

Consolidated Financial Statements

Auditors Report to the Member

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of IGI Investment Bank Limited (formerly First International Investment Bank Limited) and its subsidiary companies, IGI Finex Securities Limited (formerly Finex Securities Limited) and IGI Funds Limited as at June 30, 2007 and the related consolidated Profit and Loss account, consolidated Cash Flow Statement of and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of IGI Investment Bank Limited (formerly First International Investment Bank Limited) and its subsidiary companies IGI Finex Securities Limited (formerly Finex Securities Limited) and IGI Funds Limited. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of IGI Investment Bank Limited (formerly First International Investment Bank Limited) and its subsidiary companies as at June 30, 2007 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

A.F.Fergusons & Co.
Chartered Accountants
Karachi.

Consolidated Balance Sheet As at June 30, 2007

	Note	2007	2006 (Restated)
(Rupees in thousand)			
ASSETS			
Non-current assets			
Fixed assets			
Property and equipment	3.1	132,889	59,582
Capital work-in-progress	3.2	9,332	3,706
Intangible assets	3.3	177,618	183,581
		319,839	246,869
Long-term loans - net	4	467,626	332,403
Net investment in finance lease	5	1,409,702	1,233,578
Long-term deposits	6	6,306	5,358
Deferred tax assets - net	24	16,442	-
		2,219,915	1,818,208
Current assets			
Current maturity of long-term loans	4	137,945	177,209
Current maturity of net investment in finance lease	5	749,134	695,624
Short-term loans	7	197,979	273,252
Receivable against continuous funding system transactions / carry over transactions	8	758,409	419,418
Short-term investments	9	1,564,754	1,072,217
Taxation - net		230,851	220,248
Advances, deposits and prepayments	10	383,648	62,778
Interest, mark-up and profit accrued	11	85,261	28,268
Trade debts	12	641,971	338,906
Other receivables	13	44,248	18,561
Cash and bank balances	14	361,766	315,856
		5,155,966	3,622,337
		<u>7,375,881</u>	<u>5,440,545</u>
TOTAL ASSETS			
EQUITY & LIABILITIES			
Capital and reserves			
Share capital	15	922,184	419,175
Reserves	16	116,067	229,249
		1,038,251	648,424
Minority Interest	17	19,863	-
		1,058,114	648,424
Deficit on revaluation of investments	18	(17,451)	(30,299)
Non-current liabilities			
Term finance certificates / Pre-IPO subscription	19	434,356	369,950
Long-term finance	20	781,669	693,333
Long-term certificates of deposit	21	528,055	289,059
Long-term deposits on lease contracts	22	429,731	367,452
Liabilities against assets subject to finance lease	23	3,517	2,298
Deferred tax liabilities - net	24	-	40,877
		2,177,328	1,762,969
Current liabilities			
Current maturity of term finance certificates	19	61,565	-
Current maturity of long-term finance	20	421,666	615,000
Current maturity of long-term certificates of deposit	21	359,316	39,467
Current maturity of deposits on lease contracts	22	85,497	53,315
Current maturity of liabilities against assets subject to finance lease	23	757	378
Short-term finance	25	160,027	237
Short-term certificates of deposit	26	1,840,159	1,709,714
Borrowings from financial institutions	27	465,000	294,347
Interest and mark-up accrued	28	103,463	59,937
Accrued expenses and other liabilities	29	660,440	287,056
		4,157,890	3,059,451
		<u>7,375,881</u>	<u>5,440,545</u>
Contingencies and commitments	30		

The annexed notes 1 to 58 form an integral part of these financial statements.

Consolidated Profit and Loss Account for the Year Ended June 30, 2007

	Note	2007	2006 (Restated)
(Rupees in thousand)			
Income			
Income from investments	31	105,241	129,046
Income from loans	32	119,236	90,205
Income from lease finance	33	230,548	176,253
Income from fund placements	34	109,605	87,240
Remuneration from fund under management	35	3,770	-
Income from fees, commission and brokerage	36	115,412	46,782
		683,812	529,526
Finance costs	37	483,933	338,034
		199,879	191,492
Administrative and general expenses	38	333,261	156,666
		(133,382)	34,826
Other operating income	40	38,009	6,154
		(95,373)	40,980
Other operating expenses	41	3,538	6,175
Operating (loss) / profit before provisions		(98,911)	34,805
Provision for bad and doubtful loans / potential lease losses - general - net	4.6 & 5.5	4,260	5,689
Provision for bad and doubtful loans / lease losses - specific - net	4.6 & 5.5	5,313	2,017
(Loss) / profit before taxation		(108,484)	27,099
Taxation - net	42	(32,317)	(7,062)
(Loss) / profit after taxation		(76,167)	34,161
(Loss) / profit attributable to minority interest	17	(4,902)	-
(Loss) / profit attributable to ordinary shareholders		(71,265)	34,161
-----Rupees-----			
(Loss) / earnings per share - basic and diluted	43	(1.19)	0.57

The annexed notes 1 to 58 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

SAMIR AHMED
Managing Director & Chief Executive



Investment Bank

Consolidated Cash Flow Statement for the Year Ended June 30, 2007

	Note	2007	2006 (Restated)
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	46	(857,643)	220,934
Disbursements of long-term loans - net		(97,298)	(104,278)
Net investment in finance lease		(237,868)	(261,794)
Long-term deposits and prepayments		(948)	(1,722)
Repayments of long-term certificates of deposit - net		558,845	(8,092)
Receipts from deposits on lease contracts - net		94,461	80,830
Interest, mark-up and profit received		488,706	418,120
Dividend received		10,218	10,876
Financial cost paid		(439,921)	(321,490)
Income tax paid		(35,557)	(14,513)
Gratuity paid		(2,823)	(1,500)
Net cash (used in) / generated from operating activities		<u>(519,828)</u>	<u>17,371</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Finex Securities Limited - net of cash acquired		-	(132,571)
Fixed capital expenditure incurred		(114,739)	(54,572)
Proceeds from disposal of fixed assets		11,134	2,462
Net cash outflow on investing activities		<u>(103,605)</u>	<u>(184,681)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Term finance certificates / Pre-IPO subscription		124,961	369,950
Proceeds from issue of right shares		461,092	-
Proceeds from issue of shares to minority interest		30,000	-
Long-term finance - net		(104,998)	275,000
Lease rental paid		(1,072)	-
Payment of dividend		(430)	(58,684)
Net cash inflow from financing activities		<u>509,553</u>	<u>586,266</u>
Net increase in cash and cash equivalents		<u>(113,880)</u>	<u>418,956</u>
Cash and cash equivalents at the beginning of the year		315,619	(103,329)
Net effect of exchange rate changes on cash and cash equivalents		-	(8)
Cash and cash equivalents at the end of the year	47	<u><u>201,739</u></u>	<u><u>315,619</u></u>

The annexed notes 1 to 58 form an integral part of these financial statements.

SYED BABAR ALI
Chairman

SAMIR AHMED
Managing Director & Chief Executive

Consolidated Statement of Changes in Equity for the Year Ended June 30, 2007

Issued, subscribed and paid- up capital	Reserves					Minority interest	Total	
	Capital reserves		General reserve	Unappr- opriated profit / (loss)	Total reserves			
	Reserve for issue of bonus shares	Statutory reserve						
----- (Rupees in thousand) -----								
Balance as at June 30, 2005 as reported earlier	419,175	-	89,636	97,325	59,806	246,767	-	665,942
Effect of change in accounting policy relating to recognition of investment from settlement date accounting to trade date accounting - note 2.9	-	-	-	-	7,006	7,006	-	7,006
Balance as at June 30, 2005 - restated	419,175	-	89,636	97,325	66,812	253,773	-	672,948
Final dividend for the year ended June 30, 2005 @ Rs. 1.40 per share declared subsequent to the year end	-	-	-	-	(58,685)	(58,685)	-	(58,685)
Profit after taxation for the year ended June 30, 2006 - restated	-	-	-	-	34,161	34,161	-	34,161
Transfer to statutory reserve	-	-	7,462	-	(7,462)	-	-	-
Balance as at June 30, 2006 - restated	419,175	-	97,098	97,325	34,826	229,249	-	648,424
Transferred to reserve for issue of bonus shares made subsequent to the year	-	41,917	-	(41,917)	-	-	-	-
Issue of bonus shares	41,917	(41,917)	-	-	-	(41,917)	-	-
Issue of right shares	461,092	-	-	-	-	-	-	461,092
Loss after taxation for the year ended June 30, 2007	-	-	-	-	(76,167)	(76,167)	-	(76,167)
Loss attributable to minority interest	-	-	-	-	4,902	4,902	(4,902)	-
Transfer of resources to the shareholders of the Group consequent to deemed partial disposal of shareholding in IGI Founds Limited - note 17	-	-	-	-	-	-	(5,235)	(5,235)
Issue of shares to minority interest - note 17	-	-	-	-	-	-	30,000	30,000
Balance as at June 30, 2007	922,184	-	97,098	55,408	(36,439)	116,067	19,863	1,058,114

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SYED BABAR ALI
Chairman

SAMIR AHMED
Managing Director & Chief Executive