IGI

Investment Bank

ANNUAL REPORT 2010

Contents

Board of Directors

IGI Investment Bank is governed by the following Board of Directors:

Syed Babar Ali
Chairman

Towfiq H. Chinoy

Farid Khan

Arif Faruque

Jalees A. Siddiqi

Khalid Yacob

S. Javed Hassan
Managing Director
& Chief Executive

Key Management

Syed Javed Hassan
Managing Director and Chief Executive

Tariq H. Quraishi
Executive Vice President

Abdul Wahid
Chief Financial Officer & Head – Operations

Farheen Atique
Company Secretary

Asif Rashid Baloch
Head - Investment Advisory

Syed Salman Raza Naqvi
Head – Risk & Credit Management

Zahid Maqsood Sheikh
Head - Corporate Marketing (North)
& Branch Head (Lahore)

Faraz Ahmed
Head – Corporate Marketing (South)

Saqib Aziz
Head – Corporate Finance

Owais Khan
Head – Marketing

Fauzia Ahmad
Head – Human Resources & Administration

Wajahat Malik
Head – Information Technology

Zeeshan Rauf
Head – Compliance

Akhtar Abbas
Head – Internal Audit

Company Information

Audit Committee
Mr. Khalid Yacob, Chairman
Jalees A. Siddiqi
Mr. Farid Khan

Auditors
M/s. Ernst & Young Ford Rhodes Sidat Hyder & Co.,
Chartered Accountants

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

Bankers
Allied Bank Ltd.
Atlas Bank Ltd.
Bank AL Habib Ltd.
Habib Metropolitan Bank Ltd.
JS Bank Ltd.
MCB Bank Ltd.
My Bank Ltd.
NIB Bank Ltd.
Soneri Bank Ltd.
Standard Chartered Bank
United Bank Ltd.

Shares Registrar
Noble Computer Services
(Private) Limited
Mezzanine Floor, House of Habib
Building (Siddiqsons Tower),
3-Jinnah Cooperative House Society,
Main Shahrah-e-Faisal,
Karachi-75350
Tel: (021) 34325482-87
Fax: (021) 34325442

Lahore Registered Office
5 F.C.C. Ground Floor,
Syed Maratib Ali Road,
Gulberg, Lahore.
Tel: (042) 111-234-234
(042) 35753414-16
Fax: (042) 111-567-567
(042) 3576-2790

Karachi Office
7th Floor, The Forum, Suite Nos.
701-713, G-20, Block 9,
Khayaban-e-Jami, Clifton,
Karachi-75600, Pakistan.
Tel: (021) 111-234-234
Fax: (021) 111-567-567

Islamabad Office
Mezzanine Floor, Razia Sharif
Plaza, 90, Blue Area, G / 7,
Islamabad.
Tel: (051) 111-234-234
(051) 2275256-58
Fax: (051) 2273861

Faisalabad Office
9th Floor, State Life Building,
Faisalabad.
Tel: (041) 2540811-14
Fax: (041) 2540815

Multan Office
C-2, 1st Floor, Hasan Arcade,
Multan Cantt.
Tel: (061) 4504461-62
Fax: (061) 4784403

UAN
Tel: 111-234-234
Fax: 111-567-567

Website
www.igiinvestmentbank.com.pk

Email
contact.center@igi.com.pk

Company Profile

IGI Investment Bank Limited, established in 1990 specializes in providing innovative solutions for a full spectrum of financial products and services designed to meet financial needs of a wide variety of clients, including individuals, small businesses, government organizations and multinational companies across the country.

IGI Investment Bank is licensed by the SECP (Securities and Exchange Commission of Pakistan) to carry out and undertake Investment Finance and Leasing & Lending services as per NBFC Rules and Regulations. Furthermore Pakistan Credit Rating Agency (PACRA) has assigned IGI Investment Bank a long-term credit rating of 'A' and short-term rating of 'A1'.

The Bank is listed on the Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. Operating in Karachi, Lahore, Islamabad, Faisalabad and Multan IGI Investment Bank offers and provides both individual investors and corporate clients a diversified range of financial services, which include:

Mutual Funds Advisory - Fund Select
Fund Select is an advisory service through which qualified financial advisors help clients build their mutual fund portfolios through customized investment solutions providing ample growth opportunities while considering their risk profile. Fund Select makes mutual fund selection and investment an easy task for the investors as it offers both, free-advice and execution.

Separately Managed Accounts (SMA)
Under this portfolio management/advisory service, investments of corporations and high net worth individuals (previously called wealth management) alike are customized and managed according to each client's requirements, ensuring maximum returns while minimizing risk. The objective is to provide professional management services and advice to clients on portfolios in sectors where the expertise is lacking.

Certificate of Deposits (COD)
Our deposit products offer attractive profit rates for varied deposit terms commensurate with the requirement of our clients. The Deposit plans offer a sound mode of investment with the flexibility of investing for as short as 30 days to as long as 3 years along with highly competitive rates and profit payments. Our extensive experience of money market, corporate debt market, and equities market helps us to give best possible returns on clients' investments.

Debt Advisory
Information is provided to clients about the latest happenings in the debt and money market to let them take informed decisions on their investments. We also facilitate our clients to explore investment opportunities in these instruments.

Insurance Advisory
IGI Investment Bank has entered into strategic partnership with leading insurance companies of the country to provide our clients with the most appropriate and customized insurance plans to cater for their future needs.

Corporate Finance & Advisory
Corporate Finance & Advisory assists its clients in meeting the challenges of a dynamic market. We provide Arrangement and Advisory Services including Debt and Equity Placements, Corporate Restructuring - Mergers & Acquisitions.

Leasing and Lending
IGI Investment Bank offers plant and machinery; equipment and vehicles leasing; and financing services to across section of the economy. The Bank's leasing, financing and factoring products include direct lease, sale and leaseback, short term loans, term loans for BMR, acquisition expansion and project financing. As one of the leading commercial leasing companies in the country, the Bank offers innovative financing services to its customers.

Notice of Twentieth Annual General Meeting

Notice is hereby given that the Twentieth Annual General Meeting of IGI Investment Bank Limited will be held on Wednesday, October 27, 2010 at 2:30 p.m. at the Registered Office of the Company located at Ground Floor, 5 - F.C.C., Syed Maratib Ali Road, Gulberg, Lahore, to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of Annual General Meeting of the Company held on October 21, 2009.

2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2010 together with the Directors' and Auditors' report thereon.

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

ANY OTHER BUSINESS:

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

BY ORDER OF THE BOARD
Farheen Atique
Company Secretary

Karachi
October 5, 2010

NOTES:

1. The Share Transfer Books of the Company will be closed from October 21, 2010 to October 27, 2010 (both days inclusive).

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

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

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

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

Summary of Key Operating and Financial Data

For the year ended						(Rupees in Thousands)
	June 30 2010	June 30 2009	June 30 2008	June 30 2007	June 30 2006	June 30 2005
Share Capital and reserves						
Paid-up Capital	2,121,025	2,121,025	2,121,025	922,184	419,175	419,175
Reserves	(451,166)	(251,796)	123,290	145,351	225,392	246,797
	1,669,859	1,869,229	2,244,315	1,067,535	644,567	665,972
(Defecit)/Surplus on revaluation of investments - net	(37,305)	(1,767)	(62,069)	(17,977)	(28,929)	(32,275)
Finance provided						
Term finance	405,868	764,041	966,615	803,292	819,806	577,571
Lease finance	1,138,234	1,829,096	2,458,004	2,158,836	1,929,202	1,670,899
	1,544,102	2,593,137	3,424,619	2,962,128	2,749,008	2,248,470
Investments (including repos and excluding reverse repos)						
Government securities	1,155,965	457,692	472,320	201,254	101,232	341,292
Listed term finance certificates	1,275,520	289,346	148,603	152,579	235,900	163,155
Unlisted term finance certificates	691,385	363,159	180,509	109,995	14,445	7,778
Listed shares, units, certificates and modarba certificates	918,018	569,749	577,722	679,240	346,798	391,475
Unlisted shares, units, certificates and modarba certificates	22,932	98,932	102,782	62,782	62,782	52,782
Investment in Subsidiaries	860,324	895,011	842,511	682,571	182,571	-
	4,924,144	2,673,889	2,324,447	1,888,421	943,728	956,482
Balances and placements with banks / financial institutions (excluding balances with the State Bank of Pakistan and Reverse repos)	129,000	513,000	622,243	340,000	390,149	441,607
Certificates of deposit issued	3,881,951	2,656,875	3,475,159	2,727,530	2,038,240	1,486,688
Term finance certificates issued	187,083	311,280	435,110	495,921	369,950	-
(Loss) / profit before taxation	(386,417)	(450,654)	(45,637)	(79,267)	22,814	80,866
(Loss) / profit after taxation	(199,370)	(375,086)	(6,386)	(39,157)	31,337	74,695
Cash dividend	-	-	-	-	-	14%
Bonus Shares issue	-	-	-	-	10%	-

Directors' Report to the Shareholders

The Board of Directors of IGI Investment Bank Limited are pleased to present the annual report and audited financial statements for the year ended June 30, 2010 to the Twentieth Annual General Meeting of the shareholders.

General Overview

The Year 2009-2010 has been challenging as a result of a difficult economic environment.

Your company ended the year with an after tax loss of Rs. 199.37 million for the year ended June 30, 2010 as compared to a loss of Rs. 375.08 million in the corresponding period last year. The company has reported an after tax loss of Rs. 248.00 million for the quarter ended June 30, 2010 compared to after tax loss of Rs. 115.24 million in the corresponding period last year. This was due to heavy provisioning against lending and leasing assets, over and above provisioning in addition to the criteria given under NBFC regulations; wherever the quality was deemed poor and chances of recovery low. Furthermore, 100% impairment has been recorded against Equity investment in DHA Cogen. Finally the management recorded the impairment on investments in certain Term Finance Certificates and investment in its subsidiary, IGI Finex Securities amounting to Rs. 34.687 million.

Your company's operating Profit before Provision is Rs. 10.195 million for the year ended June 30, 2010 compared to an Operating Loss before Provision of Rs. 57.241 million in the previous year. Your bank has maintained its long term and short term entity ratings at 'A'(single A) and 'A1' (A one) respectively. The broad strategic thrust of the bank continues to be to focus on growing the fee based and capital markets based businesses.

Financial Summary

	----------Rs. in million-----------	
	2010	**2009**
Gross Revenue	871.88	799.60
Loss for the year before taxation	(386.42)	(450.65)
Taxation - net	187.05	75.57
Loss for the year after taxation	(199.37)	(375.09)
Total Assets	8,260.69	6,548.65
Loss per Share	(0.94)	(1.77)

Our income from fund placements and financing, including lease finance, decreased from Rs. 577.94 million to Rs. 293.37 million and is in line with the strategy of the bank keeping in view the situation prevalent during the year. Our net fund based income increased from Rs. 85.85 million from last year to Rs. 154.62 million for the current year. The income from investments increased from Rs. 240.45 million to Rs. 587.87 million. The revenue generated from fee based lines of business i.e. brokerage, corporate finance & advisory and portfolio management also showed a decrease in contribution due to the prevalent market situation which decreased from Rs. 39.04 million to Rs. 22.14 million.

Strategic Investments

IGI Funds Limited
IGI Funds Limited is a wholly owned subsidiary of IGI Investment Bank and was established to capitalize on the growth potential of the asset management industry.

On the back of recent initiatives taken by the management in terms of cost rationalization the company's profitability has seen an improvement. It is focusing on increasing its retail client base through distribution arrangements through various channels; and thereby increase its market share.

IGI Funds is committed to provide quality service to institutional and retail clients and maintaining the highest standards of ethical and professional conduct. Although the current challenges in the operating environment and downturn in the capital markets have impeded growth prospects for the overall industry, we believe that IGI Funds is well-placed to withstand these challenges.

Directors' Report to the Shareholders

Key Financial Data

	----------Rs. in million----------	
	2010	**2009**
Gross Revenue	57.025	35.386
Administrative & other expenses	(53.568)	(93.301)
Profit / (loss) before taxation	3.250	(58.475)
Profit / (loss) after taxation	5.434	(36.201)
Earning / (loss) per share	0.23	(1.64)

Funds under Management

	----------Rs. in million----------	
Fund	**2010**	**2009**
IGI Income Fund	2,436.44	2,049.60
IGI Stock Fund	427.08	249.49
IGI Islamic Income Fund	399.02	-
IGI Money Market Fund	816.49	-
Total	4,079.03	2,299.09

IGI Finex Securities

IGI Finex Securities is a corporate member of the Karachi and Lahore Stock Exchanges and also a member of the National Commodity Exchange.

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

	----------Rs. in million----------	
	2010	**2009**
Gross Revenue	192.363	183.422
Profit / (Loss) before taxation	(46.320)	(227.137)
Taxation - net	37.338	11.896
Loss for the year after taxation	(8.982)	(215.241)
Total Assets	984.438	700.216

Gross revenue of Rs. 192.363 million in these difficult times exhibits the resilience of the systems and the comfort of the clients on the services being received. The company ended the year with a loss of Rs.8.982 million.

Total assets at year end increased 40.59% from last year's Rs.700.216 million to Rs. 984.438 million this year.

IGI Finex Securities' objective is to be recognized as one of the leading brokerage firms. Our corporate culture will drive this objective through its client-centric approach, ability to be flexible and innovative, and maintaining the highest level of ethical standards.

Going forward, IGI Finex will continue to strengthen its market presence. We have over the past few years introduced a number of new products and services and expect our focus for the next year to be on ensuring profitable growth.

Directors' Report to the Shareholders

Segments at a glance

Cash & Treasury Management
The Treasury at IGI Investment Bank has always played a vital role in the overall performance. This year was no exception. During the year the team was adequately equipped with the resources it required to enhance its capabilities and the team responded equally.

We strongly believe that the contribution of treasury would grow with synergies being developed with other SBUs. The flagship department contributed 71.86 % to the revenues with Rs. 606.71 million being contributed by treasury from a total of Rs. 844.20 million. The Balance Sheet size increased from Rs 6.55 billion as at June 30, 2009 to Rs 8.26 billion as at June 30, 2010.

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

	-------Rs. in thousand-------
Profit on PIBs / FIBs /T-BILLs	165,516
Mark up on TFCs	200,161
Return on fund placements	59,167
Return on reverse repo arrangements	18,851
Return on bank balances	23,838
Dividend on quoted securities and mutual fund units	5,011
Trading income on PIBs / FIBs / TFCs / Securities	158,013
Total	**630,557**

The department was successful in mobilizing low cost deposits. The deposit base increased from Rs.2.66 billion as at June 30, 2009 to Rs. 3.88 billion as at June 30, 2010.

Fund Select
Fund Select is an open-end Mutual Funds Advisory Service for corporate and retail investors. The department also assists customers in building personal customized portfolios.

Other benefits that the customers can avail through Fund Select Advisory are access to well-recognized fund managers, a full range of investment options, asset allocation programs and portfolio optimization. In addition, customers gain the convenience of consolidated reports on multiple funds; research and information dissemination through a variety of modes including mails, email, SMS as well our website.

The Fund Select advisors develop client portfolios through a combination of investments in stock markets, bonds and equity. They also offer a broad range of investment strategies, allowing clients to choose the ones, which best match their risk profiles.

Fund Select has received an overwhelming response from investors and is the leader in the industry of mutual fund advisory and remains committed to providing innovative products and services.

Commercial Financing & Leasing
The bank's lending and leasing products include direct lease, sale and leaseback, short term loans, and term loans for BMR, acquisition and expansion, and project financing.

Presently the team at Corporate Marketing department is focused on recovery efforts to control the default risk in the SME sector. Leasing and Lending was reduced given the economic backdrop in the current year.

Directors' Report to the Shareholders

Corporate Finance
The Corporate Finance department was reinitiated in 2004-2005. The department has focused on building a reputation in catering towards advising medium-sized enterprises on meeting their objectives. In the process it has been able to structure transactions to suit the needs of the clients. IGI Investment Bank in 2007 began offering Trustee services for TFC issues. Currently, we are the Trustees for nine separate TFC issues.

Corporate Finance's future strategy is to leverage the clientele of other IGI Financial Services departments/companies to enhance their own distribution capabilities. The strategy is expected to result in the ability to diversify and increase the existing investor base for capital market issues.

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

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

Directors
During the year Mr. Samir Ahmed - Managing Director & Chief Executive has resigned and Syed Javed Hassan, Director has been appointed as Managing Director & Chief Executive. The casual vacancy, due to resignation of Mr. Samir Ahmed, has been filled with the appointment of Mr. Jalees A. Siddiqi as Director.

During the year under review, the Board met 4 times. The attendance of each Director at the Board meetings is given below.

Directors	Number of board meetings attended
Syed Babar Ali - Chairman	3
Mr. Khalid Yacob	4
Mr. Farid Khan	3
Mr. Arif Faruque	3
Mr. Towfiq H. Chinoy	4
Mr. Jalees A. Siddiqi	4
Syed Javed Hassan - Managing Director & Chief Executive	4

Auditors
The present auditors are M/s. Ernst & Young Ford Rhodes Sidat Hyder & Co, Chartered Accountants have retired and offered themselves for re-appointment, the Board as well as the Audit Committee of IGI Investment Bank has recomended their re-appointment.

Staff Retirement Benefits
IGI Investment Bank operates a contributory provident fund for all its permanent employees. Equal monthly contributions are made, both by IGI Investment Bank and the employees, to the fund at 10% of basic salary. Based on latest unaudited financial statements of the provident fund and gratuity fund for the year ended June 30, 2010, the investments of the fund amount to Rs. 26.62 million and Rs. 4.06 million respectively.

IGI Investment Bank also has a funded staff gratuity scheme for its permanent employees who complete the qualifying period of service. Provision in the books of account has been made in accordance with actuarial recommendations.

Code of Corporate Governance
The Board of Directors has adopted the Code of Corporate Governance, as per the listing regulations of the stock exchanges. As required by the Code, it is stated that:

- These financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows, and changes in equity.

Directors' Report to the Shareholders

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

Future
Our focus will continue to be on profitable growth in the existing lines of business with the ultimate objective of long term shareholder value creation. We will continue to observe our core values of integrity, innovation and fairness, which have always been a hallmark of all Packages group companies.

Pattern of shareholding
The pattern of shareholding, disclosing the aggregate number of shares held by various categories of shareholders, appears at the end of this annual report. Trading in the shares of IGI Investment Bank during the year, carried out by the Chief Executive, Directors, Chief Financial Officer, Company Secretary and their spouses and minor children are as follows:

Purchase / Transmission of Shares	**No. of Shares**
Syed Babar Ali (Chairman)	2,492,714
S. Javed Hassan (Managing Director & C.E.O)	200,000
Directors:	
Khalid Yacob	500
Towfiq H. Chinoy	500
Farid Khan	500
Arif Faruque	500
Jalees A. Siddiqi	500
Chief Financial Officer	Nil
Company Secretary	Nil
Spouses	Nil

Acknowledgement
The Board of Directors acknowledges and deeply appreciates the contribution of all the employees towards the achievement of the Company's goals.

For & on behalf of the Board

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

Date: August 26, 2010

Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2010 prepared by the Board of Directors of IGI Investment Bank Limited (the Bank) to comply with ¬ Listing Regulation No. 35 (Chapter XI) of The Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited, where the Bank is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Bank's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

Further, the Listing Regulations require the Bank to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended 30 June 2010.

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

Audit Engagement Partner: Shabbir Yunus

Date: August 31, 2010
Karachi

Statement of Compliance with the Best Practices of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (The Code) contained in Regulation No. 35 (Chapter XI) of Karachi Stock Exchange and No. 35 (Chapter XI) of listing regulations of Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

IGI Investment Bank Limited ("IGI Bank") has applied the principles contained in the Code in the following manner:

1. IGI Bank encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes six non-executive Directors, including three independent Directors, and there is no director representing minority shareholders.

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

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

4. All the resident Directors of IGI Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution or a Non-Banking Finance Company. None of the Director or their spouse is a member of stock exchange.

5. A casual vacancy occurred in the Board during the year which was filled on July 18, 2009.

6. IGI Bank has prepared a detailed 'Code of Conduct' (the Code) which has been duly approved by the Board. The Code has been signed by all the employees and Directors of IGI Bank.

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

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

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

10. An orientation course is being arranged for Directors to apprise them of their duties and responsibilities.

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

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

Statement of Compliance with the Best Practices of the Code of Corporate Governance

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

14. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

16. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of IGI Bank other than those disclosed in the pattern of shareholding.

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

18. The Board has formed an Audit Committee. It comprises of three members all of whom are non-executive Directors including the Chairman of the Committee.

19. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of IGI Bank as required by the Code. The terms of reference of the Committee have been formulated and advised to the Committee for compliance.

20. The Board has set up an effective Internal Audit function managed by suitably qualified and experienced personnel who are conversant with the policies and procedures of IGI Bank and are involved in the Internal Audit function on a full time basis.

21. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions, only if such terms can be substantiated.

22. The statutory auditors of IGI Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of IGI Bank and that the firm and all its partners are in compliance with International Federation of Accountants (“IFAC”) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

23. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

For and on behalf of the Board of Directors

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

Date: August 26, 2010

Auditors' Report to the Members

We have audited the annexed balance sheet of IGI Investment Bank Limited (the Bank) as at 30 June 2010 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. The financial statements of the Bank for the year ended 30 June 2009 were audited by another firm of Chartered Accountants, whose report dated 27 August 2009 expressed an unqualified opinion thereon.

It is the responsibility of the Bank's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984;

(b) in our opinion :

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 3.1 with which we concur;

  (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 30 June 2010 and of the loss, comprehensive loss, cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted the Bank and deposited in the Central Zakat Fund established under section 7 of the Ordinance.

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

Audit Engagement Partner: Shabbir Yunus

Date: August 31, 2010

Karachi

Balance Sheet

As at June 30, 2010

	Note	2010	2009
		-------- (Rupees in '000) ----------	
ASSETS			
Non-current assets			
Fixed assets	6	63,024	88,449
Long-term investments	7	1,504,621	1,293,943
Long-term loans and advances - net	8	204,694	162,315
Net investment in finance lease	9	369,706	843,382
Long-term deposits		5,345	6,795
Deferred tax asset - net	10	336,041	135,056
		2,483,431	2,529,940
Current assets			
Current maturity of non-current assets	11	946,868	1,181,460
Short-term loans and advances	12	22,834	405,980
Lendings - secured	13	651,391	98,600
Short-term investments	14	3,548,523	1,892,946
Taxation - net		251,741	247,835
Deposit, prepayments and other receivables	15	55,061	30,077
Interest, mark-up and profit accrued	16	86,006	49,152
Cash and bank balances	17	214,834	112,664
		5,777,258	4,018,714
TOTAL ASSETS		8,260,689	6,548,654
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	2,121,025	2,121,025
Reserves	19	136,831	136,831
Accumulated losses		(587,997)	(388,627)
		1,669,859	1,869,229
Deficit on revaluation of investments - net of tax	20	(37,305)	(1,767)
		1,632,554	1,867,462
Non-current liabilities			
Redeemable capital	21	62,133	186,330
Long-term finance	22	150,000	66,667
Long-term certificates of deposit	23	271,709	165,130
Long-term deposits under lease contracts	24	133,801	271,464
		617,643	689,591
Current liabilities			
Current maturity of non-current liabilities	25	935,601	963,101
Short-term certificates of deposit	26	3,265,344	2,248,334
Borrowings from financial institutions	27	1,591,689	525,340
Interest and mark-up accrued	28	157,325	141,445
Accrued expenses and other liabilities	29	60,533	113,381
		6,010,492	3,991,601
TOTAL LIABILITIES		6,628,135	4,681,192
Contingencies and commitments	30		
TOTAL EQUITY AND LIABILITIES		8,260,689	6,548,654

The annexed notes 1 to 53 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

Profit and Loss Account

For the Year Ended June 30, 2010

	Note	2010	2009
		-------- (Rupees in '000) ----------	
Income			
Income from investments	31	587,868	240,453
Income from loans and advances	32	66,558	127,259
Income from lease finance	33	148,789	267,667
Income from lendings and continuous funding system transactions	34	18,851	94,947
Income from fees, commission and brokerage	35	22,135	39,042
		844,201	769,368
Finance costs	36	667,449	644,472
		176,752	124,896
Administrative and general expenses	37	187,760	208,593
		(11,008)	(83,697)
Other operating income	39	27,681	30,231
		16,673	(53,466)
Other operating expenses	40	6,478	3,775
Operating profit / (loss) before provisions		10,195	(57,241)
Reversal / (Provision) for bad and doubtful loans and advances / lease losses - general - net	8.5 & 9.4	36,469	(1,276)
Provision for bad and doubtful loans and advances / lease losses - specific - net	8.5, 9.4 & 12.5	(300,663)	(117,639)
		(264,194)	(118,915)
Impairment against investments:			
fund placements and term finance certificates	14.7	(1,731)	(99,000)
equity securities:			
equity securities sold during the year		-	(135,287)
equity securities and units of mutual funds held as at year end		-	(40,211)
unquoted equity securities and preference shares	7.1,7.5 & 7.6	(130,687)	-
		(130,687)	(175,498)
		(132,418)	(274,498)
Loss before taxation		(386,417)	(450,654)
Taxation - net	41	187,047	75,568
Loss after taxation		(199,370)	(375,086)
Other comprehensive income - net of tax		-	-
Total comprehensive loss - net of tax		(199,370)	(375,086)
		----------- (Rupee) -----------	
Loss per share - Basic	42	(0.94)	(1.77)

The annexed notes 1 to 53 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

Cash Flow Statement

For the Year Ended June 30, 2010

	Note	2010	2009
		-------- (Rupees in '000) ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	45	39,996	(152,138)
(Repayments) / Disbursements of long-term loans and advances		(41,457)	167,016
Net recovery from finance lease		585,592	570,840
Long-term deposits		1,450	(1,736)
Disbursement / (Repayments) of certificates of deposit		208,066	(383,141)
Payments of deposits under lease contracts		(91,651)	(49,966)
Interest, mark-up and profit received		639,571	683,688
Dividend received		5,574	6,448
Finance cost paid		(651,569)	(669,631)
Income tax paid		(17,844)	(12,529)
Gratuity paid		(1,486)	(942)
Net cash generated from operating activities		676,242	157,909
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(7,448)	(19,173)
Long-term investments made		(210,678)	(287,139)
Proceeds from disposal of fixed assets		10,432	17,531
Net cash outflow from investing activities		(207,694)	(288,781)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal redemption of term finance certificates		(124,950)	(124,950)
Long-term finance - net repaid		(91,666)	(481,667)
Net cash outflow from financing activities		(216,616)	(606,617)
Net increase / (decrease) in cash and cash equivalents		251,932	(737,489)
Cash and cash equivalents at the beginning of the year		(186,808)	550,681
Cash and cash equivalents at the end of the year	46	65,124	(186,808)

The annexed notes 1 to 53 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

Statement of Changes in Equity

For the Year Ended June 30, 2010

	Issued, subscribed and paid-up capital	Reserve			Total
		Capital	Revenue		
		Statutory reserve	General reserve	Accumulated losses	
	--------(Rupees in '000)--------				
Balance as at July 01, 2008	2,121,025	97,098	39,733	(13,541)	2,244,315
Loss after taxation for the year ended June 30, 2009	-	-	-	(375,086)	(375,086)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	-	(375,086)	(375,086)
Balance as at June 30, 2009	2,121,025	97,098	39,733	(388,627)	1,869,229
Balance as at July 01, 2009	2,121,025	97,098	39,733	(388,627)	1,869,229
Loss after taxation for the year ended June 30, 2010	-	-	-	(199,370)	(199,370)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	-	(199,370)	(199,370)
Balance as at June 30, 2010	2,121,025	97,098	39,733	(587,997)	1,669,859

The annexed notes 1 to 53 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

Notes to the Financial Statements

For the Year Ended June 30, 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

IGI Investment Bank Limited (the Bank) is a public limited company incorporated in Pakistan on February 07, 1990 under the Companies Ordinance, 1984. The Bank is licensed to carry out investment finance activities and leasing operations as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations 2008 (the NBFC Regulations). The Bank's shares are quoted on the Karachi, Islamabad and Lahore Stock Exchanges. The registered office of the Bank is situated at 5 F.C.C., Syed Maratab Ali Road, Gulberg, Lahore. The principal place of business is situated at 7th Floor, the Forum, Suite No. 701 to 713, G-20, Block-9, Khayaban-e-Jami, Clifton, Karachi.

Based on the financial statements of the Bank for the year ended June 30, 2009, the Pakistan Credit Rating Agency (PACRA) has maintained the long-term credit rating of the Bank as 'A' and the short-term rating as 'A1'.

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

2. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except for certain investments and derivative financial instruments which are accounted for as stated in notes 3.3 and 3.5 below.

2.1 STATEMENT OF COMPLIANCE

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

The SECP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' through Circular No. 19 dated August 13, 2003 for Non-Banking Finance Companies (NBFCs) providing investment finance services, discounting services and housing finance services. In addition, the SECP has also deferred the application of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through SRO 411(1) / 2008 on such Non-Banking Finance Companies as are engaged in investment finance services, discounting services and housing finance services.

2.2 ACCOUNTING STANDARDS AND INTERPRETATIONS THAT BECAME EFFECTIVE DURING THE YEAR

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

IFRS 2 - Share Based Payment – Amendments regarding Vesting Conditions and Cancellations (Amendment)

IFRS 3 – Business Combinations (Revised)

Notes to the Financial Statements

For the Year Ended June 30, 2010

IFRS 8 – Operating Segments

IAS 1 - Presentation of Financial Statements (Revised)

IAS 23 - Borrowing Costs (Revised)

IAS 27 - Consolidated and Separate Financial Statement - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)

IAS 27 - Consolidated and Separate Financial Statements (Amendment)

IAS 32 - Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)

IAS 39 – Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendments)

IFRIC 15 – Agreements for the Construction of Real Estate

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

IFRIC 17 - Distributions of Non-cash Assets to owners

IFRIC 18 – Transfers of Assets from Customers

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements except for the changes discussed in note 3.1 below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Bank's financial statements for the year ended 30 June 2009, except for changes resulting from the adoption of the following accounting standards as described below:

IAS - 1 "Presentation of Financial Statements" (Revised)

The Bank has adopted IAS-1 (revised) “Presentation of Financial Statements” which became effective during the year. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Bank has elected to present one statement.

The Bank considers that the above change in the requirements relating to the presentation of the financial statements does not affect the Bank's financial statements for the year due to the fact that currently all items of income and expense are being recognised in the profit and loss account other than surplus / (deficit) arising on revaluation of fixed assets, held-for-trading, available-for-sale investments and derivative instruments which, in accordance with the requirements of the Companies Ordinance, 1984 and SBP directives, are reported below equity. Accordingly, the Bank does not have any item of other comprehensive income / (loss) to report for the current period and prior year and therefore, total comprehensive income / (loss) is equal to the net profit / (loss) reported for all years presented.

Notes to the Financial Statements

For the Year Ended June 30, 2010

IFRS - 8 "Operating Segments"

IFRS-8 replaced IAS-14 "Segment Reporting" upon its effective date. The Bank concluded that the operating segments determined in accordance with IFRS-8 are the same as the business segments previously identified under IAS-14. IFRS-8 disclosures are shown in note 51, including the related revised comparative information.

3.2 Fixed assets

3.2.1 Property and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that future economic benefits associated with the asset will flow to the Bank and the cost of the item can be measured reliably. All other maintenance and normal repairs are charged to the profit and loss account as and when incurred.

Depreciation on property and equipment is charged to profit and loss account using the straight line method in accordance with the rates specified in note 6.1 to these financial statements after taking into account residual value, if significant. The residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

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

Gains or losses on disposal of property and equipment, if any, are recognised in the profit and loss account currently.

3.2.2 Intangible

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that the future economic benefits associated with the asset will flow to the Bank and the cost of the item can be measured reliably. Amortisation on intangible assets is charged to profit and loss account using the straight line method in accordance with the rates specified in note 6.2 to these financial statements after taking into account residual amount, if any. The residual values and useful lives are reviewed and adjusted, if appropriate at each balance sheet date.

Amortisation on all additions to intangible assets having a finite useful life is charged from the month in which the asset is available for use, while in case of assets disposed of, no depreciation is charged in the month of disposal. Intangible assets having an indefinite useful life are carried at cost less any impairment in value and are not amortised. Intangible assets having an indefinite useful life are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Gains or losses on disposals, if any, are taken to the profit and loss account.

3.3 Investments

The management of the Bank classifies its investments in the following categories: held for trading, available-for-sale and held-to-maturity. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this classification on a regular basis.

Notes to the Financial Statements
For the Year Ended June 30, 2010

(a) Held-for-trading

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

(b) Available-for-sale

These are investments other than those in subsidiaries and associates, that do not fall under the categories of held for trading and held to maturity.

(c) Held-to-maturity

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

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

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

Premiums and discounts on held-to-maturity and available-for-sale investments are amortised using the effective interest rate method and taken to income from investments.

Impairment loss in respect of investments is recognised when there is any objective evidence as a result of one or more events that may have an impact on the estimated future cash flows of the investment. A significant or prolonged decline in the fair value of an investment in equity security below its cost is also an objective evidence of impairment. Provision for impairment in the value of investment, if any, is taken to the profit and loss account. In case of impairment of equity securities (both classified as held-for-trading and available-for-sale), the cumulative loss that has been recognised directly in 'surplus / (deficit) on revaluation of securities' on the balance sheet below equity is removed therefrom and recognised in the profit and loss account. Any subsequent increase in the value of these investments is taken directly to 'surplus / (deficit) on revaluation of securities' account which is shown on the balance sheet below equity. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

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

(d) Investment in subsidiaries and associates

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

Notes to the Financial Statements
For the Year Ended June 30, 2010

3.4 Trade date accounting

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

3.5 Derivative instruments

Derivative instruments held by the Bank generally comprise of future and forward contracts in the capital and money markets. These are stated at fair value at the balance sheet date. The fair value of the derivative is equivalent to the unrealised gain or loss from mark to market the derivative using prevailing market rates. Derivatives with positive market values (unrealised gains) are included in deposit, prepayments and other receivables and derivatives with negative market values (unrealised losses) are included in accrued expenses and other liabilities in the balance sheet. The resultant gains and losses are included in the 'surplus / (deficit) on revaluation of securities' in accordance with BSD Circular No. 20 dated August 4, 2000 issued by the SBP until the derivatives are settled.

3.6 Securities under repurchase / reverse repurchase agreements

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

a) Repurchase agreement

Investments sold with a simultaneous commitment to repurchase at a specified future date (Repo) continue to be recognised in the balance sheet and are measured in accordance with the accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is accrued as mark-up / interest expense on borrowings over the life of the repo agreement.

b) Reverse repurchase agreement

Investments purchased with a corresponding commitment to resell at a specified future date (Reverse repo) are not recognised in the balance sheet. Amounts paid under these obligations are included in funds placements. The difference between purchase and resale price is accrued as return from fund placements over the life of the reverse repo agreement.

3.7 Finances

Finances in the form of long-term loans and advances and short-term loans and advances include demand finance, installment finance, inter swift loan and term finance. These are stated at cost less provision for doubtful finance, if any, determined as per the basis of NBFC Regulations.

3.8 Net investment in finance lease

Leases in which the Bank transfers substantially all the risk and rewards incidental to the ownership of the asset to the lessee are classified as finance lease. A receivable is recognised at an amount equal to the present value of the lease payments, including any guaranteed residual value which are included in the financial statements as 'net investment in finance leases'.

Notes to the Financial Statements

For the Year Ended June 30, 2010

Provision for non-performing leases is made in accordance with the requirements of NBFC Regulations and is charged to the profit and loss account.

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

The provision for bad and doubtful loans and advances / lease losses, if any, is made in accordance with the requirements of the NBFC Regulations issued by the SECP.

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

3.10 Taxation

Current

Current tax is the expected tax payable on the taxable income for the year using tax rates prescribed by the tax law and after considering tax credits or adjustments available, if any.

Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of the deferred tax is provided at the tax rates enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that the deductible temporary differences will reverse in the future and sufficient taxable income will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred income tax relating to item recognised directly in equity is recognised in equity and not in profit and loss.

3.11 Assets acquired in satisfaction of claims

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

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

At each balance sheet date, the Bank reviews the carrying amounts of its assets for indications of impairment loss. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

Notes to the Financial Statements
For the Year Ended June 30, 2010

3.14 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

3.15 Redeemable capital - Term finance certificates

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

3.16 Staff retirement benefits

3.16.1 Defined contribution plan

The Bank operates an approved Provident Fund for its permanent employees. Equal monthly contributions at the rate of 10% of the basic salary are made to the Fund both by the Bank and the employees.

3.16.2 Defined benefit plan

The Bank operates an approved funded gratuity scheme covering all permanent employees who have completed the qualifying period under the scheme. The scheme is administered by the trustees and contributions therein are made in accordance with the actuarial recommendations.

Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous accounting period exceed ten percent of the higher of defined benefit obligation and fair value of the planed assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

3.16.3 Employees' compensated absences

Employees' entitlement to annual leave is recognised when they accrue to employees. A provision is made for estimated liability for annual leaves as a result of services rendered by the employee against unavailed leaves, as per term of service contract, up to balance sheet date.

3.17 Proposed dividend and transfer between reserves

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

3.18 Revenue recognition

Income from finance lease

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

Notes to the Financial Statements
For the Year Ended June 30, 2010

documentation charges, gains / (losses) on termination of lease contracts and other lease related income are taken to profit and loss account when they are realised.

Unrealised finance income in respect of non-performing lease finance is held in suspense account, where necessary, in accordance with the requirements of the NBFC Regulations issued by the SECP.

Income from advances, investments and other sources

Mark-up income / interest on advances and returns on investments are recognised on a time proportion basis using the effective interest method, except that mark-up income / interest / return on non-performing advances and investments is recognised on a receipt basis in accordance with the requirements of the NBFC Regulations issued by the SECP. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the aforementioned regulations, except where, in the opinion of the management, it would not be prudent to do so.

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

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

Commission income and fees are taken to the profit and loss account when the services are provided and when right to receive the fees is established.

Return on bank deposits are recognised on time proportionate basis.

Other income is recognised as and when incurred.

3.19 Foreign currency transactions

Transactions in foreign currencies are accounted for in Pak rupees at the rate of exchange ruling on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rate of exchange prevailing on the balance sheet date. Exchange gain / (loss) is charged to current year's income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

3.20 Operating segment

The Bank has structured its key business areas in two segments in a manner that each segment becomes a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The business segments within the the Bank have been categorised into the following classifications of business segments.

(a) Business segments

The Bank's activities are broadly categorised into two primary business segments namely financing activities and investment activities.

Notes to the Financial Statements
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Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements.

Financing

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

Investment activities

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

(b) Geographical segments

The operations of the Bank are currently based only in Pakistan.

3.21 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Bank looses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account.

3.22 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Bank has a legally enforceable right to set-off the recognised amounts and also intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

4.1 The preparation of financial statements requires the use of certain critical accounting judgments and estimates, that effect the reported amount of revenue, expenses, assets and liabilities. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, estimated results may differ from actual. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Bank’s accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

i) Amortisation of intangible assets (notes 3.2.2 and 6.2)

ii) Provision for taxation and deferred tax (notes 3.10, 10 and 41)

iii) Classification and valuation of investments (notes 3.3, 7 and 14)

Notes to the Financial Statements
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iv) Determination and measurement of useful life and residual value of property and equipment (notes 3.2.1 and 6.1)

v) Employee benefits - defined benefit plan (notes 3.16 and 38)

vi) Classification and provision of loans and advances, net investment in finance lease and other receivables (notes 3.9, 7.5.1, 8, 9 and 15)

vii) Impairment of investments (notes 7.5, 7.6 and 14.7)

4.2 For changes in accounting estimates relating to provisions, see notes 8.5.1 and 9.4.2.

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

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

Standards or Interpretations	Effective date (accounting periods beginning on or after)
IAS 32 - Financial Instruments: Presentation - Classification of Right Issues (Amendment)	February 01, 2010
IAS 24 - Related Party Disclosures (Revised)	January 01, 2011
IFRS 2 - Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	January 01, 2010
IFRIC 14 - IAS 19 – The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

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

In addition to the above, amendments to various accounting standards have also been issued by IASB as a result of its annual improvement project. Such amendments are generally effective for accounting periods beginning on or after January 01, 2010. The Bank expects that the adoption of the above standards and interpretations will not have any material impact on the Bank's financial statements in the period of initial application.

6. FIXED ASSETS

	Note	2010	2009
		-------- (Rupees in '000) ----------	
Property and equipment	6.1	57,577	82,175
Intangible asset	6.2	5,447	6,274
		63,024	88,449

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For the Year Ended June 30, 2010

6.1 Property and equipment

2010

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

2009

Particulars	Cost			Depreciation			Net book value	Rate
	As at July 01, 2008	Additions / (deletions)	As at June 30, 2009	As at July 01, 2008	Charge for the year / (on deletions)	As at June 30, 2009	As at June 30, 2009	Per annum
	(Rupees in '000)							%
Tangible								
Lease hold improvements	29,204	2,992	32,196	7,775	6,247	14,022	18,174	20
Furniture and fittings	25,049	433 (357)	25,125	6,235	2,760 (84)	8,911	16,214	10 & 20
Motor vehicles	51,987	11,234 (20,044)	43,177	13,557	7,586 (6,549)	14,594	28,583	20
Office equipment	21,903	2,584 (1,596)	22,891	9,811	3,732 (741)	12,802	10,089	20
Computer equipment	28,430	1,037 (462)	29,005	14,826	5,256 (192)	19,890	9,115	20
	156,573	18,280 (22,459)	152,394	52,204	25,581 (7,566)	70,219	82,175	

6.1.1 Cost and accumulated depreciation at the end of the year include Rs.23.748 million (2009: Rs.14.511 million) in respect of fully depreciated asset still in use.

Notes to the Financial Statements
For the Year Ended June 30, 2010

6.2 Intangible asset

2010

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

2009

Particulars	Cost			Amortisation			Net book value	Rate
	As at July 01, 2008	Additions	As at June 30, 2009	As at July 01, 2009	Charge for the year	As at June 30, 2009	As at June 30, 2009	Per annum
	(Rupees in '000)							%
Computer software	12,842	893	13,735	5,159	2,302	7,461	6,274	20
	12,842	893	13,735	5,159	2,302	7,461	6,274	

6.2.1 Cost and accumulated amortisation at the end of the year include Rs.3.208 million (2009: Rs.2.713 million) in respect of fully amortised intangible asset still in use.

6.3 Disposal of fixed assets

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

Particulars	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyers
	(Rupees in '000)						
Motor vehicles	459	282	177	366	189	Bank Policy	Majid Latif Bhatti* - Karachi
	510	340	170	253	83	Bank Policy	Rizwan Liaquat* - Karachi
	926	515	411	566	155	Bank Policy	Syed Murtaza Abbas* - Karachi
	1,506	683	823	1,250	427	Negotiation	IGI Finex Securities Limited - Karachi**
	1,506	643	863	1,436	573	Tender	Ittehad Motors - Karachi
	936	512	424	820	396	Negotiation	IGI Finex Securities Limited - Karachi**
	600	328	272	396	124	Bank Policy	Asif Shahab Ansari* - Karachi
	600	336	264	336	72	Bank Policy	Rehan Ur Rehman* - Karachi
	632	244	388	518	130	Bank Policy	Kashif Ali Soomro* - Karachi
	1,005	281	724	837	113	Bank Policy	Samir Ahmed* - Karachi
	1,359	18	1,341	1,359	18	Negotiation	IGI Finex Securities Limited - Karachi**
	509	415	94	395	301	Tender	Aitezaz Anwar - Lahore
	615	385	230	620	390	Tender	Irfan Ahmed - Lahore
	80	11	69	66	(3)	Tender	Amjad Yousaf - Lahore
Computer equipment	270	95	175	78	(97)	Insurance claim	IGI Insurance Limited - Karachi**
Property and equipment having book value not exceeding Rs.50,000 each	4,316	2,936	1,380	1,136	(244)		
2010	15,829	8,024	7,805	10,432	2,627		
2009	22,459	7,566	14,893	17,531	2,638		

* Transfer to ex-employees as per the Bank's policy
** Represents related party

Notes to the Financial Statements

For the Year Ended June 30, 2010

	Note	2010	2009
		-------- (Rupees in '000) ----------	
7. LONG-TERM INVESTMENTS			
Related parties - at cost			
Investment in unquoted subsidiary companies	7.1	860,324	895,011
Investment in associates	7.4	621,365	300,000
		1,481,689	1,195,011
Others - available for sale - at cost			
Investment in unquoted companies	7.5	22,932	98,932
Investment in unquoted preference shares	7.6	-	-
		22,932	98,932
		1,504,621	1,293,943

7.1 Investment in unquoted subsidiary companies - at cost

	Note	IGI Finex Securities Limited		IGI Funds Limited		Total	
		2010	2009	2010	2009	2010	2009
		(Rupees in '000)					
Opening balance		652,571	652,571	242,440	189,940	895,011	842,511
Investment made during the year		-	-	-	52,500	-	52,500
Impairment charged during the year	7.3	(34,687)	-	-	-	(34,687)	-
Closing balance		617,884	652,571	242,440	242,440	860,324	895,011

7.2 Particulars of the Bank's subsidiary companies as per the un-audited financial statements for the year ended June 30, 2010 are as follows:

2010

Particulars	Country of Incorporation	Year of Incorporation	Assets	Liabilities	Net assets	Revenues*	Profit after taxation	%age of shareholding
			(Rupees in '000)					
IGI Finex Securities Limited	Pakistan	1994	826,161	700,021	126,140	196,363	6,801	100%
IGI Funds Limited	Pakistan	2006	164,973	8,178	156,795	57,025	5,434	99.97%

2009

Particulars	Country of Incorporation	Year of Incorporation	Assets	Liabilities	Net assets	Revenues*	Loss after taxation	%age of shareholding
			(Rupees in '000)					
IGI Finex Securities Limited	Pakistan	1994	723,677	406,209	317,468	195,637	(204,894)	100%
IGI Funds Limited	Pakistan	2006	169,201	17,841	151,360	35,386	(36,201)	99.97%

* Represents revenue from all sources of activities.

7.3 The Bank has carried out an assessment of impairment in respect of its investment in subsidiary companies namely IGI Finex Securities Limited (IGIFSL) and IGI Funds Limited (IGIFL). The aforementioned assessment has been carried out, under the requirements of International Accounting Standard (IAS) 36 "Impairment of Assets", using the projections of future profitability of IGIFSL and IGIFL which have been approved by the Board of Directors of the respective entities. Based on the above assessment, the management has concluded that the carrying amount of the IGIFSL exceeds its recoverable amount and, hence, an impairment of Rs.34.687 million (2009: Nil) has been recorded in the current year's financial statements.

Notes to the Financial Statements

For the Year Ended June 30, 2010

7.3.1 Key assumptions used in value in use calculation

The recoverable amount of the investment in subsidiary companies have been determined based on value in use calculation, using cash flow projections based on business plans approved by the senior management of the subsidiaries covering a three year period for IGIFSL and five year period for IGIFL. The discount rates applied to cash flows projection beyond the discrete period are extrapolated using a terminal growth rate. The following rates are used by the Bank.

	Note	IGI Finex Securities Limited 2010	IGI Funds Limited 2010
		--------------- (Rate)	----------------
Discount rate - discrete period		23.84%	23.84%
Terminal growth rate		6.0%	6.0%
		--------- (Rupees in '000)	---------
Cost as at June 30, 2010		652,571	242,440
Accumulated impairment as at June 30, 2010	7.1	(34,687)	-
Net book value as at June 30, 2010		617,884	242,440

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

Key business assumptions
Discount rates
Sensitivity to changes in assumptions

(a) Key business assumptions
These assumptions are important because, by using industry data, historical performance for growth rates, the management expects the subsidiary companies growth to be inline with the index which is projected to revert to atleast its previous level and thereafter stablise in line with the economic trends.

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

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

7.4 Investment in associates - at cost

Number of units 2010	Number of units 2009	Name of the Fund	Note	2010 (Rupees in '000)	2009 (Rupees in '000)
1,777,263	876,223	IGI Stock Fund		271,365	100,000
1,886,792	1,878,111	IGI Income Fund		200,000	200,000
995,076	-	IGI Money Market Fund		100,000	-
500,000	-	IGI Islamic Income Fund		50,000	-
			7.4.1 & 7.4.2	621,365	300,000

Notes to the Financial Statements

For the Year Ended June 30, 2010

	2010	2009
	-------- (Rupees in '000) ----------	
7.4.1 Movement of investment in associates		
Investment at the beginning of the year	300,000	101,511
Additions during the year	3,989,865	2,694,399
Disposals during the year	(3,668,500)	(2,495,910)
Closing balance	621,365	300,000

7.4.2 This includes Rs.150 million (2009: Rs.50 million) being core investment, which as per the offering documents of IGI Stock Fund, IGI Money Market Fund and IGI Islamic Income Fund is not redeemable for a period of first two years from the date of closure of the initial period, however, these are transferable with the condition that the units are not redeemed before the expiry of the period of first two years mentioned herein above.

7.4.3 Particulars of the Bank's associates as per the audited financial statements for the year ended June 30, 2010 are as follows:

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

	2009						
Particulars	**Country of Incorporation**	**Year of Incorporation**	**Assets**	**Liabilities**	**Net assets**	**Revenues***	**Profit after taxation**
			------ (Rupees in '000) ------				
IGI Stock Fund	Pakistan	2008	265,189	15,702	249,487	68,316	61,764
IGI Income Fund	Pakistan	2006	2,059,504	9,907	2,049,597	168,186	122,016

* Represents revenue from all sources of activities.

7.5 Investment in unquoted companies

Number of ordinary shares 2010	2009	Particulars	Note	2010	2009
				-------- (Rupees in '000) ----------	
7,600,000	7,600,000	DHA Cogen Limited		76,000	76,000
637,447	637,447	System Limited		10,150	10,150
1,123,318	1,123,318	Techlogix International Limited		12,782	12,782
				98,932	98,932
Less: Provision for impairment			7.5.1	(76,000)	-
				22,932	98,932

7.5.1 During the current year, the Bank made provision for impairment in value of its investment in DHA Cogen Limited (DCL) due to the fact that (a) the plant is currently non-operational, (b) DCL failed in the process of negotiating its revised tariff with the Karachi Electric Supply Company (KESC) under the Purchase Price Agreement (PPA), and (c) DCL has not been able to meet its debt covenants and its negotiations of restructuring with the lenders have

Notes to the Financial Statements
For the Year Ended June 30, 2010

failed, thus, further giving rise to liquidity and cash flow problems. DCL has accumulated losses of Rs.1,416 million and its current liabilities exceed its current assets by Rs.3,152 million based upon the audited financial statements as of June 30, 2009. In addition to the above, the Bank has filed a lawsuit for the recovery of outstanding amount against the DCL. Accordingly, in view of the above, during the year the Bank has made provision against its investment in unquoted equity shares of DCL amounting to Rs.76 million and the short-term loan outstanding therefrom amounting to Rs.120 million.

7.6 Investment in unquoted preference shares

Number of preference shares of Rs.10 each			Note	2010	2009
				-------- (Rupees in '000)	----------
2010	**2009**	**Particulars**			
2,000,000	-	First Dawood Investment Bank Limited		20,000	-
		Rate of preference dividend: 4% - cumulative			
		Terms of conversion: 5 years convertible, cumulative, non voting, non-participatory, callable preference shares			
		Issue date: June 09, 2010			
		Less: Provision for impairment	8.6	(20,000)	-
				-	-

8. LONG-TERM LOANS AND ADVANCES - NET

	Note	2010	2009
Secured and considered good - due from:			
Related parties			
Chief Executive Officer	8.1	-	27,013
Executives	8.1	-	1,641
		-	28,654
Others			
Employees	8.2	1,989	2,783
Companies, organisations and individuals	8.3, 8.4 & 8.6	233,029	226,097
		235,018	228,880
Unsecured and considered good - due from:			
Others			
Individuals	8.3	5,534	18,599
		5,534	18,599
Considered doubtful			
Others			
Companies, organisations and individuals - secured	8.3 & 8.4	189,577	117,249
Individuals - unsecured		21,148	16,438
		210,725	133,687
Less: Provision thereagainst	8.5	(68,243)	(51,759)
		142,482	81,928
		383,034	358,061
Less: Current maturity of long-term loans and advances - net	11	(178,340)	(195,746)
		204,694	162,315

Notes to the Financial Statements

For the Year Ended June 30, 2010

8.1 Reconciliation of carrying amounts of loans and advances to Chief Executive Officer and Executives:

	Chief Executive Officer		Executives	
	2010	2009	2010	2009
	(Rupees in '000)			
Opening balance	27,013	-	1,641	2,904
Disbursements during the year	-	27,013	-	290
Repayments during the year	(12,072)	-	(1,641)	(1,553)
Transferred during the year - (see note 12.3)	(14,941)	-	-	-
	-	27,013	-	1,641

8.1.1 Maximum outstanding amount at the end of any month during the year against loan to Chief Executive Officer and Executives were Rs.27.013 million and Rs.1.641 million (2009: Rs.27.013 and Rs.2.000 million) respectively.

8.2 These represent loans provided to employees of the Bank for purchase of house, vehicles and for other general purposes. These loans carry mark-up at rates ranging from 14.82% to 15.3% (2009: 5% to 11.50%) per annum and are repayable on monthly basis over a period ranging from 5 to 20 years (2009: 5 to 20 years). These loans are secured against mortgage of house properties and hypothecation of vehicles.

8.3 These loans carry mark-up at rates ranging from 12% to 22% (2009: 7.5% to 24%) per annum and are repayable over periods ranging from 1 to 5 years (2009: 1 to 5 years) from the date of disbursement. Repayment terms vary from monthly basis to repayments at maturity.

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

8.5 Long-term loans include Rs.210.725 million (2009: Rs.133.687 million) relating to loans due from companies, organisations and individuals which have been classified as non-performing as per the requirements of the NBFC Regulations issued by the SECP. The provision held against these loans are as follows:

	2010			2009		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	46,946	4,813	51,759	16,099	4,813	20,912
Charge for the year	21,297	-	21,297	30,892	-	30,892
Reversals during the year	-	(4,813)	(4,813)	(45)	-	(45)
	21,297	(4,813)	16,484	30,847	-	30,847
Closing balance	68,243	-	68,243	46,946	4,813	51,759

8.5.1 During the current year, the Bank reversed the general provision made in prior periods against the long-term loans and advances as the said provision is not required or prescribed by the NBFC Regulations. Accordingly, the above change in estimate has resulted in reduction in provision by Rs.4.813 million and a consequent decrease in loss before taxation by the same amount.

Notes to the Financial Statements

For the Year Ended June 30, 2010

8.6 In the previous period, the Bank had made a clean placement with First Dawood Investment Bank Limited (FDIBL) amounting to Rs.98 million. Subsequently, FDIBL failed to fulfill its obligation when it became due. During the current year, the said placement was settled by entering into a compromise agreement with the Bank, dated February 02, 2010. As a result of the said agreement, FDIBL assigned loan facilities to the Bank aggregating to Rs.100 million. Further, preference shares amounting to Rs.20 million were also issued to the Bank under the aforementioned agreement which have been fully provided for in view of the poor financial position of FDIBL based on its last audited financial statements (see note 7.6).

	Note	2010	2009
		-------- (Rupees in '000)	----------
9. NET INVESTMENT IN FINANCE LEASE			
Lease rental receivables		982,819	1,625,153
Add: Residual value		436,700	528,341
		1,419,519	2,153,494
Less: Unearned finance income		(64,811)	(213,194)
	9.1	1,354,708	1,940,300
Less: Provision for lease losses	9.4	(216,474)	(111,204)
Less: Current maturity of net investment in finance lease	11	(768,528)	(985,714)
		369,706	843,382

9.1 Particulars of net investment in finance lease

	2010			2009		
	Not later than one year	Later than one year but not later than five years	Total	Not later than one year	Later than one year but not later than five years	Total
	----------	----------	---------- (Rupees in '000)	----------	----------	----------
Lease rental receivables	727,292	255,527	982,819	1,000,019	625,134	1,625,153
Add: Residual value	301,748	134,952	436,700	254,842	273,499	528,341
Gross investment in finance lease	1,029,040	390,479	1,419,519	1,254,861	898,633	2,153,494
Less: Unearned finance income	(44,038)	(20,773)	(64,811)	(157,943)	(55,251)	(213,194)
Net investment in finance lease	985,002	369,706	1,354,708	1,096,918	843,382	1,940,300

9.2 The Bank has entered into various lease agreements for period of 1 to 7 years (2009: 1 to 7 years). The rate of return implicit in the leases ranges from 7% to 23% (2009: 7% to 23%) per annum. Generally, leased assets are held as securities. In certain instances, the Bank has also obtained additional collateral in the form of personal guarantees.

9.3 The direct expenses incurred in relation to lease such as documentation charges, stamp duty etc. are reimbursed to the Bank by the respective lessees and net balance representing excess / short reimbursement, if any, is taken to profit and loss account. However, there are no material initial direct costs associated with lease receivables.

Notes to the Financial Statements

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9.4 Provisions for lease losses

	2010			2009		
	Specific	**General**	**Total**	**Specific**	**General**	**Total**
	(Rupees in '000)					
Opening balance	79,548	31,656	111,204	22,756	30,380	53,136
Charge for the year	136,926	-	136,926	56,792	1,276	58,068
Reversal during the year	-	(31,656)	(31,656)	-	-	-
	136,926	(31,656)	105,270	56,792	1,276	58,068
Closing balance	216,474	-	216,474	79,548	31,656	111,204

9.4.1 Based on the NBFC Regulations, the aggregate net exposure in finance leases which have been placed under non-performing status amounted to Rs.386.479 million (2009: Rs.381.265 million) against which a provision of Rs.216.474 million (2009: Rs.111.204 million) has been made. The total income suspended against the non-performing parties amounted to Rs.69.158 million (2009: Rs.53.313 million).

9.4.2 During the current year, the Bank reversed the general provision made in prior year against lease finances as the said provision is not required or prescribed by the NBFC Regulations. Accordingly, the above change in estimate has resulted in reduction in provision by Rs.31.656 million and a consequent decrease in loss before taxation by the same amount.

	Note	2010	2009
		(Rupees in '000)	
10. DEFERRED TAX ASSET - NET			
Deferred tax assets arising in respect of:			
Provision for bad and doubtful loans and advances / lease losses and other receivables		166,489	63,912
Impairment against fund placement / unlisted term finance certificate and unquoted equity investment		72,686	34,650
Carry forward of income tax losses	10.1	203,770	220,732
Deficit on revaluation of investments	20	9,471	1,411
		452,416	320,705
Deferred tax liabilities arising in respect of:			
Accelerated tax depreciation		(116,255)	(185,266)
Transaction costs in respect of term finance certificates issued		(120)	(383)
		(116,375)	(185,649)
	10.2	336,041	135,056

10.1 The Bank has an aggregate amount of Rs.582.200 million (2009: Rs.630.662 million) in respect of unabsorbed tax losses as at June 30, 2010 on which the management has recognised deferred tax asset of Rs.203.770 million (2009: Rs.220.732 million). The management of the Bank believes that based on the projections of future taxable profit, it would be able to realize these tax losses in the future.

Notes to the Financial Statements

For the Year Ended June 30, 2010

	Note	2010	2009
		-------- (Rupees in '000) ----------	
10.2 Movement in deferred tax asset			
Opening balance		135,056	58,725
Recognised during the year	41	192,925	77,690
		327,981	136,415
Deferred tax impact on surplus / (deficit) on revaluation of investments		8,060	(1,359)
		336,041	135,056

11. CURRENT MATURITY OF NON-CURRENT ASSETS

	Note	2010	2009
Current maturity of long-term loans and advances - net	8	178,340	195,746
Current maturity of net investment in finance lease	9	768,528	985,714
		946,868	1,181,460

12. SHORT-TERM LOANS AND ADVANCES

	Note	2010	2009
Unsecured and considered good - due from:			
Related parties			
Executive	12.1	67	-
Secured and considered good			
Others			
Short-term loans and advances	12.2 & 12.3	21,008	285,980
Considered doubtful			
Short-term loans and advances	12.2	174,199	150,000
Less: Provision thereagainst	12.4 & 12.5	(172,440)	(30,000)
		1,759	120,000
		22,834	405,980

12.1 This represents loan provided to an executive of the Bank for general purpose. This loan carry mark-up at a rate of 14.82% (2009: Nil) per annum and is repayable on monthly basis over a period of 9 months (2009: Nil).

12.2 These loans carry interest at rates ranging from 12% to 17.39% (2009: 12% to 20.16%) per annum and are repayable over periods ranging from 1 month to 1 year (2009: 1 month to 1 year). These are secured against mortgage of properties, hypothecation of vehicles, pledge of securities and personal guarantees of the borrowers.

12.3 Included herein is a sum of Rs.14.941 million (2009: Rs.27.013 million) representing a loan provided to Mr. Samir Ahmed (former Chief Executive Officer of the Bank). The loan carries mark-up at the rate of 11.50% (2009: 15.3%) per annum. As per the revised terms, the loan is now required to be settled by January 18, 2011. The loan is secured against the mortgage of house property.

Notes to the Financial Statements

For the Year Ended June 30, 2010

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

	Note	2010	2009
		-------- (Rupees in '000) ----------	
12.5 Movement in provision			
Opening balance		30,000	-
Charge for the year	7.5.1	142,440	30,000
Closing balance		172,440	30,000

13. LENDINGS - SECURED

	Note	2010	2009
Considered good - due from:			
Related parties		165,000	50,000
Others		486,391	48,600
	13.1	651,391	98,600

13.1 These carry mark-up at rates ranging from 12.00% to 15.50% (2009: 11.50% to 12.50%) per annum and are repayable latest by July 07, 2010. These lendings are secured against market treasury bills and quoted shares having market value aggregating to Rs.745.538 million (2009: Rs.99.133 million).

14. SHORT-TERM INVESTMENTS

	Note	2010			2009		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
		-- (Rupees in '000)			--------------------------------------		
Held to maturity							
Fund placements	14.1	159,000	-	159,000	487,000	-	487,000
Term deposit receipts		-	-	-	75,000	-	75,000
		159,000	-	159,000	562,000	-	562,000
Held for trading							
Government securities	14.2	143,735	1,012,230	1,155,965	413,624	44,068	457,692
Available-for-sale							
Listed term finance certificates	14.3	908,962	370,303	1,279,265	239,346	-	239,346
Unlisted term finance certificates	14.3	630,507	127,864	758,371	413,159	-	413,159
Pre-IPO investment in term finance certificates		-	-	-	50,000	-	50,000
Units of open end mutual funds	14.5	22,234	-	22,234	159,631	-	159,631
Listed shares and certificates	14.6	274,419	-	274,419	110,118	-	110,118
		1,836,122	498,167	2,334,289	972,254	-	972,254
		2,138,857	1,510,397	3,649,254	1,947,878	44,068	1,991,946
Impairment loss on fund placements and term finance certificates	14.7	(100,731)	-	(100,731)	(99,000)	-	(99,000)
		2,038,126	1,510,397	3,548,523	1,848,878	44,068	1,892,946

14.1 These represent unsecured placements carrying mark-up at a rate 13.35% (2009: 13.50% to 16.00%) per annum maturing latest by July 28, 2010.

Notes to the Financial Statements

For the Year Ended June 30, 2010

14.2 Particulars relating to government securities are as follows:

Particulars	Note	2010 Face Value	2010 Amortised cost	2010 Market value	2009 Face Value	2009 Amortised cost	2009 Market value
		(Rupees in '000)					
Market Treasury Bills	14.2.1	1,150,000	1,112,470	1,111,777	400,000	359,873	362,270
Pakistan Investment Bonds	14.2.2	51,400	47,683	44,188	101,400	96,726	95,422
	14.2.3	1,201,400	1,160,153	1,155,965	501,400	456,599	457,692

14.2.1 These carry mark-up at the rate ranging between 11.50% to 12.20% (2009: 12.16% to 12.17%) per annum and have term of six months to one year maturing latest by October 21, 2010.

14.2.2 These carry mark-up at the rate of 9.6% to 11% (2009: 9.6% to 12%) per annum receivable semi-annually and have term of 10 years maturing latest by August 22, 2017.

14.2.3 In accordance with the requirements of NBFC Regulations, the Bank has invested Rs.651.400 million (2009: Rs.391.241 million) (representing 15 percent of the funds raised through issue of certificates of deposit by the Bank excluding certificates of deposit held by financial institutions) in Pakistan Investment Bonds and Market Treasury Bills.

Notes to the Financial Statements

For the Year Ended June 30, 2010

14.3 Available-for-sale investments - term finance certificates

Number of certificates 2010	2009	Particulars	Issue date	2010 Amortised cost	2010 Market value	2009 Amortised cost	2009 Market value
				------------------- (Rupees in '000) -------------------			
		LISTED TERM FINANCE CERTIFICATES					
		Commercial Banks / NBFIs					
30,000	-	Allied Bank Limited	August 28, 2009	139,999	143,358	-	-
32,800	-	Askari Bank Limited	November 18, 2009	167,250	161,399	-	-
5,000	5,000	Jahangir Siddiqui and Company Limited	November 21, 2006	24,965	25,215	24,975	23,227
53,432	-	NIB Bank Limited	March 5, 2008	255,657	256,312	-	-
4,587	4,587	Standard Chartered Bank (Pakistan) Limited II	January 20, 2004	11,468	11,342	20,605	19,996
18,252	6,352	United Bank Limited II	March 15, 2005	83,774	80,499	31,755	26,791
8,000	-	United Bank Limited III	September 8, 2006	39,944	39,408	-	-
75,861	-	United Bank Limited IV	February 14, 2008	359,419	360,317	-	-
		Leasing					
-	190	Al-Zamin Leasing Modaraba	May 31, 2005	-	-	323	303
		Textile					
5,000	-	Azgard Nine Limited II	September 20, 2005	17,707	18,119	-	-
		Chemical					
14,000	10,000	Engro Fertilizers Limited III	November 30, 2007	68,676	68,557	48,991	48,566
		Miscellaneous					
10,000	10,000	Pace (Pakistan) Limited	February 15, 2008	48,648	48,633	41,484	41,484
3,447	3,447	Pak Arab Fertilizers Limited	February 28, 2008	17,221	16,800	17,228	16,430
6,000	6,000	Pakistan Mobile Communications Limited	October 28, 2008	29,513	25,950	29,367	28,806
5,903	5,903	Searle Pakistan Limited	March 9, 2006	7,376	7,202	14,752	14,164
8,715	8,715	TeleCard Limited	May 27, 2005	17,936	16,154	20,498	19,579
				1,289,553	1,279,265	249,978	239,346

Number of certificates 2010	2009	Particulars	Issue date	2010 Amortised cost	2010 Market value	2009 Amortised cost	2009 Market value
				------------------- (Rupees in '000) -------------------			
		UNLISTED TERM FINANCE CERTIFICATES					
4,000	4,000	Agritech Limited (Pak American Fertilizer)	November 30, 2007	19,654	18,845	19,503	19,476
17,000	17,000	Al-Zamin Leasing Modaraba II	May 12, 2008	70,880	70,304	82,963	80,565
3,547	3,547	Avari Hotels Limited	April 30, 2009	15,630	15,344	14,248	16,515
13,000	13,000	Azgard Nine Limited IV	December 4, 2007	64,799	59,597	63,585	64,051
35,778	-	Bank Al Habib Limited III	June 15, 2009	187,558	182,989	-	-
11,803	-	Bank Alfalah Limited IV Fixed	December 2, 2009	59,003	59,741	-	-
8,000	-	Bank Alfalah Limited IV Floating	December 2, 2009	39,992	39,183	-	-
50	-	Century Paper & Board Mills Limited	September 25, 2007	220	215	-	-
10,000	10,000	Eden Housing Limited	December 31, 2007	37,500	34,742	50,000	48,631
13,400	-	Engro Fertilizer Limited (Perp I)	March 18, 2008	64,672	59,790	-	-
4,000	-	Engro Fertilizer Limited (Perp II)	March 18, 2008	19,270	18,739	-	-
13,000	-	KASB Securities Limited	June 27, 2007	58,892	63,329	-	-
10,000	10,000	Kashaf Foundation	November 5, 2007	7,121	7,130	35,176	33,928
12,825	12,000	Maple Leaf Cement Factory Limited - Sukuk	December 3, 2007	61,347	54,484	57,077	54,006
10,000	10,000	New Allied Electronics Industries (Private) Limited - Sukuk	December 3, 2007	50,000	50,000	50,000	50,000
250	250	Orix Leasing Pakistan Limited	January 15, 2008	24,705	23,939	24,589	24,469
-	4,800	Pak American Fertilizer Limited - Sukuk	August 6, 2008	-	-	21,266	21,518
				781,243	758,371	418,407	413,159

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For the Year Ended June 30, 2010

14.4 Significant terms and conditions relating to Term finance certificates are as follows:

Particulars	Certificates Denomination	Profit rate Per annum	Profit Payment	Maturity Date	Redemption
Listed Term Finance Certificates					
Allied Bank Limited	5,000	Base rate plus 0.85% per annum for 1 to 5 years. Base rate plus 1.30% per annum for 6 to 10 years (with no floor and cap)	Semi-annually	August 28, 2019	Instrument is structured to redeem 0.24% of principal in the first 72 months and remaining principal in 4 equal semi-annual installments of 24.94% each of the issue amount respectively, starting from 78th month.
Askari Bank Limited	5,000	6 month KIBOR plus 2.50% per annum for 1 to 5 year. 6 month KIBOR plus 2.95% for 6 to 10 year per annum (with no floor and cap)	Semi-annually	November 18, 2019	Instrument is structured to redeem 0.32%, principal in the first 96 months (till 8th year) and remaining 99.68% principal in 4 equal semi-annual installments starting from 102nd month in the 9th & 10th year.
Jahangir Siddiqui and Company Limited	5,000	Average ask rate of six month KIBOR plus 2.5% (Floor 6 % and cap 16%)	Semi-annually	November 21, 2011	Principal redemption will be as follows: a) 6-54th month 0.18% of the principal. b) 60th month 49.91% of the principal. c) 66th month 49.91% of the principal.
NIB Bank Limited	5,000	Average ask rate of six months KIBOR plus 1.15% (with no floor and cap)	Semi-annually	March 5, 2016	Instrument is structured to redeem 0.2% of principal in the first 60 months and remaining principal in 6 equal semi-annual installments of 16.63% each of the issue amount respectively, starting from 66th month from the date of issuance.
Standard Chartered Bank (Pakistan) Limited II	5,000	cut off yield of 5-years PIB plus 0.75%. (with floor 5% and cap 10.75%)	Semi-annually	January 20, 2011	A nominal amount i-e 0.16 % of the total issue amount will be re-paid equally in each of the redemption periods of first 4 years and the remaining principal amount will be re-paid in the following manner: a) 54th month 5.00% of total issue amount. b) 60th month 5.00% of total issue amount. c) 66th month 19.92% of total issue amount. d) 72nd month 19.92% of total issue amount. e) 78th month 35.00% of total issue amount. f) 84th month 35.00% of total issue amount.
United Bank Limited II	5,000	Fixed at 9.49%	Semi-annually	March 15, 2013	The instrument is structured to redeem principal in one bullet payment at maturity.
United Bank Limited III	5,000	Six month KIBOR plus 1.70%	Semi-annually	September 8, 2014	Instrument is structured to redeem 0.2% of principal in the first 60 months and remaining principal in six semi annual installments of 16.63% each of the issue amount respectively starting from 66th month.
United Bank Limited IV	5,000	1 to 5 year 6 month KIBOR plus 0.85%, 6 to 10 year 6 month KIBOR plus 1.35%	Semi-annually	February 14, 2018	Instrument is structured to redeem the principal amount at outstanding at maturity or at the exercise of the call option or partial call option as per the redemption schedule.
Azgard Nine Limited II	5,000	2010-2011 6 Month KIBOR plus 1% , 2012-2015 6 Month KIBOR plus 1.25 %, 2016-2017 6 Months KIBOR plus 1.75 %	Semi-annually	September 20, 2017	12 semi-annually installments with stepped up repayment plan, 2012-2015 47% (PKR 699 million), 2016-2017 53% (PKR 799 million).
Engro Fertilizer Limited III	5,000	Average ask rate of six months KIBOR plus 1.55% (with no floor and cap)	Semi-annually	November 30, 2015	Instrument is structured to redeem 0.28%, of principal in the first 84 months and remaining 99.72% principal in two equal semi-annual installments.
Pace Pakistan Limited	5,000	Average ask rate of six months KIBOR plus 1.50% (with no floor and cap)	Semi-annually	February 15, 2013	Principal to be repaid in 6 equal semi-annually installments in arrears after a grace period of 24 months from the last date of public subscription.
Pak Arab Fertilizers (Private) Limited	5,000	Average ask rate of six months KIBOR plus 1.5%	Semi-annually	February 28, 2013	Principal redemption will be as follows: a) 30th month 300 of the principal. b) 36 - 42nd month 1,000 of the principal. c) 48th month 1,000 of the principal. d) 54th month 1,200 of the principal. e) 60th month 1,500 principal.
Pakistan Mobile Communication Limited	5,000	Average ask rate of six months KIBOR plus 1.65%	Semi-annually	October 28, 2013	Bullet payment at maturity.
Searle Pakistan Limited	5,000	Average ask rate of six months KIBOR plus 2.5%	Semi-annually	March 9, 2011	0.04% of the principal will be redeemed in the first year and the remaining 99.96% of the principal will be redeemed in 8 equal semi-annual installments in arrear.
Telecard Limited	5,000	Average of 6 month KIBOR plus 3.75 % (with no floor and cap)	Semi-annually	November 27, 2013	Principal will be redeemed in nine semi-annual installments as follows: a) 0-6 months 1.47% of principal. b) 6-24 months 4.41% of principal. c) 24-48 months 6.25% of principal. d) 48-54 months 7.34% of principal.

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Particulars	Certificates Denomination	Profit rate Per annum	Profit Payment	Maturity Date	Redemption
Unlisted Term Finance Certificates / Sukuk					
Agritech Limited	5,000	Average ask rate of six months KIBOR plus 1.75%	Semi-annually	December 30, 2017	12 semi-annually installments with stepped up repayment plan, 2012-2014 35% (PKR 524.580,000), 2015-2017 65% (PKR 974,220,000).
Al-Zamin Leasing Modaraba (II)	5,000	Average ask rate of six months KIBOR plus 1.9% (with no floor and cap)	Monthly	November 12, 2013	Principal will be re-paid in 48 equal monthly installments.
Avari Hotels Limited	5,000	Average ask rate of six months KIBOR plus 3.25%	Semi-annually	April 30, 2016	In 10 consecutive stepped up semi-annual installments. The first such installment shall fall due at the end of 30 months from the effective date and subsequently every six month thereafter until the issue is reduced to zero.
Azgard Nine Limited IV	5,000	6 Month KIBOR+100 bps 2010-2011, 6 Month KIBOR plus 125 bps 2012-2015, 6 Months KIBOR plus 175 bps 2016-2017	Semi-annually	December 4, 2017	12 semi-annually installments with stepped up repayment plan, 2012-2015 47% (PKR 1,166 million), 2016-2017 53% (PKR 1,332 million).
Bank Al Habib Limited III	5,000	Fixed at 15.50% Year 1 to 5, Fixed at 16% Year 6 to 8	Quarterly	June 15, 2017	Instrument is structured to redeem 0.02% per quarter of the issue amount in the first seven years and remaining issue amount in four equal quarterly installments of 24.86% in the eight year.
Bank Alfalah Limited	5,000	Option 1. Fixed at 15.00% Option 2. Six month KIBOR plus 2.5%	Semi-annually	December 2, 2017	Instrument is structured to redeem 0.260% of the principal semi annually in the first 78 months and remaining principal of 33.247% each of the issue amount respectively starting from the 84th month.
Century Paper and Board Mills Limited	5,000	Six month KIBOR plus 1.35%	Semi-annually	September 25, 2014	Principal to be redeemed in 10 stepped up semi-annual installments commencing from the 30th month from the date of first disbursement.
Eden Housing Limited	5,000	Average ask rate of six months KIBOR plus 2.5% (Floor 7% and cap 20%)	Semi-annually	December 31, 2012	Principal redemption will take place in eight equal semi annual installments. This will commence from the 18th month of the date of public subscription after a grace period of 12 months.
Engro Fertilizer Limited (Perp I)	5,000	Six month KIBOR plus 1.70%	Semi-annually	March 18, 2018	Principal repayment will occur, in whole or in part, through the exercise of the call option only by the company, or the put option by the investor.
Engro Fertilizer Limited (Perp II)	5,000	Six month KIBOR plus 1.25%	Semi-annually	March 18, 2018	Principal repayment will occur, in whole or in part, through the exercise of the call option only by the company, or the put option by the investor.
KASB Securities Limited	5,000	Six month KIBOR plus 1.90%	Semi-annually	June 27, 2012	Instrument is structured to redeem 0.020%, of the principal semi annually in the first 42 months and remaining principal of 33.280% each of the issue amount respectively starting from the 48th month.
Kashaf Foundation	5,000	Average ask rate of three months KIBOR plus 2.45%	Quarterly	July 14, 2010	Principal will be redeemed in 8th equal quarterly installments, commencing from the 15th month from the issue date.
Maple Leaf Cement Factory Limited - Sukuk	5,000	Average ask rate of three months KIBOR plus 1.0%	Quarterly	December 3, 2018	36 quarterly installments as per the given re-schedule 1st to 10 quarterly installments are just token money.
New Allied Electronics Industries (Private) Limited-Sukuk	5,000	Average ask rate of three months KIBOR plus 2.2% (Floor 7% and cap 20%)	Semi-annually	December 3, 2012	Principal redemption will take place in six equal semi annual installments. This will commence from the 30th month of the date of public subscription after a grace period of 24 months.
Orix Leasing Pakistan Limited	100,000	Average ask rate of six month KIBOR plus 1.40%	Semi-annually	January 15, 2013	Six equal semi annual installments. First principal repayment shall commence at the end of the 30th month from the date of 1st issue.

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

No. of units 2010	No. of units 2009	Particulars	2010 Average cost	2010 Market value	2009 Average cost	2009 Market value
			----- (Rupees in '000) -----			
-	500,000	ABL Stock Fund	-	-	5,000	4,992
49,203	-	HBL Stock Fund	5,000	4,480	-	-
203,998	-	JS Fund of Funds	20,000	17,754	-	-
-	2,035,800	Metro Bank Pak Sovereign Fund	-	-	99,998	99,998
-	156,618	NIT Units	-	-	10,000	4,205
-	995,005	Pak Oman BOP Advantage Plus Fund	-	-	50,000	50,436
			25,000	22,234	164,998	159,631

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

No. of ordinary shares / certificates 2010	No. of ordinary shares / certificates 2009	Name of Company / Fund	2010 Average cost	2010 Market value	2009 Average cost	2009 Market value
			----- (Rupees in '000) -----			
		Mutual fund (closed ended)				
625,000	-	Pakistan Strategic Allocation Fund	4,400	4,281	-	-
3,421,760	3,421,765	Safeway Mutual Fund	26,518	22,652	42,046	36,784
		Investment Banks / Companies / Securities				
-	158,820	Jahangir Siddiqui and Company Limited	-	-	8,917	3,683
		Commercial Banks				
4,000,000	587,790	Bank Alfalah Limited	37,520	37,840	9,491	6,201
-	15,000	Habib Bank Limited	-	-	1,334	1,291
75,000	-	MCB Bank Limited	14,776	14,564	-	-
165,000	-	National Bank of Pakistan Limited	10,806	10,576	-	-
406,205	15,000	United Bank Limited	22,266	22,020	624	574
		Insurance				
-	25,000	Adamjee Insurance Company Limited	-	-	2,156	2,100
		Textile Weaving				
-	301	Zephyr Textile Limited	-	-	3	1
		Cement				
-	14,500	DG Khan Cement Limited	-	-	290	430
691,717	-	Lucky Cement Limited	47,120	42,984	-	-
		Refinery				
7,902	-	National Refinery Limited	1,569	1,445	-	-
		Power Generation and Distribution				
1,058,000	7,500	Hub Power Company Limited	34,433	33,814	191	203
		Oil and Gas Marketing Companies				
169,500	25,000	Pakistan State Oil Company Limited	45,492	44,104	5,270	5,341

Notes to the Financial Statements

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No. of ordinary shares / certificates 2010	2009	Particulars	2010 Average cost	2010 Market value	2009 Average cost	2009 Market value
			(Rupees in '000)			
		Oil and Gas Exploration				
72,000	80,000	Oil and Gas Development Company Limited	10,164	10,202	4,625	6,291
-	15,000	Pakistan Oilfields Limited	-	-	2,727	2,189
		Cable and Electric Goods				
-	59,250	Pak Elektron Limited	-	-	1,445	1,452
		Fertilizer				
138,111	110,000	Fauji Fertilizer Company Limited	14,305	14,235	10,119	9,565
		Chemicals				
273,201	4,000,000	Descon Oxychem Limited	2,131	1,246	40,000	30,160
80,000	30,000	Engro Corporation Limited	14,279	13,886	4,115	3,853
		Technology and Communication				
32,000	-	Pakistan Telecommunication Limited	565	570	-	-
			286,344	274,419	133,353	110,118

14.6.1 Included herein is Rs.150.583 million (2009: Rs.Nil) of equity investments purchased and simultaneously sold in futures market with a view to generate a spread on the transaction.

	2010	2009
	(Rupees in '000)	
14.7 Movement in provision against investment		
Opening balance	99,000	-
Charge for the year	50,731	99,000
Reversals during the year	(49,000)	-
Closing balance	100,731	99,000

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	Note	2010	2009
		-------- (Rupees in '000) ----------	
15. DEPOSIT, PREPAYMENTS AND OTHER RECEIVABLES			
Deposit			
Short-term deposit	15.1	20,000	-
Prepayments			
Rent		10,625	2,610
Others		1,618	3,426
Other receivables - net			
Secured - considered good			
Assets repossessed in respect of terminated lease contracts		2,092	4,732
Excise duty paid on behalf of customers		4,471	4,471
Dividend receivable		-	563
Balances due from related parties:			
Packages Limited		273	250
IGI Funds Limited		-	2,887
Staff Gratuity Fund		254	254
		527	3,391
Receivable against sale of securities	15.2	1,221	2,857
Accrued commission / fee income	15.3	4,945	5,847
Fair value of derivative financial instruments	20	5,263	-
Others		4,299	2,180
Unsecured and considered doubtful			
Receivable from lessees in satisfaction of claims		18,527	13,185
		73,588	43,262
Less: Provision against bad and doubtful receivables		(18,527)	(13,185)
		55,061	30,077

15.1 This represents amount deposited with a subsidiary in respect of future trading of shares.

15.2 The market value of these securities at year end is Rs.1.211 million (2009: Rs.2.857 million).

15.3 This includes commission aggregating to Rs.1.915 million (2009: Rs.0.966 million) due from IGI Funds Limited, IGI Insurance Limited and Packages Limited (related parties).

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	Note	2010	2009
		-------- (Rupees in '000) ----------	
16. INTEREST, MARK-UP AND PROFIT ACCRUED			
Interest, mark-up and profit accrued on:			
Investments in:			
government securities		1,702	3,691
term finance certificates		74,980	22,237
term deposit receipts		-	29
fund placements		110	1,253
		76,792	27,210
Loans and advances		6,654	19,109
Lendings and continuous funding system transactions		1,275	1,426
Deposits with banks		1,285	1,407
		86,006	49,152

	Note	2010	2009
17. CASH AND BANK BALANCES			
In hand		66	67
In current accounts			
State Bank of Pakistan		1,435	2,250
Others			
Local currency		4,620	701
Foreign currency		1,304	1,231
		5,924	1,932
In saving accounts			
Local currency	17.1	207,409	108,415
		214,834	112,664

17.1 These represent deposit accounts with commercial banks carrying mark-up at the rate ranging between 5% to 13% (2009: 5% to 13%).

	2010	2009
18. SHARE CAPITAL		
Authorised capital		
300,000,000 (2009: 300,000,000) Ordinary shares of Rs.10 each	3,000,000	3,000,000
Issued, Subscribed and Paid-up Capital		
190,993,300 (2009: 190,993,300) Ordinary shares of Rs. 10 each fully paid in cash	1,909,933	1,909,933
21,109,250 (2009: 21,109,250) Ordinary shares of Rs. 10 each issued as fully paid bonus shares	211,092	211,092
	2,121,025	2,121,025

Notes to the Financial Statements

For the Year Ended June 30, 2010

The following shares were held by the related parties of the Bank as at June 30, 2010:

Name of related party	2010		2009	
	Shares held (in million)	Percentage	Shares held (in million)	Percentage
Packages Limited	4.611	2.175%	4.611	2.175%
IGI Insurance Limited	89.095	42.026%	89.095	42.026%
Directors, Chief Executive and their spouse and minor children	10.535	4.967%	7.957	3.753%

	Note	2010	2009
		-------- (Rupees in '000) ----------	
19. RESERVES			
Capital reserve			
Statutory reserve	19.1	97,098	97,098
Revenue reserves			
General reserve		39,733	39,733
		136,831	136,831

19.1 Statutory reserve represents amount set aside as per the requirements of clause 16 of the NBFC Regulations issued by the SECP.

	Note	2010	2009
		-------- (Rupees in '000) ----------	
20. DEFICIT ON REVALUATION OF INVESTMENTS - NET			
Net surplus / (deficit) on revaluation of:			
government securities		(4,188)	1,093
listed and unlisted term finance certificates		(33,160)	(15,880)
units of open end mutual fund		(2,766)	(5,367)
listed shares and certificates		(11,925)	(23,235)
fair value of derivative financial instruments	15	5,263	-
		(46,776)	(43,389)
Impairment losses on investment classified as 'available-for-sale' - transferred to profit and loss account		-	40,211
	20.1	(46,776)	(3,178)
Related deferred tax asset - net	10	9,471	1,411
		(37,305)	(1,767)

Notes to the Financial Statements
For the Year Ended June 30, 2010

	Note	2010	2009
		-------- (Rupees in '000) ----------	
20.1 Particulars of deficit on revaluation of investments - net			
Opening balance		(3,178)	(64,850)
Deficit arising on revaluation of investments during the year		(43,598)	(176,511)
		(46,776)	(241,361)
Impairment on equity securities and unit of mutual funds held as at year end		-	40,211
Impairment on equity securities sold during the year		-	135,287
		-	175,498
Transferred to the profit and loss account on disposal of investments		-	62,685
Closing balance		(46,776)	(3,178)

21. REDEEMABLE CAPITAL

	Note	2010	2009
Secured			
Term finance certificates	21.1	187,425	312,375
Less: Transaction costs	21.2	(342)	(1,095)
		187,083	311,280
Less: Current maturity of redeemable capital	25	(124,950)	(124,950)
		62,133	186,330

21.1 These represent listed term finance certificates issued by the Bank on July 10, 2006 having tenor of 5 years. The total issue comprises of Private Placement (Pre-IPO) of Rs.375 million and Initial Public Offering (IPO) of Rs.125 million. These are secured against the present and future movable fixed assets and current assets of the Bank and carry mark-up at KIBOR plus 2.25% per annum payable semi-annually with no floor and cap. The principal amount of these term finance certificates is redeemable within 5 years in 8 equal semi-annual installments in arrears after a grace period of 12 months from the date of the issue. The credit rating of these term finance certificates has been maintained at ‘A+’ (single A plus) by the PACRA as at June 30, 2010.

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

	Note	2010	2009
22. LONG-TERM FINANCE		-------- (Rupees in '000) ----------	
Secured			
Local currency - banking companies	22.1	316,667	408,333
Less: Current maturity of long-term finance	25	(166,667)	(341,666)
		150,000	66,667

Notes to the Financial Statements

For the Year Ended June 30, 2010

22.1 The principal terms of long-term finance are as follows:

Lender	Amount (Rs. in '000)	Date of disbursement	Date of maturity	Principal repayment	Mark-up	Security
Allied Bank Limited	250,000	7-Dec-09	7-Dec-12	5 equal semi-annual installments commencing from 12 months from the date of disbursement.	A floating rate of 6 month KIBOR plus 2.25 % per annum (with no floor or cap) payable semi annually in arrears.	The facility is secured by a first pari passu charge on Bank's movable assets and all receivables including leased assets and lease receivables with 25% margin.
United Bank Limited	66,667	28-Apr-08	28-Apr-11	6 equal semi-annual installments commencing from 180 days from the date of disbursement.	A floating rate of 3 month KIBOR plus 1.30% per annum (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 the Bank, amounting to Rs.285.71 million with a margin of 30%.

	Note	2010	2009
		-------- (Rupees in '000) ----------	
23. LONG-TERM CERTIFICATES OF DEPOSIT			
Unsecured			
Financial institutions		2,179	-
Individuals		166,109	241,283
Others		448,319	167,258
	23.1 & 23.2	616,607	408,541
Less: Current maturity of long-term certificates of deposit	25	(344,898)	(243,411)
		271,709	165,130

23.1 These certificates of deposit have contractual maturities ranging from 1 to 8 years (2009: 1 to 4 years) from the contract date. Expected rate of return payable on these certificates ranges from 9.75% to 20% (2009: 8.25% to 20%) per annum.

23.2 Included herein is a sum of Rs.60 million (2009: Rs.10 million) representing amount payable to related parties.

	Note	2010	2009
		-------- (Rupees in '000) ----------	
24. LONG-TERM DEPOSITS UNDER LEASE CONTRACTS			
Deposits under lease contracts	24.1	432,887	524,538
Less: Current maturity of deposits on lease contracts	25	(299,086)	(253,074)
		133,801	271,464

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

Notes to the Financial Statements

For the Year Ended June 30, 2010

25. CURRENT MATURITY OF NON-CURRENT LIABILITIES

	Note	2010	2009
		-------- (Rupees in '000)	----------
Current maturity of redeemable capital	21	124,950	124,950
Current maturity of long-term finance	22	166,667	341,666
Current maturity of long-term certificates of deposit	23	344,898	243,411
Current maturity of deposits under lease contracts	24	299,086	253,074
		935,601	963,101

26. SHORT-TERM CERTIFICATES OF DEPOSIT

	Note	2010	2009
Unsecured			
Local currency			
Financial institutions		-	48,600
Individuals	26.1	703,307	587,756
Others		2,562,037	1,611,978
	26.2 & 26.3	3,265,344	2,248,334

26.1 These include certificates of deposit amounting to Rs.3.091 million (2009: Rs.1.546 million) issued to employees of the Bank.

26.2 These certificates of deposit have contractual maturities ranging from 1 to 12 months (2009: 1 to 12 months) from the contract date. Expected rate of return payable on these certificates of deposit are 10.15% to 14.85% (2009: 11.75% to 15.50%) per annum.

26.3 Included herein is a sum of Rs.1,092.69 million (2009: Rs.377.74 million) representing amount payable to related parties.

27. BORROWINGS FROM FINANCIAL INSTITUTIONS

	Note	2010	2009
		-------- (Rupees in '000)	----------
Secured			
Running finance utilised under mark-up arrangement	27.1	149,710	299,472
Securities sold under repurchase agreements to:			
Related parties		200,000	-
Others		1,141,979	89,868
	27.2	1,341,979	89,868
Unsecured borrowing	27.3	100,000	136,000
		1,591,689	525,340

Notes to the Financial Statements

For the Year Ended June 30, 2010

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

Lender	Facility amount (Rs in '000)	Date of expiry	Pricing structure	Security
Allied Bank Limited	100,000	31-Oct-10	Mark-up at 1-month KIBOR plus 1.75% per annum.	First pari passu charge on the Bank's movable assets including leased assets and lease receivables with a margin of 25%.
United Bank Limited	200,000	30-Nov-10	Mark-up at 1-month KIBOR plus 2.00% per annum.	First pari passu charge on present and future moveable assets and receivables of the Bank including leased assets and leased receivables with a margin of 25%.

27.2 These carry mark-up at the rate ranging from 12.10% to 12.50% (2009: 13.6%) per annum and are repayable latest by October 19, 2010.

27.3 These carry mark-up at the rate of 12.35% (2009: 14%) per annum and is repayable latest by July 28, 2010.

	Note	2010	2009
		-------- (Rupees in '000) ----------	
28. INTEREST AND MARK-UP ACCRUED			
Interest and mark-up accrued on:			
Redeemable capital		12,815	25,925
Long-term finance		4,087	11,365
Certificates of deposit		116,604	89,405
Borrowings from financial institutions		23,819	14,750
		157,325	141,445
29. ACCRUED EXPENSES AND OTHER LIABILITIES			
Accrued expenses		4,873	10,608
Payable to customers on account of excess recoveries		3,028	3,028
Unclaimed dividends		316	316
Payable to employee gratuity scheme	38.4	4,777	6,308
Advances from lessees		21,553	12,618
Advance insurance recoveries from customers		1,212	3,185
Payable against purchase of securities		19,541	74,647
Others		5,233	2,671
		60,533	113,381

Notes to the Financial Statements
For the Year Ended June 30, 2010

30. CONTINGENCIES AND COMMITMENTS

30.1 Taxation

(a) The provision for taxation has been computed by the Bank at the rate applicable to a public company. In the original assessments made by the Deputy Commissioner of Inland Revenue (DCIR), the rate for the assessment years 1991-1992 to 2000-2001 applied in computing the tax liability was that applicable to a banking company. However, in the appeals filed against the original assessments, the Commissioner of Inland Revenue (Appeals) [CIR(A)] directed the DCIR to apply the rate applicable to a public company. Subsequent to the order of CIR(A), the Income Tax Department filed appeals before the Income Tax Appellate Tribunal (ITAT) against the directions of CIR(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, whereas the departmental appeals for the remaining years are pending before the ITAT. Subsequent to the decision of ITAT for assessment years 1991-92 to 1997-98, 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 matter the Federal Board of Revenue had given its consent to the proposal of Director General, LTU, Lahore to withdraw the appeals relating to the tax status of investment banks.

In the original assessment made by the DCIR for the assessment years 1995-96 to 2000-01, dividend income was taxed by applying the tax rate applicable to the business income of a banking company instead of applying the reduced tax rate of 5% as prescribed by the law. The CIR (A) and the 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 companies, the Lahore High Court has already decided the matter of taxation of dividend income against the taxation authorities.

In addition to the above matters, the taxation authorities have also disallowed certain expenses and made additions to taxable income on account of lease key money, lease rentals, excess perquisites and miscellaneous expenses in respect of various assessment years against which the Bank has filed appeals before the CIR(A). The CIR(A) has deleted the majority of the additions against which the tax authorities have filed appeals before the ITAT which are currently pending.

(b) Income tax return for tax year 2003 was filed and deemed to be assessed under section 120 of the Income Tax Ordinance, 2001. However, by resorting to the powers given under section 177 of the Ordinance, the CIR had selected the aforementioned tax return for audit which was also confirmed by the Supreme Court in its decision dated March 1, 2006 under which the department was directed to issue fresh notices to the Bank in terms of Section 177 of the Ordinance disclosing criteria / reasons for selecting the above tax return for audit purposes. Pursuant to this order the department had selected tax Year 2003 for audit and has consequently amended the assessment for the said year by making certain additions on account of depreciation on leased assets, provision for finance losses and other miscellaneous expenses. The Bank had preferred an appeal before the CIR(A) to agitate against the additions. The CIR(A) has decided the appeal by confirming certain additions. Against the appellate order of CIR(A), the Bank has filed an appeal before the ITAT which is pending to date. The Bank is confident that the additions confirmed by the CIR(A) will be deleted by the ITAT.

Notes to the Financial Statements
For the Year Ended June 30, 2010

If the provision for taxation were to be made at the rate applicable to a banking company, taxation of dividend income as mentioned above and disallowance of expenses / add backs to income is decided against the Bank, the additional provision for all assessment years upto the tax year 2008 amounts to Rs.199 million (2009: Rs.199 million). Based on the previous decisions, the management is confident that the eventual outcome of the above matters will be decided in favour of the Bank.

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

		2010	2009
		-------- (Rupees in '000) ----------	
30.2	Claims not acknowledged as debts	152,443	81,570
30.3	**Commitments**		
	Commitments in respect of forward sale of shares	155,806	-
	Commitments in respect of forward purchase of shares	20,760	-

Notes to the Financial Statements
For the Year Ended June 30, 2010

31. INCOME FROM INVESTMENTS

	2010					2009				
	Held to maturity	Held for trading	Available -for-sale	Investment in associates	Total	Held to maturity	Held for trading	Available -for-sale	Investment in associates	Total
	(Rupees in '000)									
Interest / mark-up / profit from:										
Term deposit receipts / Fund placements	59,167	-	-	-	59,167	88,066	-	-	-	88,066
Market treasury bills	-	160,273	-	-	160,273	-	5,740	-	-	5,740
Pakistan investment bonds	-	5,243	-	-	5,243	-	23,082	-	-	23,082
Term finance certificates	-	-	200,161	-	200,161	-	-	54,225	-	54,225
	59,167	165,516	200,161	-	424,844	88,066	28,822	54,225	-	171,113
Dividend income	-	-	5,011	-	5,011	-	-	6,655	-	6,655
Gain on disposal of:										
Term finance certificates	-	-	43,161	-	43,161	-	-	239	-	239
Units of open end mutual fund	-	-	5,886	94,086	99,972	-	-	2,227	30,078	32,305
Market treasury bills	-	19	-	-	19	-	-	-	-	-
Pakistan investment bonds	-	2,286	-	-	2,286	-	-	-	-	-
Listed shares and certificates	-	-	12,575	-	12,575	-	-	30,141	-	30,141
	-	2,305	61,622	94,086	158,013	-	-	32,607	30,078	62,685
	59,167	167,821	266,794	94,086	587,868	88,066	28,822	93,487	30,078	240,453

	2010	2009
	(Rupees in '000)	

32. INCOME FROM LOANS AND ADVANCES

Mark-up / interest on loans and advances	66,358	126,538
Documentation charges and other loan related income	200	721
	66,558	127,259

33. INCOME FROM LEASE FINANCE

Mark-up on lease finance	142,534	257,231
Front-end fees, documentation charges and other lease related income	6,255	10,436
	148,789	267,667

34. INCOME FROM LENDINGS AND CONTINUOUS FUNDING SYSTEM TRANSACTIONS

Securities purchased under resale agreements	18,851	15,391
Income from continuous funding system transactions	-	79,556
	18,851	94,947

Notes to the Financial Statements

For the Year Ended June 30, 2010

	Note	2010	2009
		-------- (Rupees in '000) ----------	
35. INCOME FROM FEES, COMMISSION AND BROKERAGE			
Fee from corporate finance services		6,154	4,117
Distribution commission		15,981	22,925
Management fee		-	12,000
		22,135	39,042
36. FINANCE COSTS			
Mark-up on:			
Term finance certificates		33,192	59,796
Long-term finance		55,826	101,944
Certificates of deposits		439,530	371,321
Borrowings from financial institutions		138,194	105,932
Bank charges		707	5,479
		667,449	644,472
37. ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries, allowances and benefits		90,574	93,456
Contribution to the provident fund	38.11	3,744	3,857
Gratuity scheme expense	38.5	(45)	3,026
Contribution to employees' old-age benefit institution		392	514
Depreciation on property and equipment	6.1	22,670	25,581
Amortisation on intangible assets	6.2	2,398	2,302
Rent, rates and taxes		19,969	20,934
Travelling and entertainment		3,029	3,293
Telephone, telex and fax		3,428	4,121
Printing, postage and stationery		3,346	4,138
Insurance		3,326	3,785
Lighting, heating and cooling		4,654	4,533
Repairs and maintenance		7,226	4,999
Brokerage and commission		3,170	1,774
Legal and professional fees		6,204	8,368
Subscriptions		4,352	2,868
Advertisement		1,829	11,713
Other expenses		7,494	9,331
		187,760	208,593

Notes to the Financial Statements
For the Year Ended June 30, 2010

38. DEFINED BENEFIT PLAN - GRATUITY SCHEME

The most recent actuarial valuation was carried out as at June 30, 2010, using the Projected Unit Credit Method. Following assumptions were used:

	2010	2009
Discount rate	13.00%	13.25%
Expected rate of increase in salary	10.85%	11.09%
Expected rate of return on plan assets	13.00%	13.25%

	Note	2010	2009
		-------- (Rupees in '000) ----------	
38.1 Amount recognised in the balance sheet			
Present value of defined benefit obligation	38.2	7,734	7,887
Fair value of plan assets	38.3	(3,852)	(2,875)
Unrecognised actuarial gain - net		895	1,296
	38.4	4,777	6,308
38.2 Movement in the defined benefit obligation			
Present value of defined benefit obligation at the beginning of the year		7,887	12,042
Interest cost		790	1,291
Current service cost		2,163	2,565
Benefits paid		(1,486)	(4,742)
Gain on curtailment of staff gratuity scheme		(2,242)	-
Actuarial (gain) / loss on obligation		622	(3,269)
Present value of defined benefit obligation at the end of the year		7,734	7,887
38.3 Movement in the fair value of plan assets			
Fair value of plan asset at the beginning of the year		2,875	8,022
Expected return on planned assets		217	819
Contributions to the fund		1,486	942
Benefits paid		(1,486)	(4,742)
Actuarial gain / (loss) on plan assets		760	(2,166)
Fair value of plan assets at the end of the year		3,852	2,875
38.4 Movement of liability			
Balance at the beginning of the year		6,308	4,224
(Income) / expense for the year - net	38.5	(45)	3,026
Contributions during the year		(1,486)	(942)
Balance at the end of the year	29	4,777	6,308

Notes to the Financial Statements
For the Year Ended June 30, 2010

		Note	2010	2009
			-------- (Rupees in '000)	----------
38.5	**Gratuity scheme (income) / expense recognised in the profit and loss account**			
	Current service cost		2,163	2,565
	Interest cost		790	1,291
	Expected return on plan assets		(218)	(819)
	Net actuarial gain recognised during the year		(538)	(11)
			2,197	3,026
	Gain on curtailment of staff gratuity fund	39	(2,242)	-
			(45)	3,026

38.6 Plan assets comprise of the following:

	2010		2009	
	(Rupees in '000)	Percentage composition	(Rupees in '000)	Percentage composition
Units of mutual funds / shares	582	15	1,179	41
Bank account and short term deposits	3,270	85	1,696	59
	3,852	100	2,875	100

38.7 5 years data in respect of deficit on the plan assets is as follows:

	2010	2009	2008	2007	2006
	------------------------	------------------------	(Rupees in '000)	------------------------	------------------------
Present value of defined benefit obligation	7,734	7,887	12,042	8,059	6,462
Fair value of plan assets	(3,852)	(2,875)	(8,022)	(7,220)	(4,755)
Deficit	3,882	5,012	4,020	839	1,707

38.8 5 years data in respect of experience adjustments is as follows:

	2010	2009	2008	2007	2006
Experience adjustments on plan liabilities	8%	(41)%	8%	-	-
Experience adjustments on plan assets	20%	(75)%	-	10%	(1)%

38.9 Actual return on plan assets during the year was Rs.0.978 million (2009: Rs.1.347 million).

38.10 Based on actuarial advice the Bank intends to charge an amount of approximately Rs.4.777 million (Rs.6.308 million) in the financial statements for the year ending June 30, 2010.

38.11 Defined contribution plan

An amount of Rs.3.744 million (2009: Rs.3.857 million) has been charged during the year in respect of contributory provident fund maintained by the Bank.

Notes to the Financial Statements

For the Year Ended June 30, 2010

		Note	2010	2009
			-------- (Rupees in '000) ----------	
39.	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Income from deposits with banks		23,838	25,462
	Income from non-financial assets			
	Gain on disposal of fixed assets		2,627	2,638
	Miscellaneous income		1,216	2,131
			27,681	30,231
40.	**OTHER OPERATING EXPENSES**			
	Provision against other assets		5,342	2,767
	Auditors' remuneration	40.1	1,136	1,008
			6,478	3,775
40.1	**Auditors' remuneration**			
	Statutory audit fee		700	700
	Half yearly review fee		150	150
	Special certification and other services		130	100
	Out of pocket expenses		156	58
			1,136	1,008
41.	**TAXATION**			
	Current		5,878	2,293
	For the year		-	(171)
	For prior years		5,878	2,122
		10.2	(192,925)	(77,690)
	Deferred		(187,047)	(75,568)

41.1 Effective tax rate reconciliation

The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements due to tax loss during the year.

		2010	2009
42.	**LOSS PER SHARE**		
	Loss after taxation	(199,370)	(375,086)
		-------- Number of shares ---------	
	Weighted average number of ordinary shares outstanding during the year	212,102,550	212,102,550
		-------------- (Rupee) --------------	
	Loss per share - basic	(0.94)	(1.77)

Notes to the Financial Statements

For the Year Ended June 30, 2010

42.1 Diluted earnings per share is not disclosed as (a) the Bank does not have any convertible instruments in issue as at June 30, 2010 (2009: Nil) (b) the amount of dilution, if any, would be anti-dilutive.

43. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executives		Executives		Executive Director		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	(Rupees in '000)							
Managerial remuneration (including bonus)	5,772	4,493	27,817	25,044	-	1,365	33,589	30,902
House rent	2,217	2,022	12,514	9,243	-	614	14,731	11,879
Utilities	-	449	2,781	2,054	-	136	2,781	2,639
Medical expenses	493	448	1,022	790	-	84	1,515	1,322
Conveyance	369	-	2,384	3,223	-	-	2,753	3,223
Retirement benefits	495	449	2,418	2,054	-	136	2,913	2,639
Others	710	84	4,029	4,073	-	21	4,739	4,178
	10,056	7,945	52,965	46,481	-	2,356	63,021	56,782
Number of persons	1	1	31	30	-	1	32	32

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

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

43.3 Meeting fees of Rs.40,000 (2009: Rs.45,000) were paid to the directors for attending the board meetings.

43.4 The Bank has appointed Mr. S. Javed Hassan as new Chief Executive Officer with effect from July 18, 2009 to fill the vacancy which arose due to resignation of Mr. Samir Ahmed (former Chief Executive Officer). Mr. S. Javed Hassan was previously working as Chief Executive Officer of IGI Funds Limited and had also worked as Executive Director in the Bank until October 31, 2008.

Notes to the Financial Statements

For the Year Ended June 30, 2010

44. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors, key management employees and employees fund. The Bank has a policy whereby all transactions with related parties, are entered into at contractual rates. The following table provides the transactions with related parties, other than remuneration under the terms of employment. For information regarding outstanding balances as at June 30, 2010 and June 30, 2009 refer to respective notes.

	2010			
Description	Subsidiaries	Other related parties including associated undertakings	Key Management personnel	Total
	(Rupees in '000)			
Transactions during the year				
Certificates of deposit issued	-	5,287,927	182,203	5,470,130
Certificates of deposit matured	-	4,124,243	160,304	4,284,547
Insurance premium paid	-	2,106	-	2,106
Purchase of fixed assets	1,077	348	-	1,425
Sale of fixed assets	3,429	164	-	3,593
Lendings - secured	3,357,300	-	-	3,357,300
Repayment of secured lending	3,192,300	-	-	3,192,300
Purchase of marketable securities	601,978	-	-	601,978
Sale of marketable securities	522,087	-	-	522,087
Sale of term finance certificates	93,003	1,025,533	-	1,118,536
Purchase of term finance certificates	92,417	1,015,487	-	1,107,904
Investment in mutual fund units	-	3,989,865	-	3,989,865
Redemption of mutual fund units	-	3,668,500	-	3,668,500
Income from loans and finances	-	-	312	312
Income from lendings - secured	10,982	-	-	10,982
Borrowings - secured	-	200,000	-	200,000
Markup on borrowings - secured	-	2,055	-	2,055
Brokerage, commission and fees paid	949	-	-	949
Return on certificates of deposit	-	72,657	1,500	74,157
Rent expense	6	15,955	-	15,961
Reimbursement of rent	7,767	563	-	8,330
Short-term deposit	20,000	-	-	20,000
Reimbursement of subscription expense	1,235	-	-	1,235
Charge for the year in respect of employee benefit and contribution plan	-	3,699	-	3,699

Notes to the Financial Statements
For the Year Ended June 30, 2010

Description	Subsidiaries	Other related parties including associated undertakings	Key Management personnel	Total
	2009			
	(Rupees in '000)			
Transactions during the year				
Certificates of deposit issued	415,000	1,784,246	15,611	2,214,857
Certificates of deposit matured	415,000	1,716,006	13,184	2,144,190
Insurance premium paid	-	2,842	-	2,842
Lendings - secured	50,000	-	-	50,000
Purchase of marketable securities	633,285	-	-	633,285
Sale of marketable securities	772,669	-	-	772,669
Sale of term finance certificates	-	-	-	-
Purchase of term finance certificates	-	319,370	-	319,370
Investment in mutual fund units	-	2,694,399	-	2,694,399
Redemption of mutual fund units	-	2,495,910	-	2,495,910
Sale of assets	588	2,355	1,017	3,960
Income from finance	-	-	383	383
Brokerage, commission and fees paid	437	-	-	437
Return on certificates of deposit	4,276	40,948	203	45,427
Rent expense	439	14,100	-	14,539
Reimbursement of rent	12,225	3,754	-	15,979
Reimbursement of subscription expense	879	-	-	879
Purchase of assets	1,054	4,139	-	5,193
Management fee	12,000	-	-	12,000
Purchase of intangible assets	-	565	-	565
Charge for the year in respect of employee benefit and contribution plan	-	6,883	-	6,883

45. CASH GENERATED FROM OPERATIONS

	Note	2010	2009
		(Rupees in '000)	
Loss for the year before taxation		(386,417)	(450,654)
Adjustments for non cash and other items:			
Gain on disposal of fixed assets		(2,627)	(2,638)
Depreciation on property and equipment		22,670	25,581
Amortisation of intangible assets		2,398	2,302
Amortisation of transaction cost on term finance certificates		753	1,120
(Reversal) / provision for staff gratuity scheme		(45)	3,026
Interest, mark-up and profit income		(676,425)	(675,291)
Dividend income		(5,011)	(6,655)
Finance cost		667,449	644,472
(Reversal) / provision for bad and doubtful loans and advances / lease losses - general - net		(36,469)	1,276
Provision for bad and doubtful loans and advances / lease losses - specific - net		300,663	117,639
Working capital changes	45.1	153,057	187,684
		426,413	298,516
		39,996	(152,138)

Notes to the Financial Statements

For the Year Ended June 30, 2010

	Note	2010	2009
		-------- (Rupees in '000) ----------	
45.1 Working capital changes			
Decrease / (increase) in current assets:			
Short-term loans and advances		240,706	(25,289)
Lendings - secured		(552,791)	801,913
Short-term investments		(1,691,115)	108,612
Deposit, prepayments and other receivables		(25,547)	1,209,017
		(2,028,747)	2,094,253
(Decrease) / increase in current liabilities:			
Short-term certificates of deposit		1,017,010	(435,143)
Borrowings from financial institutions		1,216,111	(1,333,241)
Accrued expenses and other liabilities		(51,317)	(138,185)
		2,181,804	(1,906,569)
		153,057	187,684

46. CASH AND CASH EQUIVALENTS

	Note	2010	2009
Cash and bank balances	17	214,834	112,664
Short-term running finance utilised under mark-up arrangements	27	(149,710)	(299,472)
		65,124	(186,808)

47. NON DISCRETIONARY PORTFOLIO

The Bank is also acting as an Investment Advisor for various clients by providing services such as consultation in investment decisions, sell, purchase, liquidate and otherwise manage the portfolio of securities. The cost and market value of the underlying investments included in the non discretionary portfolios managed by the Bank are as under:

	2010	2009
	-------------- Number --------------	
Number of clients	5	-
	---------- (Rupees in '000) --------	
Cost	66,302	-
Market value	65,943	-

47.1 The fee earned on these services during the year amounted to Rs.0.046 million (2009: Rs.Nil).

Notes to the Financial Statements
For the Year Ended June 30, 2010

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank's principal financial liabilities, other than derivatives, comprise loans, certificate of deposits, borrowings and payables. The main purpose of these financial liabilities is to raise finances for the Bank's operations. The Bank has lease, loan, lendings, investments, other receivables and cash and short-term deposits that arrive directly from its operations. The Bank also holds available-for-sale investments, and enters into derivative transactions.

The Bank is exposed to market risk, credit risk and liquidity risk.

The Bank's senior management oversees the management of these risks. The Bank's senior management is supported by a Asset and Liability Committee (ALCO committee) that advises on financial risks and the appropriate financial risk governance framework for the Bank. The ALCO committee provides assurance to the Bank's senior management that the Bank's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Bank policies and Bank risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

48.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. The Bank is exposed to market risk as a result of mismatches or gaps in the amounts of financial assets and financial liabilities that mature or reprice in a given period. The Bank manages this risk by matching the repricing of financial assets and liabilities through risk management strategies.

Market risk mainly comprises of currency risk, interest rate and other price risk.

48.1.1 Currency risk

Currency risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Bank, at present is not exposed to significant currency risk.

48.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Bank is mainly exposed to mark-up / interest rate risk on its net investment in finance lease, loans and advances, lendings, investments, running finance on mark-up arrangements, redeemable capital, borrowings and long term loans with floating interest rates. The Bank manages its interest rate risk by having a balance between floating and fixed interest rate financial instruments.

Notes to the Financial Statements
For the Year Ended June 30, 2010

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

As at June 30, 2010	Effective rate %	Total	Exposed to yield / market rate risk: Within one year	More than one year and less than five years	More than five years	Not exposed to yield / market rate risk
		(Rupees in '000)				
Financial assets						
Loans and advances - net	11.50% - 17.39%	405,868	201,174	202,894	1,800	-
Net investment in lease finance - net	7.00% -23.00%	1,138,234	768,528	369,706	-	-
Investments	9.6% - 13.35%	5,053,144	1,245,720	445,188	1,560,962	1,801,274
Long-term deposits	-	5,345	-	-	-	5,345
Lendings - secured	12.00% - 15.50%	651,391	651,391	-	-	-
Deposit and other receivables	-	51,351	-	-	-	51,351
Cash and bank balances	5.00% - 13%	214,834	207,409	-	-	7,425
		7,520,167	3,074,222	1,017,788	1,562,762	1,865,395
Financial liabilities						
Redeemable capital	14.61%	187,083	124,950	62,133	-	-
Long-term finance	13.64% - 14.60%	316,667	166,667	150,000	-	-
Certificates of deposit	9.75% - 20%	3,881,951	3,610,242	131,709	140,000	-
Long-term deposits under lease contracts	-	432,887	-	-	-	432,887
Borrowings from financial institutions	12.10% - 12.50%	1,591,689	1,591,689	-	-	-
Accrued expenses and other liabilities	-	34,107	-	-	-	34,107
		6,444,384	5,493,548	343,842	140,000	466,994
On-balance sheet gap		1,075,783	(2,419,326)	673,946	1,422,762	1,398,401
Commitments in respect of forward sale of shares		155,806	-	-	-	155,806
Commitments in respect of forward purchase of shares		(20,760)	-	-	-	(20,760)
Off-balance sheet gap		135,046	-	-	-	135,046

Notes to the Financial Statements

For the Year Ended June 30, 2010

As at June 30, 2009	Effective rate %	Total	Exposed to yield / market rate risk: Within one year	More than one year and less than five years	More than five years	Not exposed to yield / market rate risk
		(Rupees in '000)				
Financial assets						
Loans and advances - net	12.00% - 20.16%	764,041	601,726	158,377	3,938	-
Net investment in lease finance - net	7.00% - 23.00%	1,829,096	985,714	843,382	-	-
Investments	9.60% - 16.00%	3,186,889	1,214,112	216,568	192,517	1,563,692
Lendings - secured	11.50% - 12.50%	98,600	98,600	-	-	-
Long-term deposits	-	6,795	-	-	-	6,795
Deposit and other receivables - net	-	19,309	-	-	-	19,309
Cash and bank balances	5.00% - 13.00%	112,664	108,415	-	-	4,249
		6,017,394	3,008,567	1,218,327	196,455	1,594,045
Financial liabilities						
Redeemable capital	17.86%	311,280	124,950	186,330	-	-
Long-term finance	14.11% - 14.12%	707,805	641,138	66,667	-	-
Certificates of deposit	8.25% - 20%	2,656,875	2,491,745	165,130	-	-
Long-term deposits under lease contracts	-	524,538	-	-	-	524,538
Borrowings from financial institutions	13.6% - 14%	225,868	225,868	-	-	-
Accrued expenses and other liabilities	-	90,155	-	-	-	90,155
		4,516,521	3,483,701	418,127	-	614,693
On-balance sheet gap		1,500,873	(475,134)	800,200	196,455	979,352
Commitments in respect of forward sale of shares		-	-	-	-	-
Commitments in respect of forward purchase of shares		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-

48.2 Equity risk

The Bank's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Bank manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Bank's senior management on a regular basis. The Bank's Board of Directors reviews and approves all equity investment decisions.

48.3 Credit risk and concentrations of credit risk

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

Notes to the Financial Statements
For the Year Ended June 30, 2010

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

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

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

	2010		2009	
	(Rupees in '000)	%	(Rupees in '000)	%
Finance and leases				
Dairy and poultry	315	0.02	315	0.01
Cement	3,627	0.23	3,616	0.14
Health	23,455	1.52	35,624	1.37
Glass and ceramics	7,950	0.51	11,015	0.42
Leather	19,228	1.25	42,874	1.65
Paper and board	46,189	2.99	65,950	2.54
Construction	136,776	8.86	236,375	9.12
Energy, oil and gas	81,260	5.26	251,774	9.71
Financial institutions	105,778	6.85	33,333	1.29
Electric and electric goods	53,325	3.45	77,024	2.97
Chemicals / fertilizers / pharmaceuticals	21,508	1.39	43,750	1.69
Food, tobacco and beverages	50,800	3.29	106,796	4.12
Steel, engineering and automobiles	161,529	10.46	285,393	11.01
Transport	177,099	11.47	325,451	12.55
Textile / textile composite	236,574	15.32	318,514	12.28
Miscellaneous (including individuals)	418,689	27.13	755,333	29.13
	1,544,102	100.00	2,593,137	100.00

48.4 Liquidity risk

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

Notes to the Financial Statements

For the Year Ended June 30, 2010

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

As at June 30, 2010	Total	Within one year	More than one year and less than five years	More than five years
	(Rupees in '000)			
Assets				
Fixed assets	63,024	31,550	31,474	-
Investments	5,053,144	1,186,972	741,841	3,124,331
Loans and advances - net	405,868	201,174	75,394	129,300
Net investment in lease finance - net	1,138,234	768,528	369,706	-
Long-term deposits	5,345	-	-	5,345
Deferred tax asset - net	336,041	-	336,041	-
Lendings - secured	651,391	651,391	-	-
Taxation - net	251,741	251,741	-	-
Deposit, prepayments and other receivables	55,061	50,590	4,471	-
Interest, mark-up and profit accrued	86,006	86,006	-	-
Cash and bank balances	214,834	214,834	-	-
	8,260,689	3,442,786	1,558,927	3,258,976
Liabilities				
Redeemable capital	187,083	124,950	62,133	-
Long-term finance	316,667	166,667	150,000	-
Certificates of deposit	3,881,951	3,610,242	131,709	140,000
Long-term deposits under lease contracts	432,887	299,086	133,801	-
Borrowings from financial institutions	1,591,689	1,591,689	-	-
Interest and mark-up accrued	157,325	157,325	-	-
Accrued expenses and other liabilities	60,533	57,189	3,344	-
	6,628,135	6,007,148	480,987	140,000
	1,632,554	(2,564,362)	1,077,940	3,118,976

Notes to the Financial Statements

For the Year Ended June 30, 2010

As at June 30, 2009	Total	Within one year	More than one year and less than five years	More than five years
	(Rupees in '000)			
Assets				
Fixed assets	88,449	1,759	86,257	433
Investments	3,186,889	1,683,861	216,568	1,286,460
Loans and advances - net	764,041	601,726	162,315	-
Net investment in lease finance - net	1,829,096	985,714	843,382	-
Long-term deposits	6,795	-	-	6,795
Deferred tax asset- net	135,056	-	135,056	-
Lendings - secured	98,600	98,600	-	-
Taxation - net	247,835	247,835	-	-
Deposit, prepayments and other receivables	30,077	30,077	-	-
Interest, mark-up and profit accrued	49,152	49,152	-	-
Cash and bank balances	112,664	112,664	-	-
	6,548,654	3,811,388	1,443,578	1,293,688
Liabilities				
Redeemable capital	311,280	124,950	186,330	-
Long-term finance	707,805	641,138	66,667	-
Certificates of deposits	2,656,875	2,491,745	165,130	-
Long-term deposits under lease contracts	524,538	253,074	271,464	-
Borrowings from financial institutions	225,868	225,868	-	-
Interest and mark-up accrued	141,445	141,445	-	-
Accrued expenses and other liabilities	113,381	113,381	-	-
	4,681,192	3,991,601	689,591	-
	1,867,462	(180,213)	753,987	1,293,688

49. CAPITAL RISK MANAGEMENT

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

The Bank manages the structure and makes adjustments to it in the light of changes in economic conditions, the regulatory requirements and payment of dividends or issuance of new shares.

Capital requirements applicable to the Bank are set and regulated by the SECP. These requirements are put in place to ensure sufficient solvency margins. The Bank manages its capital requirements by assessing its capital structure against the required level on a regular basis. Pursuant to SRO 764(I)/2009 dated September 02, 2009 issued by SECP, the following extension in aggregate minimum equity requirement as per NBFC Regulations for the leasing and investment finance companies was granted:

Notes to the Financial Statements
For the Year Ended June 30, 2010

	Year ending	Rs. in million
Minimum equity requirement	June 30, 2011	850
Minimum equity requirement	June 30, 2012	1,200
Minimum equity requirement	June 30, 2013	1,700

	2010	**2009**
	----- (Rupees in '000) -----	
The Bank's equity comprises the following:		
Issued, subscribed and paid-up share capital	2,121,025	2,121,025
Reserves	136,831	136,831
Accumulated losses	(587,997)	(388,627)
	1,669,859	1,869,229

No other changes were made in the objectives, policies or processes during the years ended June 30, 2010 and June 30, 2009.

50. FAIR VALUE OF FINANCIAL INSTRUMENTS

50.1 As at June 30, 2010, the fair values of all financial instruments are based on the valuation methodology outlined below:

(a) Finances and certificates of deposit

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

(b) Investments

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

(c) Other financial instruments

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

Notes to the Financial Statements

For the Year Ended June 30, 2010

51. SEGMENTAL ANALYSIS

	2010		
	Financing activities	Investing activities	Total
	(Rupees in '000)		
Income from investments	-	587,868	587,868
Income from loans and advances	66,558	-	66,558
Income from lease finance	148,789	-	148,789
Income from lendings and continuous funding system transactions	18,851	-	18,851
Income from fees, commission and brokerage	-	22,135	22,135
Total income for reportable segments	234,198	610,003	844,201
Finance costs	(185,716)	(481,733)	(667,449)
Administrative and general expenses (excluding depreciation and amortisation)	(25,221)	(28,261)	(53,482)
Depreciation and amortisation	(6,954)	(18,114)	(25,068)
Provision for bad and doubtful debts (general and specific) - net	(264,194)	-	(264,194)
Provision against other assets	(5,342)	-	(5,342)
Impairment charge against investments	-	(132,418)	(132,418)
Segment result	(253,229)	(50,523)	(303,752)
Other operating income			27,681
Unallocated administrative expenses			(109,210)
Other operating expenses			(1,136)
Loss before taxation			(386,417)
Segment assets	1,698,462	5,945,241	7,643,703
Unallocated assets			616,986
			8,260,689
Segment liabilities	1,833,119	4,753,921	6,587,040
Unallocated liabilities			41,095
			6,628,135
Capital expenditure - tangible	1,293	4,584	5,877
Capital expenditure - intangible	346	1,225	1,571

Notes to the Financial Statements
For the Year Ended June 30, 2010

	2009		
	Financing activities	Investing activities	Total
	(Rupees in '000)		
Income from investments	-	240,453	240,453
Income from loans and advances	127,259	-	127,259
Income from lease finance	267,667	-	267,667
Income from lendings and continuous funding system transactions	120,409	-	120,409
Income from fees, commission and brokerage	-	39,042	39,042
Total income for reportable segments	515,335	279,495	794,830
Finance costs	(340,936)	(302,416)	(643,352)
Administrative and general expenses (excluding depreciation and amortisation)	(28,004)	(31,236)	(59,240)
Depreciation and amortisation	(18,078)	(9,805)	(27,883)
Provision for bad and doubtful debts (general and specific) - net	(118,915)	-	(118,915)
Provision against other assets	(2,767)	-	(2,767)
Impairment charge against investments	-	(274,498)	(274,498)
Segment result	6,635	(338,460)	(331,825)
Other operating income			4,769
Unallocated administrative expenses			(120,970)
Other operating expenses			(2,628)
Loss before taxation			(450,654)
Segment assets	2,621,449	3,435,453	6,056,902
Unallocated assets			491,752
			6,548,654
Segment liabilities	2,633,888	2,027,717	4,661,605
Unallocated liabilities			19,587
			4,681,192
Capital expenditure - tangible	4,022	14,258	18,280
Capital expenditure - intangible	196	697	893

52. DATE OF AUTHORISATION FOR ISSUE

The financial statements were approved by the Board of Directors and authorised for issue on August 26, 2010.

53. GENERAL

Figures have been rounded off to the nearest thousand rupees.

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

Consolidated Financial Statements
For the year ended June 30, 2010

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **IGI Investment Bank Limited** (the Bank) and its Subsidiary Companies (together referred to as Group) as at 30 June 2010 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of IGI Investment Bank Limited. The financial statements of the subsidiaries IGI Funds Limited and IGI Finex Securities Limited were audited by M. Yousuf Adil Saleem & Co. and our opinion in so far as it relates to the amounts included for such companies, is based solely on the report of such auditors. The consolidated financial statements of the Group for the year ended 30 June 2009 were audited by another firm of Chartered Accountants, whose report dated 27 August 2009 expressed an unqualified opinion thereon.

These financial statements are responsibility of the Group's management. Our responsibility is to express our opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2010 and the results of its operations, cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

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

Audit Engagement Partner: Shabbir Yunus

Date: August 31, 2010
Karachi

Consolidated Balance Sheet

As at June 30, 2010

	Note	2010	2009 Restated (Note 19.4)	2008 Restated (Note 19.4)
ASSETS		(Rupees in '000)		
Non-current assets				
Fixed assets	5	194,547	313,820	358,189
Long-term loans and advances - net	6	204,795	162,683	331,258
Long term investments	7	22,932	98,932	62,782
Investment in associates	8	837,704	563,869	261,259
Net investment in finance lease	9	369,706	843,382	1,467,961
Long-term deposits and other receivables	10	10,730	12,608	13,597
Receivables from funds	11	4,575	2,726	1,209
Deferred tax asset - net	12	466,172	202,710	84,984
		2,111,161	2,200,730	2,581,239
Current assets				
Current maturity of non-current assets	13	949,108	1,182,977	1,199,436
Short-term loans and advances - net	14	23,347	405,980	410,691
Lendings - secured	15	600,391	48,600	1,025,513
Receivable against continuous funding system transactions		-	-	483,912
Short-term investments	16	3,568,972	1,905,606	2,022,195
Taxation - net		273,182	265,762	248,337
Advances, deposits, prepayments and other receivables	17	143,333	45,065	888,674
Interest, mark-up and profit accrued	18	88,859	51,265	65,351
Trade debts - net	19	568,934	287,635	1,425,800
Cash and bank balances	20	216,618	216,952	974,845
		6,432,744	4,409,842	8,744,754
TOTAL ASSETS		8,543,905	6,610,572	11,325,993
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	21	2,121,025	2,121,025	2,121,025
Reserves	22	115,145	115,145	136,831
Accumulated losses		(824,895)	(660,627)	(108,124)
		1,411,275	1,575,543	2,149,732
Non-controlling interest	23	45	45	23,384
		1,411,320	1,575,588	2,173,116
Deficit on revaluation of investments - net	24	(38,141)	(8,952)	(60,231)
		1,373,179	1,566,636	2,112,885
Non-current liabilities				
Redeemable capital	25	62,133	186,330	310,160
Long-term finance	26	150,000	66,667	408,333
Long-term certificates of deposit	27	271,709	165,130	471,898
Long-term deposits under lease contracts	28	133,801	271,464	418,221
Liabilities against assets subject to finance lease	29	635	1,500	1,917
		618,278	691,091	1,610,529
Current liabilities				
Current maturity of non-current liabilities	30	935,903	963,518	1,083,043
Short-term certificates of deposit	31	3,265,344	2,248,334	2,683,477
Borrowings from financial institutions	32	1,889,999	744,336	2,385,170
Interest and mark-up accrued	33	168,009	143,173	171,714
Accrued expenses and other liabilities	34	293,193	253,484	1,279,175
		6,552,448	4,352,845	7,602,579
TOTAL LIABILITIES		7,170,726	5,043,936	9,213,108
Contingencies and commitments	35			
TOTAL EQUITY AND LIABILITIES		8,543,905	6,610,572	11,325,993

The annexed notes from 1 to 60 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

IGI
Investment Bank

Consolidated Profit and Loss Account

For the Year Ended June 30, 2010

	Note	2010	2009 Restated (Note 19.4)
		---------- (Rupees in '000)	-----------
Income			
Income from investments	36	619,171	246,119
Income from loans and advances	37	66,558	127,003
Income from lease finance	38	148,789	267,667
Income from lendings and continuous funding system transactions	39	26,057	109,457
Remuneration from funds under management	40	43,966	29,476
Income from fees, commission and brokerage	41	152,951	111,434
		1,057,492	891,156
Finance costs	42	705,419	701,196
Administrative and general expenses	43	433,299	616,960
		1,138,718	1,318,156
		(81,226)	(427,000)
Other operating income	45	68,299	101,552
		(12,927)	(325,448)
Other operating expenses	46	34,119	4,696
Operating loss before provisions and share of profit in associates		(47,046)	(330,144)
Reversal / (provision) for bad and doubtful loans and advances / lease losses - general - net	6.5 & 9.4	36,469	(1,276)
Provision for bad and doubtful loans and advances / lease losses - specific - net	6.5, 9.4 & 14.4	(300,663)	(117,639)
		(264,194)	(118,915)
Impairment against intangible assets	5.3	(77,157)	-
Impairment against investments:			
fund placements and term finance certificates	16.8	(1,731)	(99,000)
equity securities:			
equity securities sold during the year		-	(135,287)
equity securities and units of mutual funds held as at year end		-	(40,211)
unquoted equity securities and preference shares	7.1 & 7.2	(96,000)	-
		(96,000)	(175,498)
		(97,731)	(274,498)
		(486,128)	(723,557)
Share of profit in associates	8.1	86,338	53,792
Loss before taxation		(399,790)	(669,765)
Taxation - net	47	235,522	109,737
Loss after taxation		(164,268)	(560,028)
Loss attributable to non-controlling interest		-	7,525
Loss attributable to shareholders		(164,268)	(552,503)
Loss for the year after taxation		(164,268)	(560,028)
Other comprehensive income - net of tax		-	-
Total comprehensive loss - net of tax		(164,268)	(560,028)
Loss attributable to non-controlling interest		-	7,525
Loss attributable to shareholders		(164,268)	(552,503)

	Note	2010	2009 Restated (Note 19.4)
		----------- (Rupees in '000)	-----------
Loss per share - basic	48	(0.77)	(2.60)

The annexed notes from 1 to 60 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

Consolidated Cash Flow Statement

For the Year Ended June 30, 2010

	Note	2010	2009
		-------- (Rupees in '000) ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated (used in) / from operations	52	(196,871)	200,340
(Repayment) / disbursements of long-term loans and advances - net		(41,081)	150,863
Net recovery from finance lease		585,592	570,840
Long-term deposits and other receivables		1,878	(1,736)
Disbursement / (Repayments) of long-term certificates of deposit		208,066	(383,141)
Payments of deposits under lease contracts		(91,651)	(49,966)
Interest, mark-up and profit received		648,350	708,913
Dividend received		8,410	6,448
Financial cost paid		(680,583)	(728,617)
Income tax paid		(35,360)	(26,773)
Gratuity paid		(3,668)	(3,451)
Net cash generated from operating activities		403,082	443,720
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(17,071)	(33,907)
Proceeds from disposal of fixed assets		15,877	21,590
Long-term investments made / (disposed)		76,000	(36,150)
Received from funds		(2,681)	(1,517)
Purchase of shares from non-controlling interest		-	(37,500)
Investment made in associates		(187,497)	(199,560)
Net cash outflow from investing activities		(115,372)	(287,044)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal redemption of term finance certificates		(124,950)	(124,950)
Lease rental paid		(980)	(359)
Long-term finance - net repaid		(91,666)	(481,667)
Net cash outflow from financing activities		(217,596)	(606,976)
Net increase / (decrease) in cash and cash equivalents		70,114	(450,300)
Cash and cash equivalents at the beginning of the year		(301,516)	148,784
Cash and cash equivalents at the end of the year	53	(231,402)	(301,516)

The annexed notes from 1 to 60 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

Consolidated Statement of Changes in Equity

For the Year Ended June 30, 2010

	Issued, subscribed and paid-up capital	Reserves: Capital: Reserve arising on acquisition of non-controlling interest	Reserves: Capital: Statutory reserve	Reserves: Revenue: General reserve	Reserves: Revenue: Accumulated losses	Total reserves	Non-controlling interest	Total
	(Rupees in '000)							
Balance as at June 30, 2008 - as previously reported	2,121,025	-	97,098	39,733	(95,011)	41,820	23,384	2,186,229
Effect of prior period errors (see note 19.4)	-	-	-	-	(13,113)	(13,113)	-	(13,113)
Balance as at June 30, 2008 - as restated	2,121,025	-	97,098	39,733	(108,124)	28,707	23,384	2,173,116
Loss after taxation for the year ended June 30, 2009 - restated (see note 19.4)	-	-	-	-	(560,028)	(560,028)	-	(560,028)
Loss attributable to non-controlling interest	-	-	-	-	7,525	7,525	(7,525)	-
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(552,503)	(552,503)	(7,525)	(560,028)
Acquisition of shareholding by the Group from non-controlling interest	-	(21,686)	-	-	-	(21,686)	(15,814)	(37,500)
Balance as at June 30, 2009 - restated	2,121,025	(21,686)	97,098	39,733	(660,627)	(545,482)	45	1,575,588
Balance as at July 01, 2009 - restated	2,121,025	(21,686)	97,098	39,733	(660,627)	(545,482)	45	1,575,588
Loss after taxation for the year ended June 30, 2010	-	-	-	-	(164,268)	(164,268)	-	(164,268)
Loss attributable to non-controlling interest	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(164,268)	(164,268)	-	(164,268)
Balance as at June 30, 2010	2,121,025	(21,686)	97,098	39,733	(824,895)	(709,750)	45	1,411,320

The annexed notes from 1 to 60 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

S. JAVED HASSAN
Managing Director & Chief Executive

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding company:

IGI Investment Bank Limited

Subsidiary companies:

	Percentage holding
IGI Finex Securities Limited	100%
IGI Funds Limited	99.97%

IGI Investment Bank Limited (IGI Bank)

IGI Investment Bank Limited is a public limited company incorporated in Pakistan on February 07, 1990 under the Companies Ordinance, 1984. The Bank is licensed to carry out investment finance activities and leasing operations as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). The Bank's shares are quoted on the Karachi, Islamabad and Lahore Stock Exchanges. The registered office of the Bank is situated at 5 F.C.C., Syed Maratab Ali Road, Gulberg, Lahore. The principal place of business is situated at 7th Floor, the Forum, Suite No. 701 to 713, G-20, Block-9, Khayaban-e-Jami, Clifton, Karachi.

Based on the financial statements of the Bank for the year ended June 30, 2009, the Pakistan Credit Rating Agency (PACRA) has maintained the long-term credit rating of the Bank as 'A' and the short-term rating as 'A1'.

IGI Finex Securities Limited (IGI Finex)

IGI Finex Securities Limited was incorporated in Pakistan on June 28, 1994 as a Public limited company under the Companies Ordinance, 1984. The registered office of IGI Finex is situated at Suite No. 701 to 713, 7th Floor, The Forum, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi. IGI Finex is a public unlisted company and a corporate member of the Karachi Stock Exchange (Guarantee) Limited, the Lahore Stock Exchange (Guarantee) Limited and National Commodity Exchange Limited. The principal activities of IGI Finex include shares brokerage and money market operations.

IGI Funds Limited (IGI Funds)

IGI Funds Limited was incorporated in Pakistan on January 18, 2006 under the Companies Ordinance, 1984 with the name of "First International Capital Management Limited" as a public limited company. The Company obtained its certificate of commencement of business on May 12, 2006. The name of the company was subsequently changed to "IGI Funds Limited". IGI Funds is licensed to carry out Asset Management Services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The principal activities of IGI Funds are floating and managing mutual funds. The registered office of IGI Funds is situated at 5 F.C.C Ground Floor, Syed Maratib Ali Road, Gulberg, Lahore.
Presently, IGI Funds is managing four open ended funds namely, IGI Income Fund, IGI Money Market Fund, IGI Islamic Income Fund and IGI Stock Fund.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2010

2. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except for certain investments and derivative financial instruments which are accounted for as stated in notes 3.4 and 3.6 below.

The consolidated financial statements include the financial statements of IGI Investment Bank Limited and its subsidiary companies.

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the audited financial statements for the year ended June 30, 2010 and the carrying value of investments held by the Bank is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statements. Intra-Group balances and transactions have been eliminated.

Non-controlling interests are that part of the net results of operations and net assets of subsidiary companies attributable to interests which are not owned by the Group.

2.1 STATEMENT OF COMPLIANCE

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

The SECP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' through Circular No. 19 dated August 13, 2003 for Non-Banking Finance Companies (NBFCs) providing investment finance services, discounting services and housing finance services. In addition, the SECP has also deferred the application of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through SRO 411(1) / 2008 on such Non-Banking Finance Companies as are engaged in investment finance services, discounting services and housing finance services.

These financial statements are the consolidated financial statements of IGI Bank and its subsidiary companies. In addition to these financial statements, separate standalone financial statements of the IGI Bank have also been prepared.

2.2 ACCOUNTING STANDARDS AND INTERPRETATIONS THAT BECAME EFFECTIVE DURING THE YEAR

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

IFRS 2 - Share Based Payment – Amendments regarding Vesting Conditions and Cancellations (Amendment)

IFRS 3 – Business Combinations (Revised)

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2010

IFRS 8 – Operating Segments

IAS 1 - Presentation of Financial Statements (Revised)

IAS 23 - Borrowing Costs (Revised)

IAS 27 - Consolidated and Separate Financial Statement - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)

IAS 27 - Consolidated and Separate Financial Statements (Amendment)

IAS 32 - Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)

IAS 39 – Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendments)

IFRIC 15 – Agreements for the Construction of Real Estate

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

IFRIC 17 - Distributions of Non-cash Assets to owners

IFRIC 18 – Transfers of Assets from Customers

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements except for the changes discussed in note 3.1 below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 June 2009, except for changes resulting from the adoption of the following accounting standards as described below:

IAS - 1 "Presentation of Financial Statements" (Revised)

The Group has adopted IAS-1 (revised) “Presentation of Financial Statements” which became effective during the year. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

The Group considers that the above change in the requirements relating to the presentation of the financial statements does not affect the Group's financial statements for the year due to the fact that currently all items of income and expense are being recognised in the profit and loss account other than surplus / (deficit) arising on revaluation of fixed assets, held-for-trading, available-for-sale investments and derivative instruments which, in accordance with the requirements of the Companies Ordinance, 1984 and SBP directives, are reported below equity. Accordingly, the Group does not have any item of other comprehensive income / (loss) to report for the current period and prior year and therefore, total comprehensive income / (loss) is equal to the net profit / (loss) reported for all periods presented.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2010

IFRS - 8 "Operating Segments"

IFRS-8 replaced IAS-14 "Segment Reporting" upon its effective date. The Group concluded that the operating segments determined in accordance with IFRS-8 are the same as the business segments previously identified under IAS-14. IFRS-8 disclosures are shown in note 51, including the related revised comparative information.

3.2 Fixed assets

3.2.1 Property and equipment

(a) Owned Assets

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. All other maintenance and normal repairs are charged to the profit and loss account as and when.

Depreciation on property and equipment is charged to profit and loss account using the straight line method in accordance with the rates specified in note 5.1 to these 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 property and equipment is charged from the month in which the asset is available for use, while in case of assets disposed of, no depreciation is charged in the month of disposal.

Gains or losses on disposal of property and equipment, if any, are recognised in the profit and loss account currently.

Maintainance and normal repairs are charged to profit and loss account as and when incured.

(b) Capital work-in-progress

Capital work-in-progress is stated at cost less impairment in value, if any. It consists of expenditure incurred and advances made in respect of operating fixed assets in the course of their erection, installation and acquisition.

(c) Assets subject to Finance Leases

These are stated at the lower of present value of minimum lease payments and fair value of assets acquired on lease. Assets so acquired are depreciated over the shorter of their estimated useful lives and the lease term. Financial charges are allocated to accounting periods in a manner so as to produce a constant periodic rate of charge on the outstanding liability. Depreciation is charged on the basis similar to the owned assets.

3.2.2 Intangibles

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. Amortisation on intangible assets is charged to profit and loss account using the straight line method in accordance with the rates specified in note 5.3 to these financial statements after taking into account residual amount, if any. The residual values and useful lives are reviewed and adjusted, if appropriate at each balance sheet date.

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2010

Amortisation on all additions to intangible assets having a finite useful life is charged from the month in which the asset is available for use, while in case of assets disposed of, no depreciation is charged in the month of disposal.

Intangible assets having an indefinite useful life are carried at cost less any impairment in value and are not amortised. Intangible assets having an indefinite useful life are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Gains or losses on disposals, if any, are taken to the profit and loss account.

3.3 Goodwill and purchase of non-controlling interest

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

The purchase of non-controlling interest is accounted for using the economic entity model. The difference between the acquisition cost and proportionate share of net assets acquired from non-controlling interest is adjusted in equity.

3.4 Investments

The management of the Group classifies its investments in the following categories: held for trading, available-for-sale and held-to-maturity. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this classification on a regular basis.

(a) Held for trading

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

(b) Available-for-sale

These are investments other than those in subsidiaries and associates, that do not fall under the categories of held for trading and held to maturity.

(c) Held-to-maturity

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

In accordance with the requirements of SECP, investments in quoted securities (other than those classified as held-to-maturity and investments in associates) are marked to market, in accordance with the guidelines contained in the State Bank of Pakistan's (SBP) BSD Circular No. 20 dated August 04, 2000 using rates quoted on Reuters, stock exchange quotes and brokers' quotations. Any difference between the carrying amount (representing cost adjusted for amortisation of premium or discount, if any) and market value is taken to the 'surplus / (deficit) on revaluation of investments' account and shown separately in the balance sheet below shareholders' equity. At the time of disposal the respective surplus or deficit is transferred to the profit and loss account.

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

Premiums and discounts on held-to-maturity and available-for-sale investments are amortised using the effective interest rate method and taken to income from investments.

Impairment loss in respect of investments is recognised when there is any objective evidence as a result of one or more events that may have an impact on the estimated future cash flows of the investment. A significant or prolonged decline in the fair value of an investment in equity security below its cost is also an objective evidence of impairment. Provision for impairment in the value of investment, if any, is taken to the profit and loss account. In case of impairment of equity securities (both classified as held-for-trading and available-for-sale), the cumulative loss that has been recognised directly in 'surplus / (deficit) on revaluation of securities' on the balance sheet below equity is removed therefrom and recognised in the profit and loss account. Any subsequent increase in the value of these investments is taken directly to 'surplus / (deficit) on revaluation of securities' account which is shown on the balance sheet below equity. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

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

(d) Associates

Investment in associates where the Group has significant infulence are accounted for using the equity method of accounting. Under the equity method of accounting, the investment is increased or decreased to recognise the investor's share of post acqusition profits or losses in the profit and loss account and its share of post acquisiton movement in reserves is recognised in the reserves. Increase / decrease in share of profit and losses of associates is accounted for in the consolidated profit and loss account.

3.5 Trade date accounting

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

3.6 Derivative instruments

Derivative instruments held by the Group generally comprise of future and forward contracts in the capital and money markets. These are stated at fair value at the balance sheet date. The fair value of the derivative is equivalent to the unrealised gain or loss from mark to market the derivative using prevailing market rates. Derivatives with positive market values (unrealised gains) are included in deposit, prepayments and other receivables and derivatives with negative market values (unrealised losses) are included in accrued expenses and other liabilities in the balance sheet. The resultant gains and losses are included in the 'surplus / (deficit) on revaluation of securities' in accordance with BSD Circular No. 20 dated August 04, 2000 issued by the SBP until the derivatives are settled.

3.7 Securities under repurchase / reverse repurchase agreements

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

a) Repurchase agreement

Investments sold with a simultaneous commitment to repurchase at a specified future date (Repo) continue to be recognised in the balance sheet and are measured in accordance with the accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is accrued as mark-up / interest expense on borrowings over the life of the repo agreement.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2010

b) **Reverse repurchase agreement**

Investments purchased with a corresponding commitment to resell at a specified future date (Reverse repo) are not recognised in the balance sheet. Amounts paid under these obligations are included in funds placements. The difference between purchase and resale price is accrued as return from fund placements over the life of the reverse repo agreement.

3.8 Finances

Finances in the form of long-term loans and advances and short-term loans and advances include demand finance, installment finance, inter swift loan and term finance. These are stated at cost less provision for doubtful finance, if any, determined as per the basis of NBFC Regulations.

3.9 Net investment in finance lease

Leases in which the Group transfers substantially all the risk and rewards incidental to the ownership of the asset to the lessee are classified as finance lease. A receivable is recognised at an amount equal to the present value of the lease payments, including any guaranteed residual value which are included in the financial statements as 'net investment in finance leases'.

Provision for non-performing leases is made in accordance with the requirements of NBFC Regulations and is charged to the profit and loss account.

3.10 Provision for bad and doubtful loans and advances / lease losses and write offs

The provision for bad and doubtful loans and advances / lease losses, if any, is made in accordance with the requirements of the NBFC Regulations issued by the SECP.

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

3.11 Taxation

Current

Current tax is the expected tax payable on the taxable income for the year using tax rates prescribed by the tax law and after considering tax credits or adjustments available, if any.

Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of the deferred tax is provided at the tax rates enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that the deductible temporary differences will reverse in the future and sufficient taxable income will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred income tax relating to item recognised directly in equity is recognised in equity and not in profit and loss account.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2010

3.12 Assets acquired in satisfaction of claims

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

3.13 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.

3.14 Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets for indications of impairment loss. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

3.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

3.16 Redeemable capital - Term finance certificates

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

3.17 Staff retirement benefits

3.17.1 Defined contribution plan

The Group operates an approved Provident Fund for its permanent employees. Equal monthly contributions at the rate of 10% of the basic salary are made to the Fund both by IGI Bank and the employees.

3.17.2 Defined benefit plan

IGI Bank operates an approved funded gratuity scheme covering all permanent employees, who have completed the qualifying period under the scheme. The scheme is administered by the trustees and contributions therein are made in accordance with the actuarial recommendations.

Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous accounting period exceed ten percent of the higher of defined benefit obligation and fair value of the planed assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2010

3.17.3 Employees' compensated absences

Employees' entitlement to annual leave is recognised when they accrue to employees. A provision is made for estimated liability for annual leaves as a result of services rendered by the employee against unavailed leaves, as per term of service contract, up to balance sheet date.

3.18 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. These are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

3.19 Revenue recognition

Income from finance lease

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

Unrealised finance income in respect of non-performing lease finance is held in suspense account, where necessary, in accordance with the requirements of the NBFC Regulations issued by the SECP.

Income from advances, investments and other sources

Mark-up income / interest on advances and returns on investments are recognised on a time proportion basis using the effective interest method, except that mark-up income / interest / return on non-performing advances and investments is recognised on a receipt basis in accordance with the requirements of the NBFC Regulations issued by the SECP. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the aforementioned regulations, except where, in the opinion of the management, it would not be prudent to do so.

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

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

Commission income and fees are taken to the profit and loss account when the services are provided and when right to receive the fees is established.

Return on bank deposits are recognised on time proportionate basis.

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

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

Other income is recognised as and when earned.

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2010

3.20 Foreign currency transactions

Transactions in foreign currencies are accounted for in Pak rupees at the rate of exchange ruling on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rate of exchange prevailing on the balance sheet date. Exchange gain / (loss) is charged to current year's income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

3.21 Operating segment

The Group has structured its key business areas in four segments in a manner that each segment becomes a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The business segments within the Group have been categorised into the following classifications of business segments.

(a) Business segments

The Group's activities are broadly categorised into four primary business segments namely financing activities, investment activities, brokerage activities and asset management services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements.

Financing activities

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

Investment activities

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

Brokerage activities

Brokerage activities include brokerage services offered to retail and institutional clients.

Asset management services

Asset management services include the services provided for the management of collective investment schemes.

(b) Geographical segments

The operations of the Group are currently based only in Pakistan.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2010

3.22 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Group looses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account.

3.23 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Group has a legally enforceable right to set-off the recognised amounts and also intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

4.1 The preparation of financial statements requires the use of certain critical accounting judgments and estimates, that effect the reported amount of revenue, expenses, assets and liabilities. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, estimated results may differ from actual. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Group's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

i) Amortisation of intangible assets (notes 3.2.2 and 5.3)

ii) Provision for taxation and deferred tax (notes 3.11, 12 and 47)

iii) Classification and valuation of investments (notes 3.4, 7 and 16)

iv) Determination and measurement of useful life and residual value of property and equipment (notes 3.2.1, 5.1 and 5.2)

v) Employee benefits - defined benefit plan (notes 3.17 and 43)

vi) Classification and provision of loans and advances, net investment in finance lease and other receivables (notes 3.10, 6.5, 9.4 and 17)

vii) Impairment of investments (notes 7.1, 7.2 and 16.8)

4.2 For changes in accounting estimates relating to provisions, see notes 6.5.1 and 9.4.2.

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2010

		Note	2010	2009
			-------- (Rupees in '000) ----------	
5.	**FIXED ASSETS**			
	Property and equipment - owned	5.1	107,701	148,082
	Property and equipment - leased	5.2	1,414	1,727
	Intangible assets	5.3	84,010	161,293
	Capital work-in-progress	5.4	1,422	2,718
			194,547	313,820

5.1 Property and equipment - owned

2010

Particulars	Cost: As at July 01, 2009	Cost: Additions / (deletions)	Cost: As at June 30, 2010	Depreciation: As at July 01, 2009	Depreciation: Charge for the year / (on deletions)	Depreciation: As at June 30, 2010	Net book value: As at June 30, 2010	Rate: Per annum
	(Rupees in '000)							%
Tangible								
Leasehold premises	8,939	- -	8,939	2,122	300 -	2,422	6,517	5
Leasehold improvements	53,386	1,604 (51)	54,939	16,816	8,250 (18)	25,048	29,891	20
Furniture and fittings	31,796	554 (2,175)	30,175	9,984	3,363 (1,084)	12,263	17,912	10 & 20
Motor vehicles	67,933	5,742 (18,847)	54,828	23,941	9,640 (10,452)	23,129	31,699	20
Office equipment	37,130	1,002 (3,881)	34,251	16,956	5,091 (1,865)	20,182	14,069	20
Computer equipment	55,957	447 (1,482)	54,922	37,240	10,973 (904)	47,309	7,613	20
	255,141	9,349 (26,436)	238,054	107,059	37,617 (14,323)	130,353	107,701	

2009

Particulars	Cost: As at July 01, 2008	Cost: Additions / (deletions)	Cost: As at June 30, 2009	Depreciation: As at July 01, 2008	Depreciation: Charge for the year / (on deletions)	Depreciation: As at June 30, 2009	Net book value: As at June 30, 2009	Rate: Per annum
	(Rupees in '000)							%
Tangible								
Leasehold premises	8,939	- -	8,939	1,501	621 -	2,122	6,817	5
Leasehold improvements	43,326	10,060 -	53,386	8,629	8,187 -	16,816	36,570	20
Furniture and fittings	32,654	3,213 (4,071)	31,796	7,108	3,600 (724)	9,984	21,812	10 & 20
Motor vehicles	77,344	16,981 (26,392)	67,933	20,685	12,993 (9,737)	23,941	43,992	20
Office equipment	35,639	3,238 (1,747)	37,130	12,134	5,595 (773)	16,956	20,174	20
Computer equipment	51,220	5,340 (603)	55,957	24,171	13,389 (320)	37,240	18,717	20
	249,122	38,832 (32,813)	255,141	74,228	44,385 (11,554)	107,059	148,082	

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2010

5.1.1 Cost and accumulated depreciation at the end of the year includes Rs.47.213 million (2009: Rs.30.071 million) in respect of fully depreciated assets still in use.

5.1.2 Property and equipment includes investment property located at 7th Floor, Nacon House, MDM Wafai Road, Karachi given to a tenant on rental basis. The fair value of the property on the basis of valuation carried out by SURVAL at April 06, 2010 was Rs.25.149 million (2009: Rs.21.816 million). The rental income for the year ended June 30, 2010 from this property amounted to Rs.2.211 million (2009: Rs.1.600 million).

5.2 Property and equipment - leased

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

	2009							
	Cost			Depreciation			Net book value	Rate
Particulars	As at July 01, 2008	Additions/ (deletions)	As at June 30, 2009	As at July 01, 2008	Charge for the year (on deletions)	As at June 30, 2009	As at June 30, 2009	Per annum
	(Rupees in '000)							%
Tangible								
Motor vehicles	2,497	- -	2,497	271	499 -	770	1,727	20
	2,497	- -	2,497	271	499 -	770	1,727	

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2010

5.3 Intangible assets

2010

	Cost			Depreciation			Impairment	Net book value	Rate
Particulars	**As at July 01, 2009**	**Additions / (deletions)**	**As at June 30, 2010**	**As at July 31, 2009**	**Charge for the year/ (on deletions)**	**As at June 30, 2010**	**Charge for the year**	**As at June 30, 2010**	**Per annum**
	(Rupees in '000)								%
Goodwill (see note 5.3.2)	26,407	- -	26,407	-	- -	-	26,407	-	-
Club Membership	-	2,000 -	2,000	-	1,000 -	1,000	-	1,000	50
Stock Exchange Membership cards and room	126,000	- -	126,000	-	- -	-	50,750	75,250	-
Non-competition agreement	30,000	- -	30,000	30,000	- -	30,000	-	-	33.33
Computer softwares	26,523	4,300 -	30,823	17,637	5,426 -	23,063	-	7,760	20 - 33.33
	208,930	6,300 -	215,230	47,637	6,426 -	54,063	77,157	84,010	

2009

	Cost			Depreciation			Impairment	Net book value	Rate
Particulars	**As at July 01, 2008**	**Additions / (deletions)**	**As at June 30, 2009**	**As at July 31, 2008**	**Charge for the year/(on deletions)**	**As at June 30, 2010**	**Charge for the year**	**As at June 30, 2009**	**Per annum**
	(Rupees in '000)								%
Goodwill	26,407	- -	26,407	-	- -	-	-	26,407	-
Membership cards and room	126,000	- -	126,000	-	- -	-	-	126,000	-
Non-competition agreement	30,000	- -	30,000	24,167	5,833 -	30,000	-	-	33.33
Computer softwares	24,793	1,730 -	26,523	11,337	6,300 -	17,637	-	8,886	20 - 33.33
	207,200	1,730 -	208,930	35,504	12,133 -	47,637	-	161,293	

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2010

5.3.1 Allocation of Goodwill to Cash Generating Units (CGUs)

For impairment testing, goodwill acquired through acquisition has been allocated to one cash generating unit, which are also reportable segment.

Key assumptions used in value in use calculation

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

	2010 IGI Finex Securities Limited ------------- (Rate) -------------
Discount rate - discrete period	23.84%
Terminal growth rate	6.0%

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

(a) Key business assumptions

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

(b) Discount rates

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

(c) Interest

Interest margins are based on prevailing industry trends and anticipated market conditions.

(d) Sensitivity to changes in assumptions

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

Annual test for impairment

Goodwill

During the year, the group assessed the recoverable amount of goodwill associated with CGU i.e. IGI Finex, by determining the value in use over a three year period as the business is long term by nature. The carrying value of IGI Finex exceeds its recoverable value and, hence, an impairment charge of Rs.26.407 million has been recorded against the goodwill in the current year financial statements.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2010

	2010	2009
	-------- (Rupees in '000) ----------	
5.3.2 Membership cards and room comprises of		
Membership card and room of Karachi Stock Exchange (Guarantee) Limited	55,000	80,000
Membership card and room of Lahore Stock Exchange (Guarantee) Limited	20,000	21,000
Membership card of National Commodity Exchange Limited	250	25,000
	75,250	126,000

During the year, the Group has recognised an impairment of Rs. 25 million on membership card of Karachi Stock Exchange (Guarantee) Limited (KSE), Rs.1 million on membership card of Lahore Stock Exchange (Guarantee) Limited (LSE) and Rs.24.750 million on membership card of National Commodity Exchange Limited (NCEL). Membership cards of KSE, LSE and NCEL are separate assets and impairment has been recognised on the basis of performance of stock market in recent years. The Group performed its annual impairment test of membership card as at June 30, 2010 by comparing the carrying amount with the recoverable amount. The recoverable amount for the purpose of assessing impairment on membership card is determined based on fair value less costs to sell.

Fair value less costs to sell of membership cards have been determined by reference to recent transactions / offers recieved from third party. Management considers that such transactions / offers reflect that KSE and LSE membership card's market value has declined significantly, which is an indication of impairment and has led to the recognition of impairment and, impairment of such asset has been recorded by management accordingly.

5.3.3 This represents consideration in respect of a three year agreement with Mr. Ali Azam Shirazee (Ex-Director and Chief Executive Officer of IGI Finex Securities Limited) for not competing with the Group in the financial brokerage business in Pakistan. The said agreement expired on March 01, 2009.

5.3.4 Cost and accumulated amortisation as at the end of the year include Rs.7.992 million (2009: Rs.7.992 million) in respect of fully amortised assets still in use.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2010

5.3.5 Particulars of disposal of fixed assets

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

Particulars	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyers
	(Rupees in '000)						
Furniture and fittings	82	15	67	5	(62)	Cash Sale	Waqas Khan* - Karachi
	90	26	64	5	(59)	Cash Sale	Imran Ahmed* - Karachi
	90	25	65	9	(56)	Cash Sale	Afshan Fayyaz & Asim Ali Bukhari* - Karachi
Motor vehicles	459	282	177	366	189	Group Policy	Majid Latif Bhatti* - Karachi
	510	340	170	253	83	Group Policy	Rizwan Liaquat* - Karachi
	926	515	411	566	155	Group Policy	Syed Murtaza Abbas* - Karachi
	1,506	643	863	1,436	573	Tender	Ittehad Motors - Karachi
	600	328	272	396	124	Group Policy	Asif Shahab Ansari* - Karachi
	600	336	264	336	72	Group Policy	Rehan Ur Rehman* - Karachi
	632	244	388	518	130	Group Policy	Kashif Ali Soomro* - Karachi
	1,005	281	724	837	113	Group Policy	Samir Ahmed* - Karachi
	509	415	94	395	301	Tender	Aitezaz Anwar - Lahore
	615	385	230	620	390	Tender	Irfan Ahmed - Lahore
	80	11	69	66	(3)	Tender	Amjad Yousaf - Lahore
	609	554	55	270	215	Group Policy	Imran Qadri* - Karachi
	469	340	129	288	159	Group Policy	Shahid Bhatti* - Karachi
	1,004	659	345	975	630	Tender	Javed Kareem - Karachi
	459	300	159	282	123	Group Policy	Riaz Naseeb* - Lahore
	462	262	200	432	232	Tender	Muhammad Ashafq ullah - Karachi
	620	331	289	390	101	Group Policy	Kamran Hashmi* - Karachi
	1,309	676	633	946	313	Group Policy	Zulfiqar Haider Khan* - Karachi
	479	184	295	450	155	Tender	Khalid Masood - Karachi
	652	273	379	471	92	Group Policy	Khurram Motiwala* - Karachi
	652	303	349	471	122	Group Policy	Ejaz Rana* - Karachi
	1,389	323	1,066	1,181	115	Group Policy	Nazia Enam Siddiqui* - Karachi
	1,250	14	1,236	1,400	164	Tender	Azhar Ahmed Batla - Karachi
Office equipment	1,030	189	841	425	(416)	Tender	Sahara Tamiraat - Karachi
	665	116	549	300	(249)	Tender	Syed Babar Ali - Karachi
Computer equipment	270	95	175	78	(97)	Insurance claim	IGI Insurance Limited - Karachi**
Property and equipment having book value not exceeding Rs.50,000 each	7,413	5,858	1,555	1,710	155		
2010	26,436	14,323	12,113	15,877	3,764		
2009	32,813	11,554	21,259	21,590	331		

* Transfer to ex-employees as per the Group's policy

** Represents related party

5.4 Capital work-in-progress

	2010	2009
	(Rupees in '000)	
Advance to suppliers against:		
Renovation of office premises	-	35
Acquisition of computer software	-	2,313
Acquisition of office equipment	-	370
Acquisition of motor vehicles	1,422	-
	1,422	2,718

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2010

	Note	2010	2009
		-------- (Rupees in '000)	----------
6. LONG-TERM LOANS AND ADVANCES - NET			
Secured and considered good - due from:			
Related parties			
Chief Executive Officer	6.1	-	27,013
Executives	6.1	-	1,641
		-	28,654
Others			
Employees	6.2	1,989	2,783
Companies, organisations and individuals	6.3, 6.4 & 6.6	233,029	226,097
		235,018	228,880
Unsecured and considered good - due from:			
Related parties			
Executives	6.1	70	516
Employees		434	364
		504	880
Others			
Individuals	6.3	5,534	18,599
		5,534	18,599
Considered doubtful - due from:			
Others			
Companies, organisations and individuals - secured	6.3 & 6.4	189,577	117,249
Individuals - unsecured		21,148	16,438
		210,725	133,687
Less: Provision thereagainst	6.5	(68,243)	(51,759)
		142,482	81,928
		383,538	358,941
Less: Current maturity of long-term loans and advances - net	13	(178,743)	(196,258)
		204,795	162,683

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2010

6.1 Reconciliation of carrying amounts of loans and advances to Chief Executive Officer and Executives:

	Chief Executive Officer		Executives			
	Secured		Secured		Unsecured	
	2010	2009	2010	2009	2010	2009
	(Rupees in '000)					
Opening balance	27,013	13,502	1,641	2,904	516	1,033
Disbursements during the year	-	27,013	-	290	380	412
Repayments during the year	(12,072)	(13,502)	(1,641)	(1,553)	(826)	(929)
Transferred during the year - (see note 14.3)	(14,941)	-	-	-	-	-
	-	27,013	-	1,641	70	516

6.1.1 Maximum outstanding amount at the end of any month during the year against loan to Chief Executive Officer and Executives were Rs.27.013 million and Rs.1.641 million (2009: Rs.27.013 and Rs.2.000 million) respectively.

6.2 These represent loans provided to employees of the Group for purchase of house, vehicles and for other general purposes. These loans carry mark-up at rates ranging from 14.82% to 15.30% (2009: 5.00% to 14.50%) per annum and are repayable on monthly basis over a period ranging from 5 to 20 years (2009: 5 to 20 years). These loans are secured against mortgage of house properties and hypothecation of vehicles.

6.3 These loans carry mark-up at rates ranging from 12% to 22% (2009: 7.5% to 24%) per annum and are repayable over periods ranging from 1 to 5 years (2009: 1 to 5 years) from the date of disbursement. Repayment terms vary from monthly basis to repayments at maturity.

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

6.5 Long-term loans include Rs.210.725 million (2009: Rs.133.687 million) relating to loans due from companies, organisations and individuals which have been classified as non-performing as per the requirements of the NBFC Regulations issued by the SECP. The provision held against these loans are as follows:

	2010			2009		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	46,946	4,813	51,759	16,099	4,813	20,912
Charge for the year	21,297	-	21,297	30,892	-	30,892
Reversal during the year	-	(4,813)	(4,813)	(45)	-	(45)
	21,297	(4,813)	16,484	30,847	-	30,847
Closing balance	68,243	-	68,243	46,946	4,813	51,759

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6.5.1 During the current year, the Group reversed the general provision made in prior periods against the long-term loans and advances as the said provision is not required or prescribed by the NBFC Regulations. Accordingly, the above change in estimate has resulted in reduction in provision by Rs.4.813 million and a consequent decrease in loss before taxation by the same amount.

6.6 In the previous period, the Group had made a clean placement with First Dawood Investment Bank Limited (FDIBL) amounting to Rs.98 million. Subsequently, FDIBL failed to fulfill its obligation when it became due. During the current year, the said placement was settled by entering into a compromise agreement with the Group, dated February 02, 2010. As a result of the said agreement, FDIBL assigned loan facilities to the Group aggregating to Rs.100 million. Further, preference shares amounting to Rs.20 million were also issued to the Group under the aforementioned agreement which have been fully provided for in view of the poor financial position of FDIBL based on its last audited financial statements (see note 7.2).

	Note	2010	2009
		-------- (Rupees in '000)	----------
7. LONG-TERM INVESTMENTS			
Available for sale - at cost			
Investment in unquoted companies	7.1	22,932	98,932
Investment in unquoted preference shares	7.2	-	-
		22,932	98,932

7.1 Investment in unquoted companies

Number of ordinary shares 2010	Number of ordinary shares 2009	Particulars	Note	2010	2009
7,600,000	7,600,000	DHA Cogen Limited		76,000	76,000
637,447	637,447	System Limited		10,150	10,150
1,123,318	1,123,318	Techlogix International Limited		12,782	12,782
				98,932	98,932
Less: Provision for impairment			7.1.1	(76,000)	-
				22,932	98,932

7.1.1 During the current year, the Group made provision for impairment in value of its investment in DHA Cogen Limited (DCL) due to the fact that (a) the plant is currently non-operational, (b) DCL failed in the process of negotiating its revised tariff with the Karachi Electric Supply Company (KESC) under the Purchase Price Agreement (PPA), and (c) DCL has not been able to meet its debt covenants and its negotiations of restructuring with the lenders have failed, thus, further giving rise to liquidity and cash flow problems. DCL has accumulated losses of Rs.1,416 million and its current liabilities exceed its current assets by Rs.3,152 million based upon the audited financial statements as of June 30, 2009. In addition to the above, the Group has filed a lawsuit for the recovery of outstanding amount against the DCL. Accordingly, in view of the above, the Group has made provision against its investment in unquoted equity shares of DCL amounting to Rs.76 million and the short-term loan outstanding therefrom amounting to Rs.120 million.

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7.2 Investment in unquoted preference shares

Number of preference shares of Rs.10 each 2010	2009	Particulars	Note	2010 (Rupees in '000)	2009 (Rupees in '000)
2,000,000	-	First Dawood Investment Bank Limited		20,000	-
		Rate of preference dividend:			
		4% - cumulative			
		Terms of conversion:			
		5 years convertible, cumulative, non voting, non-participatory, callable preference shares			
		Issue date: June 09, 2010			
		Less: Provision for impairment	6.6	(20,000)	-
				-	-

8. INVESTMENT IN ASSOCIATES

As mentioned in note 3.4 to these financial statements, the Group applies equity method of accounting for its investments in units of mutual funds where significant influence exists.

8.1 Movement of investment in associates

	Note	2010 (Rupees in '000)	2009 (Rupees in '000)
Opening balance		510,077	261,259
Net addition made during the year		187,497	248,818
Total acquisition at cost		697,574	510,077
Post acquisition share of associates profit		140,130	53,792
	8.2.1 & 8.2.2	837,704	563,869

8.2 Number of units

2010	2009	Name of the Fund	2010	2009
1,777,263	876,223	IGI Stock Fund	271,365	100,000
2,657,853	1,878,111	IGI Income Fund	276,209	410,077
995,076	-	IGI Money Market Fund	100,000	-
500,000	-	IGI Islamic Income Fund	50,000	-
			697,574	510,077

8.2.1 This includes Rs.150 million (2009: Rs.50 million) being core investment, which as per the offering documents of IGI Stock Fund, IGI Money Market Fund and IGI Islamic Income Fund is not redeemable for a period of first two years from the date of closure of the initial period, however, these are transferable with the condition that the units are not redeemed before the expiry of the period of first two years mentioned herein above.

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8.2.2 Particulars of the Group's associates as per the audited financial statements for the year ended June 30, 2010 are as follows:

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

Particulars	Country of Incorporation	Year of Incorporation	Assets	Liabilities	Net assets	Revenues	Profit after taxation
			2009				
			(Rupees in '000)				
IGI Stock Fund	Pakistan	2008	265,189	15,702	249,487	68,316	61,764
IGI Income Fund	Pakistan	2006	2,059,504	9,907	2,049,597	168,186	122,016

	Note	2010	2009
		(Rupees in '000)	
9. NET INVESTMENT IN FINANCE LEASE			
Lease rental receivables		982,819	1,625,153
Add: Residual value		436,700	528,341
		1,419,519	2,153,494
Less: Unearned finance income		(64,811)	(213,194)
	9.1	1,354,708	1,940,300
Less: Provision for lease losses	9.4	(216,474)	(111,204)
Less: Current maturity of net investment in finance lease	13	(768,528)	(985,714)
		369,706	843,382

9.1 Particulars of net investment in finance lease

	2010			2009		
	Not later than one year	Later than one year but not later than five years	Total	Not later than one year	Later than one year but not later than five years	Total
	(Rupees in '000)					
Lease rental receivables	727,292	255,527	982,819	1,000,019	625,134	1,625,153
Add: Residual value	301,748	134,952	436,700	254,842	273,499	528,341
Gross investment in finance lease	1,029,040	390,479	1,419,519	1,254,861	898,633	2,153,494
Less: Unearned finance income	(44,038)	(20,773)	(64,811)	(157,943)	(55,251)	(213,194)
Net investment in finance lease	985,002	369,706	1,354,708	1,096,918	843,382	1,940,300

9.2 The Group has entered into various lease agreements for period of 1 to 7 years (2009: 1 to 7 years). The rate of return implicit in the leases ranges from 7% to 23% (2009: 7% to 23%) per annum. Generally, leased assets are held as securities. In certain instances, the Group has also obtained additional collateral in the form of personal guarantees.

Notes to and Forming Part of the Consolidated Financial Statements
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9.3 The direct expenses incurred in relation to lease such as documentation charges, stamp duty etc. are reimbursed to the Group by the respective lessees and net balance representing excess / short reimbursement, if any, is taken to profit and loss account. However, there are no material initial direct costs associated with lease receivables.

9.4 Provisions for lease losses

	2010			2009		
	Specific	**General**	**Total**	**Specific**	**General**	**Total**
	(Rupees in '000)					
Opening balance	79,548	31,656	111,204	22,756	30,380	53,136
Charge for the year	136,926	-	136,926	56,792	1,276	58,068
Reversal during the year	-	(31,656)	(31,656)	-	-	-
	136,926	(31,656)	105,270	56,792	1,276	58,068
Closing balance	216,474	-	216,474	79,548	31,656	111,204

9.4.1 Based on the NBFC Regulations, the aggregate net exposure in finance leases which have been placed under non-performing status amounted to Rs.386.479 million (2009: Rs.381.265 million) against which a provision of Rs.216.474 million (2009: Rs.111.204 million) has been made. The total income suspended against the non-performing parties amounted to Rs.69.158 million (2009: Rs.53.313 million).

9.4.2 During the current year, the Group reversed the general provision made in prior year against lease finances as the said provision is not required or prescribed by the NBFC Regulations. Accordingly, the above change in estimate has resulted in reduction in provision by Rs.31.656 million and a consequent decrease in loss before taxation by the same amount.

	Note	2010	2009
		(Rupees in '000)	
10. LONG-TERM DEPOSITS AND OTHER RECEIVABLES			
Security deposits		5,251	6,795
Deposits with / for:			
Karachi Stock Exchange (Guarantee) Limited		950	1,000
Lahore Stock Exchange (Guarantee) Limited		480	480
National Commodity Exchange Limited	10.1	3,250	3,250
Leasing Companies against assets acquired on finance lease		155	249
Others		644	834
		10,730	12,608

10.1 This includes an amount of Rs.2.500 million (2009: Rs.2.500 million) in respect of an advance given to National Commodity Exchange Limited for acquiring office premises.

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For the Year Ended June 30, 2010

11. RECEIVABLE FROM FUNDS

	Note	2010	2009
		-------- (Rupees in '000)	----------
Unsecured and considered good			
IGI Stock Fund		1,293	1,293
IGI Islamic Income Fund		2,137	1,396
IGI Pak Brunei Income Plus Fund		1,042	1,042
IGI Money Market Fund		1,940	-
		6,412	3,731
Less: Current maturity of receivable from funds	13	(1,837)	(1,005)
		4,575	2,726

11.1 These represent legal, professional, marketing, advertisement and authorisation expenses incurred for the purpose of incorporation and floatation of Funds by the Group. These expense are recoverable from funds over a period of not less than five years, in accordance with the NBFC Regulations.

12. DEFERRED TAX ASSET - NET

	Note	2010	2009
		-------- (Rupees in '000)	----------
Deferred tax assets arising in respect of:			
Provision for bad and doubtful loans and advances / lease losses, other receivables and leave encashment		224,399	63,912
Carry forward income tax losses	12.1	279,365	290,558
Deficit on revaluation of investments	24	9,471	1,411
Impairment against fund placement / unlisted term finance certificate and unquoted equity investment		72,686	34,650
Provision for staff gratuity		-	414
		585,921	390,945
Deferred tax liabilities arising in respect of:			
Accelerated tax depreciation		(119,629)	(187,852)
Transaction costs in respect of term finance certificates issued		(120)	(383)
		(119,749)	(188,235)
	12.2	466,172	202,710

12.1 The Group has an aggregate amount of Rs.798.185 million (2009: Rs.830.165 million) in respect of unabsorbed tax losses as at June 30, 2010 on which the management has recognised deferred tax asset of Rs.279.365 million (2009: Rs.290.558 million). The management of the Group believes that based on the projections of future taxable profit, it would be able to realize these tax losses in the future.

12.2 Movement in deferred tax asset

	2010	2009
	-------- (Rupees in '000)	----------
Opening balance	202,710	84,984
Recognised during the year	255,402	119,085
	458,112	204,069
Deferred tax impact on surplus / (deficit) on revaluation of investments	8,060	(1,359)
	466,172	202,710

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	Note	2010	2009
		-------- (Rupees in '000) ----------	
13. CURRENT MATURITY OF NON-CURRENT ASSETS			
Current maturity of long-term loans and advances - net	6	178,743	196,258
Current maturity of net investment in finance lease	9	768,528	985,714
Current maturity of receivable from funds	11	1,837	1,005
		949,108	1,182,977
14. SHORT-TERM LOANS AND ADVANCES - NET			
Unsecured and considered good - due from:			
Related parties			
Executives	14.1	67	-
Secured and considered good			
Others			
Short-term loans and advances	14.2 & 14.3	21,521	285,980
Considered doubtful			
Short-term loans and advances	14.2	174,199	150,000
Less: Provision thereagainst	14.4	(172,440)	(30,000)
		1,759	120,000
		23,347	405,980

14.1 This represents loan provided to an executive of the Group for general purpose. This loan carry mark-up at a rate of 14.82% (2009: Nil) per annum and is repayable on monthly basis over a period of 9 months (2009: Nil).

14.2 These loans carry interest at rates ranging from 12.00% to 17.39% (2009: 12% to 20.16%) per annum and are repayable over periods ranging from 1 month to 1 year (2009: 1 month to 1 year). These are secured against mortgage of properties, hypothecation of vehicles, pledge of securities and personal guarantees of the borrowers.

14.3 Included herein is a sum of Rs.14.941 million (2009: Rs.27.013 million) representing a loan provided to Mr. Samir Ahmed (former Chief Executive Officer of the Bank). The loan carries mark-up at the rate of 11.50% (2009: 15.3%) per annum. As per the revised terms, the loan is now required to be settled by January 18, 2011. The loan is secured against the mortgage of house property.

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

Movement in provision	Note	2010	2009
		-------- (Rupees in '000) ----------	
Opening balance		30,000	-
Charge for the year	6.6	142,440	30,000
Closing balance		172,440	30,000

	Note	2010	2009
15. LENDINGS - SECURED			
Repurchase agreements (Reverse Repo)	15.1	600,391	48,600

15.1 These carry mark-up at rates ranging from 12.00% to 19.00% (2009: 11.50%) per annum and are repayable latest by July 07, 2010. These lendings are secured against market treasury bills and quoted shares having market value aggregating to Rs.487.511 million (2009: Rs.99.133 million).

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16. SHORT-TERM INVESTMENTS

	Note	2010			2009 Restated (Note 19.4)		
		Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
		(Rupees in '000)					
Held to maturity							
Fund placements	16.1	159,000	-	159,000	487,000	-	487,000
Term deposit receipts		-	-	-	75,000	-	75,000
		159,000	-	159,000	562,000	-	562,000
Held for trading							
Government securities	16.2	143,735	1,012,230	1,155,965	413,624	44,068	457,692
Listed shares	16.3	8,130	-	8,130	10,440	-	10,440
Listed term finance certificates	16.4	2,238	-	2,238	2,220	-	2,220
Units of open end mutual funds	16.3	10,081	-	10,081	-	-	-
		164,184	1,012,230	1,176,414	426,284	44,068	470,352
Available-for-sale							
Listed term finance certificates	16.5	908,962	370,303	1,279,265	239,346	-	239,346
Unlisted term finance certificates	16.5	630,507	127,864	758,371	413,159	-	413,159
Pre-IPO investment in term finance certificates		-	-	-	50,000	-	50,000
Units of open end mutual funds	16.6	22,234	-	22,234	159,631	-	159,631
Listed shares and certificates	16.7	274,419	-	274,419	110,118	-	110,118
		1,836,122	498,167	2,334,289	972,254	-	972,254
Impairment loss on fund placement and term finance certificates		(100,731)	-	(100,731)	(99,000)	-	(99,000)
		2,058,575	1,510,397	3,568,972	1,861,538	44,068	1,905,606

16.1 These represent unsecured placements carrying mark-up at a rate 13.35% (2009: 13.50% to 16.00%) per annum maturing latest by July 28, 2010.

16.2 Particulars relating to government securities are as follows:

Particulars	Note	2010			2009		
		Face Value	Amortised cost	Market value	Face Value	Amortised cost	Market value
		(Rupees in '000)					
Market Treasury Bills	16.2.1	1,150,000	1,112,470	1,111,777	400,000	359,873	362,270
Pakistan Investment Bonds	16.2.2	51,400	47,683	44,188	101,400	96,726	95,422
	16.2.3	1,201,400	1,160,153	1,155,965	501,400	456,599	457,692

16.2.1 These carry mark-up at the rate ranging between 11.50% to 12.20% (2009: 12.16% to 12.17%) per annum and have terms of six months to one year maturing latest by October 21, 2010.

16.2.2 These carry mark-up at the rate ranging between 9.60% to 11.00% (2009: 9.6% to 12%) per annum receivable semi-annually and have terms of 10 years maturing latest by August 22, 2017.

16.2.3 In accordance with the requirements of NBFC Regulations, the Group has invested Rs.651.400 million (2009: Rs.391.241 million) (representing 15 percent of the funds raised through issue of certificates of deposit by the Group excluding certificates of deposit held by financial institutions) in Pakistan Investment Bonds and Market Treasury Bills.

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16.3 Held-for-trading investments

Number of units 2010	Number of units 2009	Particulars	2010 Average cost	2010 Market value	2009 Average cost	2009 Market value
			(Rupees in '000)			
		Open End Mutual Fund				
97,961	-	UBL Liquidity Plus Fund	10,000	10,081	-	-

Number of ordinary shares 2010	Number of ordinary shares 2009	Name of Company / Fund	2010 Average cost	2010 Market value	2009 Restated (Note 19.4) Average cost	2009 Restated (Note 19.4) Market value
			(Rupees in '000)			
		Commercial Banks				
859,405	987,187	Bank Alfalah Limited	9,067	8,130	17,553	10,415
		Paper and Board				
-	400	Pakistan Paper Product Limited	-	-	24	21
		Textile Composite				
-	180	Azgard Nine Limited	-	-	1	4
			9,067	8,130	17,578	10,440

16.4 Held-for-trading investments - term finance certificates

Number of certificates 2010	Number of certificates 2009	Particulars	Issue date	2010 Amortised cost	2010 Market value	2009 Amortised cost	2009 Market value
				(Rupees in '000)			
		LISTED TERM FINANCE CERTIFICATES					
		Chemical					
457	457	Engro Chemical Pakistan Limited	November 30, 2007	2,218	2,238	2,309	2,220

16.5 Available-for-sale investments - term finance certificates

Number of certificates 2010	Number of certificates 2009	Particulars	Issue date	2010 Amortised cost	2010 Market value	2009 Amortised cost	2009 Market value
				(Rupees in '000)			
		LISTED TERM FINANCE CERTIFICATES					
		Commercial Banks / NBFIs					
30,000	-	Allied Bank Limited	August 28, 2009	139,999	143,358	-	-
32,800	-	Askari Bank Limited	November 18, 2009	167,250	161,399	-	-
5,000	5,000	Jahangir Siddiqui and Company Limited	November 21, 2006	24,965	25,215	24,975	23,227
53,432	-	NIB Bank Limited	March 5, 2008	255,657	256,312	-	-
4,587	4,587	Standard Chartered Bank (Pakistan) Limited II	January 20, 2004	11,468	11,342	20,605	19,996
18,252	6,352	United Bank Limited II	March 15, 2005	83,774	80,499	31,755	26,791
8,000	-	United Bank Limited III	September 8, 2006	39,944	39,408	-	-
75,861	-	United Bank Limited IV	February 14, 2008	359,419	360,317	-	-
		Leasing					
-	190	Al-Zamin Leasing Modaraba	May 31, 2005	-	-	323	303
		Textile					
5,000	-	Azgard Nine Limited II	September 20, 2005	17,707	18,119	-	-

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Number of certificates 2010	Number of certificates 2009	Particulars	Issue date	2010 Amortised cost	2010 Market value	2009 Amortised cost	2009 Market value
				------------------- (Rupees in '000) -------------------			
		Chemical					
14,000	10,000	Engro Fertilizers Limited III	November 30, 2007	68,676	68,557	48,991	48,566
		Miscellaneous					
10,000	10,000	Pace (Pakistan) Limited	February 15, 2008	48,648	48,633	41,484	41,484
3,447	3,447	Pak Arab Fertilizers Limited	February 28, 2008	17,221	16,800	17,228	16,430
6,000	6,000	Pakistan Mobile Communications Limited	October 28, 2008	29,513	25,950	29,367	28,806
5,903	5,903	Searle Pakistan Limited	March 9, 2006	7,376	7,202	14,752	14,164
8,715	8,715	TeleCard Limited	May 27, 2005	17,936	16,154	20,498	19,579
				1,289,553	1,279,265	249,978	239,346

Number of certificates 2010	Number of certificates 2009	Particulars	Issue date	2010 Amortised cost	2010 Market value	2009 Amortised cost	2009 Market value
				------------------- (Rupees in '000) -------------------			
		UNLISTED TERM FINANCE CERTIFICATES					
4,000	4,000	Agritech Limited (Pak American Fertilizer)	November 30, 2007	19,654	18,845	19,503	19,476
17,000	17,000	Al-Zamin Leasing Modaraba II	May 12, 2008	70,880	70,304	82,963	80,565
3,547	3,547	Avari Hotels Limited	April 30, 2009	15,630	15,344	14,248	16,515
13,000	13,000	Azgard Nine Limited IV	December 4, 2007	64,799	59,597	63,585	64,051
35,778	-	Bank Al Habib Limited III	June 15, 2009	187,558	182,989	-	-
11,803	-	Bank Alfalah Limited IV Fixed	December 2, 2009	59,003	59,741	-	-
8,000	-	Bank Alfalah Limited IV Floating	December 2, 2009	39,992	39,183	-	-
50	-	Century Paper & Board Mills Limited	September 25, 2007	220	215	-	-
10,000	10,000	Eden Housing Limited	December 31, 2007	37,500	34,742	50,000	48,631
13,400	-	Engro Fertilizer Limited (Perp I)	March 18, 2008	64,672	59,790	-	-
4,000	-	Engro Fertilizer Limited (Perp II)	March 18, 2008	19,270	18,739	-	-
13,000	-	KASB Securities Limited	June 27, 2007	58,892	63,329	-	-
10,000	10,000	Kashaf Foundation	November 5, 2007	7,121	7,130	35,176	33,928
12,825	12,000	Maple Leaf Cement Factory Limited - Sukuk	December 3, 2007	61,347	54,484	57,077	54,006
10,000	10,000	New Allied Electronics Industries (Private) Limited - Sukuk	December 3, 2007	50,000	50,000	50,000	50,000
250	250	Orix Leasing Pakistan Limited	January 15, 2008	24,705	23,939	24,589	24,469
-	4,800	Pak American Fertilizer Limited - Sukuk	August 6, 2008	-	-	21,266	21,518
				781,243	758,371	418,407	413,159

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16.5.1 Significant terms and conditions relating to Term finance certificates are as follows:

Particulars	Certificates Denomination	Profit rate Per annum	Profit Payment	Maturity Date	Redemption
Listed Term Finance Certificates					
Engro Chemical Pakistan Limited	5,000	Average ask rate of six month KIBOR plus 1.55% (with no floor and cap)	Semi-annually	November 25, 2015	Instrument is structured to redeem 0.28% of principal in the first 84 months and remaining principal in two equal semi-annual installment of 49.86% each of the issue amount respectively, starting from 90th month.
Allied Bank Limited	5,000	Base rate plus 0.85% per annum for 1 to 5 years. Base rate plus 1.30% per annum for 6 to 10 years (with no floor and cap)	Semi-annually	August 28, 2019	Instrument is structured to redeem 0.24% of principal in the first 72 months and remaining principal in 4 equal semi-annual installments of 24.94% each of the issue amount respectively, starting from 78th month.
Askari Bank Limited	5,000	6 month KIBOR plus 2.50% per annum for 1 to 5 year. 6 month KIBOR plus 2.95% for 6 to 10 year per annum (with no floor and cap)	Semi-annually	November 18, 2019	Instrument is structured to redeem 0.32%, principal in the first 96 months (till 8th year) and remaining 99.68% principal in 4 equal semi-annual installments starting from 102nd month in the 9th & 10th year.
Jahangir Siddiqui and Company Limited	5,000	Average ask rate of six month KIBOR plus 2.5% (Floor 6 % and cap 16%)	Semi-annually	November 21, 2011	Principal redemption will be as follows: a) 6-54th month 0.18% of the principal. b) 60th month 49.91% of the principal. c) 66th month 49.91% of the principal.
NIB Bank Limited	5,000	Average ask rate of six months KIBOR plus 1.15% (with no floor and cap)	Semi-annually	March 5, 2016	Instrument is structured to redeem 0.2% of principal in the first 60 months and remaining principal in 6 equal semi-annual installments of 16.63% each of the issue amount respectively, starting from 66th month from the date of issuance.
Standard Chartered Bank (Pakistan) Limited II	5,000	Cut off yield of 5-years PIB plus 0.75%. (with floor 5% and cap 10.75%)	Semi-annually	January 20, 2011	A nominal amount i-e 0.16 % of the total issue amount will be re-paid equally in each of the redemption periods of first 4 years and the remaining principal amount will be re-paid in the following manner: a) 54th month 5.00% of total issue amount. b) 60th month 5.00% of total issue amount. c) 66th month 19.92% of total issue amount. d) 72nd month 19.92% of total issue amount. e) 78th month 35.00% of total issue amount. f) 84th month 35.00% of total issue amount.
United Bank Limited II	5,000	Fixed at 9.49%	Semi-annually	March 15, 2013	The instrument is structured to redeem principal in one bullet payment at maturity.
United Bank Limited III	5,000	Six month KIBOR plus 1.70%	Semi-annually	September 8, 2014	Instrument is structured to redeem 0.2% of principal in the first 60 months and remaining principal in six semi annual installments of 16.63% each of the issue amount respectively starting from 66th month.
United Bank Limited IV	5,000	1 to 5 year 6 month KIBOR plus 0.85%, 6 to 10 year 6 month KIBOR plus 1.35%	Semi-annually	February 14, 2018	Instrument is structured to redeem the principal amount at outstanding at maturity or at the exercise of the call option or partial call option as per the redemption schedule.
Azgard Nine Limited II	5,000	2010-2011 6 Month KIBOR plus 1% 2012-2015 6 Month KIBOR plus 1.25 %, 2016-2017 6 Months KIBOR plus 1.75 %	Semi-annually	September 20, 2017	12 semi-annually installments with stepped up repayment plan, 2012-2015 47% (PKR 699 million), 2016-2017 53% (PKR 799 million).
Engro Fertilizer Limited III	5,000	Average ask rate of six months KIBOR plus 1.55% (with no floor and cap)	Semi-annually	November 30, 2015	Instrument is structured to redeem 0.28%, of principal in the first 84 months and remaining 99.72% principal in two equal semi-annual installments.
Pace Pakistan Limited	5,000	Average ask rate of six months KIBOR plus 1.50% (with no floor and cap)	Semi-annually	February 15, 2013	Principal to be repaid in 6 equal semi-annually installments in arrears after a grace period of 24 months from the last date of public subscription.
Pak Arab Fertilizers (Private) Limited	5,000	Average ask rate of six months KIBOR plus 1.5%	Semi-annually	February 28, 2013	Principal redemption will be as follows: a) 30th month 300 of the principal. b) 36 - 42nd month 1,000 of the principal. c) 48th month 1,000 of the principal. d) 54th month 1,200 of the principal. e) 60th month 1,500 principal.
Pakistan Mobile Communication Limited	5,000	Average ask rate of six months KIBOR plus 1.65%	Semi-annually	October 28, 2013	Bullet payment at maturity.
Searle Pakistan Limited	5,000	Average ask rate of six months KIBOR plus 2.5%	Semi-annually	March 9, 2011	0.04% of the principal will be redeemed in the first year and the remaining 99.96% of the principal will be redeemed in 8 equal semi-annual installments in arrear.
Telecard Limited	5,000	Average of 6 month KIBOR plus 3.75 % (with no floor and cap)	Semi-annually	November 27, 2013	Principal will be redeemed in nine semi-annual installments as follows: a) 0-6 months 1.47% of principal. b) 6-24 months 4.41% of principal. c) 24-48 months 6.25% of principal. d) 48-54 months 7.34% of principal.

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Particulars	Certificates Denomination	Profit rate Per annum	Profit Payment	Maturity Date	Redemption
Unlisted Term Finance Certificates / Sukuk					
Agritech Limited	5,000	Average ask rate of six months KIBOR plus 1.75%	Semi-annually	December 30, 2017	12 semi-annually installments with stepped up repayment plan, 2012-2014 35% (PKR 524,580,000), 2015-2017 65% (PKR 974,220,000).
Al-Zamin Leasing Modaraba (II)	5,000	Average ask rate of six months KIBOR plus 1.9% (with no floor and cap)	Monthly	November 12, 2013	Principal will be re-paid in 48 equal monthly installments.
Avari Hotels Limited	5,000	Average ask rate of six months KIBOR plus 3.25%	Semi-annually	April 30, 2016	In 10 consecutive stepped up semi-annual installments. The first such installment shall fall due at the end of 30 months from the effective date and subsequently every six month thereafter until the issue is reduced to zero.
Azgard Nine Limited IV	5,000	6 Month KIBOR+100 bps 2010-2011, 6 Month KIBOR plus 125 bps 2012-2015, 6 Months KIBOR plus 175 bps 2016-2017	Semi-annually	December 4, 2017	12 semi-annually installments with stepped up repayment plan, 2012-2015 47% (PKR 1,166 million), 2016-2017 53% (PKR 1,332 million).
Bank Al Habib Limited III	5,000	Fixed at 15.50% Year 1 to 5, Fixed at 16% Year 6 to 8	Quarterly	June 15, 2017	Instrument is structured to redeem 0.02% per quarter of the issue amount in the first seven years and remaining issue amount in four equal quarterly installments of 24.86% in the eight year.
Bank Alfalah Limited	5,000	Option 1. Fixed at 15.00% Option 2. Six month KIBOR plus 2.5%	Semi-annually	December 2, 2017	Instrument is structured to redeem 0.260% of the principal semi annually in the first 78 months and remaining principal of 33.247% each of the issue amount respectively starting from the 84th month.
Century Paper and Board Mills Limited	5,000	Six month KIBOR plus 1.35%	Semi-annually	September 25, 2014	Principal to be redeemed in 10 stepped up semi-annual installments commencing from the 30th month from the date of first disbursement.
Eden Housing Limited	5,000	Average ask rate of six months KIBOR plus 2.5% (Floor 7% and cap 20%)	Semi-annually	December 31, 2012	Principal redemption will take place in eight equal semi annual installments. This will commence from the 18th month of the date of public subscription after a grace period of 12 months.
Engro Fertilizer Limited (Perp I)	5,000	Six month KIBOR plus 1.70%	Semi-annually	March 18, 2018	Principal repayment will occur, in whole or in part, through the exercise of the call option only by the company, or the put option by the investor.
Engro Fertilizer Limited (Perp II)	5,000	Six month KIBOR plus 1.25%	Semi-annually	March 18, 2018	Principal repayment will occur, in whole or in part, through the exercise of the call option only by the company, or the put option by the investor.
KASB Securities Limited	5,000	Six month KIBOR plus 1.90%	Semi-annually	June 27, 2012	Instrument is structured to redeem 0.020%, of the principal semi annually in the first 42 months and remaining principal of 33.280% each of the issue amount respectively starting from the 48th month.
Kashaf Foundation	5,000	Average ask rate of three months KIBOR plus 2.45%	Quarterly	July 14, 2010	Principal will be redeemed in 8th equal quarterly installments, commencing from the 15th month from the issue date.
Maple Leaf Cement Factory Limited - Sukuk	5,000	Average ask rate of three months KIBOR plus 1.0%	Quarterly	December 3, 2018	36 quarterly installments as per the given re-schedule 1st to 10 quarterly installments are just token money.
New Allied Electronics Industries (Private) Limited Sukuk	5,000	Average ask rate of three months KIBOR plus 2.2% (Floor 7% and cap 20%)	Semi-annually	December 3, 2012	Principal redemption will take place in six equal semi annual installments. This will commence from the 30th month of the date of public subscription after a grace period of 24 months.
Orix Leasing Pakistan Limited	100,000	Average ask rate of six month KIBOR plus 1.40%	Semi-annually	January 15, 2013	Six equal semi annual installments. First principal repayment shall commence at the end of the 30th month from the date of 1st issue.

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

Number of units		Particulars	2010		2009	
2010	2009		Average cost	Market value	Average cost	Market value
			(Rupees in '000)			
-	500,000	ABL Stock Fund	-	-	5,000	4,992
49,203	-	HBL Stock Fund	5,000	4,480	-	-
203,998	-	JS Fund of Funds	20,000	17,754	-	-
-	2,035,800	Metro Bank Pak Sovereign Fund	-	-	99,998	99,998
-	156,618	NIT Units	-	-	10,000	4,205
-	995,005	Pak Oman BOP Advantage Plus Fund	-	-	50,000	50,436
			25,000	22,234	164,998	159,631

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

Number of ordinary shares / certificates 2010	2009	Name of Company / Fund	2010 Average cost	2010 Market value	2009 Average cost	2009 Market value
			(Rupees in '000)			
		Mutual fund (closed ended)				
625,000	-	Pakistan Strategic Allocation Fund	4,400	4,281	-	-
3,421,760	3,421,765	Safeway Mutual Fund	26,518	22,652	42,046	36,784
		Investment Banks / Companies / Securities				
-	158,820	Jahangir Siddiqui and Company Limited	-	-	8,917	3,683
		Commercial Banks				
4,000,000	587,790	Bank Alfalah Limited	37,520	37,840	9,491	6,201
-	15,000	Habib Bank Limited	-	-	1,334	1,291
75,000	-	MCB Bank Limited	14,776	14,564	-	-
165,000	-	National Bank of Pakistan Limited	10,806	10,576	-	-
406,205	15,000	United Bank Limited	22,266	22,020	624	574
		Insurance				
-	25,000	Adamjee Insurance Company Limited	-	-	2,156	2,100
		Textile Weaving				
-	301	Zephyr Textile Limited	-	-	3	1
		Cement				
-	14,500	DG Khan Cement Limited	-	-	290	430
691,717	-	Lucky Cement Limited	47,120	42,984	-	-
		Refinery				
7,902	-	National Refinery Limited	1,569	1,445	-	-
		Power Generation and Distribution				
1,058,000	7,500	Hub Power Company Limited	34,433	33,814	191	203
		Oil and Gas Marketing Companies				
169,500	25,000	Pakistan State Oil Company Limited	45,492	44,104	5,270	5,341
		Oil and Gas Exploration				
72,000	80,000	Oil and Gas Development Company Limited	10,164	10,202	4,625	6,291
-	15,000	Pakistan Oilfields Limited	-	-	2,727	2,189
		Cable and Electric Goods				
-	59,250	Pak Elektron Limited	-	-	1,445	1,452
		Fertilizer				
138,111	110,000	Fauji Fertilizer Company Limited	14,305	14,235	10,119	9,565
		Chemicals				
273,201	4,000,000	Descon Oxychem Limited	2,131	1,246	40,000	30,160
80,000	30,000	Engro Corporation Limited	14,279	13,886	4,115	3,853
		Technology and Communication				
32,000	-	Pakistan Telecommunication Limited	565	570	-	-
			286,344	274,419	133,353	110,118

16.7.1 Included herein is Rs.150.583 million (2009: Rs.Nil) of equity investments purchased and simultaneously sold in futures market with a view to generate a spread on the transaction.

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		Note	2010	2009
			-------- (Rupees in '000) ----------	
16.8	**Movement in provision against investment**			
	Opening balance		99,000	-
	Charge for the year		50,731	99,000
	Reversals during the year		(49,000)	-
	Closing balance		100,731	99,000
17.	**ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**			
	Advance			
	Employees		169	4
	Deposits			
	Receivable from National Commodity Exchange Limited - margin deposit		25,000	1,540
	Exposure deposits with Karachi Stock Exchange (Guarantee) Limited	17.1	55,650	2,910
	Others		2,974	-
			83,624	4,450
	Prepaid expenses	17.2	20,271	14,040
	Other receivables - net			
	Secured - considered good			
	Assets repossessed in respect of terminated lease contracts		2,092	4,732
	Excise duty paid on behalf of customers		4,471	4,471
	Dividend receivable		-	563
	Balances due from related parties:			
	Packages Limited		273	250
	IGI Income Fund		2,953	2,403
	IGI Stock Fund		853	403
	IGI Insurance Limited		-	1,776
	IGI Islamic Income Fund		493	-
	IGI Money Market Fund		518	-
	Staff Gratuity Fund of IGI Bank Limited		254	254
			5,344	5,086
	Accrued commission / fee income		4,945	5,847
	Advance against vehicle		1,879	-
	Receivable against sale of securities	17.3	1,221	2,857
	Fair value of derivative financial instruments	24	5,263	-
	Others		14,054	3,015
	Unsecured and considered doubtful			
	Other receivables		25,583	-
	Receivable from lessees in satisfaction of claims		18,527	13,185
			44,110	13,185
	Less: Provision for bad and doubtful receivables	17.4	(44,110)	(13,185)
			143,333	45,065

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17.1 This represents the deposit held against exposures arising out of trading in securities in accordance with the regulations of the Karachi Stock Exchange (Guarantee) Limited. Interest is earned on the deposit at rates as decided by the Exchange.

17.2 This includes Rs.10.625 million (2009: Rs.3.426 million) in respect of advance rent of premises obtained on rent by the Group.

17.3 The market value of these securities at year end is Rs.1.211 million (2009: Rs.2.857 million).

	Note	2010	2009
		-------- (Rupees in '000)	----------
17.4 Movement in provision against receivables			
Opening balance		13,185	10,418
Charge for the year		30,925	2,767
Closing balance		44,110	13,185

18. INTEREST, MARK-UP AND PROFIT ACCRUED

	2010	2009
Interest / mark-up and profit accrued on:		
Investments in:		
government securities	1,702	3,691
term finance certificates	75,007	22,462
term deposit receipts	-	29
fund placements	110	1,253
	76,819	27,435
Loans and advances	6,654	19,109
Lendings and continuous funding system transactions	3,861	1,426
Deposits with banks	1,525	3,295
	88,859	51,265

19. TRADE DEBTS - NET

	Note	2010	2009 Restated (Note 19.4)
		-------- (Rupees in '000)	----------
Receivable against purchase of marketable securities	19.1 & 19.2	566,852	263,145
Clearing balance with National Clearing Company of Pakistan Limited		-	23,446
Commission receivable		2,082	1,044
		568,934	287,635
19.1 Secured			
Considered good		541,236	258,990
Unsecured			
Considered doubtful		178,932	151,741
		720,168	410,731
Less: Provision for doubtful debts	19.3	(153,316)	(147,586)
		566,852	263,145

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	2010	2009 Restated (Note 19.4)
	-------- (Rupees in '000) ----------	
19.2 This includes amounts due from related parties are as under:		
Key management personnel	-	18
Group companies	-	4,357
Other	3,878	480
	3,878	4,855

19.3 It includes provision in respect of IGI Insurance Limited (related party) amounting to Rs.3.830 million (2009: Nil).

19.4 Prior period errors

During the year, IGI Finex, a subsidiary company, carried out a reconciliation exercise and identified prior period errors pertaining to recording of investments, trade debts and capital gain / (loss) in prior years. IGI Finex rectified prior period errors relateing to years ended June 30, 2008 and June 30, 2009 in accordance with the requirements of International Accounting Standard - 8 (IAS - 8) 'Accounting Policies, Changes in accounting estimates and errors' due to which comparative figures in these financial statements have been restated as follows:

June 30, 2009	**(As originally reported) 2009**	**Effect of prior period errors**	**2009 (Restated)**
	---------------------------- (Rupees in '000)	---------------------------	
Restatement in balance sheet			
Short-term investments	1,928,111	(22,505)	1,905,606
Trade debts	288,591	(956)	287,635
Accumulated losses	633,987	26,640	660,627
Deficit on revaluation of investments - net	12,131	(3,179)	8,952
Restatement in profit and loss account			
(Loss) / gain on sale of investments	81,143	(13,527)	67,616
Loss after taxation	(546,501)	(13,527)	(560,028)
Loss per share - basic	(2.54)	(0.06)	(2.60)

June 30, 2008	**(As originally reported) 2008**	**Effect of prior period errors**	**2008 (Restated)**
	---------------------------- (Rupees in '000)	---------------------------	
Restatement in balance sheet			
Trade debts	1,438,913	(13,113)	1,425,800
Accumulated losses	(95,011)	(13,113)	(108,124)
Restatement in profit and loss account			
(Loss) / gain on sale of investments	126,799	(13,113)	113,686
Loss after taxation	(72,643)	(13,113)	(85,756)
Loss per share - basic	(0.54)	-	(0.54)

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20. CASH AND BANK BALANCES	Note	2010	2009
		-------- (Rupees in '000) ----------	
In hand		95	70
In current accounts			
State Bank of Pakistan		1,435	2,250
Others			
local currency		5,101	11,031
Foreign currency		1,304	1,231
		6,405	12,262
In saving accounts			
local currency	20.1	208,683	202,370
	53	216,618	216,952

20.1 These represent deposit accounts with commercial banks and carry mark-up at the rate ranging between 5% to 13% (2009: 1.00% to 13.00%).

21. SHARE CAPITAL	2010	2009
	-------- (Rupees in '000) ----------	
Authorised capital		
300,000,000 (2009: 300,000,000) Ordinary shares of Rs.10 each		
Issued, Subscribed and Paid-up Capital		
190,993,300 (2009: 190,993,300) Ordinary shares of Rs.10 each fully paid in cash	1,909,933	1,909,933
21,109,250 (2009: 21,109,250) Ordinary shares of Rs.10 each issued as fully paid bonus shares	211,092	211,092
	2,121,025	2,121,025

21.1 The following shares were held by the related parties of the Group as at June 30, 2010:

Name of related party	2010		2009	
	Shares held (in million)	Percentage	Shares held (in million)	Percentage
Packages Limited	4.611	2.175%	4.611	2.175%
IGI Insurance Limited	89.095	42.026%	89.095	42.026%
Directors, Chief Executive and their spouse and minor children	10.535	4.970%	7.957	3.753%

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		Note	2010	2009
22.	**RESERVES**		-------- (Rupees in '000)	----------
	Capital reserve			
	Statutory reserve	22.1	97,098	97,098
	Reserve arising on acquisition of non-controlling interest		(21,686)	(21,686)
			75,412	75,412
	Revenue reserves			
	General reserve		39,733	39,733
			115,145	115,145

22.1 Statutory reserve represents amount set aside as per the requirements of clause 16 of the NBFC Regulations issued by the SECP.

		Note	2010	2009
23.	**NON-CONTROLLING INTEREST**		-------- (Rupees in '000)	----------
	Share of non-controlling interest in:			
	Share capital		70	70
	Accumulated losses		(25)	(25)
			45	45

24. DEFICIT ON REVALUATION OF INVESTMENTS - NET

	Note	2010	2009
Net surplus / (deficit) on revaluation of:			
government securities		(4,188)	1,093
listed and unlisted term finance certificates		(33,140)	(15,969)
units of open end mutual fund		(2,685)	(5,367)
listed shares and certificates		(12,862)	(30,373)
fair value of derivative financial instruments	17	5,263	-
		(47,612)	(50,616)
Impairment losses on investment classified as 'available for-sale' - transferred to profit and loss account		-	40,211
	24.1	(47,612)	(10,405)
Related deferred tax asset - net	12	9,471	1,411
Non-controlling interest thereon		-	42
		(38,141)	(8,952)

24.1 Particulars of deficit on revaluation of investments - net

	2010	2009
Opening balance	(10,405)	(63,379)
Deficit arising on revaluation of investments during the year	(37,207)	(203,667)
	(47,612)	(267,046)
Impairment on equity securities and unit of mutual funds held as at year end	-	40,211
Impairment on equity securities sold during the year	-	135,287
	-	175,498
Transferred to the profit and loss account on disposal of investments	-	81,143
Closing balance	(47,612)	(10,405)

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	Note	2010	2009
25. REDEEMABLE CAPITAL		-------- (Rupees in '000)	----------
Secured			
Term finance certificates	25.1	187,425	312,375
Less: Transaction costs	25.2	(342)	(1,095)
		187,083	311,280
Less: Current maturity of redeemable capital	30	(124,950)	(124,950)
		62,133	186,330

25.1 These represent listed term finance certificates issued by the Group on July 10, 2006 having tenor of 5 years. The total issue comprises of Private Placement (Pre-IPO) of Rs.375 million and Initial Public Offering (IPO) of Rs.125 million. These are secured against the present and future movable fixed assets and current assets of the Group and carry mark-up at KIBOR plus 2.25% per annum payable semi-annually with no floor and cap. The principal amount of these term finance certificates is redeemable within 5 years in 8 equal semi-annual installments in arrears after a grace period of 12 months from the date of the issue. The credit rating of these term finance certificates has been maintained at ‘A+’ (single A plus) by the PACRA as at June 30, 2010.

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

	Note	2010	2009
26. LONG-TERM FINANCE		-------- (Rupees in '000)	----------
Secured			
Local currency - banking companies	26.1	316,667	408,333
Less: Current maturity of long-term finance	30	(166,667)	(341,666)
		150,000	66,667

26.1 The principal terms of long term finance are as follows:

Lender	Amount (Rs. in '000)	Date of disbursement	Date of maturity	Principal repayment	Mark-up	Security
Allied Bank Limited	250,000	7-Dec-09	7-Dec-12	5 equal semi-annual installments commencing from 12 months from the date of disbursement.	A floating rate of 6 month KIBOR plus 2.25 % per annum (with no floor or cap) payable semi annually in arrears.	The facility is secured by a first pari passu charge on Group's movable assets and all receivables including leased assets and lease receivables with 25% margin.
United Bank Limited	66,667	28-Apr-08	28-Apr-11	6 equal semi-annual installments commencing from 180 days from the date of disbursement.	A floating rate of 3 month KIBOR plus 1.30% per annum (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 the IGI Group’s, amounting to Rs.285.71 million with a margin of 30%.

Notes to and Forming Part of the Consolidated Financial Statements

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	Note	2010	2009
		-------- (Rupees in '000) ----------	
27. LONG-TERM CERTIFICATES OF DEPOSIT			
Unsecured			
Local currency			
Financial institutions		2,179	-
Individuals		166,109	241,283
Others		448,319	167,258
	27.1 & 27.2	616,607	408,541
Less: Current maturity of long-term certificates of deposit	30	(344,898)	(243,411)
		271,709	165,130

27.1 These certificates of deposit have contractual maturities ranging from 1 to 8 years (2009: 1 to 4 years) from the contract date. Expected rate of return payable on these certificates ranges from 9.75% to 20% (2009: 8.25% to 20%) per annum.

27.2 Included herein is a sum of Rs.60 million (2009: Rs.10 million) representing amount payable to related parties.

	Note	2010	2009
		-------- (Rupees in '000) ----------	
28. LONG-TERM DEPOSITS UNDER LEASE CONTRACTS			
Deposits under lease contracts	28.1	432,887	524,538
Less: Current maturity of deposits under lease contracts	30	(299,086)	(253,074)
		133,801	271,464

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

29. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The Group has entered into various lease agreements with Faysal Bank Limited for leases of motor vehicles having term of 5 years. The liabilities are subject to finance charge at the rate of 15% (2009: 15%).

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

	2010		2009	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
	---------- (Rupees in '000) ----------			
Not later than one year	399	302	639	417
Later than one year but not later than five years	688	635	1,740	1,500
	1,087	937	2,379	1,917
Less: Amount representing future finance charges	(150)	-	(462)	-
	937	937	1,917	1,917
Less: Current maturity of liabilities against assets subject to finance lease	(302)	(302)	(417)	(417)
	635	635	1,500	1,500

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	Note	2010	2009
		-------- (Rupees in '000) ----------	
30. CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Current maturity of redeemable capital	25	124,950	124,950
Current maturity of long-term finance	26	166,667	341,666
Current maturity of long-term certificates of deposit	27	344,898	243,411
Current maturity of deposits under lease contracts	28	299,086	253,074
Current maturity of liabilities against asset subject to finance lease	29	302	417
		935,903	963,518

31. SHORT-TERM CERTIFICATES OF DEPOSIT

	Note	2010	2009
Unsecured			
Local currency			
Financial institutions		-	48,600
Individuals	31.1	703,307	587,756
Others		2,562,037	1,611,978
	31.2 & 31.3	3,265,344	2,248,334

31.1 These include certificates of deposit amounting to Rs.3.091 million (2009: Rs.1.546 million) issued to employees of the Group.

31.2 These certificates of deposit have contractual maturities ranging from 1 to 12 months (2009: 1 to 12 months) from the contract date. Expected rate of return payable on these certificates of deposit are 10.15% to 14.85% (2009: 11.75% to 15.50%) per annum.

31.3 Included herein is a sum of Rs.1,092.69 million (2009: Rs.377.74 million) representing amount payable to related parties.

	Note	2010	2009
		-------- (Rupees in '000) ----------	
32. BORROWINGS FROM FINANCIAL INSTITUTIONS			
Secured			
Running finance utilised under mark-up arrangement	32.1	448,020	518,468
Securities sold under repurchase agreement			
Related parties		200,000	-
Others		1,141,979	89,868
	32.2	1,341,979	89,868
Unsecured borrowings	32.3	100,000	136,000
		1,889,999	744,336

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

Lender	Facility amount (Rs in '000)	Date of expiry	Pricing structure	Security
Allied Bank Limited	100,000	31-Oct-10	Mark-up at 1-month KIBOR plus 1.75% per annum.	First pari passu charge on the Group's movable assets including leased assets and lease receivables with a margin of 25%.
United Bank Limited	200,000	30-Nov-10	Mark-up at 1-month KIBOR plus 2.00% per annum.	First pari passu charge on present and future moveable assets and receivables of the Group including leased assets and leased receivables with a margin of 25%.
Various banks	600,000	31-Mar-11	Mark-up at 3-month KIBOR plus 2% - 2.25% per annum.	First hypothecation charge on present and future current assets of the Group with 40% margin and pledge of shares of companies quoted at the Karachi Stock Exchange.

32.2 These carry mark-up at the rate ranging from 12.10% to 12.50% (2009: 13.6%) per annum and are repayable latest by October 19, 2010.

32.3 These carry mark-up at the rate of 12.35% (2009: 14%) per annum and are repayable latest by July 28, 2010.

33. INTEREST AND MARK-UP ACCRUED

	Note	2010	2009
		-------- (Rupees in '000) ----------	
Interest and mark-up accrued on:			
Redeemable capital		12,815	25,925
Long-term finance		4,087	11,365
Certificates of deposit		116,604	89,405
Borrowings from financial institutions		34,503	16,478
		168,009	143,173

34. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2010	2009
Accrued expenses		6,258	14,658
Payable to customers on account of excess recoveries		3,028	3,028
Payable to customers in respect of brokerage business		-	123,696
Distribution commission payable		4,569	4,307
Unclaimed dividends		316	316
Payable to Packages Limited - related party		-	17
Payable against services received		1,629	-
Payable to suppliers - others		321	601
Payable in respect of employee gratuity scheme of IGI Bank	44.4	4,777	7,308
Payable in respect of employee gratuity scheme of IGI Funds Limited		-	1,182
Advances from lessees		21,553	12,618
Advance insurance recoveries from customers		1,212	3,185
Payable to IGI Insurance Limited - related party		-	3,850
Payable against purchase of securities		221,885	74,647
Clearing balance with National Clearing Company of Pakistan Limited		11,880	-
Unearned income		1,878	-
Provision for leave encashment		3,968	-
Others		9,919	4,071
		293,193	253,484

35. CONTINGENCIES AND COMMITMENTS

35.1 Taxation

(a) The provision for taxation has been computed by the IGI Bank at the rate applicable to a public company. In the original assessments made by the Deputy Commissioner of Inland Revenue (DCIR), the rate for the assessment years 1991-1992 to 2000-2001 applied in computing the tax liability was that applicable to a banking company. However, in the appeals filed against the original assessments, the Commissioner of Inland Revenue (Appeals) [CIR(A)] directed the DCIR to apply the rate applicable to a public company. Subsequent to the order of CIR(A), the Income Tax Department filed appeals before the Income Tax Appellate Tribunal (ITAT) against the directions of CIR(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, whereas the departmental appeals for the remaining years are pending before the ITAT. Subsequent to the decision of ITAT for assessment years 1991-92 to 1997-98, the department had filed appeals against the ITAT orders before the Honorable Lahore High Court which are pending to date.

In respect of the aforementioned matter the Federal Board of Revenue had given its consent to the proposal of Director General, LTU, Lahore to withdraw the appeals relating to the tax status of investment banks.

In the original assessment made by the DCIR for the assessment years 1995-96 to 2000-01, dividend income was taxed by applying the tax rate applicable to the business income of a banking company instead of applying the reduced tax rate of 5% as prescribed by the law. The CIR(A) and the 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 companies, the Lahore High Court has already decided the matter of taxation of dividend income against the taxation authorities.

In addition to the above matters, the taxation authorities have also disallowed certain expenses and made additions to taxable income on account of lease key money, lease rentals, excess perquisites and miscellaneous expenses in respect of various assessment years against which IGI Bank has filed appeals before the CIR(A). The CIR(A) has deleted the majority of the additions against which the tax authorities have filed appeals before the ITAT which are currently pending.

(b) Income tax return for tax year 2003 was filed and deemed to be assessed under section 120 of the Income Tax Ordinance, 2001. However, by resorting to the powers given under section 177 of the Ordinance, the CIR had selected the aforementioned tax return for audit which was also confirmed by the Supreme Court in its decision dated March 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. IGI Bank had preferred an appeal before the CIR(A) to agitate against the additions. The CIR(A) has decided the appeal by confirming certain additions. Against the appellate order of CIR(A), IGI Bank has filed an appeal before the ITAT which is pending to date. IGI Bank is confident that the additions confirmed by the CIR(A) will be deleted by the ITAT.

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 (2009: Rs.199 million). Based on the previous decisions, the management is confident that the eventual outcome of the above matters will be decided in favour of IGI Bank.

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

	2010	2009
	-------- (Rupees in '000)	----------
35.2 Claims not acknowledged as debts	152,443	81,570
35.3 Commitments		
Commitments in respect of forward sale of shares	155,806	-
Commitments in respect of forward purchase of shares	20,760	-
Commitments in respect of capital expenditure	-	787

36. INCOME FROM INVESTMENTS

	2010					2009 Restated (Note 19.4)				
	Held to maturity	Held for trading	Available -for-sale	Investment in associates	Total	Held to maturity	Held for trading	Available -for-sale	Investment in associates	Total
	(Rupees in '000)									
Interest / mark-up / profit from:										
Term deposit receipts / Fund placements	59,167	-	-	-	59,167	88,066	-	-	-	88,066
Market treasury bills	-	160,273	-	-	160,273	-	5,740	-	-	5,740
Pakistan investment bonds	-	5,243	-	-	5,243	-	23,082	-	-	23,082
Term finance certificates	-	332	200,161	-	200,493	-	365	54,595	-	54,960
	59,167	165,848	200,161	-	425,176	88,066	29,187	54,595	-	171,848
Dividend income	-	2,836	5,011	-	7,847	-	-	6,655	-	6,655
Gain on disposal of:										
Term finance certificates	-	3,439	43,161	-	46,600	-	-	239	-	239
Units of open end mutual fund	-	-	5,886	94,086	99,972	-	-	2,227	30,078	32,305
Market treasury bills	-	19	-	-	19	-	-	-	-	-
Pakistan investment bonds	-	2,286	-	-	2,286	-	-	-	-	-
Listed shares and certificates	-	24,696	12,575	-	37,271	-	4,931	30,141	-	35,072
	-	30,440	61,622	94,086	186,148	-	4,931	32,607	30,078	67,616
	59,167	199,124	266,794	94,086	619,171	88,066	34,118	93,857	30,078	246,119

Notes to and Forming Part of the Consolidated Financial Statements

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		Note	2010	2009
			-------- (Rupees in '000) ----------	
37.	**INCOME FROM LOANS AND ADVANCES**			
	Mark-up / interest on loans and advances		66,358	126,282
	Documentation charges and other loan related income		200	721
			66,558	127,003
38.	**INCOME FROM LEASE FINANCE**			
	Mark-up on lease finance		142,534	257,231
	Front-end fees, documentation charges and other lease related income		6,255	10,436
			148,789	267,667
39.	**INCOME FROM LENDINGS AND CONTINUOUS FUNDING SYSTEM TRANSACTIONS**			
	Securities purchased under resale agreements		26,057	28,721
	Income from continuous funding system transactions		-	80,736
			26,057	109,457
40.	**REMUNERATION FROM FUNDS UNDER MANAGEMENT**			
	Open end fund			
	IGI Income Fund		30,973	26,147
	IGI Stock Fund		9,178	3,329
	IGI Islamic Income Fund		3,331	-
	IGI Money Market Fund		484	-
		40.1	43,966	29,476

40.1 Remuneration for services rendered by the Group has been calculated by applying the management fee rate of 1.25%, 2%, 1.5% and 0.8% respectively, for IGI Income Fund, IGI Stock Fund, IGI Islamic Income Fund and IGI Money Market Fund on the average annual net assets of the respective funds determine on a daily basis in accordance with the provisions of the NBFC Regulations.

		2010	2009
41.	**INCOME FROM FEES, COMMISSION AND BROKERAGE**		
	Fee from corporate finance services	6,154	4,117
	Brokerage income	116,281	76,130
	Commission	14,535	8,262
	Distribution commission	15,981	22,925
		152,951	111,434

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42. FINANCE COSTS

	Note	2010	2009
		-------- (Rupees in '000) ----------	
Mark-up on:			
Term finance certificates		33,192	59,796
Long-term finance		55,826	101,944
Certificates of deposits		439,530	367,045
Borrowings from financial institutions		175,199	166,019
Finance charges on lease assets		200	280
Bank charges		1,472	6,112
		705,419	701,196

43. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2010	2009
Salaries, allowances and benefits		198,055	222,864
Honorarium to Chairman of IGI Funds Limited		-	80
Contribution to provident fund	44.12	8,082	8,664
Gratuity scheme expense			
IGI Bank and IGI Finex	44.5	(45)	4,026
IGI Funds		-	375
Contribution to employees' old-age benefit institution		392	514
Depreciation on property and equipment	5.1	37,930	44,884
Amortisation on intangible assets	5.3	6,426	12,133
Rent, rates and taxes		37,868	44,074
Travelling and entertainment		9,910	8,203
Telephone, telex and fax		9,255	10,767
Printing, postage and stationery		7,420	7,459
Staff training and development		287	164
Insurance		7,872	5,402
Lighting, heating and cooling		12,764	13,582
Repairs and maintenance		11,052	11,108
Brokerage and commission		8,651	4,635
Legal and professional fees		13,954	12,693
Subscriptions		20,257	15,334
Computer expenses		6,912	6,348
Advertisement		13,657	20,647
Bad debts written off		4,421	198
Provision for doubtful debts		6,239	147,586
Long-term deposit written off		-	1,200
Workers' welfare fund		66	-
Other expenses		11,874	14,020
		433,299	616,960

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44. DEFINED BENEFIT PLAN - GRATUITY SCHEME

The most recent actuarial valuation was carried out as at June 30, 2010, using the Projected Unit Credit Method. Following assumptions were used:

	2010	2009
	-------- (Percentage)	----------
Discount rate	13.00%	13.25%
Expected rate of increase in salary	10.85%	11.09%
Expected rate of return on plan assets	13.00%	13.25%

	Note	2010	2009
		-------- (Rupees in '000)	----------
44.1 Amount recognised in the balance sheet			
Present value of defined benefit obligation	44.2	7,734	7,887
Fair value of plan assets	44.3	(3,852)	(7,638)
Unrecognised actuarial loss - net		895	1,296
Past service cost		-	5,763
	44.4	4,777	7,308
44.2 Movement in the defined benefit obligation			
Present value of defined benefit obligation at the beginning of the year		7,887	18,304
Interest cost		790	1,667
Current service cost		2,163	3,485
Benefits paid		(1,486)	(4,805)
Gain on curtailment of staff gratuity scheme		(2,242)	-
Actuarial loss / (gain) on obligation		622	(5,001)
Benefits due but not paid due to termination		-	(5,763)
Present value of defined benefit obligation at the end of the year		7,734	7,887
44.3 Movement in the fair value of plan assets			
Fair value of plan asset at the beginning of the year		7,638	11,112
Expected return on plan assets		217	1,004
Contributions to the fund		2,486	3,451
Benefits paid		(7,249)	(4,805)
Actuarial gain / (loss) on plan assets		760	(3,124)
Fair value of plan assets at the end of the year		3,852	7,638
44.4 Movement of liability			
Balance at the beginning of the year		7,308	6,733
(Income) / expense for the year - net		(45)	4,026
Contributions during the year		(2,486)	(3,451)
Balance at the end of the year		4,777	7,308

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

	Note	2010	2009
		-------- (Rupees in '000) ----------	
Current service cost		2,163	3,485
Interest cost		790	1,667
Expected return on plan assets		(218)	(1,004)
Net actuarial (gain) / loss recognised during the year		(538)	(122)
		2,197	4,026
Gain on curtailment of staff gratuity fund		(2,242)	-
	43	(45)	4,026

44.6 Plan assets comprised of following:

	2010		2009	
	(Rupees in '000)	Percentage composition	(Rupees in '000)	Percentage composition
Units of mutual funds / shares	582	15	1,179	16
Term finance certificates	-	-	1,861	24
Bank account and short term deposits	3,270	85	4,598	60
	3,852	100	7,638	100

44.7 5 years data in respect of deficit on the plan assets is as follows:

	2010	2009	2008	2007	2006
	------------------------- (Rupees in '000) -------------------------				
Present value of defined benefit obligation	7,734	7,887	18,304	12,164	9,686
Fair value of plan assets	(3,852)	(7,638)	(11,112)	(8,377)	(6,839)
Deficit	3,882	249	7,192	3,787	2,847

44.8 5 years data in respect of experience adjustments is as follows:

	2010	2009	2008	2007	2006
	------------------------- (Rupees in '000) -------------------------				
Experience adjustments on plan liabilities	7,734	(4,999)	307	(580)	(339)
Experience adjustments on plan assets	(3,852)	(3,124)	203	(592)	(281)

44.9 Actual return on plan assets during the year was Rs.0.978 million (2009: Rs.2.120 million).

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44.10 Based on actuarial advice the IGI Bank intends to charge an amount of approximately Rs.4.777 million (Rs.6.308 million) in the financial statements for the year ending June 30, 2010.

44.11 Defined benefit plan - IGI Funds Limited

The Company decided to terminate the staff gratuity retirement plan during the year with effect from October 31, 2009. The Company has settled the outstanding liability amounting to Rs.1.182 million (2009: Rs.Nil) with respect to staff gratuity fund.

44.12 Defined contribution plan

An amount of Rs.8.082 million (2009: Rs.8.664 million) has been charged during the year in respect of contributory provident fund maintained by the Group.

	Note	2010	2009
		-------- (Rupees in '000)	----------
45. OTHER OPERATING INCOME			
Income from financial assets			
Income from deposits with banks		25,819	29,295
Interest on loan to employees		-	714
Liquidated damages		14,716	62,178
Others		603	2,311
		41,138	94,498
Income from non-financial assets			
Income from advisory service		16,032	1,789
Gain on disposal of fixed assets		3,764	331
Miscellaneous income		7,365	4,934
		68,299	101,552
46. OTHER OPERATING EXPENSES			
Provision against other assets		30,925	2,767
Auditors' remuneration	46.1	1,881	1,929
Donations		1,313	-
		34,119	4,696

46.1 Auditors' remuneration

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

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	2009			
	IGI Bank	IGI Funds	IGI Finex	Total
	------------------- (Rupees in '000) -------------------			
Statutory audit fee	550	200	250	1,000
Half yearly review fee	150	50	-	200
Fee for consolidated financial statements of the Group	150	-	-	150
Special certification and other services	100	-	315	415
Out of pocket expenses	58	56	50	164
	1,008	306	615	1,929

47. TAXATION - NET

	Note	2010	2009
		-------- (Rupees in '000) ----------	
Current			
For the year		19,045	9,502
For prior years		835	(154)
		19,880	9,348
Deferred			
For the year		(255,402)	(119,713)
For prior years		-	628
	47.1	(255,402)	(119,085)
		(235,522)	(109,737)

47.1 Effective tax rate reconciliation

The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements due to tax loss during the year.

48. LOSS PER SHARE

	Note	2010	2009 Restated Note 19.4
		-------- (Rupees in '000) ----------	
Loss after taxation		(164,268)	(552,503)
		-------- Number of shares --------	
Weighted average number of ordinary shares outstanding during the year		212,102,550	212,102,550
		------------- Rupee -------------	
Loss per share - basic		(0.77)	(2.60)

48.1 Diluted earnings per share is not disclosed as (a) the Group does not have any convertible instruments in issue as at June 30, 2010 (2009: Nil) (b) the amount of dilution, if any, would be anti-dilutive.

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49. NON DISCRETIONARY PORTFOLIO

The Group is also acting as an Investment Advisor for various clients by providing services such as consultation in investment decisions, sell, purchase, liquidate and otherwise manage the portfolio of securities. The cost and market value of the underlying investments included in the non discretionary portfolios managed by the Group are as under:

	Note	2010	2009
		---------- Number ----------	
Number of clients		5	-
		-------- (Rupees in '000) ----------	
Cost		66,302	-
Market value		65,943	-

49.1 The fee earned on these services during the year amounted to Rs.0.046 million (2009: Rs.Nil).

50. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

50.1 IGI Bank

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

	Chief Executives		Executives		Executive Director		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	-- (Rupees in '000) --							
Managerial remuneration (including bonus)	5,772	4,493	27,817	25,044	-	1,365	33,589	30,902
House rent	2,217	2,022	12,514	9,243	-	614	14,731	11,879
Utilities	-	449	2,781	2,054	-	136	2,781	2,639
Medical expenses	493	448	1,022	790	-	84	1,515	1,322
Conveyance	369	-	2,384	3,223	-	-	2,753	3,223
Retirement benefits	495	449	2,418	2,054	-	136	2,913	2,639
Others	710	84	4,029	4,073	-	21	4,739	4,178
	10,056	7,945	52,965	46,481	-	2,356	63,021	56,782
Number of persons	1	1	31	30	-	1	32	32

50.1.1 The chief executive and certain senior executives are provided with free use of IGI Bank's owned and maintained cars.

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

50.1.3 Meeting fees of Rs.40,000 (2009: Rs.45,000) were paid to the directors for attending the board meetings.

50.1.4 IGI Bank has appointed Mr. S. Javed Hassan as new Chief Executive Officer with effect from July 18, 2009 to fill the vacancy which arose due to resignation of Mr. Samir Ahmed (former Chief Executive Officer). S. Javed Hassan was previously working as Chief Executive Officer of IGI Funds Limited and had also worked as Executive Director in IGI Bank until October 31, 2008.

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50.2 IGI Finex

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

	Chief Executives		Executives		Director		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	(Rupees in '000)							
Managerial remuneration	3,564	3,452	17,142	16,006	600	2,855	21,306	22,313
Reimbursements / other allowances	420	760	451	1,791	-	319	871	2,870
Retirement benefits	356	690	1,714	3,201	-	451	2,070	4,342
Housing	1,604	1,553	7,714	7,203	-	1,015	9,318	9,771
Utilities	356	345	1,714	1,601	-	226	2,070	2,172
Commission	-	-	719	1,707	-	24	719	1,731
	6,300	6,800	29,454	31,509	600	4,890	36,354	43,199
Number of persons	1	2	24	19	1	2	26	23

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

50.2.2 No meeting fees were paid to any of the Directors for attending the Board meetings (2009: Nil).

50.2.3 In addition to the above, IGI Finex has also paid an amount of Rs.0.6 million (2009: Rs.0.6 million) in respect of consultancy fee paid to Mr. Javed Masud, who is a non-executive director.

50.3 IGI Funds

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

	Chief Executives		Executives		Director		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	(Rupees in '000)							
Managerial remuneration	2,147	4,292	4,283	6,035	-	80	6,430	10,407
House rent allowance	966	1,931	1,927	2,716	-	-	2,893	4,647
Utility allowance	215	429	428	603	-	-	643	1,032
Medical	204	429	357	504	-	-	561	933
Special allowance	5	80	1,018	1,392	-	-	1,023	1,472
Bonus	-	-	-	905	-	-	-	905
Contributions to Provident Fund	215	429	419	500	-	-	634	929
Reimbursements	205	218	308	712	-	-	513	930
Total	3,957	7,808	8,740	13,367	-	80	12,697	21,255
Number of persons	1	1	7	11	-	1	8	13

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

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2010

51. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors, key management employees and employees fund. The Group has a policy whereby all transactions with related parties, are entered into at contractual rates. The following table provides the transactions with related parties, other than remuneration under the terms of employment. For information regarding outstanding balances as at June 30, 2010 and June 30, 2009 refer to respective notes.

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

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2010

Description	Related parties including associated undertakings (2009)	Key Management personnel (2009)	Total (2009)
	(Rupees in '000)		
Transactions during the year			
Certificate of deposits issued	1,784,246	15,611	1,799,857
Certificates of deposit matured	1,716,006	13,184	1,729,190
Purchase of marketable securities through IGI Finex	486,036	51,262	537,298
Sale of marketable securities through IGI Finex	1,466,708	52,328	1,519,036
Insurance premium paid	2,842	-	2,842
Brokerage, commission and fee earned	2,226	61	2,287
Purchase of TFCs	319,370	-	319,370
Income from loan & finance	-	383	383
Investment in mutual fund units	2,814,820	-	2,814,820
Redemption of mutual fund units	2,682,910	-	2,682,910
Reimbursement of rent	3,754	-	3,754
Sale of fixed assets	4,848	1,017	5,865
Rent expense	14,100	-	14,100
Insurance expense IGI Insurance	330	-	330
Return on certificate of deposits	40,948	203	41,151
Charge for the year in respect of employee benefit and contribution plan	17,221	-	17,221
Expenses incurred by IGI Insurance & Packages on behalf of IGI Funds	9,459	-	9,459
Remuneration from IGI Income Fund & IGI Stock Fund	29,476	-	29,476
Sales load IGI Stock Fund	30	-	30
Legal and professional charges IGI Stock Fund, IGI Islamic Fund & IGI Pak Brunei Fund	355	-	355
Amount recovered against printing charges, IGI Income, IGI Stock Fund & IGI Islamic Fund	127	-	127
Amount recovered against CDC account opening charges and security IGI Stock Fund	120	-	120
Authorization Fee for IGI Islamic Income Fund & IGI Pak Brunei Fund	2,000	-	2,000
Purchase of fixed assets	6,779	-	6,779
Purchase of intangible asset	565	-	565

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2010

	Note	2010	2009 Restated (Note 19.4)
		-------- (Rupees in '000) ----------	
52. CASH GENERATED FROM OPERATING ACTIVITIES			
Loss for the year before taxation		(399,790)	(669,765)
Adjustments for non cash and other items:			
Gain on disposal of fixed assets		(3,764)	(331)
Depreciation on property and equipment		37,930	44,884
Amortisation of intangible assets		6,426	12,133
(Reversal) / provision of staff gratuity scheme			
IGI Bank and IGI Finex		(45)	4,026
IGI Funds		-	375
Interest, mark-up and profit income		(685,944)	(694,827)
Dividend income		(7,847)	(6,655)
Finance cost		705,419	701,196
Bad debts written off		4,421	198
(Reversal) / provision for bad and doubtful loans and advances / lease losses - general - net		(36,469)	1,276
Provision for bad and doubtful loans and advances / lease losses - specific - net		300,663	117,639
Provision for doubtful debts		6,239	147,586
Impairment against intangible assets		77,157	-
Share of profit in associates		(86,338)	(53,792)
Working capital changes	52.1	(114,929)	596,397
		202,919	870,105
		(196,871)	200,340

52.1 Working capital changes

	2010	2009
Decrease / (increase) in current assets:		
Short-term loans	240,193	(25,289)
Lendings - secured	(551,791)	976,913
Receivable against continuous funding system transactions	-	483,912
Short-term investments	(1,692,555)	119,770
Trade debts	(287,029)	990,578
Advances, deposits, prepayments and other receivables	(98,268)	842,449
	(2,389,450)	3,388,333
Increase / (decrease) in current liabilities:		
Short-term certificates of deposits	1,017,010	(435,143)
Borrowings from financial institutions	1,216,111	(1,333,241)
Accrued expenses and other liabilities	41,400	(1,023,552)
	2,274,521	(2,791,936)
	(114,929)	596,397

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2010

		2010	2009
53. CASH AND CASH EQUIVALENTS	**Note**	**-------- (Rupees in '000) ----------**	
Cash and bank balances	20	216,618	216,952
Short-term finance - secured	32	(448,020)	(518,468)
		(231,402)	(301,516)

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise loans, certificate of deposits, borrowings and payables. The main purpose of these financial liabilities is to raise finances for the Group's operations. The Group has lease, loan, lendings, investments, other receivables and cash and short-term deposits that arrive directly from its operations. The Group also holds available-for-sale investments, and enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's senior management oversees the management of these risks. The Group's senior management is supported by a Asset and Liability Committee (ALCO committee) that advises on financial risks and the appropriate financial risk governance framework for the Group. The ALCO committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

54.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. The Group is exposed to market risk as a result of mismatches or gaps in the amounts of financial assets and financial liabilities that mature or reprice in a given period. The Group manages this risk by matching the repricing of financial assets and liabilities through risk management strategies.

Market risk mainly comprises of currency risk, interest rate and other price risk.

54.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group, at present is not exposed to significant currency risk.

54.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Group is mainly exposed to mark-up / interest rate risk on its net investment in finance lease, loans and advances, lendings, investments, running finance on mark-up arrangements, redeemable capital, borrowings and long term loans with floating interest rates. The Group manages its interest rate risk by having a balance between floating and fixed interest rate financial instruments.

Notes to and Forming Part of the Consolidated Financial Statements
For the Year Ended June 30, 2010

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

As at June 30, 2010	Effective rate %	Total	Exposed to yield / market rate risk: Within one year	Exposed to yield / market rate risk: More than one year and less than five years	Exposed to yield / market rate risk: More than five years	Not exposed to yield / market rate risk
		2010 (Rupees in '000)				
Financial assets						
Loans and advances - net	11.50 - 17.39	406,885	202,090	75,495	129,300	-
Net investment in lease finance - net	7.00 - 23.00	1,138,234	768,528	369,706	-	-
Advances, deposits and other receivables	-	121,014	-	-	-	121,014
Lendings - secured	12.00 - 19.00	600,391	600,391	-	-	-
Receivables from funds	-	6,412	-	-	-	6,412
Long-term deposits	-	10,730	-	-	-	10,730
Investments	9.6 - 13.35	4,429,608	1,247,958	445,188	1,560,962	1,175,500
Trade debts - net	-	568,934	-	-	-	568,934
Cash and bank balances	5.00 - 13.00	216,618	208,683	-	-	7,935
		7,498,826	3,027,650	890,389	1,690,262	1,890,525
Financial liabilities						
Redeemable capital	14.16	187,083	124,950	62,133	-	-
Long-term finance	13.64 - 14.60	316,667	166,667	150,000	-	-
Certificates of deposit	9.75 - 20	3,881,951	3,610,242	131,709	140,000	-
Liabilities against assets subject to finance lease	15.00	937	302	635	-	-
Long-term deposits under lease contracts	-	432,887	-	-	-	432,887
Borrowings from financial institutions	12.10 - 12.50	1,889,999	1,889,999	-	-	-
Accrued expenses and other liabilities	-	265,382	-	-	-	265,382
		6,974,906	5,792,160	344,477	140,000	698,269
On-balance sheet gap		523,920	(2,764,510)	545,912	1,550,262	1,192,256
Commitments in respect of forward sale of shares		155,806	-	-	-	155,806
Commitments in respect of forward purchase of shares		(20,760)	-	-	-	(20,760)
Off-balance sheet gap		135,046	-	-	-	135,046

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2010

As at June 30, 2009	Effective rate %	Total	2009 Exposed to yield / market rate risk: Within one year	More than one year and less than five years	More than five years	Not exposed to yield / market rate risk
		(Rupees in '000)				
Financial assets						
Loans and advances - net	5.00 - 24.00	764,921	602,238	158,639	3,938	106
Net investment in lease finance - net	7.00 - 23.00	1,829,096	985,714	843,382	-	-
Advances, deposits and other receivables	-	31,021	-	-	-	31,021
Lendings - secured	11.50	48,600	48,600	-	-	-
Receivable from funds	-	3,731	-	-	-	3,731
Long-term deposits	-	12,608	-	-	-	12,608
Investments	9.60 - 16.00	2,568,407	1,214,112	218,788	192,517	942,990
Trade debts - net	-	287,635	-	-	-	287,635
Cash and bank balances	5.00 -13.00	216,952	202,370	-	-	14,582
		5,762,971	3,053,034	1,220,809	196,455	1,292,673
Financial liabilities						
Redeemable capital	17.86	311,280	124,950	186,330	-	-
Long-term finance	14.42	408,333	341,666	66,667	-	-
Certificates of deposit	8.25 - 20	2,656,875	2,491,745	165,130	-	-
Liabilities against assets subject to finance lease	15.00	1,917	417	1,500	-	-
Long-term deposits under lease contracts	-	524,538	-	-	-	524,538
Borrowings from financial institutions	13.60 - 14.00	744,336	744,336	-	-	-
Accrued expenses and other liabilities	-	226,208	-	-	-	226,208
		4,873,487	3,703,114	419,627	-	750,746
On-balance sheet gap		889,484	(650,080)	801,182	196,455	541,927
Commitments in respect of forward sale of shares		-	-	-	-	-
Commitments in respect of forward purchase of shares		-	-	-	-	-
Commitments in respect of capital expenditure		787	-	-	-	787
Off-balance sheet gap		787	-	-	-	787

54.1.3 Equity risk

The Group’s listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group’s senior management on a regular basis. The Group’s Board of Directors reviews and approves all equity investment decisions.

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2010

54.2 Credit risk and concentrations of credit risk

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

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

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

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

	2010		2009	
	(Rupees in '000)	%	(Rupees in '000)	%
Finance and leases				
Dairy and poultry	315	0.02	315	0.01
Cement	3,627	0.23	3,616	0.14
Health	23,455	1.52	35,624	1.37
Glass and ceramics	7,950	0.51	11,015	0.42
Leather	19,228	1.24	42,874	1.65
Paper and board	46,189	2.99	65,950	2.54
Construction	136,776	8.85	236,375	9.11
Energy, oil and gas	81,260	5.26	251,774	9.71
Financial institutions	105,778	6.85	33,333	1.28
Electric and electric goods	53,325	3.45	77,024	2.97
Chemicals / fertilizers / pharmaceuticals	21,508	1.39	43,750	1.69
Food, tobacco and beverages	50,800	3.29	106,796	4.12
Steel, engineering and automobiles	161,529	10.45	285,393	11.00
Transport	177,099	11.46	325,451	12.55
Textile / textile composite	236,574	15.31	318,514	12.28
Miscellaneous (including individuals)	419,706	27.18	756,213	29.16
	1,545,119	100.00	2,594,017	100.00

54.3 Liquidity risk

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

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

As at June 30, 2010	**Total**	**Within one year**	**More than one year and less than five years**	**More than five years**
	(Rupees in '000)			
Assets				
Fixed assets	194,547	45,532	148,674	341
Loans and advances - net	406,885	202,090	75,495	129,300
Investments	4,429,608	1,247,958	760,052	2,421,598
Net investment in lease finance - net	1,138,234	768,528	369,706	-
Long term deposits and other receivables	10,730	-	5,479	5,251
Receivable from funds	6,412	1,837	4,575	-
Deferred tax assets - net	466,172	-	466,172	-
Lendings - secured	600,391	600,391	-	-
Taxation - net	273,182	273,182	-	-
Advances, deposits, prepayments and other receivables	143,333	138,862	4,471	-
Interest, mark-up and profit accrued	88,859	88,859	-	-
Trade debts - net	568,934	568,934	-	-
Cash and bank balances	216,618	216,618	-	-
	8,543,905	4,152,791	1,834,624	2,556,490
Liabilities				
Redeemable capital	187,083	124,950	62,133	-
Long-term finance	316,667	166,667	150,000	-
Certificates of deposit	3,881,951	3,610,242	131,709	140,000
Long-term deposits under lease contracts	432,887	299,086	133,801	-
Liabilities against assets subject to finance lease	937	302	635	-
Borrowings from financial institutions	1,889,999	1,889,999	-	-
Interest and mark-up accrued	168,009	168,009	-	-
Accrued expenses and other liabilities	293,193	289,849	3,344	-
	7,170,726	6,549,104	481,622	140,000
	1,373,179	(2,396,313)	1,353,002	2,416,490

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As at June 30, 2009	Total	Within one year	More than one year and less than five years	More than five years
	(Rupees in '000)			
Assets				
Fixed assets	313,820	10,780	302,607	433
Loans and advances - net	764,921	602,238	158,639	4,044
Investments	2,568,407	875,270	934,914	758,223
Net investment in lease finance - net	1,829,096	985,714	843,382	-
Receivable from funds	3,731	1,005	2,726	-
Long term deposits and other receivables	12,608	-	5,813	6,795
Deferred tax assets - net	202,710	-	202,710	-
Lendings	48,600	48,600	-	-
Taxation - net	265,762	265,762	-	-
Advances, deposits, prepayments and other receivables	45,065	40,594	4,471	-
Interest, mark-up and profit accrued	51,265	51,040	225	-
Trade debts - net	287,635	287,635	-	-
Cash and bank balances	216,952	216,952	-	-
	6,610,572	3,385,590	2,455,487	769,495
Liabilities				
Redeemable capital	311,280	124,950	186,330	-
Long-term finance	408,333	341,666	66,667	-
Certificates of deposit	2,656,875	2,491,745	165,130	-
Long-term deposits under lease contracts	524,538	253,074	271,464	-
Liabilities against assets subject to finance lease	1,917	417	1,500	-
Borrowings from financial institutions	744,336	744,336	-	-
Interest and mark-up accrued	143,173	143,173	-	-
Accrued expenses and other liabilities	253,484	250,772	2,712	-
	5,043,936	4,350,133	693,803	-
	1,566,636	(964,543)	1,761,684	769,495

Notes to and Forming Part of the Consolidated Financial Statements
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55. CAPITAL RISK MANAGEMENT

As stated in note 1, the Group comprises of the following companies:

1. IGI Bank
2. IGI Finex
3. IGI Funds

The objective of managing capital and the policies and processes followed for its management relating to each of the above companies is disclosed below:

IGI Bank

Capital requirements applicable to IGI Bank are set and regulated by the SECP. These requirements are put in place to ensure sufficient solvency margins. IGI Bank manages its capital requirements by assessing its capital structure against the required level on a regular basis. Pursuant to SRO 764(I)/2009 dated September 02, 2009 issued by SECP in which the capital requirements for NBFCs licensed by the commission to undertake different form of business have been prescribed. The present issued, subscribed and paid up capital of IGI Bank adequately covers the minimum levels specified by the aforementioned regulations for the year ended June 30, 2010.

IGI Finex

The primary objective of IGI Finex's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

IGI Finex manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, IGI Finex may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

IGI Funds

The minimum equity requirements for NBFCs undertaking permissible form of business are set out in the NBFC Regulations. IGI Funds possesses the licenses for carrying out Asset Management Services and Investment Advisory Services as at June 30, 2010. IGI Funds is in compliance with the minimum equity requirements as applicable as on June 30, 2010.

56. FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

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

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

(b) IGI Finex enters into security transaction on behalf of its clients involving future settlement. IGI Finex has entered into transactions that give rise to future settlement, the unsettled amount as on June 30, 2010 of these future transaction is Rs.424.288 million (2009: Nil). Transaction involving future settlement give rise to market risk, which represents the potential loss that can be caused by a change in the market value of a particular financial instrument. The credit risk of these transactions is limited to the unrealised market valuation losses which have been recorded in the statement of accounts of the customers. As explained above, credit risk is controlled through a variety of reporting and control procedures.

57. FAIR VALUE OF FINANCIAL INSTRUMENTS

57.1 As at June 30, 2010, the fair values of all financial instruments are based on the valuation methodology outlined below:

(a) Finances and certificates of deposit

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

(b) Investments

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

(c) Other financial instruments

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

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58. SEGMENTAL ANALYSIS

	2010				
	Financing activities	Investment activities	Brokerage activities	Asset Management Services	Total
	(Rupees in '000)				
Income from investments	-	674,206	27,532	3,771	705,509
Income from loans and advances	66,558	-	-	-	66,558
Income from lease finance	148,789	-	-	-	148,789
Remuneration from funds under management	-	-	-	43,966	43,966
Income from lendings, bank deposits and continuous funding system transactions	7,869	-	18,188	-	26,057
Income from fees, commission and brokerage	-	22,135	130,816	-	152,951
Total income for reportable segments	223,216	696,341	176,536	47,737	1,143,830
Finance costs	(185,716)	(470,751)	(48,745)	(207)	(705,419)
Administrative and general expenses (excluding depreciation and amortisation)	(25,221)	(28,261)	(19,619)	(11,252)	(84,353)
Depreciation and amortisation	(6,954)	(18,114)	(15,530)	(3,758)	(44,356)
Provision for bad and doubtful debts (general and specific) - net	(264,194)	-	-	-	(264,194)
Provision against other assets	(5,342)	-	(25,583)	-	(30,925)
Impairment against intangible assets	-	-	(77,157)	-	(77,157)
Impairment charge against investments	-	(97,731)	-	-	(97,731)
Segment result	(264,211)	81,484	(10,098)	32,520	(160,305)
Other operating income					68,299
Unallocated administrative expenses					(304,590)
Unallocated other operating expenses					(3,194)
Loss before taxation					(399,790)
Segment assets	1,545,119	5,222,140	727,808	90,444	7,585,511
Unallocated assets					958,394
					8,543,905
Segment liabilities	1,833,119	4,752,670	523,727	937	7,110,453
Unallocated liabilities					60,273
					7,170,726
Capital expenditure - tangible	1,293	7,162	837	57	9,349
Capital expenditure - intangible	346	1,225	4,466	263	6,300

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2010

	2009				
	Financing activities	Investment activities	Brokerage activities	Asset Management Services	Total
	(Rupees in '000)				
Income from investments	-	281,187	7,719	11,005	299,911
Income from loans and advances	127,003	-	-	-	127,003
Income from lease finance	267,667	-	-	-	267,667
Remuneration from funds under management	-	-	-	29,476	29,476
Income from lendings, bank deposits and continuous funding system transactions	-	90,829	18,605	23	109,457
Income from fees, commission and brokerage	-	27,042	84,392	-	111,434
Total income for reportable segments	394,670	399,058	110,716	40,504	944,948
Finance costs	(340,936)	(298,717)	(60,983)	(560)	(701,196)
Administrative and general expenses (excluding depreciation and amortisation)	(28,004)	(31,236)	(20,606)	(13,001)	(92,847)
Depreciation and amortisation	(18,078)	(9,805)	(24,240)	(4,894)	(57,017)
Provision for bad and doubtful debts (general and specific) - net	(118,915)	-	-	-	(118,915)
Provision against other assets	(2,767)	-	-	-	(2,767)
Impairment charge against investments	-	(274,498)	-	-	(274,498)
Segment result	(114,030)	(215,198)	4,887	22,049	(302,292)
Other operating income					101,552
Unallocated administrative expenses					(467,096)
Unallocated other operating expenses					(1,929)
Loss before taxation					(669,765)
Segment assets	2,594,017	2,812,925	418,085	100,121	5,925,148
Unallocated assets					685,424
					6,610,572
Segment liabilities	2,712,959	1,950,533	346,534	1,917	5,011,943
Unallocated liabilities					31,993
					5,043,936
Capital expenditure - tangible	4,022	13,392	18,887	2,531	38,832
Capital expenditure - intangible	196	697	837	-	1,730

Notes to and Forming Part of the Consolidated Financial Statements

For the Year Ended June 30, 2010

59. DATE OF AUTHORISATION FOR ISSUE

The financial statements were approved by the Board of Directors and authorised for issue on August 26, 2010.

60. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

Information for Shareholders

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

Share Registrar
Noble Computer Services (Private) Limited
Mezzanine Floor, House of Habib Building (Siddiqsons Tower),
3-Jinnah Cooperative Housing Society,
Main Shahrah-e-Faisal,
Karachi-75350
Tel.: (021) - 34325482-87
Fax : (021)- 34325442
E-mail: ncsl@noble-computers.com

Listing on Stock Exchanges
Shares of IGI Investment Bank Limited are quoted on the Karachi, Lahore and Islamabad Stock Exchanges.

Listing Fees
The annual listing fee for the financial year 2010-11 has been paid to all stock exchanges within the prescribed time limit.

Stock Code
The stock code for dealing in shares of IGI Investment Bank at the Stock Exchanges is IGIBL.

Share Registrar
IGI Investment Bank's shares department is operated by Noble Computer Services (Private) Limited serving 3,224 shareholders. It is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function.

The Share Registrar has online connectivity with Central Depository Company of Pakistan Limited. It undertakes activities pertaining to dematerialization of shares, share transfers, transmissions, issue of duplicate/re-validated dividend warrants, issue of duplicate/ replaced share certificates, change of addresses and other related matters.

For assistance, shareholders may contact either the Registered Office or the Share Registrar Office.

Contact persons:
Ms. Saira Shaikh
Vice President - Lahore Office, IGI Investment Bank
Tel.: (042) 111-234-234
(042)-5756701, 5777861-70
Fax : (042)-111-567-567

Syed Azadar Raza Jaffery
Manager Shares - Noble Computer Services (Private) Limited
Tel.: (021) - 4325482-87
Fax: (021) - 4325442

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

Information for Shareholders

Service	For request received through post	Over the counter
Transfer of shares	45 Days after receipt	45 Days after receipt
Transmission of shares	45 days after receipt	45 Days after receipt
Issue of duplicate share certificate	45 Days after receipt	45 Days after receipt
Issue of duplicate dividend warrants	20 Days after receipt	20 Days after receipt
Issue of re-validated dividend warrants	10 Days after receipt	08 Days after receipt
Change of address	04 Days after receipt	04 Days after receipt

Well-qualified personnel of the Share Registrar have been entrusted with the responsibility of ensuring that services are rendered within the set time limits.

Statutory Compliance

During the year, IGI Investment Bank has complied with all applicable provisions, filed all returns/forms and furnished all the relevant information as required under the Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the listing requirements.

Dematerialization of Shares

The shares of IGI Investment Bank are under the compulsory dematerialization category. As of date approximately 97% of the equity shares of IGI Investment Bank have been dematerialized by the shareholders. Shareholders holding shares in physical form are requested to dematerialize their holdings at the earliest by approaching the depository participants registered with the CDC.

Book Closure Dates

The Register of Members and Share Transfer Books of IGI Investment Bank will remain closed from October 21, 2010 to October 27, 2010 (both days inclusive).

Annual General Meeting and Voting Rights

Pursuant to section 158 of the Companies Ordinance, 1984, IGI Investment Bank holds a General Meeting of shareholders at least once a year. Every shareholder has a right to attend the General Meeting. The notice of such Meeting is sent to all the shareholders at least 21 days before the Meeting and also advertised in at least one English and one Urdu newspaper having circulation in Karachi, Lahore and Islamabad.

All shares issued by IGI Investment Bank carry equal voting rights. Generally, matters at the General Meetings are decided by a show of hands in the first instance. Voting by show of hands operates on the principle of "One Member-One Vote". If majority of shareholders raise their hands in favour of a particular resolution, it is taken as passed, unless a poll is demanded.

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

Information for Shareholders

Proxies
Pursuant to Section 161 of the Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of IGI Investment Bank, every shareholder of IGI investment Bank who is entitled to attend and vote at a General Meeting of IGI Investment Bank, can appoint another person as his/her proxy to attend and vote instead of himself / herself. Every notice calling a General Meeting of IGI Investment Bank contains a statement that a shareholder entitled to attend and vote is entitled to appoint a proxy, who needs not be a member of IGI Investment Bank.

The instrument appointing a proxy (duly signed by the shareholder appointing that proxy) should be deposited at the office of IGI Investment Bank not less than 48 hours before the meeting.

Shareholders' Grievances
IGI Investment Bank received the following correspondence / complaints during the year:

Nature of correspondence / complaint by shareholders	Received during the year	Addressed during the year	Complaints pending as on June 30, 2010
Non-receipt of annual/half-yearly/quarterly reports	1	1	0

Web Presence
Updated information regarding IGI Investment Bank can be accessed at IGI website, **www.igiinvestmentbank.com.pk** The website contains the latest financial results of IGI Investment Bank together with its profile, corporate philosophy and major products and services.

Pattern of Share Holding as at June 30, 2010

NUMBER OF SHARE HOLDERS	SHAREHOLDINGS FROM	TO	TOTAL SHARES HELD
266	1	100	11,315
513	101	500	169,687
437	501	1,000	392,325
1,095	1,001	5,000	2,965,788
330	5,001	10,000	2,611,133
137	10,001	15,000	1,723,972
79	15,001	20,000	1,432,018
58	20,001	25,000	1,336,543
47	25,001	30,000	1,331,607
26	30,001	35,000	8,647,65
18	35,001	40,000	694,024
14	40,001	45,000	587,465
24	45,001	50,000	1,160,648
11	50,001	55,000	577,090
11	55,001	60,000	643,185
6	60,001	65,000	375,950
9	65,001	70,000	613,747
8	70,001	75,000	584,315
3	75,001	80,000	237,163
4	80,001	85,000	328,838
2	85,001	90,000	176,850
6	90,001	95,000	552,908
12	95,001	100,000	1,190,246
4	100,001	105,000	407,842
2	105,001	110,000	217,000
4	110,001	115,000	459,810
4	120,001	125,000	492,707
4	125,001	130,000	512,559
2	135,001	140,000	277,390
1	140,001	145,000	144,200
4	145,001	150,000	593,940
1	150,001	155,000	154,845
3	155,001	160,000	469,240
5	160,001	165,000	811,445
2	165,001	170,000	338,477
2	170,001	175,000	345,237
1	175,001	180,000	176,021
3	180,001	185,000	550,972
2	185,001	190,000	377,675
2	190,001	195,000	383,248
3	195,001	200,000	597,843
3	200,001	205,000	611,000
1	220,001	225,000	222,000
2	240,001	245,000	481,732
1	245,001	250,000	246,732
1	250,001	255,000	254,738

Pattern of Share Holding as at June 30, 2010

NUMBER OF SHARE HOLDERS	SHAREHOLDINGS FROM	TO	TOTAL SHARES HELD
1	260,001	265,000	265,000
1	270,001	275,000	275,000
2	300,001	305,000	606,192
1	310,001	315,000	311,000
1	320,001	325,000	322,000
1	340,001	345,000	340,120
2	345,001	350,000	695,754
1	355,001	360,000	360,000
1	375,001	380,000	375,500
2	380,001	385,000	760,795
2	415,001	420,000	836,662
1	420,001	425,000	423,970
1	430,001	435,000	434,000
1	450,001	455,000	452,500
1	470,001	475,000	474,331
1	495,001	500,000	498,764
1	525,001	530,000	528,683
2	550,001	555,000	1,101,561
1	560,001	565,000	563,233
1	605,001	610,000	606,191
1	610,001	615,000	610,874
1	695,001	700,000	700,000
1	755,001	760,000	756,000
1	805,001	810,000	806,166
1	830,001	835,000	830,500
1	930,001	935,000	932,199
1	995,001	1,000,000	1,000,000
1	1,005,001	1,010,000	1,008,975
1	1,045,001	1,050,000	1,050,000
1	1,060,001	1,065,000	1,060,507
1	1,145,001	1,150,000	1,148,358
1	1,240,001	1,245,000	1,244,000
1	1,440,001	1,445,000	1,444,300
1	1,595,001	1,600,000	1,600,000
1	1,640,001	1,645,000	1,643,909
1	1,820,001	1,825,000	1,823,800
1	2,120,001	2,125,000	2,121,023
1	4,610,001	4,615,000	4,610,915
1	4,645,001	4,650,000	4,646,333
1	5,395,001	5,400,000	5,400,000
1	5,870,001	5,875,000	5,872,999
1	7,680,001	7,685,000	7,682,579
1	9,795,001	9,800,000	9,796,627
1	9,985,001	9,990,000	9,986,501
1	15,310,001	15,315,000	15,311,000
1	89,095,001	89,100,000	89,095,494
3,224			**212,102,550**

Pattern of Share Holding as at June 30, 2010

Category of Shareholders	Number of Shareholders	Number of Shares held	Holding %
Individuals	3,089	42,588,661	20.08
Investment Companies	5	5,875,190	2.77
Joint Stock Companies	71	23,028,804	10.86
Directors, CEO & their Spouses and their Minor Children	9	10,534,953	4.97
NIT / ICP	5	7,886,364	3.72
Associated Companies	2	93,706,409	44.18
Financial Institutions	5	21,852,764	10.30
Leasing Companies	2	182	0.00
Insurance Companies	8	2,262,288	1.07
Modarabas	4	17,437	0.01
Mutual Funds	2	13,500	0.01
Foreign Investors	7	341,359	0.16
Charitable Trusts	4	145,368	0.07
Others	11	3,849,271	1.80
Total	**3,224**	**212,102,550**	**100**

Pattern of Share Holding as required by the Code of Corporate Governance as at June 30, 2010

S.No.	Category of Shareholders	Number of Shareholders	Number of Shares held	Holding %
1	**Associated Companies**	**2**	**93,706,409**	**44.18**
	Packages Limited		4,610,915	2.17
	IGI Insurance Limited		89,095,494	42.01
2	**National Investment Trust / Investment Corporation of Pakistan (ICP)**	**5**	**7,886,364**	**3.72**
	NIT		7,882,222	3.72
	ICP		4,142	0.00
3	**Directors, CEO, Spouses and Minor Children**	**9**	**10,534,953**	**4.97**
	Syed Javed Hassan		550,100	0.26
	Syed Babar Ali		9,796,627	4.62
	Khalid Yacob		500	0.00
	Towfiq Habib Chinoy		500	0.00
	Arif Faruque		500	0.00
	Jalees Ahmed Siddiqi		500	0.00
	Mrs. Faiza Rana Khalid		13,686	0.01
	Mrs. Perwin Babar Ali		172,040	0.08
4	**Banks, Development Finance Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas & Mutual Funds**	**21**	**24,146,171**	**11.38**
5	**Investment Companies**	**5**	**5,875,190**	**2.77**
6	**Joint Stock Companies**	**71**	**23,028,804**	**10.86**
7	**Foreign Investors**	**7**	**341,359**	**0.16**
8	**Charitable Trusts**	**4**	**145,368**	**0.07**
9	**Others**	**11**	**3,849,271**	**1.80**
10	**Individuals**	**3,089**	**42,588,661**	**20.08**
	Total	**3,224**	**212,102,550**	**100.00**

	Shareholders having more than 10% Holdings			
	IGI Insurance Limited		89,095,494	42.01

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FORM OF PROXY

Twentieth Annual General Meeting

I/We ____ of

(Name)

____ being member(s) of **IGI Investment Bank Limited** and holder of ______________________ Ordinary Shares as per

(Number of Shares)

Share Register **Folio No.**______________________ and / or **CDC participant I.D. No.**______________ and Sub Account No.______________ hereby appoint ______________________of ______________ or failing him/ her

(Name)

______________________of ______________ as my proxy

(Name)

to vote for me and on my behalf at the Annual General Meeting of the company to be held on Wednesday, October 27, 2010 at 2:30 p.m. at 5 - F.C.C. Ground Floor, Syed Maratib Ali Road, Gulberg, Lahore and at any adjournment thereof.

Signed this ______________day of ______________ 2010

WITNESSES:

1. Signature: ______________

Name: ______________

Address: ______________

CNIC or

Passport No. ______________

Signature

Please
affix Rs. 5/-
Revenue Stamp

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

2. Signature: ______________

Name: ______________

Address: ______________

CNIC or

Passport No. ______________

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

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

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

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AFFIX
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POSTAGE

The Company Secretary

IGI Investment Bank Limited
5 F.C.C., Ground Floor,
Syed Maratib Ali Road,
Gulberg, Lahore,
Pakistan.

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Designed by: Mansoor Ahmed

Printed by Yaqeen Art Press (Pvt.) Ltd.

IGI

Investment Bank

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