IGI FINEX SECURITIES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

pwc

A·F·FERGUSON&Co.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **IGI Finex Securities Limited ('the Company')** as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement 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;

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

   (iv) the Company was in compliance with the requirements of section 78 of the Securities Act, 2015 and the relevant requirements of Securities Brokers (Licensing and Operations) Regulations, 2016 as at the date on which the balance sheet was prepared.

(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, statement of comprehensive income, 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, 2017 and of the profit, its comprehensive income, 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).

AFFerguson & Co

Chartered Accountants
Engagement Partner: **Noman Abbas Sheikh**
Dated: October 6, 2017
Karachi

IGI FINEX SECURITIES LIMITED
BALANCE SHEET
AS AT JUNE 30, 2017

	Note	2017	2016
		---------- Rupees ----------	
ASSETS			
Non-current assets			
Fixed assets			
- Property and equipment	4	21,060,253	19,284,232
- Intangible assets	5	11,552,703	15,275,554
Long-term investments	6	41,164,238	9,883,822
Long-term loan	7	-	69,859,738
Long-term deposits	8	27,934,664	4,439,473
Deferred tax asset - net	9	75,806,437	83,046,053
		177,518,295	201,788,872
Current assets			
Trade debts - net	10	98,801,435	57,679,145
Current maturity of long-term loan	7	69,859,738	-
Loans and advances	11	1,440,420	1,919,468
Trade deposits and short-term prepayments	12	214,121,352	148,263,686
Accrued mark-up - net	13	21,456,620	12,726,474
Other receivables - net	14	11,959,813	793,734
Taxation recoverable		50,823,964	39,522,327
Cash and bank balances	15	464,842,770	209,091,186
		933,306,112	469,996,020
TOTAL ASSETS		1,110,824,407	671,784,892
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
60,000,000 ordinary shares of Rs. 10/- each (2016: 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		(767,945,447)	(851,295,360)
Unrealised gain on revaluation of available-for-sale investments		41,163,838	-
Advance against issue of preference shares	17	650,000,000	650,000,000
		443,218,391	318,704,640
Current liabilities			
Trade and other payables	18	667,606,016	353,080,252
TOTAL EQUITY AND LIABILITIES		1,110,824,407	671,784,892
CONTINGENCIES	19		

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

AHS

CHIEF EXECUTIVE OFFICER

DIRECTOR

IGI FINEX SECURITIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
		---------------- Rupees	--------------
Operating revenue	20	168,703,967	120,553,343
Other operating revenue	21	29,732,865	25,146,299
Gain on sale of investments - net		68,645,217	-
		267,082,049	145,699,642
Administrative and operating expenses	22	(159,380,324)	(125,188,621)
Financial charges		(595,769)	(672,072)
		107,105,956	19,838,949
Other income	23	1,944,952	2,968,834
		109,050,908	22,807,783
(Provision) / reversal of provision against:			
- trade debts	10.2	(3,052,130)	3,621,983
- other receivables	14.1	-	(924,139)
		(3,052,130)	2,697,844
Impairment on Intangible assets	5	(4,000,000)	-
Profit before taxation		101,998,778	25,505,627
Taxation - current	24	(11,409,250)	(5,102,802)
- prior		-	(168,692)
- deferred		(7,239,615)	(436,902)
		(18,648,865)	(5,708,396)
Profit after taxation		83,349,913	19,797,231
Earnings per share - basic and diluted	25	1.60	0.38

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

AHS

CHIEF EXECUTIVE OFFICER

DIRECTOR

IGI FINEX SECURITIES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	---------------- Rupees --------------	
Profit after taxation	83,349,913	19,797,231
Items that may be reclassified to profit and loss account subsequently		
Surplus on revaluation of available for sale investments - net	41,163,838	-
Total comprehensive income for the year	124,513,751	19,797,231

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

Att s

CHIEF EXECUTIVE OFFICER

DIRECTOR

IGI FINEX SECURITIES LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
		---- Rupees ----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		101,998,778	25,505,627
Adjustments for non-cash items			
Depreciation - property and equipment	4	6,067,551	5,070,205
Amortisation / impairment	5	4,073,351	6,777
Gain on disposal of property and equipment	23	(193,662)	(1,748,910)
Provision / (reversal of provision) against			
- trade debts	10.2	3,052,130	(3,621,983)
- other receivables		-	924,139
Gain on sale of long term investment - net		(68,645,217)	
Dividend income	21	(862,800)	(1,915,344)
Profit on savings accounts	21	(12,419,929)	(9,505,047)
Income on deposit with Pakistan Stock Exchange Limited	21	(5,785,275)	(3,188,132)
Income on deposit with Pakistan Mercantile Exchange Limited	21	(80,839)	(44,439)
Income on term loan	21	(5,756,923)	(6,024,473)
Financial charges		595,769	672,072
		(79,955,844)	(19,375,135)
		22,042,934	6,130,492
Changes in working capital			
(Increase) / decrease in current assets			
Trade debts		(44,174,420)	(8,334,886)
Loans and advances		479,048	(1,181,503)
Trade deposits and short-term prepayments		(65,857,666)	(8,130,079)
Other receivables		(673,640)	333,298
		(110,226,678)	(17,313,170)
Increase / (decrease) in current liabilities			
Trade and other payables		314,525,764	31,879,207
		226,342,020	20,696,529
Finance cost paid		(595,769)	(672,072)
Income tax paid		(22,710,886)	(9,117,172)
Net cash generated from operating activities		203,035,365	10,907,285
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property and equipment		(10,011,590)	(7,362,433)
Payment for purchase of intangible assets		(350,500)	-
Proceeds on sale of long term investments		52,041,273	-
Proceeds on disposal of property and equipment		2,361,680	2,974,234
Long-term deposits		(7,500,264)	(100,000)
Dividend received		862,800	1,915,344
Interest received on saving accounts / exposure deposits		15,312,820	16,150,157
Net cash generated from investing activities		52,716,219	13,577,302
Net increase in cash and cash equivalents		255,751,584	24,484,587
Cash and cash equivalents at the beginning of the year		209,091,186	184,606,599
Cash and cash equivalents at the end of the year	26	464,842,770	209,091,186

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, 2017

	Issued, subscribed and paid-up share capital	Advance against issue of preference shares	Unrealised gain on revaluation of available-for-sale investments	Accumulated losses	Total
	(Rupees)				
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 July 1, 2016	520,000,000	650,000,000	-	(851,295,360)	318,704,640
Total comprehensive income					
Profit after taxation for the year ended June 30, 2017	-	-	-	83,349,913	83,349,913
Other comprehensive income	-	-	41,163,838	-	41,163,838
	-	-	41,163,838	83,349,913	124,513,751
Balance as at June 30, 2017	520,000,000	650,000,000	41,163,838	(767,945,447)	443,218,391

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

AH

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 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.

The Boards of Directors of IGI Insurance Limited and IGI Investment Bank Limited have approved Scheme of Amalgamation ("Amalgamation Scheme") under Sections 284 to 288 of the Companies Ordinance, 1984 (the "Ordinance") for the amalgamation of the entire undertaking, assets, entitlements and liabilities of IGI Investment Bank Limited with and into IGI Insurance Limited. In addition, the Boards of Directors of IGI Insurance Limited and its wholly owned subsidiaries i.e. IGI General Insurance Limited and IGI Investments (Private) Limited have also approved Scheme of Arrangement ("Arrangement Scheme") under Sections 284 to 288 of the Ordinance for the demerger of the insurance division and certain investments along with corresponding liabilities, if any, held by IGI Insurance Limited into its two wholly owned subsidiaries IGI General Insurance Limited and IGI Investments (Private) Limited respectively subsequent to the merger under Amalgamation scheme.

Both Amalgamation Scheme and Arrangement Scheme have been filed by these entities with Honorable Sindh High Court in accordance with provisions of law and are pending before the court. Pursuant to the approval of Amalgamation scheme, the Company will become a wholly owned subsidiary of IGI Insurance Limited.

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

There are certain amendments to the standards and new interpretations 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 operations and are, therefore, not detailed in these financial statements.

2.3 New and amended standards and interpretations that are not yet effective

The Companies Act, 2017 (the Act) has been enacted on May 30, 2017 superseding the Companies Ordinance, 1984. Subsequent to the promulgation of the Companies Act, 2017, the SECP through a circular dated July 20, 2017 has allowed companies whose financial year closes on or before June 30, 2017 to prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, the financial statements of the Company for the year ended June 30, 2017 have been prepared in accordance with the provisions of the repealed Ordinance while the financial statements of the Company for the year ending June 30, 2018 will be prepared in accordance with the provisions of the new Companies Act, 2017. The management is currently in the process of assessing the impact of the provisions of the Act on the financial statements of the Company.

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.

AH C

Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
- IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
- IFRS 14 – Regulatory Deferral Accounts	01 January 2016
- IFRS 15 – Revenue from Contracts with Customers	01 January 2018
- IFRS 16 – Leases	01 January 2019

The management is currently in the process of assessing the impact of these IFRS on the financial statements of the Company.

There are certain other new and amended standards and interpretations to published approved accounting standards that are mandatory for accounting periods beginning on or after July 1, 2017 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.

2.4 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.

AH S

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.

AHL

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.

AffCo

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.

AH

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.

AH

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, 2017						
	Renovation of office premises	Furniture and fixtures	Office equipment	Communication equipment	Computer equipment	Motor vehicles	Total
	Rupees						
As at July 1, 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
Year ended June 30, 2017							
Opening net book value	4,219,769	679,023	551,836	208,441	1,094,839	12,530,324	19,284,232
Additions	468,853	294,150	388,100	151,400	2,536,897	6,172,190	10,011,590
Disposals - note 4.1							
Cost	-	242,890	-	-	184,455	2,957,657	3,385,002
Accumulated depreciation	-	201,258	-	-	130,362	885,364	1,216,984
	-	41,632	-	-	54,093	2,072,293	2,168,018
Depreciation charge for the year	1,614,720	238,424	271,603	65,160	1,136,843	2,740,801	6,067,551
Closing net book value	3,073,902	693,117	668,333	294,681	2,440,800	13,889,420	21,060,253
As at June 30, 2017							
Cost	18,652,508	3,050,226	3,558,239	4,244,107	24,154,709	20,527,799	74,187,588
Accumulated depreciation	15,578,606	2,357,109	2,889,906	3,949,426	21,713,909	6,638,379	53,127,335
Net book value	3,073,902	693,117	668,333	294,681	2,440,800	13,889,420	21,060,253
Depreciation rate % per annum	10	10	10	20	33	20	

	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							
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	

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						
Motor Vehicles						**Ex - Employees**
Toyota Corolla Gli A/T, 2015, Medium Silver	1,080,530	(144,031)	936,499	918,451	Company Policy	Kashif Ibrahim
Toyota Corolla Gli A/T, 2014, Black	1,827,500	(730,499)	1,097,001	1,320,369	Company Policy	Junaid Qamar Khan
Other assets with book value of less than Rs. 50,000						
EDP Equipment						
HP ProBook 450 Notebook PC Intel Core i7	107,055	(95,161)	11,894	18,360	Company Policy	Junaid Qamar Khan - Ex-Employee
HP Probook 450G3	77,400	(35,201)	42,199	38,000	Claim Recovery	IGI Insurance Limited - Related party
Furniture & Fixtures	242,890	(201,258)	41,632	29,500	Negotiation	Zia - Outsider
Motor Vehicles						**Related Party**
Motorcycle	49,627	(10,834)	38,793	37,000	Claim Recovery	IGI Insurance Limited
Total - 2017	3,385,002	(1,216,984)	2,168,018	2,361,680		
Total - 2016	8,399,804	(7,174,480)	1,225,324	2,974,234		

4.2 Cost and accumulated depreciation at the end of the year include Rs.30,604,893 (2016: Rs.28,291,263) in respect of fully depreciated assets still in use.

5 INTANGIBLE ASSETS

	June 30, 2017				
	Membership card - note 5.1	Computer software	Club Membership	Trading Rights Entitlement Certificates (TREC) - note 5.2	Total
	---------- Rupees ----------				
As at July 1, 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
Year ended June 30, 2017					
Opening net book value	250,000	26,554	-	14,999,000	15,275,554
Additions	-	350,500	-	-	350,500
Amortisation charge / impairment for the year	-	(73,351)	-	(4,000,000)	(4,073,351)
Closing net book value	250,000	303,703	-	10,999,000	11,552,703
As at June 30, 2017					
Cost	250,000	11,219,157	2,000,000	14,999,000	28,468,157
Accumulated amortisation / impairment	-	(10,915,454)	(2,000,000)	(4,000,000)	(16,915,454)
Net book value	250,000	303,703	-	10,999,000	11,552,703
Amortisation rate % per annum	-	33.33	50	-	

	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
Additions	-	-	-	-	-
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	-	

AA

		Note	2017	2016
			---------- 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
		5.2.1	10,999,000	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).

5.2.2 During the year 2016, the Securities and Exchange Commission of Pakistan (SECP) approved the scheme of integration of Karachi Stock Exchange (KSE) 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 now merged into 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. In accordance with the scheme of integration of stock exchanges, transfer of excess TREC should be exercised within two years of integration after which such TREC will lapse. This timeline is due to expire in January 2018 and there are no active buyers in the market. Accordingly, excess TREC has been fully impaired during the current year.

5.3 Cost and accumulated amortisation at the end of the year include Rs. 12,828,659 (2016: Rs.12,828,659) in respect of fully amortised intangible assets still in use.

		Note	2017	2016
6	**LONG-TERM INVESTMENTS**		---------- Rupees ----------	
	Available for sale			
	Pakistan Stock Exchange Limited			
	1,602,953 (2016: 4,007,383) ordinary shares of Rs. 10 each. Equity held 0.2% (2016: 0.5%)	6.1	41,164,238	1,000
	LSE Financial Services Limited	6.2		
	Nil (2016: 843,975) ordinary shares of Rs. 10 each.		-	9,882,822
			41,164,238	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 shares of Karachi Stock Exchange Limited (KSE). 40% of the allotted shares were received by the Company and remaining 60% were kept in a blocked CDC account maintained by KSE. Pursuant to the integration, the name of KSE had been changed to Pakistan Stock Exchange Limited (PSX).

During the year ended June 30, 2017, Disinvestment Committee of the Exchange had issued an invitation for Expression of Interest for acquiring upto 40% equity stake in PSX held blocked CDC Account. Thereafter bids were submitted by interested parties and as a result of bidding process, share price of Rs 28 per share has been offered by the anchor investor / successful investor. Sale proceeds of the 40% shares sold, after retaining 10% of the sale price for one year to settle any outstanding liabilities of PSX in terms of Share Purchase Agreement (SPA), have been received by the Company in March 2017.

Moreover in June 2017, the Company further sold 801,477 shares of PSX (20% of the original holding), through Initial Public Offer (IPO), and the procedures for formal listing and quotation of PSX was concluded on June 29, 2017. As at June 30, 2017 the share of the PSX was valued at Rs 25.68, resulting in unrealised gain of Rs 41,163,838 on remaining shares held by the Company

6.2 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 843,075 shares of Lahore Stock Exchange (LSE). 40% of the allotted shares were received by the Company and remaining 60% were kept in a blocked CDC account maintained by KSE. Pursuant to the integration, the name of LSE had been changed to LSE Financial Services Limited (LSEFSL) and the said blocked shares were made available to the Company

During the year, all shares of LSEFSL were sold at a consideration of Rs. 11.647 million to IGI Insurance Limited (a related party).

Aff 16

		Note	2017	2016
			---------- Rupees ----------	
7	**LONG-TERM LOAN**			
	IGI Investment Bank Limited	7.1	69,859,738	69,859,738
	Amount classified under current maturity of long term loan		(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 3 years from the date of disbursement of first tranche of the loan which ends on November 10, 2017 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, 2017, the Company has an outstanding balance of Rs. 69.860 million.

		Note	2017	2016
			---------- Rupees ----------	
8	**LONG-TERM DEPOSITS**			
	Deposits with:			
	Pakistan Stock Exchange Limited		-	350,000
	LSE Financial Services Limited		630,000	630,000
	National Clearing Company of Pakistan Limited		1,050,000	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			
	- Base Minimum Capital	8.2	23,000,000	4,809
	Others		4,664	4,664
			27,934,664	4,439,473

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

8.2 This represents amount deposited with Pakistan Stock Exchange Limited (PSX) on account of Base Minimum Capital prescribed by PSX based on Assets Under Custody.

		Note	2017	2016
			---------- Rupees ----------	
9	**DEFERRED TAX ASSET - NET**			
	Deductible temporary differences arising in respect of:			
	- Unused tax losses	9.1	22,036,182	30,083,315
	- Provision for doubtful debts and other receivables	9.1	52,525,068	52,525,068
	- Provision for leave encashment		1,219,883	990,980
	Taxable temporary differences arising in respect of:			
	- Accelerated tax depreciation		25,304	(553,310)
			75,806,437	83,046,053

9.1 The Company has an aggregate amount of Rs. 84.50 million (2016: Rs. 143.58 million) [including unabsorbed tax depreciation and amortisation in respect of available tax losses as at June 30, 2017 and has an aggregate amount of Rs. 710.63 million (2016: Rs 707.58 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 75.81 million (2016: 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.

		Note	2017	2016
10	TRADE DEBTS - NET		---------- Rupees	----------
	Considered good			
	Receivable from clients against purchase of marketable securities and commodity contracts	10.1	30,061,155	42,153,953
	Clearing balance with National Clearing Company of Pakistan Limited		55,741,717	-
			85,802,872	42,153,953
	Considered doubtful			
	Receivable from clients against purchase of marketable securities and commodity contracts		601,022,869	600,497,368
	Commission receivable		414,265	414,265
	Provision against doubtful debts	10.2	(588,438,571)	(585,386,441)
			12,998,563	15,525,192
			98,801,435	57,679,145

10.1 This includes amounts due from related parties as under:

	2017	2016
Parent company - IGI Investment Bank Limited	-	52,148
Key management personnel	29,349	-
Other related parties and associated undertakings	4,403,788	4,605,678
	4,433,137	4,657,826

10.2 **Provision against doubtful debts**

	Note	2017	2016
Balance as at July 01		585,386,441	589,008,424
Charge for the year		3,103,729	1,161,960
Reversal during the year		(51,599)	(4,783,943)
		3,052,130	(3,621,983)
Balance as at June 30	10.2.1	588,438,571	585,386,441

10.2.1 This includes provisions of Rs. 4,403,788 (2016: Rs. 4,455,275) 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. 15.647 million (2016: Rs. 64.672 million) held in custody by the Company against respective customers accounts.

10.3 **Ageing Analysis**

	Gross Amount	Provision Held	Net Amount
	----------	Rupees	----------
Upto 5 days	70,069,146	-	70,069,146
More than 5 but upto 14 days	4,860,222	1,241,470	3,618,752
More than 14 but upto 30 days	8,450,640	882,718	7,567,922
More than 30 but upto 60 days	812,866	512,827	300,039
More than 60 but upto 90 days	625,521	587,835	37,686
More than 90 days	602,421,611	585,213,721	17,207,890
	687,240,006	588,438,571	98,801,435

AH/CP

		As at June 30 2017	As at June 30 2016
10.4	Customer Assets	---------- Rupees ----------	
	Central Depository System	6,360,809,255	4,773,508,714

		Note	2017	2016
11	LOANS AND ADVANCES		---------- Rupees ----------	
	Considered good			
	Advances to employees	11.1	566,652	1,213,076
	Others		873,768	706,392
			1,440,420	1,919,468

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 / against expense statements.

		Note	2017	2016
			---------- Rupees ----------	
12	TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
	Pakistan Stock Exchange Limited		357,923	357,923
	Exposure deposit with National Clearing Company of Pakistan Limited / Pakistan Stock Exchange Limited	12.1	205,750,000	139,750,000
	Pakistan Mercantile Exchange Limited - margin deposit		4,644,871	4,617,006
	Security deposits		2,648,140	2,609,300
	Prepayments		720,418	929,457
			214,121,352	148,263,686

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. Interest is earned on the deposit at rates as determined by the Exchange. These deposits carry interest / mark-up at 3.5% (2016: 4%) per annum as at year end.

		Note	2017	2016
13	ACCRUED MARK-UP - NET		---------- Rupees ----------	
	Considered good			
	Accrued income on savings accounts, long term loans and exposure deposits	13.1	21,456,620	12,726,474
			21,456,620	12,726,474
	Considered doubtful			
	Accrued mark-up income		69,947,809	69,947,808
	Accrued income on other receivables		12,440,327	12,440,328
			82,388,136	82,388,136
	Provision against doubtful accrued mark-up		(82,388,136)	(82,388,136)
			21,456,620	12,726,474

13.1 This includes markup receivable from IGI Investment Bank Limited (the Parent Company) of Rs. 12.328 million (2016: Rs. 6.571 million).

AA
Co

	Note	2017	2016
		---------------- Rupees --------------	
14 OTHER RECEIVABLES - NET			
Considered good			
Receivable from Pakistan Stock Exchange Limited	14.2	10,492,441	-
Others	14.3	1,467,372	793,734
		11,959,813	793,734
Considered doubtful			
Receivable against overdue reverse repurchase transaction	14.4	13,297,927	13,297,927
Others		26,506,756	26,506,756
		39,804,683	39,804,683
Provision against doubtful other receivables	14.1	(39,804,683)	(39,804,683)
		11,959,813	793,734

14.1 Provision against doubtful other receivables

	2017	2016
Balance as at July 1	39,804,683	38,880,544
Charge for the year	-	924,139
Reversal during the year	-	-
Balance as at June 30	39,804,683	39,804,683

14.2 This represents amount receivable from Pakistan Stock Exchange Limited (PSX) retained against disposal of equity holding in PSX, during the year ended June 30, 2017.

14.3 This includes an amount of Rs.806,042 (2016: Rs. 132,000) due from related parties.

14.4 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 the previous reporting period was secured against certain shares listed on PSX and ten shops located at Fortress Stadium, Lahore. During the year ended June 30, 2015, these collaterals were sold by the Company. The remaining balance which is unsecured has been fully provided.

	Note	2017	2016
		-------------- Rupees --------------	
15 CASH AND BANK BALANCES			
Cash in hand		13,978	29,296
Cash at bank			
Current accounts - non-interest bearing		44,690,844	80,425,577
Savings accounts	15.1	420,137,948	128,636,313
		464,828,792	209,061,890
	15.2	464,842,770	209,091,186

15.1 The savings accounts carry interest / mark-up ranging from 3.70% to 5% (2016: 4% to 6%) per annum.

15.2 This includes an amount of Rs. 418.428 million (2016: Rs. 175.062 million) representing clients' funds.

16 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2017	2016		2017	2016
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 (2016: 52,000,000 shares)

AA.

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.

	Note	2017	2016
		---------------- Rupees --------------	
18 TRADE AND OTHER PAYABLES			
Payable against sale of marketable securities	18.1	615,532,173	281,033,176
Payable to National Clearing Company of Pakistan Limited (NCCPL)		-	33,709,086
Payable against profit on unutilised funds	18.2 & 18.4	3,917,117	4,622,946
Payable to IGI Insurance Limited - related party	18.3	14,540,041	9,134,762
Accrued expenses	18.5	5,453,385	3,707,110
Provision for leave encashment		4,079,331	3,346,458
Bonus payable		10,913,882	3,486,252
Commission payable	18.6	3,457,161	2,781,106
Sales tax payable		2,247,871	2,650,699
Other payables		7,465,055	8,608,657
		667,606,016	353,080,252

18.1 This includes an amount due to key management personnel of Rs. 4,829,941 (2016: 875,035)

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. During the current year an amount of Rs 3.387 million has been credited to the sub-account of the customer representing their share for the period from March 2015 to June 2016.

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 (2016: 0.01 million).

18.5 This includes insurance expense payable to a related party of Rs. 1 million (2016: 0.760 million).

18.6 This includes commission withheld payable to key management personnel of Rs. 0.06 million (2016: 0.130 million).

AM

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. The Management also filed second appeal before Appellate Tribunal Inland Revenue. During the year ended June 30, 2017, the ATIR in their Order dated May 31, 2017 has remanded back the matter to the DCIR, with the direction to ascertain the true facts of transactions involved and after due verification allow the exemption clause of part - 1 of the second schedule to the Income Tax Ordinance, 2001 whereas ATIR rejected the appeal of the tax department and upheld the findings of CIR(A) whereby relief was allowed to the Company. The Company has submitted an application to the Deputy Commissioner Inland Revenue to give the appeal effect at the earliest.

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 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.

20 OPERATING REVENUE

	Note	2017	2016
		Rupees	
Brokerage from equity operations	20.1	154,231,952	106,866,216
Brokerage from commodity operations		9,472,015	9,092,610
Advisory and consulting fee		5,000,000	4,510,904
Commission		-	83,613
		168,703,967	120,553,343

AH

		Note	2017	2016
20.1	Brokerage from equity operations		------------- Rupees -------------	
	Retail		110,346,122	69,553,558
	Institution		43,885,830	37,312,658
			154,231,952	106,866,216

21 OTHER OPERATING REVENUE

	Note	2017	2016
Profit on savings accounts - net	21.1	12,419,929	9,505,047
Income on deposit with Pakistan Stock Exchange Limited - net		5,785,275	3,188,132
Income on deposit with Pakistan Mercantile Exchange Limited		80,839	44,439
Dividend income		862,800	1,915,344
CDC conversion charges and commission		4,827,099	4,468,864
Income on term loan		5,756,923	6,024,473
		29,732,865	25,146,299

21.1 PROFIT ON UNUTILISED FUNDS

	Note	2017	2016
Gross revenue		16,337,046	15,868,766
Payable against profit on unutilised funds	18.2	3,917,117	3,175,587
Net revenue		12,419,929	12,693,179

22 ADMINISTRATIVE AND OPERATING EXPENSES

	Note	2017	2016
		------------- Rupees -------------	
Salaries, allowances and other benefits		88,005,205	66,265,407
Staff training		221,030	1,229,754
Commission expense		6,681,425	4,144,831
Insurance		2,197,690	1,952,558
Repairs and maintenance		286,362	199,984
Auditors' remuneration	22.3	1,292,790	1,140,494
Rent and rates		7,817,280	7,053,434
Legal and professional charges		5,981,392	4,038,800
Printing and stationery		1,480,657	1,630,420
Postage and telephone		3,351,701	3,640,748
Travelling and conveyance		1,554,649	1,076,051
Computer expenses		6,375,100	6,179,934
Utilities		2,827,301	2,639,102
Fees and subscription including stock exchange, clearing house and CDC charges		17,243,875	14,173,527
Marketing		1,050,627	388,629
Entertainment		2,813,218	2,511,627
Depreciation - tangible assets	4	6,067,551	5,070,205
Amortisation - intangible assets	5	73,351	6,777
Others		4,059,120	1,846,339
		159,380,324	125,188,621

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).

		2017	2016
22.2	Number of employees at the end of the year	61	55
	Average number of employees during the year	59	50

AH6

		2017	2016
22.3	**Auditors' remuneration**	---------- Rupees ----------	
	Audit fee	350,000	350,000
	Special certifications and sundry services	717,790	655,000
	Out of pocket expenses	225,000	135,494
		1,292,790	1,140,494

23 OTHER INCOME

	2017	2016
Gain on disposal of property and equipment	193,662	1,748,910
Liabilities no longer required written back	227,438	1,177,085
Others	1,523,852	42,839
	1,944,952	2,968,834

24 TAXATION - NET

	2017	2016
Current - for the year	11,409,250	5,102,802
Prior	-	168,692
Deferred	7,239,615	436,902
	18,648,865	5,708,396

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 PER SHARE - BASIC AND DILUTED

	Note	2017	2016
Profit for the year (Rupees)		83,349,913	19,797,231
Weighted average number of ordinary shares outstanding		52,000,000	52,000,000
Earnings per share (Rupees)	25.1	1.60	0.38

25.1 There were no convertible dilutive potential ordinary shares in issue as at June 30, 2017 and 2016.

26 CASH AND CASH EQUIVALENTS

	Note	2017	2016
		---------- Rupees ----------	
Cash and bank balances	15	464,842,770	209,091,186

27 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:

	2017			2016		
	Chief Executive Officer**	Director	Other Executives	Chief Executive Officer	Director	Other Executives
	---------- Rupees ----------					
Managerial remuneration	-	2,516,129	12,029,707	-	2,795,160	11,995,300
Reimbursements / other allowances	-	123,703	2,896,721	-	172,341	2,313,080
Housing	-	1,132,260	5,413,393	-	1,010,319	4,755,968
Utilities	-	251,611	1,202,958	-	224,519	1,056,891
Commission	-	674,828	5,570,331	-	115,055	1,209,479
	-	4,698,531	27,113,110	-	4,317,394	21,330,718
Number of persons*	1**	1	12*	1**	1	12*

* 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 (2016: 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.

	2017			2016		
	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	-	156,214,723	1,474,846,267	4,226,973	38,353,100	3,434,219,547
Sale of marketable securities for and on behalf of	-	161,923,456	507,804	4,226,973	34,120,703	2,049,690,585
Brokerage income earned	-	417,815	2,690,965	120,011	76,696	12,065,456
Brokerage expense	205,346	-	-	257,081	-	-
Insurance expense paid to	-	-	2,197,690	-	-	1,278,432
Insurance claim received	-	-	75,000	-	-	69,300
Mark-up earned on long term loan	5,756,923	-	-	6,024,473	-	-
Mark-up received on long term loan	-	-	-	3,500,000	-	-
Advisory / consultancy income from	-	-	6,584,000	-	-	4,160,000
Disposal of fixed assets - at cost	-	1,934,555	127,027	-	469,000	99,000
Sale proceeds from disposals of fixed assets	-	1,338,729	-	-	208,098	-
Remuneration paid to	-	31,811,641	-	-	25,648,112	-
Receipt from sale of long term investment	-	-	11,743,388	-	-	-
GSS reimbursements from	1,890,565	-	4,729,346	1,722,426	-	3,974,703
GSS reimbursements to	16,023,975	-	6,492,825	12,545,675	-	5,790,301
Rent Expense	-	-	3,922,235	-	-	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 to 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, 2017			
	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	-	-	41,164,238	41,164,238
Long-term deposits	-	27,934,664	-	27,934,664
	-	27,934,664	41,164,238	69,098,902
Current assets				
Trade debts - net	-	98,801,435	-	98,801,435
Loans and advances	-	1,440,420	-	1,440,420
Current maturity of long-term loan		69,859,738		69,859,738
Trade deposits	-	213,043,011	-	213,043,011
Accrued mark-up - net	-	21,456,620	-	21,456,620
Other receivables - net	-	11,959,813	-	11,959,813
Cash and bank balances	-	464,842,770	-	464,842,770
	-	881,403,807	-	881,403,807
	-	909,338,471	41,164,238	950,502,709

	June 30, 2017		
	Financial liabilities at amortised cost	At fair value through profit or loss	Total
FINANCIAL LIABILITIES	------------ Rupees ------------		
Trade and other payables	661,106,200	-	661,106,200

	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 - net	-	57,679,145	-	57,679,145
Loans and advances	-	1,919,468	-	1,919,468
Trade deposits	-	147,334,229	-	147,334,229
Accrued mark-up - net	-	12,726,474	-	12,726,474
Other receivables - net	-	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

AH G

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

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 margins are collected and maintained from the clients. The 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. 588,438,571 (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:

	2017	2016
	------------- Rupees	-------------
Long-term loan	-	69,859,738
Long-term deposits	27,934,664	4,439,473
Trade debts - net	98,801,435	57,679,145
Loans and advances	1,440,420	1,919,468
Current maturity of long-term loan	69,859,738	-
Trade deposits	213,043,011	147,334,229
Accrued mark-up - net	21,456,620	12,726,474
Other receivables - net	11,959,813	793,734
Bank balances	464,828,792	209,061,890
	909,324,493	503,814,151

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

	2017			2016		
	Gross	Provision	Net	Gross	Provision	Net
			---------- Rupees	----------		
Past due 1-30 days	93,707,616	(2,124,188)	91,583,428	47,105,137	-	47,105,137
Past due 31 days -60 days	3,438,796	(512,827)	2,925,969	1,718,988	-	1,718,988
Past due 61 days -90 days	3,306,739	(587,835)	2,718,904	522,527	-	522,527
More than 90 days	742,396,107	(707,406,540)	34,989,567	729,431,961	(707,579,260)	21,852,701
	842,849,258	(710,631,390)	132,217,868	778,778,613	(707,579,260)	71,199,353

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

AH 6

29.3.2 Bank Balances

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

	2017	2016
	----- Rupees -----	
AAA	452,675,940	206,748,572
AA+	307,204	89,213
AA	2,423,734	1,132,492
AA-	29,397	28,775
A+	40,888	40,888
A	9,351,629	1,021,950
	464,828,792	209,061,890

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:

	------------2017------------		------------2016------------	
	Rupees	Percentage	Rupees	Percentage
Services (including insurance)	5,453,061	5.52%	10,725,129	18.59%
Banking, capital market and financial institutions	10,725,382	10.86%	29,373,713	50.93%
Individuals	26,881,275	27.21%	17,580,303	30.48%
Clearing house	55,741,717	56.41%	-	0.00%
	98,801,435	100%	57,679,145	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.

	--------------------2017--------------------				
	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	661,106,200	661,106,200	661,106,200	-	-

			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	-	-

On the balance sheet date, the Company has cash and bank balances of Rs.464,842,770 (2016: Rs.209,091,186) as mentioned in note 15 to these financial statements.

AA6

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. The 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:

	2017	2016	2017	2016
	Effective interest rate		Carrying amount	
	Percentage		----- Rupees -----	
Financial assets				
Long-term loan		1 m KIBOR + 200 bps	-	69,859,738
Current maturity of long-term loan	1 m KIBOR + 200 bps		69,859,738	-
Trade deposits and short-term prepayments	4 to 5	4 to 5	210,394,871	144,367,006
Bank balance in savings account	3.7 to 5	4 to 6	420,137,948	128,636,313
Total			700,392,557	342,863,057
Financial liabilities				
Trade and other payables	0.94 to 1.25	94 to 1.13	615,532,173	281,033,176
Trade and other payables	Non-interest bearing	Non-interest bearing	45,574,027	70,274,259

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. 7.004 million (2016: Rs. 3.429 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.

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.

AHc

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).

As at June 30, 2017, the Company held the following financial instruments measured at fair value:

	As at June 30, 2017		
	Level 1	Level 2	Level 3
	Rupees in '000		
Assets carried at fair value			
Available-for-sale investments	41,164,238	-	-

	As at June 30, 2016		
	Level 1	Level 2	Level 3
	Rupees in '000		
Assets carried at fair value			
Available-for-sale investments*	-	-	-

*The Company held investments in equity shares of Pakistan Stock Exchange Limited and LSE Financial Services Limited, which were not listed on any stock exchange as at June 30, 2016. The investment was carried at their cost amounting to Rs 9.88 million.

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.

AHS

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, 2017 of these future transactions is Rs. 25,720 (2016: Rs. 509,605). 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 19 SEP 2017 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