

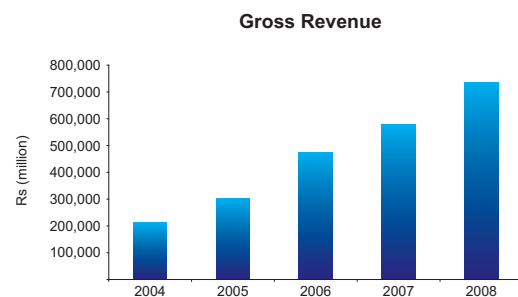
Directors' Report to the Shareholders

The Board of Directors of IGI Investment Bank Limited are pleased to present the annual report and audited financial statements for the year ended June 30, 2008 to the Eighteenth Annual General Meeting of the shareholders.

General Overview

The Year 2007-2008 has been a challenging and an important one for IGI Investment Bank Limited. This year we focused our efforts to bring growth in the existing lines of business and to channel our resources towards moving the Company closer to its objective.

This year was an eventful year. All of us were witness to the happenings in the political arena which kept business activity subdued. This in turn slowed down the pace of business generation because of the uncertain situation in the country. Further some below-expectation macro economic figures kept the investors at bay. The financial markets were also reflective of the lack luster performance of the economy in general and were unable to sustain its resilience against the ups and downs of the political situation. On the financial sector, new NBFC rules were introduced on November 21, 2007. We feel that the new rules will be instrumental in making the environment



more competitive and this would provide a level playing field for all the players in the industry

Despite the prevalent situation, your Bank continued to improve its performance and various segments showed marked improvement over the same period last year. IGI Investment Bank took the lead in ensuring compliance to the new NBFC rules and announced a 130% right share in January 2008. This has given us an edge over all our competitors to be compliant to the minimum capital requirement of 2010. Our capital base will provide us the launching pad to get ahead of the peers and will also enable the Management to focus on productive issues.

Your Bank continued to emphasize on the branding of IGI Financial Services generating Brand Visibility in the financial and corporate circles. We have launched the new IGI Financial

Directors' Report to the Shareholders

campaign to generate awareness of the brand and to capitalize on the already existing brand equity. All in all, every business activity made progress, either in financial terms or toward a Broader Strategic Goal.

Your Company ended the year with an after tax loss of Rs.6.39 million for the year ended June 30, 2008 as compared to a loss of Rs.39.16 million in the corresponding period of the last year. However, the Company has reported an after tax loss of Rs.9.47 million for the quarter ended June 30, 2008 as compared to an after tax loss of Rs.15.84 million in the corresponding period.

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

The results for the year 2007-2008 showed a progressive trend in the face of structural changes in the organization against the projections. Furthermore, shareholder confidence has been conclusive of the aptitude of the Group with substantial subscription of the 4th right share Issue of IGI Investment Bank.

Financial Summary

-----Rs. in millions-----

	2008	2007	Growth (%)
Gross Revenue	795.413	624.424	27.38%
Loss for the year before taxation	(45.637)	(79.267)	-42.43%
Less: Taxation	39.251	40.110	-2.14%
Profit / loss for the year after taxation	(6.386)	(39.157)	83.69%
Total Assets	9,831.396	6,649.016	47.86%
Earnings / Share	(0.06)	(0.64)	90.63%

We are very confident that the strategic investments made and necessary restructuring done will fulfill the expectations of the shareholders. The umbrella branding of IGI Financial Services has started to bear fruits. The Management team has provided the basic tools and the launching pad to take off.

Our income from fund placements and financing, including lease finance, increased from Rs.438.45

million to Rs.473.83 million and is in line with the strategy of the Bank. Our net fund based income increased from Rs.76.25 million from last year to Rs.130.41 million for the current year. The income from investments increased from Rs.120.66 million to Rs.227.67 million. The revenue generated from fee based lines of business i.e. brokerage; corporate finance, and advisory and portfolio management have significantly contributed to our non fund

Directors' Report to the Shareholders

based income which increased from Rs.26.87 million to Rs.62.64 million.

Strategic Investments IGI Funds Limited

IGI Funds Limited wholly owned 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 feel proud in informing our shareholders that, as per our expectations, IGI Funds after launching the premium IGI Income Fund became the industry standard for a well-managed fund with the standard deviation among the lowest in the industry depicting consistent performance.

The strategic investments that have been made in building the team and the necessary equipments required will bear fruit soon.

-----Rs. in millions-----

	2008	2007
Gross Revenue	42,547	6,884
Administrative & other expenses	84,857	37,791
Loss before taxation	(45,075)	(31,399)
Loss after taxation	(28,512)	(19,313)
Loss per share	(4.12)	(6.52)

IGI Funds launched the much anticipated "IGI Stock Fund" in July. The Fund aims to capture interest of investors who seek long-term capital

growth by investing primarily in a diversified pool of equities and equity related investments. The IGI Stock Fund, an open-ended scheme will provide investors an opportunity to benefit from a diversified stock market portfolio which will be prudently managed by a professional fund manager at IGI Funds.

IGI Funds has also signed a Trust Deed for the launch of the IGI Islamic Income and Growth Fund. Further it has also signed a Memorandum of Understanding (MoU) with Pak Brunei Investment Company to set up a "Hybrid Portfolio Fund" which will offer a steady income while providing a high degree of principal safety to its investors. The Fund will be unique in its nature as it is directed towards the needs of a specific investor class.

IGI Funds Ltd. in collaboration with IGI Insurance Ltd. is now offering complimentary personal accident insurance to all its investors. This offer is being extended to all existing and new investors with a maximum coverage of Rs.100,000 for personal accidents such as accidental death or permanent disablement. Investors who make an initial minimum investment of Rs.5,000 or more in the funds of IGI Funds will be able to avail the benefit of the complimentary coverage.

The future of IGI Funds looks brighter as it has plans to launch a spectrum of mutual funds intended for institutional as well as retail client base. The guiding premise for IGI Fund's business growth model is providing investment solutions and products designed to address express investor needs.

Directors' Report to the Shareholders

IGI Funds is committed to provide quality service to institutional and retail clients utilizing modern techniques of portfolio management, asset allocation and security selection, while maintaining high standards of ethical and professional conduct in line with the emphasis on business integrity by its sponsors.

Since establishment, IGIFL has developed operational and technical capabilities at an expedited pace.

Assessing the potential of growth and the management team it owns, PACRA has assigned a Management Quality Rating of AM 3- to IGI Funds. Usually PACRA assigns an AM 4 rating to new entrants, IGI Funds managed to secure AM 3- from the beginning.

IGI Finex Securities

IGI Finex Securities is a corporate member of Karachi and Lahore Stock Exchanges and also a member of National Commodity Exchange Limited. The Company serves customers across the spectrum including retail, institutional and foreign, through its offices in Karachi, Lahore, Islamabad, Faisalabad, Peshawar, Multan, Gujranwala and Sialkot. The strategic acquisition of Finex Securities offers complimentary distribution strength and expanded market coverage to IGI Investment Bank in the financial markets. 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 brokerage business in Pakistan. Finex's key strength is the in-depth knowledge and expertise of its employees in their respective business areas and its blue-chip client-base.

IGI Finex Securities has developed an on-line trading platform "I-Trade" – a true synthesis of tradition and technology 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 your 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 and 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 product has received tremendous response from investors.

The upcoming product of IGI Finex Securities is 'J-Trade'. 'J-Trade' is the commodities brokerage service of IGI Finex Securities that offers customers the opportunity to trade in commodities at the online commodity exchange of Pakistan – National Commodity Exchange Limited (NCEL). IGI Finex is registered with the National Commodity Exchange Limited to offer top of the line trading facilities for market participants interested to trade in future contracts offered by NCEL.

The Company finds its strength in its team of young, talented and confident individuals. A stringent employee selection process, focus on continuous

Directors' Report to the Shareholders

training and adoption of best management practices drive the quest to achieving our vision.

IGI Finex Securities Limited offers a complete range of brokerage services to its customers, based on integrity, trust and competence and believes in building a strong working relationship with its customers. They accomplish this by providing their customers with the most comprehensive overview of the market, timely information and maintaining a close liaison.

-----Rs. in millions-----

	2008	2007	Growth %
Gross Revenue	309.90	156.61	97.8
Profit before taxation	50.14	46.79	7.1
Less: Taxation	24.16	19.87	21.5
Profit for the year after taxation	25.98	26.92	(3.5)
Total Assets	2,129.15	1,589.79	40
Earnings per share	0.50	0.76	

Gross revenue, Rs.309.90 million exhibited an impressive increase of 98% as compared to the last financial year. The profit after tax for the year has decreased by 3.5% as compared to last year.

Total assets at year end grew 40% from last year's Rs.1,589.79 million to Rs.2,129.15 million this year.

IGI Finex Securities Limited is committed to delivering quality, experience, intellect, precision and innovation in everything it does. The strategic objective of the firm is to be recognized as one of

the leading brokerage firms. This distinction is punctuated by our corporate culture, which is depicted by a client-centric approach, ability to be flexible and innovative, and maintaining the highest level of ethical standards.

Going forward, IGI Finex will continue to strengthen their presence in their chosen areas. We have over the last years introduced a number of new products and services and do not expect any major additions. Focus will now be on profitable growth in the existing lines of business.

Segments at a glance

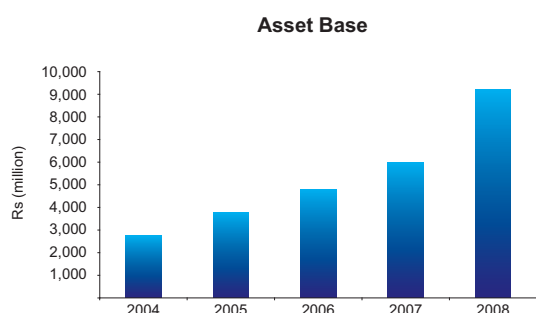
Cash & Treasury Management

The Treasury at IGI Investment Bank has always played a vital role in the over all performance. This year was no exception. During the year the team was adequately equipped with the resources it required to enhance its capabilities and the team responded by playing a vital role in increasing the Balance Sheet size from Rs.6.65 billion as at June 30, 2007 to Rs.9.83 billion as at June 30, 2008.

We strongly believe that the contribution of Treasury will continue and would grow with synergies being developed with other SBUs. The flagship department contributed 46% to the revenues with Rs.347.86 million being contributed by Treasury from a total of Rs.764 million.

Every avenue of income generation was tapped and the following table is a glimpse of the evidence:

Directors' Report to the Shareholders



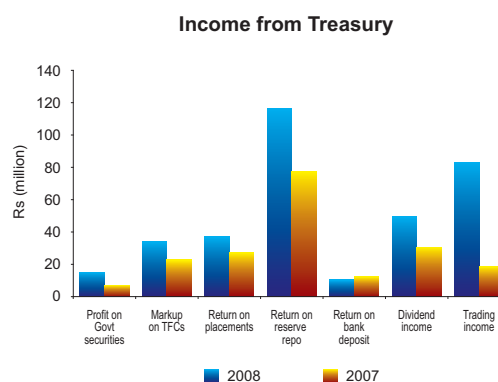
November '07. IGI Investment Bank's deposit plan is ideal for all sorts of investors (corporate as well as individual) providing the investor with the deposit duration of his / her choice, ranging from 1 month to 3 years and various profit payment frequency. With the 'Step Up Savings plan', one can enjoy guaranteed returns on the deposit with increasing returns as the duration of the deposit increases.

Rs. in thousands

Profit on PIBs / FIBs	14,971
Mark up on TFCs	35,026
Return on fund placements	39,294
Return on reverse repo arrangements	120,193
Return on bank balances	14,284
Dividend on quoted securities and mutual fund units	51,848
Trading income on PIBs / FIBs / TFCs / Securities	86,529
Total	362,145

The feather in the hat was the department's extreme efforts to effectively and efficiently mobilize low cost deposits, which can be witnessed by a 27% growth in the Deposit base of the Bank, which increased from Rs.2.73 billion as at June 30, 2007 to Rs.3.48 billion as at June 30, 2008.

IGI Investment Bank went a step forward with comprehensive solutions that best serve the investment needs of the corporate and retail investors and re-launched the "Step Up Savings Plan" in



The Step Up Savings Plan is ideal for customers who want to deposit their money for a fixed period with the security of a known return while receiving the most competitive profit rates. IGI Investment Bank provides investors the flexibility and convenience of investing for a period as little as one month and to a maximum to three years at very attractive rates, making the Plan one of the most competitive deposit schemes around.

It was a conscious decision on part of Treasury and the Management not to invest heavily in the Government Securities portfolio on account of a tight monetary stance of SBP, which proved to be a good decision after a series of SBP discount rates hikes.

Directors' Report to the Shareholders

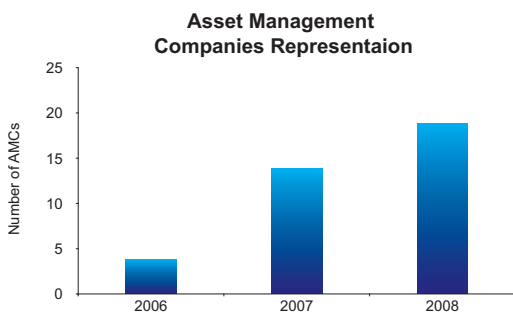
However, the Treasury and Cash Management Department has done proper homework for the next fiscal year; Treasury is decked up to build up its Government Securities portfolio. Also during this year Treasury will ramp up its investment in the equity portfolio.

Fund Select

Fund Select is a special open-end Mutual Funds Advisory Service for corporate and retail investors. IGI took the lead as an investment bank to represent 25 open funds in Pakistan which has now grown to approximately 55 funds.

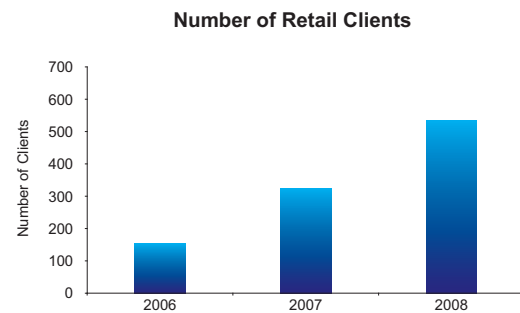
IGI Investment Bank's Fund Select Advisory Service is a representative of several asset management companies offering respective Mutual Fund products to its clients. Through this unique service, the Bank assists customers in building personal customized portfolios and also advises on how the combinations of various investment funds can provide them with incremental financial growth.

Other benefits that the customers can avail through Fund Select Advisory are access to well-recognized fund managers, a full range of investment options,



asset allocation program and portfolio optimization. In addition, customers gain the convenience of consolidated reports on multiple funds; research and information dissemination through variety of modes like call center; mails; email; SMS and website.

The Fund Select Advisors develop clients' portfolios by a combination of investments in stock markets, bonds and equity. They also offer a broad range of investment strategies, allowing clients to choose the ones, which best match, their risk profiles.



Fund Select has received an overwhelming response from investors and continues to grow on the popularity chart as it remained active with innovative products and services.

The Directors feel proud in informing the shareholders that this product of theirs has now become the leader in the industry of mutual fund advisory. Fund Select now represents all the major Asset Management Companies. The team of young energetic professionals was able to generate around Rs.22 billion in the two years of operation leaving behind the competition by a very big margin.

Directors' Report to the Shareholders

Keeping in mind the success of Fund Select and the phenomenal response it has received till now we expect competition cropping up this year. The team has geared up for the competition and has started providing additional services of monthly research reports, sms alerts and web based information sharing. The team also has plans to automate the system to provide on time and correct information to the customers.

The Fund Select department diversified into portfolio management, to create synergies with the existing resources available with the Bank and to capitalize on the strong relationships with the major corporate identities. This will be a front runner soon and we believe will be a symbol of success and a flag ship product for the Bank. We have some large corporates on the list of the separately managed accounts.

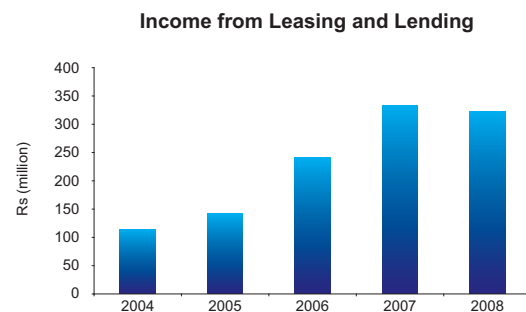
Commercial Financing & Leasing

The Bank's lending, leasing and factoring products include direct lease, sale and leaseback, short-term loans, and term loans for BMR, acquisition and expansion, and project financing.



Restructuring was carried out in the corporate marketing department in order to make sure that the steps being taken bring the department in line with the macro strategy of the Bank.

Although much needs to be done to nullify the impact of closing down unsuccessful ventures like consumer marketing which had a major impact on the top line as well as bottom line. Your Bank has been striving hard to mitigate the effects.



Presently the team at Corporate Marketing department is focused on SME sector for better returns and profit maximization leveraging the accessibility in terms of presence in all the major markets of Pakistan.

We are all geared up to introduce new specialized products in this sector and necessary steps would be taken that the requisite ground work is done to make the product contribute to the bottom line.

The team has set an ambitious target for the next year and plans to start big ticket leasing in the days to come along with specialized products using the IGI

Directors' Report to the Shareholders

brand leverage. The team plans to move out with pre-approved limits of corporate clients and maintain a balance between the large corporate and SMEs.

We can boast to be the only investment bank aggressively pursuing the corporate lending and leasing business and find ourselves to be competent and competitive both in terms of the rates as well as the team to take on the challenge head on. The team plans to use the lowest turn around time as a unique selling proposition to carve a niche in the market.

Corporate Finance

The Corporate Finance department was reinitiated as a full fledged component of the products and service offerings of IGI Investment Bank in 2004-2005. Since then it has established itself within Pakistan's financial service sector.

The successes have both been qualitative and quantitative. IGI Investment Bank receives offers to participate in equity and debt issues as both a pre IPO and as an underwriter. As the IGI Financial Services distribution capabilities have increased, the strategy would result in more business for the Bank.

An additional feature of the activity has also been that IGI Investment Bank in 2007 began offering Trustee services for TFC issues. In a short span of 3 months, it has received mandates for three TFC

issues of 'A' brand rated TFCs and the Management is working to increase the size of the portfolio.

The Bank has also built up a solid reputation in catering towards advising medium enterprises on how to finance their growth. In the process it has been able to structure transactions to suit the needs of the capital raising entities and prospective lenders. This has provided a constant deal flow for the Bank and provided opportunities.

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 2007, the Pakistan Credit Rating Agency (PACRA) maintained the long-term and short-term entity ratings of IGI Investment Bank at 'A' (single A) and 'A1' (A one) respectively with a positive outlook.

Directors

During the year there was no change in the Board of Directors of IGI Investment Bank.

During the year under review, the Board met 5 times. The attendance of each Director at the Board meetings is given below.

Directors	Number of board meetings attended
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Directors' Report to the Shareholders

Syed Babar Ali – Chairman	5
Mr. Khalid Yacob	5
Mr. Farid Khan	4
Mr. Arif Faruque	3
Mr. Towfiq H. Chinoy	3
Syed Javed Hassan – Executive Director	5
Mr. Samir Ahmed – Managing Director & Chief Executive	5

Auditors

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

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 unaudited financial statements of the provident fund and gratuity fund for the year ended June 30, 2008, the investments of the funds amount to Rs.24.3 million and Rs.8.02 million 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 account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are reasonable and on a prudent basis.
- The system of internal control, which is in place, is sound in design and has been effectively implemented and monitored.
- International Accounting Standards, as applicable in Pakistan, has been followed in preparation of financial statements and these have been effectively implemented and monitored. Timely corrective action is taken to address any exceptions that are identified.
- The reason for non-declaration of dividend / non-issuance of bonus shares is loss during the year.
- There are no doubts upon the Company's ability to continue as a going concern.

Directors' Report to the Shareholders

- There has been no material departure from the best practices of corporate governance.

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 hallmark 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 the Chief Executive, Directors, Chief Financial Officer, Company Secretary and their spouses and minor children except as follows:

- Syed Babar Ali (Chairman) bought 2,492,713 shares
- Syed Javed Hassan (Executive Director) bought 4,600 shares
- Mr. Samir Ahmed (Managing Director & Chief Executive) bought 25,000 shares

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

August 20, 2008

Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of IGI Investment Bank Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited and Chapter XIII of the Lahore Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2008.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

September 5, 2008

Statement of Compliance with the Best Practices of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 (Chapter XI) and No. 43 (Chapter XIII) of listing regulations of the Karachi and Lahore Stock Exchanges respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

IGI Investment Bank Limited (“IGI Bank”) has applied the principles contained in the Code in the following manner:

1. IGI Bank encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes five non-executive Directors, including three independent Directors, and there is no director representing minority shareholders.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including IGI Bank.
3. All the resident Directors of IGI Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a development finance institution or a non-banking finance company or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. IGI Bank has prepared a ‘Statement of Ethics and Business Practices’, which has been signed by all the Directors and employees of IGI Bank.
6. The Board has developed a statement of main purpose and guiding principles (vision / mission statement), overall corporate strategy and significant policies of IGI Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive / Executive Director, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged an orientation course for its Directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointments of the Chief Financial Officer and Company Secretary, including their remuneration and terms and conditions of employment, as determined by

Statement of Compliance with the Best Practices of the Code of Corporate Governance

- the Chief Executive.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
 12. The financial statements of IGI Bank were duly endorsed by Chief Executive and Chief Financial Officer before approval of the Board.
 13. The Directors, Chief Executive and Executives do not hold any interest in the shares of IGI Bank other than that disclosed in the pattern of shareholding.
 14. IGI Bank has complied with all the corporate and financial reporting requirements of the Code.
 15. The Board has formed an Audit Committee. It comprises of three members, of whom two are non-executive Directors including the Chairman of the Committee.
 16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of IGI Bank and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
 17. The Company has an effective Internal Audit function.
 18. The statutory auditors of IGI Bank have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan,
- that they or any of the partners of the firm, their spouses and minor children do not hold shares of IGI Bank and that the firm and all its partners are in compliance with International Federation of Accountants ("IFAC") guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
 19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
 20. We confirm that all other material principles contained in the Code have been complied with.
- For and on behalf of the Board.
- | | |
|------------------------------------|--|
| <p>Syed Babar Ali
Chairman</p> | <p>Samir Ahmed
Managing Director
& Chief Executive</p> |
|------------------------------------|--|
- August 20, 2008