

Consolidated Financial Statements
For the year ended June 30, 2008

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of IGI Investment Bank Limited and its subsidiary companies, IGI Finex Securities Limited and IGI Funds Limited as at June 30, 2008 and the related consolidated Profit and Loss account, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of IGI Investment Bank Limited, IGI Finex Securities Limited and IGI Funds Limited. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements examined by us, present fairly the financial position of IGI Investment Bank Limited and its subsidiary companies as at June 30, 2008 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

A.F. Ferguson & Co.
Chartered Accountants
Karachi
September 5, 2008

Consolidated Balance Sheet

As at June 30, 2008

	Note	2008 (Rupees in thousand)	2007
ASSETS			
Non-current assets			
Fixed assets	3	358,189	319,839
Long-term loans - net	4	331,258	467,626
Net investment in finance lease	5	1,467,961	1,409,702
Long-term deposits and other receivables	6	13,597	6,306
Deferred tax assets - net	7	84,984	16,442
		<u>2,255,989</u>	<u>2,219,915</u>
Current assets			
Current maturity of long-term loans	4	209,393	137,945
Current maturity of net investment in finance lease	5	990,043	749,134
Short-term loans	8	410,691	197,979
Lendings	9	1,025,513	-
Receivable against continuous funding system transactions	10	483,912	758,409
Short-term investments	11	2,346,236	1,564,754
Taxation - net		248,337	230,851
Advances, deposits and prepayments	12	74,862	383,648
Interest, mark-up and profit accrued	13	65,351	85,261
Trade debts	14	1,438,913	641,971
Receivable against sale of securities	15	778,234	-
Other receivables - net	16	36,787	44,248
Cash and bank balances	17	974,845	361,766
		<u>9,083,117</u>	<u>5,155,966</u>
TOTAL ASSETS		<u><u>11,339,106</u></u>	<u><u>7,375,881</u></u>
EQUITY & LIABILITIES			
Capital and reserves			
Share capital	18	2,121,025	922,184
Reserves - net	19	41,820	116,067
		<u>2,162,845</u>	<u>1,038,251</u>
Minority interest	20	23,384	19,863
		<u>2,186,229</u>	<u>1,058,114</u>
Deficit on revaluation of investments - net	21	(60,231)	(17,451)
Non-current liabilities			
Term finance certificates	22	310,160	434,356
Long-term finance	23	408,333	781,669
Long-term certificates of deposit	24	471,898	528,055
Long-term deposits on lease contracts	25	418,221	429,731
Liabilities against assets subject to finance lease	26	1,917	3,517
		<u>1,610,529</u>	<u>2,177,328</u>
Current liabilities			
Current maturity of term finance certificates	22	124,950	61,565
Current maturity of long-term finance	23	481,667	421,666
Current maturity of long-term certificates of deposit	24	319,784	359,316
Current maturity of deposits on lease contracts	25	156,283	85,497
Current maturity of liabilities against assets subject to finance lease	26	359	757
Short-term finance	27	826,061	160,027
Short-term certificates of deposit	28	2,683,477	1,840,159
Borrowings from financial institutions	29	1,559,109	465,000
Interest and mark-up accrued	30	171,714	103,463
Payable against purchase of securities		65,410	-
Accrued expenses and other liabilities	31	1,213,765	660,440
		<u>7,602,579</u>	<u>4,157,890</u>
TOTAL EQUITY AND LIABILITIES		<u><u>11,339,106</u></u>	<u><u>7,375,881</u></u>
Contingencies and commitments	32		

The annexed notes 1 to 59 form an integral part of these financial statements.

Consolidated Profit and Loss Account For the Year Ended June 30, 2008

	Note	2008 (Rupees in thousand)	2007
Income			
Income from investments- net	33	246,467	105,241
Income from loans	34	119,709	119,759
Income from lease finance	35	231,396	230,548
Income from lendings and continuous funding system transactions	36	173,133	109,605
Remuneration from funds under management	37	38,577	3,770
Income from fees, commission and brokerage	38	204,428	114,889
		<u>1,013,710</u>	<u>683,812</u>
Finance costs	39	<u>601,660</u>	<u>483,933</u>
		412,050	199,879
Administrative and general expenses	40	<u>523,708</u>	<u>333,261</u>
		(111,658)	(133,382)
Other operating income	42	<u>62,129</u>	<u>38,009</u>
		(49,529)	(95,373)
Other operating expenses	43	<u>24,853</u>	<u>3,538</u>
Operating loss before provisions		<u>(74,382)</u>	<u>(98,911)</u>
Provision for bad and doubtful loans / potential lease losses - general - net	4.7 & 5.4	(5,257)	(4,260)
Provision for bad and doubtful loans / lease losses - specific - net	4.7 & 5.4	<u>(23,915)</u>	<u>(5,313)</u>
Loss before taxation		<u>(103,554)</u>	<u>(108,484)</u>
Taxation - net	44	<u>30,911</u>	<u>32,317</u>
Loss after taxation		<u>(72,643)</u>	<u>(76,167)</u>
Loss attributable to minority interest	20	<u>14,071</u>	<u>4,902</u>
Loss attributable to shareholders		<u>(58,572)</u>	<u>(71,265)</u>
		<u><u>(0.54)</u></u>	<u><u>(1.16)</u></u>
		-----Rupees -----	Restated
Loss per share	45	<u><u>(0.54)</u></u>	<u><u>(1.16)</u></u>

The annexed notes 1 to 59 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Samir Ahmed
Managing Director & Chief Executive

Consolidated Cash Flow Statement For the Year Ended June 30, 2008

	Note	2008 (Rupees in thousand)	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	48	(555,769)	(857,643)
Repayment / (disbursements) of long-term loans - net		54,325	(97,298)
Net investment in finance lease		(317,745)	(237,868)
Long-term deposits and prepayments		(7,291)	(948)
Issuance / (repayments) of long-term certificates of deposit - net		(95,689)	558,845
Receipts from deposits on lease contracts - net		59,276	94,461
Interest, mark-up and profit received		661,894	488,706
Dividend received		20,912	10,218
Financial cost paid		(533,175)	(439,921)
Income tax paid		(52,554)	(35,557)
Gratuity paid		(1,622)	(2,823)
Net cash (used in) / generated from operating activities		<u>(767,438)</u>	<u>(519,828)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure incurred		(99,341)	(114,739)
Proceeds from disposal of fixed assets		8,892	11,134
Net cash outflow on investing activities		<u>(90,449)</u>	<u>(103,605)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Term finance certificates		(62,636)	124,961
Lease rental paid		(2,232)	(1,072)
Proceeds from issue of right shares		1,198,841	461,092
Proceeds from issue of shares to minority interest		–	30,000
Long-term finance - net		(313,335)	(104,998)
Shares issue costs paid		(15,675)	–
Payment of dividend		(31)	(430)
Net cash inflow from financing activities		<u>804,932</u>	<u>509,553</u>
Net increase in cash and cash equivalents		<u>(52,955)</u>	<u>(113,880)</u>
Cash and cash equivalents at the beginning of the year		201,739	315,619
Cash and cash equivalents at the end of the year	49	<u><u>148,784</u></u>	<u><u>201,739</u></u>

The annexed notes 1 to 59 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Samir Ahmed
Managing Director & Chief Executive

Consolidated Statement of Changes in Equity For the Year Ended June 30, 2008

	Issued, subscribed and paid- up capital	Capital reserves		Reserves			Minority interest	Total
		Reserve for for issue of bonus shares	Statutory reserve	General reserve	Unappro- priated profit / (loss)	Total reserves		
(Rupees in thousand)								
Balance as at June 30, 2006	419,175	–	97,098	97,325	34,826	229,249	–	648,424
Transfer to reserve for issue of bonus shares made subsequent to the year	–	41,917	–	(41,917)	–	–	–	–
Issue of bonus shares	41,917	(41,917)	–	–	–	(41,917)	–	–
Issue of right shares	461,092	–	–	–	–	–	–	461,092
Loss after taxation for the year ended June 30, 2007	–	–	–	–	(76,167)	(76,167)	–	(76,167)
Loss attributable to minority interest	–	–	–	–	4,902	4,902	(4,902)	–
Transfer of resources to the shareholders of the Group consequent to deemed partial disposal of shareholding in IGI Funds Limited	–	–	–	–	–	–	(5,235)	(5,235)
Issue of shares to minority interest	–	–	–	–	–	–	30,000	30,000
Balance as at June 30, 2007	<u>922,184</u>	<u>–</u>	<u>97,098</u>	<u>55,408</u>	<u>(36,439)</u>	<u>116,067</u>	<u>19,863</u>	<u>1,058,114</u>
Issue of right shares	1,198,841	–	–	–	–	–	–	1,198,841
Loss after taxation for the year ended June 30, 2008	–	–	–	–	(72,643)	(72,643)	–	(72,643)
Loss attributable to minority interest	–	–	–	–	14,071	14,071	(14,071)	–
Transfer of resources to the minority shareholders consequent to the right issue in IGI Funds Limited	–	–	–	–	–	–	17,592	17,592
Share issue expense*	–	–	–	(15,675)	–	(15,675)	–	(15,675)
Balance as at June 30, 2008	<u>2,121,025</u>	<u>–</u>	<u>97,098</u>	<u>39,733</u>	<u>(95,011)</u>	<u>41,820</u>	<u>23,384</u>	<u>2,186,229</u>

* Transaction costs incurred in connection with the issue of shares have been accounted for as deduction from general reserve, in accordance with the requirements of the International Accounting Standard (IAS) 32, 'Financial Instruments: Disclosure and Presentation'.

The annexed notes 1 to 59 form an integral part of these financial statements.

Syed Babar Ali
Chairman

Samir Ahmed
Managing Director & Chief Executive