IGI FINEX SECURITIES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **IGI Finex Securities Limited ('the Company')** as at June 30, 2016 and the related profit and loss account, cash flow statement, statement of comprehensive income and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these 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 above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

   (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company ;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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Chartered Accountants
Engagement Partner: **Shahbaz Akbar**
Dated: October 6, 2016
Karachi

IGI FINEX SECURITIES LIMITED
BALANCE SHEET
AS AT JUNE 30, 2016

	Note	2016	2015
		---------------- Rupees --------------	
ASSETS			
Non-current assets			
Fixed assets			
- Property and equipment	4	19,284,232	18,217,328
- Intangible assets	5	15,275,554	15,282,331
Long-term investments	6	9,883,822	9,883,822
Long-term loan	7	69,859,738	69,859,738
Long-term deposits	8	4,439,473	4,339,473
Deferred tax asset - net	9	83,046,053	83,482,955
		201,788,872	201,065,647
Current assets			
Trade debts	10	57,679,145	45,722,276
Loans and advances	11	1,919,468	737,965
Trade deposits and short-term prepayments	12	148,263,686	140,133,607
Accrued mark-up	13	12,726,474	10,114,540
Other receivables	14	793,734	2,051,171
Taxation recoverable		39,522,327	35,676,649
Cash and bank balances	15	209,091,186	184,606,599
		469,996,020	419,042,807
TOTAL ASSETS		671,784,892	620,108,454
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
60,000,000 ordinary shares of Rs. 10/- each (2015: 60,000,000 ordinary shares of Rs. 10/- each)		600,000,000	600,000,000
Issued, subscribed and paid-up share capital	16	520,000,000	520,000,000
Accumulated losses		(851,295,360)	(871,092,591)
Advance against issue of preference shares	17	650,000,000	650,000,000
		318,704,640	298,907,409
Current liabilities			
Trade and other payables	18	353,080,252	321,201,045
TOTAL EQUITY AND LIABILITIES		671,784,892	620,108,454
CONTINGENCIES	19		

The annexed notes from 1 to 31 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

DIRECTOR

IGI FINEX SECURITIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		Rupees	
Operating revenue	20	120,553,343	95,536,707
Other operating revenue	21	25,146,299	31,312,463
Gain on sale of short term investments		-	2,621,424
		145,699,642	129,470,594
Administrative and operating expenses	22	(125,188,621)	(118,996,875)
Financial charges		(672,072)	(545,174)
		19,838,949	9,928,545
Other income	23	2,968,834	11,257,777
		22,807,783	21,186,322
Reversal / (provision) against:			
- trade debts	10.2	3,621,983	115,860
- other receivables	14.1	(924,139)	(5,903,037)
		2,697,844	(5,787,177)
Impairment loss on long term investments	6.2	-	(6,117,178)
Profit before taxation		25,505,627	9,281,967
Taxation - current	24	(5,102,802)	(1,776,151)
- prior		(168,692)	-
- deferred		(436,902)	(220,510,875)
		(5,708,396)	(222,287,026)
Profit / (loss) after taxation		19,797,231	(213,005,059)
Earnings / (loss) per share - basic and diluted	25	0.38	(4.10)

The annexed notes from 1 to 31 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

IGI FINEX SECURITIES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	Rupees	
Profit / (loss) after taxation	19,797,231	(213,005,059)
Other comprehensive income		
Total comprehensive income / (loss) for the year	19,797,231	(213,005,059)

The annexed notes from 1 to 31 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

IGI FINEX SECURITIES LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		---------------- Rupees	--------------
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		25,505,627	9,281,967
Adjustments for non-cash items			
Depreciation - property and equipment		5,070,205	3,959,229
Depreciation - investment property		-	143,563
Amortisation		6,777	55,205
Gain on disposal of property and equipment		(1,748,910)	(137,974)
Gain on disposal of investment property		-	(10,888,848)
Gain on sale of investments		-	(2,621,424)
Return on short term investments		-	(3,275,829)
(Reversal of provision) / provision against			
- Trade debts		(3,621,983)	(115,860)
- Other receivables		924,139	5,903,037
Impairment loss on investments		-	6,117,178
Dividend income		(1,915,344)	(1,767,678)
Profit on savings accounts		(9,505,047)	(11,999,279)
Income on deposit with Pakistan Stock Exchange Limited (formerly: Karachi Stock Exchange Limited)		(3,188,132)	(3,931,296)
Income on deposit with Pakistan Mercantile Exchange Limited		(44,439)	(108,687)
Income on term loan		(6,024,473)	(4,046,985)
Financial charges		672,072	545,174
		(19,375,135)	(22,170,474)
		6,130,492	(12,888,507)
Changes in working capital			
(Increase) / decrease in current assets			
Trade debts		(8,334,886)	75,816,461
Loans and advances		(1,181,503)	(182,206)
Trade deposits and short-term prepayments		(8,130,079)	(22,212,010)
Other receivables		333,298	57,737,291
		(17,313,170)	111,159,536
Increase / (decrease) in current liabilities			
Trade and other payables		31,879,207	62,069,129
		20,696,529	160,340,158
Finance cost paid		(672,072)	(545,174)
Income tax paid		(9,117,172)	(7,460,015)
Net cash generated from operating activities		10,907,285	152,334,969
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property and equipment		(7,362,433)	(9,793,589)
Payment for purchase of intangible assets		-	(40,000)
Proceeds on disposal of property and equipment		2,974,234	742,254
Proceeds on disposal of investment property		-	18,593,500
Disbursement of long-term loan		-	(69,859,738)
Payment for purchase of short term investments		-	(300,937,693)
Proceeds on redemption of short term investments		-	60,000,000
Proceeds on disposal of short term investments		-	246,834,946
Long-term deposits		(100,000)	195,191
Dividend received		1,915,344	1,767,678
Interest received		16,150,157	13,897,591
Net cash generated from / (used in) investing activities		13,577,302	(38,599,860)
Net increase in cash and cash equivalents		24,484,587	113,735,109
Cash and cash equivalents at the beginning of the year		184,606,599	70,871,490
Cash and cash equivalents at the end of the year	26	209,091,186	184,606,599

The annexed notes from 1 to 31 form an integral part of these financial statements

CHIEF EXECUTIVE OFFICER

DIRECTOR

IGI FINEX SECURITIES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016

	Issued, subscribed and paid-up share capital	Advance against issue of preference shares	Accumulated losses	Total
	(Rupees)			
Balance as at July 1, 2014	520,000,000	650,000,000	(658,087,532)	511,912,468
Total comprehensive loss				
Loss after taxation for the year ended June 30, 2015	-	-	(213,005,059)	(213,005,059)
Other comprehensive income	-	-	-	-
	-	-	(213,005,059)	(213,005,059)
Balance as at July 1, 2015	520,000,000	650,000,000	(871,092,591)	298,907,409
Total comprehensive income				
Profit after taxation for the year ended June 30, 2016	-	-	19,797,231	19,797,231
Other comprehensive income	-	-	-	-
	-	-	19,797,231	19,797,231
Balance as at June 30, 2016	520,000,000	650,000,000	(851,295,360)	318,704,640

The annexed notes from 1 to 31 form an integral part of these financial statements

CHIEF EXECUTIVE OFFICER

DIRECTOR

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 IGI Finex Securities Limited (the Company) was incorporated in Pakistan on June 28, 1994 as a public limited company under the Companies Ordinance, 1984. The registered office of the Company is situated at Suite No. 701-713, 7th Floor, the Forum, G-20, Khayaban-e-Jami, Block-9, Clifton, Karachi. The Company has a Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited (formerly: Karachi Stock Exchange Limited) and is a corporate member of Pakistan Mercantile Exchange Limited. The Company is a wholly owned subsidiary of IGI Investment Bank Limited.

The principal activities of the Company include shares and commodities brokerage, money market and foreign exchange brokerage and advisory and consulting services.

1.2 The Board of Directors of the Company had earlier approved the proposed merger of the Company with and into IGI Investment Bank Limited, its parent company. It was envisioned that the said merged entity will be able to offer a full suite of investment products to its clients from a single platform including stocks, commodities and fixed income brokerage, mutual funds distribution as well as the value added services of investment advisory, portfolio management and corporate advisory services. The said decision was taken in light of the draft NBFC Rules and Regulations that were issued by SECP whereby NBFCs were to be permitted to undertake the aforesaid businesses from a single entity. However, consequent to the final amendments in NBFC Rules and NBFC Regulations that have now been enacted by SECP, the management reassessed the proposed merger and concluded that the same is no more possible. Consequently, the Board of Directors of the Company has decided to abandon the proposed merger of the Company with and into IGI Investment Bank. Accordingly, the Company will continue to operate in its current form.

2 BASIS OF PREPARATION AND MEASUREMENT

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the provisions of the Companies Ordinance, 1984, and the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Where the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

The following standard, interpretations and amendment to published approved accounting standards are mandatory for the financial year beginning on or after July 01, 2015:

IFRS 13 'Fair Value Measurement' establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRS. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 'Financial Instruments: Disclosures'. The amendment did not have a significant effect on the financial statements of the Company.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2015 but are considered not to be relevant or do not have any significant effect on the Company's financial statements and are, therefore, not detailed in these financial statements.

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

There are certain new and amended standards and interpretations to published approved accounting standards that are mandatory for accounting periods beginning on or after July 1, 2016 but are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not detailed in these financial statements.

Further, the following new standards have been issued by the IASB which are yet to be notified by SECP for the purpose of applicability in Pakistan.

Standards	IASB effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2018
IFRS 16 – Leases	January 01, 2019

2.4 Cost convention

These financial statements have been prepared under the historical cost convention except that certain investments have been carried at fair value in accordance with the requirements of International Accounting Standard (IAS) 39 - "Financial Instruments: Recognition and Measurement".

2.5 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

2.6 Critical accounting estimates and judgments

The preparation of these financial statements in conformity with the approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

i) Determination and measurement of useful life and residual value of fixed assets (notes 3.1.1 and 4);
ii) Amortisation of intangible assets (notes 3.1.2 and 5);
iii) Impairment of non-financial assets (note 3.2);
iv) Classification and valuation of investments (notes 3.3 and 6);
v) Provision against doubtful debts and other receivables (notes 3.7, 10, 13 and 14); and
vi) Income taxes (notes 3.10, 9 and 24);

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Fixed assets

3.1.1 Property and equipment

These are stated at cost less accumulated depreciation or impairment losses, if any, except for capital work-in-progress which is stated at cost less impairment loss, if any. The cost of an item of fixed assets comprises of its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

Depreciation on all fixed assets is calculated using the straight line method in accordance with the rates specified in note 4 to these financial statements after taking into account residual values, if significant. The assets' residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the date the asset is available for use. For any disposal, depreciation is charged till the date of disposal.

Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

Gains or losses arising from derecognition of a fixed asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss account when the asset is derecognised.

3.1.2 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such intangible assets are amortised using the straight-line method taking into account residual value, if any, at the rates specified in note 5 to these financial statements. Amortisation is charged from the date the asset is available for use while in the case of assets disposed of, it is charged till the date of disposal. The useful life and amortisation method is reviewed and adjusted, if appropriate, at each balance sheet date.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any. An intangible asset is regarded as having an indefinite useful life, when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which asset is expected to generate net cash inflows for the Company. An intangible asset with an indefinite useful life is not amortised. However, the carrying amount is reviewed at each balance sheet date or whenever there is an indication that the asset may be impaired, to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds the estimated recoverable amount, it is written down to its estimated recoverable amount.

Intangible assets exchanged for a non-monetary asset or assets, or a combination of monetary and non-monetary assets is measured at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measureable. If the acquired asset is not measured at fair value, its cost is measured at the carrying amount of the assets given up.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss account when the asset is derecognised.

3.1.3 Investment property

Investment properties are properties held to earn rentals and / or capital appreciation or for both. Investment properties are initially measured at cost, including transaction costs. Investment property transferred from owner-occupied properties is recognised at its carrying amount on the date of transfer. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is charged to profit and loss account applying the straight-line method. The assets' residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Gains or losses on disposals of investment property are taken to the profit and loss account in the period in which they arise.

Repairs and maintenance are charged to the profit and loss account in the period in which they are incurred.

3.2 Impairment of non-financial assets

The carrying amounts of the Company's assets other than deferred tax asset and intangible assets with indefinite useful life, are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, then the asset's recoverable amount is estimated to assess whether asset's carrying value exceeds its recoverable amount. Where carrying value exceeds the estimated recoverable amount, asset is written down to its recoverable amount. Impairment losses are recognised as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.3 Financial assets

3.3.1 Classification

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standard (IAS) 39; 'Financial Instruments: Recognition and Measurement' at the time of purchase of investment. The financial assets of the Company are categorised as follows:

a) **Financial assets 'at fair value through profit or loss - held for trading'**

Investments that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as financial assets 'at fair value through profit or loss - held for trading'.

b) **Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) **Held to maturity investments**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity.

d) **Available for sale**

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss, (b) loans and receivables or (c) held to maturity investments.

3.3.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase or sell the asset.

3.3.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets 'at fair value through profit or loss - held for trading'. Financial assets 'at fair value through profit or loss - held for trading' are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

3.3.4 Subsequent measurement

Subsequent to initial recognition, financial assets classified by the management as financial assets 'at fair value through profit or loss - held for trading' and available for sale that comprise of equity securities are valued on the basis of quoted market prices. Loans and receivables are carried at amortised cost. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment, if any.

Held to maturity investments are measured at amortised cost using the effective interest method less any impairment.

Net gains and losses arising on changes in the fair value of financial assets 'at fair value through profit or loss - held for trading' are taken to the profit and loss account.

Net gains and losses arising on changes in fair value of available for sale financial assets are taken to other comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in other comprehensive income is transferred to the profit and loss account.

3.3.5 Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that the financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is reclassified from other comprehensive income to profit and loss account.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised on equity instruments are not reversed through profit and loss

3.3.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3.4 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

3.5 **Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.6 **Securities under repurchase / resale agreement**

Transactions of sale under repurchase (repo) of securities are entered into at contracted rates for specified periods of time. These securities are not derecognised from the financial statements and are continued to be recognised as investments and measured in accordance with accounting policies for investment securities. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as interest / mark-up expense and accrued over the life of the repo agreement.

Transactions of purchase under resale (reverse-repo) of securities are entered into at contracted rates for specified periods of time. These securities are not recognised in the financial statements as investments, as the Company does not obtain control over the assets. Amounts paid under these arrangements are included in the financial statements as receivable against reverse repurchase transactions. The difference between purchase and resale price is treated as income from the date of reverse repurchase transaction and accrued over the life of the reverse-repo agreement.

All purchases and sales of securities that require delivery within the time frame established by the regulations or market convention are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the asset.

3.7 **Trade debts and other receivables**

Trade debts are recognised initially at invoice value and subsequently measured at cost, less provision for impairment. A provision for impairment for trade debts is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable.

3.8 **Trade and other payables**

Liabilities for trade and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services, whether or not billed to be Company.

3.9 **Provisions**

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.10 **Taxation**

3.10.1 **Current**

Provision for current taxation is based on taxability of certain income streams of the Company under presumptive / final tax regime at the applicable tax rates and remaining income streams chargeable at current rate of taxation under normal tax regime after taking into account tax credits and rebates available, if any, or on turn over at the specified rate or Alternate Corporate Tax as defined in section 113C of Income Tax Ordinance, 2001, whichever is higher. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

3.10.2 **Deferred**

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes.

Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they will be reversed, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

3.11 Revenue recognition

Revenue is recognised to the extent that is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable on the following basis:

- Brokerage, consultancy and advisory fee, commission on commodity contracts and government securities etc are recognised as and when such services are rendered.
- Income from reverse repurchase transactions, debt securities, loans and bank deposits is recognised at effective yield on time proportion basis.
- Dividend income is recorded when the right to receive the dividend is established.
- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Unrealised capital gains / (losses) arising from mark to market of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in profit and loss account in the period in which they arise.

3.12 Proposed dividend and transfer between reserves

Dividends declared and transfers between reserves, except appropriations which are required by law, made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends and transfers are approved.

3.13 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement include cash in hand, balances with banks in current and savings accounts, term deposits, short-term running finances under mark-up arrangements and other short-term highly liquid investments with original maturities of three months or less.

3.14 Earnings per share (EPS)

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

4 PROPERTY AND EQUIPMENT

	June 30, 2016						
	Renovation of office premises	Furniture and fixtures	Office equipment	Communication equipment	Computer equipment	Motor vehicles	Total
	Rupees						
As at July 1, 2015							
Cost	18,148,808	2,983,966	3,089,139	4,022,985	25,892,953	14,460,520	68,598,371
Accumulated depreciation	12,310,175	2,028,470	2,350,878	3,820,608	24,524,069	5,346,843	50,381,043
Net book value	5,838,633	955,496	738,261	202,377	1,368,884	9,113,677	18,217,328
Year ended June 30, 2016							
Opening net book value	5,838,633	955,496	738,261	202,377	1,368,884	9,113,677	18,217,328
Additions	34,847	15,000	81,000	168,722	407,360	6,655,504	7,362,433
Disposals - note 4.1							
Cost	-	-	-	99,000	4,498,046	3,802,758	8,399,804
Accumulated depreciation	-	-	-	11,330	4,498,046	2,665,104	7,174,480
	-	-	-	87,670	-	1,137,654	1,225,324
Depreciation charge for the year	1,653,711	291,473	267,425	74,988	681,405	2,101,203	5,070,205
Closing net book value	4,219,769	679,023	551,836	208,441	1,094,839	12,530,324	19,284,232
As at June 30, 2016							
Cost	18,183,655	2,998,966	3,170,139	4,092,707	21,802,267	17,313,266	67,561,000
Accumulated depreciation	13,963,886	2,319,943	2,618,303	3,884,266	20,707,428	4,782,942	48,276,768
Net book value	4,219,769	679,023	551,836	208,441	1,094,839	12,530,324	19,284,232
Depreciation rate % per annum	10	10	10	20	33	20	

	June 30, 2015						
	Renovation of office premises	Furniture and fixtures	Office equipment	Communication equipment	Computer equipment	Motor vehicles	Total
	Rupees						
As at July 1, 2014							
Cost	16,492,448	4,523,721	3,564,209	3,904,855	24,411,623	8,258,345	61,155,201
Accumulated depreciation	10,782,931	2,926,130	2,326,062	3,676,040	23,875,563	4,581,227	48,167,953
Net book value	5,709,517	1,597,591	1,238,147	228,815	536,060	3,677,118	12,987,248
Year ended June 30, 2015							
Opening net book value	5,709,517	1,597,591	1,238,147	228,815	536,060	3,677,118	12,987,248
Additions	1,847,840	38,334	105,780	118,130	1,481,330	6,202,175	9,793,589
Disposals							
Cost	191,480	1,578,089	580,850	-	-	-	2,350,419
Accumulated depreciation	126,687	1,225,238	394,214	-	-	-	1,746,139
	64,793	352,851	186,636	-	-	-	604,280
Depreciation charge for the year	1,653,931	327,578	419,030	144,568	648,506	765,616	3,959,229
Closing net book value	5,838,633	955,496	738,261	202,377	1,368,884	9,113,677	18,217,328
As at June 30, 2015							
Cost	18,148,808	2,983,966	3,089,139	4,022,985	25,892,953	14,460,520	68,598,371
Accumulated depreciation	12,310,175	2,028,470	2,350,878	3,820,608	24,524,069	5,346,843	50,381,043
Net book value	5,838,633	955,496	738,261	202,377	1,368,884	9,113,677	18,217,328
Depreciation rate % per annum	10	10	10	20	33	20	

4.1 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyers
	Rupees					
Assets with book value of more than Rs. 50,000						
Communication equipments						**Related Party**
iPhone	99,000	11,330	87,670	69,300	Insurance Claim	IGI Insurance Limited
Motor vehicles						**Outsider**
Toyota Corolla	1,447,610	476,895	970,715	1,185,000	Negotiation	Waseem Mirza
Other assets with book value of less than Rs. 50,000						
						Outsider
Computer equipments	4,498,046	4,498,046	-	51,800	Negotiation	Siraj Usmani
Motor vehicles	1,365,148	1,233,380	131,768	1,228,866	Negotiation	Various
						Employees
Motor vehicles	990,000	954,829	35,171	439,268	Company Policy	Various
Total - 2016	8,399,804	7,174,480	1,225,324	2,974,234		
Total - 2015	2,350,419	1,746,139	604,280	742,254	Negotiation	Various

4.2 Cost and accumulated depreciation at the end of the year include Rs. 28,291,263 (2015: Rs.32,692,388) in respect of fully depreciated assets still in use.

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5 INTANGIBLE ASSETS

	June 30, 2016				
	Membership card - note 5.1	Computer software	Club Membership	Trading Rights Entitlement Certificates (TREC) - note 5.2	Total
	----------	----------	Rupees	----------	----------
As at July 1, 2015					
Cost	250,000	10,868,657	2,000,000	14,999,000	28,117,657
Accumulated amortisation / impairment	-	(10,835,326)	(2,000,000)	-	(12,835,326)
Net book value	250,000	33,331	-	14,999,000	15,282,331
Year ended June 30, 2016					
Opening net book value	250,000	33,331	-	14,999,000	15,282,331
Amortisation charge for the year	-	(6,777)	-	-	(6,777)
Closing net book value	250,000	26,554	-	14,999,000	15,275,554
As at June 30, 2016					
Cost	250,000	10,868,657	2,000,000	14,999,000	28,117,657
Accumulated amortisation / impairment	-	(10,842,103)	(2,000,000)	-	(12,842,103)
Net book value	250,000	26,554	-	14,999,000	15,275,554
Amortisation rate % per annum	-	33.33	50		

	June 30, 2015				
	Membership card - note 5.1	Computer software	Club Membership	Trading Rights Entitlement Certificates (TREC) - note 5.2	Total
	----------	----------	Rupees	----------	----------
As at July 1, 2014					
Cost	250,000	10,828,657	2,000,000	14,999,000	28,077,657
Accumulated amortisation / impairment		(10,780,121)	(2,000,000)	-	(12,780,121)
Net book value	250,000	48,536	-	14,999,000	15,297,536
Year ended June 30, 2015					
Opening net book value	250,000	48,536	-	14,999,000	15,297,536
Additions		40,000	-	-	40,000
Amortisation charge for the year		(55,205)	-	-	(55,205)
Closing net book value	250,000	33,331	-	14,999,000	15,282,331
As at June 30, 2015					
Cost	250,000	10,868,657	2,000,000	14,999,000	28,117,657
Accumulated amortisation / impairment		(10,835,326)	(2,000,000)	-	(12,835,326)
Net book value	250,000	33,331	-	14,999,000	15,282,331
Amortisation rate % per annum	-	33.33	50		

	Note	2016	2015
		------ Rupees	------
5.1 Membership card of Pakistan Mercantile Exchange Limited		250,000	250,000
5.2 Trading Right Entitlement Certificates (TREC) comprise of:			
TREC of Pakistan Stock Exchange Limited (formerly: Karachi Stock Exchange Limited)		10,999,000	10,999,000
TREC of Pakistan Stock Exchange Limited (formerly: Lahore Stock Exchange Limited)	5.2.2	4,000,000	4,000,000
	5.2.1	14,999,000	14,999,000

5.2.1 These represent TRECs received in financial year ended June 30, 2013 pursuant to the promulgation of Stock Exchanges (Corporation, Demutualization and Integration) Act, 2012 (the Act).

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5.2.2 During the year, the Securities and Exchange Commission of Pakistan (SECP) approved the scheme of integration of Karachi Stock Exchange (KSE) with Lahore Stock Exchange (LSE) and Islamabad Stock Exchange (ISE) w.e.f January 11, 2016. Consequent to the afore-mentioned approval LSE and ISE have been merged into KSE and the name KSE has been changed to Pakistan Stock Exchange Limited (PSX). Prior to integration of stock exchanges into PSX, the Company had Trading Right Entitlement Certificates (TRECs) of KSE and LSE. Accordingly, after the integration process, the Company has two TRECs of PSX. There is no impact of this integration on the carrying values of these TRECs.

5.3 Cost and accumulated amortisation at the end of the year include Rs. 12,828,659 (2015: Rs.12,828,659) in respect of fully amortised intangible assets still in use.

		Note	2016	2015
6	**LONG-TERM INVESTMENTS**		------ Rupees ------	
	Available for sale - Unquoted			
	Pakistan Stock Exchange Limited (formerly: Karachi Stock Exchange Limited)			
	4,007,383 (2015: 4,007,383) ordinary shares of Rs. 10 each. Equity held 0.5% (2015: 0.5%). Break-up value of each ordinary share of Rs. 10.00 per ordinary share based on the audited financial statements for the period ended March 31, 2016	6.1	1,000	1,000
	LSE Financial Services Limited (formerly: Lahore Stock Exchange Limited)			
	843,975 (2015: 843,975) ordinary shares of Rs. 10 each. Equity held 0.66% (2015: 0.66%). Break-up value of each ordinary shares of Rs. 17.65 per ordinary share based on the un-audited financial statements for the period ended March 31, 2016	6.1 & 6.2	9,882,822	9,882,822
			9,883,822	9,883,822

6.1 Pursuant to the promulgation of Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act) during financial year ended June 30, 2013, the Company was allotted 4,007,383 and 843,975 of Karachi Stock Exchange Limited (KSE) and Lahore Stock Exchange Limited (LSE) respectively. 40% of the allotted shares were received by the Company and remaining 60% were kept in a blocked CDC account maintained by KSE and LSE. Further, as more fully disclosed in note 5.2.2 to these financial statements, pursuant to the integration of stock exchanges, names of KSE and LSE have been changed to Pakistan Stock Exchange Limited (PSX) and LSE Financial Services Limited (LSEFS). Further, 40% blocked shares of LSEFS have been released and transferred into the CDC account of the Company while 40% blocked shares of PSX are still kept in a blocked CDC account. On the other hand, divestment of the blocked shares of PSX will be done by PSX under the Act, however, rights to proceeds of the shares, bonus / dividends vests with the Company, while voting rights attached to those shares are suspended.

		Note	2016	2015
6.2	**Impairment loss**		------ Rupees ------	
	Carrying value of LSE shares at July 01		9,882,822	16,000,000
	Less : Impairment loss recognised during the year		-	(6,117,178)
	Carrying value of LSE shares at June 30		9,882,822	9,882,822
7	**LONG-TERM LOAN**			
	IGI Investment Bank Limited	7.1	69,859,738	69,859,738

7.1 During the financial year 2015, the Company had entered into a long term loan agreement with IGI Investment Bank Limited (the Parent Company) for Rs. 85 million. Under the terms of the Loan Agreement, the loan was to be disbursed in multiple tranches, on various dates and amounts as mutually agreed by the parties to the agreement. The loan carries markup rate at 1 month KIBOR + 2% and is repayable at the earlier of the expiry of 36 months from the date of disbursement of first tranche of the loan or upon occurrence of any change in the shareholding of the Parent Company or the board of directors of the Parent Company that would result in change of control of the Parent Company from the persons in whose hands it vests as of the date of the Loan Agreement ('the Due Date'), as the case may be. The Parent Company may, at its discretion, prepay all or any portion of the aforesaid loan at any time prior to the Due Date. As at June 30, 2016, the Company has an outstanding balance of Rs. 69.860 million.

8 LONG-TERM DEPOSITS

	Note	2016	2015
		Rupees	
Deposits with:			
Pakistan Stock Exchange Limited (formerly: Karachi Stock Exchange Limited)		350,000	250,000
LSE Financial Services Limited (formerly: Lahore Stock Exchange Limited)		630,000	630,000
National Clearing Company Pakistan Limited		200,000	200,000
Pakistan Mercantile Exchange Limited		750,000	750,000
NCEL Building Management (Private) Limited	8.1	2,500,000	2,500,000
Pakistan Stock Exchange Limited (formerly: Karachi Stock Exchange Limited) - Base Minimum Capital		4,809	4,809
Others		4,664	4,664
		4,439,473	4,339,473

8.1 This represents advance given to NCEL Building Management (Private) Limited for acquiring office premises.

9 DEFERRED TAX ASSET - NET

	Note	2016	2015
		Rupees	
Deductible temporary differences arising in respect of:			
- Unused tax losses	9.1	30,083,315	31,063,910
- Provision for doubtful debts and other receivables	9.1	52,525,068	52,652,424
- Provision for leave encashment		990,980	608,955
Taxable temporary differences arising in respect of:			
- Accelerated tax depreciation		(553,310)	(842,334)
		83,046,053	83,482,955

9.1 The Company has an aggregate amount of Rs. 143.58 million (2015: Rs. 162.59 million) [including unabsorbed tax depreciation and amortisation in respect of available tax losses as at June 30, 2016 and has an aggregate amount of Rs. 707.58 million (2015: Rs 710.28 million) in respect of deductible temporary differences arising on provisions made against doubtful receivables on the same date.

While maintaining that deferred tax on deductible differences (provision for doubtful receivables) provides an opportunity for tax planning and the Company would be able to fully utilise them in the future years, management has taken a conservative view on the balance of deferred tax recognised as an asset against deductible temporary differences in the financial statements of the Company. The Company, nevertheless, retains the right to consider and evaluate on an ongoing basis tax planning opportunities with respect to provision write offs. Accordingly, on a conservative estimate basis the amount of deferred tax asset recognised against available tax losses and deductible temporary differences has been limited to Rs 83.05 million during the year.

In connection with the above, the management has prepared financial projections which have been approved by the Board of Directors of the Company. These projections involve certain key assumptions underlying the estimation of future taxable profits. The determination of future taxable profits takes into account various assumptions regarding the future business, economic and market conditions. Key assumptions include market share of the Company, average commission rate, growth in market volumes, cost to income ratios, returns on funds deployed, timing of write offs etc. A significant change in the assumptions used may impact the realisability of the deferred tax asset.

10 TRADE DEBTS

	Note	2016	2015
		Rupees	
Considered good			
Receivable from clients against purchase of marketable securities and commodity contracts	10.1	42,153,953	13,673,029
Commission receivable		-	334,289
Clearing balance with National Clearing Company of Pakistan Limited		-	14,370,515
		42,153,953	28,377,833
Considered doubtful			
Receivable from clients against purchase of marketable securities and commodity contracts		600,497,368	606,352,867
Commission receivable		414,265	-
Provision against doubtful debts	10.2	(585,386,441)	(589,008,424)
		15,525,192	17,344,443
		57,679,145	45,722,276

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		Note	2016	2015
10.1	This includes amounts due from related parties as under:		---------------- Rupees	--------------
	Parent company - IGI Investment Bank Limited		52,148	52,148
	Key management personnel		-	46,476
	Other related parties and associated undertakings		4,605,678	4,530,438
			4,657,826	4,629,062
10.2	**Provision against doubtful debts**			
	Balance as at July 01		589,008,424	589,124,284
	Charge for the year		1,161,960	-
	Reversal during the year		(4,783,943)	(115,860)
			(3,621,983)	(115,860)
	Balance as at June 30	10.2.1	585,386,441	589,008,424

10.2.1 This includes provisions of Rs. 4,455,275 (2015: Rs. 4,403,403) in respect of other related parties.

10.2.2 Provision against doubtful debts has been made after considering the market value of listed equity securities amounting to Rs. 64.672 million (2015: Rs. 49.759 million) held in custody by the company against respective customers accounts.

		Note	2016	2015
11	LOANS AND ADVANCES		---------------- Rupees	--------------
	Considered good			
	Advances to employees	11.1	1,213,076	387,712
	Others		706,392	350,253
			1,919,468	737,965

11.1 The advances to employees are given to meet personal and travelling expenses. These are granted to employees of the Company in accordance with their terms of employment and are recovered through deductions from salaries.

		Note	2016	2015
12	TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		---------------- Rupees	--------------
	Exposure deposit with Pakistan Stock Exchange Limited (formerly: Karachi Stock Exchange Limited)	12.1	139,750,000	134,750,000
	Pakistan Mercantile Exchange Limited-margin deposit		4,617,006	1,583,430
	Security deposits		2,967,223	2,766,923
	Prepayments		929,457	1,033,254
			148,263,686	140,133,607

12.1 This represents the deposit held at the year end against exposures arising out of trading in securities in accordance with the regulations of the Pakistan Stock Exchange Limited (formerly: Karachi Stock Exchange Limited). Interest is earned on the deposit at rates as determined by the Exchange. These deposits carry interest / mark-up at 4% (2015: 5%) per annum as at year end.

		Note	2016	2015
13	ACCRUED MARK-UP		---------------- Rupees	--------------
	Considered good			
	Accrued income on savings accounts, long term loans and exposure deposits	13.1	12,726,474	10,114,540
			12,726,474	10,114,540
	Considered doubtful			
	Accrued mark-up income		69,947,808	69,947,808
	Accrued income on other receivables		12,440,328	12,440,328
			82,388,136	82,388,136
	Provision against doubtful accrued mark-up		(82,388,136)	(82,388,136)
			12,726,474	10,114,540

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13.1 This includes markup receivable from IGI Investment Bank Limited (the Parent Company) of Rs. 6.571 million (2015: Rs. 4.047 million).

	Note	2016	2015
		---------- Rupees ----------	
14 OTHER RECEIVABLES			
Considered good			
Receivable against sale of securities - parent company		-	15,000
Others	14.3	793,734	2,036,171
		793,734	2,051,171
Considered doubtful			
Receivable against overdue reverse repurchase transaction	14.2	13,297,927	13,297,927
Others		26,506,756	25,582,617
		39,804,683	38,880,544
Provision against doubtful other receivables	14.1	(39,804,683)	(38,880,544)
		793,734	2,051,171

14.1 Provision against doubtful other receivables

	2016	2015
Balance as at July 1	38,880,544	32,977,507
Charge for the year	924,139	5,903,037
Reversal during the year		
Balance as at June 30	39,804,683	38,880,544

14.2 This represents receivable against overdue reverse repurchase transaction with another brokerage house. During financial year ended June 30, 2013, the borrower entered into a Settlement Agreement with the Company under which it acknowledged its liability to pay Rs 114 million and the related mark-up and also paid Rs 50 million against the release of certain shares held as collateral. The outstanding balance as at previous reporting period was secured against certain shares listed on PSX and ten shops located at Fortress Stadium, Lahore. During the prior year these collaterals were sold by the Company. The remaining balance which is unsecured has been fully provided.

14.3 This includes an amount of Rs 132,000 (2015: Nil) due from related parties.

	Note	2016	2015
		---------- Rupees ----------	
15 CASH AND BANK BALANCES			
Cash in hand		29,296	13,680
Cash at bank			
Current accounts - non-interest bearing		80,425,577	29,660,371
Savings accounts	15.1	128,636,313	154,932,548
		209,061,890	184,592,919
	15.2	209,091,186	184,606,599

15.1 The savings accounts carry interest / mark-up ranging from 4% to 6% (2015: 5% to 8%) per annum.

15.2 This includes an amount of Rs. 175.062 million (2015: Rs. 162.228 million) representing clients' funds

16 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2016	2015		2016	2015
Number of shares			---------- Rupees ----------	
52,000,000	52,000,000	Ordinary shares of Rs. 10/- each fully paid in cash	520,000,000	520,000,000

16.1 The parent company, IGI Investment Bank Limited, holds 52,000,000 shares.

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17 ADVANCE AGAINST ISSUE OF PREFERENCE SHARES

During the financial year ended June 30, 2012, the Company received Rs. 650 million in the form of interest free Subordinated Loan from Mr. Syed Babar Ali, Chairman – IGI Investment Bank Limited, the Parent Company, and a key sponsor of the Company. On June 29, 2012, the Company and Mr. Syed Babar Ali entered into an irrevocable Subscription Agreement to convert the Subordinated Loan into Preference Shares to be issued by the Company to Mr. Syed Babar Ali.

The Subscription Agreement provides for issue of 65,000,000 preference shares at the rate of Rs 10 per share and these shares will be non-voting, non-redeemable, non-convertible and non-cumulative. Further, under the Subscription Agreement, the Company is to take steps for issuance and allotment of preference shares to Mr. Syed Babar Ali and to complete all requisite formalities in that connection.

On April 18, 2014 and June 30, 2016 the Company had signed Addendums to the aforesaid Subscription Agreement to amend the terms for payment of dividend to the preference shareholder, as may be declared by the Company out of its distributable profits and the entitlement of preference shareholder in case of liquidation of the Company.

Consequent to the above, in case of change in management control of the Company, the preference shareholder shall be first paid dividend up to 10% of par value until the aggregate amount of preferential dividend paid equals Rs. 650 million and thereafter, 0.1% of par value. Further, in case of liquidation of the Company, preference shareholder shall have priority over ordinary shareholder to the extent of par value of preference shares held, less dividends paid on preference shares.

Since the Company is yet to complete formalities for issuance of the said preference shares, the amount has been reported as advance against issue of preference shares.

18 TRADE AND OTHER PAYABLES

	Note	2016	2015
		---- Rupees ----	
Payable against sale of marketable securities	18.1	281,033,176	288,676,991
Payable to National Clearing Company of Pakistan Limited (NCCPL)		33,709,086	-
Payable against profit on unutilised funds	18.2 & 18.4	4,622,946	1,447,359
Payable to IGI Insurance Limited - related party	18.3	9,134,762	9,029,114
Accrued expenses	18.5	3,707,110	4,037,300
Provision for leave encashment		3,346,458	1,927,025
Bonus Payable		3,486,252	1,642,164
Commission payable	18.6	2,781,106	4,685,033
Withholding tax payable		2,650,699	2,912,682
Other payables		8,608,657	6,843,377
		353,080,252	321,201,045

18.1 This includes an amount due to key management personnel of Rs. 875,035 (2015: 744,875):

18.2 With effect from March 2015, the Company had been mandated by the Stock Exchange to pass on profit earned on unutilised funds of clients to the respective clients out of total profit accrued on such funds as may be mutually agreed in writing between the Company and its clients. The Company has revised its account opening forms which includes an agreement on the profit earned on unutilised funds on clients' assets from new clients. Further, the Company is in process of agreeing the same with its existing clients. The Company has recorded a liability based on management's best estimate of amount that may be eventually passed on to its clients.

18.3 This represents payables to related parties in relation to sharing of common expenses under Group Shared Services (GSS) agreement.

18.4 This includes profit payable to a related party of Rs. 0.01 million (2015: 0.16 million)

18.5 This includes insurance expense payable to a related party of Rs. 0.760 million (2015: 0.641 million).

18.6 This includes commission withheld payable to key management personnel of Rs. 0.130 million (2015: 0.126 million).

19 CONTINGENCIES

19.1 During financial year 2013, audit proceedings under section 177 of the Income Tax Ordinance, 2001 in relation to the Tax Year 2010 were concluded by the Deputy Commissioner Inland Revenue (DCIR) which led to an eventual tax demand of Rs. 6.672 million. The Company has filed an appeal with the Commissioner Inland Revenue (Appeals) against the said demand which was heard by the Commissioner. During the year ended June 30, 2014, Commissioner (Appeals) passed an order under which the Company has been allowed certain expenses which were disallowed by DCIR in earlier assessment. DCIR has filed an appeal in Appellate Tribunal Inland Revenue (ATIR) against the said order. Management has also filed second appeal before Appellate Tribunal Inland Revenue which is pending. Management and tax advisor of the Company are of the view that there is a reasonable probability that outcome of appeal shall be in favour of the Company.

19.2 During the financial year ended June 30, 2012, a brokerage house filed a lawsuit against the Company in the High Court of Sindh for recovery of Rs. 18.433 million together with mark-up on debit balances outstanding in its books and records on account of various transactions. Initially, the Company had filed a counter affidavit against the application filed by the Complainant to seek an interim order. During the financial year ended June 30, 2013, the Company filed a written Statement in this lawsuit, while the Plaintiff has filed a rejoinder to the counter affidavit filed by the Company. The Company has also filed a lawsuit against the same brokerage house and an ex-official of the Company in the High Court of Sindh to recover the outstanding balance appearing in the Company's books of account before provision. The court has issued notices to the defendants. The lawsuits are pending litigations and both the management and legal counsel are of the view that there is a reasonable probability of Company's success in both lawsuits.

19.3 During the financial year ended June 30, 2010, one of the customers of the company filed a lawsuit against the company before the High Court of Sindh for the recovery of Rs. 3.5 million along with damages of Rs. 100 million. The said lawsuit is counterblast to Company's suit for recovery of Rs. 0.97 million along with liquidated damages at the rate of 24%, filed during the financial year ended June 30, 2010 before the Senior Civil Judge Karachi, South, which was subsequently transferred to the Honourable High Court of Sindh at Karachi, on company's a civil transfer application, moved under section 24 read with section 151 of Civil Procedure Code. The lawsuits are pending litigations and both the management and legal counsel are of the view that there is a reasonable probability of Company's success in both lawsuits.

19.4 During the financial year ended June 30, 2010, one of the customers of the company had filed a lawsuit against the company in the Court of Senior Civil Judge Karachi, South for the recovery of Rs. 12.6 million along with mark-up thereon. The said lawsuit is counterblast to Company's suit for recovery of money, declaration and permanent injunction for recovery of Rs. 3.3 million along with liquidated damages at the rate of 24%, filed during the financial year ended June 30, 2009 before the Honourable High Court of Sindh. The lawsuits are pending litigations and both the management and legal counsel are of the view that there is a reasonable probability of Company's success in both lawsuits.

19.5 During the year ended June 30, 2009, a brokerage house filed suit before the Honourable Civil Judge, Lahore for declaration and permanent injunction against the Company. The brokerage house filed a contempt petition and a petition under section 33 of the Arbitration Act against the Company before the Honourable Civil Judge, Lahore. Furthermore the brokerage house also filed a civil revision before the Honourable Lahore High Court, Lahore Bench against order passed by the learned Civil Judge wherein the learned Civil Judge was pleased to dismiss the temporary injunction granted to the brokerage house, the said order was also affirmed in appeal. Further, the Company has filed a suit for recovery for Rs. 53.062 million along with liquidated damages and a petition before National Accountability Bureau (NAB) against the brokerage house. Both the management and legal counsel are of the view that there is a reasonable probability of Company's success in the lawsuit.

	Note	2016	2015
		Rupees	
20 OPERATING REVENUE			
Brokerage from equity operations		106,866,216	86,713,008
Brokerage from commodity operations		9,092,610	4,847,260
Advisory and consulting fee		4,510,904	3,515,578
Commission		83,613	460,861
		120,553,343	95,536,707

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	Note	2016	2015
21 OTHER OPERATING REVENUE		---------- Rupees ----------	
Profit on savings accounts - net	21.1	9,505,047	11,999,279
Income on deposit with Pakistan Stock Exchange Limited - net (formerly: Karachi Stock Exchange Limited)	21.1	3,188,132	3,931,296
Income on deposit with Pakistan Mercantile Exchange Limited		44,439	108,687
Return on short term investments		-	3,275,829
Liquidated damages		-	4,104,812
Dividend income		1,915,344	1,767,678
CDC conversion charges and commission		4,468,864	2,077,897
Income on term loan		6,024,473	4,046,985
		25,146,299	31,312,463

21.1 PROFIT ON UNUTILISED FUNDS

	Note	2016 Profit on savings account	2016 Income on deposit with stock exchange	2016 Total	2015 Total
		Rupees			
Gross revenue		11,569,179	4,299,587	15,868,766	17,377,934
Payable against profit on unutilised funds	18.2	2,064,132	1,111,455	3,175,587	1,447,359
Net revenue		9,505,047	3,188,132	12,693,179	15,930,575

	Note	2016	2015
22 ADMINISTRATIVE AND OPERATING EXPENSES		---------- Rupees ----------	
Salaries, allowances and other benefits		66,265,407	51,877,441
Staff training		1,229,754	2,567,016
Commission expense		4,144,831	9,877,238
Insurance		1,952,558	1,527,453
Repairs and maintenance		199,984	2,916,745
Auditors' remuneration	22.3	1,140,494	1,198,000
Rent and rates		7,053,434	6,732,090
Legal and professional charges		4,038,800	3,713,427
Printing and stationery		1,630,420	1,878,252
Postage and telephone		3,640,748	4,007,096
Travelling and conveyance		1,076,051	1,699,235
Computer expenses		6,179,934	5,732,934
Utilities		2,639,102	2,545,265
Fees and subscription including stock exchange, clearing house and CDC charges		14,173,527	13,352,387
Advertisement		388,629	1,229,490
Entertainment		2,511,627	1,828,865
Depreciation - tangible assets	4	5,070,205	3,959,229
Amortisation - intangible assets	5	6,777	55,205
Depreciation - investment property			143,563
Others		1,846,339	2,155,944
		125,188,621	118,996,875

22.1 Certain common expenses (including salaries, allowances and other benefits, staff training, rentals, utilities, repair and maintenance and computer expenses) are charged to the Company, which are shown under respective administrative and operating expenses accounts; in accordance with the Group Shared Services (GSS) Cost Allocation Review Memorandum, between the Company, IGI Investment Bank Limited (Parent company) and IGI Insurance Limited (Associated company).

	2016	2015
22.2 Number of employees at the end of the year	55	42
Average number of employees during the year	50	37

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		2016	2015
22.3	**Auditors' remuneration**	---------------- Rupees --------------	
	Audit fee	350,000	350,000
	Special certifications and sundry services	655,000	756,000
	Out of pocket expenses	135,494	92,000
		1,140,494	1,198,000

23 OTHER INCOME

	2016	2015
Gain on disposal of property and equipment	1,748,910	11,026,822
Rental income from investment property	-	182,105
Liabilities no longer required written back	1,177,085	-
Others	42,839	48,850
	2,968,834	11,257,777

24 TAXATION - NET

	2016	2015
Current - for the year	5,102,802	1,776,151
Prior	168,692	-
Deferred	436,902	220,510,875
	5,708,396	222,287,026

24.1 Relationship between tax expense and accounting profit

The numerical reconciliation between tax expense and accounting loss has not been presented in these financial statements due to applicability of minimum tax under section 113 of Income Tax Ordinance, 2001.

25 EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

	Note	2016	2015
Profit / (loss) for the year (Rupees)		19,797,231	(213,005,059)
Weighted average number of ordinary shares outstanding		52,000,000	52,000,000
Earnings / (loss) per share (Rupees)	25.1	0.38	(4.10)

25.1 There were no convertible dilutive potential ordinary shares in issue as at June 30, 2016 and 2015

26 CASH AND CASH EQUIVALENTS

	Note	2016	2015
		---------------- Rupees --------------	
Cash and bank balances	15	209,091,186	184,606,599

REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for the year for remuneration, including all benefits, to the Chief Executive Officer, Directors and Executives of the Company are as follows:

	2016			2015		
	Chief Executive Officer**	Director	Other Executives	Chief Executive Officer	Director	Other Executives
	---------- Rupees ----------					
Managerial remuneration	-	2,795,160	11,995,300	1,063,462	2,915,827	7,396,128
Reimbursements / other allowances	-	172,341	2,313,080	145,341	242,644	723,581
Housing	-	1,010,319	4,755,968	478,558	1,312,122	3,328,258
Utilities	-	224,519	1,056,891	257,692	291,583	739,613
Commission	-	115,055	1,209,479	-	-	847,931
	-	4,317,394	21,330,718	1,945,053	4,762,176	13,035,511
Number of persons*	1 **	1	12 *	1	1	6

* The number of persons does not include those who resigned during the year but remuneration paid to them is included in the above amounts

** The current Chief Executive Officer is not drawing any remuneration from the Company.

27.1 The Executive Director and certain Executives of the Company are provided with free use of Company owned and maintained vehicles.

27.2 No meeting fee was paid to any of the Directors for attending the Board meetings (2015: Nil)

28 RELATED PARTY TRANSACTIONS

The Company has related party relationships with its parent company, associated undertakings, directors and key management personnel.

The following transactions were carried out with related parties during the year.

	2016			2015		
	Parent company	Key management personnel	Other related parties and associated undertakings	Parent company	Key management personnel	Other related parties and associated undertakings
Nature of transactions	Rupees					
Purchase of marketable securities for and on behalf of	4,226,973	38,353,100	3,434,219,547	-	61,480,105	202,180,604
Sale of marketable securities for and on behalf of	4,226,973	34,120,703	2,049,690,585		56,700,186	633,945,902
Brokerage income earned	120,011	76,696	12,065,456	-	93,541	3,223,936
Brokerage expense	257,081					
Insurance expense paid to	-	-	1,278,432	-	-	886,501
Insurance claim received	-	-	69.300			
Long-term loan disbursed	-	-	-	69,859,738		
Mark-up earned on long term loan	6,024,473					
Mark-up received on long term loan	3,500,000					
Advisory / consultancy income from			4,160,000			
Purchase of fixed assets - at cost					3,000	557,500
Disposal of fixed assets - at cost	-	469,000	99,000	-		2,350,419
Sale proceeds from disposals of fixed assets	-	208,098	-	-	-	742,254
Remuneration paid to	-	17,710,391	-	-	15,825,108	
Receipt from sale of property held as collateral			-	-	-	43,239,502
GSS reimbursements from	1,722,426	-	3,974,703	770,815	-	1,042,913
GSS reimbursements to	12,545,675	-	5,790,301	6,515,482	-	6,739,215
Rent Expense	-	-	3,432,660	-	-	3,432,660

Particulars relating to the remuneration of the Chief Executive Officer and Directors who are key management personnel are disclosed in note 27 of these financial statements

The status of outstanding balances at year end of related parties is included in the respective notes to these financial statements.

29 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

29.1 Financial instruments by category

	June 30, 2016			
	At fair value through profit or loss - held for trading	Loans and receivables	Available for sale	Total
FINANCIAL ASSETS	Rupees			
Non-current assets				
Long-term investments	-	-	9,883,822	9,883,822
Long-term loan	-	69,859,738	-	69,859,738
Long-term deposits	-	4,439,473	-	4,439,473
	-	74,299,211	9,883,822	84,183,033
Current assets				
Trade debts	-	57,679,145	-	57,679,145
Loans and advances - considered good	-	1,919,468	-	1,919,468
Trade deposits	-	147,334,229	-	147,334,229
Accrued mark-up	-	12,726,474	-	12,726,474
Other receivables	-	793,734	-	793,734
Cash and bank balances	-	209,091,186	-	209,091,186
	-	429,544,236	-	429,544,236
	-	503,843,447	9,883,822	513,727,269

	June 30, 2016		
	Financial liabilities at amortised cost	At fair value through profit or loss	Total
FINANCIAL LIABILITIES	Rupees		
Trade and other payables	351,307,435	-	351,307,435

	June 30, 2015			
	At fair value through profit or loss - held for trading	Loans and receivables	Available for sale	Total
FINANCIAL ASSETS	Rupees			
Non-current assets				
Long-term investments	-	-	9,883,822	9,883,822
Long-term loan	-	69,859,738	-	69,859,738
Long-term deposits	-	4,339,473	-	4,339,473
	-	74,199,211	9,883,822	84,083,033
Current assets				
Trade debts	-	45,722,276	-	45,722,276
Loans and advances - considered good	-	737,965	-	737,965
Trade deposits	-	139,100,353	-	139,100,353
Accrued mark-up	-	10,114,540	-	10,114,540
Other receivables	-	2,051,171	-	2,051,171
Cash and bank balances	-	184,606,599	-	184,606,599
	-	382,332,904	-	382,332,904
	-	456,532,115	9,883,822	466,415,937

	June 30, 2015		
	Financial liabilities at amortised cost	At fair value through profit or loss	Total
FINANCIAL LIABILITIES	Rupees		
Trade and other payables	319,092,507	-	319,092,507

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29.2 FINANCIAL RISK MANAGEMENT

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

29.3 **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of placements or other arrangements to fulfil their obligations.

Exposure to credit risk

Credit risk of the Company arises principally from the long-term loan, long-term deposits, trade debts, loans and advances, trade deposits, accrued mark-up, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their worth and proper margins are collected and maintained from the clients. Management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies and investment and operational guidelines approved by the Board of Directors. Except for provision made against the trade debts amounting to Rs. 585,386,441 (refer note 10.2), provision against accrued mark-up amounting to Rs. 82,388,136 (refer note 13) and provision against other receivables amounting to Rs. 39,804,683 (refer note 14.1), the Company does not expect to incur material credit losses on its financial assets. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was as follows:

	2016	2015
	Rupees	
Long-term loan	69,859,738	69,859,738
Long-term deposits	4,439,473	4,339,473
Trade debts	57,679,145	45,722,276
Loans and advances	1,919,468	737,965
Trade deposits	147,334,229	139,100,353
Accrued mark-up	12,726,474	10,114,540
Other receivables	793,734	2,051,171
Bank balances	209,061,890	184,592,919
	503,814,151	456,518,435

29.3.1 The aging for trade debts, accrued markup and other receivables at the balance sheet date is as follows:

	2016			2015		
	Gross	Provision	Net	Gross	Provision	Net
	Rupees					
Past due 1-30 days	47,105,137	-	47,105,137	41,503,700	-	41,503,700
Past due 31 days -60 days	1,718,988	-	1,718,988	54,312	-	54,312
Past due 61 days -90 days	522,527	-	522,527	45,375	-	45,375
More than 90 days	729,431,961	(707,579,260)	21,852,701	726,561,704	(710,277,104)	16,284,600
	778,778,613	(707,579,260)	71,199,353	768,165,091	(710,277,104)	57,887,987

The provisions in respect of above debts have been made on debt amount exceeding the custody of equity securities held by the Company.

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29.3.2 Bank Balances

The analysis below summarises the credit quality of the Company's bank balance

	2016	2015
	----- Rupees -----	
AAA	206,748,572	182,120,171
AA+	89,213	2,012,401
AA	1,132,492	376,323
AA-	28,775	27,707
A+	40,888	40,888
A	1,021,950	15,429
	209,061,890	184,592,919

29.3.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

Details of the industrial sector analysis of the trade debts are as follows:

	2016		2015	
	Rupees	Percentage	Rupees	Percentage
Services (including insurance)	10,725,129	18.59%	245,024	0.54%
Banking, capital market and financial institutions	29,373,713	50.93%	3,985,123	8.72%
Individuals	17,580,303	30.48%	27,383,254	59.89%
Clearing house	-	0.00%	14,108,875	30.85%
	57,679,145	100%	45,722,276	100%

29.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to the dynamic nature of the business. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	2016				
	Carrying amount	Contractual cash flows	Upto three months	More than three months and upto one year	More than one year
Financial liabilities		Rupees			
Trade and other payables	351,307,435	351,307,435	351,307,435		

	2015				
	Carrying amount	Contractual cash flows	Upto three months	More than three months and upto one year	More than one year
Financial liabilities		Rupees			
Trade and other payables	319,092,507	319,092,507	319,092,507		

On the balance sheet date, the Company has cash and bank balances of Rs.209,091,186 (2015: Rs.184,606,599) as mentioned in note 15.

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29.5 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument. Management manages market risk by monitoring exposure on marketable securities by following the internal risk management and investment policies and guidelines.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk

29.5.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

29.5.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate exposure arises from Long-term loan and bank balances in savings account.

At the balance sheet date, the interest rate risk profile of the Company's interest bearing financial instruments is:

	2016	2015	2016	2015
	Effective interest rate		Carrying amount	
	Percentage		----- Rupees -----	
Financial assets				
Long-term loan	1 m KIBOR + 200 bps	1 m KIBOR + 200 bps	69,859,738	69,859,738
Trade deposits and short-term prepayments	4 to 5	5 to 6.5	144,367,006	136,333,430
Bank balance in savings account	4 to 6	5 to 8	128,636,313	154,932,548
			342,863,057	361,125,716
Financial liabilities				
Trade and other payables	1.05 to 1.09	1.10 to 1.15	281,033,176	288,676,991
Trade and other payables	Non-interest bearing	Non-interest bearing	70,274,259	30,415,516
			351,307,435	319,092,507

The management of the Company estimates that a 1% increase in the market interest rate, with all factors remaining constant, would increase the Company's profit before tax by Rs. 3.429 million (2015: Rs. 3.611 million) and a 1% decrease would result in decrease in the Company's profit before tax by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

29.5.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market.

The Company is exposed to equity price risk as at June 30, 2016 on their equity investments in PSX and LSEFS classified as available for sale. These investments have been carried at cost less accumulated impairment losses as they do not have a quoted market price and their fair value cannot be reliably measured. The management believes that a 10% increase or decrease in the carrying amount of these investments at June 30, 2016, with all other factors remaining constant, would result in an increase or decrease of Rs. 0.988 million of other comprehensive income during the year.

29.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibility;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

29.7 Fair value of financial instruments

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Company to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Fair value of the financial assets that are traded in active markets are based on quoted market prices or dealer price quotations.

The Company does not account for any financial assets and liabilities at fair value through profit or loss and its investment in the shares of Pakistan Stock Exchange Limited (formerly: Karachi Stock Exchange Limited) and LSE Financial Services Limited (formerly: Lahore Stock Exchange Limited) classified as available for sale have been carried at cost less accumulated impairment loss as they do not have a quoted market price and their fair value cannot be reliably measured. Therefore, analysis of financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised is not presented.

29.8 CAPITAL RISK MANAGEMENT

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital. Net capital requirements of the Company are set and regulated by the Pakistan Stock Exchange. These requirements are put into place to ensure sufficient solvency margins and are based on excess of current assets over liabilities.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company finances its operations through equity including advance against preference shares, borrowing and management of its working capital with a view to maintain an approximate mix between various sources of finance to minimise risk.

30 FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISKS

a) The Company purchases and sells securities as either principal or agents on behalf of its customers. If either the customer or a counterparty fails to perform, the Company may be required to discharge the obligation on behalf of the non-performing party. In such circumstances, the Company may sustain losses if the market value of the security is different from the contracted value of the transaction less any margin deposits that the Company has on hand. Where the customer operates through institutional delivery system, the Company is not exposed to this risk.

The majority of the Company's transactions, and consequently, the concentration of its credit exposure are with the customers and other financial institutions. The Company seeks to control its credit risk through a variety of reporting and controls procedures, including establishing credit limits based upon a review of the counterparties' financial condition. The Company monitors collateral levels on a regular basis and requests changes in collateral level as appropriate or if considered necessary.

b) The Company enters into security transactions on behalf of its customers involving future settlement. The Company has entered into transactions that gives rise to future settlement, the unsettled amount as on June 30, 2016 of these future transactions is Rs. 509,605 (2015: Rs. 39,614,135). Transactions involving future settlement give rise to market risk, which represents the potential loss that can be caused by a change in the market value of a particular financial instrument. The credit risk for these transactions is limited to the unrealised market valuation losses which have been recorded in the statement of accounts of the customers. As explained above, credit risk is controlled through a variety of reporting and controls procedures.

31 GENERAL

31.1 Date of authorisation

These financial statements were authorised for issue on 29 SEP 2016 by the Board of Directors of the Company

31.2 Figures have been rounded off to the nearest rupee

31.3 Comparative information has been reclassified, rearranged or additionally incorporated in these financial statements for the purpose of better presentation. There were no material reclassifications during the year.

CHIEF EXECUTIVE OFFICER

DIRECTOR