u>	<u>(40,110)</u>

43.1 Relationship between tax expense and accounting loss

Loss for the year before taxation		<u>(45,637)</u>	<u>(79,267)</u>
Tax at the applicable rate of 35% (2007: 35%)		(15,973)	(27,743)
Tax effect of income / expenses that are exempted / not allowed in determining taxable income		(7,569)	(5,844)
Tax effect of income taxed under Final Tax Regime		(9,591)	347
Prior years reversal		–	(3,203)
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		6,954	6,376
Others		(110)	–
Tax expense for the year		<u>(39,251)</u>	<u>(40,110)</u>

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

44 LOSS PER SHARE

	2008	2007 Restated
	(Rupees in thousand)	
Loss after taxation	<u>(6,386)</u>	<u>(39,157)</u>
	Number of shares	
Weighted average number of ordinary shares outstanding during the year	<u>109,151,644</u>	<u>61,433,977</u>
	(Rupees)	
Loss per share - basic	<u>(0.06)</u>	<u>(0.64)</u>

- 44.1 Diluted earnings per share has not been presented as IGI BANK 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.

45 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	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
	<u>8,044</u>	<u>6,602</u>	<u>44,954</u>	<u>39,266</u>	<u>6,824</u>	<u>–</u>	<u>59,822</u>	<u>45,868</u>
Number of persons	1	1	38	29	1	–	39	30

- 45.1 The chief executive and certain senior executives are provided with free use of IGI BANK'S owned and maintained cars.
- 45.2 IGI BANK has also bears the travelling expenses of the Chief Executive and Director relating to travel for official purposes including expenses incurred in respect of attending board meetings.
- 45.3 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 Financial Statements
For the Year Ended June 30, 2008

46 TRANSACTIONS WITH RELATED PARTIES

Description	2008			Total
	Subsidiaries	Other related parties including associates undertaking	Key Management personal	
(Rupees in thousand)				
Transactions during the year				
Certificate of deposits issued and mark-up paid thereon	–	912,007	164,198	1,076,205
Insurance premium paid	–	13,941	–	13,941
Purchase of marketable securities	37,794,396	–	–	37,794,396
Sale of marketable securities	38,184,501	–	–	38,184,501
Dividend received	30,680	–	–	30,680
Finance provided	30,000	–	–	30,000
Income from finance	2,509	949	60	3,518
Brokerage, commission and fee income	10,882	–	–	10,882
Rent expense	779	11,669	–	12,448
Insurance expense	–	1,975	–	1,975
Travelling and lodging	–	–	–	–
Proceed from finance provided	1,818	–	–	1,818
Charge for the year in respect of employee benefit and contribution plan	–	5,373	–	5,373
Remuneration to key management personnel	–	–	48,088	48,088
Expenses incurred on behalf of group companies	10,179	9,796	–	19,975
Asset purchased	51	4,006	–	4,057
Commission income on sale of units through Fund Select	1,614	–	–	1,614
Documentation and miscellaneous charges	25	–	–	25
Balance outstanding as at year end				
Loans and advances	30,000	–	1,408	31,408
Certificates of deposit	–	237,958	–	237,958
Mark-up accrued - loans	677	–	–	677
Mark-up accrued - certificate of deposits	–	3,405	282	3,687

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

Description	2007			
	Subsidiaries	Other related parties including associates undertaking	Key Management personal	Total
----- (Rupees in thousand) -----				
Transactions during the year				
Certificate of deposits issued and mark-up paid thereon	–	714,161	1,000	715,161
Insurance premium paid	–	14,124	–	14,124
Purchase of marketable securities	41,518,053	–	–	41,518,053
Sale of marketable securities	41,239,633	–	–	41,239,633
Dividend received	7,800	–	–	7,800
Finance provided	–	–	–	–
Income from finance	5,286	–	326	5,612
Brokerage income	17,383	–	–	17,383
Return on deposits	–	20,870	–	20,870
Rent expense	–	1,155	–	1,155
Insurance expense	–	182	–	182
Travelling and lodging	–	1,135	–	1,135
Proceed from finance provided	40,000	–	–	40,000
Charge for the year in respect of employee benefit and contribution plan	–	5,360	–	5,360
Remuneration to key management personnel	–	–	25,572	25,572
Expenses incurred on behalf of group companies	5,653	–	–	5,653
Balance outstanding as at year end				
Loans and advances	–	–	2,028	2,028
Certificates of deposit	–	485,696	–	485,696
Accrued expenses and other liabilities	–	12,883	–	12,883
Other receivables	25,106	–	–	25,106
Mark-up accrued - certificate of deposits	–	430	3	433

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

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

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

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

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

47 CASH GENERATED FROM OPERATIONS

	Note	2008 (Rupees in thousand)	2007
Loss for the year before taxation		(45,637)	(79,267)
Adjustments for non cash and other items:			
Gain on disposal of fixed assets		(14,903)	(23,518)
Depreciation on property and equipment		22,239	14,493
Amortisation of intangible assets		2,025	11,302
Amortisation of transaction cost on TFCs		1,825	1,010
Provision for staff gratuity scheme		2,146	1,610
Interest, mark-up and profit income		(569,191)	(510,411)
Dividend income		(51,848)	(33,478)
Finance cost		571,086	482,873
Provision for bad and doubtful loans / potential lease losses - general - net		5,257	4,260
Provision for bad and doubtful loans lease losses - specific - net		23,915	5,313
Working capital changes	47.1	(111,529)	(143,098)
		<u>(118,978)</u>	<u>(189,644)</u>
		<u>(164,615)</u>	<u>(268,911)</u>
47.1 Working capital changes			
(Increase) / decrease in current assets:			
Short-term loans		(212,712)	75,273
Lendings		(900,513)	-
Receivable against continuous funding system transactions / carry over transactions		195,797	(136,847)
Short-term investments		(604,984)	(486,360)
Receivable against sale of securities		(806,190)	187,848
Advances, deposits, prepayments and other receivables		121,429	(24,222)
		<u>(2,207,173)</u>	<u>(384,308)</u>
Increase / (decrease) in current liabilities:			
Short-term certificates of deposits		843,318	130,445
Borrowings from financial institutions		1,094,109	170,653
Payable against purchase of securities		65,410	-
Accrued expenses and other liabilities		92,807	(59,888)
		<u>2,095,644</u>	<u>241,210</u>
		<u>(111,529)</u>	<u>(143,098)</u>
48 CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	849,863	269,966
Short-term running finance utilised under mark-up arrangements	26	(299,182)	(77)
		<u>550,681</u>	<u>269,889</u>

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

49 LIQUIDITY RISK

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

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

As at June 30, 2008	Total	Within one year	More than one year and less than five years	More than five years
	----- (Rupees in thousand) -----			
Assets				
Fixed assets	112,052	31,379	80,673	-
Investments	2,946,690	2,104,179	-	842,511
Loans - net	966,615	618,776	344,331	3,508
Net investment in lease finance - net	2,458,004	990,043	1,467,961	-
Deposits	5,059	-	-	5,059
Deferred tax assets - net	58,725	-	58,725	-
Lendings	900,513	900,513	-	-
Receivable against continuous funding system transactions	360,468	360,468	-	-
Taxation - net	237,428	237,428	-	-
Advances, deposits and prepayments	36,462	36,462	-	-
Interest, mark-up and profit accrued	57,549	57,549	-	-
Receivable against sale of securities	806,190	806,190	-	-
Other receivables	35,778	35,778	-	-
Cash and bank balances	849,863	849,863	-	-
	<u>9,831,396</u>	<u>7,028,628</u>	<u>1,951,690</u>	<u>851,078</u>
Liabilities				
Term finance certificates	435,110	124,950	310,160	-
Finance	1,189,182	780,849	408,333	-
Certificates of deposit	3,475,159	3,003,261	471,898	-
Deposits on lease contracts	574,504	156,283	418,221	-
Borrowings from financial institutions	1,559,109	1,559,109	-	-
Interest and mark-up accrued	166,604	166,604	-	-
Payable against purchase of securities	65,410	65,410	-	-
Accrued expenses and other liabilities	184,072	184,072	-	-
	<u>7,649,150</u>	<u>6,040,538</u>	<u>1,608,612</u>	<u>-</u>
	<u>2,182,246</u>	<u>988,090</u>	<u>343,078</u>	<u>851,078</u>

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

As at June 30, 2007	Total	Within one year	More than one year and less than five years	More than five years
	----- (Rupees in thousand) -----			
Assets				
Fixed assets	107,531	34,666	72,865	-
Investments	2,228,421	1,338,753	108,988	780,680
Loans - net	803,292	335,684	467,608	-
Net investment in lease finance - net	2,158,836	749,134	1,409,702	-
Deposits	1,150	-	-	1,150
Deferred tax liabilities- net	4,772	4,772	-	-
Receivable against continuous funding system transactions	556,265	556,265	-	-
Taxation - net	228,896	228,896	-	-
Advances, deposits and prepayments	143,715	143,715	-	-
Interest, mark-up and profit accrued	78,274	78,274	-	-
Other receivables	67,898	67,898	-	-
Cash and bank balances	269,966	269,966	-	-
	<u>6,649,016</u>	<u>3,808,023</u>	<u>2,059,163</u>	<u>781,830</u>
Liabilities				
Term finance certificates	495,921	61,565	434,356	-
Finance	1,203,412	421,743	781,669	-
Certificates of deposits	2,727,530	2,199,475	528,055	-
Deposits on lease contracts	515,228	85,497	429,731	-
Borrowings from financial institutions	465,000	465,000	-	-
Interest and mark-up accrued	103,217	103,217	-	-
Accrued expenses and other liabilities	89,150	89,150	-	-
	<u>5,599,458</u>	<u>3,425,647</u>	<u>2,173,811</u>	<u>-</u>
	<u>1,049,558</u>	<u>382,376</u>	<u>(114,648)</u>	<u>781,830</u>

50 CAPITAL RISK MANAGEMENT

The objective of managing capital is to safeguard the IGI Bank's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of IGI Bank to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and IGI Bank 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 IGI Bank 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 its 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 IGI BANK adequately covers the minimum levels specified by the NBFC Regulations.

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

51 YIELD / MARKET RATE RISK

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

IGI BANK's exposure to yield / market rate risk and the effective rates on its financial assets and liabilities are summarized 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	15.10%	966,615	618,776	344,331	3,508	–
Net investment in lease finance	14.50%	2,458,004	990,043	1,467,961	–	–
Investments	11.52%	2,104,179	1,423,675	–	–	680,504
Lendings	13.41%	900,513	900,513	–	–	–
Receivable against continuous funding system transactions	19.32%	360,468	360,468	–	–	–
Deposits	–	21,559	–	–	–	21,559
Interest, mark-up and profit accrued	–	65,364	–	–	–	65,364
Receivable against sale of securities	–	806,190	–	–	–	806,190
Other receivables	–	30,209	–	–	–	30,209
Cash and bank balances	8.82%	849,863	837,792	–	–	12,071
		8,562,964	5,131,267	1,812,292	3,508	1,615,897
Financial liabilities						
Term finance certificates	12.27%	435,110	124,950	310,160	–	–
Finance	12.47%	1,189,182	780,849	408,333	–	–
Certificates of deposit	11.17%	3,475,159	3,003,261	471,898	–	–
Deposits on lease contracts	–	574,504	–	–	–	574,504
Borrowings from financial institutions	12.40%	1,559,109	1,559,109	–	–	–
Interest, mark-up accrued	–	166,604	–	–	–	166,604
Payable against purchase of securities	–	65,410	–	–	–	65,410
Accrued expenses and other liabilities	–	141,112	–	–	–	141,112
		7,606,190	5,468,169	1,190,391	–	947,630
On-balance sheet gap		<u>956,774</u>	<u>(336,902)</u>	<u>621,901</u>	<u>3,508</u>	<u>668,267</u>
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		<u>392,886</u>	<u>392,886</u>	<u>–</u>	<u>–</u>	<u>–</u>

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

As at June 30, 2007	Effective rate %	Total	Exposed to yield / market rate risk			Not exposed to yield / market rate risk
			Within one year	More than one year and less than five years	More than five years	
----- (Rupees in thousand) -----						
Financial assets						
Loans	14.80%	803,292	335,684	467,608	–	–
Net investment in lease finance	15.20%	2,158,836	749,134	1,409,702	–	–
Receivable against continuous funding system transactions	11.56%	556,265	556,265	–	–	–
Investments	10.64%	1,545,850	596,731	108,988	98,109	742,022
Deposits	–	117,973	–	–	–	117,973
Interest, mark-up and profit accrued	–	78,274	–	–	–	78,274
Trade debts	–	–	–	–	–	–
Other receivables	–	67,898	–	–	–	67,898
Cash and bank balances	9.62%	269,966	264,664	–	–	5,302
		<u>5,598,354</u>	<u>2,502,478</u>	<u>1,986,298</u>	<u>98,109</u>	<u>1,011,469</u>
Financial liabilities						
Term finance certificates / Pre-IPO subscription	12.79%	495,921	61,565	434,356	–	–
Finance	12.23%	1,203,412	421,743	781,669	–	–
Certificates of deposit	10.43%	2,727,530	2,199,475	528,055	–	–
Deposits on lease contracts	–	515,228	–	–	–	515,228
Borrowings from financial institutions	9.63%	465,000	465,000	–	–	–
Interest, mark-up accrued	–	103,217	–	–	–	103,217
Accrued expenses and other liabilities	–	40,894	–	–	–	40,894
		<u>5,551,202</u>	<u>3,147,783</u>	<u>1,744,080</u>	<u>–</u>	<u>659,339</u>
On-balance sheet gap		<u>47,152</u>	<u>(645,305)</u>	<u>242,218</u>	<u>98,109</u>	<u>352,130</u>
Commitments in respect of continuous funding system transactions - receivable		188,485	188,485	–	–	–
Off-balance sheet gap		<u>188,485</u>	<u>188,485</u>	<u>–</u>	<u>–</u>	<u>–</u>

52 CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK

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

Notes to and Forming Part of the 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.

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

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

	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	1.41	41,920	1.42
Glass and ceramics	14,436	0.42	3,259	0.11
Leather	67,933	1.98	21,343	0.72
Paper and board	74,151	2.17	47,731	1.61
Construction	275,694	8.05	95,716	3.23
Energy, oil and gas	294,670	8.60	72,796	2.46
Financial institutions	83,614	2.44	89,260	3.01
Electric and electric goods	86,387	2.52	20,685	0.70
Chemicals / fertilizers / pharmaceuticals	91,886	2.68	63,207	2.13
Food, tobacco and beverages	157,329	4.59	110,240	3.72
Steel, engineering and automobiles	191,316	5.59	114,107	3.85
Transport	395,640	11.55	226,287	7.64
Textile / textile composite	412,110	12.04	360,168	12.16
Miscellaneous (including individuals)	1,228,978	35.89	1,668,511	56.33
	<u>3,424,619</u>	<u>100.00</u>	<u>2,962,128</u>	<u>100.00</u>

Sector-wise concentration of investments has been included in note 13 to these financial statements.

53 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

(c) Other financial instruments

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

54 SEGMENTAL ANALYSIS

IGI BANK's activities are broadly categorized into two primary business segments namely financing activities and investment 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 IGI BANK's liquidity.

	Note	Financing activities	Investment activities	Brokerage activities	Total
		(Rupees in thousand)			
Segmental information for the year ended June 30, 2008					
Segment revenue		490,824	304,589	-	795,413
Segment result		(50,030)	4,393	-	(45,637)
Loss before taxation					(45,637)
Taxation					39,251
(Loss) / profit for the year after taxation					(6,386)
Segment assets		4,365,843	4,151,681	-	8,517,524
Unallocated assets					1,313,872
					9,831,396
Segment liabilities		595,429	-	-	595,429
Unallocated liabilities					7,053,721
					7,649,150
Unallocated capital expenditure - tangible					45,724
Unallocated capital expenditure - intangible					3,583
Segment depreciation and amortization of fixed assets	54.1	14,973	9,291	-	24,264

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

	Financing activities	Investment activities	Brokerage activities	Total
	----- (Rupees in thousand) -----			
Segmental information for the year ended June 30, 2007				
Segment revenue	<u>377,479</u>	<u>217,920</u>	<u>29,025</u>	<u>624,424</u>
Segment result	<u>(48,027)</u>	<u>(21,239)</u>	<u>(10,001)</u>	<u>(79,267)</u>
Loss before taxation				(79,267)
Taxation				40,110
Loss for the year after taxation				<u>(39,157)</u>
Segment assets	<u>3,032,142</u>	<u>2,794,488</u>	<u>–</u>	5,826,630
Unallocated assets				822,386
				<u>6,649,016</u>
Segment liabilities	<u>550,656</u>	<u>–</u>	<u>–</u>	550,656
Unallocated liabilities				5,048,802
				<u>5,599,458</u>
Unallocated capital expenditure - tangible				<u>72,201</u>
Unallocated capital expenditure - intangible				<u>4,533</u>
Segmented depreciation and amortization	<u>13,057</u>	<u>7,566</u>	<u>5,172</u>	<u>25,795</u>

- 54.1 Depreciation and amortization has been allocated in the proportion of segment revenue as fixed assets are shown under unallocated assets.

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

55 CORRESPONDING FIGURES

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

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

56 DATE OF AUTHORIZATION FOR ISSUE

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

57 GENERAL

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

Syed Babar Ali
Chairman

Samir Ahmed
Managing Director & Chief Executive