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COMPANY INFORMATION

Board of Directors	Mr. S. Babar Ali, Chairman Mr. Samir Ahmed, Managing Director & Chief Executive Syed Javed Hassan, Executive Director Mr. Khalid Yacob Mr. Farid Khan Mr. Towfiq H. Chinoy Mr. Arif Farouque
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 th 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 1 st Floor, Finlay House, I.I. Chundrigar Road, Opp. Shell Pump, Karachi – Pakistan. Telephone: (021) 2426974-9 Fax: (021) 2416710
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 th 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	www.igiinvestmentbank.com.pk
Email	contact.center@igi.com.pk

DIRECTORS' REVIEW

The Directors of IGI Investment Bank Limited present herewith the un-audited financial statements for the first quarter ended September 30, 2007.

This quarter (July – September 2007) was a spill over of the strategic challenges being faced by IGI Investment Bank from last financial year. We focused our efforts towards further refining the strategic direction and building a strong foundation to project the company on a progressive trajectory within the Investment Banking arena.

The efforts resulted in an increase of gross revenues by 13% from Rs. 134 million (2005 – 06) to Rs. 152 million (2006 – 07). However, the increase in rate of interest on funds borrowed by the company lead to a decline of the profits for the quarter in the face of structural changes and continuing investments in the organization. Your company ended the quarter with an after tax loss of Rs. 41.03 million for the quarter ended September 30, 2007 as compared to a loss of Rs. 4.34 million in the corresponding period of the last year.

The Directors are confident that your bank is progressing in the right direction and the necessary spade work has been completed. However, efforts will be made to make sure that the pace picks up for disbursements for leasing and financing during the second quarter and compensate for the lag in the first quarter. The Management of IGI Finex Securities Ltd (a wholly owned subsidiary) is also confident of keeping up the pace of business development and to achieve the targeted results for the year by making up for the short fall of this quarter in the succeeding quarters.

The financial highlights for the quarter ended September 30, 2007 are as follows:

	September 30, 2007	September 30, 2006	Increase / (Decrease)	
<i>Rupees in thousands</i>			%	
INCOME				
Income from Investment	38,864	16,500	22,364	135.54
Income from Finance	28,079	29,203	(1,124)	(3.85)
Income from Leases	54,818	52,895	1,923	3.64
Fund Placement Income	24,829	28,694	(3,865)	(13.47)
Brokerage and Commission	5,421	7,544	(2,123)	(28.14)
Total	152,011	134,836	17,175	12.74
EXPENDITURE				
Finance Cost	141,768	82,100	59,668	72.68
Administrative and operating expenses	47,034	51,290	(4,256)	(8.30)

Our income from investments increased from Rs. 16.5 million to Rs. 38.8 million to mark an increase of 135%. The decrease of 3.85% in income from term finance from Rs. 29.2 million to Rs. 28.07 million was compensated by the increase of 3.64% in lease financing from Rs. 52.89 million to Rs. 54.81 million. The income from fund placement and brokerage and commission showed a decrease of 13.47% and 28.14% respectively to end up at Rs. 24.82 million (Rs. 28.69 million – September 2006) and Rs. 5.4 million (Rs. 7.5 million – September 2006).

The total assets of your company increased to Rs. 7.078 billion as at September 30 2007, compared with Rs. 6.649 billion as at June 30, 2007. This was mainly due to increase in funding against CFS transactions.

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

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 fee based business activities. Your company is making efforts to target high return segments of the economy where better spreads can be maintained.

Our focus will continue to be on profitable growth in the existing lines of business with the ultimate objective of long term shareholder value creation. Needless to say we will continue to observe our core values of integrity, innovation and fairness, which has always been our hall mark.

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: October 23, 2007

BALANCE SHEET
AS AT SEPTEMBER 30, 2007

	Unaudited September 30, 2007	Audited June 30, 2007
Note	-----Rs in '000-----	
ASSETS		
Non-current assets		
Fixed assets		
	85,487	85,573
Property, plant and equipment	19,713	21,958
Intangible assets	105,200	107,531
Long-term Investments	682,571	682,571
Long-term loans - net	329,540	467,608
Net investment in lease finance	1,472,852	1,409,702
Long-term deposits	1,150	1,150
Deferred tax assets - net	4,772	4,772
	2,596,085	2,673,334
Current assets		
Current maturity of long term loans	243,122	137,705
Current maturity of net investment in finance lease	701,046	749,134
Short-term loans	179,724	197,979
Receivable against continuous funding system transactions	973,612	556,265
Short-term investments	1,557,066	1,545,850
Taxation - net	231,804	228,896
Advances, deposits and prepayments	177,771	143,715
Interest, mark-up and profit accrued	91,484	78,274
Other receivables	110,314	67,898
Cash and bank balances	215,751	269,966
	4,481,694	3,975,682
TOTAL ASSETS	7,077,779	6,649,016
EQUITY & LIABILITIES		
Capital and reserves		
Authorised capital		
100,000,000 (2007: 100,000,000) ordinary shares of Rs.10 each	1,000,000	1,000,000
Issued, subscribed and paid-up capital		
92,218,400 (June 30, 2007: 92,218,400) ordinary shares of Rs.10 each	922,184	922,184
Reserves	104,322	145,351
	1,026,506	1,067,535
Deficit on revaluation of investments - net	(31,064)	(17,977)
Non-current liabilities		
Term finance certificates	370,670	434,356
Long-term finance	740,002	781,669
Long-term certificates of deposit	514,242	528,055
Long-term deposits on lease contracts	434,831	429,731
	2,059,745	2,173,811
Current liabilities		
Current maturity of term finance certificates	125,150	61,565
Current maturity of long-term finance	413,333	421,666
Current maturity of long-term certificates of deposit	415,615	359,316
Current maturity of deposits on lease contracts	91,673	85,497
Short-term finance	98	77
Short-term certificates of deposit	2,365,272	1,840,159
Borrowings from financial institutions	400,000	465,000
Interest and mark-up accrued	122,727	103,217
Accrued expenses and other liabilities	88,724	89,150
	4,022,592	3,425,647
Contingencies and commitments		
	7,077,779	6,649,016

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

SYED BABAR ALI
Chairman

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SAMIR AHMED
Managing Director & Chief Executive

**PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

	Note	Quarter Ended	
		September 30, 2007	September 30, 2006
----- Rupees in '000-----			
INCOME			
Income from investments	7	38,864	16,500
Income from loans		28,079	29,203
Income from lease finance		54,818	52,895
Income from fund placements		24,829	28,694
Income from fee, commission and brokerage		5,421	7,544
		152,011	134,836
Financial charges		141,768	82,100
		10,243	52,736
Administration and operating expenses		46,707	51,053
		(36,464)	1,683
Other operating income		5,624	1,055
		(30,840)	2,738
Other operating expenses		327	237
Operating (loss)/profit before provisions		(31,167)	2,501
Provision for bad and doubtful loans / potential lease losses - general-net		1,020	1,307
Provision for bad and doubtful loans / potential lease losses - specific-net		6,342	535
		7,362	1,842
(Loss)/profit before taxation		(38,529)	659
Taxation	8	2,500	5,000
Loss after taxation		(41,029)	(4,341)
(Loss)/earnings per share-basic and diluted	9	(0.44)	(0.10)

The annexed notes 1 to 13 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 QUARTER ENDED SEPTEMBER 30, 2007**

	September 30, 2007	September 30, 2006
	----- Rupees in '000-----	
Cash flows from operating activities		
(Loss)/profit for the quarter from ordinary activities before taxation	(38,529)	659
Adjustments		
Gain on disposal of fixed assets	(127)	(154)
Depreciation	7,648	5,072
Amortisation of software	423	275
Provision for gratuity	590	420
Provision for doubtful finance / potential lease losses - general	1,020	1,307
Provision for doubtful finance / potential lease losses - specific	6,342	535
	15,896	7,455
	(22,633)	8,114
(Increase) / decrease in current assets		
Short-term finance	18,255	50,524
Receivable against continuous funding system transactions	(417,347)	196,695
Short-term investments	(24,303)	47,597
Prepayments and other receivables	(89,682)	12,099
	(513,077)	306,915
Increase / (decrease) in current liabilities		
Short-term certificates of deposit	525,113	(241,188)
Borrowings from institutions	(65,000)	5,653
Accrued expenses and other liabilities	18,494	(10,862)
	478,607	(246,397)
Cash generated from operations		
	(57,103)	68,632
Disbursements of long-term finance - net	30,085	(137,431)
Net investments in lease finance	(19,859)	(64,173)
Repayments of long-term certificates of deposit - net	42,486	(77,948)
Receipts from deposits on lease contracts - net	11,276	30,560
	63,988	(248,992)
	6,885	(180,360)
Income tax paid	(5,408)	(17,373)
Gratuity paid	-	(2,377)
Net cash from/(used in) operating activities	1,477	(200,110)
balance c/f		

		September 30, 2007	September 30, 2006
----- Rupees in '000-----			
Net cash from/(used in) operating activities	balance b/f	1,477	(200,110)
Cash flows from investing activities			
Acquisition of fixed assets		(7,864)	(4,843)
Sale proceeds of fixed assets		2,252	154
Net cash used in investing activities		(5,612)	(4,689)
Cash flows from financing activities			
Term finance certificates redeemed and sold - net		(101)	125,000
Long-term borrowings - net		(50,000)	(66,145)
Net cash (used in) / generated from financing activities		(50,101)	58,855
Net decrease in cash and cash equivalents		(54,236)	(145,944)
Cash and cash equivalents at the beginning of the period		269,889	196,741
Cash and cash equivalents at the end of the period		<u>215,653</u>	<u>50,797</u>
Cash and cash equivalents at the end of the period			
Cash and bank balances		215,751	167,002
Short-term finance		(98)	(116,205)
		<u>215,653</u>	<u>50,797</u>

The annexed notes 1 to 13 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 QUARTER ENDED SEPTEMBER 30, 2007**

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves		Total Reserves	Total
		Special reserve	General reserve	Unappro- priated profit		
-----Rupees in '000-----						
Balance as at July 1, 2006 restated	419,175	97,098	97,325	32,002	226,425	645,600
Loss after tax for the quarter	-	-	-	(4,341)	(4,341)	(4,341)
Balance as at September 30, 2006 restated	<u>419,175</u>	<u>97,098</u>	<u>97,325</u>	<u>27,661</u>	<u>222,084</u>	<u>641,259</u>
Balance as at July 1, 2007	922,184	97,098	55,408	(7,155)	145,351	1,067,535
Loss after tax for the quarter	-	-	-	(41,029)	(41,029)	(41,029)
Balance as at September 30, 2007	<u>922,184</u>	<u>97,098</u>	<u>55,408</u>	<u>(48,184)</u>	<u>104,322</u>	<u>1,026,506</u>

The annexed notes 1 to 13 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 QUARTER ENDED SEPTEMBER 30, 2007**

1 LEGAL STATUS AND OPERATIONS

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. 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 and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. 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 financial statements, consolidated financial statements of IGI BANK and its subsidiary companies, IGI Finex Securities Limited and IGI Funds Limited, have also been prepared.

2 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.

2.1 Basis of preparation

a) Statement of compliance

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

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.

b) Accounting convention

These financial statements have been prepared under the historical cost convention except that certain investments classified as 'held for trading' and 'available for sale' and certain derivative financial instruments have been marked to market and are carried at fair value.

c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following standards, interpretations and amendments of approved accounting standards are effective for IGI BANK's accounting periods beginning July 1, 2008. These standards are either not relevant to IGI BANK's operations:

IFRIC 12 - Services concession arrangements	effective from accounting period beginning on or after January 1, 2008
IFRIC 13 - Customer loyalty programme	effective from accounting period beginning on or after January 1, 2008

3 FIXED ASSETS

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

	September 30, 2007	
	Additions	Deletions
	-----Rupees in '000-----	
Property, plant and equipment	7,229	3,416
Intangibles	635	-

4 LONG-TERM INVESTMENTS

	September 30, 2007	June 30, 2007
	-----Rupees in '000-----	
Investment in Subsidiary		
Finex Securities Limited (100% Share Holding)	652,571	652,571
IGI Funds Ltd.	30,000	30,000
	682,571	682,571

	September 30, 2007	June 30, 2007
	-----Rupees in '000-----	
5 SHORT-TERM INVESTMENTS		
Held-to-maturity		
Fund Placement	100,164	240,000
Term deposit receipts	-	100,000
	100,164	340,000
Held-for-trading		
Federal Investment Bonds	2,558	2,103
Pakistan Investment Bonds	875	1,392
Market Treasury Bills	-	197,759
	3,433	201,254
Available-for-sale		
Term finance certificates	221,698	262,574
Units of mutual funds	1,123,328	513,169
Shares and modaraba certificates	108,443	228,853
	<u>1,453,469</u>	<u>1,004,596</u>
	<u>1,557,066</u>	<u>1,545,850</u>

6 CONTINGENCIES AND COMMITMENTS

6.1 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.

	September 30, 2007	June 30, 2007
	-----Rupees in '000-----	
6.2 COMMITMENTS		
Underwriting commitments	90,000	75,000
	Quarter Ended September 30, September 30, 2007 2006	
	-----Rupees in '000-----	
7 INCOME FROM INVESTMENTS		
Interest / mark-up / profit on investments	11,971	8,058
Gain on disposal of investments	15,351	4,544
Dividend income	11,542	3,898
	<u>38,864</u>	<u>16,500</u>
8 TAXATION		
For the period		
- Current	2,500	2,235
- Deferred	-	2,765
	<u>2,500</u>	<u>5,000</u>

9 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.

10 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 quarter ended September 30, 2007 are as follows:

	Sep 30, 2007			Sep 30, 2006	
DESCRIPTION	Subsidiaries	Other related parties including associated undertakin	Key Management personnel	Total	Total
	Rs in '000				
Transactions entered during the period					
Certificate of deposits issued	-	183,377	-	183,377	391,960
Insurance premium paid	-	3,998	-	3,998	3,748
Purchase of marketable securities	9,979,269	13,720	2,075	9,995,064	-
Sale of marketable securities	9,547,178	-	-	9,547,178	-
Finance provided	-	-	-	-	40,000
Income from finance	-	320	30	350	695
Brokerage, commission and fee income	-	-	-	-	1,214
Return on deposits	-	716	-	716	4,896
Rent expense	5,355	782	-	6,137	1,239
Insurance expense	-	992	-	992	125
Travelling and lodging	22	-	668	690	-
Other shared cost	5,305	-	-	5,305	-
Charge for the year in respect of employee benefit and contribution plan	-	-	396	396	393
Remuneration to key management personnel	-	-	7,962	7,962	9,959
Balance outstanding as at the period end					
Deposit against CFS and cash future	115,000	-	-	115,000	-
Loans and advances	-	-	-	-	43,771
Certificate of deposits	-	88,059	-	88,059	267,497
Other receivable	36,576	2,943	-	39,519	363,215
Accrued expenses and other liabilities	1,821	-	-	1,821	1,821
Markup accrued - Certificate of deposits	-	1,584	-	1,584	2,383
Markup accrued- Finance	-	-	-	-	244
Insurance	-	-	-	-	376

11 Segmental information for the quarter ended September 30, 2007	Financing activities	Investment activities	Brokerage activities	Total
	-----Rupees in '000-----			
Segment revenue	88,445	69,190	-	157,635
Segment result	(37,936)	(593)	-	(38,529)
Loss before taxation				(38,529)
Taxation				2,500
Loss for the quarter after taxation				(41,029)
Segment assets	2,996,298	3,223,051	-	6,219,349
Unallocated assets				858,430
				7,077,779
Segment liabilities	526,504	-	-	526,504
Unallocated liabilities				5,555,833
				6,082,337
Unallocated capital expenditure-tangible				7,229
Unallocated capital expenditure-intangible				635
Segment depreciation and amortization of fixed asset	4,528	3,543	-	8,071
Comparative segmental information				
<u>For the quarter ended September 30, 2006</u>				
Segment revenue	81,944	48,970	4,977	135,891
Segment result	(6,330)	7,897	(908)	659
Profit before taxation				659
Taxation				5,000
Loss for the quarter after taxation				(4,341)
<u>As at June 30, 2007</u>				
Segment assets	3,032,142	2,794,488	-	5,826,630
Unallocated assets				822,386
				6,649,016
Segment liabilities	550,656	-	-	550,656
Unallocated liabilities				5,048,802
				5,599,458
Unallocated capital expenditure-tangible				72,201
Unallocated capital expenditure-intangible				4,533
Segment depreciation and amortization of fixed asset	13,057	7,566	5,172	25,795

12 DATE OF AUTHORISATION OF ISSUE

These condensed interim financial statements were authorised for issue by the Board of Directors on October 23, 2007.

13 GENERAL

Figures have been rounded off to the nearest thousand rupees.

SYED BABAR ALI
Chairman

SAMIR AHMED
Managing Director & Chief Executive

**CONSOLIDATED
FINANCIAL STATEMENT**

**CONSOLIDATED BALANCE SHEET
AS AT SEPTEMBER 30, 2007**

	Note	Unaudited September 30, 2007	Audited June 30, 2007
-----Rs in '000-----			
ASSETS			
Non-current assets			
Fixed assets			
Property, plant and equipment		137,787	132,889
Capital work in progress		15,004	9,332
Intangible assets		172,105	177,618
	3	324,896	319,839
Long-term loans - net		332,040	467,626
Net investment in lease finance		1,472,852	1,409,702
Long-term deposits		3,299	6,306
Deferred tax assets - net		21,841	16,442
		2,154,928	2,219,915
Current assets			
Current maturity of long term loans		243,122	137,945
Current maturity of net investment in finance lease		701,046	749,134
Short-term loans		179,724	197,979
Receivable against continuous funding system transactions		973,612	758,409
Short-term investments	4	1,561,023	1,564,754
Taxation - net		235,068	230,851
Advances, deposits and prepayments		292,215	383,648
Interest, mark-up and profit accrued		91,484	85,261
Trade debts		529,812	641,971
Other receivables		490,186	44,248
Cash and bank balances		245,627	361,766
		5,542,919	5,155,966
		<u>7,697,847</u>	<u>7,375,881</u>
TOTAL ASSETS			
EQUITY & LIABILITIES			
Capital and reserves			
Authorised capital			
100,000,000 (2007: 100,000,000) ordinary shares of Rs.10 each		1,000,000	1,000,000
Issued, subscribed and paid-up capital			
92,218,400 (June 30, 2007: 92,218,400) ordinary shares of Rs.10 each		922,184	922,184
Reserves		77,510	116,067
		999,694	1,038,251
Minority Interest		15,609	19,863
		1,015,303	1,058,114
Surplus / (Deficit) on revaluation of investments - net		(31,064)	(17,451)
Non-current liabilities			
Term finance certificates		370,670	434,356
Long-term finance		740,554	781,669
Long-term certificates of deposit		514,242	528,055
Long-term deposits on lease contracts		434,831	429,731
Liabilities against assets subject to finance lease		-	3,517
		2,060,297	2,177,328
Current liabilities			
Current maturity of term finance certificates		125,150	61,565
Current maturity of long-term finance		413,333	421,666
Current maturity of long-term certificates of deposit		415,615	359,316
Current maturity of deposits on lease contracts		91,673	85,497
Current maturity of liabilities against assets subject to finance lease		-	757
Short-term finance		98	160,027
Short-term certificates of deposit		2,365,272	1,840,159
Borrowings from financial institutions		400,000	465,000
Interest and mark-up accrued		123,853	103,463
Accrued expenses and other liabilities		718,317	660,440
		4,653,311	4,157,890
Contingencies and commitments	5	<u>7,697,847</u>	<u>7,375,881</u>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

SYED BABAR ALI
Chairman

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SAMIR AHMED
Managing Director & Chief Executive

**CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

		Quarter Ended	
	Note	September 30, 2007	September 30, 2006
		----- Rupees in '000-----	
INCOME			
Income from investments	6	39,261	16,500
Income from loans		28,079	27,861
Income from lease finance		54,818	52,895
Income from fund placements		24,829	28,694
Income from fee, commission and brokerage		39,098	13,852
		186,085	139,802
Financial charges		142,766	77,217
		43,319	62,585
Administration and operating expenses		107,556	66,282
		(64,237)	(3,697)
Other operating income		31,239	1,298
		(32,998)	(2,399)
Other operating expenses		372	275
Operating (loss)/profit before provisions		(33,370)	(2,674)
Provision for bad and doubtful loans/ potential lease losses - general - net		1,020	1,307
Provision for bad and doubtful loans/ lease losses - specific - net		6,342	535
		7,362	1,842
Loss before taxation		(40,732)	(4,516)
Taxation - net	7	2,079	5,847
Loss after taxation		(42,811)	(10,363)
(Loss)/profit attributable to minority interest		(4,254)	-
(Loss)/profit attributable to ordinary shareholders		(38,557)	(10,363)
(Loss)/earnings per share - basic and diluted	8	(0.42)	(0.25)

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

SYED BABAR ALI
Chairman

SAMIR AHMED
Managing Director & Chief Executive

**CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

	September 30, 2007	September 30, 2006
	----- Rupees in '000-----	
Cash flows from operating activities		
(Loss)/profit for the quarter from ordinary activities before taxation	(40,732)	(4,516)
Adjustments		
Loss/(gain) on disposal of fixed assets	163	(154)
Depreciation	10,797	5,969
Amortisation of deferred costs	-	231
Amortisation of software	941	275
Provision for gratuity	670	420
Financial charges	142,767	1,446
Return on bank deposits and CFS transactions	(26)	(25)
Income on investment available for sale	(387)	-
Provision for doubtful finance / potential lease losses - general	1,020	1,307
Provision for doubtful finance / potential lease losses - specific	6,342	535
	162,287	10,004
	121,555	5,488
(Increase) / decrease in current assets		
Short-term finance	18,255	50,524
Receivable against continuous funding system transactions	(417,347)	196,695
Short-term investments	(24,303)	47,597
Trade debts	289,316	(225,543)
Trade deposits	-	(29,699)
Advances, prepayments and other receivables	(35,643)	11,985
	(169,722)	51,559
Increase / (decrease) in current liabilities		
Short-term certificates of deposit	525,113	(241,188)
Borrowings from institutions	(65,000)	5,653
Accrued expenses and other liabilities	(401,265)	281,954
	58,848	46,419
Cash generated from operations	10,681	103,466
Disbursements of long-term finance - net	30,343	(137,431)
Net investments in lease finance	(19,859)	(64,173)
Long-term deposits and deferred costs - net	(632)	(121)
Repayments of long-term certificates of deposit - net	42,486	(77,948)
Receipts from deposits on lease contracts - net	11,276	30,560
	63,614	(249,113)
	74,295	(145,647)
Financial charges paid	(122,377)	(1,398)
Income tax paid	(11,676)	(19,946)
Gratuity paid	-	(2,377)
Net cash used in operating activities	(59,758)	(169,368)
balance c/f		

		September 30, 2007	September 30, 2006
		----- Rupees in '000-----	
Net cash used in operating activities	balance b/f	(59,758)	(169,368)
Cash flows from investing activities			
Acquisition of fixed assets		(20,670)	(7,635)
Sale proceeds of fixed assets		2,899	154
Return on bank deposits and CFS transactions		29	178
Long term loan and advances		-	70
Purchase/ Sale of investment - net		15,225	-
Net cash used in investing activities		(2,517)	(7,233)
Cash flows from financing activities			
Term finance certificates redeemed and sold - net		(101)	125,000
Security deposit paid in respect of leased assets		489	-
Payment of finance lease liabilities/rentals		(4,273)	(76)
Long-term borrowings - net		(50,000)	(66,145)
Net cash (used in) / generated from financing activities		(53,885)	58,779
Net decrease in cash and cash equivalents		(116,160)	(117,822)
Cash and cash equivalents at the beginning of the period		361,689	315,619
Cash and cash equivalents at the end of the period		<u>245,529</u>	<u>197,797</u>
Cash and cash equivalents at the end of the period			
Cash and bank balances		245,627	314,002
Short-term finance		(98)	(116,205)
		<u>245,529</u>	<u>197,797</u>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

SYED BABAR ALI
Chairman

SAMIR AHMED
Managing Director & Chief Executive

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

	Issued, subscribed and paid-up capital	Capital reserves	Revenue reserves		Total Reserves	Minority Interest	Total
		Special reserve	General reserve	Unappro- priated profit			
-----Rupees in '000-----							
Balance as at July 1, 2006 - restated	419,175	97,098	97,325	34,826	229,249	-	648,424
Loss after tax for the quarter	-	-	-	(10,364)	(10,364)	-	(10,364)
Balance as at September 30, 2006 - restated	<u>419,175</u>	<u>97,098</u>	<u>97,325</u>	<u>24,462</u>	<u>218,885</u>		<u>638,060</u>
Balance as at July 1, 2007	922,184	97,098	55,408	(36,439)	116,067	19,863	1,058,114
Loss after tax for the quarter	-	-	-	(42,811)	(42,811)	-	(42,811)
Loss attributable to Minority Interest	-	-	-	4,254	4,254	(4,254)	-
Balance as at September 30, 2007	<u>922,184</u>	<u>97,098</u>	<u>55,408</u>	<u>(74,996)</u>	<u>77,510</u>	<u>15,609</u>	<u>1,015,303</u>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

SYED BABAR ALI
Chairman

SAMIR AHMED
Managing Director & Chief Executive

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

1 THE GROUP AND ITS OPERATIONS

The Group consists of :

Holding company

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

**Percentage holding of
IGI Investment Bank Limited**

Subsidiary companies

- | | |
|---|--------|
| - IGI Finex Securities Limited (Formerly Finex Securities Ltd.) | 100% |
| - IGI Funds Limited (Formerly First International Capital Management Limited) | 50.05% |

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

IGI Investment Bank Limited (Formerly First International Investment Bank Ltd.) ("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 and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. 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 (Formerly Finex Securities Ltd.)

IGI Finex Securities Limited (Formerly Finex Securities Ltd.) 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 (Formerly First International Capital Management Limited)

IGI Funds Limited (Formerly First International Capital Management 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. 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 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.

2.1 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 quarter ended September 30, 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.

2.2 Statement of compliance

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

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.

2.3 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain investments classified as 'held for trading' and 'available for sale' and certain derivative financial instruments have been marked to market and are carried at fair value.

2.4 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following standards, interpretations and amendments of approved accounting standards are effective for IGI BANK's accounting periods beginning July 1, 2008. These standards are not relevant to IGI BANK's operations.

IFRIC 12 - Services concession arrangements	effective from accounting period beginning on or after January 1, 2008
IFRIC 13 - Customer loyalty programme	effective from accounting period beginning on or after January 1, 2008

3 FIXED ASSETS

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

	September 30, 2007	
	Additions	Deletions
	-----Rupees in '000-----	
Property, plant and equipment - owned	17,760	4,161
Property, plant and equipment - leased	-	4,915
Intangibles	3,065	-
	September 30, 2007	September 30, 2006
	----- Rupees in '000-----	
4 SHORT-TERM INVESTMENTS		
Held-to-maturity		
Fund Placement	100,164	240,000
Term deposit receipts	-	100,000
	100,164	340,000
Held-for-trading		
Federal Investment Bonds	2,558	2,103
Pakistan Investment Bonds	875	1,392
Market Treasury Bills	-	197,759
Units of mutual funds	3,957	17,910
	7,390	219,164
Available-for-sale		
Term finance certificates	221,698	262,574
Units of mutual funds	1,123,328	514,163
Shares and modaraba certificates	108,443	228,853
	1,453,469	1,005,590
	1,561,023	1,564,754

5 CONTINGENCIES AND COMMITMENTS

5.1 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

9 DATE OF AUTHORISATION OF ISSUE

These consolidated financial statements were authorised for issue by the Board of Directors on October 23, 2007.

10 GENERAL

Figures have been rounded off to the nearest thousand rupees.

SYED BABAR ALI
Chairman

SAMIR AHMED
Managing Director & Chief Executive