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## COMPANY INFORMATION

Board of Directors	Mr. S. Babar Ali, Chairman Dr. Farid Khan Mr. Khalid Yacob Mr. Adi J. Cawasji Mr. Samir Ahmed, <i>Managing Director &amp; Chief Executive</i> Mr. Towfiq H. Chinoy
Chief Financial Officer	Syed Ali Adnan
Audit Committee	Mr. Khalid Yacob, Chairman Mr. Adi J. Cawasji Dr. Farid Khan
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	JS Bank Ltd. (Formerly American Express Bank Ltd.) Allied Bank Limited Habib Bank Limited Bank Al Habib Limited Habib Metropolitan Bank Limited (Formerly Metropolitan Bank Ltd.) MCB Bank Limited Soneri Bank Limited United Bank Limited MyBank Limited Atlas 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 E-mail : ncsl@noble-computers.com
Lahore (Registered) Office	5 F.C.C., Ground Floor, Syed Maratib Ali Road, Gulberg, Lahore. Telephones : (042) 575-3414 (3 lines), 571-0597 Fax : (042) 576-2790 E-mail : Investmentbank.lahore@igi.com.pk
Karachi Office	7th Floor, The Forum, Suit No. 701 - 713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi-75600, Pakistan. Telephones : (021) 111-234-234 Fax : (021) 111-567-567 E-mail: Investmentbank.karachi@igi.com.pk
Islamabad Office	Mezzanine Floor, Razia Sharif Plaza, 90, Blue Area, G / 7, Islamabad. Telephones : (051) 227-5256 ( 3 lines ) Fax : (051) 227-3861 E-mail : Investmentbank.islamabad@igi.com.pk
Faisalabad Office	9 <sup>th</sup> Floor, State Life Building, Faisalabad. Telephones : (041) 254-0811 ( 5 lines) Fax : (041) 254-0815 E-mail : Investmentbank.faisalabad@igi.com.pk
UAN	Telephone : 111-234-234 Fax: 111-567-567
Website	www.igiinvestmentbank.com.pk

## DIRECTORS' REVIEW

The Directors of your company present herewith the un-audited financial statements for the period ended March 31, 2007.

Your company has an after tax loss of Rs.23.318 million for the period ended March 31, 2007 as compared to a profit of Rs. 14.915 million in the corresponding period of the last year. Revenue for the period has increased by 36.57% as compared to the corresponding period for the last year; however, concurrently the administrative expenses have also increased by 53.98% as compared to the same period last year. The increase in administrative expenses has been due to investment in human resource, to meet the requirements of divesting into new lines of business along with increased focus on existing business lines, and due to increase in depreciation. During the period, the pace of disbursements for leasing and financing has been slower than anticipated as credit off take in the economy has slowed down generally. In addition to this, the capital markets of the country have also under performed during the first half of the financial year. These factors have compounded to result in less than expected returns from these significant sources of revenue, resulting in shortfall in profits of your company.

During the last financial year, your company set-up an asset management company, IGI Funds Limited (formerly First International Capital Management Limited), and bought a brokerage house, IGI Finex Securities Limited (formerly Finex Securities Limited), as a wholly owned subsidiary. During the period the company received an interim dividend from IGI Finex Securities Ltd. on the basis of its December 2006 half-year results. We expect to receive a second interim dividend from IGI Finex Securities Ltd. before the year-end, which will add to the revenues of the company in the last quarter. IGI Funds Ltd. has only recently launched its first mutual fund (subsequent to March 31, 2007).

The total assets of your company increased to Rs. 6.327 billion as at March 31 2007, compared with Rs. 5.281 billion as at June 30, 2006. This was mainly due to increase in net investment in leasing, investment in subsidiary and fund placements.

The above figures do not incorporate the figures of Finex Securities Limited and IGI Funds Limited, which are reflected in consolidated accounts.

While we continue to lead your company through its restructuring phase where profitability remains subdued, we look forward to the future with confidence and expect continued steady growth. Despite an increasingly competitive environment, we expect increased revenue generation capacity through diversified business lines and product range once the restructuring is complete.

We are indeed grateful to our shareholders, 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: April 27, 2007

# BALANCE SHEET (UNAUDITED)

	Note	Unaudited March 31, 2007	Audited June 30, 2006 Restated
-----Rupees in '000-----			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
Property, plant and equipment		46,274	40,369
Intangible assets		20,880	50,714
	4	67,154	91,083
Long-term investments	5	682,571	182,571
Long-term loans and advances		122,959	369,825
Net investment in lease finance		1,352,297	1,233,578
Long-term deposits and prepayments and deferred cost		3,707	3,707
		<b>2,228,688</b>	1,880,764
<b>CURRENT ASSETS</b>			
Current maturity of non-current assets	6	1,319,954	872,353
Short-term finance		177,270	273,252
Fund placements		901,921	809,567
Short-term investments	7	901,255	676,943
Taxation - net		221,251	220,594
Prepayments, receivables and other assets		325,710	350,861
Cash and bank balances		251,769	196,978
		<b>4,099,130</b>	3,400,548
 <b>TOTAL ASSETS</b>		<b>6,327,818</b>	5,281,312

# AS AT MARCH 31, 2007

	Note	Unaudited March 31, 2007	Audited June 30, 2006 Restated
-----Rupees in '000-----			
<b>EQUITY &amp; LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised capital 100,000,000 (2005: 100,000,000) ordinary shares of Rs 10 each		<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up capital 46,109,250 (June 30, 2006: 41,917,500) ordinary shares of Rs 10 each		461,092	419,175
Reserves		<u>160,157</u>	<u>225,392</u>
		<u>621,249</u>	<u>644,567</u>
<b>DEFICIT ON REVALUATION OF INVESTMENTS - NET</b>		<b>(69,791)</b>	<b>(28,929)</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings		671,667	693,333
Long-term certificates of deposit		320,832	289,059
Deposits on lease contracts		442,126	367,452
Deferred tax liabilities - net		29,313	40,994
Term finance certificates		429,475	369,950
		<u>1,893,413</u>	<u>1,760,788</u>
<b>CURRENT LIABILITIES</b>			
Current maturity of non-current liabilities	8	669,106	654,467
Current maturity of deposits on lease contracts		63,682	53,315
Short-term finance		77	237
Short-term certificates of deposit		2,018,257	1,709,714
Borrowings from financial institutions		910,000	294,347
Payable to staff gratuity fund		1,728	2,845
Accrued expenses and other liabilities		220,097	189,961
		<u>3,882,947</u>	<u>2,904,886</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	9		
		<u>6,327,818</u>	<u>5,281,312</u>

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

**Syed Babar Ali**  
Chairman

**Samir Ahmed**  
Managing Director & Chief Executive

## PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE NINE MONTHS' PERIOD ENDED MARCH 31, 2007

Note	Nine Months Ended		Quarter Ended		
	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006	
----- Rupees in '000 -----					
<b>INCOME</b>					
	10	59,087	39,531	26,348	25,619
Income from investments		94,459	59,558	31,878	21,340
Income from finance		177,612	117,949	76,037	41,359
Income from lease finance		83,456	103,642	26,888	36,184
Income from fund placements		18,007	20,029	5,366	17,532
Brokerage, commission and fees		36,739	2,972	10,183	581
Other income		469,360	343,681	176,700	142,615
<b>EXPENDITURE</b>					
Financial charges		344,210	241,987	126,975	95,215
Administrative and operating expenses		145,888	94,745	52,243	37,917
		490,098	336,732	179,218	133,132
Operating (loss) / profit before provisions		(20,738)	6,949	(2,518)	9,483
Provision for doubtful finance / potential lease losses - general		3,305	3,705	865	1,268
Provision under SECP's Prudential Regulations for NBFCs against finance / lease losses - specific		1,740	1,768	2,147	-
		5,045	5,473	3,012	1,268
(Loss) / profit for the period from ordinary activities before taxation		(25,783)	1,476	(5,530)	8,215
Taxation	11	(2,465)	(13,439)	(5,000)	324
(Loss) / profit for the period from ordinary activities after taxation		(23,318)	14,915	(10,530)	7,891
(Loss) / earnings per share (Rupees)	12	(0.51)	0.36	(0.23)	0.19

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

**Syed Babar Ali**  
Chairman

**Samir Ahmed**  
Managing Director & Chief Executive

# CASH FLOW STATEMENT (UNAUDITED)

## FOR THE NINE MONTHS' PERIOD ENDED MARCH 31, 2007

	March 31, 2007	March 31, 2006
	----- Rupees in '000-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period from ordinary activities before taxation	(25,783)	1,476
<b>ADJUSTMENTS</b>		
Gain on disposal of fixed assets	(22,825)	(1,326)
Depreciation	16,975	6,788
Amortisation of software	768	747
Provision for gratuity	1,260	1,260
Provision for doubtful finance / potential lease losses - general	3,305	3,705
Provision for doubtful finance / potential lease losses - specific	1,740	1,768
	<u>1,223</u>	<u>12,942</u>
	(24,560)	14,418
<b>(Increase) / decrease in current assets</b>		
Short-term finance	95,982	(76,752)
Fund placements	(92,354)	(408,878)
Short-term investments	(265,174)	286,809
Prepayments and other receivables	25,151	(178,613)
	<u>(236,395)</u>	<u>(377,434)</u>
<b>Increase / (decrease) in current liabilities</b>		
Short-term certificates of deposit	308,543	871,854
Borrowings from institutions	615,653	(219,618)
Accrued expenses and other liabilities	30,566	13,425
	<u>954,762</u>	<u>665,661</u>
<b>Cash generated from operations</b>	693,807	302,645
Disbursements of long-term finance - net	(124,476)	(144,120)
Net investments in lease finance	(200,024)	(181,192)
Long-term deposits and deferred costs - net	-	(2,181)
Repayments of long-term certificates of deposit - net	118,937	(19,384)
Receipts from deposits on lease contracts - net	85,041	52,281
	<u>(120,522)</u>	<u>(294,596)</u>
<b>Net cash used in operating activities before income tax and gratuity</b>	573,285	8,049
Income tax paid	(9,932)	(294,596)
Gratuity paid	(2,377)	-
<b>Net cash used in operating activities</b>	<u>560,976</u>	<u>(4,757)</u>
<b>balance c/f</b>		

		<b>Nine Months Ended</b>	
		<b>March 31,</b>	<b>March 31,</b>
		<b>2007</b>	<b>2006</b>
		<b>----- Rupees in '000-----</b>	
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	balance b/f	<b>560,976</b>	<b>(4,757)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Long-term investments		<b>(500,000)</b>	<b>(150,000)</b>
Acquisition of fixed assets		<b>(26,352)</b>	<b>(25,407)</b>
Sale proceeds of fixed assets		<b>54,992</b>	<b>2,382</b>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(471,360)</b>	<b>(173,025)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Redeemable capital - term finance certificates		<b>122,000</b>	<b>-</b>
Long-term borrowings - net		<b>(156,666)</b>	<b>250,000</b>
Proceeds against right issue		<b>-</b>	<b>-</b>
<b>NET CASH (USED IN) / GENERATED FROM FINANCING ACTIVITIES</b>		<b>(34,666)</b>	<b>250,000</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>54,950</b>	<b>72,218</b>
<b>Cash and cash equivalents at the begining of the period</b>		<b>196,742</b>	<b>(103,329)</b>
Effect of exchange rate changes on cash and cash equivalents		<b>-</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>251,692</b>	<b>(31,111)</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>			
Cash and bank balances		<b>251,769</b>	<b>35,648</b>
Short-term finance		<b>(77)</b>	<b>(66,759)</b>
		<b>251,692</b>	<b>(31,111)</b>

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

**Syed Babar Ali**  
Chairman

**Samir Ahmed**  
Managing Director & Chief Executive

**STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE NINE MONTHS' PERIOD ENDED MARCH 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-----

<b>BALANCE AS AT JULY 1, 2005</b>	419,175	-	89,636	97,325	59,806	246,767	665,942
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)
Net profit for the nine months	-	-	-	-	14,915	14,915	14,915
<b>BALANCE AS AT MARCH 31, 2006</b>	<u>419,175</u>	<u>-</u>	<u>89,636</u>	<u>97,325</u>	<u>16,036</u>	<u>202,997</u>	<u>622,172</u>
<b>BALANCE AS AT JULY 1, 2006</b>	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 nine months	-	-	-	-	(23,318)	(23,318)	(23,318)
<b>BALANCE AS AT MARCH 31, 2007</b>	<u>461,092</u>	<u>-</u>	<u>97,098</u>	<u>55,408</u>	<u>7,651</u>	<u>160,157</u>	<u>621,249</u>

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.

**Syed Babar Ali**  
Chairman

**Samir Ahmed**  
Managing Director & Chief Executive

# NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE MONTHS' PERIOD ENDED MARCH 31, 2007

## 1 LEGAL STATUS AND OPERATIONS

IGI Investment Bank Limited (formerly known as First International Investment Bank Limited) is a public limited company incorporated in Pakistan on February 7, 1990 under the Companies Ordinance, 1984. Its shares are quoted on the Karachi and Lahore Stock Exchanges. The registered office of the company is situated at 5 F.C.C., Gulberg, Lahore. The principal place of business is situated at 7th Floor, The Forum, Suit No. 701 - 713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi.

The company is licensed to carry out all investment finance activities and leasing operations as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

Based on the financial results for the year ended June 30, 2006, the Pakistan Credit Rating Agency (PACRA) maintained the long-term and short-term credit rating of IGI Bank at 'A' and 'A1' respectively. The ratings of the secured Term Finance Certificates (TFC) issue of Rs 500 million has been maintained at 'A+'.

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

## 2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Prudential Regulations for the Non-Banking Finance Companies (Prudential Regulations). Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, NBFC Rules, Prudential Regulations and directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, NBFC Rules, Prudential Regulations and the said directives take precedence. The disclosures made in these financial statements have, however, been limited based on the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting." These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended June 30, 2006.

The SECP has deferred the applicability of IAS 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" to Non-Banking Finance Companies (NBFCs) providing Investment Finance Services, Discounting Services and Housing Finance Services vide their Circular No. 19 dated August 13, 2003.

## 3. 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 except for the change as set out in 3.1 below.

The Board of Directors in its meeting dated October 27, 2006 decided to change the accounting policy related to investments from settlement date accounting to trade date accounting. The new policy specified that all purchases and sales of investments that require delivery within the time frame established by the regulations or market conventions are recognised at the trade date. Trade date is the date on which the company commits to purchase or sell the investment. This change has been made as in the opinion of the management, the change would result in a more accurate presentation of these transactions in the company's financial statements.

In accordance with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the effect of the change in accounting policy has been adjusted against the opening balances of the following financial statement line items and the comparative information has been restated. Had there been no change in accounting policy:

	March 31, 2007	March 31, 2006
	-----Rupees in '000-----	
Investments would have been higher by	-	84,214
Trade debts would have been higher by	-	72,984
Accrued expenses and other liabilities would have been higher by	-	11,230

The change in accounting policy has not resulted in any change in the profit or loss for the current period or prior year.

#### 4 FIXED ASSETS

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

	March 31, 2007		June 30, 2006	
	Additions	Disposals	Additions	Disposals
	-----Rupees in '000-----			
Property, plant and equipment	25,166	13,061	21,744	1,166
Intangibles	1,186	22,600	31,588	-

#### 5 LONG-TERM INVESTMENTS

	March 31, 2007	June 30, 2006
	-----Rupees in '000-----	
<b>Investment in Subsidiary</b>		
Finex Securities Limited (100% Share Holding)	652,571	152,571
IGI Funds Ltd.	<u>30,000</u>	<u>30,000</u>
	<u>682,571</u>	<u>182,571</u>

#### 6 CURRENT MATURITY OF NON-CURRENT ASSETS

Long-term loans and advances	549,587	176,729
Net investment in finance lease	<u>770,367</u>	<u>695,624</u>
	<u>1,319,954</u>	<u>872,353</u>

#### 7 SHORT TERM INVESTMENT

<b>Held-for-trading, marked to market</b>		
Federal Investment Bonds	2,116	2,378
Pakistan Investment Bonds	1,486	1,482
Market treasury bills	<u>193,660</u>	<u>97,372</u>
	197,262	101,232
<b>Available-for-sale</b>		
Term finance certificates	229,674	250,345
Units of mutual funds	369,967	95,859
Shares / certificates and modaraba certificates	<u>104,352</u>	<u>229,507</u>
	<u>703,993</u>	<u>575,711</u>
	<u>901,225</u>	<u>676,943</u>

#### 8 CURRENT MATURITY OF NON-CURRENT LIABILITIES

Long-term borrowings	480,000	615,000
Long-term certificates of deposit	126,631	39,467
Term Finance Certificate	<u>62,475</u>	-
	<u>669,106</u>	<u>654,467</u>

## 9 CONTINGENCIES AND COMMITMENTS

### 9.1 Contingencies

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. The Income Tax Department then filed appeals before the Income Tax Appellate Tribunal (ITAT) against these directions. The ITAT, in its decision on the issue of application of banking company tax rate 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. However, the tax authorities have filed appeals against the ITAT orders in the Lahore High Court.

In the original assessment made by the DCIT for the assessment years 1995-96 to 2000-2001, dividend income was taxed by applying the rate applicable to the business income of a banking company instead of applying the reduced rate of 5% as prescribed by law. The CIT (A) and the ITAT 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 ITAT orders in the Lahore High Court for assessment years 1995-96 and 1996-97. The ITAT has declined to refer the question of law proposed by the taxation authorities for assessment years 1997-98, regarding the taxation of dividend income, on the basis that Lahore High Court has already decided the matter against the taxation authorities. In addition, the taxation authorities have also disallowed certain expenses / made addition to taxable income in certain assessment years against which IGI Bank has filed appeals which are currently pending. Based on the previous decisions, IGI Bank is confident that the above matters would be decided in its favour and the possibility of any liability arising is considered remote.

If the provision for taxation were to be made at the rate applicable to a banking company and disallowance of expenses / addbacks to income is decided against IGI Bank, the additional provision for all assessment years upto the tax year 2005 would approximately be Rs 165.591 million (June 30, 2006: Rs 165.591 million). IGI Bank has received a letter in which the Central Board of Revenue (CBR) has given its consent to the proposal of Director General, LTU, Lahore to withdraw the appeals relating to the tax status of investment banks.

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 said Ordinance, the CIT had selected the case for audit. Against the said selection, IGI Bank had filed a writ 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. It was also mentioned in the order that the CIT could initiate fresh proceedings 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 has directed that the department should issue fresh notices to IGI Bank in terms of Section 177 of the Ordinance disclosing criteria/reasons for selecting their cases for purpose of audit. Pursuant to this order, IGI Bank has received notice for selection of case for Tax Year 2003 for audit under section 177 of the Ordinance.

	March 31, 2007	June 30, 2006
	-----Rupees in '000-----	
<b>9.2 Commitments</b>		
Underwriting commitments	75,000	115,000
Commitment in respect of capital expenditure	-	5,310
Forward sale of Shares	-	29,292
Investment in subsidiary	170,000	-
	<b>Nine Months Ended</b>	<b>Quarter Ended</b>
	<b>March 31, 2007</b>	<b>March 31, 2007</b>
	<b>March 31, 2006</b>	<b>March 31, 2006</b>
	----- Rupees in 000 -----	

## 10 INCOME FROM INVESTMENTS

Interest / mark-up / profit on investments	24,168	20,201	8,258	5,877
Gain/ (loss) on disposal of investments	20,433	10,394	8,574	18,194
Dividend income	14,486	8,936	9,516	1,548
	<u>59,087</u>	<u>39,531</u>	<u>26,348</u>	<u>25,619</u>

	Nine Months Ended		Quarter Ended	
	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006
----- Rupees in '000 -----				
<b>11 TAXATION</b>				
For the period				
- Current	9,275	4,051	5,000	324
- Deferred	(11,740)	(17,490)	-	-
	<u>(2,465)</u>	<u>(13,439)</u>	<u>5,000</u>	<u>324</u>

## 12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit after tax for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Basic earnings per share for the comparative reported period have been adjusted for bonus and right shares issued after the comparative reported period.

No figure for diluted earnings per share has been presented as IGI Bank has not issued any instrument which would have dilutive impact on its earnings per share when exercised.

## 13 YIELD / MARKET RATE RISK

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Market rate risk arises from the possibility that changes in market rates of return will affect the value of the financial instruments. A company is exposed to yield / market rate risk as a result of mismatches or gaps in the amounts of financial assets and financial liabilities that mature or reprice in a given period. IGI Bank manages this risk by matching the repricing of financial assets and liabilities through risk management strategies. The position for financial instruments is based on earlier of contractual repricing date or maturity.

## 14 RELATED PARTY TRANSACTIONS

Transactions with related parties are carried out in the normal course of business at contracted rates and terms determined on an arm's length basis using comparable uncontrolled price method.

	March 31, 2007				March 31, 2006	
	-----Rupees in '000 -----					
	Subsidiaries	Associated Undertakings	Other Related Parties	Key Management Personnel	Total	Total
<b>Transactions entered during the period:</b>						
Certificate of deposits issued	-	138,671	808,396	1,255	948,322	1,261,664
Insurance premium paid	6,983	501	4,591	-	12,075	1,163
Finance provided	40,000	-	11,266	-	51,266	-
<b>Balance outstanding as at the period end</b>						
Loans and advances	40,000	-	-	18,981	58,981	-
Deposit against CFS trading	15,000	-	-	-	15,000	-
Deposit accounts	-	-	-	-	-	-
Certificate of deposits	-	138,671	349,928	19,673	508,272	-
Trade debts	4,821	3,016	-	-	7,837	-
Other receivable	-	-	-	-	-	-
Markup accrued - Certificate of deposits	-	6,685	4,059	13	10,757	-
Markup accrued- Finance	244	-	-	-	244	-
Trade creditors	-	-	-	-	-	-
Insurance	-	376	-	-	376	-
<b>Profit / Expense for the period</b>						
Income from finance	3,344	-	283	498	4,125	47
Income from lease finance	-	-	-	-	-	25
Brokerage, commission and fee income	-	1,201	-	13	1,214	2,526
Return on deposits	-	6,427	5,792	1,269	13,488	24,785
Rent expense	-	574	2,011	-	2,585	-
Insurance expense	-	125	22	-	147	-
Traveling and lodging	-	1,129	-	319	1,448	-
Charge for the year in respect of employee benefit and contribution plan	-	-	-	178	178	-
Remuneration to key management personnel	-	-	-	18,262	18,262	14,467
Post employment benefit	-	-	-	-	-	3,033

	<u>Financing activities</u>	<u>Investment activities</u>	<u>Brokerage activities</u>	<u>Total</u>
	-----Rupees in '000-----			
<b>Segmental information for the Nine Months ended March 31, 2007</b>				
Segment revenue	<u>294,896</u>	<u>163,683</u>	<u>10,781</u>	<u>469,360</u>
Segment result profit / (loss) before taxation	7,469	(28,771)	(4,482)	(25,783)
Taxation				(2,465)
Profit / (loss) for the nine months' period ended from ordinary activities after taxation				<u>(23,318)</u>
Segment assets	<u>2,972,480</u>	<u>2,485,747</u>	<u>40,982</u>	<u>5,499,209</u>
Unallocated assets				<u>828,609</u>
Unallocated liabilities				<u>5,776,360</u>
<b>Comparative segmental information</b>				
<u>For the nine months' period ended March 31, 2006</u>				
Segment revenue	<u>178,833</u>	<u>149,406</u>	<u>15,442</u>	<u>343,681</u>
Segment result profit / (loss) before taxation	(19,784)	12,288	8,972	1,476
Taxation				13,439
Profit / (loss) for the nine months' period ended from ordinary activities after taxation				<u>14,915</u>
<u>As at June 30, 2006</u>				
Segment assets	<u>2,402,695</u>	<u>1,940,812</u>	<u>87,191</u>	<u>4,430,698</u>
Unallocated assets				<u>342,743</u>
Unallocated liabilities				<u>4,325,882</u>

**16 DATE OF AUTHORISATION OF ISSUE**

These financial statements were authorised for issue by the Board of Directors on April 27, 2007.

**17 GENERAL**

Figures have been rounded off to the nearest thousand rupees.

**Syed Babar Ali**  
Chairman

**Samir Ahmed**  
Managing Director & Chief Executive

# IGI Investment Bank Limited

(Formerly First International Investment Bank Limited)

Consolidated Accounts

for the Quarter ended March 31, 2007

# CONSOLIDATED BALANCE SHEET (UNAUDITED)

	Note	Unaudited March 31, 2007	Audited June 30, 2006
----- Rupees in '000 -----			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
Property, plant and equipment		188,434	63,288
Intangible assets		99,449	183,581
	5	287,883	246,869
Long-term loans and advances		91,069	332,403
Net investment in lease finance		1,352,297	1,233,578
Long-term deposits, prepayments, deferred costs & other receivable		15,986	5,358
		1,747,235	1,818,208
<b>CURRENT ASSETS</b>			
Current maturity of non-current assets	6	1,320,194	872,833
Short-term finance		177,270	273,252
Fund placements		901,921	809,567
Short-term investments	7	933,575	786,464
Taxation - net		221,238	220,248
Advances, Prepayments, deposits, receivables and other assets		1,077,453	207,308
Cash and bank balances		363,207	315,856
		4,994,859	3,485,528
<b>TOTAL ASSETS</b>		<b>6,742,094</b>	<b>5,303,736</b>

# AS AT MARCH 31, 2007

	Note	Unaudited March 31, 2007	Audited June 30, 2006 Restated
-----Rupees in '000-----			
<b>EQUITY &amp; LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Authorised capital 100,000,000 (2005: 100,000,000) ordinary shares of Rs 10 each		<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up capital		461,092	419,175
Reserves		<u>158,516</u>	<u>228,216</u>
		619,608	647,391
<b>MINORITY INTEREST</b>		30,060	-
<b>SURPLUS / (DEFICIT) ON REVALUATION OF INVESTMENTS - NET</b>		(68,744)	(28,623)
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings		671,667	693,333
Long-term certificates of deposit		320,832	289,059
Deposits on lease contracts		442,126	367,452
Obligations under finance lease		3,716	2,298
Deferred tax liabilities - net		29,313	40,877
Term finance certificates		<u>429,475</u>	<u>369,950</u>
		1,897,129	1,762,969
<b>CURRENT LIABILITIES</b>			
Current maturity of non-current liabilities	8	669,106	654,467
Current maturity of deposits on lease contracts		63,682	53,315
Current maturity of obligations under finance lease		734	378
Short-term finance		77	237
Short-term certificates of deposit		2,018,257	1,709,714
Borrowings from financial institutions		910,000	294,347
Payable to staff gratuity fund		1,728	3,338
Accrued expenses, Creditors and other liabilities		<u>600,457</u>	<u>206,203</u>
		4,264,041	2,921,999
<b>CONTINGENCIES AND COMMITMENTS</b>	9		
		<u>6,742,094</u>	<u>5,303,736</u>

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

**Syed Babar Ali**  
Chairman

**Samir Ahmed**  
Managing Director & Chief Executive

## CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE NINE MONTHS' PERIOD ENDED MARCH 31, 2007

Note	Nine Months Ended		Quarter Ended		
	March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006	
----- Rupees in '000 -----					
<b>INCOME</b>					
	10	60,576	39,531	27,108	25,619
Income from investments		90,338	58,932	30,502	20,714
Income from finance		177,612	117,949	76,037	41,359
Income from lease finance		83,456	103,642	26,888	36,184
Income from fund placements		86,347	52,737	31,327	29,535
Brokerage, commission and fees		62,753	4,019	26,831	665
Other income		561,083	376,810	218,694	154,076
<b>EXPENDITURE</b>					
Financial charges		344,731	242,116	127,149	95,229
Administrative and operating expenses		229,539	123,417	88,706	49,897
		574,270	365,533	215,855	145,126
Operating (loss) / profit before provisions		(13,187)	11,277	2,839	8,950
Provision for doubtful finance / potential lease losses - general		3,305	3,705	865	1,268
Provision under SECP's Prudential Regulations for NBFCs against finance / lease losses - specific		1,740	1,768	2,147	-
		5,045	5,473	3,012	1,268
(Loss) / profit for the period from ordinary activities before taxation		(18,232)	5,804	(173)	7,682
Taxation	11	1,750	(13,373)	5,283	324
(Loss) / profit for the period from ordinary activities after taxation		(19,983)	19,177	(5,457)	7,358
Minority Interest		(1,646)	-	(1,646)	-
(Loss)/profit attributable to parent entity		(18,337)	19,177	(3,811)	7,358
Earnings per share (Rupees)	12	(0.40)	0.46	(0.08)	0.18

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

**Syed Babar Ali**  
Chairman

**Samir Ahmed**  
Managing Director & Chief Executive

# CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTH'S PERIOD ENDED MARCH 31, 2007

	March 31, 2007	March 31, 2006
	----- Rupees in '000-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period from ordinary activities before taxation	(17,194)	5,804
<b>ADJUSTMENTS</b>		
Gain on disposal of fixed assets	(23,694)	(1,326)
Accumulated Depreciation on asset disposed off	1,448	-
Depreciation	21,776	9,277
Financial Charges	4,642	755
Amortisation of deferred costs	1,056	-
Amortisation of software	768	1,200
Return on bank deposits and CFS transactions	(511)	-
Unrealized income on investments held-for-trading	(129)	-
Income on investment	(848)	-
Provision for gratuity	1,260	1,260
Provision for doubtful finance / potential lease losses - general	3,305	3,705
Provision for doubtful finance / potential lease losses - specific	1,740	1,768
	<u>10,811</u>	<u>16,639</u>
	(6,383)	22,443
<b>(Increase) / decrease in current assets</b>		
Short-term finance	96,463	(76,752)
Fund placements	(92,354)	(408,878)
Short-term investments	(265,174)	290,810
Trade Debts	(96,972)	(229,302)
Advances, Prepayments, deposits, other receivables and other assets	(457,166)	(179,438)
	<u>(815,203)</u>	<u>(603,561)</u>
<b>Increase / (decrease) in current liabilities</b>		
Short-term certificates of deposit	308,543	871,854
Borrowings from institutions	615,653	(219,618)
Accrued expenses and other liabilities	162,924	249,329
	<u>1,087,120</u>	<u>901,565</u>
<b>Cash generated from operations</b>	<b>265,534</b>	<b>320,447</b>
Disbursements of long-term finance - net	(124,476)	(144,120)
Net investments in lease finance	(200,024)	(181,192)
Long-term deposits and deferred costs - net	-	37,819
Repayments of long-term certificates of deposit - net	118,937	(19,384)
Receipts from deposits on lease contracts - net	85,041	52,281
	<u>(120,522)</u>	<u>(254,596)</u>
<b>Net cash used in operating activities before income tax and gratuity</b>	<b>145,012</b>	<b>65,851</b>
Financial charges paid	(4,603)	(115)
Income tax paid	(22,639)	(15,640)
Gratuity paid	(2,377)	-
<b>Net cash used in operating activities</b>	<b>115,394</b>	<b>50,096</b>
<b>Balance C/F</b>		

		<b>Nine Months Ended</b>	
		<b>March 31,</b>	<b>March 31,</b>
		<b>2007</b>	<b>2006</b>
		----- Rupees in '000-----	
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>BALANCE B/F</b>	<b>115,394</b>	<b>50,096</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Long-term investments		<b>(536,646)</b>	-
Acquisition of fixed assets		<b>(62,832)</b>	(133,491)
Purchase of membership card		<b>(35,000)</b>	-
Advance for purchase of fixed assets		<b>(1,905)</b>	-
Return on bank deposits and CFS transactions		<b>669</b>	-
Long term loan and advances		<b>(3,628)</b>	-
Long Term Deposits		-	757
Goodwill/Fair value of acquired assets		-	(24,756)
Sale proceeds of fixed assets and Investments		<b>84,527</b>	2,382
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(554,814)</b>	<b>(155,108)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Term finance certificates redeemed and sold - net		<b>122,000</b>	-
Long-term borrowings - net		<b>(156,666)</b>	250,000
Security Deposit and Lease Rentals Paid		<b>(629)</b>	(4,129)
Acquisition of share capital		<b>30,025</b>	(20,000)
Proceeds from Right issue		<b>500,000</b>	-
Dividends paid		<b>(7,800)</b>	(25,000)
<b>NET CASH (USED IN) / GENERATED FROM FINANCING ACTIVITIES</b>		<b>486,930</b>	<b>200,871</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>47,510</b>	<b>95,859</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>315,620</b>	<b>(52,990)</b>
Effect of exchange rate changes on cash and cash equivalents		-	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>363,130</b>	<b>42,870</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>			
Cash and bank balances		<b>363,207</b>	109,629
Short-term finance		<b>(77)</b>	(66,759)
		<b>363,130</b>	<b>42,870</b>

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

**Syed Babar Ali**  
Chairman

**Samir Ahmed**  
Managing Director & Chief Executive

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE NINE MONTH'S PERIOD ENDED MARCH 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-----							
<b>BALANCE AS AT JULY 1, 2005</b>	419,175	-	89,636	97,325	59,806	246,767	665,942
Dividend Paid	-	-	-	-	(58,685)	(58,685)	(58,685)
Net profit for the nine months	-	-	-	-	14,915	14,915	14,915
<b>BALANCE AS AT MARCH 31, 2006</b>	<u>419,175</u>	<u>-</u>	<u>89,636</u>	<u>97,325</u>	<u>16,036</u>	<u>202,997</u>	<u>622,172</u>
<b>BALANCE AS AT JULY 1, 2006</b>	419,175	-	97,098	97,325	33,793	228,216	647,391
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)	-
Dividend paid	-	-	-	-	(7,800)	(7,800)	(7,800)
Minority Interest	-	-	-	-	(1,646)	(1,646)	(1,646)
Net loss attributable to parent entity for the nine months' period ended	-	-	-	-	(18,337)	(18,337)	(18,337)
<b>BALANCE AS AT MARCH 31, 2007</b>	<u>461,092</u>	<u>-</u>	<u>97,098</u>	<u>55,408</u>	<u>6,010</u>	<u>158,516</u>	<u>619,608</u>

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

**Syed Babar Ali**  
Chairman

**Samir Ahmed**  
Managing Director & Chief Executive

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE MONTHS' PERIOD ENDED MARCH 31, 2007

## 1 THE GROUP AND ITS OPERATIONS

The Group consists of :

### Holding company

- IGI Investment Bank Limited (Formerly First International Investment Bank Limited).

**Percentage holding of  
IGI Investment Bank Limited**

### Subsidiary companies

- IGI Finex Securities Limited 100%
  - IGI Funds Limited 50%
- (Formerly First International Capital Management Limited)

### IGI Investment Bank Limited

IGI Investment Bank Limited (Formerly First International Investment Bank Limited) (IGI Bank) is a public limited company incorporated in Pakistan on February 7, 1990 under the Companies Ordinance, 1984. Its shares are quoted on the Karachi and Lahore Stock Exchanges. The registered office of IGI Bank situated at 5 F.C.C., Gulberg, Lahore. The principal place of business is situated at 7th Floor, The Forum, Suit No. 701 - 713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi.

IGI Bank is licensed to carry out all investment finance activities and leasing operations as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984 and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. In addition, IGI Bank also offers brokerage services to retail and institutional clients.

### 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 company is a corporate member of the Karachi Stock Exchange (Guarantee) Limited. The principal activities of the company include share brokerage and money market operations. The registered office of the company is situated at 7th Floor, The Forum, Suit No. 701 - 713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi. IGI Bank acquired 100% shareholding of IGI Finex Securities Limited on January 28, 2006.

### IGI Funds Limited

**(Formerly First International Capital Management Limited)**

The company 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" on July 11, 2006. 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. 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 BASIS OF PRESENTATION

- a) The consolidated financial statements include the financial statements of IGI Investment Bank Limited (Formerly First International Investment Bank Limited), IGI Finex Securities Limited and IGI Funds Limited. Comparative data represents holding company's financial statements only as IGI Finex Securities Limited was acquired in the current year (Note 44) and IGI Funds Limited was incorporated in 2006.

- b) Subsidiaries are entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases. The assets and liabilities of subsidiary Companies have been consolidated on a line by line basis based on the audited financial statements for the year ended June 30, 2006 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.

### 3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, interpretations issued by the Standards Interpretations Committee of the IASC and the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and the Prudential Regulations for Non-Banking Finance Companies (Prudential Regulations). Approved accounting standards comprise of such International Accounting Standards (IASs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, NBFC Rules, Prudential Regulations and directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, NBFC Rules, Prudential Regulations and the said directives take precedence.

The SECP has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) to Non-Banking Finance Companies (NBFCs) providing Investment Finance Services, Discounting Services and Housing Finance Services vide their Circular No. 19 dated August 13, 2003.

### 4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statement have been applied consistently.

### 5 FIXED ASSETS

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

	Additions	Disposals
	-----Rupees in '000-----	
Property Plant and equipment	64,321	19,841
Intangibles	6,694	22,600

### 6 CURRENT MATURITY OF NON-CURRENT ASSETS

Long-term loans and advances	549,827	177,209
Net investment in finance lease	<u>770,367</u>	<u>695,624</u>
	1,320,194	872,833

### 7 SHORT TERM INVESTMENT

#### Held-for-trading, marked to market

Federal Investment Bonds	2,116	2,378
Pakistan Investment Bonds	1,486	1,482
Units of mutual funds	20,129	-
Market treasury bills	193,660	97,372
	<u>217,391</u>	<u>101,232</u>

#### Available-for-sale

Pakistan Investment Bonds	-	-
Registered Special US Dollar Bond	-	-
Term finance certificates	229,674	250,345
Units of mutual funds	382,157	121,166
Shares and modaraba certificates	104,352	313,721
	<u>716,183</u>	<u>685,232</u>
	<u>933,575</u>	<u>786,464</u>

	March 31 2007	June 30 2006
	-----Rupees in '000-----	
<b>8 CURRENT MATURITY OF NON-CURRENT LIABILITIES</b>		
Long-term borrowings	480,000	615,000
Long-term certificates of deposit	126,631	39,467
Term Finance Certificate	62,475	-
	<u>669,106</u>	<u>654,467</u>

## 9 CONTINGENCIES AND COMMITMENTS

### 9.1 Contingencies

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. The Income Tax Department then filed appeals before the Income Tax Appellate Tribunal (ITAT) against these directions. The ITAT, in its decision on the issue of application of banking company tax rate 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. However, the tax authorities have filed appeals against the ITAT orders in the Lahore High Court.

In the original assessment made by the DCIT for the assessment years 1995-96 to 2000-2001, dividend income was taxed by applying the rate applicable to the business income of a banking company instead of applying the reduced rate of 5% as prescribed by law. The CIT (A) and the ITAT 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 ITAT orders in the Lahore High Court for assessment years 1995-96 and 1996-97. The ITAT has declined to refer the question of law proposed by the taxation authorities for assessment years 1997-98, regarding the taxation of dividend income, on the basis that Lahore High Court has already decided the matter against the taxation authorities. In addition, the taxation authorities have also disallowed certain expenses / made addition to taxable income in certain assessment years against which IGI Bank has filed appeals which are currently pending. Based on the previous decisions, IGI Bank is confident that the above matters would be decided in its favour and the possibility of any liability arising is considered remote.

If the provision for taxation were to be made at the rate applicable to a banking company and disallowance of expenses / addbacks to income is decided against IGI Bank, the additional provision for all assessment years upto the tax year 2005 would approximately be Rs 166 million (2005: Rs 146 million). During the current year IGI Bank has received a letter in which the Central Board of Revenue (CBR) has given its consent to the proposal of Director General, LTU, Lahore to withdraw the appeals relating to the tax status of investment banks.

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 said Ordinance, the CIT had selected the case for audit. Against the said selection, IGI Bank had filed a writ 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. It was also mentioned in the order that the CIT could initiate fresh proceedings 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 has directed that the department should issue fresh notices to IGI Bank in terms of Section 177 of the Ordinance disclosing criteria/reasons for selecting their cases for purpose of audit. Pursuant to this order, the company has received notice for selection of case for Tax Year 2003 for audit under section 177 of the Ordinance.

	March 31, 2007	June 30, 2006
	-----Rupees in '000-----	
<b>9.2 Commitments</b>		
Underwriting commitments	75,000	115,000
Commitment in respect of capital expenditure	-	6,310
Forward sale of Shares	-	22,292
Investment in subsidiary	170,000	-
Commitment in respect of continuous funding system	<u>430</u>	<u>-</u>

	March 31, 2007	June 30, 2006
	-----Rupees in '000-----	
<b>10 INCOME FROM INVESTMENTS</b>		
Interest / mark-up / profit on investments	25,657	20,201
Gain/ (loss) on disposal of investments	20,433	10,394
Dividend income	<u>14,486</u>	<u>8,936</u>
	<u>60,576</u>	<u>39,531</u>
<b>11 TAXATION</b>		
For the period		
- Current	13,490	4,117
- Deferred	(11,740)	(17,490)
- Prior	<u>-</u>	<u>-</u>
	<u>1,750</u>	<u>(13,373)</u>

**12 EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the profit after tax for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Basic earnings per share for the comparative reported period have been adjusted for bonus and right shares issued after the comparative reported period.

No figure for diluted earnings per share has been presented as IGI Bank has not issued any instrument which would have dilutive impact on its earnings per share when exercised.

**13 YIELD / MARKET RATE RISK**

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Market rate risk arises from the possibility that changes in market rates of return will affect the value of the financial instruments. A company is exposed to yield / market rate risk as a result of mismatches or gaps in the amounts of financial assets and financial liabilities that mature or reprice in a given period. IGI Bank manages this risk by matching the repricing of financial assets and liabilities through risk management strategies. The position for financial instruments is based on earlier of contractual repricing date or maturity.

**14 DATE OF AUTHORISATION OF ISSUE**

These financial statements were authorised for issue by the Board of Directors on April 27, 2007.

**15 GENERAL**

Figures have been rounded off to the nearest thousand rupees.

**Syed Babar Ali**  
Chairman

**Samir Ahmed**  
Managing Director & Chief Executive