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## COMPANY INFORMATION

Board of Directors	Mr. S. Babar Ali, <i>Chairman</i> Mr. Samir Ahmed, <i>Managing Director &amp; Chief Executive</i> Syed Javed Hassan, <i>Executive Director</i> Mr. Khalid Yacob Mr. Farid Khan Mr. Towfiq H. Chinoy Mr. Arif Farouque
Company Secretary	Mr. Shah Mohammad Tahir Abbasi
Audit Committee	Mr. Khalid Yacob, Chairman Mr. Farid Khan Syed Javed Hassan
Auditors	M/s A.F. Ferguson & Co. Chartered Accountants
Legal Advisers	M/s Hassan & Hassan, Advocates M/s Mohsin Tayebaly & Co., Advocate & Legal Consultants M/s Orr, Dignam & Co., Advocates
Bankers	Allied Bank Limited Atlas Bank Limited Bank Al Habib Limited JS Bank Limited Metropolitan Bank Limited MCB Bank Limited My Bank Limited NIB Bank Limited Soneri Bank Limited United Bank Limited
Shares Registrar	Noble Computer Services (Private) Limited Sohni Centre BS 5 & 6, Main Karimabad, Block 4, Federal B. Area Karachi. Telephones: (021) 680-1880 (3 lines) Fax: (021) 680-1129
Lahore (Registered) Office	5 F.C.C., Ground Floor, Syed Maratib Ali Road, Gulberg, Lahore. Telephones: (042) 111-234-234, 575-3414 (3 lines)  Fax: (042) 111-567-567, 576-2790
Karachi Offices	7 <sup>th</sup> Floor, The Forum, Suite Nos. 701 - 713 G-20, Block 9, Khayaban-e-Jami, Clifton Karachi – 75600, Pakistan Telephones: (021) 111-234-234 Fax: (021) 111-567-567
Islamabad Office	Mezzanine Floor, Razia Sharif Plaza, 90, Blue Area, G / 7, Islamabad. Telephones: (051) 111-234-234, 2275256-58 Fax: (051) 227-3861
Faisalabad Office	9 <sup>th</sup> Floor, State Life Building, Faisalabad. Telephones: (041) 254-0811 ( 5 lines) Fax: (041) 254-0815
Universal Access No.	Tel: 111-234-234 Fax: 111-567-567
Website	<a href="http://www.igiinvestmentbank.com.pk">www.igiinvestmentbank.com.pk</a>
Email	<a href="mailto:contact.center@igi.com.pk">contact.center@igi.com.pk</a>

## DIRECTORS' REVIEW

The Directors of IGI Investment Bank Limited present herewith the un-audited financial statements for the half year ended December 31, 2007 duly reviewed by external auditors as required by the Code of Corporate Governance.

Despite the prevalent situation, your bank continued to improve its performance and various segments showed marked improvement over the same period last year. Your bank continued to emphasize on the branding of IGI Financial Services generating Brand Visibility in the financial and corporate circles. All in all, every business activity made progress, either in financial terms or toward a Broader Strategic Goal.

Your company ended the half year with an after tax loss of Rs. 11.88 million for the half year ended December 31, 2007 as compared to a loss of Rs. 12.78 million in the corresponding period of the last year. However, the company has reported an after tax profit of Rs. 29 million for the quarter ended December 31, 2007 as compared to after tax loss of Rs. 8.4 million in the corresponding period.

The Directors are very confident that your bank is progressing in the right direction and the necessary spade work has been completed.

The financial highlights for the half year ended December 31, 2007 are as follows:

	December 31, 2007	December 31, 2006	Increase / (Decrease)	
	Rupees in thousands			%
<b>INCOME</b>				
Income from Investment	88,309	32,739	55,570	169.74
Income from Finance	48,896	62,581	(13,685)	(21.87)
Income from Leases	108,315	101,575	6,740	6.64
Fund Placement Income	57,448	56,568	880	1.56
Brokerage and Commission	15,847	12,641	3,206	25.36
<b>Total</b>	<b>318,815</b>	<b>266,104</b>	<b>52,711</b>	<b>19.81</b>
<b>EXPENDITURE</b>				
Finance Cost	284,363	217,235	67,128	30.90
Administrative and operating expenses	107,923	93,645	14,278	15.25

Our income from investments increased from Rs. 32.74 million to Rs. 88.3 million to mark an increase of 169.74%. The decrease of 21.87% in income from term finance from Rs. 62.58 million to Rs. 48.89 million was compensated partially by the increase of 6.64% in lease financing from Rs. 101.58 million to Rs. 108.32 million. The income from fund placement and brokerage and commission showed an increase of 1.56% and 25.36% respectively to end up at Rs. 57.45 million (Rs. 56.57 million – December 2006) and Rs. 15.85 million (Rs. 12.64 million – December 2006).

The total assets of your company increased to Rs. 7.665 billion as at December 31 2007, compared with Rs. 6.649 billion as at June 30, 2007. This was mainly due to increase in funding against CFS transactions and increased disbursements against term & lease finance.

The above figures do not incorporate the figures of IGI Finex Securities Limited and IGI Funds Limited, which are reflected in consolidated financial statements. IGI Securities declared dividend after December.

We look forward to the future with confidence and expect that your company will witness growth in the business activities as well as revenue generation capacity through diversified business lines and product

range. Despite an increasingly competitive environment we expect growth in both funded and non-funded business activities.

We have undergone meaningful strategic changes in the past 3-4 years and we look forward to building on these. We remain firmly committed to our existing well-defined and focused strategy. Our action plan going forward consists of building on our recent successes, increasing the coverage of our activities, and further strengthening of our balance sheet. Our task is to consolidate our gains, leverage our accomplishments and sustain our growth momentum. We shall continue to rely heavily on high quality HR and their commitment and ability to deliver better results.

We are indeed grateful to our valued customers and business partners, whose support and feedback has been invaluable. We also take this opportunity to place on record our appreciation of the devotion, loyalty and continued hard work of the employees.

For and on behalf of the Board.

**Syed Babar Ali**  
Chairman

**Samir Ahmed**  
Managing Director &  
Chief Executive

Karachi: February 11, 2008

# **AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION**

## **Introduction**

We have reviewed the accompanying condensed interim balance sheet of IGI investment bank as of December 31, 2007 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standard as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2006 and 2007 have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2007.

## **Scope of Review**

We conducted our review in accordance with international Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2007 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

A.F.FERGUSON & CO.  
Chartered Accountants  
Karachi  
Dated: February 11, 2008

**CONDENSED INTERIM BALANCE SHEET  
AS AT DECEMBER 31, 2007**

	Note	Unaudited December 31, 2007	Audited June 30, 2007 Restated
-----Rupees in '000-----			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Property, plant and equipment		91,571	85,573
Intangible assets		8,626	21,958
Long-term investments	4	100,197	107,531
Long-term loans - net	5	682,571	682,571
Net investment in finance lease		377,743	467,608
Long-term deposits		1,502,458	1,409,702
Deferred tax assets net		1,600	1,150
		54,751	4,772
		2,719,320	2,673,334
<b>Current assets</b>			
Current maturity of long-term loans and advances	6	301,808	137,705
Current maturity of net investment in finance lease	6	698,458	749,134
Short-term loans		312,626	197,979
Receivable against continuous funding system transactions		1,213,018	556,265
Short-term investments	7	1,456,542	1,545,850
Taxation - net		235,239	228,896
Advances, deposits and prepayments		146,459	143,715
Interest, mark-up and profit accrued		88,744	78,274
Trade debts		233,527	-
Other receivables		106,393	67,898
Cash and bank balances		153,168	269,966
		4,945,982	3,975,682
<b>TOTAL ASSETS</b>		<b>7,665,302</b>	<b>6,649,016</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Capital and reserves</b>			
Authorised capital			
100,000,000 (June 30, 2007: 100,000,000) ordinary shares of Rs 10 each		1,000,000	1,000,000
Issued, subscribed and paid-up capital		922,184	922,184
92,218,500 (June 30, 2007: 92,218,500) ordinary shares of Rs 10 each		922,184	922,184
Reserves		133,464	145,351
		1,055,648	1,067,535
<b>Deficit on revaluation of investments - net</b>		<b>(49,816)</b>	<b>(17,977)</b>
<b>Non-current liabilities</b>			
Term finance certificates		372,386	434,356
Long-term finance		525,002	781,669
Long-term certificates of deposit		308,824	528,055
Long-term deposits on lease contracts		442,874	429,731
		1,649,086	2,173,811
<b>Current liabilities</b>			
Current maturity of term finance certificates	8	123,940	61,565
Current maturity of long-term finance	8	363,333	421,666
Current maturity of long-term certificates of deposit	8	711,198	359,316
Current maturity of deposits on lease contracts		92,029	85,497
Short-term finance		94,831	77
Short-term certificates of deposit		1,910,607	1,840,159
Borrowings from financial institutions		1,260,000	465,000
Interest and mark-up accrued		150,042	103,217
Accrued expenses and other liabilities		304,404	89,150
		5,010,384	3,425,647
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,665,302</b>	<b>6,649,016</b>
<b>Contingencies and commitments</b>	9		

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

**SYED BABAR ALI**  
Chairman

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**SAMIR AHMED**  
Managing Director & Chief Executive

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)  
FOR THE HALF-YEAR ENDED DECEMBER 31, 2007**

	Note	Half-Year Ended		Quarter Ended	
		December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
----- Rupees in '000 -----					
<b>INCOME</b>					
Income from investments	10	88,309	32,739	49,445	16,239
Income from loans		48,896	62,581	20,817	33,378
Income from lease finance		108,315	101,575	53,497	48,680
Income from fund placements		57,448	56,568	32,619	27,874
Income from fees, commission and brokerage		15,847	12,641	10,426	5,097
		318,815	266,104	166,804	131,268
Finance costs		284,363	216,299	142,595	135,135
		34,452	49,805	24,209	(3,867)
Administrative and general expenses		106,764	93,111	60,057	42,118
		(72,312)	(43,306)	(35,848)	(45,985)
Other operating income		30,016	26,556	24,392	25,501
		(42,296)	(16,750)	(11,456)	(20,484)
Other operating expenses		1,159	1,470	832	237
Operating (loss) before provisions		(43,455)	(18,220)	(12,288)	(20,721)
Provision for bad and doubtful loans / potential lease losses - general - net		2,153	2,440	1,133	1,133
Provision for bad and doubtful loans / potential lease losses - specific - net		11,369	(407)	5,027	(942)
		13,522	2,033	6,160	191
(Loss) / profit before taxation		(56,977)	(20,253)	(18,448)	(20,912)
Taxation	11	(45,090)	(7,465)	(47,590)	(12,465)
(Loss) / profit after taxation		(11,887)	(12,788)	29,142	(8,447)
----- Rupees -----					
Earnings per share - basic and diluted		(0.13)	(0.28)	0.32	(0.18)

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

**SYED BABAR ALI**  
Chairman

**SAMIR AHMED**  
Managing Director & Chief Executive

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE HALF-YEAR ENDED DECEMBER 31, 2007**

	Half-Year Ended	
	December 31, 2007	December 31, 2006
	----- Rupees in '000-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period from ordinary activities before taxation	(56,977)	(20,253)
<b>Adjustments for non-cash and other items</b>		
Gain on disposal of fixed assets	(14,693)	(22,035)
Depreciation on property, plant and equipment	10,212	6,266
Amortisation of intangible assets	913	5,550
Amortisation of transaction cost on TFCs	505	936
Provision for gratuity scheme	1,039	840
Interest, mark-up and profit income	(240,613)	(238,665)
Finance cost	284,363	216,299
Dividend income	(22,547)	(4,970)
Provision for bad and doubtful loans / potential lease losses - general - net	2,153	2,440
Provision for bad and doubtful loans / potential lease losses - specific - net	11,369	(407)
	<u>32,701</u>	<u>(33,746)</u>
	(24,276)	(53,999)
<b>Decrease / (increase) in current assets</b>		
Short-term loans	(114,647)	24,952
Receivable against continuous funding system transactions / carry over transactions	(656,753)	(276,949)
Short-term investments	57,195	48,225
Trade debts	(233,527)	145,599
Advances, deposits, prepayments and other receivables	(59,389)	(90,630)
	(1,007,121)	(148,803)
<b>Increase / (decrease) in current liabilities</b>		
Short-term certificates of deposits	70,448	785,633
Borrowings from financial institutions	795,000	(4,347)
Accrued expenses and other liabilities	214,145	(46,724)
	<u>1,079,593</u>	<u>734,562</u>
<b>Cash generated from operations</b>	48,196	531,760
Disbursements of long-term finance - net	(79,039)	(106,018)
Net investments in finance lease	(50,801)	(221,596)
Long-term deposits and prepayments	(450)	-
Receipts from long-term certificates of deposit - net	132,651	80,407
Receipts from deposits on lease contracts - net	19,675	73,277
Interest, mark-up and profit received	230,143	200,322
Dividend received	40,697	7,470
Finance cost paid	(237,538)	(175,715)
	<u>55,338</u>	<u>(141,853)</u>
	103,534	389,907
Income tax paid	(10,958)	(7,192)
Gratuity paid	70	(2,377)
<b>Net cash generated from operating activities</b>	92,646	380,338
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure incurred	(24,682)	(21,665)
Long-term investments	-	(500,000)
Proceeds from disposal of fixed assets	35,584	48,948
<b>Net cash generated from / (used in) investing activities</b>	10,902	(472,717)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Term finance certificates	(100)	125,000
Long-term finance - net	(315,000)	(373,333)
Dividends paid	-	(430)
<b>Net cash (used in) financing activities</b>	(315,100)	(248,763)
<b>Net decrease in cash and cash equivalents</b>	(211,552)	(341,142)
Cash and cash equivalents at the beginning of the period	269,889	196,742
<b>Cash and cash equivalents at the end of the period</b>	<u>58,337</u>	<u>(144,400)</u>
<b>Cash and cash equivalents at the end of the period</b>		
Cash and bank balances	153,168	55,600
Short-term finance	(94,831)	(200,000)
	<u>58,337</u>	<u>(144,400)</u>

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE HALF-YEAR ENDED DECEMBER 31, 2007**

	Issued, subscribed and paid- up capital	Reserves					Total reserves	Total
		Capital reserves		Revenue reserves				
		Reserve for issue of bonus shares	Special reserve	General reserve	Unappro- priated profit/ (loss)			
-----Rupees in '000-----								
Balance as at July 1, 2006	419,175	-	97,098	97,325	30,969	225,392	644,567	
Transfer to capital reserve for issue of bonus shares made subsequent to the year end	-	41,917	-	(41,917)	-	-	-	
Bonus shares issued @10%	41,917	(41,917)	-	-	-	(41,917)	-	
Net loss for the half-year	-	-	-	-	(12,788)	(12,788)	(12,788)	
Balance as at December 31, 2006	<u>461,092</u>	<u>-</u>	<u>97,098</u>	<u>55,408</u>	<u>18,181</u>	<u>170,687</u>	<u>631,779</u>	
Balance as at July 1, 2007	922,184	-	97,098	55,408	(7,155)	145,351	1,067,535	
Net loss for the half-year	-	-	-	-	(11,887)	(11,887)	(11,887)	
Balance as at December 31, 2007	<u>922,184</u>	<u>-</u>	<u>97,098</u>	<u>55,408</u>	<u>(19,042)</u>	<u>133,464</u>	<u>1,055,648</u>	

The annexed notes 1 to 15 form an integral part of these condensed interim financial statements.

**SYED BABAR ALI**  
Chairman

**SAMIR AHMED**  
Managing Director & Chief Executive

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF-YEAR ENDED DECEMBER 31, 2007**

**1 LEGAL STATUS AND OPERATIONS**

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

Based on the financial results for the year ended June 30, 2006, the Pakistan Credit Rating Agency (PACRA) maintained the long-term credit rating of IGI BANK at 'A' and the short-term rating at 'A1'.

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

**2 STATEMENT OF COMPLIANCE**

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

The SECP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' through Circular No. 19 dated August 13, 2003 to Non-Banking Finance Companies (NBFCs) providing investment finance services, discounting services and housing finance services. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

These financial statements are unaudited and have been reviewed by the external auditors as required by the Code of Corporate Governance.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the preceding annual published financial statements.

### 4 FIXED ASSETS

The cost of additions and disposals to fixed assets during the period were as follows:

	Half-Year ended December 31, 2007		Half-Year ended December 31, 2006	
	Additions	Disposals / adjustments	Additions	Disposals / adjustments
-----Rupees in '000-----				
Property, plant and equipment	21,256	7,274	20,895	7,609
Intangibles	3,372	30,000	770	22,600

### 5 LONG-TERM INVESTMENTS

#### Investment in subsidiary

IGI Finex Securities Limited (100% share holding)  
IGI Funds Limited (49.95% share holding)

**Unaudited**      **Audited**  
**December**      **June**  
**31, 2007**      **30, 2007**  
-----Rupees in '000-----

652,571	652,571
30,000	30,000
<u>682,571</u>	<u>682,571</u>

### 6 CURRENT MATURITY OF NON-CURRENT ASSETS

Long-term loans and advances  
Net investment in finance lease

301,808	137,705
698,458	749,134
<u>1,000,266</u>	<u>886,839</u>

### 7 SHORT-TERM INVESTMENTS

#### Held-to-maturity

Fund placements  
Term deposit receipts

285,000	240,000
250,000	100,000
535,000	340,000

#### Held-for-trading

Federal Investment Bonds  
Pakistan Investment Bonds  
Market treasury bills

1,372	2,103
1,171	1,392
-	197,759
2,543	201,254

#### Available-for-sale

Term finance certificates  
Units of mutual funds  
Shares / certificates

287,216	262,574
407,854	513,169
223,929	228,853
918,999	1,004,596
<u>1,456,542</u>	<u>1,545,850</u>

Unaudited December 31, 2007	Audited June 30, 2007
-----Rupees in '000-----	

## 8 CURRENT MATURITY OF NON-CURRENT LIABILITIES

Current maturity of term finance certificates  
Long-term finance  
Long-term certificates of deposit

123,940	61,565
363,333	421,666
711,198	359,316
<u>1,198,471</u>	<u>842,547</u>

## 9 CONTINGENCIES AND COMMITMENTS

### 9.1 Contingencies

- (a) The provision for taxation has been computed by IGI BANK at the rate applicable to a public company. In the original assessments made by the Deputy Commissioner of Income Tax (DCIT), the rate for the assessment years 1991-1992 to 2000-2001 and 2002-2003 applied in computing the tax liability was that applicable to a banking company. However, in the appeals filed against the original assessments upto the assessment year 1997-1998, the Commissioner of Income Tax (Appeals) [CIT(A)] directed the DCIT to apply the rate applicable to a public company. Subsequent to the order of CIT(A) the Income Tax Department filed various appeals before the Income Tax Appellate Tribunal (ITAT) against the directions of CIT(A). The ITAT, in its decisions in respect of assessment years 1991-1992 to 1997-1998 held that investment banks are not banking companies and therefore the rate of tax applicable to a public company should be applied while determining the tax liability. Subsequent to the decision of ITAT, the department had filed appeals against the ITAT orders before the honourable Lahore High Court which are pending to date.

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

In the original assessment made by the DCIT for the assessment years 1995-96 to 2000-2001, dividend income was taxed by applying the tax rate applicable to the business income of a banking company instead of applying the reduced tax rate of 5% as prescribed by the law. The CIT (A) and the ITAT through its various orders have confirmed that such income is taxable at the reduced rate of 5% in respect of assessment years 1995-96 to 1997-98. However the tax authorities have filed appeals against the orders of ITAT before the Lahore High Court which are pending to date. In similar appeals of other investment banks, the Lahore High Court has already decided the matter of taxation of dividend income against the taxation authorities. In addition to the above matters, the taxation authorities have also disallowed certain expenses and made additions to taxable income on account of lease key money, lease rentals, excess perquisites and miscellaneous expenses in respect of various assessment years against which IGI BANK has filed appeals which are currently pending.

If the provision for taxation were to be made at the rate applicable to a banking company, taxation of dividend income as mentioned above and disallowance of expenses/ add backs to income is decided against IGI BANK, the additional provision for all assessment years upto the tax year 2005 amounts to Rs 166 million (2007: Rs 166 million). Based on the previous decisions, the management is confident that the eventual outcome of the above matters will be decided in favour of IGI BANK and the possibility of any liability arising is considered remote.

(b) Income tax return for tax year 2003 was filed and deemed to be assessed under section 120 of the Income Tax Ordinance, 2001. However, by resorting to the powers given under section 177 of the Ordinance, the CIT had selected the aforementioned tax return for audit. Against the said selection, IGI BANK had filed a writ petition in the Lahore High Court and the court had held the selection to be defective on the basis that while making this selection, the essentials required by the law were not followed by the department. It was also mentioned in the order that the CIT could initiate fresh proceedings against IGI BANK strictly in accordance with law. The Income Tax Department had filed an appeal against the decision of the Lahore High Court before the Supreme Court of Pakistan. The Supreme Court in its decision dated March 1, 2006 had directed that the department should issue fresh notices to IGI BANK in terms of Section 177 of the Ordinance disclosing criteria/ reasons for selecting the above tax return for audit purposes. Pursuant to this order, IGI BANK had received notice from the department for selection of case in this regard under section 177 of the Ordinance.

	Unaudited December 31, 2007	Audited June 30, 2007
	-----Rupees in '000-----	
<b>9.2 Commitments</b>		
Underwriting commitments	90,000	75,000
Lease Finance	20,000	125,187
Short Term Finance	30,000	95,452

Note	<u>Half-Year Ended</u>		<u>Quarter Ended</u>	
	<u>December 31, 2007</u>	<u>December 31, 2006</u>	<u>December 31, 2007</u>	<u>December 31, 2006</u>
	----- Rupees in '000 -----			

## 10 INCOME FROM INVESTMENTS

Interest / mark-up / profit on investments	17,436	15,910	5,465	7,852
Gain/ (loss) on disposal of investments	48,326	11,859	32,975	7,315
Dividend income	22,547	4,970	11,005	1,072
	<u>88,309</u>	<u>32,739</u>	<u>49,445</u>	<u>16,239</u>

## 11 TAXATION

For the period				
- Current		4,615	4,275	2,115
- Deferred	11.1	<u>(49,705)</u>	<u>(11,740)</u>	<u>(49,705)</u>
		<u>(45,090)</u>	<u>(7,465)</u>	<u>(47,590)</u>
		<u>(45,090)</u>	<u>(7,465)</u>	<u>(47,590)</u>

**11.1** IGI BANK has an aggregate amount of Rs. 647,757 thousand in respect of unabsorbed tax losses as at December 31, 2007 on which the management has recognised deferred tax debit balance amounting to Rs. 183,581 thousand. This represents the management's best estimate of probable benefit expected to be realised in future years in the form of reduced tax liability as the IGI BANK would be able to set off the profit earned in these years against losses carried forward from prior years. The amount of this benefit has been determined based on the projected financial statements of the bank for the next few years.

## 12 RELATED PARTY TRANSACTIONS

The company has related party relationship with its employee benefit plans, subsidiaries, group companies and its key management personnel. The transactions with related parties carried out during the half-year ended December 31, 2007 are as follows:

	Half-Year Ended			
	December 31, 2007			December 31, 2006
	----- Rupees in '000 -----			
Subsidiaries	Other Related Parties	Key Management Personnel	Total	Total

### Transactions entered during the period:

Certificate of deposits issued	-	386,970	-	386,970	532,257
Insurance premium paid	-	6,327	-	6,327	6,928
Purchase of marketable securities	21,700,817	13,574	1,868	21,716,259	-
Sale of marketable securities	20,954,869	-	-	20,954,869	-
Finance provided	-	-	-	-	40,000
Income from finance	-	675	56	731	-
Brokerage, commission and fee income	5,750	-	-	5,750	-
Return on deposits	-	2,071	-	2,071	-
Rent expense	6,761	3,997	-	10,758	-
Insurance expense	-	1,081	-	1,081	-
Traveling and lodging	-	-	2,266	2,266	-
Other shared cost	16,992	4,391	-	21,383	-
Charge for the year in respect of employee benefit and contribution plan	-	-	2,071	2,071	2,377
Remuneration to key management personnel	-	-	22,665	22,665	-
Investment	-	-	-	-	500,000
Proceeds from sale of assets	-	-	-	-	45,658

### Balance outstanding as at the period end

Deposit against CFS and trading future	15,000	-	-	15,000	115,000
Certificate of deposits	-	176,138	-	176,138	-
Other receivable	44,738	676	-	45,414	-
Non competition fee receivable	30,000	-	-	30,000	-

## 13 SEGMENTAL ANALYSIS

IGI Bank's activities are broadly categorized into two primary business segments namely financing activities and investment activities within Pakistan. Financing activities include providing long-term and short-term financing facilities to corporate and individual customers including lease financing. Investment activities include money market activities, investment in government securities, advisory services, capital market activities and management of IGI Bank's equity.

Segmental information for the half-year ended December 31, 2007	Note	Financing activities	Investment activities	Brokerage Activities	Total
-----Rupees in '000-----					
Segment revenue		<u>173,583</u>	<u>175,248</u>	<u>-</u>	<u>348,831</u>
Segment result		<u>(43,763)</u>	<u>(13,214)</u>	<u>-</u>	<u>(56,977)</u>
Loss before taxation					(56,977)
Taxation					(45,090)
Loss after taxation					<u>(11,887)</u>

Segmental information for the half-year ended December 31, 2007	Note	Financing activities	Investment activities	Brokerage Activities	Total
		-----Rupees in '000-----			
Segment assets		3,494,257	3,368,229	-	6,862,486
Unallocated assets					802,816
					<u>7,665,302</u>
Segment liabilities		534,903	-	-	534,903
Unallocated liabilities					6,124,567
					<u>6,659,470</u>
Unallocated capital expenditure - tangible		-	-	-	21,256
Unallocated capital expenditure - intangible		-	-	-	3,372
Segment depreciation and amortization of fixed assets	13.1	5,536	5,589	-	11,125
Markup accrued - Certificate of deposits		3,881	-	-	3,881

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

#### Comparative segmental information

As at December 31, 2006

Segment revenue (including other operating income)	186,192	99,016	7,452	292,660
Segment profit / (loss) before taxation	2,625	(22,413)	(465)	(20,253)
Taxation				(7,465)
Profit for the half-year from ordinary activities after taxation				<u>(12,788)</u>

#### 14 DATE OF AUTHORISATION OF ISSUE

These financial statements were authorised for issue by the Board of Directors on February 11, 2008.

#### 15 GENERAL

Figures have been rounded off to the nearest thousand rupees.

**SYED BABAR ALI**  
Chairman

**SAMIR AHMED**  
Managing Director & Chief Executive

**CONSOLIDATED  
FINANCIAL STATEMENTS**

**CONSOLIDATED BALANCE SHEET  
AS AT DECEMBER 31, 2007**

	Note	Unaudited December 31, 2007	Audited June 30, 2007  (Restated)
----- Rupees in '000 -----			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Property, plant and equipment		162,069	132,889
Capital work-in-progress		4,380	9,332
Intangible assets		172,455	177,618
	5	338,904	319,839
Long-term loans - net		377,743	467,626
Net investment in finance lease		1,502,458	1,409,702
Long-term deposits		6,997	6,306
Deferred tax asset - net		73,297	16,442
		<b>2,299,399</b>	<b>2,219,915</b>
<b>Current assets</b>			
Current maturity of long-term loans		301,808	137,945
Current maturity of net investment in finance lease		698,458	749,134
Short-term loans		312,626	197,979
Receivable against continuous funding system transactions		2,107,758	758,409
Short-term investments	6	1,587,226	1,564,754
Taxation - net		238,679	230,851
Advances, deposits and prepayments		233,851	383,648
Interest, mark-up and profit accrued		88,744	85,261
Trade debts		887,393	641,971
Other receivables		77,620	44,248
Cash and bank balances		237,164	361,766
		<b>6,771,327</b>	<b>5,155,966</b>
<b>TOTAL ASSETS</b>		<b>9,070,726</b>	<b>7,375,881</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Capital and reserves</b>			
Authorised capital			
100,000,000 (June 30, 2007: 100,000,000) ordinary shares of Rs.10 each		1,000,000	1,000,000
Issued, subscribed and paid-up capital			
92,218,500 (June 30, 2007: 92,218,500) ordinary shares of Rs.10 each		922,184	922,184
Reserves		91,538	116,067
		<b>1,013,722</b>	<b>1,038,251</b>
<b>Minority Interest</b>			
		14,185	19,863
		<b>1,027,906</b>	<b>1,058,114</b>
<b>Deficit on revaluation of investments - net</b>		(49,816)	(17,451)
<b>Non-current liabilities</b>			
Term finance certificates		372,386	434,356
Long-term finance		525,002	781,669
Long-term certificates of deposit		308,824	528,055
Long term deposits on lease contracts		442,874	429,731
Liabilities against assets subject to finance lease		2,103	3,517
		<b>1,651,189</b>	<b>2,177,328</b>
<b>Current liabilities</b>			
Current maturity of term finance certificates		123,940	61,565
Current maturity of long-term finance		363,333	421,666
Current maturity of long-term certificates of deposit		711,198	359,316
Current maturity of deposits on lease contracts		92,029	85,497
Current maturity of liabilities against assets subject to finance lease		333	757
Short-term finance		899,239	160,027
Short-term certificates of deposit		1,910,607	1,840,159
Borrowings from financial institutions		1,260,000	465,000
Interest and mark-up accrued		153,682	103,463
Accrued expenses and other liabilities		927,086	660,440
		<b>6,441,447</b>	<b>4,157,890</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,070,726</b>	<b>7,375,881</b>
<b>Contingencies and commitments</b>	7		

The annexed notes 1 to 11 form an integral part of these consolidated financial statements.

**SYED BABAR ALI**  
Chairman

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**SAMIR AHMED**  
Managing Director & Chief Executive

**CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)  
FOR THE HALF-YEAR ENDED DECEMBER 31, 2007**

	Note	Half year ended	
		December 31,	December 31,
		2007	2006
----- Rupees in '000 -----			
<b>INCOME</b>			
Income from investments	8	123,954	33,468
Income from loans		48,896	59,836
Income from lease finance		108,315	101,575
Income from fund placements		87,988	56,568
Income from fee, commission and brokerage		85,325	55,020
		454,478	306,467
Finance costs		292,895	217,582
		161,583	88,885
Administrative and general expenses		244,623	139,780
		(83,040)	(50,895)
Other operating income		32,886	35,922
		(50,154)	(14,974)
Other operating expenses		1,561	534
Operating loss before provisions		(51,715)	(15,508)
Provision for bad and doubtful loans / potential lease losses - general - net		2,153	2,440
Provision for bad and doubtful loans / potential lease losses - specific - net		11,369	(407)
		13,522	2,033
Loss before taxation		(65,237)	(17,541)
Taxation	9	(35,029)	(3,533)
Loss after taxation		(30,208)	(14,008)
Loss attributable to minority interest		(5,679)	-
Loss attributable to ordinary shareholders		(24,529)	(14,008)
Earnings per share - basic and diluted		(0.27)	(0.30)

The annexed notes 1 to 11 form an integral part of these consolidated financial statements.

**SYED BABAR ALI**  
Chairman

**SAMIR AHMED**  
Managing Director & Chief Executive

**CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)  
FOR THE HALF-YEAR ENDED DECEMBER 31, 2007**

	Half year ended	
	December 31, 2007	December 31, 2006
	----- Rupees in '000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period from ordinary activities before taxation	(65,237)	(17,541)
<b>Adjustments for non-cash and other items</b>		
Gain on disposal of fixed assets	(236)	(22,035)
Depreciation on property, plant and equipment	16,317	8,753
Amortisation of intangible assets	1,964	6,144
Provision for gratuity scheme	1,209	840
Interest, mark-up and profit income	(240,613)	(238,707)
Finance costs	293,400	220,327
Dividend income	(17,347)	(4,970)
Return on bank deposits and CFS transactions	(88)	-
Income on investment	(929)	(711)
Provision for bad and doubtful loans / potential lease losses - general - net	2,153	2,440
Provision for bad and doubtful loans / potential lease losses - specific - net	11,369	(407)
	67,199	(28,326)
	1,962	(45,867)
<b>(Increase) / decrease in current assets</b>		
Short-term loans	(114,647)	25,103
Receivable against continuous funding system transactions	(1,349,349)	(277,029)
Short-term investments	(53,764)	3,529
Trade debts	(55,082)	(36,037)
Advances, deposits prepayments and other receivables	209,175	(61,457)
	(1,363,704)	(345,891)
<b>Increase / (decrease) in current liabilities</b>		
Short-term certificates of deposit	70,448	785,633
Borrowings from financial institutions	795,000	(4,347)
Accrued expenses and other liabilities	(60,535)	247,137
	804,913	1,028,423
<b>Cash generated from operations</b>	(556,829)	636,665
Disbursements of long-term finance - net	(79,039)	(106,018)
Net investments in finance lease	(50,801)	(221,596)
Long-term deposits and prepayments	(450)	-
Receipts from long-term certificates of deposit - net	132,651	80,407
Receipts from deposits on lease contracts - net	19,675	73,277
Interest, mark-up and profit received	230,211	200,525
Dividend received	40,697	7,470
Finance costs	(243,106)	(178,530)
	49,838	(144,464)
	(506,991)	492,201
Income tax paid	(30,929)	(16,334)
Gratuity paid	70	(2,616)
<b>Net cash (used in) / generated from operating activities</b>	(537,851)	473,251
<b>balance c/f</b>		

**CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)  
FOR THE HALF-YEAR ENDED DECEMBER 31, 2007**

	Half year ended	
	December 31, 2007	December 31, 2006
	----- Rupees in '000 -----	
<b>Net cash (used in) / generated from operating activities</b>	<b>balance b/f</b>	
	(537,851)	473,251
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure incurred	(46,862)	(83,348)
Long - term investments	-	(991,341)
Proceeds from disposal of fixed assets	22,064	63,515
<b>Net cash used in operating activities</b>	<b>(24,798)</b>	<b>(1,011,174)</b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Term finance certificates	404	625,000
Long - term borrowings - net	(315,002)	(373,574)
Dividends paid	-	(430)
Security deposit paid in respect of leased assets	240	-
Repayment of finance lease liabilities	(4,400)	-
<b>Net cash (used in) / generated from financing activities</b>	<b>(318,759)</b>	<b>250,996</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(881,407)</b>	<b>(286,927)</b>
Cash and cash equivalents at the beginning of the period	201,739	315,619
<b>Cash and cash equivalents at the end of the period</b>	<b>(662,075)</b>	<b>28,692</b>
 <b>Cash and cash equivalents at the end of the period</b>		
Cash and bank balances	237,164	228,692
Short-term finance	(899,239)	(200,000)
	<b>(662,075)</b>	<b>28,692</b>

The annexed notes 1 to 11 form an integral part of these consolidated financial statements.

**SYED BABAR ALI**  
Chairman

**SAMIR AHMED**  
Managing Director & Chief Executive

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE HALF-YEAR ENDED DECEMBER 31, 2007**

	Reserves					Total Reserves	Minority Interest	Total
	Capital reserves		Revenue reserves					
	Reserve for issue of bonus shares	Special reserve	General reserve	Unappropriated profit/(loss)				
	-----Rupees in '000-----							
Balance as at July 1, 2006	419,175	-	97,098	97,325	34,826	229,249	-	648,424
Transfer to capital reserve for issue of bonus shares made subsequent to the year end	-	41,917	-	(41,917)	-	-	-	-
Bonus shares issued @ 10%	41,917	(41,917)	-	-	-	(41,917)	-	-
Net loss for the half-year	-	-	-	-	(14,008)	(14,008)	-	(14,008)
Balance as at December 31, 2006	<u>461,092</u>	<u>-</u>	<u>97,098</u>	<u>55,408</u>	<u>20,818</u>	<u>173,324</u>	<u>-</u>	<u>634,416</u>
Balance as at July 1, 2007	922,184	-	97,098	55,408	(36,439)	116,067	19,863	1,058,114
Net loss for the half-year	-	-	-	-	(30,208)	(30,208)	-	(30,208)
Loss attributable to Minority Interest	-	-	-	-	5,679	5,679	(5,679)	-
Balance as at December 31, 2007	<u>922,184</u>	<u>-</u>	<u>97,098</u>	<u>55,408</u>	<u>(60,968)</u>	<u>91,538</u>	<u>14,184</u>	<u>1,027,906</u>

The annexed notes 1 to 11 form an integral part of these consolidated financial statements.

**SYED BABAR ALI**  
Chairman

**SAMIR AHMED**  
Managing Director & Chief Executive

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED  
FOR THE HALF-YEAR ENDED DECEMBER 31, 2007**

**1 THE GROUP AND ITS OPERATIONS**

The Group consists of :

**Holding company**

- IGI Investment Bank Limited

**Percentage holding of  
IGI Investment Bank Limited**

**Subsidiary companies**

- IGI Finex Securities Limited

100%

- IGI Funds Limited

49.95%

**IGI Investment Bank Limited**

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

Based on the financial results for the year ended June 30, 2006, the Pakistan Credit Rating Agency (PACRA) maintained the long-term credit rating of IGI BANK at 'A' and the short-term rating at 'A1'.

**IGI Finex Securities Limited**

IGI Finex Securities Limited is a public limited company incorporated in Pakistan on June 28, 1994 under the Companies Ordinance, 1984. The registered office of the company is situated at 7th floor, Nacon House, MDM Wafai Road, Karachi - 74200. The company 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 the company include share brokerage and money market operations.

**IGI Funds Limited**

IGI Funds Limited was incorporated in Pakistan on January 18, 2006 under the Companies Ordinance, 1984. The company is licensed to carry out Asset Management Services and Investment Advisory Services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2007. The principal activities of the company are floating and managing mutual funds and investment advisory services. The registered office of the company is situated at 5 F.C.C Ground Floor, Syed Maratib Ali Road Gulberg, Lahore.

**2 STATEMENT OF COMPLIANCE**

These consolidated 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 (IFRS) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and the directives issued by the

Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

The SECP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' through Circular No. 19 dated August 13, 2003 to Non-Banking Finance Companies (NBFCs) providing investment finance services, discounting services and housing finance services. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

### 3 BASIS OF PRESENTATION

- a The consolidated financial statements include the financial statements of IGI Investment Bank Limited, IGI Finex Securities Limited and IGI Funds Limited.
- b Subsidiaries are entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the un-audited financial statements for the half year ended December 31, 2007 and the carrying value of investments held by IGI Bank is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statements. Material intra-Group balances and transactions have been eliminated.
- c Minority interests are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the group

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the preceding annual published financial statements.

### 5 FIXED ASSETS

The cost of additions and disposals to fixed assets during the period were as follows:

	<b>Half-Year ended December 31, 2007</b>	
	<b>Additions</b>	<b>Disposals</b>
	<b>-----Rupees in '000-----</b>	
Property, plant and equipment - owned	52,434	5,546
Property, plant and equipment - leased	2,497	4,040
Intangibles	4,593	15,833

December 31, 2007	June 30, 2007
-----Rupees in '000-----	

## 6 SHORT-TERM INVESTMENTS

### Held-to-maturity

Fund Placements	390,000	240,000
Term deposit receipts	250,000	100,000
	640,000	340,000

### Held-for-trading

Federal Investment Bonds	1,372	2,103
Pakistan Investment Bonds	1,171	1,392
Market Treasury Bills	-	197,759
Term finance certificates	2,345	
Units of mutual funds	23,339	17,910
	28,227	219,164

### Available-for-sale

Term finance certificates	287,216	262,574
Units of mutual funds	407,854	514,163
Shares / certificates	223,929	228,853
	918,999	1,005,590
	1,587,226	1,564,754

## 7 CONTINGENCIES AND COMMITMENTS

### 7.1 Taxation

- (a) The provision for taxation has been computed by IGI BANK at the rate applicable to a public company. In the original assessments made by the Deputy Commissioner of Income Tax (DCIT), the rate for the assessment years 1991-1992 to 2000-2001 and 2002-2003 applied in computing the tax liability was that applicable to a banking company. However, in the appeals filed against the original assessments upto the assessment year 1997-1998, the Commissioner of Income Tax (Appeals) [CIT(A)] directed the DCIT to apply the rate applicable to a public company. Subsequent to the order of CIT(A) the Income Tax Department filed various appeals before the Income Tax Appellate Tribunal (ITAT) against the directions of CIT(A). The ITAT, in its decisions in respect of assessment years 1991-1992 to 1997-1998 held that investment banks are not banking companies and therefore the rate of tax applicable to a public company should be applied while determining the tax liability. Subsequent to the decision of ITAT, the department had filed appeals against the ITAT orders before the honourable Lahore High Court which are pending to date.

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

In the original assessment made by the DCIT for the assessment years 1995-96 to 2000-2001, dividend income was taxed by applying the tax rate applicable to the business income of a banking company instead of applying the reduced tax rate of 5% as prescribed by the law. The CIT (A) and the ITAT through its various orders have confirmed that such income is taxable at the reduced rate of 5% in respect of assessment years 1995-96 to 1997-98. However the tax authorities have filed appeals against the orders of ITAT before the Lahore High Court which are pending to date. In similar appeals of other investment banks, the Lahore High Court has already decided the matter of taxation of dividend income against the taxation authorities. In addition to the above matters, the taxation authorities have also disallowed certain expenses and made additions to taxable income on account of lease key money, lease rentals, excess perquisites and miscellaneous expenses in respect of various assessment years against which IGI BANK has filed appeals which are currently pending.

If the provision for taxation were to be made at the rate applicable to a banking company, taxation of dividend income as mentioned above and disallowance of expenses / add backs to income is decided against IGI BANK, the additional provision for all assessment years upto the tax year 2005 amounts to Rs 166 million (2006: Rs 166 million). Based on the previous decisions, the management is confident that the eventual outcome of the above matters will be decided in favour of IGI BANK and the possibility of any liability arising is considered remote.

- (b) Income tax return for tax year 2003 was filed and deemed to be assessed under section 120 of the Income Tax Ordinance, 2001. However, by resorting to the powers given under section 177 of the Ordinance, the CIT had selected the aforementioned tax return for audit. Against the said selection, IGI BANK had filed a writ petition in the Lahore High Court and the court had held the selection to be defective on the basis that while making this selection, the essentials required by the law were not followed by the department. It was also mentioned in the order that the CIT could initiate fresh proceedings against IGI BANK strictly in accordance with law. The Income Tax Department had filed an appeal against the decision of the Lahore High Court before the Supreme Court of Pakistan. The Supreme Court in its decision dated March 1, 2006 had directed that the department should issue fresh notices to IGI BANK in terms of Section 177 of the Ordinance disclosing criteria / reasons for selecting the above tax return for audit purposes. Pursuant to this order, IGI BANK had received notice from the department for selection of case in this regard under section 177 of the Ordinance.

	<b>December 31, 2007</b>	<b>June 30, 2007</b>
	-----Rupees in '000-----	
<b>7.2 Commitments</b>		
Underwriting commitments	90,000	75,000
Lease Finance	20,000	125,187
Short Term Finance	30,000	95,452
Commitment in respect of capital expenditure	120	5,960
	<b>Half-Year Ended</b>	
	<b>December 31, 2007</b>	<b>December 31, 2006</b>
	-----Rupees in '000-----	
<b>8 INCOME FROM INVESTMENTS</b>		
Interest / mark-up / profit on investments	17,524	16,639
Gain/ (loss) on disposal of investments	89,082	11,859
Dividend income	17,348	4,970
	<u>123,954</u>	<u>33,468</u>
<b>9 TAXATION</b>		
For the period		
- Current	22,042	12,914
- Deferred	(57,071)	(16,447)
	<u>(35,029)</u>	<u>(3,533)</u>
<b>10 DATE OF AUTHORISATION OF ISSUE</b>		
These financial statements were authorised for issue by the Board of Directors on February 11, 2008.		
<b>11 GENERAL</b>		
Figures have been rounded off to the nearest thousand rupees.		

**SYED BABAR ALI**  
Chairman

**SAMIR AHMED**  
Managing Director & Chief Executive