



Investment Bank

## Director's Report

The Board of Directors of IGI Investment Bank Limited presents herewith the annual report and audited financial statements for the year ended June 30, 2007 to the Seventeenth Annual General Meeting of the shareholders.

### General Overview

The Year 2006-2007 has been a challenging and an important one for IGI Investment Bank Limited. 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.

In an effort to establish a strong brand presence and collectively offer a range of financial services under the IGI umbrella, the company changed its name to IGI Investment Bank Limited in December 2006.

In order to concentrate its resources on core Investment Banking services, we discontinued the consumer finance operations which was dealing with Personal Loans and Auto Finance. Although this move forewent short-term revenue, we feel that in the long-run, it allows us to channel our resources towards moving the company closer to its objective.

This year, IGI Investment Bank Limited continued to invest in human resource, support infrastructure, marketing and IT. This was done to upgrade the capabilities of the organization itself and provide a strong base to our two subsidiaries: IGI Funds Limited and IGI Finex Securities Limited.

During the year we also doubled our paid-up capital through a 100% rights issue. This was necessary in order to have the requisite balance sheet size and strength to achieve our strategic objectives.

The profits for the year 2006-2007 showed a decline in the face of structural changes and continuing investment in the organization and somewhat due to the variance between business projections and achievements.

<b>Financial Highlights</b>			
<b>-----Rs. in million-----</b>			
	2007	2006	Growth (%)
Gross Revenue	624.4	516.2	20.9
Profit for the year before taxation	(79.2)	22.8	(460)
Less: Taxation	(40.1)	(8.5)	370
Profit for the year after taxation	(39.1)	31.3	(225)
Total Assets	6,649	5,298	25.5
Earnings / Share	(0.65)	0.53	(222)

Our income from fund placements and financing, including lease finance, increased from Rs. 354.4 million to Rs. 437.9 million and is in line with the strategy of the bank. Our fund based income increased from Rs. 483.3 million from last year to Rs 558.5 million for the current year. The income from investments decreased from Rs. 128.8 million to Rs. 120.6 million. The revenue generated from fee based lines of business i.e. brokerage, corporate finance & advisory and portfolio management also contributed to our non fund based income which increased from Rs. 27.1 million to Rs. 27.3 million.

Expenditure for the year increased by 42.9% with increase in financial charges from Rs. 337.9 million to Rs. 482.8 million and increase in Administrating and Operating expenses from Rs. 147.7 million to Rs. 211.2 million.

We are very confident that the strategic investments made and necessary restructuring done will fulfill the expectations of the shareholders in future.

### Strategic Investments

#### IGI Funds Limited

IGI Funds Limited a subsidiary of IGI Investment Bank was established as an Asset Management Company to capture the growth potential of the asset management industry, which is still in the nascent stages.

We are pleased to inform our shareholders that the company became operational during the year and was also able to launch its first fund 'IGI Income Fund' in April 2007.

<b>Financial Summary,</b>		
-----Rs. in thousands-----		
	2007	2006
Gross Revenue	6,884	178
Administrative & other expenses	(38,283)	(1,276)
Loss before taxation	(31,399)	(1,098)
Loss after taxation	(19,313)	(981)
Loss per share	(4.76)	(0.33)

The above figures only reflect revenue for 3 months. Given growth plans of IGI Funds and the targeted growth in Funds under management, IGI Funds is expected to show strong growth in coming years, with first dividend inflows to IGI Bank expected in FY 2008-2009.

Assessing the potential of growth, quality of the management team, IT and other infrastructure PACRA has assigned a Management Quality Rating of AM 3- to IGI Funds.

IGI Funds Limited entered the marketplace with the launch of IGI Income Fund in an effort to provide investors with a liquid fixed income product. The investment objective of the fund is to minimize risk through a liquid portfolio of fixed income instruments and provide competitive returns.

IGI Income Fund was able to generate Rs. 1.1 billion in the Pre IPO. The fund was launched in a record time as the necessary approvals were obtained in December 2006 and the fund was launched in April 2007. The Fund size as at June 30, 2007 stood at Rs.1,677.58 million.

In continuation, of it's strategy to provide a full spectrum of Investment options, IGI funds intends to launch a stock market fund and a Shariah-compliant fund during the financial year 2007-08. The guiding premise for IGI Fund's business growth model is providing investment solutions and products designed to address investor needs at both, the retail and institutional levels.

IGI Funds is committed to provide quality service to clients by utilizing modern techniques of portfolio management, asset allocation and security selection, while maintaining high standards of ethical and professional conduct.

### **IGI Finex Securities**

Last year your company had acquired 100% of the shareholding of Finex Securities Limited a full service brokerage firm. In the current period, IGI Bank has also transferred its brokerage business to IGI Finex Securities Limited. IGI Bank has also sold the related assets of its brokerage business to IGI Finex Securities Limited. The transfer of business & acquisition of 100% of the shareholding was carried out in order to expand the services being provided and take advantage of the expertise already available in the group.

The company has now been re-named as IGI Finex Securities. It is a corporate member of Karachi and Lahore Stock Exchanges and of National Commodity Exchange Limited (NCEL) and Financial Markets Association. The company serves customers across the spectrum including retail, institutional and foreign clients, through its offices in Karachi, Lahore, Islamabad, Faisalabad and Sialkot. The strategic acquisition of the company offers complimentary distribution strength and expanded market coverage to IGI Investment Bank in the financial markets. IGI Finex Securities, with more than one decade of presence in the financial markets has always been in the forefront in equity, money market and forex broking business in Pakistan and its key strength is the in-depth knowledge and expertise of its employees in their respective business areas and its blue-chip institutional client-base.

IGI Finex Securities has launched an on-line trading platform "I-Trade" with cutting edge advanced trading systems in place. I-Trade connects people anywhere, anytime to the opportunities of investment through the internet. The purpose of this facility is to deliver service and expertise to further clients' investment goals through the intelligent application of technology.

I-Trade provides its investors with advanced features like current market information for different stocks and exchange statistics, Buy/Sell orders, modify/cancel orders, outstanding orders, transaction list, daily trades, stock & index graphs as well as client's portfolio view through various reports. All the views can be customized according to the investor's preference. This innovative service has received tremendous response from investors.

<b>Financial Summary</b>			
-----Rs. in million-----			
	2006-2007	2005-2006	Growth %
Gross Revenue	156.6	48.1	225.57
Profit before taxation	46.7	6.0	678.33
Less: Taxation	19.8	3.8	421.00
Profit for the year after taxation	26.9	2.2	1,112.72
Total Assets	1,589.8	320.9	395.42
Earning per share	0.76	1.11	(31.53)

Gross revenue, Rs.156.6 million exhibited an impressive increase of more than twice as compared to the last financial year. The profit after tax for the year has increased by 11 times as compared to last year.

In view of the rapidly evolving capital market scenario in Pakistan, it became evident that scale of operations will be of vital importance in the future. With this in view, IGI Investment Bank Limited further invested in Rs. 500 million in IGI Finex Securities in November 2006 increasing the paid up capital from 20 million to 520 million.

IGI Finex Securities Limited is committed to deliver quality, expertise and innovation in everything it does. The strategic objective of the firm is to be recognized as one of the leading brokerage firms.

### Segments at a glance

#### Cash & Treasury Management

The Treasury at IGI Investment Bank this year also played a vital role in increasing the Balance Sheet size from PKR 5.29 billion as at June 30, 2006 to PKR 6.6 billion as at June 30, 2007. The deposit base of the bank increased from Rs 2.03 billion as at June 30, 2006 to Rs. 2.7 billion as at June 30, 2007. The Treasury Department made efforts to effectively and efficiently mobilize low cost deposits which can be witnessed by a 33% growth in the deposit base. The flagship department contributed 32% to the revenues with Rs. 203.52 million out of a total of Rs. 624.4 million. There was a conscious decision on part of Treasury and the Management not to invest heavily in the Government Securities portfolio during the year on account of a tight monetary stance of SBP, which proved to be a good decision.

However, depending on monetary policy and market conditions the activity in this area may be scaled up in future. We also expect increased investment in TFC's , money market mutual funds and in equities.

#### Fund Select

Fund Select is the investment advisory and mutual fund distribution arm of IGI Investment Bank. It has done extremely well since its launch in April 2006. Fund Select now represents 43 funds out of the 45 funds existing in the market and has distribution agreements with all but one of the major Asset Management Companies. The team was able to generate funds of Rs. 10 billion for various AMC's in the first full year of operation.

This year the department booked a revenue of Rs. 12.3 million. This is expected to increase significantly in future years.

#### Commercial Financing and Leasing

IGI investment bank is one of the only investment banks to actively promote corporate lending and leasing business.

In order to concentrate resources on core Investment Banking services, restructuring was carried out in the financing and leasing business which entailed discontinuing of the consumer finance services.

The commercial financing and leasing department focused its efforts on the SME sector in pursuit of better returns with good credit quality. The business performed well due to its network which provides accessibility to all the major markets of Pakistan. However, due to reduced credit off take in the economy generally and discommodation of our conconer finance business our disbursements of Rs. 1.6 were short of the target of Rs. 2.5 million.

The department contributed revenues worth Rs. 355.06 million which is a 56% of the total revenue of the bank.

### Corporate Finance

The corporate finance was re-initiated as the backbone of the investment banking operations in 2004-2005. Today it participates in primary markets through investments in Pre-IPO investment opportunities and as an underwriter. Most recently IGI Bank was a Co-Lead Underwriter to the public issue of Sitara Peroxide Limited which was oversubscribed by a multiple of over 5 times the IPO issue size.

The department is building a solid reputation as advisors and arrangers for select private equity transactions as well as catering towards advising medium enterprises on how to finance their growth. This has provided a constant flow of business for the bank and opportunities for repeat business.

In the year 2006-07, corporate finance began offering trustee services for TFC issues. In a span of 3 months, it has received mandates for 3 TFC issues of 'A' brand rated TFCs and the management is working to increase the size of the portfolio.

The department contributed revenues of 8.6 million.

### Summary Of The Key Operating And Financial Data

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

### Credit Rating

In Dec, 2006 the Pakistan Credit Rating Agency (PACRA) assigned the long term and short term entity ratings of IGI Investment bank at 'A' (single A) and 'A1' (A one) respectively with negative outlook.

### Directors

During the year following changes occurred in the Board of Directors of IGI Investment Bank.

OUTGOING DIRECTORS	INCOMING DIRECTORS
Mr. Nadeem Karamat	Mr. Arif Farooque
Mr. Nasim Baig	Mr. Farid Khan
Mr. Naveed Qazi	Mr. Adi J. Cawasji
Mr. Adi J. Cawasji	Mr.S.Javed Hassan

During the year under review, the Board met 6 times. The attendance of each Director at the Board meetings is given below.

Directors	Number Of Board Meetings Attended
Syed Babar Ali - Chairman	5
Mr. Nasim Beg	2
Mr. Nadeem Karamat	2
Mr. Khalid Yacob	5
Mr. Naveed Qazi	1
Mr. Samir Ahmed - Managing Director & Chief Executive	6
Mr. Towfiq H. Chinoy	4
Mr.Farid Khan	1
Mr.Adi J. Cawasji	4

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**Auditors**

The present auditors A.F. Ferguson & Co., Chartered Accountants, retire and have offered themselves for re-appointment. The Board as well as the Audit Committee of IGI Investment Bank has recommended their reappointment.

**Staff Retirement Benefits**

IGI Investment Bank operates a contributory provident fund for all its permanent employees. Equal monthly contributions are made, both by IGI Investment Bank and the employee, to the fund at 10% of basic salary. Based on latest audited financial statements of the provident fund and gratuity fund for the year ended June 30, 2004, the investments of the fund amount to Rs. 14,747,287 and Rs. Nil respectively

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

**Code of Corporate Governance**

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

- These financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows, and changes in equity.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements, except for changes stated in note 2.4 to the financial statements, and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented & monitored.
- There are no doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The company has not declared dividend or issued shares consequent to the loss for the year-ended June 30, 2007.
- There were no statutory payments outstanding on account of taxes, duties, levies other than those disclosed in the financial statements.

**Future**

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

**Pattern of shareholding**

The pattern of shareholding, disclosing the aggregate number of shares held by various categories of shareholders, appears at the end of this annual report. There were no trades in the shares of IGI Investment Bank during the year, carried out by its Chief Executive, Directors, Chief Financial Officer, Company Secretary and their spouses

**Acknowledgement**

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

For & on behalf of the Board