

2015 Annual Report

IGI
Investment Bank

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BOARD OF DIRECTORS

IGI Investment Bank is governed by the following Board of Directors:



Syed Babar Ali
Chairman



Towfiq H. Chinoy



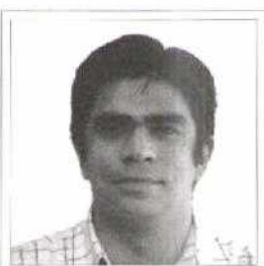
Farid Khan



Khalid Yacob



Arif Faruque



Khurram Raza Bakhtayari



Syed Raza Hussain Rizvi
Chief Executive Officer

COMPANY INFORMATION

Audit Committee

Mr. Farid Khan, Chairman
Mr. Khalid Yacob
Mr. Khurram Raza Bakhtayari

H.R&R Committee

Mr. Towfiq Chinoy, Chairman
Mr. Farid Khan
Mr. Khalid Yacob
Mr. Syed Raza Hussain Rizvi

Auditors

M/s. A. F. Ferguson & Co.,
Chartered Accountants

Legal Advisors

M/s Access World Law Company
M/s A.W. Butt & Associates
M/s Azam Lawyers & Consultants
M/s Chaudhry Abdul Rauf & Co.
M/s S. & B. Durrani Law Associates
M/s Hassan & Hassan Advocates
M/s Haider Mota & Co.
M/s Jurists & Arbitrators Advocates
& Consultants
M/s Lexicon Law Firm
M/s Mandviwala & Zafar Advocates
M/s Mian Law Associates
M/s Mohsin Tayebaly & Co.
M/s Mughees Law Associates
M/s Naveed ul Zaman & Associates
M/s ORR, Dignam & Co.
M/s Rahman Law Associates

Bankers

Allied Bank Ltd.
Bank AL Habib Ltd.
Faysal Bank Ltd.
Habib Metro Bank Ltd.
JS Bank Ltd.
MCB Bank Ltd.
NIB Bank Ltd.
Soneri Bank Ltd.
Standard Chartered Bank
Summit Bank
United Bank Ltd.

Shares Registrar

THK Associates (Pvt.) Limited
2nd Floor, State Life Building # 3,
Dr. Ziauddin Ahmed Road,
Karachi, 75530 P.O Box # 8533
UAN: (+92-21) 111-000-322
Fax: (+92-21) 35655595
E-mail: secretariat@thk.com.pk

Karachi Registered Office

7th Floor, The Forum, Suite Nos.
701-713, G-20, Block 9,
Khayaban-e-Jami, Clifton,
Karachi-75600, Pakistan.
Tel: (021) 111-234-234
Fax: (021) 111-567-567

Lahore Office

5 F.C.C. Ground Floor,
Syed Maratib Ali Road,
Gulberg, Lahore.
Tel: (042) 111-234-234
(042) 35753414-16
Fax: (042) 111-567-567
(042) 3576-2790

Islamabad Office

Office 5, 6 & 7, Mezzanine Floor,
Kashmir Plaza, Block B,
AB West, Blue Area,
Islamabad.
Tel: (051) 111-234-234
(051) 2604861-64
Fax: (051) 111-567-567

UAN

Tel: 111-234-234
Fax: 111-567-567

Website

www.igiinvestmentbank.com.pk

Email

contact.center@igi.com.pk

COMPANY PROFILE

IGI Investment Bank Limited was established in 1990 and is licensed by the SECP (Securities and Exchange Commission of Pakistan) to carry out and undertake Investment Finance and Leasing & Lending services as per NBFC Rules and Regulations.

The Investment Bank is listed on the Karachi, Lahore and Islamabad Stock Exchanges of Pakistan and is operating in Karachi, Lahore and Islamabad.

KEY MANAGEMENT

Syed Raza Hussain Rizvi
Chief Executive Officer

Muhammad Adnan
Head – Human Resources & Administration

Adil Ali Abbasi
Chief Financial Officer and
Company Secretary

Muhammad Faisal Younus Bawani
Head – Information Technology

Muhammad Junaid Qamar
Head of Compliance and
Internal Audit

NOTICE OF THE TWENTY FIFTH ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Fifth Annual General Meeting of IGI Investment Bank Limited will be held at 7th floor, The Forum, Suite No. 701, 713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi-75600, on October 31, 2015 at 9:30 a.m. to transact the following businesses:

ORDINARY BUSINESS:

1. To confirm the minutes of Twenty Fourth Annual General Meeting of the Company held on October 31, 2014.
2. To receive and adopt the audited accounts for the year ended June 30, 2015 together with the directors' report to the shareholders and auditors' report thereon.
3. To appoint Company's auditors for the year ending June 30, 2016 and to fix their remuneration. M/s. A.F. Ferguson & Co. Chartered Accountants have offered their services to act as auditors of the Company.
4. To elect directors in accordance with the provisions of section 178 of the Companies Ordinance, 1984 for a term of three years commencing from November 10, 2015.
5. As resolved by the Board Resolution dated September 21, 2015, the number of directors on the board would continue to be seven as at present.
6. The current Directors of the Company will retire on November 9, 2015. The retiring directors, namely Syed Babar Ali, Mr. Khalid Yacob, Mr. Arif Faruque, Mr. Towfiq Habib Chinoy, Mr. Farid Khan, Mr. Khurram Raza Bakhtayari and Syed Raza Hussain Rizvi, being eligible, have notified their intention to offer themselves for re-election as Directors for a fresh term of three years commencing from November 10, 2015.

OTHER BUSINESS

7. To transact any other business with the permission of the Chair.

By order of the board

Adil Ali Abbasi
Company Secretary

Karachi:
October 09, 2015

NOTES:

1. Any person who seeks to contest the election of directors shall file with the Company at its registered office, not later than fourteen days before the day of the above said meeting, his/her intention to offer himself/herself for the election of directors in terms of section 178(3) of the Companies Ordinance, 1984 together with the following:
 - (a) consent in form 28;

NOTICE OF THE TWENTY FIFTH ANNUAL GENERAL MEETING

- (b) a declaration with consent to act as directors in the prescribed form, under the code of Corporate Governance, to the effect that he/she is aware of duties and powers of directors under the Companies Ordinance, 1984, the Memorandum and Articles of Association of the company and the listing regulation of the Karachi, Lahore and Islamabad Stock Exchanges and has read the relevant provisions contained therein; and
 - (c) a declaration in terms of of the Code of Corporate Governance to the effect that he/she is not serving as a director of more than seven listed companies, that his/her name is borne on the register of national tax payers (except where he/she is a non-resident), that he/she has not been convicted by a court of competent jurisdiction as defaulter in payment of any loan to a banking company, a development financial institution or a non-banking financial institution.
- 2. The share transfer books of the company will remain closed from October 25, 2015 to October 31, 2015 (both days inclusive).
 - 3. A member entitled to attend and vote at the meeting may appoint a proxy. A proxy need not be a member of the company.
 - 4. Duly completed form of proxy must be received at the Registered Office of the Company not later than forty-eight hours before the time appointed for the Meeting.
 - 5. Account holders and sub-account holders holding book entry securities of the Company in the Central Depository Company of Pakistan Limited, who wish to attend the Annual General Meeting, are requested to bring original Computerized National Identity Cards with copies thereof duly attested by their bankers for identification purposes.
 - 6. Members who have not submitted copy of valid CNIC and NTN are once again advised to submit the same without further delay to ensure compliance with the Securities & Exchange Commission of Pakistan Notification SRO 19(1)2014 dated 10th January, 2014 read with Notification SRO 83 (I) 2012 dated 5th July 2012.
 - 7. Pursuant to the provisions of the Finance Act 2015 effective July 1, 2015 the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:
 - a) Rate of tax deduction for filers of income tax returns - 12.5%
 - b) Rate of tax deduction for non-filers of income tax returns - 17.5%

All individuals/companies/association of persons who hold shares in physical form and/or in scrip-less form on Central Depository System of Central Depository Company of Pakistan are requested to send a valid copy of their CNIC and NTN Certificate to the Company's Shares Registrar to allow the Company to ascertain the status of the shareholders.

Where the required documents are not submitted, the Company will be constrained to treat the non-complying shareholders as a non-filers thereby attracting a higher rate of withholding tax.

- 8. The shareholders are advised to notify to the Company's share registrar of any change in their addresses.
- 9. Form of proxy is attached to this notice.

SUMMARY OF KEY OPERATING AND FINANCIAL DATA

	(Rupees in Thousands)					
	June 30 2015	June 30 2014	June 30 2013	June 30 2012	June 30 2011	June 30 2010
Share Capital and reserves						
Paid-up Capital	2,121,025	2,121,025	2,121,025	2,121,025	2,121,025	2,121,025
Reserves	(2,071,742)	(2,089,246)	(1,953,528)	(870,655)	(647,800)	(478,805)
	49,283	31,779	167,497	1,250,370	1,473,225	1,642,220
(Defecit) / Surplus on revaluation of investments - net	-	-	1,367	(37,394)	(55,544)	(37,305)
Finance Provided						
Term finance	-	9,711	41,074	199,797	314,859	405,868
Lease finance	245,220	262,489	374,954	555,328	665,087	1,095,712
	245,220	272,200	416,028	755,125	979,946	1,501,580
Investments (including repos and excluding reverse repos)						
Government securities	7,801	-	153,514	399,512	3,618,732	1,155,965
Listed term finance certificates	-	-	-	359,528	640,534	1,275,520
Unlisted term finance certificates	3,280	4,690	14,049	741,579	923,445	691,385
Listed Shares, units, certificates and modaraba certificates	10,418	13,923	15,668	436,731	518,292	918,018
Unlisted Shares, units, certificates and modaraba certificates	2,718	16,115	26,179	26,179	22,932	22,932
Investments in Subsidiaries	204,083	204,083	204,083	791,435	855,643	860,324
	228,300	239,041	413,493	2,754,964	6,579,578	4,924,144
Balance and placements with banks / financial institutions excluding balances with the State Bank of Pakistan and Reverse repos)	-	-	-	-	-	129,000
Certificates of deposit issued	-	184,749	1,020,251	2,600,940	3,029,750	3,881,951
Term finance certificates issued	-	-	-	-	62,475	187,083
Profit / (loss) before taxation	24,616	(135,114)	(796,071)	(209,045)	(88,688)	(386,417)
Profit / (loss) after taxation	17,504	(135,718)	(1,082,873)	(222,855)	(168,995)	(199,370)
Cash dividend	-	-	-	-	-	-
Bonus shares issue	-	-	-	-	-	-

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors of IGI Investment Bank Limited is pleased to present the annual report and audited financial statements for the year ended June 30, 2015 to the Twenty Fifth Annual General Meeting of the shareholders.

General Overview

The Year 2014-2015 has been another challenging period for the NBFC sector that has continued to face impediments in its business activities due to factors such as overall reluctance of the financial institutions/banks to provide long term borrowing lines and continuous increase in costs of doing business for the industry.

Financial Summary

	-----Rs. in million-----	
	2015	2014
Gross Revenue	46.999	33.229
Profit / (Loss) for the year before taxation	24.616	(135.114)
Taxation – net	(7.112)	(0.604)
Profit / (Loss) for the year after taxation	17.504	(135.718)
Total Assets	652.941	789.186
Profit / (Loss) per Share (In Rupee)	0.08	(0.64)

The annual audited financial statements for the year ended June 30, 2014 ('last year financial statements') disclosed in detail:

- The financial difficulties being faced by the Investment Bank which indicate the existence of a material uncertainty about the Investment Bank's ability to continue as a going concern; and
- The mitigating factors based on which the management believes that the Investment Bank will be able to continue as a going concern.
- Measures that have been taken by the management of the Investment Bank for continuity and sustainability in line with the aforesaid mitigating factors.

Currently, the Investment Bank continues to face certain financial difficulties. These include the fact that as at period ended June 30, 2015, the Investment Bank has accumulated losses amounting to Rs.2,212.074 million (June 30, 2014: Rs.2,226.077 million). Further, the Investment Bank is not in compliance with the minimum equity requirement as specified under the NBFC Regulations for NBFCs undertaking leasing and investment finance activities. As per the said Regulations, the minimum equity required is Rs.1,700 million as at June 30, 2015, however, the equity of the Investment Bank at the period-end amounted to Rs. 49.283 million (June 30, 2014: Rs.31.779 million). In addition to the above, licenses of the Investment Bank in respect of undertaking leasing and investment finance services, which expired during the year ended June 30, 2013, are pending for renewal by the Securities and Exchange Commission of Pakistan (SECP). Furthermore, no new loans and leases were disbursed by the Investment Bank in the current period. These factors continue to indicate the existence of a material uncertainty about the Investment Bank's ability to continue as a going concern.

Despite the above indicators, the management believes that the Investment Bank will be able to continue as a going concern in view of the following mitigating factors:

DIRECTORS' REPORT TO THE SHAREHOLDERS

- the management of the Investment Bank believes that the SECP is working to introduce a new business model for NBFCs engaged in leasing and investment finance services wherein various options like introduction of lesser minimum equity requirements are under consideration by the regulator;
- the Investment Bank has prepared cash flow forecast for a period of twelve months from the balance sheet date indicating that the Investment Bank will be solvent and will be able to meet its obligations as and when they become due;
- the management of the Investment Bank continues to exert maximum focus and efforts on recoveries out of its classified loans, lease and investment portfolios. As at June 30, 2015, the outstanding loans and leases aggregate to Rs. 597.8 million. The management expects to make considerable recoveries out of the aforesaid amounts in the ensuing year;
- the sponsor of the Investment Bank is committed to provide continuing financial support to the Investment Bank enabling it to conduct its affairs in such a way that it will be able to meet its financial obligations as and when they become due.
- In addition to the above, the Board of Directors of the Investment Bank has approved the proposed merger of IGI Finex Securities Limited, a corporate brokerage house and its 100% owned subsidiary with and into the Investment Bank. It is envisioned that the merged entity will benefit from cost reduction, revenue and human resource synergies. Said merged entity will be able to offer a full suite of investment products to its clients from a single platform including stocks, commodities, mutual funds, fixed income instruments, government securities as well as the value added services of investment advisory, portfolio management and corporate advisory services. Consummation of the proposed merger is subject to the receipt of all relevant regulatory and corporate approvals, the finalization of relevant documentation and the sanction of the scheme of amalgamation by the High Court of relevant jurisdiction.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Review of Strategic Investment

IGI Finex Securities Limited

The financial highlights of IGI Finex Securities Limited (IGIFSL) for the year 2014 and 2015 are as follows:

	2015	2014	Increase / (Decrease)
	Rupees in thousand		
Operating Revenues	95,537	80,270	19%
Total Revenue	140,728	101,540	38%
Administrative & operating exp	(118,997)	(92,222)	29%
Financial charges	(545)	(426)	28%
Profit before provision/impairment	21,186	8,892	138%
Profit / (Loss) before taxation	9,281	15,857	(41%)
Taxation - current	(1,776)	(2,864)	(37%)
- deferred	(220,510)	(5,272)	41 times
	(222,287)	(8,136)	
(Loss) / Profit after taxation	(213,005)	7,721	26.6 times
	As at June 30, 2015	As at June 30, 2014	Increase / (Decrease)
	Rupees in thousand		
Total Assets	620,108	771,044	(19%)

During the current year ended June 30, 2015, operating revenues (comprising of brokerage, commission, advisory & consulting fee income) showed a growth of 19% and amounted to Rs. 95.537 million. This growth has been due to increase in market share (by value) by 11% as well as increased trading volumes during the year by 5%.

Total revenues showed increase of 38% as compared to last year mainly due to growth in operating revenues by 19% as well as gain on disposal of properties amounting to Rs. 11.026 million and increase in markup income due to markup earned on excess funds deposited in saving accounts and invested in Government securities.

Administrative and operating expenses witnessed an increase from Rs.92.22 million last year to Rs.118.9 million in the current year.

Profit before provision/impairment of IGIFSL witnessed an increase of 138% and increased from Rs. 8.8 million last year to Rs. 21.1 million in the current year.

During the year, IGIFSL has recorded net provision of Rs. 5.79 million on long overdue receivables and impairment on shares of Lahore Stock Exchange Limited of Rs. 6.12 million resulting in profit before taxation in the current year amounting to Rs. 9.2 million as against Rs.15.8 million last year.

DIRECTORS' REPORT TO THE SHAREHOLDERS

IGIFSL has an aggregate amount of Rs. 149.50 million (2014: Rs 174.29 million) including unabsorbed tax depreciation and amortisation in respect of available tax losses as at June 30, 2015 and has an aggregate amount of Rs 710.28 million (2014: Rs 704.49 million) in respect of deductible temporary differences arising on provisions made against doubtful receivables on the same date.

IGIFSL had recognised full amount of deferred tax asset on available tax losses and deductible temporary differences in prior years based on projections duly approved by the Board of Directors. The auditors of IGIFSL had expressed a qualified opinion on the financial statements for the year ended June 30, 2014 highlighting that in the absence of certainty of future taxable profits against which these unused tax losses and deductible differences could be utilized, they were unable to determine if any adjustment was required to the carrying amount of net deferred tax asset. While maintaining that deferred tax on deductible differences (provision for doubtful receivables) provides an opportunity for tax planning and IGIFSL would be able to fully utilise them in the future years, management of IGIFSL during the current year has decided to take a more conservative view on the balance of deferred tax recognised as an asset against deductible temporary differences in the financial statements of IGIFSL. IGIFSL, nevertheless, retains the right to consider and evaluate on an ongoing basis tax planning opportunities with respect to provision write offs. In addition the management of IGIFSL has taken into consideration factors such as regulatory amendments introduced in 2015 by the Stock Exchanges requiring brokers to pass on profit earned on unutilised funds of clients to the respective clients out of the total profit accrued on such funds as mutually agreed in writing between the brokers and its clients, that will potentially impact the profitability of IGIFSL in future years. 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 83.48 million during the year.

In connection with the above, the management of IGIFSL has prepared financial projections which have been approved by the Board of Directors of IGIFSL. These projections involve certain key assumptions underlying the estimation of future taxable profits. The determination of the future taxable profits takes into account various assumptions regarding the future business, economic and market conditions. Key assumptions include market share of IGIFSL, 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.

Consequent to the above, a reversal of deferred tax asset amounting to Rs. 220 million has been recorded in the current year by IGIFSL resulting in loss after taxation of Rs. 213.04 million.

The management of IGIFSL is positive on the continued performance of the local bourse going forward on the back of continued growth in corporate earnings. The market sentiment is expected to improve as economic indicators strengthen with the prevailing low petroleum prices, decline in discount rate, low inflation and improving law and order situation. Moreover, efforts to curtail energy deficit will be an important driver for future growth. However, the political uncertainty could dampen the market sentiment going forward.

The management of IGIFSL is confident that IGIFSL will show further improvement in the next financial year.

Summary of the key operating and financial data

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

Credit Rating

The Pakistan Credit Rating Agency (PACRA) has assigned the Investment Bank a rating of 'BBB-' (long-term rating) and at 'A3' (short term rating) on January 14, 2015.

Directors

During the year under review, the Board met 4 times. The attendance of each Director at the Board meetings is given below.

Directors	Number of board meetings attended
Syed Babar Ali – Chairman	3
Mr. Khalid Yacob	3
Mr. Farid Khan	3
Mr. Arif Faruque	4
Mr. Towfiq H. Chinoy	3
Mr. Khurram Raza Bakhtayari	4
Syed Raza Hussain Rizvi – Chief Executive Officer	4

Auditors

The present auditors are M/s A.F.Ferguson & Co, Chartered Accountants.

Staff Retirement Benefits

IGI Investment Bank operates a contributory provident fund for all its permanent employees. Equal monthly contributions are made, both by IGI Investment Bank and the employee, to the fund at 10% of basic salary. Based on latest unaudited financial statements of the provident fund for the year ended June 30, 2015, the investments of the fund amount to Rs. 19.625 million.

Code of Corporate Governance

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

- a. The financial statements, prepared by the management of the Investment Bank, present its state of affairs fairly, the result of its operations, cash flows, and changes in equity.
- b. Proper books of account of the Investment Bank have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. The system of internal control is sound in design and has been effectively implemented and monitored.
- e. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and these have been effectively implemented and monitored. Timely corrective action is taken to address any exceptions that are identified.

DIRECTORS' REPORT TO THE SHAREHOLDERS

- f. Matters relating to the company's ability to continue as a going concern are covered in the Directors Report and enclosed financial statements.

Future

The management believes that the Investment Bank will be able to continue as a going concern and meet its obligations towards its creditors in view of the mitigating factors stated herein.

Pattern of shareholding

The pattern of shareholding, disclosing the aggregate number of shares held by various categories of shareholders, appears at the end of this annual report. Trading in the shares of IGI Investment Bank during the year, carried out by the Chief Executive, Directors, Chief Financial Officer, Company Secretary and their spouses and minor children are as follows:

	Holding	Trading
Syed Babar Ali (Chairman)	9,796,627	Nil
Syed Raza Hussain Rizvi (C.E.O)	Nil	Nil
Directors:		
Khalid Yacob	500	Nil
Towfiq H. Chinoy	500	Nil
Farid Khan	500	Nil
Arif Faruque	500	Nil
Chief Financial Officer	Nil	Nil
Company Secretary	Nil	Nil
Spouses	185,726	Nil

Acknowledgement

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

For & on behalf of the Board

Chairman

Chief Executive Officer

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of IGI Investment Bank Limited (the Investment Bank) for the year ended June 30, 2015 to comply with Regulation 5.19 of Karachi Stock Exchange Limited Regulations and Regulation No. 35 of Chapter XI contained in the Listing Regulations of the Lahore and Islamabad Stock Exchanges, where the Investment Bank is listed.

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

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Investment Bank's corporate governance procedures and risks.

The Code of Corporate Governance requires the Investment Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length prices and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of the above requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Investment Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Investment Bank for the year ended June 30, 2015.

Further, we highlight below certain instances of non-compliance with the requirements of the Code as reflected in the respective paragraph references where these have been stated in the Statement of Compliance:

Paragraph Reference	Description
4	The Chief Executive Officer resigned during the year ended June 30, 2014 and the casual vacancy was not filled within 90 days. The casual vacancy was filled through appointment of new Chief Executive Officer on September 26, 2014.
10	The Chief Financial Officer resigned on April 11, 2013 and the vacancy was filled during the year through the appointment of a new Chief Financial Officer on March 16, 2015.
18	The qualification and experience requirements of the Head of Internal Audit who resigned on May 21, 2015 were not in compliance with the requirements of the Code.

A. F. Ferguson & Co.
Chartered Accountants
Audit Engagement Partner: Shahbaz Akbar

Dated: October 02, 2015

Karachi

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (The Code) as contained in Chapter 5.19 of Karachi Stock Exchange Limited Regulations and Regulation No. 35 of Chapter XI contained in the Listing Regulations of Lahore and Islamabad Stock Exchanges, where the Investment Bank is listed, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Investment Bank encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present (June 30, 2015) the board includes:

Category	Name
Independent Directors	Mr. Arif Faruque, Mr. Farid Khan,
Non-Executive Directors	Syed Babar Ali, Mr. Tawfiq H. Chinoy, Mr. Khalid Yacob, Mr. Khurram Raza Bakhtayari
Executive Director	Syed Raza Hussain Rizvi

The independent directors meet the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies including the Investment Bank.
3. All the resident directors of the Investment Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI and NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During last year, the Chief Executive Officer of the Investment Bank resigned. The casual vacancy was filled through appointment of new Chief Executive Officer on September 26, 2014. Further, a casual vacancy occurring on the board on September 10, 2014 consequent to resignation of Mr. Jalees A. Siddiqi was filled up by the directors the same day through appointment of Mr. Khurram Raza Bakhtayari.
5. The Investment Bank has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Investment Bank along with its supporting policies and procedures.
6. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the Investment Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board / shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Three of the Directors on the Board have more than 15 years of experience, therefore, are exempt from the Directors' certification as prescribed by the Code. The remaining four directors are required to obtain certification under the directors' training program which shall be obtained by June 30, 2016 as required under the Code.
10. The Chief Financial Officer of the Investment Bank resigned on April 11, 2013, resulting in a casual vacancy. The Chief Financial Officer of an associated company was working in the capacity of Acting Chief Financial Officer of the Investment Bank. Further, during the year, Company Secretary and Head of Internal Audit of the Investment Bank resigned. In order to fill these casual vacancies, the Board approved appointment of Chief Financial Officer & Company Secretary as well as Head of Internal Audit including their remuneration and terms and conditions of employment.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

11. The Directors' Report for the year ended June 30, 2015 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Investment Bank were duly endorsed by the Chief Executive Officer and Chief Financial Officer before their approval by the Board.
13. The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the Investment Bank other than that disclosed in the pattern of shareholding.
14. The Investment Bank has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members who are non-executive directors and the chairman of the committee is a non-executive and independent director.
16. The meetings of the Audit Committee were held at least once in every quarter prior to the approval of interim and final results of the Investment Bank and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed Human Resource & Remuneration Committee. It comprises of four members of whom three are non-executive directors and the Chairman of the Committee is a non-executive and independent director.
18. The Board had outsourced its internal audit function to an independent firm of Chartered Accountants who were considered suitably qualified and experienced for the purpose and were conversant with the policies and procedures of the Investment Bank. The tenure of the internal auditors ended on March 31, 2013. Further, the Head of Internal Audit whose appointment was made on June 18, 2012, was overseeing the internal audit function of the Investment Bank till May 21, 2015, however, the requirements of the Code as to qualification and experience were not met. Upon his resignation on May 21, 2015, in order to fill the casual vacancy, the Board approved appointment of Head of Internal Audit who is suitably qualified and experienced and is conversant with the policies and procedures of the Investment Bank.
19. The statutory auditors of the Investment Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Investment Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The "Closed Period" prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of the Investment Bank's securities, was determined and intimated to Directors, Employees and Stock Exchanges.
22. Material / price sensitive information has been disseminated among all market participants at once through Stock Exchanges.
23. We confirm that all other material principles enshrined in the Code have been complied with, as per the requirements of the Code of Corporate Governance.

For and on behalf of the Board of Directors

Chairman

Chief Executive Officer

Dated: October 02, 2015

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of IGI Investment Bank Limited (the Holding Company or the Investment Bank) and its subsidiary company, IGI Finex Securities Limited (here-in-after referred to as 'the Group') as at June 30, 2015 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary company. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of IGI Investment Bank Limited and its subsidiary company as at June 30, 2015 and the results of their operations for the year then ended.

We draw attention towards:

- i) note 1.1.2 to the consolidated financial statements which states that the Investment Bank has accumulated losses at June 30, 2015 amounting to Rs. 2,212.074 million (June 30, 2014: Rs. 2,226.077 million). Further, the Investment Bank is not in compliance with the minimum equity requirement as specified under the NBFC Regulations for NBFCs undertaking leasing and investment finance activities. These conditions, along with other matters as set forth in note 1.1.2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Investment Bank's ability to continue as a going concern.
- ii) notes 7.4, 8.4, 9.5 and 13.5 to the consolidated financial statements which state certain non-compliances with the NBFC Regulations, 2008.

Our opinion is not qualified in respect of the above matters.

The consolidated financial statements of the Group for the year ended June 30, 2014 were audited by another auditor who (in reliance of the qualified opinion issued on the separate financial statements of IGI Finex Securities Limited by the subsidiary company's auditor on September 29, 2014) had also expressed a modified opinion vide their report dated September 30, 2014 highlighting that in the absence of certainty of future taxable profit against which unused tax losses and deductible temporary differences could be utilised the subsidiary company's auditors were unable to determine if any adjustment was required to the carrying amount of net deferred tax asset. In addition, the audit report dated September 30, 2014 contained an emphasis of matter paragraph on the same issues as described above. The matter relating to deferred taxation has been resolved in the current year by the management of the subsidiary company as explained in note 10.2 to the consolidated financial statements.

A. F. Ferguson & Co.
Chartered Accountants

Engagement Partner: Shahbaz Akbar

Dated: October 03, 2015

Karachi

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2015

ASSETS	Note	2015 ----- (Rupees in '000) -----	2014
Non-current assets			
Fixed assets	5	42,727	38,745
Investment property	6	-	13,165
Long-term investments	7	61,136	78,038
Long-term loans and advances - net	8	-	-
Net investment in finance lease	9	-	-
Long-term deposits		8,714	9,204
Deferred tax asset - net	10	83,483	303,994
		196,060	443,146
Current assets			
Current maturity of non-current assets	11	245,220	272,200
Short-term loans and advances	12	738	556
Short-term investments	13	11,081	4,920
Trade debts - net	14	45,670	121,423
Deposit, prepayments and other receivables	15	150,192	201,769
Interest, mark-up and profit accrued	16	6,068	3,926
Taxation - net		189,306	269,870
Cash and bank balances	17	192,791	75,665
		841,066	950,329
TOTAL ASSETS		1,037,126	1,393,475
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	2,121,025	2,121,025
Reserves	19	118,691	115,190
Accumulated losses		(2,703,491)	(2,505,290)
Equity attributable to shareholders of the parent		(463,775)	(269,075)
Advance against issue of preference shares	20	650,000	650,000
		186,225	380,925
Surplus on revaluation of investments - net of tax	21	-	-
		186,225	380,925
Non-current liabilities			
Long term loan	22	253,000	285,000
Long-term certificates of deposit	23	-	-
Long-term deposits under lease contracts	24	-	-
		253,000	285,000
Current liabilities			
Current maturity of non-current liabilities	25	229,705	234,867
Short-term certificates of deposit	26	-	175,000
Interest and mark-up accrued	27	260	12,987
Trade and other payables	28	367,936	304,696
		597,901	727,550
TOTAL LIABILITIES		850,901	1,012,550
TOTAL EQUITY AND LIABILITIES		1,037,126	1,393,475
CONTINGENCIES AND COMMITMENTS	29		

The annexed notes from 1 to 53 form an integral part of these consolidated financial statements.

Chairman

Chief Executive Officer

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
Income from investments	30	40,661	15,420
Income from loans and advances	31	-	1,038
Income from lease finance	32	1,836	8,183
Income from fees, commission and brokerage	33	104,428	89,564
Other operating revenue	34	25,498	15,737
		<u>172,423</u>	<u>129,942</u>
Administrative and general expenses	36	<u>157,575</u>	<u>137,738</u>
Other income	37	14,848	(7,796)
Gain on sale of assets classified as held for sale		10,206	12,468
		-	8,875
		<u>25,054</u>	<u>13,547</u>
Other expenses	38	<u>3,242</u>	<u>2,356</u>
Finance costs	35	<u>7,355</u>	<u>62,462</u>
		<u>14,457</u>	<u>(51,271)</u>
Reversal of provision / (provision) for bad and doubtful loans and advances / lease losses - specific - net	8.3, 9.3 & 12.2	48,332	(44,921)
Provision for residual values against lease losses		(1,780)	-
Provision against other assets		(2,206)	(595)
(Provision) / reversal of provision against:			
Trade debts - net	14.2	116	2,910
Other receivables		(5,903)	4,056
Loss on termination of lease contracts		(13,172)	(8,170)
Loss on sale of assets acquired in settlement of claims		-	(3,633)
(Impairment) / reversal of impairment against investments:			
unquoted companies		-	(10,064)
listed equity securities	7.2	(3,505)	(1,745)
term finance certificates	13.4	(1,640)	3,051
		<u>20,242</u>	<u>(59,111)</u>
Profit / (loss) before taxation		<u>34,699</u>	<u>(110,382)</u>
Taxation			
Current		(8,888)	(3,468)
Deferred	39	(220,511)	(5,272)
		<u>(229,399)</u>	<u>(8,740)</u>
Loss after taxation		<u>(194,700)</u>	<u>(119,122)</u>
Other comprehensive income - net of tax		-	-
Total comprehensive loss		<u>(194,700)</u>	<u>(119,122)</u>
Loss attributable to non-controlling interest		-	-
Loss attributable to shareholders of the parent		<u>(194,700)</u>	<u>(119,122)</u>
		<u>(194,700)</u>	<u>(119,122)</u>
		----- (Rupee) -----	----- (Rupee) -----
Loss per share	40	<u>(0.92)</u>	<u>(0.56)</u>

The annexed notes from 1 to 53 form an integral part of these consolidated financial statements.

Chairman

Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash generated from operations	43	134,036	119,789
Net recovery from long-term loans and advances - net		31,616	22,201
Gain on sale of assets classified as held for sale		-	(8,875)
Net recovery from finance lease		35,882	76,750
Long-term deposits		489	-
Repayments of long-term and short-term certificates of deposit - net		(177,360)	(765,502)
Payments of deposits under lease contracts		(2,802)	(17,658)
Interest, mark-up and profit received		16,650	18,511
Dividend received		1,768	3,103
Finance cost paid		(20,082)	(84,803)
Income tax received / (paid)		71,676	(6,878)
Net cash generated from / (used in) operating activities		91,873	(643,362)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(11,741)	(2,369)
Payments for purchase of intangible assets		(40)	-
Proceeds from disposal of fixed assets and investment property		21,647	85,417
Proceeds from sale of long term investments		40,801	2,786
Payment for purchase of short term investments		(300,938)	-
Proceeds on redemption of short term investments		60,000	-
Proceeds on disposal of short term investments		247,524	-
Investment disposed off in associates - net		-	199,753
Net cash generated from investing activities		57,253	285,587
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term finance - net		(32,000)	285,000
Net cash (used in) / generated from financing activities		(32,000)	285,000
Net increase / (decrease) in cash and cash equivalents		117,126	(72,775)
Cash and cash equivalents at the beginning of the year		75,665	148,440
Cash and cash equivalents at the end of the year	43.2	192,791	75,665

The annexed notes from 1 to 53 form an integral part of these consolidated financial statements.

Chairman

Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2015

	Equity attributable to shareholders of the parent					Total reserves	Advance against issue of preference shares	Total
	Reserves							
	Issued, subscribed and paid-up capital	Reserve arising on acquisition of non-controlling interest	Capital	Revenue				
			Statutory reserve	General reserve	Accumulated losses			
(Rupees in '000)								
	2,121,025	(21,641)	97,098	39,733	(2,386,168)	(2,270,978)	650,000	500,047
	-	-	-	-	(119,122)	(119,122)	-	(119,122)
	-	-	-	-	-	-	-	-
	-	-	-	-	(119,122)	(119,122)	-	(119,122)
	<u>2,121,025</u>	<u>(21,641)</u>	<u>97,098</u>	<u>39,733</u>	<u>(2,505,290)</u>	<u>(2,390,100)</u>	<u>650,000</u>	<u>380,925</u>
	-	-	-	-	(194,700)	(194,700)	-	(194,700)
	-	-	-	-	-	-	-	-
	-	-	-	-	(194,700)	(194,700)	-	(194,700)
	-	-	3,501	-	(3,501)	-	-	-
	<u>2,121,025</u>	<u>(21,641)</u>	<u>100,599</u>	<u>39,733</u>	<u>(2,703,491)</u>	<u>(2,584,800)</u>	<u>650,000</u>	<u>186,225</u>

The annexed notes from 1 to 53 form an integral part of these consolidated financial statements.

Chairman

Chief Executive Officer

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

1. LEGAL STATUS AND NATURE OF BUSINESS

The 'Group' consists of:

Holding company

IGI Investment Bank Limited

Subsidiary company

Percentage holding

IGI Finex Securities Limited

100%

1.1 IGI Investment Bank Limited (the Investment Bank)

- 1.1.1** The Investment Bank is a public limited company incorporated in Pakistan on February 07, 1990 under the Companies Ordinance, 1984. The Investment Bank is licensed to carry out investment finance activities and leasing operations as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations 2008 (the NBFC Regulations). The Investment Bank's shares are quoted on the Karachi, Islamabad and Lahore Stock Exchanges. During the year, the Investment Bank has changed its registered office to 7th Floor, The Forum, Suite No. 701-713, G-20, Block-9, Khayaban-e-Jami, Clifton, Karachi which is also principal office of the Investment Bank.

The Pakistan Credit Rating Agency (PACRA) has assigned the Investment Bank a rating of 'BBB-' (long-term credit rating) and 'A3' (short-term credit rating) on January 14, 2015.

- 1.1.2** The annual audited financial statements of the Investment Bank for the year ended June 30, 2014 disclosed in detail:

- the financial difficulties faced by the Investment Bank which indicate the existence of a material uncertainty about the Investment Bank's ability to continue as a going concern;
- the mitigating factors based on which the management believes that the Investment Bank will be able to continue as a going concern; and
- measures that have been taken by the management of the Investment Bank for continuity and sustainability in line with the aforesaid mitigating factors.

Currently, the Investment Bank continues to face certain financial difficulties. These include the fact that as at period ended June 30, 2015, the Investment Bank has accumulated losses amounting to Rs.2,212.074 million (June 30, 2014: Rs.2,226.077 million). Further, the Investment Bank is not in compliance with the minimum equity requirement as specified under the NBFC Regulations for NBFCs undertaking leasing and investment finance activities. As per the said Regulations, the minimum equity required is Rs.1,700 million as at June 30, 2015, however, the equity of the Investment Bank at the period-end amounted to Rs. 49.283 million (June 30, 2014: Rs.31.779 million). In addition to the above, licenses of the Investment Bank in respect of undertaking leasing and investment finance services, which expired during the year ended June 30, 2013, are pending for renewal by the Securities and Exchange Commission of Pakistan (SECP). Furthermore, no new loans and leases were disbursed by the Investment Bank in the current period. These factors continue to indicate the existence of a material uncertainty about the Investment Bank's ability to continue as a going concern.

Despite the above indicators, the management believes that the Investment Bank will be able to continue as a going concern in view of the following mitigating factors:

- the management of the Investment Bank believes that the SECP is working to introduce a new business model for NBFCs engaged in leasing and investment finance services wherein various options like introduction of lesser minimum equity requirements are under consideration by the regulator;

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

- the Investment Bank has prepared cash flow forecast for a period of twelve months from the balance sheet date indicating that the Investment Bank will be solvent and will be able to meet its obligations as and when they become due;
- the management of the Investment Bank continues to exert maximum focus and efforts on recoveries out of its classified loans, lease and investment portfolios. As at June 30, 2015, the outstanding loans and leases aggregate to Rs. 597.800 million. The management expects to make considerable recoveries out of the aforesaid amounts in the ensuing years; and
- the sponsor of the Investment Bank is committed to provide continuing financial support to the Investment Bank enabling it to conduct its affairs in such a way that it will be able to meet its financial obligations as and when they become due.
- In addition to the above, the Board of Directors of the Investment Bank has approved the proposed merger of IGI Finex Securities Limited, a corporate brokerage house and its 100% owned subsidiary with and into the Investment Bank. It is envisioned that the merged entity will benefit from cost reduction, revenue and human resource synergies. Said merged entity will be able to offer a full suite of investment products to its clients from a single platform including stocks, commodities, mutual funds, fixed income instruments, government securities as well as the value added services of investment advisory, portfolio management and corporate advisory services. Consummation of the proposed merger is subject to the receipt of all relevant regulatory and corporate approvals, the finalization of relevant documentation and the sanction of the scheme of amalgamation by the High Court of relevant jurisdiction.

1.2 IGI Finex Securities Limited (IGI Securities)

IGI Securities (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 is a Trading Right Entitlement Certificate (TREC) holder of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited and a corporate member of Pakistan Mercantile Exchange Limited. The Company is a wholly owned subsidiary of the Investment Bank.

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

2 BASIS OF PREPARATION

These consolidated financial statements are being submitted to the shareholders in accordance with the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges and section 237 of the Companies Ordinance, 1984.

2.1 Statement of compliance

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

The SECP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' through Circular No. 19 dated August 13, 2003 for Non-Banking Finance Companies (NBFCs) providing investment finance services, discounting services and housing finance services. In addition, the SECP has also deferred the application of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through SRO 411(1) / 2008 on such Non-Banking Finance Companies as are engaged in investment finance services, discounting services and housing finance services.

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

The following amendments to existing standards have been published and are mandatory for the accounting period beginning on or after July 1, 2014:

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

- Amendment to IAS 32, "Financial Instruments: Presentation" on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have significant effect on the financial statements of the Group.
- IFRIC 21, "Levies", sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 "Provisions." The interpretation addresses the obligating event that give rise to pay a levy and when a liability should be recognised. The amendment did not have significant effect on the financial statements of the Group.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2014 but are considered not to be relevant or do not have any significant effect on the Group's financial statements and are, therefore, not detailed in these consolidated financial statements.

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

- 2.3.1 IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist where the determination of control is difficult to assess. The management is currently in the process of determining the impact of application of this standard on the consolidated financial statements.
- 2.3.2 IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The management is currently in the process of determining the impact of application of this standard on the consolidated financial statements.
- 2.3.3 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, 2015 but are considered not to be relevant or do not have any significant effect on the Group's financial statements and are therefore not detailed in these consolidated 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, 2017

2.4 Consolidation

Subsidiary company is the entity in which the Holding Company directly or indirectly controls or beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the subsidiary company is included in the consolidated financial statements from the date the control commences until the control ceases.

The assets and liabilities of the subsidiary company have been consolidated on a line by line basis and carrying value of investment held by the Holding Company is eliminated against Holding Company's share in paid up capital of the subsidiary company.

Intergroup balances and transactions have been eliminated.

Non-controlling interests are that part of net assets of the operations and net assets of the subsidiary company attributable to interest which are not owned by the Holding Company. Non-controlling interests are presented as a separate item in the consolidated financial statements.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

3 BASIS OF MEASUREMENT

3.1 Critical accounting judgments and estimates

The preparation of consolidated these financial statements requires the use of certain critical accounting judgments and estimates, that effect the reported amount of revenue, expenses, assets and liabilities. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, estimated results may differ from actual. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Group's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- i) Determination and measurement of useful life and residual value of property and equipment (notes 4.1.1 and 5.1)
- ii) Amortisation of intangible assets (notes 4.1.2 and 5.2)
- iii) Classification and valuation of investments (notes 4.2, 7 and 13)
- iv) Impairment of investments (notes 4.2, 7 and 13)
- v) Classification and provision of loans and advances, net investment in finance lease and other receivables (notes 4.10, 8, 9, 11, 12 and 15)
- vi) Provision for taxation and deferred tax (notes 4.9, 10 and 39)

3.2 Functional and presentation currency

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. These consolidated financial statements are presented in Pak Rupees which is the Group's functional currency.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Fixed assets

4.1.1 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. All other maintenance and normal repairs are charged to the profit and loss account as and when incurred.

Depreciation on property and equipment is charged to profit and loss account using the straight line method in accordance with the rates specified in note 5.1 to these consolidated financial statements after taking into account residual value, if significant. The residual values and useful lives are reviewed and adjusted prospectively, if appropriate, at each balance sheet date.

Depreciation on all additions to property and equipment is charged from the month in which the asset is available for use, while in case of assets disposed of, no depreciation is charged in the month of disposal.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account when the asset is derecognised.

Maintenance and normal repairs are charged to profit and loss account as and when incurred.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

4.1.2 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 consolidated 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 Group. 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.

4.1.3 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 in accordance with the rate specified in note 6 to these consolidated financial statements. 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.

4.2 Investment

The management of the Group classifies its investments in the following categories: held-for-trading, available-for-sale and held to maturity. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this classification on a regular basis.

(a) Held-for-trading

These investments which are either acquired principally for the purpose of generating profits from short-term fluctuations in market prices, interest rate movements, dealer's margin or are investments included in a portfolio in which a pattern of short-term profit taking exists.

(b) Available-for-sale

These are investments other than those in subsidiaries and associates, that do not fall under the categories of held-for-trading and held to maturity.

(c) Held to maturity

These are investments with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

In accordance with the requirements of SECP, investments in quoted securities (other than those classified as held to maturity and investments in associates) are marked to market, in accordance with the guidelines contained in the State Bank of Pakistan's (SBP) BSD Circular No. 20 dated August 04, 2000 using rates quoted on Reuters, stock exchange quotes and brokers' quotations. Any difference between the carrying amount (representing cost adjusted for amortisation of premium or discount, if any) and market value is taken to the 'surplus / (deficit) on revaluation of investments' account and shown separately in the balance sheet below shareholders' equity. At the time of disposal the respective surplus or deficit is transferred to the profit and loss account.

Unquoted investments, except where an active market exists, are carried at cost less accumulated impairment losses, if any, in accordance with the requirements of the above mentioned circular.

Premiums and discounts on held to maturity and available-for-sale investments are amortised using the effective interest rate method and taken to income from investments.

Impairment loss in respect of investments is recognised when there is any objective evidence as a result of one or more events that may have an impact on the estimated future cash flows of the investment. A significant or prolonged decline in the fair value of an investment in equity security below its cost is also an objective evidence of impairment. Provision for impairment in the value of investment, if any, is taken to the profit and loss account. In case of impairment of equity securities (both classified as held-for-trading and available-for-sale), the cumulative loss that has been recognised directly in 'surplus / (deficit) on revaluation of investments' on the balance sheet below equity is removed therefrom and recognised in the profit and loss account. Any subsequent increase in the value of these investments is taken directly to 'surplus / (deficit) on revaluation of investments' account which is shown on the balance sheet below equity. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

Investments are derecognised when the right to receive the cash flows from the investments has expired, realised or transferred and the Group has transferred substantially all risks and rewards of ownership.

(d) Investment in associates

Investment in associates where the Group has significant influence are accounted for using the equity method of accounting. Under the equity method of accounting, the investment is increased or decreased to recognise the investor's share of post acquisition profits or losses in the profit and loss account and its share of post acquisition movement in reserves is recognised in the reserves. Increase / decrease in share of profit and losses of associates is accounted for in the consolidated profit and loss account.

4.3 Trade date accounting

All purchases and sales of investments that require delivery within the time frame established by the regulations or market conventions are recognised on the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

4.4 Derivative instruments

Derivative instruments held by the Group generally comprise of future and forward contracts in the capital and money markets. These are stated at fair value at the balance sheet date. The fair value of the derivative is equivalent to the unrealised gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealised gains) are included in prepayments and other receivables and derivatives with negative market values (unrealised losses) are included in trade and other payables in the consolidated balance sheet.

4.5 Securities under repurchase / reverse repurchase agreements

Transactions of repurchase / reverse repurchase of investment securities are entered into at contracted rates for specified periods of time and are accounted for as follows:

(a) Repurchase agreement

Investments sold with a simultaneous commitment to repurchase at a specified future date (Repo) continue to be recognised in the consolidated balance sheet and are measured in accordance with the accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is accrued as mark-up / interest expense on borrowings over the life of the repo agreement.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

(b) Reverse repurchase agreement

Reverse repurchase investments purchased with a corresponding commitment to resell at a specified future date (Reverse repo) are not recognised in the consolidated balance sheet. Amounts paid under these obligations are included in lendings. The difference between purchase and resale price is accrued as return from lendings over the life of the reverse repo agreement.

4.6 Finances

Finances in the form of long-term loans and advances and short-term loans and advances include demand finance, installment finance, inter swift loan and term finance. These are stated at cost less provision for doubtful finance, if any, determined as per the basis of NBFC Regulations.

4.7 Net investment in finance lease

Leases in which the Group transfers substantially all the risk and rewards incidental to the ownership of the asset to the lessee are classified as finance lease. A receivable is recognised at an amount equal to the present value of the minimum lease payments, including any guaranteed residual value which are included in the consolidated financial statements as 'net investment in finance leases'.

Provision for non-performing leases is made in accordance with the requirements of NBFC Regulations and is charged to the profit and loss account.

4.8 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 Group will not be able to collect all the amount due according to the original terms of the receivable.

4.9 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 Group.

4.10 Provision for bad and doubtful loans and advances / lease losses and write offs

The provision for bad and doubtful loans and advances / lease losses, if any, is made in accordance with the requirements of the NBFC Regulations issued by the SECP.

Loans and advances and outstanding balances in net investment in finance lease are written off when there is no realistic prospect of recovery.

4.11 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits, rebates and tax exemption available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. A deferred tax asset is recognised for all deductible temporary differences and the tax losses, if any, to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and the tax losses can be utilised. The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance sheet date.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The Group also recognises deferred tax asset / liability on deficit / surplus on revaluation of investments which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS) 12 'Income Taxes'.

4.12 Assets acquired in satisfaction of claims

The Group acquires certain vehicles and assets in settlement of non-performing loans / leases. These are stated at lower of the original cost of the related asset, exposure to the Group and the net realisable value. The net gains or losses on disposal of these assets are taken to the consolidated profit and loss account.

4.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include cash in hand and balances with banks in current accounts, saving accounts and short-term running finances.

4.14 Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets for indications of impairment loss. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The resulting impairment loss is taken to the consolidated profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

4.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and 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.

4.16 Staff retirement benefits

4.16.1 Defined contribution plan - IGI Investment Bank

The Investment Bank operates an approved Provident Fund for its permanent employees. Equal monthly contributions at the rate of 10% of the basic salary are made to the Fund both by the Investment Bank and the employees.

4.16.2 Employees' compensated absences

Employees' entitlement to annual leave is recognised when they accrue to employees. A provision is made for estimated liability for annual leaves as a result of services rendered by the employee against unavailed leaves, as per term of service contract, up to balance sheet date.

4.17 Proposed dividend and transfer between reserves

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

4.18 Goodwill

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at its cost less accumulated impairment losses, if any. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGU, that is expected to benefit from the synergies of the combination. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Acquisitions of non-controlling interest (NCI) are measured at the proportionate share of the NCI in the fair value of the net assets acquired by the Holding Company. The excess of the fair value consideration transferred over the proportionate share of the NCI in the fair value net assets acquired is recognised in equity.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

4.19 Revenue recognition

Income from finance lease

Finance method is used in accounting for recognition of income from lease financing. Under this method, the unearned lease income (the excess of aggregate lease rentals and the residual value over the cost of leased asset) is deferred and then taken to the consolidated profit and loss account over the term of lease period, applying the annuity method so as to produce a constant rate of return on the outstanding balance in net investment in lease. Front-end fees, documentation charges, gains / (losses) on termination of lease contracts and other lease related income are taken to profit and loss account when they are realised.

Unrealised finance income in respect of non-performing lease finance is held in suspense account, where necessary, in accordance with the requirements of the NBFC Regulations issued by the SECP.

Income from loans and advances, investments and other sources

Mark-up income / interest on advances and returns on investments are recognised on a time proportion basis using the effective interest method, except that mark-up income / interest / return on non-performing advances and investments is recognised on a receipt basis in accordance with the requirements of the NBFC Regulations issued by the SECP. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the aforementioned regulations, except where, in the opinion of the management, it would not be prudent to do so.

Gains / (losses) arising on sale of investments are included in the consolidated profit and loss account in the period in which they arise.

Dividend from equity securities is recognised when the Group's right to receive the dividend is established.

Commission income and fees are taken to the consolidated profit and loss account when the services are provided and when right to receive the fees is established.

Return on bank deposits are recognised on time proportionate basis.

Remuneration for investment advisory and asset management services are recognised on an accrual basis.

Brokerage, consultancy and advisory fee, commission on foreign exchange dealings and government securities etc. are recognised as and when such services are provided.

Other income is recognised as and when earned.

4.20 Foreign currency transactions

Transactions in foreign currencies are accounted for in Pak rupees at the rate of exchange ruling on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rate of exchange prevailing on the balance sheet date. Exchange gain / (loss) is charged to current year's income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

4.21 Operating segment

The Group has structured its key business areas in three segments in a manner that each segment becomes a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The business segments within the Group have been categorised into the following classifications of business segments.

(a) Business segments

The Group's activities are broadly categorised into three primary business segments namely financing activities, investment activities and brokerage activities.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Financing activities

Financing activities include providing long-term and short-term financing to corporate and individual customers including lease financing.

Investment activities

Investment activities include money market activities, investment in government securities, advisory services, capital market activities and the management of the Group's liquidity.

Brokerage activities

Brokerage activities include brokerage services offered to retail and institutional clients.

(b) Geographical segments

The operations of the Group are currently based only in Pakistan.

4.22 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to the consolidated profit and loss account.

4.23 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Group has a legally enforceable right to set-off the recognised amounts and also intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.24 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

4.25 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred except in cases where such costs are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) in which costs such costs are capitalised as part of the cost of that asset. Currently, the Group does not have any borrowing costs directly attributable to the acquisition of or construction of qualifying assets.

4.26 Share capital

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4.27 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the consolidated profit or loss attributable to the ordinary shareholders of the Holding Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the consolidated 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 — (Rupees in '000) —	2014
5. FIXED ASSETS			
Property and equipment	5.1	23,399	19,109
Intangible assets	5.2	19,328	19,636
		42,727	38,745
5.1 Property and equipment			
		(Rupees in '000)	
As at July 1, 2013			
Cost		38,070	18,645
Accumulated depreciation		(27,525)	(10,003)
Net book value as at July 1, 2013		10,545	8,642
For the year ended June 30, 2014			
Opening net book value		10,545	8,642
Additions		100	-
Disposals			
- Cost		(13,479)	(14,395)
- Accumulated depreciation		12,017	9,288
Depreciation charge		(1,462)	(5,107)
Net book value as at June 30, 2014		7,084	2,194
As at July 1, 2014			
Cost		24,691	4,250
Accumulated depreciation		(17,607)	(2,056)
Net book value as at July 1, 2014		7,084	2,194
For the year ended June 30, 2015			
Opening net book value		7,084	2,194
Additions		1,848	38
Disposals			
- Cost		(191)	(1,578)
- Accumulated depreciation		127	1,225
Depreciation charge		(64)	(353)
Net book value as at June 30, 2015		6,968	1,425
As at June 30, 2015			
Cost		26,348	2,710
Accumulated depreciation		(19,380)	(1,285)
Net book value as at June 30, 2015		6,968	1,425
Annual rate of depreciation		10%	10%

5.1.1 Cost and accumulated depreciation at the end of the year includes Rs. 44.083 million (2014: Rs. 42.511 million) in respect of fully depreciated assets still in use.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

5.2 Intangible assets

	Goodwill	Club Membership	Membership cards (note 5.2.2)	Non-competition agreement	Computer softwares	Trading Rights Entitlement Certificates (TREC) (note 5.2.3)	Total
(Rupees in '000)							
As at July 1, 2013							
Cost	26,407	2,000	25,000	30,000	23,678	45,000	152,085
Accumulated amortisation	(26,407)	(2,000)	(24,750)	(30,000)	(22,738)	(26,000)	(131,895)
Net book value as at July 1, 2013	-	-	250	-	940	19,000	20,190
For the year ended June 30, 2014							
Opening net book value	-	-	250	-	940	19,000	20,190
Additions	-	-	-	-	-	-	-
Disposals							
- Cost	-	-	-	-	-	-	-
- Accumulated amortisation	-	-	-	-	-	-	-
Amortisation for the year	-	-	-	-	(554)	-	(554)
Net book value as at June 30, 2014	-	-	250	-	386	19,000	19,636
As at July 1, 2014							
Cost	26,407	2,000	25,000	30,000	23,678	45,000	152,085
Accumulated amortisation	(26,407)	(2,000)	(24,750)	(30,000)	(23,292)	(26,000)	(132,449)
Net book value as at July 1, 2014	-	-	250	-	386	19,000	19,636
For the year ended June 30, 2015							
Opening net book value	-	-	250	-	386	19,000	19,636
Additions	-	-	-	-	40	-	40
Disposals							
- Cost	-	-	-	-	-	-	-
- Accumulated amortisation	-	-	-	-	-	-	-
Amortisation for the year	-	-	-	-	(348)	-	(348)
Net book value as at June 30, 2015	-	-	250	-	78	19,000	19,328
As at June 30, 2015							
Cost	26,407	2,000	25,000	30,000	23,718	45,000	152,125
Accumulated amortisation	(26,407)	(2,000)	(24,750)	(30,000)	(23,640)	(26,000)	(132,797)
Net book value as at June 30, 2015	-	-	250	-	78	19,000	19,328
Annual rate of amortisation	-	50%	-	33.33%	20%-33.33%	-	-

5.2.1 Cost and accumulated amortisation as at the end of the year include Rs.23.807 million (2014: Rs.23.558 million) in respect of fully amortised assets still in use.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
5.2.2 Membership card comprises of:		
Membership card of Pakistan Mercantile Exchange Limited	250	250
5.2.3 Trading Rights Entitlement Certificates (TREC) comprises of:		
TREC of Karachi Stock Exchange Limited	15,000	15,000
TREC of Lahore Stock Exchange Limited	4,000	4,000
	19,000	19,000

5.2.3.1 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).

5.3 Particulars of disposal of fixed assets

Particulars of fixed assets disposed of, having net book value exceeding Rs.50,000 or to related parties of the Group during the year are as follows:

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyers
----- (Rupees in '000) -----							
Motor vehicles	1,721 1,700 3,421	941 838 1,779	780 862 1,642	1,142 1,169 2,311	362 307 669	Investment Bank's Policy	Faraz Ahmed (Ex-Employee), Karachi Sardar Muhammad Omar (Ex-Employee), Lahore
Lease hold improvements	130	66	64	163	99	Negotiation	IGI Insurance Limited - related party
Furniture and fittings	684 814	500 566	184 248	282 445	98 197	Negotiation	IGI Insurance Limited - related party
2015	4,235	2,345	1,890	2,756	866		
2014	43,949	33,887	10,062	19,095	9,033		

6. INVESTMENT PROPERTY

Particulars	2015						
	Cost		Accumulated Depreciation		Net book value		Rate
	As at July 01, 2014	Additions / (deletions)	As at June 30, 2015	As at July 01, 2014	Charge for the year / (on deletions)	As at June 30, 2015	As at June 30, 2015
----- (Rupees in '000) -----							Per annum
Leasehold premises	16,939	(16,939)	-	3,774	144	-	5
					(3,918)	-	
	16,939	(16,939)	-	3,774	(3,774)	-	

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Particulars	2014							
	Cost		Accumulated Depreciation		Net book value		Rate	
	As at July 01, 2013	Additions / (deletions)	As at June 30, 2014	As at July 01, 2013	Charge for the year / (on deletions)	As at June 30, 2014	As at June 30, 2014	Per annum
	(Rupees in '000)							%
Leasehold premises	16,939	-	16,939	3,374	400	3,774	13,165	5
	16,939	-	16,939	3,374	400	3,774	13,165	

Note	2015		2014		
	Book Value	Fair Value	Book Value	Fair Value	
	----- (Rupees in '000) -----				
6.1.					
7th Floor, Nacon House, MDM Wafai Road, Karachi	6.1.1	-	-	600	10,119
Room No. 302, Third Floor, Lahore Stock Exchange, Egerton Road, Lahore	6.1.1 & 6.1.2	-	-	7,248	8,500
		-	-	7,848	18,619

6.1.1 During the current year above mentioned properties, that were held by the Company in prior years for long term capital appreciation purposes, have been sold for Rs. 18.6 million to a related party.

6.1.2 This property was let out to M/s. Adeel and Nadeem Securities (Pvt.) Limited at a monthly rental of Rs 42,350. The rental income for the year from this property amounted to Rs. 182,105.

7. LONG-TERM INVESTMENTS	Note	2015	2014
		(Rupees in '000)	
Available-for-sale			
Investment in unquoted companies	7.1	50,718	64,115
Investment in quoted companies	7.2	10,418	13,923
Investment in unquoted preference shares	7.3	-	-
		61,136	78,038

7.1 Investment in unquoted companies

Number of Ordinary shares			Particulars		2015	2014
2015	2014					
7,600,000	7,600,000		DHA Cogen Limited		76,000	76,000
-	1,912,344		Systems Limited		-	10,150
1,123,318	1,123,318		Techlogix International Limited		12,782	12,782
-	36,891		Visionet Systems Inc.		-	3,247
4,007,383	4,007,383		Karachi Stock Exchange Limited (KSE)	7.1.1 & 7.1.4	40,000	40,000
843,975	843,975		Lahore Stock Exchange Limited (LSE)	7.1.2 & 7.1.4	8,000	8,000
				7.4	136,782	150,179
Less: Provision for impairment					(86,064)	(86,064)
					50,718	64,115

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

- 7.1.1 Ordinary shares of Rs.10 each. Equity held 0.5% (2014: 0.5%). Break up value of each ordinary share is Rs.15.14 based on the audited financial statements for the year ended June 30, 2014.
- 7.1.2 Ordinary shares of Rs.10 each. Equity held 0.5% (2014: 0.5%). Break up value of each ordinary share is Rs.11.63 based on the audited financial statements for the year ended June 30, 2014.
- 7.1.3 Pursuant to the promulgation of Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act) during financial year 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% have been kept in a blocked CDC account maintained by KSE and LSE. Divestment of the blocked shares will be done by KSE and LSE 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	2015 ———— (Rupees in '000) ————	2014 ———— (Rupees in '000) ————
7.2	Investment in quoted companies				
	Number of Ordinary shares of Rs. 10 each				
	2015	2014	Particulars		
	1,352,992	1,352,992	Agritech Limited (see note 8.2.2)	7.2.1 & 7.4	47,355
			Less: Provision for impairment		(36,937)
					<u>10,418</u>
					<u>13,923</u>

- 7.2.1 This represents ordinary shares of Agritech Limited which are subject to sale lock-in-period of 5 years in terms of the Share Purchase Agreement (SPA) dated July 26, 2012 between Azgard Nine Limited (ANL) and various lenders including the Investment Bank. However, as per the Share Purchase Agreement (SPA), the sale restriction is not applicable to transactions between the lenders of ANL.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

2015

2014

(Rupees in '000)

7.3	Investment in unquoted preference shares			
	Number of Preference shares of Rs. 10 each			
	2015	2014	Particulars	
	2,000,000	2,000,000	First Dawood Investment Bank Limited	20,000
			Rate of preference dividend: 4% - cumulative	20,000
			Terms of conversion: 5 years convertible,	
			cumulative, non voting, non-participatory,	
			callable preference shares	
			Issue date: June 09, 2010	
			Less: Provision for impairment	(20,000)
				-
				-
7.4	As at June 30, 2015, the Investment Bank's exposure in certain equity investments and scrips exceeded ten percent of the equity of the Investment Bank which is not in accordance with Regulation 28(e) and 30(1) of the NBFC Regulations, 2008 which requires that a leasing company and an investment finance company, respectively, shall not own shares, equities or scrips of any one company in excess of ten percent of its own equity or of the issued capital of the investee company, whichever is lower. Further, the Investment Bank's fund based exposure in Agritech Limited exceeded twenty percent of the equity of the Investment Bank which is not in accordance with Regulation 17(1) of the NBFC Regulations, 2008 which requires that the maximum outstanding fund based exposure to any single person does not exceed twenty percent of equity of the NBFC. Moreover, the Investment Bank was not in compliance with Regulation 28(d) of the NBFC Regulations, 2008 which require that the total investment by a leasing company in shares, equities or scrips shall not exceed fifty percent of its equity.			
8.	LONG-TERM LOANS AND ADVANCES - NET	Note	2015	2014
			(Rupees in '000)	(Rupees in '000)
	Unsecured and considered good - due from:			
	Related parties			
	Executives	8.1	-	-
	Secured and considered good - due from:			
	Others			
	Companies, organisations and individuals		-	9,711
	Considered doubtful			
	Others			
	Companies, organisations and individuals - secured	8.2 & 8.4	203,029	209,521
	Individuals - unsecured		18,258	18,671
			221,287	228,192
	Less: Provision thereagainst	8.3	(221,287)	(228,192)
			-	-
				9,711
	Less: Current maturity of long-term loans and advances - net	11	-	(9,711)
			-	-

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
	(Rupees in '000)	(Rupees in '000)
8.1 Reconciliation of carrying amounts of loans and advances to Executives:		
Opening balance	-	624
Disbursements during the year	-	-
Repayments during the year	-	(624)
	-	-

8.1.1 Maximum aggregate amount outstanding at any time during the year was Rs. Nil (2014: Rs.0.624 million).

8.2 These loans carry mark-up at rate of 11.34% (2014: 11.34%) per annum and are repayable over periods ranging from 1 to 9 years (2014: 1 to 9 years) from the date of disbursement. Repayment terms vary from monthly basis to repayments at maturity. These loans are secured against mortgage of properties and hypothecation of vehicles.

8.3 Long-term loans and advances include Rs.221.287 million (2014: Rs.228.192 million) relating to loans due from companies, organisations and individuals which have been classified as non-performing as per the requirements of the NBFC Regulations issued by the SECP. The provision held against these loans is as follows:

	2015			2014		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	228,192	-	228,192	219,466	-	219,466
Charge for the year	-	-	-	14,232	-	14,232
Reversal during the year	(6,905)	-	(6,905)	(5,506)	-	(5,506)
	(6,905)	-	(6,905)	8,726	-	8,726
Closing balance	221,287	-	221,287	228,192	-	228,192

8.3.1 The Group has not availed any benefit of forced sale value of collaterals while determining the provisioning requirements against non-performing loans and advances as at June 30, 2015 (2014: Nil)

8.4 As at June 30, 2015, the Investment Bank's fund based exposure in five customers of loans and advances exceeded twenty percent of the equity of the Investment Bank which is not in accordance with Regulation 17(1) of the NBFC Regulations, 2008 which requires that the maximum outstanding fund based exposure to any single person should not exceed twenty percent of equity of the NBFC.

	Note	2015	2014
		(Rupees in '000)	(Rupees in '000)
9. NET INVESTMENT IN FINANCE LEASE			
Lease rental receivables		221,013	260,128
Add: Residual value		222,316	226,897
		443,329	487,025
Less: Unearned finance income		-	-
	9.1	443,329	487,025
Less: Provision for lease losses	9.3	(198,109)	(224,536)
Less: Current maturity of net investment in finance lease	9.4 & 11	(245,220)	(262,489)
		-	-

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

9.1 Particulars of net investment in finance lease

	2015			2014		
	Not later than one year	Later than one year but not later than five years	Total	Not later than one year	Later than one year but not later than five years	Total
	(Rupees in '000)					
Lease rental receivables	221,013	-	221,013	260,128	-	260,128
Add: Residual value	222,316	-	222,316	226,897	-	226,897
	443,329	-	443,329	487,025	-	487,025
Less: Unearned finance income	-	-	-	-	-	-
Net investment in finance lease	443,329	-	443,329	487,025	-	487,025

9.2 The Group has entered into various lease agreements for period of 1 to 7 years (2014: 1 to 7 years). The rate of return implicit in the leases ranges from 14% to 17% (2014: 14% to 17%) per annum. Generally, leased assets are held as securities. In certain instances, the Investment Bank has also obtained additional collateral in the form of personal guarantees.

9.3 Provision for lease losses

	2015			2014		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	224,536	-	224,536	188,821	-	188,821
Charge for the year	6,829	-	6,829	54,303	-	54,303
Reversal during the year	(33,256)	-	(33,256)	(18,588)	-	(18,588)
	(26,427)	-	(26,427)	35,715	-	35,715
Closing balance	198,109	-	198,109	224,536	-	224,536

9.3.1 Based on the NBFC Regulations, the aggregate net exposure in finance leases which have been placed under non-performing status amounted to Rs. 221.013 million (2014: Rs.260.128 million) against which a provision of Rs. 198.109 million (2014: 224.536 million) has been made after deducting the value of collateral (i.e. forced sale value) amounting to Rs. 22.904 million (2014: Rs.38.052 million). The total income suspended against the non-performing parties amounted to Rs. 80.296 million (2014: Rs.77.388 million).

9.4 This includes Rs. 222.316 million (2014: Rs.226.897 million) representing overdue lease receivables at the year end against which no provision has been made by the Investment Bank as the Investment Bank holds equivalent amount of security deposits from the respective lessees.

9.5 As at June 30, 2015, the Investment Bank's fund based exposure in five customers of leases exceeded twenty percent of the equity of the Investment Bank which is not in accordance with Regulation 17(1) of the NBFC Regulations, 2008 which requires that the maximum outstanding fund based exposure to any single person should not exceed twenty percent of equity of the NBFC.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
10. DEFERRED TAX ASSET - NET			
Deferred tax assets on all deductible temporary differences	10.1 & 10.2	164,871	383,357
Deferred tax liabilities arising in respect of:			
Accelerated tax depreciation		(81,388)	(79,363)
Surplus on revaluation of investments	21	-	-
		(81,388)	(79,363)
		83,483	303,994

10.1 The Investment Bank has an aggregate amount of Rs.802.812 million (2014: Rs.796.699 million) in respect of unabsorbed tax losses and tax credits. Due to a history of tax losses and uncertainty in respect of future taxable profits, the Investment Bank has recognised a deferred tax asset arising from unused tax losses and tax credits to the extent of sufficient taxable temporary differences available in the future.

10.2 IGI Securities (the Subsidiary Company) has an aggregate amount of Rs. 149.50 million (2014: Rs 174.29 million) [including unabsorbed tax depreciation and amortisation in respect of available tax losses as at June 30, 2015 and has an aggregate amount of Rs 710.28 million (2014: Rs 704.49 million) in respect of deductible temporary differences arising on provisions made against doubtful receivables on the same date.

The Subsidiary Company had recognised full amount of deferred tax asset on available tax losses and deductible temporary differences in prior years based on projections duly approved by the Board of Directors. The auditors of the Subsidiary Company had expressed a qualified opinion on the financial statements for the year ended June 30, 2014 highlighting that in the absence of certainty of future taxable profits against which these unused tax losses and deductible differences could be utilised they were unable to determine if any adjustment was required to the carrying amount of net deferred tax asset. While maintaining that deferred tax on deductible differences (provision for doubtful receivables) provides an opportunity for tax planning and the Subsidiary Company would be able to fully utilise them in the future years, management of the Subsidiary Company during the current year has decided to take a more conservative view on the balance of deferred tax recognised as an asset against deductible temporary differences in the financial statements of the Subsidiary Company. The Subsidiary Company, nevertheless, retains the right to consider and evaluate on an ongoing basis tax planning opportunities with respect to provision write offs. In addition the management of the Subsidiary Company has taken into consideration factors such as regulatory amendments introduced in 2015 by the Stock Exchanges requiring brokers to pass on profit earned on unutilised funds of clients to the respective clients out of the total profit accrued on such funds as mutually agreed in writing between the brokers and its clients, that will potentially impact the profitability of the Subsidiary Company in future years. 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 83.48 million during the year.

In connection with the above, the Management of the Subsidiary Company has prepared financial projections which have been approved by the Board of Directors of the Subsidiary Company. These projections involve certain key assumptions underlying the estimation of future taxable profits. The determination of the future taxable profits takes into account various assumptions regarding the future business, economic and market conditions. Key assumptions include market share of the Subsidiary 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	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
11. CURRENT MATURITY OF NON-CURRENT ASSETS			
Current maturity of long-term loans and advances - net	8	-	9,711
Current maturity of net investment in finance lease	9	245,220	262,489
		245,220	272,200

11.1 This includes residual value of Rs. 222.316 million (2014: Rs. 226.897 million)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
12. SHORT-TERM LOANS AND ADVANCES			
Unsecured and considered good - due from:			
Related parties			
Employees	12.3	388	168
Secured and considered good			
Others			
Short-term loans and advances		350	388
Considered doubtful			
Due from companies and organisations		155,500	170,500
Less: Provision thereagainst	12.1 & 12.2	(155,500)	(170,500)
		-	-
		738	556

12.1 The balance has been provided as per the requirements of NBFC Regulations and the policies of the Group.

	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
12.2 Movement in provision		
Opening balance	170,500	170,020
(Reversal) / Charge	(15,000)	480
Closing balance	155,500	170,500

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

13. SHORT-TERM INVESTMENTS

		2015			2014		
	Note	Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
		----- (Rupees in '000) -----					
Held-for-trading							
Government securities	13.1	7,801	-	7,801	-	-	-
Available-for-sale							
Listed term finance certificates	13.2	8,135	-	8,135	58,075	-	58,075
Unlisted term finance certificates	13.3	108,264	-	108,264	108,264	-	108,264
		116,399	-	116,399	166,339	-	166,339
Impairment loss on term finance certificates	13.4	(113,119)	-	(113,119)	(161,419)	-	(161,419)
		11,081	-	11,081	4,920	-	4,920

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

13.1 Particulars relating to government securities are as follows:

Particulars	Note	2015			2014		
		Face value	Amortised cost	Market value	Face value	Amortised cost	Market value
		(Rupees in '000)					
Market Treasury Bills		8,000	7,814	7,801	-	-	-
		8,000	7,814	7,801	-	-	-

13.2 Available-for-sale investments - term finance certificates

				2015		2014	
Number of Certificates		Particulars	Issue date	Amortised cost	Market value	Amortised cost	Market value
2015	2014			(Rupees in '000)			
LISTED TERM FINANCE CERTIFICATES							
Textile							
5,000	5,000	Azgard Nine Limited II* (see note 13.4)	September 20, 2005	8,135	8,135	8,135	8,135
Miscellaneous							
-	10,000	Pace (Pakistan) Limited* (see note 13.4)	February 15, 2008	-	-	49,940	49,940
				8,135	8,135	58,075	58,075

				2015		2014	
Number of Certificates		Particulars	Issue date	Amortised cost	Market value	Amortised cost	Market value
2015	2014			(Rupees in '000)			
UNLISTED TERM FINANCE CERTIFICATES							
4,000	4,000	Agritech Limited I* (see note 13.4)	November 30, 2007	19,980	19,980	19,980	19,980
861	861	Agritech Limited IV* (see note 13.4)	July 01, 2011	4,305	4,305	4,305	4,305
13,000	13,000	Azgard Nine Limited IV* (see note 13.4)	December 04, 2007	28,178	28,178	28,178	28,178
5,348	5,348	Azgard Nine Limited V* (see note 13.2.1 & 13.4)	March 31, 2012	-	-	-	-
3,000	3,000	Eden Housing Limited*	December 31, 2007	6,560	6,560	6,560	6,560
		New Allied Electronics Industries (Private)					
10,000	10,000	Limited - Sukuk* (see note 13.4)	December 03, 2007	49,241	49,241	49,241	49,241
				108,264	108,264	108,264	108,264

* These represent non-performing Term Finance Certificates and provision is made thereagainst as per the NBFC Regulations, 2008 (see note 13.4).

13.2.1 This represents zero coupon Term Finance Certificates (TFCs) having a face value of Rs.26,740 million, issued in lieu of outstanding mark-up on non-performing TFCs of Azgard Nine Limited. These have been recorded at Rs.Nil in accordance with the NBFC Regulations, 2008.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

13.3 Significant terms and conditions relating to Term finance certificates are as follows:

Particulars	Certificates denomination	Profit rate per annum	Profit payment	Maturity date	Redemption
Listed Term Finance Certificates					
Azgard Nine Limited II	5,000	2010-2011: 6 month KIBOR plus 1%, 2012-2015: 6 month KIBOR plus 1.25%, 2016-2017: 6 months KIBOR plus 1.75%	Semi-annually	September 20, 2017	12 semi-annual installments with stepped up repayment plan, 2012-2015: 47% (Rs.699 million), 2016-2017: 53% (Rs.799 million).
Unlisted Term Finance Certificates / Sukuk					
Agritech Limited I	5,000	Average ask rate of six months KIBOR plus 1.75%	Semi-annually	November 29, 2019	12 semi-annual installments with stepped up repayment plan, 2012-2014: 35% (Rs.524,580,000), 2015-2017: 65% (Rs.974,220,000).
Agritech Limited IV	5,000	Zero Coupon	-	January 01, 2015	Principal to be repaid in 6 semi-annual installments as per schedule, commencing from July 01, 2012.
Azgard Nine Limited IV	5,000	2010-2011: 6 month KIBOR plus 1%, 2012-2015: 6 month KIBOR plus 1.25%, 2016-2017: 6 months KIBOR plus 1.75%	Semi-annually	December 04, 2017	12 semi-annual installments with stepped up repayment plan, 2012-2015: 47% (Rs.1,166 million), 2016-2017: 53% (Rs.1,332 million).
Azgard Nine Limited V	5,000	Zero Coupon	-	March 31, 2017	Principal to be repaid in 7 semi-annual installments as per schedule, commencing from March 31, 2014.
Eden Housing Limited	5,000	*Average ask rate of three months KIBOR plus 2.5% per annum from December 31, 2007 to June 29, 2013 (floor 7% and cap 20%) Average ask rate of three months KIBOR plus 3% per annum from June 30, 2013 to June 29, 2014 (floor 7% and cap 20%)*	Quarterly	June 29, 2014	Principal to be redeemed in unequal quarterly installments as per schedule.
New Allied Electronics Industries (Private) Limited - Sukuk	5,000	Average ask rate of three months KIBOR plus 2.2% (floor 7% and cap 20%)	Semi annually	December 03, 2012	Principal redemption will take place in six equal semi annual installments. This will commence from the 30th month of the date of public subscription after a grace period of 24 months.

13.4 Movement in provision against investment

	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
Opening balance	161,419	180,466
Charge for the year	1,640	-
Reversals during the year	-	(3,051)
Written-off during the year	-	(15,996)
	1,640	(19,047)
Transferred during the year	(49,940)	-
Closing balance	113,119	161,419

13.5 As at June 30, 2015, the Investment Bank's fund based exposure in certain term finance certificates exceeded twenty percent of the equity of the Investment Bank which is not in accordance with Regulation 17(I) of the NBFC Regulations, 2008 which requires that the maximum outstanding fund based exposure to any single person should not exceed twenty percent of equity of the NBFC.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
14. TRADE DEBTS - NET			
Considered good			
Receivable from clients against purchase of marketable securities and commodity contracts	14.1	25,700	53,047
Commission receivable		334	320
Clearing balance with National Clearing Company of Pakistan Limited		14,371	45,903
		<u>40,405</u>	<u>99,270</u>
Considered doubtful			
Receivable from clients against purchase of marketable securities and commodity contracts		594,273	611,277
Provision against doubtful debts	14.2	(589,008)	(589,124)
		<u>5,625</u>	<u>22,153</u>
		<u>45,670</u>	<u>121,423</u>
14.1 This includes amounts due from related parties as under:			
Key management personnel		46	25
Other - related parties and associated undertaking's		4,530	45,277
		<u>4,576</u>	<u>45,302</u>
14.2 Provision against doubtful debts			
Balance as at July 1		589,124	592,034
Charge for the year		-	596
Reversal during the year		(116)	(3,506)
		<u>(116)</u>	<u>(2,910)</u>
Balance as at June 30	14.2.1	<u>589,008</u>	<u>589,124</u>
14.2.1 It includes provision in respect of related parties as under:			
A related party		23	23
An associated company		4,380	4,380
		<u>4,403</u>	<u>4,403</u>
14.2.2 Provision against doubtful debts has been made after considering the market value of listed equity securities amounting to Rs. 49.759 million (2014: Rs. 28.989 million) held in custody by the Subsidiary Company against respective customers accounts.			

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Deposits			
Pakistan Mercantile Exchange Limited - margin deposit		1,583	2,006
Exposure deposits with Karachi Stock Exchange Limited (KSE)	15.1	134,750	108,350
Others		2,767	4,471
		139,100	114,827
Prepaid expenses		2,280	4,107
Other receivables - net			
Secured - considered good			
Excise duty paid on behalf of customers		4,438	4,471
Accrued commission / fee income	15.2	-	79
Others		4,374	17,395
Unsecured and considered doubtful			
Federal excise duty receivable from customer		1,941	1,941
Other receivables		25,583	25,583
Receivable from lessees in satisfaction of claims		21,410	20,559
Receivable against overdue reverse repurchase transaction	15.4	13,298	63,431
Insurance rentals receivable		1,502	1,502
Excise duty paid on behalf of customers		33	-
Assets repossessed in respect of terminated lease contracts		1,027	8,165
Others		3,606	-
		68,400	121,181
Less: Provision for bad and doubtful receivables	15.3	(68,400)	(60,291)
		150,192	201,769

15.1 This represents the deposit held at the year end against exposures arising out of trading in securities in accordance with the regulations of the Karachi Stock Exchange Limited. Interest is earned on the deposit at rates as determined by the Exchange. These deposits carry interest / mark-up at 5% (2014: 7.5%) as at year end.

15.2 This includes commission aggregating to Rs. Nil million (2014: Rs.0.079 million) due from a related party.

	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
15.3 Movement in provision against receivables		
Opening balance	60,291	63,752
Charge for the year	11,935	595
Reversals made during the year	(3,826)	(4,056)
Closing balance	68,400	60,291

15.4 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 Subsidiary 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 opening balance of Rs 64 million was secured against certain shares listed on KSE and ten shops located at Fortress Stadium, Lahore. During the current year these collaterals were sold by the Subsidiary Company. The remaining balance which is unsecured has been fully provided.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ———— (Rupees in '000) ———	2014 ———— (Rupees in '000) ———
16. INTEREST, MARK-UP AND PROFIT ACCRUED			
Considered good			
Accrued income on saving accounts, term and exposure deposits		6,068	3,926
		6,068	3,926
Considered doubtful			
Accrued mark-up income		69,948	69,948
Accrued income on other receivables		12,440	12,440
		82,388	82,388
		88,456	86,314
Provision against doubtful accrued mark-up		(82,388)	(82,388)
		6,068	3,926
17 CASH AND BANK BALANCES			
In hand		14	130
In current accounts			
State Bank of Pakistan		177	188
Others			
local currency		32,126	7,196
Foreign currency		1,313	1,285
		33,439	8,481
In saving accounts			
local currency	17.1	159,161	66,866
		192,791	75,665

17.1 These represent deposit accounts with commercial banks and carry mark-up at the rate ranging between 6% to 9.5% (2014: 6% to 9.5%) per annum.

18. SHARE CAPITAL

	2015 ———— (Rupees in '000) ———	2014 ———— (Rupees in '000) ———
Authorised capital		
300,000,000 (2014: 300,000,000) Ordinary shares of Rs.10 each	3,000,000	3,000,000
Issued, subscribed and paid-up capital		
190,993,300 (2014: 190,993,300) Ordinary shares of Rs.10 each fully paid in cash	1,909,933	1,909,933
21,109,250 (2014: 21,109,250) Ordinary shares of Rs.10 each issued as fully paid bonus shares	211,092	211,092
	2,121,025	2,121,025

The following shares were held by the related parties of the Group as at June 30, 2015:

	2015		2014	
	Shares held		Shares held	
Name of related party	(in million)	Percentage	(in million)	Percentage
Packages Limited	4.611	2.174%	4.611	2.174%
IGI Insurance Limited	89.095	42.006%	89.095	42.006%
Directors, Chief Executive and their spouse and minor children	9.984	4.710%	9.984	4.710%

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
19. RESERVES			
Capital reserve			
Statutory reserve	19.1	100,599	97,098
Reserve arising on acquisition of non-controlling interest		(21,641)	(21,641)
		78,958	75,457
Revenue reserves			
General reserve		39,733	39,733
		118,691	115,190

19.1 Statutory reserve represents amount set aside as per the requirements of clause 16 of the NBFC Regulations issued by the SECP.

20. ADVANCE AGAINST ISSUE OF PREFERENCE SHARES

During the financial year ended June 30, 2012, IGI Securities (the Subsidiary Company) received Rs. 650 million in the form of interest free Subordinated Loan from Mr. Syed Babar Ali, Chairman – IGI Investment Bank Limited, and a key sponsor of the Subsidiary Company. On June 29, 2012, the Subsidiary 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 Subsidiary 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 Subsidiary 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, the Subsidiary Company had signed an Addendum to the aforesaid Subscription Agreement to amend the terms for payment of dividend to the preference shareholder, as may be declared by the Subsidiary Company out of its distributable profits and the entitlement of preference shareholder in case of liquidation of the Subsidiary Company.

Consequent to the above, 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 Subsidiary 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 Subsidiary 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	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
21. SURPLUS ON REVALUATION OF INVESTMENTS - NET OF TAX			
Net surplus on revaluation of government securities	21.1	-	-
Related deferred tax asset - net	10	-	-
		-	-
21.1 Particulars of deficit on revaluation of investments - net			
Opening balance		-	2,071
Surplus arising on revaluation of investments during the year		-	(2,071)
Closing balance		-	-

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ———— (Rupees in '000) ————	2014 ———— (Rupees in '000) ————
22. LONG-TERM LOAN			
Unsecured			
Local currency - related party	22.1	253,000	285,000
22.1 During 2013-2014, the Investment Bank received a sum of Rs.285 million by way of a loan from Syed Babar Ali, Chairman and a sponsor of the Investment Bank. In this connection, the Investment Bank and Syed Babar Ali have entered into a Loan Agreement dated March 31, 2014. The loan is interest/profit/mark-up free and repayable at the earlier of the expiry of ten (10) years from the date of the Loan Agreement or upon occurrence of any change in the shareholding of the Investment Bank or the board of directors of the Investment Bank that would result in change of control of the Investment Bank from the persons in whose hands it vests as of the date of the Loan Agreement ('the Due Date'), as the case may be. Under the terms of the Loan Agreement, the Investment Bank may, at its discretion, prepay all or any portion of the aforesaid loan at any time prior to the Due Date, provided that the Certificates of Deposit issued by the Investment Bank have been completely and finally settled. During the year ended June 30, 2015, the Investment Bank has made repayment of all deposits along with mark-up, except for seven depositors with aggregate deposits amounting to Rs. 7.389 million since they are either untraceable or their deposit is under lien as per court order for payment of FED / CED. These Certificates of Deposit have already matured and mark-up payable on these till maturity is Rs. 0.26 million. In order to secure the amount for repayment of such deposits till the time parties are traced or lien matter settled, the Investment Bank has placed an amount of Rs. 7.7 million in Market Treasury Bills. In light of the above, the Investment Bank has made prepayment of Rs. 32 million against the aforesaid loan. After this prepayment of Rs. 32 million, outstanding loan of IGI Investment Bank is Rs. 253 million.			
23. LONG-TERM CERTIFICATES OF DEPOSIT			
Unsecured			
Individuals	23.1	7,389	9,749
Less: Current maturity of long-term certificates of deposit	25	(7,389)	(9,749)
		—	—
23.1 These certificates of deposit have contractual maturities ranging from 1 to 8 years (2014: 1 to 8 years) from the contract date. Expected rates of return payable on these certificates ranges from 6.25% to 12.50% (2014: 8.20% to 14.50%) per annum.			
24. LONG-TERM DEPOSITS UNDER LEASE CONTRACTS			
Deposits under lease contracts	27.1	222,316	225,118
Less: Current maturity of deposits under lease contracts	25	(222,316)	(225,118)
		—	—
24.1 These represent interest free security deposits received against lease contracts which are repayable / adjustable at the expiry / termination of the respective leases.			

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

		2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
25. CURRENT MATURITY OF NON-CURRENT LIABILITIES	Note		
Current maturity of long-term certificates of deposit	23	7,389	9,749
Current maturity of long-term deposits under lease contracts	24	222,316	225,118
		<u>229,705</u>	<u>234,867</u>
25.1	This represents security deposits held by Investment Bank under lease contracts against which an equivalent amount of residual value is receivable as disclosed in note 9.1 to these financial statements.		
		2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
26. SHORT-TERM CERTIFICATES OF DEPOSIT	Note		
Unsecured			
Local currency	26.1	-	175,000
26.1	These certificates of deposits that have matured during the year were held by a related party.		
		2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
27. INTEREST AND MARK-UP ACCRUED	Note		
Interest and mark-up accrued on:			
Certificates of deposit	27.1	260	12,987
		<u>260</u>	<u>12,987</u>
27.1	Included herein is a sum of Rs. Nil (2014: Rs.11.812 million) representing amount payable to related parties.		
		2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
28. TRADE AND OTHER PAYABLES	Note		
Accrued expenses	28.5	10,548	8,125
Payable against profit on unutilised funds	28.2 & 28.4	1,447	-
Payable to customers on account of excess recoveries		3,028	3,028
Management fee and distribution commission payable		-	300
Unclaimed dividends		305	305
Advances from lessees		8,430	7,917
Payable against sale of marketable securities	28.1	288,677	230,149
Provision for leave encashment		1,927	2,455
Payable to IGI Insurance Limited - a related party	28.3	31,681	28,360
Bonus payable		1,642	1,447
Withholding tax payable		2,995	1,347
Commission payable		4,685	300
Others		12,571	20,963
		<u>367,936</u>	<u>304,696</u>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
28.1. This includes amounts due to related parties as follows:		
Key management personnel	745	84
Other related parties and associated undertakings	-	679
	<u>745</u>	<u>763</u>

28.2 During the year, with effect from March 2015 the Subsidiary Company has 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 Subsidiary Company and its clients. While the Subsidiary Company is in the process of agreeing the same with its clients, the Subsidiary Company has recorded a liability based on management's best estimate of amount that may be eventually passed on to its clients.

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

28.4 This includes profit payable to a related party of Rs. 0.16 million (2014: Nil).

28.5 This includes insurance expense payable to a related party of Rs. 0.641 million (2014: Nil).

29. CONTINGENCIES AND COMMITMENTS

Contingencies

29.1 Taxation

IGI Investment Bank

Income tax returns for the tax years 2011, 2012, 2013 and 2014 have been filed by the Investment Bank on due dates that are deemed to be assessed under the provisions of section 120 of the Income Tax Ordinance, 2001.

As per latest assessments / amended orders including assessment years 1998-1999 to 2010, issued by tax authorities, tax liability aggregating to Rs.162.699 million was determined and tax deductions / credits aggregating to Rs.336.835 million were allowed, leading to an aggregate assessed refund (after prior year adjustments and refund received etc.) of Rs. 90.216 million.

The difference between the aggregate tax liability declared (in the original / revised returns) and assessed (as per latest assessment / amended orders), and aggregate tax deductions and credits relates to various matters that are pending at various appellate forums in respect of appeals filed by the Investment Bank and tax authorities in relation to various assessment / tax years.

Matters that are being contested mainly include the following:

- (a) the rate of tax applied in computing the tax liability of the Investment Bank was that applicable to a banking company instead of rate applicable for a public company. Lahore High Court in the assessment year 1997-98 has decided in favour of the Investment Bank.
- (b) the dividend income was taxed at normal tax rate on dividend income instead of charging tax at the reduced tax rate of 5%.
- (c) addition on account of depreciation as a result of restricting the claim of depreciation upto net income from leased assets.
- (d) disallowance of certain expenses and additions to taxable income on account of lease key money, lease rentals, excess perquisites and miscellaneous expenses relating to various assessment years.
- (e) charging minimum tax under section 113 of the Ordinance without allowing adjustment of tax paid under final tax regime.
- (f) disallowance of initial depreciation on leased commercial vehicles.
- (g) addition as a result of proration of expenses between exempt income (capital gains), dividend income and business income.
- (h) addition of Rs. 18.445 million as a result of proration of finance cost between brokerage, commission income and business income.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

- (i) addition on account of specific provisions of Rs. 117.639 million.

The management and its tax advisor are confident that all above matters will eventually be decided in favor of the Investment Bank.

IGI Securities (the Subsidiary Company)

- (a) 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 Subsidiary 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 Subsidiary 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 Subsidiary Company are of the view that there is a reasonable probability that outcome of appeal shall be in favour of the Subsidiary Company.
- 29.2 As per the Sale Purchase Agreement (SPA) signed by the Investment Bank and Al-Falah GHP Investment Management Limited (AGIML), the Investment Bank has agreed to indemnify AGIML against any unrecognised WWF contribution exposure not exceeding Rs.48.381 million (2013: Rs.48.381) in the collective investment schemes managed by IGI Funds Limited (previously wholly owned subsidiary of the Investment Bank) on the closure date i.e. October 14, 2013 of above SPA.
- 29.3 During the financial year ended June 30, 2012, a brokerage house filed a lawsuit against the Subsidiary 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 Subsidiary 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 Subsidiary Company filed a written Statement in this lawsuit, while the Plaintiff has filed a rejoinder to the counter affidavit filed by the Subsidiary Company. The Subsidiary Company has also filed a lawsuit against the same brokerage house and an ex-official of the Subsidiary Company in the High Court of Sindh to recover the outstanding balance appearing in the Subsidiary 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 of the Subsidiary Company are of the view that there is a reasonable probability of the Subsidiary Company's success in both lawsuits.
- 29.4 During the financial year ended June 30, 2010, one of the customers of the Subsidiary Company filed a lawsuit against the Subsidiary 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 the Subsidiary 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 the Subsidiary 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 of the Subsidiary Company are of the view that there is a reasonable probability of the Subsidiary Company's success in both lawsuits.
- 29.5 During the current year, one of the customers of the Subsidiary Company has filed a lawsuit against the Subsidiary 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 the Subsidiary 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 of the Subsidiary Company are of the view that there is a reasonable probability of the Subsidiary Company's success in both lawsuits.
- 29.6 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 Subsidiary Company. The brokerage house filed a contempt petition and a petition under section 33 of the Arbitration Act against the Subsidiary 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. During the financial year ended June 30, 2014 the Subsidiary Company had filed claim of recovery amounting to Rs. 53.062 million alongwith liquidated damages against a brokerage house with the Lahore Stock Exchange. Both the management and legal counsel of the Subsidiary Company are of the view that there is a reasonable probability of the Subsidiary Company's success in both lawsuits.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

29.7 During the financial year ended June 30, 2009, one of the employee of the Subsidiary Company has filed a petition under section 41 of the Industrial Relation Act, 2008 before Punjab Labour Court for illegal termination and reinstatement of service along with back benefits since termination. The petition is pending litigation, both the management and legal counsel of the Subsidiary Company are of the view that there is a reasonable probability of the Subsidiary Company's success in the aforesaid petition.

29.8 A suit has been filed against the Investment Bank before the High Court of Sindh (the Court) for declaration, damages for Rs. 81.570 million and recovery of Rs. 1 million along with interest, markup in connection with the transaction of asset backed securitisation between the parties. Issues have been framed for determination by the Court and the matter is at the stage of the evidence of the parties. Both the management and legal counsel are of the view that there is a reasonable probability of the Investment Bank's success in the aforesaid lawsuit.

29.9 Commitments

There are no commitments as at the year end.

30. INCOME FROM INVESTMENTS

	2015					2014				
	Held to maturity	Held-for-trading	Available-for-sale	Investment in associates	Total	Held to maturity	Held-for-trading	Available-for-sale	Investment in associates	Total
	(Rupees in '000)									
Interest / mark-up / profit from:										
Market treasury bills	-	378	-	-	378	-	4,408	-	-	4,408
Pakistan investment bonds	-	-	-	-	-	-	2,664	-	-	2,664
Term finance certificates	-	-	-	-	-	-	-	1,734	-	1,734
	-	378	-	-	378	-	7,072	1,734	-	8,806
Dividend income	-	-	1,768	-	1,768	-	-	3,103	-	3,103
Gain on disposal of:										
Market treasury bills	-	15	-	-	15	-	(7)	-	-	(7)
Pakistan investment bonds	-	2,606	-	-	2,606	-	318	-	-	318
Term finance certificates	-	-	8,490	-	8,490	-	-	3,200	-	3,200
Unquoted shares and certificates	-	-	27,404	-	27,404	-	-	-	-	-
	-	2,621	35,894	-	38,515	-	311	3,200	-	3,511
	-	2,999	37,662	-	40,661	-	7,383	8,037	-	15,420

	2015	2014
	(Rupees in '000)	
31. INCOME FROM LOANS AND ADVANCES		
Mark-up / interest on loans and advances	-	1,038
Documentation charges and other loan related income	-	-
	-	1,038
32. INCOME FROM LEASE FINANCE		
Mark-up on lease finance	-	7,324
Front-end fees, documentation charges, other		
lease related income and termination losses - net	1,836	859
	1,836	8,183
33. INCOME FROM FEES, COMMISSION AND BROKERAGE		
Fee from corporate finance services	5,600	6,698
Brokerage income	91,560	75,212
Commission and advisory income	7,268	7,654
	104,428	89,564

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

		2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
34	OTHER OPERATING REVENUE		
	Profit on saving accounts - net	11,999	4,982
	Income on deposit with Karachi Stock Exchange Limited - net	3,931	4,851
	Income on deposit with Pakistan Mercantile Exchange Limited	109	375
	Return on short term investments	3,276	2,690
	Liquidated damages	4,105	1,696
	CDC conversion charges and commission	2,078	1,143
		25,498	15,737
34.1	Profit on unutilised funds		
	Note		
		2015	
		Income on Profit on deposit with savings stock account exchange Total	
		----- (Rupees in '000) -----	
	Gross revenue	13,155	4,222
	Payable against profit on unutilized funds	1,156	291
	Net revenue	11,999	15,930
35	FINANCE COSTS	2015	2014
	Mark-up on:	----- (Rupees in '000) -----	
	Certificates of deposits	6,810	61,992
	Bank charges	545	470
		7,355	62,462
36.	ADMINISTRATIVE AND GENERAL EXPENSES		
	Salaries, allowances and benefits	66,603	63,622
	Contribution to provident fund	616	921
	Contribution to employees' old-age benefit institution	48	60
	Depreciation on property and equipment and investment property	5,348	6,097
	Amortisation on intangible assets	348	554
	Rent, rates and taxes	8,523	11,046
	Travelling and entertainment	4,624	2,378
	Telephone, telex and fax	5,062	5,357
	Printing, postage and stationery	2,637	1,724
	Staff training and development	2,567	-
	Insurance	2,166	1,867
	Lighting, heating and cooling	2,831	2,819
	Repairs and maintenance	3,223	2,868
	Brokerage and commission	9,877	5,771
	Legal and professional fees	17,341	10,845
	Fees and subscription including stock exchange, clearing house and CDC charges	14,524	11,556
	Computer expenses	7,478	5,255
	Advertisement	1,328	179
	Other expenses	2,431	4,819
		157,575	137,738
36.1	Defined contribution plan		

An amount of Rs.0.616 million (2014: Rs.0.921 million) has been charged during the year in respect of contributory provident fund maintained by the Investment Bank.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ———— (Rupees in '000) ————	2014 ———— (Rupees in '000) ————
37. OTHER INCOME			
Income from financial assets			
Income from deposits with banks		538	2,743
Income from non-financial assets			
Gain on disposal of fixed assets		807	9,014
Gain on disposal of investment property		5,572	-
Miscellaneous income		3,289	711
		<u>10,206</u>	<u>12,468</u>
38. OTHER EXPENSES			
Auditors' remuneration	38.1	2,750	2,356
Workers Welfare Fund		492	-
		<u>3,242</u>	<u>2,356</u>
38.1 Auditors' remuneration			

	2015		
	IGI Investment Bank	IGI Securities	Total
	———— (Rupees in '000) ————	———— (Rupees in '000) ————	———— (Rupees in '000) ————
Statutory audit fee	600	350	950
Half yearly review fee	375	-	375
Fee for consolidated financial statements of the Group	250	-	250
Special certification and other services	150	756	906
Out of pocket expenses	177	92	269
	<u>1,552</u>	<u>1,198</u>	<u>2,750</u>

	2014		
	IGI Investment Bank	IGI Securities	Total
	———— (Rupees in '000) ————	———— (Rupees in '000) ————	———— (Rupees in '000) ————
Statutory audit fee	600	350	950
Half yearly review fee	375	-	375
Fee for consolidated financial statements of the Group	250	-	250
Special certification and other services	150	-	150
Out of pocket expenses	543	88	631
	<u>1,918</u>	<u>438</u>	<u>2,356</u>

39. Relationship between tax expense and accounting loss

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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
	----- (Rupees in '000) -----	
40. LOSS PER SHARE		
Loss after taxation	(194,700)	(119,122)
	----- (Number of shares) -----	
Weighted average number of Ordinary shares outstanding during the year	212,102,550	212,102,550
	----- (Rupee) -----	
Loss per share	(0.92)	(0.56)

41. REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

41.1 IGI Investment Bank

The aggregate amounts charged in the financial statements for the year for remuneration, including all benefits, to the Chief Executive and Executives of IGI Investment Bank were as follows:

	Chief Executive**		Executives*		Total	
	2015	2014	2015	2014	2015	2014
	----- (Rupees in '000) -----					
Managerial remuneration (including bonus)	4,000	2,364	4,681	7,432	8,681	9,796
House rent	1,800	1,064	2,107	3,344	3,907	4,408
Utilities	400	236	468	743	868	979
Medical expenses	400	236	-	-	400	236
Conveyance	310	381	464	943	774	1,324
Retirement benefits	400	236	474	522	874	758
Others	162	33	-	78	162	111
	7,472	4,550	8,194	13,062	15,666	17,612
Number of persons (see note 41.1.3)	1	1	6	8	7	9

* The above includes an aggregate amount of Rs 4.172 million (2014: Rs 5.948 million) in respect of remuneration of key management personnel.

** Out of this, an amount of Rs.5.250 million (2014: Rs. Nil) was charged by the Investment Bank to its subsidiary company under group shared services arrangement between the Investment Bank and its subsidiary.

41.1.1 The Chief Executive and certain Senior Executives are provided with free use of IGI Investment Bank's owned and maintained cars.

41.1.2 IGI Investment Bank also bears the travelling expenses of the Chief Executive and Directors relating to travel for official purposes including expenses incurred in respect of attending board meetings.

41.1.3 During the last year, the Chief Executive Officer of the Investment Bank resigned in March 2014. During the year, the casual vacancy was filled through appointment of new Chief Executive in October 2014.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

41.2 IGI Securities - (the Subsidiary Company)

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

	Chief Executive		Executives		Director		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	(Rupees in '000)							
Managerial remuneration	1,063	2,358	7,396	5,675	2,916	2,856	11,375	10,889
Reimbursements / other allowances	145	153	723	1,169	243	172	1,111	1,494
Retirement benefits	-	-	-	-	-	-	-	-
Housing	479	1,062	3,328	2,554	1,312	970	5,119	4,586
Utilities	258	561	740	567	291	216	1,289	1,344
Commission	-	-	848	403	-	-	848	403
	1,945	4,134	13,035	10,368	4,762	4,214	19,742	18,716
Number of persons *	1 **	1	6	6	2	2	8	9

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

** During the year, Chief Executive Officer of the Company resigned and the casual vacancy was filled. The current Chief Executive Officer is not drawing any remuneration from the Company.

41.2.1 The Chief Executive and certain Executives are provided with free use of IGI Securities owned and maintained vehicles.

41.2.2 No meeting fees were paid to any of the Directors for attending the board meetings (2014: Rs.Nil).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

42. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors, key management employees and employees fund. The Group has a policy whereby all transactions with related parties are entered into at contractual rates. The following table provides the transactions with related parties, other than remuneration under the terms of employment to key management personnel. For information regarding outstanding balances as at June 30, 2015 and June 30, 2014, refer to respective notes.

	Entity having significant influence over the Investment		Key management personnel (including directors)		Other related parties		Total	
	Bank							
	2015	2014	2015	2014	2015	2014	2015	2014
(Rupees in '000)								
Transactions during the year								
Certificates of deposit matured / pre-matured	175,000	590,000	-	-	-	-	175,000	590,000
Purchase of marketable securities for and on behalf of	160,430	778,866	61,480	2,464	41,751	247,005	263,661	1,028,335
Sale of marketable securities for and on behalf of	628,146	7,631	56,700	3,630	5,800	277,399	690,646	288,660
Brokerage income earned	2,915	2,302	94	25	309	1,678	3,318	4,005
Advisory / consultancy income from	-	1,000	-	-	-	-	-	1,000
Long term loan received	-	-	-	-	-	285,000	-	285,000
Long term loan paid	-	-	-	-	32,000	-	32,000	-
Sale of marketable securities	40,801	-	-	-	-	-	40,801	-
Security deposit refunded	255	-	-	-	39	-	294	-
Insurance expense	252	1,003	-	-	1,274	808	1,526	1,811
Purchase of fixed asset - at cost	558	2,044	3	-	-	-	561	2,044
Disposal of fixed assets - at cost	2,350	-	-	-	-	-	2,350	-
Sale of fixed assets	742	17,441	2,311	-	-	-	3,053	17,441
Disposal of investment property	18,594	-	-	-	-	-	18,594	-
Remuneration paid to	-	-	15,825	15,236	-	-	15,825	15,236
Receipt from sale of property held as collateral	43,240	-	-	-	-	-	43,240	-
Group shared services	1,321	5,407	-	-	-	-	1,321	5,407
GSS Expense	10,172	-	-	-	-	-	10,172	-
Commission income earned	-	-	-	-	-	-	-	-
Return on certificates of deposit paid	19,890	26,796	-	-	-	-	19,890	26,796
Return on certificates of deposit accrued	6,720	25,630	-	-	-	-	6,720	25,630
Markup expense on long term loan	-	-	-	-	-	-	-	-
Rent expense	790	1,893	-	-	646	-	1,436	1,893
Charge for the year in respect of employee benefit and contribution plan	-	-	-	-	616	921	616	921

	Entity having significant influence over the Investment		Key management personnel (including directors)		Other related parties		Total	
	Bank							
	2015	2014	2015	2014	2015	2014	2015	2014
(Rupees in '000)								
Balances at year end								
Long-term loan	-	-	253,000	285,000	-	-	253,000	285,000
Payable to IGI Insurance Limited	32,482	28,360	-	-	-	-	32,482	28,360
Receivable in respect of Employee Benefit and Contribution Plan	-	-	-	-	140	-	140	-
Security deposit	498	753	-	-	733	773	1,231	1,526
Prepaid rent	92	83	-	-	20	17	112	100
Markup payable on long term loan	-	-	-	-	-	-	-	-
Amounts due from related parties	-	-	46	25	4,530	45,277	4,576	45,302
Provision in respect of related parties	-	-	-	-	4,403	4,403	4,403	4,403
Payable against sale of marketable securities	-	-	745	-	-	679	745	679

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

42.1 Group shared services

Group has entered into an arrangement with its associated undertakings to share various administrative, human resource and related costs on agreed terms.

	Note	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
43. CASH GENERATED FROM OPERATING ACTIVITIES			
Profit / (loss) for the year before taxation from continuing operations		34,699	(110,382)
Adjustments for non cash and other items:			
Gain on disposal of fixed assets and investment property		(6,379)	(9,014)
Depreciation on property and equipment and investment property		5,348	6,097
Amortisation on intangible assets		348	554
Dividend income		(1,768)	(3,103)
Finance cost		7,355	62,462
Interest, mark-up and profit income		(22,067)	(23,857)
Gain on sale of investments		(38,515)	
Provision / (reversal) for bad and doubtful loans and advances /			
lease losses - specific - net		(48,332)	44,921
Provision for residual values against lease losses		1,780	
Provision against other assets		2,206	(595)
Loss on termination of leased assets		13,172	-
(Reversal) / impairment against term finance certificates - net		1,640	(3,051)
Impairment in the value of assets acquired in settlement of claims		-	3,633
Impairment against investments		3,505	11,809
(Reversal) / provision for doubtful debts:			
Trade debts		(116)	(2,910)
Receivable against reverse repurchase transactions		5,903	(4,056)
Working capital changes	43.1	175,257	147,281
		99,337	230,171
		134,036	119,789
43.1 Working capital changes			
Decrease / (increase) in current assets:			
Short-term loans and advances		(182)	(9)
Lendings - secured		-	4,056
Short-term investments		-	167,251
Trade debts - net		75,817	180,782
Deposit, prepayments and other receivables		40,320	1,354
		115,955	353,434
(Decrease) / increase in current liabilities:			
Trade and other payables		59,302	(206,153)
		175,257	147,281
43.2 Cash and cash equivalents at the end of the year			

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at June 30, 2015:

	Note	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
Cash and cash equivalents		192,791	75,665

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	2015 Un-audited ----- (Rupees in '000) -----	2014 Un-audited ----- (Rupees in '000) -----
44. DISCLOSURE RELATING TO PROVIDENT FUND		
(i) Size of the Fund	24,666	26,122
(ii) Cost of investments made	19,625	23,675
(iii) Percentage of investment made	80%	91%
(iv) Fair value of investments	23,432	25,068

	2015 (Rupees in '000)	%	2014 (Rupees in '000)	%
Breakup of investments				
Bank Deposits	3,907	17%	2,699	11%
Government Securities	12,580	54%	15,952	64%
Mutual Funds	6,173	26%	5,128	20%
Listed Securities	439	2%	301	1%
Term Finance Certificates	333	1%	988	4%
	<u>23,432</u>	<u>100%</u>	<u>25,068</u>	<u>100%</u>

The figure for 2015 and 2014 are based on the un-audited financial statements of Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Ordinance and the rules formulated for the purpose.

	2015 ----- (Number of staff) -----	2014 ----- (Number of staff) -----
Total number of employees as at June 30	52	45
Average number of employees during the year	48	46

45. DISCRETIONARY AND NON DISCRETIONARY PORTFOLIOS

The Investment Bank is also acting as an Investment Advisor for various clients by providing services such as consultation in investment decisions, to sell, purchase, liquidate and otherwise manage the portfolio of securities. Investment advisory fee from the portfolio includes Management Fee and Performance Fee. Management fee is calculated annually based on assets under management, whereas, Performance Fee is calculated on profit earned over and above an agreed level of performance in the respective agreements with the clients. Performance fee is computed at the conclusion of the agreement period. The details of the portfolio of assets under management are as under:

	2015	2014
Number of clients	3	-
Total portfolio at cost (Rs in '000)	65,024	-
Total portfolio at market value (Rs in '000)	65,346	-
Fee earned (Rs in '000)	-	-

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

46. FINANCIAL INSTRUMENTS BY CATEGORY

June 30, 2015			
FINANCIAL ASSETS	At fair value through profit or loss - held for trading	Loans and receivables	Available for sale
	(Rupees)		
Non-current assets			
Loans and advances - net	-	-	-
Long-term investments	-	-	61,136
Long-term deposits	-	8,714	-
	-	8,714	61,136
Current assets			
Trade debts - net	-	45,670	-
Net investment in finance lease	-	245,220	-
Short-term investments	7,801	-	3,280
Short-term loans and advances	-	738	-
Deposit and other receivables	-	147,912	-
Interest, mark-up and profit accrued	-	6,068	-
Cash and bank balances	-	192,791	-
	7,801	638,399	3,280
	7,801	647,113	64,416

June 30, 2015		
FINANCIAL LIABILITIES	Financial liabilities at amortised cost	At fair value through profit or loss
	(Rupees)	
Non-current liabilities		
Long term loan	253,000	-
Current liabilities		
Certificates of deposit	7,389	-
Deposits under lease contracts	222,316	-
Interest and mark-up accrued	260	-
Trade and other payables	356,511	-
	586,476	-
	839,476	-

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

June 30, 2014				
FINANCIAL ASSETS	At fair value through profit or loss - held for trading	Loans and receivables	Available for sale	Total
----- (Rupees) -----				
Non-current assets				
Loans and advances - net	-	-	-	-
Long-term investments	-	-	78,038	78,038
Long-term deposits	-	9,204	-	9,204
	-	9,204	78,038	87,242
Current assets				
Trade debts - net	-	121,423	-	121,423
Loans and advances - net	-	9,711	-	9,711
Net investment in finance lease	-	262,489	-	262,489
Short-term investments	-	-	4,920	4,920
Short-term loans and advances	-	556	-	556
Deposit and other receivables	-	136,772	-	136,772
Interest, mark-up and profit accrued	-	3,926	-	3,926
Cash and bank balances	-	75,665	-	75,665
	-	610,542	4,920	615,462
	-	619,746	82,958	702,704

June 30, 2014			
FINANCIAL LIABILITIES	Financial liabilities at amortised cost	At fair value through profit or loss	Total
----- (Rupees) -----			
Non-current Liabilities			
Long term loan	285,000	-	285,000
Current liabilities			
Certificates of deposit	184,749	-	184,749
Deposits under lease contracts	225,118	-	225,118
Interest and mark-up accrued	12,987	-	12,987
Trade and other payables	295,432	-	295,432
	718,286	-	718,286
	1,003,286	-	1,003,286

47 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise long term loan, certificate of deposits and trade and other payables. The main purpose of these financial liabilities is to raise finances for the Group's operations and to provide guarantee to support its operations. The Group has lease, loan, lendings, investments, trade debts, other receivables and cash and short-term deposits that arrive directly from its operations. The Group also holds available-for-sale investments.

The Group is exposed to market risk, credit risk and liquidity risk.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The Group's senior management oversees that financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group's policies and Group's risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

47.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. The Investment Bank is exposed to market risk as a result of mismatches or gaps in the amounts of financial assets and financial liabilities that mature or reprice in a given period. The Investment Bank manages this risk by matching the repricing of financial assets and liabilities through risk management strategies.

Market risk mainly comprises of currency risk, interest rate risk and equity price risk.

47.1.1 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. As such the Investment Bank does not regularly deal in foreign currency transactions except for maintenance of foreign currency bank account which currently is denominated in US Dollars. The Investment Bank, at present is not exposed to significant currency risk.

47.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Investment Bank is mainly exposed to mark-up / interest rate risk on its net investment in finance lease, loans and advances, investments, borrowings and certificates of deposits with fixed and floating interest rates. The Investment Bank manages its interest rate risk by having a balance between floating and fixed interest rate financial instruments.

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

		Exposed to yield / market rate risk				
		Total	within one year	More than one year & less than five years	More than five years	Not exposed to yield / market rate risk
As at June 30, 2015						
	Effective rate %					
Financial assets						
Loans and advances - net	11.34 - 13.61	738	738	-	-	-
Net investment in lease finance	14.00 - 17.00	245,220	-	-	-	245,220
Investments	8.75 - 13.50	72,217	11,081	-	-	61,136
Long-term deposits	-	8,714	-	-	-	8,714
Deposits and other receivables	5.00 - 6.50	147,912	136,333	-	-	11,579
Trade debts - net	-	45,670	-	-	-	45,670
Interest, mark-up and profit accrued	-	6,068	-	-	-	6,068
Cash and bank balances	6.00 - 9.50	192,791	159,161	-	-	33,630
		719,330	307,313	-	-	412,017
Financial liabilities						
Long term loans	-	253,000	-	-	-	253,000
Certificates of deposit	10.00 - 14.50	7,389	7,389	-	-	-
Deposits under lease contracts	-	222,316	-	-	-	222,316
Interest and mark-up accrued	-	260	-	-	-	260
Trade and other payables	0 - 1.63	356,511	288,677	-	-	67,834
		839,476	296,066	-	-	543,410
On-balance sheet gap		(120,146)	11,247	-	-	(131,393)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

		Exposed to yield / market rate risk				
As at June 30, 2014	Effective rate %	Total	within one year	More than one year & less than five years	More than five years	Not exposed to yield / market rate risk
----- (Rupees in '000) -----						
Financial assets						
Loans and advances - net	11.34 - 13.61	10,267	9,711	556	-	-
Net investment in lease finance	14.00 - 17.00	262,489	-	-	-	262,489
Investments	8.75 - 13.50	82,958	4,920	-	-	78,038
Long-term deposits	-	9,204	-	-	-	9,204
Deposits and other receivables	7.50 - 8.00	136,772	110,356	-	-	26,416
Trade debts - net	-	121,423	-	-	-	121,423
Interest, mark-up and profit accrued	-	3,926	-	-	-	3,926
Cash and bank balances	6.00 - 9.50	75,665	66,866	-	-	8,799
		702,704	191,853	556	-	510,295
Financial liabilities						
Long term loans		285,000	-	-	-	285,000
Certificates of deposit	10.00 - 14.50	184,749	184,749	-	-	-
Deposits under lease contracts	-	225,118	-	-	-	225,118
Interest and mark-up accrued	-	12,987	-	-	-	12,987
Trade and other payables	-	295,432	-	-	-	295,432
		1,003,286	184,749	-	-	818,537
On-balance sheet gap						
		(300,582)	7,104	556	-	(308,242)

47.1.3 Equity risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions. Currently, Group's investments in listed equity securities only include shares of Agritech Limited, and impact of price risk is not material. The Group is also exposed to equity price risk as at June 30, 2015 on their equity investments in KSE and LSE 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, 2015, with all other factors remaining constant would result in an increase or decrease of Rs 0.099 million of other comprehensive income during the year.

47.2 Credit risk and concentrations of 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. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions to specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of an entity's performance to developments affecting a particular industry.

The Group follows two sets of guidelines. It has its own operating policy and the management of the Group also adheres to the regulations issued by the SECP. The operating policy defines the extent of fund and non-fund based exposures with reference to a particular sector or group.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The Group'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 loans and leases amounting to Rs. 574.896 million (refer note 8.3, 9.3 and 12.2), impairment against investments amounting to Rs. 256.120 million (refer note 7.2, 7.3 and 13.4), provision made against trade debts amounting to Rs. 589.008 million (refer note 14.2), provision against accrued mark-up amounting to Rs. 82.388 (refer note 16) and provision against other receivable amounting to Rs. 68.400 (refer note 15.3), the Group 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:

	2015	2014
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
Loans and advances	738	10,267
Net investment in finance lease	245,220	262,489
Investments	72,217	82,958
Long-term deposits	8,714	9,204
Trade debts	45,670	121,423
Other receivables	147,912	136,772
Interest, mark-up and profit accrued	6,068	3,926
Cash and bank balances	192,791	75,665
	<u>719,330</u>	<u>702,704</u>

47.2.1 The aging for loans, advances and leases of the Investment Bank, at the balance sheet date is as follows:

	Gross	2015 Provision	Net	Gross	2014 Provision	Net
	----- (Rupees in '000) -----					
Past due more than 365 days	820,116	(574,896)	245,220	885,717	(623,228)	262,489

Except for the provision disclosed above, no provision has been recognised in respect of these loans and leases as the Investment Bank holds equivalent amount of security deposits from the respective lessees and collateral against lease contracts (i.e. forced sale value of collateral) amounting to Rs. 245.220 million (2014: Rs.262.489 million).

47.2.2 The aging for trade debts of the Subsidiary Company at the balance sheet date is as follows:

	Gross	2015 Provision	Net	Gross	2014 Provision	Net
	----- (Rupees in '000) -----					
Past due 1-30 days	29,286	-	29,286	111,347	-	111,347
Past due 31 days -60 days	54	-	54	662	-	662
Past due 60 days -90 days	45	-	45	32	-	32
More than 90 days	726,562	(710,277)	16,285	783,489	(704,490)	78,999
	<u>755,947</u>	<u>(710,277)</u>	<u>45,670</u>	<u>895,530</u>	<u>(704,490)</u>	<u>191,040</u>

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

47.2.3 Bank balances

The analysis below summarises the credit quality of the Investment Bank's bank balance (other than balance maintained with the State Bank of Pakistan).

	2015	2014
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
AAA	187,772	20,455
AA+	2,386	1,009
AA-	35	34
AA	943	270
A1+	1,339	-
A+	41	1,274
A	83	52,306
	<u>192,599</u>	<u>75,348</u>

47.2.4 Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of an entity's performance to developments affecting a particular industry.

The Group seeks to manage its credit risk through diversification of financing activities to avoid undue concentrations of credit risk with individuals or groups of customers in specific locations or businesses. It also obtains securities when appropriate. Details of the composition of loans and lease portfolios of the Group are given below:

	2015		2014	
	(Rupees in '000)	%	(Rupees in '000)	%
Finance and leases				
Dairy and poultry	239	0.10	239	0.09
Cement	870	0.35	870	0.32
Health	3,357	1.37	3,357	1.23
Glass and ceramics	1,082	0.44	1,082	0.40
Leather	5,025	2.05	5,025	1.85
Paper and board	4,376	1.78	4,376	1.61
Construction	5,450	2.22	5,450	2.00
Energy, oil and gas	15,467	6.31	19,395	7.13
Financial institutions	-	-	-	-
Electric and electric goods	16,102	6.57	16,102	5.92
Chemicals / fertilizers / pharmaceuticals	13,759	5.61	14,823	5.45
Food, tobacco and beverages	9,941	4.05	9,941	3.65
Steel, engineering and automobiles	12,098	4.93	13,052	4.80
Transport	12,492	5.11	12,702	4.67
Textile / textile composite	15,949	6.50	25,963	9.51
Miscellaneous (including individuals)	129,013	52.61	139,823	51.37
	<u>245,220</u>	<u>100.00</u>	<u>272,200</u>	<u>100.00</u>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

	2015		2014	
	(Rupees)	%	(Rupees)	%
Services (including insurance)	245	0.54%	51,028	42.02%
Banking, capital market and financial institutions	3,933	8.61%	2,901	2.39%
Individuals	27,383	59.96%	21,591	17.78%
Clearing house	14,109	30.84%	45,903	37.80%
	<u>45,670</u>	<u>100%</u>	<u>121,423</u>	<u>100%</u>

47.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet the commitments associated with financial instruments. To safeguard this risk, the Group has diversified its funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile of assets and liabilities is monitored to ensure adequate liquidity is maintained. The Group has the ability to mitigate any short-term liquidity gaps by disposal of short-term investments and the availability of liquid funds at short notice.

The table below summarises the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities at the year-end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's history and the availability of liquid funds. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets / liabilities will be realised / settled.

	Total	Within one year	More than one year and less than five years	More than five years
As at June 30, 2015				
Assets	 (Rupees in '000)			
Fixed assets	42,727	-	42,727	-
Investment property	-	-	-	-
Investments	72,217	11,081	-	61,136
Loans and advances - net	738	738	-	-
Net investment in finance lease	245,220	245,220	-	-
Long-term deposits	8,714	-	-	8,714
Deferred tax assets - net	83,483	-	-	83,483
Assets acquired in settlement of claims	-	-	-	-
Taxation - net	189,306	189,306	-	-
Trade debts - net	45,670	45,670	-	-
Deposit, prepayments and other receivables	150,192	150,192	-	-
Interest, mark-up and profit accrued	6,068	6,068	-	-
Cash and bank balances	192,791	192,791	-	-
	<u>1,037,126</u>	<u>841,066</u>	<u>42,727</u>	<u>153,333</u>
Liabilities				
Certificates of deposit	7,389	7,389	-	-
Long-term loan	253,000	-	-	253,000
Deposits under lease contracts	222,316	222,316	-	-
Interest and mark-up accrued	260	260	-	-
Trade and other payables	367,936	367,936	-	-
	<u>850,901</u>	<u>597,901</u>	<u>-</u>	<u>253,000</u>
	<u>186,225</u>	<u>243,165</u>	<u>42,727</u>	<u>(99,667)</u>

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

As at June 30, 2014	Total	Within one year	More than one year and less than five years	More than five years
	 (Rupees in '000)			
Assets				
Fixed assets	38,745	-	38,745	-
Investment property	13,165	13,165	-	-
Investments	82,958	4,920	-	78,038
Loans and advances - net	10,267	9,711	556	-
Net investment in finance lease	262,489	262,489	-	-
Long-term deposits	9,204	-	-	9,204
Deferred tax assets - net	303,994	-	303,994	-
Taxation - net	269,870	269,870	-	-
Trade debts - net	121,423	121,423	-	-
Deposit, prepayments and other receivables	201,769	201,769	-	-
Interest, mark-up and profit accrued	3,926	3,926	-	-
Cash and bank balances	75,665	75,665	-	-
	1,393,475	962,938	343,295	87,242
Liabilities				
Certificates of deposit	184,749	184,749	-	-
Long term Loan	285,000	-	-	285,000
Deposits under lease contracts	225,118	225,118	-	-
Interest and mark-up accrued	12,987	12,987	-	-
Trade and other payables	304,696	304,696	-	-
	1,012,550	727,550	-	285,000
	380,925	235,388	343,295	(197,758)

48 CAPITAL RISK MANAGEMENT

As stated in note 1, the Group comprises of the following companies:

1. IGI Investment Bank
2. IGI Securities

The objective of managing capital and the policies and processes followed for its management relating to each of the above companies is disclosed below:

IGI Investment Bank

Capital requirements applicable to the Investment Bank are set and regulated by the SECP. These requirements are put in place to ensure sufficient solvency margins. The Investment Bank manages its capital requirements by assessing its capital structure against the required level on a regular basis. The minimum equity requirement as per the NBFC Regulations for the leasing and investment finance companies is Rs.1,700 million. As at June 30, 2015, the Investment Bank's total equity is Rs. 49.283 million (see note 1.1.2).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

IGI Securities (the Subsidiary Company)

The primary objective of the Subsidiary 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 Karachi Stock Exchange. These requirements are put into place to ensure sufficient solvency margins and are based on excess of current assets over liabilities.

The Subsidiary 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 Subsidiary Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Subsidiary 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.

49 FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

- (a) IGI Securities (the Subsidiary 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 Subsidiary Company may be required to discharge the obligation on behalf of the non-performing party. In such circumstances, the Subsidiary 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 Subsidiary Company has on hand. Where the customer operates through institutional delivery system, the Subsidiary Company is not exposed to this risk.

The majority of the Subsidiary Company's transactions, and consequently, the concentration of its credit exposure are with the customers and other financial institutions in case of money market brokerage. The Subsidiary 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 Subsidiary Company monitors collateral levels on a regular basis and requests changes in collateral level as appropriate or if considered necessary.

- (b) The Subsidiary Company enters into security transactions on behalf of its customers involving future settlement. The Subsidiary Company has entered into transactions that gives rise to future settlement, the unsettled amount as on June 30, 2015 of these future transactions is Rs. 39.614 million (2014: Rs. 93.056 million). 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.

50 FAIR VALUE OF FINANCIAL INSTRUMENTS

50.1 As at June 30, 2015, the fair values of all financial instruments are based on the valuation methodology outlined below:

(a) Finances and certificates of deposit

For all finances (including leases, loans and advances and trade debts) the fair values have been taken at carrying amounts as these are not considered materially different from their fair values based on the current yields / market rates and repricing profiles of similar finance and deposit portfolios.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

(b) Investments

The fair values of quoted investments are based on quoted market prices. Unquoted investments, except where an active market exists, are carried at cost less accumulated impairment, if any, which approximates their fair value in the absence of an active market.

- 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.

	2015	
	Level 1	Level 2
	----- (Rupees in '000) -----	
Investment in quoted companies	10,418	-
Government securities, listed and unlisted term finance certificates	-	11,081
	<u>10,418</u>	<u>11,081</u>

	2014	
	Level 1	Level 2
	----- (Rupees in '000) -----	
Investment in quoted companies	13,923	-
Government securities, listed and unlisted term finance certificates	-	4,920
	<u>13,923</u>	<u>4,920</u>

Investment in the shares of Karachi Stock Exchange and Lahore Stock Exchange 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.

(c) Other financial instruments

The fair values of all other financial instruments are considered to approximate their carrying amounts.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

51. SEGMENTAL ANALYSIS

	2015		
	Financing activities	Investment activities	Brokerage activities
	(Rupees in '000)		
			Total
Income from investments	-	40,661	-
Income from loans and advances	-	-	-
Income from lease finance	1,836	-	-
Other operating revenue	-	-	25,498
Income from fees, commission and brokerage	-	8,891	95,537
Total income for reportable segments	1,836	49,552	121,035
Finance costs	-	(6,810)	(545)
Administrative and general expenses (excluding depreciation and amortisation)	(14,726)	(11,754)	(62,369)
Depreciation and amortisation	(55)	(1,483)	(4,158)
Reversal/ (provision) for bad and doubtful debts (specific) - net	48,332	-	116
Reversal/ (provision) against other assets	(3,986)	-	(5,903)
Loss on termination of lease contracts	(13,172)	-	-
Impairment (charge)/ reversal against investments	-	(5,145)	-
Segment result	18,229	24,360	48,176
Other income			10,206
Gain on settlement of other receivables			-
Impairment in the value of assets acquired in settlement of claims			-
Unallocated administrative expenses			(63,030)
Unallocated other expenses			(3,242)
Profit before taxation			34,699
Segment assets	245,220	72,217	184,770
Unallocated assets			534,919
			1,037,126
Segment liabilities	482,965	-	294,809
Unallocated liabilities			73,127
			850,901
Capital expenditure - tangible	-	-	11,740
Capital expenditure - intangible	-	-	-

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	2014			
	Financing activities	Investment activities	Brokerage activities	Total
	(Rupees in '000)			
Income from investments	-	15,420	-	15,420
Income from loans and advances	1,038	-	-	1,038
Income from lease finance	8,183	-	-	8,183
Income from lendings - secured	-	-	-	-
Income from fees, commission and brokerage	-	14,352	75,212	89,564
Total income for reportable segments	9,221	29,772	75,212	114,205
Finance costs	-	(61,996)	(466)	(62,462)
Administrative and general expenses (excluding depreciation and amortisation)	(11,293)	(9,185)	(34,505)	(54,983)
Depreciation and amortisation	(771)	(2,489)	(3,391)	(6,651)
Provision for bad and doubtful debts (specific) - net	(44,921)	-	2,910	(42,011)
Provision against other assets	(595)	-	4,056	3,461
Gain on settlement of term finance certificate	(8,170)	-	-	(8,170)
Impairment charge against investments	-	(8,758)	-	(8,758)
Segment result	(56,529)	(52,656)	43,816	(65,369)
Other income				28,205
Gain on sale on assets classified as held for sale				8,875
Gain on settlement of other receivables				-
Impairment in the value of assets acquired in settlement of claims				(3,633)
Unallocated administrative expenses				(76,104)
Unallocated other expenses				(2,356)
Loss before taxation				(110,382)
Segment assets	416,097	229,004	123,662	768,763
Unallocated assets				624,712
				1,393,475
Segment liabilities	1,089,547	153,332	453,970	1,696,849
Unallocated liabilities				(684,299)
				1,012,550
Capital expenditure - tangible	-	-	2,371	2,371
Capital expenditure - intangible	-	-	-	-

52 DATE OF AUTHORISATION FOR ISSUE

The consolidated financial statements were approved by the Board of Directors and authorised for issue on October 02, 2015.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

53 GENERAL

53.1 Figures have been rounded off to the nearest thousand rupees.

53.2 Comparative information has been reclassified, rearranged or additionally incorporated in these financial statements for the purposes of better presentation. Details are mentioned as follows:

Description	Amount Rupees in '000	From	To
Provision against other assets	595	Other expenses	Provision against other assets
Human resource outsourcing fee	2,276	Legal and professional charges	Salaries, allowances and other benefits

Chairman

Chief Executive Officer

**STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **IGI Investment Bank Limited** ('the Investment Bank') as at June 30, 2015 and the related profit and loss account, 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 Investment Bank'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 Investment Bank 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 account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Investment Bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Investment Bank;
- (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 Investment Bank's affairs as at June 30, 2015 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).

Emphasis of matter

We draw attention towards:

- i) note 1.3 to the financial statements which states that the Investment Bank has accumulated losses at June 30, 2015 amounting to Rs. 2,212.074 million (June 30, 2014: Rs. 2,226.077 million). Further, the Investment Bank is not in compliance with the minimum equity requirement as specified under the NBFC Regulations for NBFCs undertaking leasing and investment finance activities. These conditions, along with other matters as set forth in note 1.3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Investment Bank's ability to continue as a going concern.
- ii) notes 6.5, 7.4, 8.5 and 12.5 to the financial statements which state certain non-compliances with the NBFC Regulations, 2008.

Our opinion is not qualified in respect of the above matters.

The financial statements of the Investment Bank for the year ended June 30, 2014 were audited by another auditor whose audit report dated September 30, 2014 contained an emphasis of matter paragraph on the same issues as described above.

A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: **Shahbaz Akbar**

Dated: October 03, 2015

Karachi

BALANCE SHEET

AS AT JUNE 30, 2015

	Note	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
ASSETS			
Non-current assets			
Fixed assets	5	5,226	6,459
Long-term investments	6	217,219	234,121
Long-term loans and advances	7	-	-
Net investment in finance lease	8	-	-
Long-term deposits		4,375	4,669
Deferred tax asset - net	9	-	-
		226,820	245,249
Current assets			
Current maturity of non-current assets	10	245,220	272,200
Short-term loans and advances	11	-	-
Short-term investments	12	11,081	4,920
Taxation - net		153,629	239,877
Prepayments and other receivables	13	8,007	22,146
Cash and bank balances	14	8,184	4,794
		426,121	543,937
TOTAL ASSETS		652,941	789,186
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	2,121,025	2,121,025
Reserves	16	140,332	136,831
Accumulated losses		(2,212,074)	(2,226,077)
		49,283	31,779
Deficit on revaluation of investments - net of tax	17	-	-
Non-current liabilities			
Long term loans	18	322,860	285,000
Long-term certificates of deposit	19	-	-
Long-term deposits under lease contracts	20	-	-
		322,860	285,000
Current liabilities			
Current maturity of non-current liabilities	21	229,705	234,867
Short-term certificates of deposit	22	-	175,000
Interest and mark-up accrued	23	4,307	12,987
Trade and other payables	24	46,786	49,553
		280,798	472,407
TOTAL LIABILITIES		603,658	757,407
TOTAL EQUITY AND LIABILITIES		652,941	789,186
CONTINGENCIES AND COMMITMENTS	25		

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chairman

Chief Executive Officer

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
Income			
Income from investments	26	36,272	14,371
Income from loans and advances		-	1,038
Income from lease finance	27	1,836	8,183
Income from fee, commission and brokerage	28	8,891	9,637
		46,999	33,229
Finance costs	29	10,857	65,734
		36,142	(32,505)
Administrative and general expenses	30	39,776	46,298
		(3,634)	(78,803)
Other income	31	4,265	11,684
		631	(67,119)
Other operating expenses	32	2,044	1,918
		(1,413)	(69,037)
Reversal of provision / (provision) for bad and doubtful loans and advances / lease losses - specific - net	7.3, 8.3 & 11.2	48,332	(44,921)
Provision for residual values against lease losses		(1,780)	-
Provision against other assets	13.2	(2,206)	(595)
Loss on sale of assets acquired in settlement of claims		-	(3,633)
Loss on termination of lease contracts		(13,172)	(8,170)
(Impairment) / reversal of impairment against investments:			
unquoted companies		-	(10,064)
listed equity securities	6.3	(3,505)	(1,745)
term finance certificates	12.4	(1,640)	3,051
		(5,145)	(8,758)
Profit / (loss) before taxation		24,616	(135,114)
Taxation - net	33	(7,112)	(604)
Profit / (loss) after taxation		17,504	(135,718)
Other comprehensive income		-	-
Total comprehensive income / (loss)		17,504	(135,718)
		----- (Rupee) -----	----- (Rupee) -----
Earnings / (loss) per share	34	0.08	(0.64)

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chairman

Chief Executive Officer

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 —— (Rupees in '000) ——	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		24,616	(135,114)
Adjustments for non cash and other items:			
Gain on disposal of fixed assets		(669)	(8,941)
Depreciation on property and equipment		1,245	2,833
Amortisation on intangible assets		293	471
Interest, mark-up and profit income		(2,752)	(20,770)
Gain on sale of investments		(35,894)	(214)
Dividend income		-	(2,151)
Finance costs		10,857	65,734
(Reversal) of / provision for bad and doubtful loans and advances /			
lease losses - specific - net		(48,332)	44,921
Provision for residual values against lease losses		1,780	-
Provision against other assets		2,206	595
Gain on settlement of term finance certificates		-	(3,200)
Loss on sale of assets acquired in settlement of claims		-	3,633
Loss on termination of lease contracts		13,172	8,170
Impairment against investments		5,145	8,758
Working capital changes	39	2,028	6,496
		(50,921)	106,335
Cash used in operations		(26,305)	(28,779)
Net recovery from long-term loans and advances - net		31,616	22,157
Net recovery from finance lease		35,882	68,580
Long-term deposits		294	-
Repayments of long-term and short term certificates of deposits - net		(177,360)	(835,502)
Payments of deposits under lease contracts		(2,802)	(17,658)
Interest, mark-up and profit received		2,752	23,183
Dividend received		-	2,151
Finance cost paid		(19,537)	(88,075)
Income tax received / (paid)		79,136	(1,817)
Net cash used in operating activities		(76,324)	(855,760)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,947)	-
Proceeds from sale of long term investments - net		40,801	3,200
Proceeds from sale of short term investments - net		689	164,541
Proceeds from divestment in subsidiary		-	199,753
Proceeds from disposal of assets acquired in settlement of claims		-	66,210
Proceeds from disposal of fixed assets		2,311	18,095
Net cash flows generated from investing activities		41,854	451,799
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term finance - net		37,860	285,000
Net cash flows generated from financing activities		37,860	285,000
Net increase / (decrease) in cash and cash equivalents		3,390	(118,961)
Cash and cash equivalents at the beginning of the year		4,794	123,755
Cash and cash equivalents at the end of the year	14	8,184	4,794

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chairman

Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2015

	Issued, subscribed and paid-up capital	Reserves			Total
		Capital	Revenue		
			Statutory reserve	General reserve	
(Rupees in '000)					
Balance as at July 01, 2013	2,121,025	97,098	39,733	(2,090,359)	167,497
Loss after tax for the year ended June 30, 2014	-	-	-	(135,718)	(135,718)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	-	(135,718)	(135,718)
Balance as at June 30, 2014	2,121,025	97,098	39,733	(2,226,077)	31,779
Profit after tax for the year ended June 30, 2015	-	-	-	17,504	17,504
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	17,504	17,504
Transfer to statutory reserve	-	3,501	-	(3,501)	-
Balance as at June 30, 2015	2,121,025	100,599	39,733	(2,212,074)	49,283

The annexed notes from 1 to 46 form an integral part of these financial statements.

Chairman

Chief Executive Officer

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 IGI Investment Bank Limited (the Investment Bank) is a public limited company incorporated in Pakistan on February 07, 1990 under the Companies Ordinance, 1984. The Investment Bank is licensed to carry out investment finance activities and leasing operations as a Non-Banking Finance Company under Section 282C of the Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations 2008 (the NBFC Regulations). The Investment Bank's shares are quoted on the Karachi, Islamabad and Lahore Stock Exchanges. During the year, the Investment Bank has changed its registered office to 7th Floor, The Forum, Suite No. 701-713, G-20, Block-9, Khayaban-e-Jami, Clifton, Karachi which is also principal office of the Investment Bank.

The Pakistan Credit Rating Agency (PACRA) has assigned the Investment Bank a rating of 'BBB-' (long-term credit rating) and 'A3' (short-term credit rating) on January 14, 2015.

- 1.2 These financial statements are the separate financial statements of the Investment Bank. In addition to these financial statements, consolidated financial statements of the Investment Bank and its subsidiary company, IGI Finex Securities Limited, (the Group) have also been prepared. As required by the International Financial Reporting Standards (IFRSs), segment information is presented only in consolidated financial statements of the Group.

- 1.3 The annual audited financial statements of the Investment Bank for the year ended June 30, 2014 disclosed in detail:

- the financial difficulties faced by the Investment Bank which indicate the existence of a material uncertainty about the Investment Bank's ability to continue as a going concern;
- the mitigating factors based on which the management believes that the Investment Bank will be able to continue as a going concern; and
- measures that have been taken by the management of the Investment Bank for continuity and sustainability in line with the aforesaid mitigating factors.

Currently, the Investment Bank continues to face certain financial difficulties. These include the fact that as at period ended June 30, 2015, the Investment Bank has accumulated losses amounting to Rs.2,212.074 million (June 30, 2014: Rs.2,226.077 million). Further, the Investment Bank is not in compliance with the minimum equity requirement as specified under the NBFC Regulations for NBFCs undertaking leasing and investment finance activities. As per the said Regulations, the minimum equity required is Rs.1,700 million as at June 30, 2015, however, the equity of the Investment Bank at the period-end amounted to Rs. 49.283 million (June 30, 2014: Rs.31.779 million). In addition to the above, licenses of the Investment Bank in respect of undertaking leasing and investment finance services, which expired during the year ended June 30, 2013, are pending for renewal by the Securities and Exchange Commission of Pakistan (SECP). Furthermore, no new loans and leases were disbursed by the Investment Bank in the current period. These factors continue to indicate the existence of a material uncertainty about the Investment Bank's ability to continue as a going concern.

Despite the above indicators, the management believes that the Investment Bank will be able to continue as a going concern in view of the following mitigating factors:

- the management of the Investment Bank believes that the SECP is working to introduce a new business model for NBFCs engaged in leasing and investment finance services wherein various options like introduction of lesser minimum equity requirements are under consideration by the regulator;
- the Investment Bank has prepared cash flow forecast for a period of twelve months from the balance sheet date indicating that the Investment Bank will be solvent and will be able to meet its obligations as and when they become due;
- the management of the Investment Bank continues to exert maximum focus and efforts on recoveries out of its classified loans, lease and investment portfolios. As at June 30, 2015, the outstanding loans and leases aggregate to Rs. 597,800 million. The management expects to make considerable recoveries out of the aforesaid amounts in the ensuing years; and
- the sponsor of the Investment Bank is committed to provide continuing financial support to the Investment Bank enabling it to conduct its affairs in such a way that it will be able to meet its financial obligations as and when they become due.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

- In addition to the above, the Board of Directors of the Investment Bank has approved the proposed merger of IGI Finex Securities Limited, a corporate brokerage house and its 100% owned subsidiary with and into the Investment Bank. It is envisioned that the merged entity will benefit from cost reduction, revenue and human resource synergies. Said merged entity will be able to offer a full suite of investment products to its clients from a single platform including stocks, commodities, mutual funds, fixed income instruments, government securities as well as the value added services of investment advisory, portfolio management and corporate advisory services. Consummation of the proposed merger is subject to the receipt of all relevant regulatory and corporate approvals, the finalization of relevant documentation and the sanction of the scheme of amalgamation by the High Court of relevant jurisdiction.

2 BASIS OF PREPARATION

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 IFRSs issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations or the directives issued by SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

The SECP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' through Circular No. 19 dated August 13, 2003 for Non-Banking Finance Companies (NBFCs) providing investment finance services, discounting services and housing finance services. In addition, the SECP has also deferred the application of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through SRO 411(1) / 2008 on such Non-Banking Finance Companies as are engaged in investment finance services, discounting services and housing finance services.

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

The following amendments to existing standards have been published and are mandatory for the accounting period beginning on or after July 1, 2014:

- Amendment to IAS 32, "Financial Instruments: Presentation" on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have significant effect on the financial statements of the Investment Bank.
- IFRIC 21, "Levies", sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 "Provisions." The interpretation addresses the obligating event that give rise to pay a levy and when a liability should be recognised. The amendment did not have significant effect on the financial statements of the Investment Bank.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2014 but are considered not to be relevant or do not have any significant effect on the Investment Bank'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, 2015 but are considered not to be relevant or do not have any significant effect on the Investment Bank's financial statements and are therefore not detailed in these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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, 2017

3. BASIS OF MEASUREMENT

3.1 Critical accounting judgments and estimates

The preparation of financial statements requires the use of certain critical accounting judgments and estimates, that effect the reported amount of revenue, expenses, assets and liabilities. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, estimated results may differ from actual. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Investment Bank's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- i) Determination and measurement of useful life and residual value of property and equipment (notes 4.1.1 and 5.1)
- ii) Amortisation of intangible assets (notes 4.1.2 and 5.2)
- iii) Classification and valuation of investments (notes 4.2, 6 and 12)
- iv) Impairment of investments (notes 4.2, 6 and 12)
- v) Classification and provision of loans and advances, net investment in finance lease and other receivables (notes 4.8, 7, 8, 10, 11 and 13)
- vi) Provision for taxation and deferred tax (notes 4.9, 9 and 33)

3.2 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Investment Bank operates. These financial statements are presented in Pak Rupees which is the Investment Bank's functional currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Fixed assets

4.1.1 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that future economic benefits associated with the asset will flow to the Investment Bank and the cost of the item can be measured reliably. All other maintenance and normal repairs are charged to the profit and loss account as and when incurred.

Depreciation on property and equipment is charged to profit and loss account using the straight line method in accordance with the rates specified in note 5.1 to these financial statements after taking into account residual value, if significant. The residual values and useful lives are reviewed and adjusted prospectively, if appropriate, at each balance sheet date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Depreciation on all additions to property and equipment is charged from the month in which the asset is available for use, while in case of assets disposed of, no depreciation is charged in the month of disposal.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account when the asset is derecognised.

4.1.2 Intangible

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that the future economic benefits associated with the asset will flow to the Investment Bank and the cost of the item can be measured reliably. Amortisation on intangible assets is charged to profit and loss account using the straight line method in accordance with the rates specified in note 5.2 to these financial statements after taking into account residual amount, if any. The residual values and useful lives are reviewed and adjusted prospectively, if appropriate at each balance sheet date.

Amortisation on all additions to intangible assets having a finite useful life is charged from the month in which the asset is available for use, while in case of assets disposed of, no amortisation is charged in the month of disposal.

Intangible assets having an indefinite useful life are carried at cost less any impairment in value and are not amortised. Intangible assets having an indefinite useful life are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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 the profit and loss account when the asset is derecognised.

4.2 Investments

The management of the Investment Bank classifies its investments in the following categories: held-for-trading, available-for-sale and held-to-maturity. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this classification on a regular basis.

(a) Held-for-trading

These are investments which are either acquired principally for the purpose of generating profits from short-term fluctuations in market prices, interest rate movements, dealer's margin or are investments included in a portfolio in which a pattern of short-term profit taking exists.

(b) Available-for-sale

These are investments other than those in subsidiaries and associates, that do not fall under the categories of held-for-trading and held-to-maturity.

(c) Held-to-maturity

These are investments with fixed or determinable payments and fixed maturity that the Investment Bank has the positive intent and ability to hold to maturity.

In accordance with the requirements of SECP, investments in quoted securities (other than those classified as held-to-maturity and investments in subsidiaries and associates) are marked to market, in accordance with the guidelines contained in the State Bank of Pakistan's (SBP) BSD Circular No. 20 dated August 04, 2000 using rates quoted on Reuters, stock exchange quotes and brokers' quotations. Any difference between the carrying amount (representing cost adjusted for amortisation of premium or discount, if any) and market value is taken to the 'surplus / (deficit) on revaluation of investments' account and shown separately in the balance sheet below shareholders' equity. At the time of disposal the respective surplus or deficit is transferred to the profit and loss account.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Unquoted investments, except where an active market exists, are carried at cost less accumulated impairment losses, if any, in accordance with the requirements of the above mentioned circular.

Premiums and discounts on held-to-maturity and available-for-sale investments are amortised using the effective interest rate method and taken to income from investments.

Impairment loss in respect of investments is recognised when there is any objective evidence as a result of one or more events that may have an impact on the estimated future cash flows of the investment. A significant or prolonged decline in the fair value of an investment in listed equity security below its cost is also an objective evidence of impairment. Provision for impairment in the value of investment, if any, is taken to the profit and loss account. In case of impairment of equity securities (both classified as held-for-trading and available-for-sale), the cumulative loss that has been recognised directly in 'surplus / (deficit) on revaluation of investments' on the balance sheet below equity is removed therefrom and recognised in the profit and loss account. Any subsequent increase in the value of these investments is taken directly to 'surplus / (deficit) on revaluation of investments' account which is shown on the balance sheet below equity. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss account.

Investments are derecognised when the right to receive the cash flows from the investments has expired, realised or transferred and the Investment Bank has transferred substantially all risks and rewards of ownership.

(d) Investment in subsidiaries and associates

Investments in subsidiaries and associates are stated at cost less accumulated impairment losses, if any. In arriving at the impairment loss in the value of these investments, consideration is only given if there is a permanent impairment in the value of investments.

4.3 Trade date accounting

All purchases and sales of investments that require delivery within the time frame established by the regulations or market conventions are recognised on the trade date. Trade date is the date on which the Investment Bank commits to purchase or sell the investment.

4.4 Derivative instruments

Derivative instruments held by the Investment Bank generally comprise of future and forward contracts in the capital and money markets. These are stated at fair value at the balance sheet date. The fair value of the derivative is equivalent to the unrealised gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealised gains) are included in prepayments and other receivables and derivatives with negative market values (unrealised losses) are included in trade and other payables in the balance sheet.

4.5 Securities under repurchase / reverse repurchase agreements

Transactions of repurchase / reverse repurchase of investment securities are entered into at contracted rates for specified periods of time and are accounted for as follows:

(a) Repurchase agreement

Investments sold with a simultaneous commitment to repurchase at a specified future date (Repo) continue to be recognised in the balance sheet and are measured in accordance with the accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is accrued as mark-up / interest expense on borrowings over the life of the repo agreement.

(b) Reverse repurchase agreement

Reverse repurchase investments purchased with a corresponding commitment to resell at a specified future date (Reverse repo) are not recognised in the balance sheet. Amounts paid under these obligations are included in lendings. The difference between purchase and resale price is accrued as return from lendings over the life of the reverse repo agreement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

4.6 Finances

Finances in the form of long-term loans and advances and short-term loans and advances include demand finance, installment finance, inter swift loan and term finance. These are stated at cost less provision for doubtful finance, if any, determined as per the requirements of the NBFC Regulations.

4.7 Net investment in finance lease

Leases in which the Investment Bank transfers substantially all the risk and rewards incidental to the ownership of the asset to the lessee are classified as finance lease. A receivable is recognised at an amount equal to the present value of the lease payments, including any guaranteed residual value which are included in the financial statements as 'net investment in finance leases'.

Provision for non-performing leases is made in accordance with the requirements of the NBFC Regulations and is charged to the profit and loss account.

4.8 Provision for bad and doubtful loans and advances / lease losses and write offs

The provision for bad and doubtful loans and advances / lease losses, if any, is made in accordance with the requirements of the NBFC Regulations issued by the SECP.

Loans and advances and outstanding balances in net investment in finance lease are written off when there is no realistic prospect of recovery.

4.9 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits, rebates and tax exemption available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. A deferred tax asset is recognised for all deductible temporary differences and the tax losses, if any, to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and the tax losses can be utilised. The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance sheet date.

The Investment Bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of investments which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS) 12 'Income Taxes'.

4.10 Assets acquired in settlement of claims

The Investment Bank acquires certain vehicles and other assets in settlement of non-performing loans / leases. These are stated at lower of the original cost of the related asset, exposure to the Investment Bank and the net realisable value. The net gains or losses on disposal of these assets is taken to the profit and loss account.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

4.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include cash in hand and balances with banks in current accounts, savings accounts and short-term running finances.

4.12 Impairment

At each balance sheet date, the Investment Bank reviews the carrying amounts of its assets for indications of impairment loss. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

4.13 Provisions

Provisions are recognised when the Investment Bank has a present 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.

4.14 Staff retirement benefits

4.14.1 Defined contribution plan

The Investment Bank operates an approved Provident Fund for its permanent employees. Equal monthly contributions at the rate of 10% of the basic salary are made to the Fund both by the Investment Bank and the employees.

4.14.2 Employees' compensated absences

Employees' entitlement to annual leave is recognised when they accrue to employees. A provision is made for estimated liability for annual leaves as a result of services rendered by the employee against unavailed leaves, as per term of service contract, up to balance sheet date.

4.15 Proposed dividend and transfer between reserves

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

4.16 Revenue recognition

Income from finance lease

Finance method is used in accounting for recognition of income from lease financing. Under this method, the unearned lease income (the excess of aggregate lease rentals and the residual value over the cost of leased asset) is deferred and then taken to profit and loss account over the term of lease period, applying the annuity method so as to produce a constant rate of return on the outstanding balance in net investment in lease. Front-end fees, documentation charges, gains / (losses) on termination of lease contracts and other lease related income are taken to profit and loss account when they are realised.

Unrealised finance income in respect of non-performing lease finance is held in suspense account, where necessary, in accordance with the requirements of the NBFC Regulations issued by the SECP.

Income from loans and advances, investments and other sources

Mark-up income / interest on advances and returns on investments are recognised on a time proportion basis using the effective interest method, except that mark-up income / interest / return on non-performing advances and investments is recognised on a receipt basis in accordance with the requirements of the NBFC Regulations issued by the SECP. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the aforementioned regulations, except where, in the opinion of the management, it would not be prudent to do so.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.

Dividend from equity securities is recognised when the Investment Bank's right to receive the dividend is established.

Commission income and fees are taken to the profit and loss account when the services are provided and when right to receive the fees is established.

Return on bank deposits are recognised on time proportionate basis.

Other income is recognised on accrual basis.

4.17 Foreign currency transactions

Transactions in foreign currencies are accounted for in Pak rupees at the rate of exchange ruling on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak rupees at the rate of exchange prevailing on the balance sheet date. Exchange gain / (loss) is charged to current year's profit and loss account. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

4.18 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Investment Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Investment Bank loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account.

4.19 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Investment Bank has a legally enforceable right to set-off the recognised amounts and also intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

4.21 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred except in cases where such costs are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) in which costs such costs are capitalised as part of the cost of that asset. Currently, the Investment Bank does not have any borrowing costs directly attributable to the acquisition of or construction of qualifying assets.

4.22 Share capital

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4.23 Earnings per share

The Investment Bank 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 Investment Bank 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

		2015	2014
	Note	----- (Rupees in '000) -----	
5. FIXED ASSETS			
Property and equipment	5.1	5,182	6,122
Intangible assets	5.2	44	337
		5,226	6,459
5.1 Property and equipment			
	(Rupees in '000)		
As at July 1, 2013			
Cost	22,858	17,457	14,471
Accumulated depreciation	(19,553)	(10,774)	(7,062)
Net book value as at July 1, 2013	3,305	6,683	7,409
For the year ended June 30, 2014			
Opening net book value	3,305	6,683	7,409
Additions	-	-	-
Disposals			
- Cost	(13,479)	(14,296)	(5,143)
- Accumulated depreciation	11,791	9,201	2,882
Depreciation charge	(246)	(990)	(1,245)
Net book value as at June 30, 2014	1,371	598	3,903
As at July 1, 2014			
Cost	9,379	3,161	9,328
Accumulated depreciation	(8,008)	(2,563)	(5,425)
Net book value as at July 1, 2014	1,371	598	3,903
For the year ended June 30, 2015			
Opening net book value	1,371	598	3,903
Additions	-	-	1,807
Disposals			
- Cost	-	-	(3,421)
- Accumulated depreciation	-	-	1,779
Depreciation charge	(246)	(126)	(700)
Net book value as at June 30, 2015	1,125	472	3,368
As at June 30, 2015			
Cost	9,379	3,161	7,714
Accumulated depreciation	(8,254)	(2,689)	(4,346)
Net book value as at June 30, 2015	1,125	472	3,368
Annual rate of depreciation	10%	10%	20%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

5.1.1 Cost and accumulated depreciation at the end of the year include Rs. 11.391 million (2014: Rs.10.832 million) in respect of fully depreciated assets still in use.

5.2 Intangible assets

	Computer Software
	(Rupees in '000)
As at July 1, 2013	
Cost	12,849
Accumulated amortisation	(12,041)
Net book value as at July 1, 2013	<u>808</u>
For the year ended June 30, 2014	
Opening net book value	808
Additions	-
Disposals	
- Cost	-
- Accumulated amortisation	-
Amortisation for the year	(471)
Net book value as at June 30, 2014	<u>337</u>
As at July 1, 2014	
Cost	12,849
Accumulated amortisation	(12,512)
Net book value as at July 1, 2014	337
For the year ended June 30, 2015	
Opening net book value	337
Additions	-
Disposals	
- Cost	-
- Accumulated amortisation	-
Amortisation for the year	(293)
Net book value as at June 30, 2015	<u>44</u>
As at June 30, 2015	
Cost	12,849
Accumulated amortisation	(12,805)
Net book value as at June 30, 2015	<u>44</u>
Annual rate of amortisation	20%

5.2.1 Cost and accumulated amortisation at the end of the year include Rs.10.978 million (2014: Rs.10.978 million) in respect of fully amortised intangible assets still in use.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

5.3 Disposal of fixed assets

Particulars of fixed assets disposed of, having net book value exceeding Rs.50,000 or to employees of the Investment Bank during the year are as follows:

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyers
----- (Rupees in '000) -----							
Property and equipment							
Motor vehicles	1,721	941	780	1,142	362	Investment Bank's Policy	Faraz Ahmed (Ex-Employee), Karachi
	1,700	838	862	1,169	307	Investment Bank's Policy	Sardar Muhammad Omar (Ex-Employee), Lahore
	3,421	1,779	1,642	2,311	669		
2015	3,421	1,779	1,642	2,311	669		
2014	42,954	33,800	9,154	18,095	8,941		

	Note	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
6. LONG-TERM INVESTMENTS			
Related parties - at cost			
Investment in unquoted subsidiary companies	6.1	204,083	204,083
Others - available-for-sale - at cost			
Investment in unquoted companies	6.2	2,718	16,115
Investment in quoted companies	6.3	10,418	13,923
Investment in unquoted preference shares	6.4	-	-
		13,136	30,038
		217,219	234,121

6.1 Investment in 100% owned unquoted subsidiary company

Cost	652,571	652,571
Addition during the year	-	-
Accumulated impairment	(448,488)	(448,488)
Net book value	204,083	204,083

6.2 Investment in unquoted companies

Number of ordinary shares	Particulars		
2015	2014		
7,600,000	7,600,000	DHA Cogen Limited	76,000
-	1,912,344	Systems Limited	-
1,123,318	1,123,318	Techlogix International Limited	12,782
-	36,891	Visionet Systems Inc.	-
			3,247
			88,7829
			102,179
		Less: Provision for impairment	(86,064)
			(86,064)
			2,718
			16,115

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

				2015	2014
				----- (Rupees in '000) -----	
	Note				
6.3 Investment in quoted companies					
Number of ordinary shares of Rs. 10 each		Particulars			
2015		2014			
1,352,992		1,352,992	Agritech Limited	47,355	47,355
			Less: Provision for impairment	(36,937)	(33,432)
				10,418	13,923

- 6.3.1** This represents ordinary shares of Agritech Limited which are subject to sale lock-in-period of 5 years in terms of the Share Purchase Agreement (SPA) dated July 26, 2012 between Azgard Nine Limited (ANL) and various lenders including the Investment Bank. However, as per the Share Purchase Agreement (SPA), the sale restriction is not applicable to transactions between the lenders of ANL.

6.4 Investment in unquoted preference shares

Number of preference shares of Rs. 10 each		Particulars			
2015	2014				
2,000,000	2,000,000	First Dawood Investment Bank Limited		20,000	20,000
		Rate of preference dividend: 4% - cumulative			
		Terms of conversion: 5 years convertible, cumulative, non voting, non-participatory, callable preference shares. Issue date: June 09, 2010			
		Less: Provision for impairment		20,000	20,000
				-	-

- 6.5** As at June 30, 2015, the Investment Bank's exposure in certain equity investments and scripts exceeded ten percent of the equity of the Investment Bank which is not in accordance with Regulation 28(c) and 30(1) of the NBFC Regulations, 2008 which requires that a leasing company and an investment finance company, respectively, shall not own shares, equities or scrips of any one company in excess of ten percent of its own equity or of the issued capital of the investee company, whichever is lower.

Further, the Investment Bank's fund based exposure in Agritech Limited exceeded twenty percent of the equity of the Investment Bank which is not in accordance with Regulation 17(1) of the NBFC Regulations, 2008 which requires that the maximum outstanding fund based exposure to any single person does not exceed twenty percent of equity of the NBFC.

Moreover, the Investment Bank was not in compliance with Regulation 28(d) of the NBFC Regulations, 2008 which require that the total investment by a leasing company in shares, equities or scrips shall not exceed fifty percent of its equity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ----- (Rupees in '000) -----	2014
7. LONG-TERM LOANS AND ADVANCES - NET			
Unsecured and considered good - due from:			
Related parties			
Executives	7.1	-	-
Secured and considered good - due from:			
Others			
Companies, organisations and individuals		-	9,711
Considered doubtful			
Others			
Companies, organisations and individuals - secured	7.2 & 7.4	203,029	209,521
Individuals - unsecured		18,258	18,671
		221,287	228,192
Less: Provision thereagainst	7.3	(221,287)	(228,192)
		-	9,711
Less: Current maturity of long-term loans and advances - net	10	-	(9,711)
		-	-

7.1 Reconciliation of carrying amounts of loans and advances to Executives

Opening balance	-	624
Disbursements during the year	-	-
Repayments during the year	-	(624)
	-	-

7.1.1 Maximum aggregate amount outstanding at any time during the year was Rs. Nil (2014: Rs.0.624 million).

7.2 These loans carry mark-up at rate of 11.34% (2014: 11.34%) per annum and are repayable over periods ranging from 1 to 9 years (2014: 1 to 9 years) from the date of disbursement. Repayment terms vary from monthly basis to repayments at maturity. These loans are secured against mortgage of properties and hypothecation of vehicles.

7.3 Long-term loans and advances include Rs.221.287 million (2014: Rs.228.192 million) relating to loans due from companies, organisations and individuals which have been classified as non-performing as per the requirements of the NBFC Regulations issued by the SECP. The provision held against these loans is as follows:

	2015			2014		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	228,192	-	228,192	219,466	-	219,466
Charge for the year	-	-	-	14,232	-	14,232
Reversals during the year	(6,905)	-	(6,905)	(5,506)	-	(5,506)
	(6,905)	-	(6,905)	8,726	-	8,726
Closing balance	221,287	-	221,287	228,192	-	228,192

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

7.3.1 The Investment Bank has not availed any benefit of forced sale value of collaterals while determining the provisioning requirements against non-performing loans and advances as at June 30, 2015 (2014: Nil)

7.4 As at June 30, 2015, the Investment Bank's fund based exposure in five customers of loans and advances exceeded twenty percent of the equity of the Investment Bank which is not in accordance with Regulation 17(1) of the NBFC Regulations, 2008 which requires that the maximum outstanding fund based exposure to any single person should not exceed twenty percent of equity of the NBFC.

	Note	2015 ----- (Rupees in '000) -----	2014 -----
8. NET INVESTMENT IN FINANCE LEASE			
Lease rental receivables		221,013	260,128
Add: Residual value		222,316	226,897
		443,329	487,025
Less: Unearned finance income		-	-
	8.1 & 8.5	443,329	487,025
Less: Provision for lease losses	8.3	(198,109)	(224,536)
Less: Current maturity of net investment in finance lease	8.4 & 10	(245,220)	(262,489)
		-	-

8.1 Particulars of net investment in finance lease

	2015			2014		
	Not later than one year	Later than one year but not later than five years	Total	Not later than one year	Later than one year but not later than five years	Total
	----- (Rupees in '000) -----					
Lease rental receivables	221,013	-	221,013	260,128	-	260,128
Add: Residual value	222,316	-	222,316	226,897	-	226,897
Gross investment in finance lease	443,329	-	443,329	487,025	-	487,025
Less: Unearned finance income	-	-	-	-	-	-
Net investment in finance lease	443,329	-	443,329	487,025	-	487,025

8.2 The Investment Bank has entered into various lease agreements for period of 1 to 7 years (2014: 1 to 7 years). The rate of return implicit in the leases ranges from 14% to 17% (2014: 14% to 17%) per annum. Generally, leased assets are held as securities. In certain instances, the Investment Bank has also obtained additional collateral in the form of personal guarantees.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

8.3 Provisions for lease losses

	2015			2014		
	Specific	General	Total (Rupees in '000)	Specific	General	Total
Opening balance	224,536	-	224,536	188,821	-	188,821
Charge for the year	6,829	-	6,829	54,303	-	54,303
Reversal during the year	(33,256)	-	(33,256)	(18,588)	-	(18,588)
	(26,427)	-	(26,427)	35,715	-	35,715
Closing balance	198,109	-	198,109	224,536	-	224,536

8.3.1 Based on the NBFC Regulations, the aggregate net exposure in finance leases which have been placed under non-performing status amounted to Rs. 221.013 million (2014: Rs.260.128 million) against which a provision of Rs. 198.109 million (2014: 224.536 million) has been made after deducting the value of collateral (i.e. forced sale value) amounting to Rs. 22.904 million (2014: Rs.38.052 million). The total income suspended against the non-performing parties amounted to Rs. 80.296 million (2014: Rs.77.388 million).

8.4 This includes Rs. 222.316 million (2014: Rs.226.897 million) representing overdue lease receivables at the year end against which no provision has been made by the Investment Bank as the Investment Bank holds equivalent amount of security deposits from the respective lessees.

8.5 As at June 30, 2015, the Investment Bank's fund based exposure in five customers of leases exceeded twenty percent of the equity of the Investment Bank which is not in accordance with Regulation 17(1) of the NBFC Regulations, 2008 which requires that the maximum outstanding fund based exposure to any single person should not exceed twenty percent of equity of the NBFC.

	Note	2015	2014
		----- (Rupees in '000) -----	----- (Rupees in '000) -----
9. DEFERRED TAX ASSET - NET			
Deferred tax assets on all deductible temporary differences	9.1	80,546	78,345
Deferred tax liabilities on taxable temporary differences arising in respect of:			
Accelerated tax depreciation		(80,546)	(78,345)
Surplus on revaluation of investments	17	-	-
	9.2	(80,546)	(78,345)
		-	-

9.1 The Investment Bank has an aggregate amount of Rs.802.812 million (2014: Rs.796.699 million) in respect of unabsorbed tax losses and tax credits. Due to a history of tax losses and uncertainty in respect of future taxable profits, the Investment Bank has recognised a deferred tax asset arising from unused tax losses and tax credits to the extent of sufficient taxable temporary differences available in the future.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
9.2 Movement in deferred tax asset			
Opening balance		-	-
Recognised during the year		-	-
Deferred tax impact of surplus on revaluation of investments		-	-
		-	-
10. CURRENT MATURITY OF NON-CURRENT ASSETS			
Current maturity of long-term loans and advances - net	7	-	9,711
Current maturity of net investment in finance lease	8 & 10.1	245,220	262,489
		245,220	272,200
10.1 This includes residual value of Rs. 222.316 million (2014: Rs. 226.897 million)			
11. SHORT-TERM LOANS AND ADVANCES			
Considered doubtful			
Due from companies and organisations		155,500	170,500
Less: Provision thereagainst	11.1 & 11.2	(155,500)	(170,500)
		-	-
11.1 The balance has been provided as per the requirements of the NBFC Regulations.			
11.2 Movement in provision			
Opening balance		170,500	170,020
Charge / (reversal)		(15,000)	480
Closing balance		155,500	170,500
12. SHORT-TERM INVESTMENTS			
		2015	2014
		Held by the Investment Bank	Held by the Investment Bank
		Given as collateral	Given as collateral
		Total	Total
Held-for-trading	Note	----- (Rupees in '000) -----	----- (Rupees in '000) -----
Government securities	12.1	7,801	-
Available-for-sale			
Listed term finance certificates	12.2	8,135	58,075
Unlisted term finance certificates	12.2 & 12.5	108,264	108,264
		116,399	166,339
		124,200	166,339
Impairment loss on term finance certificates	12.4	(113,119)	(161,419)
		11,081	4,920

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

12.1 Particulars relating to government securities are as follows:

Particulars	Note	2015			2014		
		Face value	Amortised cost	Market value	Face value	Amortised cost	Market value
		(Rupees in '000)					
Market Treasury Bills		8,000	7,814	7,801	-	-	-
		8,000	7,814	7,801	-	-	-

12.2 Available-for-sale investments - term finance certificates

Number of certificates		Particulars	Issue date	2015		2014	
2015	2014			Amortised cost	Market value	Amortised cost	Market value
						(Rupees in '000)	
LISTED TERM FINANCE CERTIFICATES							
Textile							
5,000	5,000	Azgard Nine Limited II* (see note 12.4)	September 20, 2005	8,135	8,135	8,135	8,135
Miscellaneous							
-	10,000	Pace (Pakistan) Limited* (see note 12.4)	February 15, 2008	-	-	49,940	49,940
				8,135	8,135	58,075	58,075

Number of certificates		Particulars	Issue date	2015		2014			
2015	2014			Amortised cost	Market value	Amortised cost	Market value		
						(Rupees in '000)			
UNLISTED TERM FINANCE CERTIFICATES									
4,000	4,000	Agritech Limited I* (see note 12.4)	November 30, 2007	19,980	19,980	19,980	19,980		
861	861	Agritech Limited IV* (see note 12.4)	July 01, 2011	4,305	4,305	4,305	4,305		
13,000	13,000	Azgard Nine Limited IV* (see note 12.4)	December 04, 2007	28,178	28,178	28,178	28,178		
5,348	5,348	Azgard Nine Limited V* (see note 12.2.1 & 12.4)	March 31, 2012	-	-	-	-		
3,000	3,000	Eden Housing Limited*	December 31, 2007	6,560	6,560	6,560	6,560		
10,000	10,000	New Allied Electronics Industries (Private) Limited - Sukuk* (see note 12.4)	December 03, 2007	49,241	49,241	49,241	49,241		
				108,264	108,264	108,264	108,264		

* These represent non-performing Term Finance Certificates and provision has been made thereagainst as per the requirements of the NBFC Regulations, 2008 (see note 12.4).

12.2.1 This represents zero coupon Term Finance Certificates (TFCs) having a face value of Rs.26.740 million, issued in lieu of outstanding mark-up on non-performing TFCs of Azgard Nine Limited and have been recorded at Rs.Nil.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

12.3 Significant terms and conditions relating to Term finance certificates are as follows:

Particulars	Certificates Denomination	Profit rate per annum	Profit payment	Maturity date	Redemption
Listed Term Finance Certificates					
Azgard Nine Limited II	5,000	2010-2011: 6 month KIBOR plus 1%, 2012-2015: 6 month KIBOR plus 1.25%, 2016-2017: 6 months KIBOR plus 1.75%	Semi-annually	September 20, 2017	12 semi-annual installments with stepped up repayment plan, 2012-2015: 47% (Rs.699 million), 2016-2017: 53% (Rs.799 million).
Unlisted Term Finance Certificates / Sukuk					
Agritech Limited I	5,000	Average ask rate of six months KIBOR plus 1.75%	Semi-annually	November 29, 2019	12 semi-annual installments with stepped up repayment plan, 2012-2014: 35% (Rs.524,580,000), 2015-2017: 65% (Rs.974,220,000).
Agritech Limited IV	5,000	Zero Coupon	-	January 01, 2015	Principal to be repaid in 6 semi-annual installments as per schedule, commencing from July 01, 2012.
Azgard Nine Limited IV	5,000	2010-2011: 6 month KIBOR plus 1%, 2012-2015: 6 month KIBOR plus 1.25%, 2016-2017: 6 months KIBOR plus 1.75%	Semi-annually	December 04, 2017	12 semi-annual installments with stepped up repayment plan, 2012-2015: 47% (Rs.1,166 million), 2016-2017: 53% (Rs.1,332 million).
Azgard Nine Limited V	5,000	Zero Coupon	-	March 31, 2017	Principal to be repaid in 7 semi-annual installments as per schedule, commencing from March 31, 2014.
Eden Housing Limited	5,000	Average ask rate of three months KIBOR plus 2.5% per annum from December 31, 2007 to June 29, 2013 (floor 7% and cap 20%) Average ask rate of three months KIBOR plus 3% per annum from June 30, 2013 to June 29, 2014 (floor 7% and cap 20%)	Quarterly	June 29, 2014	Principal to be redeemed in unequal quarterly installments as per schedule.
New Allied Electronics Industries (Private) Limited - Sukuk	5,000	Average ask rate of three months KIBOR plus 2.2% (floor 7% and cap 20%)	Semi-annually	December 03, 2012	Principal redemption will take place in six equal semi annual installments. This will commence from the 30th month of the date of public subscription after a grace period of 24 months.

12.4 Movement in provision against investments

	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
Opening balance	161,419	180,466
Charge for the year	1,640	-
Reversals during the year	-	(3,051)
Written-off during the year	-	(15,996)
	1,640	(19,047)
Sold during the year	(49,940)	-
Closing balance	113,119	161,419

12.5 As at June 30, 2015, the Investment Bank's fund based exposure in certain term finance certificates exceeded twenty percent of the equity of the Investment Bank which is not in accordance with Regulation 17(1) of the NBFC Regulations, 2008 which requires that the maximum outstanding fund based exposure to any single person should not exceed twenty percent of equity of the NBFC.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
13. PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments			
Rent		112	100
Others		1,135	913
Other receivables - net			
Secured - considered good			
Excise duty paid on behalf of customers		4,438	4,471
Accrued commission / fee income	13.1	-	79
Others		2,322	11,730
Unsecured and considered doubtful			
Federal excise duty receivable from customer		1,941	1,941
Receivable from lessees in satisfaction of claims		21,410	20,559
Insurance rentals receivable		1,502	1,502
Excise duty paid on behalf of customers		33	-
Assets repossessed in respect of terminated lease contracts		1,027	8,165
Others		3,607	-
		<u>29,520</u>	<u>32,167</u>
		37,527	49,460
Less: Provision against bad and doubtful receivables	13.2	<u>(29,520)</u>	<u>(27,314)</u>
		<u>8,007</u>	<u>22,146</u>

13.1 This includes commission aggregating to Rs. Nil million (2014: Rs.0.079 million) due from a related party.

	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
13.2 Movement in provision		
Opening balance	27,314	26,719
Charge for the year	6,032	595
Reversal during the year	(3,826)	-
Closing balance	<u>29,520</u>	<u>27,314</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ———— (Rupees in '000) ————	2014
14. CASH AND BANK BALANCES			
In hand		-	80
In current accounts			
State Bank of Pakistan		177	188
Others			
Local currency		2,466	976
Foreign currency		1,313	1,285
		3,779	2,261
In saving accounts			
Local currency	14.1	4,228	2,265
		8,184	4,794
14.1	These represent deposit accounts with commercial banks carrying mark-up at rates ranging between 5% to 6.5% (2014: 6.5% to 7%) per annum.		
15. SHARE CAPITAL			
Authorised capital			
300,000,000 (2014: 300,000,000) Ordinary shares of Rs.10 each		3,000,000	3,000,000
Issued, subscribed and paid-up capital			
190,993,300 (2014: 190,993,300) Ordinary shares of Rs.10 each fully paid in cash		1,909,933	1,909,933
21,109,250 (2014: 21,109,250) Ordinary shares of Rs.10 each issued as fully paid bonus shares		211,092	211,092
		2,121,025	2,121,025

The following shares were held by the related parties of the Investment Bank as at June 30, 2015:

	2015		2014	
Name of related party	Shares held (in million)	Percentage	Shares held (in million)	Percentage
Packages Limited	4.611	2.174%	4.611	2.174%
IGI Insurance Limited	89.095	42.006%	89.095	42.006%
Directors, Chief Executive and their spouse and minor children	9.984	4.710%	9.984	4.710%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ———— (Rupees in '000) ————	2014 ———— (Rupees in '000) ————
16. RESERVES			
Capital reserves			
Statutory reserve	16.1	100,599	97,098
Revenue reserves			
General reserve		39,733	39,733
		<u>140,332</u>	<u>136,831</u>

16.1 Statutory reserve represents amount set aside as per the requirements of clause 16 of the NBFC Regulations issued by the SECP.

	Note	2015 ———— (Rupees in '000) ————	2014 ———— (Rupees in '000) ————
17. SURPLUS / (DEFICIT) ON REVALUATION OF INVESTMENTS - NET			
Net surplus / (deficit) on revaluation of government securities		-	-
Deficit on revaluation of investments - net	17.1	-	-
Related deferred tax asset - net	9	-	-
		<u>-</u>	<u>-</u>

17.1 Particulars of deficit on revaluation of investments - net

Opening balance	-	2,071
(Deficit) arising on revaluation of investments during the year	-	-
Surplus reclassified to profit and loss account on sale	-	(2,071)
Closing balance	<u>-</u>	<u>-</u>

18. LONG-TERM LOAN

Unsecured

Local currency - from sponsor	18.1	253,000	285,000
Local currency - from subsidiary	18.2	69,860	-
		<u>322,860</u>	<u>285,000</u>

18.1 During 2013-2014, the Investment Bank received a sum of Rs.285 million by way of a loan from Syed Babar Ali, Chairman and a sponsor of the Investment Bank. In this connection, the Investment Bank and Syed Babar Ali have entered into a Loan Agreement dated March 31, 2014. The loan is interest/profit/mark-up free and repayable at the earlier of the expiry of ten (10) years from the date of the Loan Agreement or upon occurrence of any change in the shareholding of the Investment Bank or the board of directors of the Investment Bank that would result in change of control of the Investment Bank from the persons in whose hands it vests as of the date of the Loan Agreement ('the Due Date'), as the case may be. Under the terms of the Loan Agreement, the Investment Bank may, at its discretion, prepay all or any portion of the aforesaid loan at any time prior to the Due Date, provided that the Certificates of Deposit issued by the Investment Bank have been completely and finally settled.

During the year ended June 30, 2015, the Investment Bank has made repayment of all deposits along with mark-up, except for seven depositors with aggregate deposits amounting to Rs. 7.389 million since they are either untraceable or their deposit is under lien as per court order for payment of FED / CED. These Certificates of Deposit have already matured and mark-up payable on these till maturity is Rs. 0.26 million. In order to secure the amount for repayment of such deposits till the time parties are traced or lien matter settled, the Investment Bank has placed an amount of Rs. 7.7 million in Market Treasury Bills.

In light of the above, the Investment Bank has made prepayment of Rs. 32 million against the aforesaid loan. After this prepayment of Rs. 32 million, outstanding loan of IGI Investment Bank is Rs. 253 million.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

- 18.2** During the year, the Investment Bank has entered into a long term loan agreement with its wholly owned subsidiary (IGI Finex Securities Limited) for Rs. 85 million. Under the terms of the Loan Agreement, the loan is to be disbursed in multiple tranches, on such dates and in such amount as may be 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 Investment Bank or the board of directors of the Investment Bank that would result in change of control of the Investment Bank 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 Investment Bank 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, 2015, the Investment Bank has received Rs. 69.860 million out of the total amount of the loan i.e. Rs. 85 million.

	Note	2015 — (Rupees in '000) —	2014
19. LONG-TERM CERTIFICATES OF DEPOSIT			
Unsecured			
Individuals	19.1	7,389	9,749
Less: Current maturity of long-term certificates of deposit	21	(7,389)	(9,749)
		<u>-</u>	<u>-</u>
19.1 These certificates of deposit have contractual maturities ranging from 1 to 8 years (2014: 1 to 8 years) from the contract date. Expected rates of return payable on these certificates ranges from 6.25% to 12.50% (2014: 8.20% to 14.50%) per annum.			
20. LONG-TERM DEPOSITS UNDER LEASE CONTRACTS			
Deposits under lease contracts	20.1	222,316	225,118
Less: Current maturity of deposits under lease contracts	21	(222,316)	(225,118)
		<u>-</u>	<u>-</u>
20.1 These represent interest free security deposits received against lease contracts which are repayable / adjustable at the expiry / termination of the respective leases.			
21. CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Current maturity of long-term certificates of deposit	19	7,389	9,749
Current maturity of long-term deposits under lease contracts	20 & 21.1	222,316	225,118
		<u>229,705</u>	<u>234,867</u>
21.1 This represents security deposits held by Investment Bank under lease contracts against which an equivalent amount of residual value is receivable as disclosed in note 10.1 to these financial statements.			
22. SHORT-TERM CERTIFICATES OF DEPOSIT			
Unsecured			
Local currency	22.1	-	175,000
22.1 These certificates of deposits that have matured during the year were held by a related party.			

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 —— (Rupees in '000) ——	2014
23. INTEREST AND MARK-UP ACCRUED			
Interest and mark-up accrued on:			
Certificates of deposit	23.1	260	12,987
Long term loan from subsidiary	18.2	4,047	-
		<u>4,307</u>	<u>12,987</u>

23.1 Included herein is a sum of Rs. Nil (2014: Rs.11.812 million) representing amount payable to related parties.

24. TRADE AND OTHER PAYABLES

Accrued expenses	6,561	6,032
Payable to customers on account of excess recoveries	3,028	3,028
Unclaimed dividends	305	305
Withholding tax payable	82	1,347
Advances from lessees	8,430	7,917
Payable to IGI Insurance Limited - a related party	22,652	22,941
Others	5,728	7,983
	<u>46,786</u>	<u>49,553</u>

25. CONTINGENCIES AND COMMITMENTS

Contingencies

25.1 Taxation

Income tax returns for the tax years 2011, 2012, 2013 and 2014 have been filed by the Investment Bank on due dates that are deemed to be assessed under the provisions of section 120 of the Income Tax Ordinance, 2001.

As per latest assessments / amended orders including assessment years 1998-1999 to 2010, issued by tax authorities, tax liability aggregating to Rs.162.699 million was determined and tax deductions / credits aggregating to Rs.336.835 million were allowed, leading to an aggregate assessed refund (after prior year adjustments and refund received etc.) of Rs. 90.216 million.

The difference between the aggregate tax liability declared (in the original / revised returns) and assessed (as per latest assessment /amended orders), and aggregate tax deductions and credits relates to various matters that are pending at various appellate forums in respect of appeals filed by the Investment Bank and tax authorities in relation to various assessment / tax years.

Matters that are being contested mainly include the following:

- (a) the rate of tax applied in computing the tax liability of the Investment Bank was that applicable to a banking company instead of rate applicable for a public company. Lahore High Court in the assessment year 1997-98 has decided in favour of the Investment Bank.
- (b) the dividend income was taxed at normal tax rate on dividend income instead of charging tax at the reduced tax rate of 5%.
- (c) addition on account of depreciation as a result of restricting the claim of depreciation upto net income from leased assets.
- (d) disallowance of certain expenses and additions to taxable income on account of lease key money, lease rentals, excess perquisites and miscellaneous expenses relating to various assessment years.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

- (e) charging minimum tax under section 113 of the Ordinance without allowing adjustment of tax paid under final tax regime.
- (f) disallowance of initial depreciation on leased commercial vehicles.
- (g) addition as a result of proration of expenses between exempt income (capital gains), dividend income and business income.
- (h) addition of Rs. 18,445 million as a result of proration of finance cost between brokerage, commission income and business income.
- (i) addition on account of specific provisions of Rs. 117,639 million.

The management and its tax advisor are confident that all above matters will eventually be decided in favor of the Investment Bank.

- 25.2.** As per the Sale Purchase Agreement (SPA) signed by the Investment Bank and Al-Falah GHP Investment Management Limited (AGIML), the Investment Bank has agreed to indemnify AGIML against any unrecognised Workers Welfare Fund contribution exposure not exceeding Rs.48.381 million (2014: Rs.48.381 million) in the collective investment schemes managed by IGI Funds Limited (previously a wholly owned subsidiary of the Investment Bank) on the closure date i.e. October 14, 2013 of above SPA.

25.3. Claims not acknowledged as debts

A suit has been filed against the Investment Bank before the High Court of Sindh (the Court) for declaration, damages for Rs. 81.570 million and recovery of Rs. 1 million along with interest, markup in connection with the transaction of asset backed securitisation between the parties. Issues have been framed for determination by the Court and the matter is at the stage of the evidence of the parties.

25.4. Commitments

There are no commitments as at the year end.

26. INCOME FROM INVESTMENTS

	2015			2014		
	Held-for-trading	Available-for-sale	Total	Held-for-trading	Available-for-sale	Total
	(Rupees in '000)					
Interest / mark-up / profit from:						
Market treasury bills	378	-	378	4,408	-	4,408
Pakistan investment bonds	-	-	-	2,664	-	2,664
Term finance certificates	-	-	-	-	1,734	1,734
	378	-	378	7,072	1,734	8,806
Dividend income	-	-	-	-	2,151	2,151
Gain / (loss) on disposal of:						
Market treasury bills	-	-	-	(104)	-	(104)
Pakistan investment bonds	-	-	-	318	-	318
Term finance certificates	-	8,490	8,490	-	3,200	3,200
Unquoted shares and certificates	-	27,404	27,404	-	-	-
	-	35,894	35,894	214	3,200	3,414
	378	35,894	36,272	7,286	7,085	14,371

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ———— (Rupees in '000) ————	2014 ———— (Rupees in '000) ————
27. INCOME FROM LEASE FINANCE			
Mark-up on lease finance		-	7,324
Front-end fee, documentation charges and other lease related income		1,836	859
		<u>1,836</u>	<u>8,183</u>
28. INCOME FROM FEE, COMMISSION AND BROKERAGE			
Fee from corporate finance services		5,600	6,698
Commission and advisory income		3,291	2,939
		<u>8,891</u>	<u>9,637</u>
29. FINANCE COSTS			
Mark-up on:			
Long-term finance		4,047	-
Certificates of deposit		6,720	65,691
Bank charges		90	43
		<u>10,857</u>	<u>65,734</u>
30. ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries, allowances and benefits		14,726	22,431
Contribution to the provident fund	30.1	616	921
Contribution to employees' old-age benefit institution		48	60
Depreciation on property and equipment	5.1	1,245	2,833
Amortisation on intangible assets	5.2	293	471
Rent, rates and taxes		1,788	4,009
Travelling and entertainment		1,096	523
Telephone, telex and fax		1,055	1,920
Printing, postage and stationery		759	716
Insurance		639	1,003
Lighting, heating and cooling		286	470
Repairs and maintenance		306	727
Computer expenditure		1,745	1,501
Brokerage and commission		-	38
Legal and professional fees		13,628	6,793
Subscriptions		1,172	1,418
Advertisement		99	53
Other expenses		275	411
		<u>39,776</u>	<u>46,298</u>

30.1. Defined contribution plan

An amount of Rs. 0.616 million (2014: Rs.0.921 million) has been charged during the year in respect of contributory provident fund maintained by the Investment Bank.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 ----- (Rupees in '000) -----	2014
31. OTHER INCOME			
Income from financial assets			
Income from deposits with banks		538	2,743
Income from non-financial assets			
Gain on disposal of fixed assets		669	8,941
Miscellaneous income		3,058	-
		<u>4,265</u>	<u>11,684</u>
32. OTHER EXPENSES			
Auditors' remuneration	32.1	1,552	1,918
Workers Welfare Fund		492	-
		<u>2,044</u>	<u>1,918</u>
32.1 Auditors' remuneration			
Statutory audit fee		850	850
Half yearly review fee		375	375
Special certification and other services		150	150
Out of pocket expenses		177	543
		<u>1,552</u>	<u>1,918</u>
33. TAXATION			
Current		7,112	604
Deferred	9.2	-	-
		<u>7,112</u>	<u>604</u>
33.1 Relationship between tax expense and accounting loss			2015 Rupees in '000
Profit before tax			<u>24,616</u>
Tax calculation at the rate of 33 %			8,123
Effect of items taxable under lower rates			(757)
Effect of permanent differences			2,673
Effect of differences due to restriction of deferred tax			(2,912)
Others			(15)
			<u>7,112</u>

For the year 2014 numerical reconciliation between the average tax rate and applicable tax rate had not been presented as provision for the current year income tax had been made under the provisions of minimum tax under Section 113 of the Income Tax Ordinance, 2001.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	2015 ----- (Rupees in '000) -----	2014 ----- (Rupees in '000) -----
34. EARNINGS / (LOSS) PER SHARE		
Profit / (loss) after taxation	17,504	(135,718)
	----- Number of shares -----	
Weighted average number of ordinary shares outstanding during the year	212,102,550	212,102,550
	----- (Rupee) -----	
Profit / (loss) per share	0.08	(0.64)

35. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives		Total	
	2015	2014	2015	2014	2015	2014
	----- (Rupees in '000) -----					
Managerial remuneration (including bonus)	4,000	2,364	4,681	7,432	8,681	9,796
House rent	1,800	1,064	2,107	3,344	3,907	4,408
Utilities	400	236	468	743	868	979
Medical expenses	400	236	-	-	400	236
Conveyance	310	381	464	943	774	1,324
Retirement benefits	400	236	474	522	874	758
Others	162	33	-	78	162	111
	7,472	4,550	8,194	13,062	15,666	17,612
Number of persons (see note 35.3)	1	1	6	8	7	9

* The above includes an aggregate amount of Rs 4.172 million (2014: Rs 5.948 million) in respect of remuneration of key management personnel.

** Out of this, an amount of Rs.5.250 million (2014: Rs. Nil) was charged by the Investment Bank to its subsidiary company under group shared services arrangement between the Investment Bank and its subsidiary.

35.1 The Chief Executive and certain Senior Executives are provided with free use of the Investment Bank's owned and maintained cars.

35.2 The Investment Bank also bears the travelling expenses of the Chief Executive and Directors relating to travel for official purposes.

35.3 During the last year, the Chief Executive Officer of the Investment Bank resigned in March 2014. During the year, the casual vacancy was filled through appointment of new Chief Executive in October 2014.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

36. TRANSACTIONS WITH RELATED PARTIES

The related parties comprises of entities having significant influence over the Investment Bank, subsidiary of the Investment Bank, entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors, key management employees and employees fund. The Investment Bank has a policy whereby all transactions with related parties are entered into at contractual rates. The following table provides the transactions with related parties, other than remuneration under the terms of employment to key management personnel which is disclosed in note 35 to these financial statements. For information regarding outstanding balances as at June 30, 2015 and June 30, 2014, refer to respective notes.

	Entity having significant influence over the Investment Bank		Subsidiary		Key management personnel (including directors)		Other related parties		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	(Rupees in '000)									
Transactions during the year										
Certificates of deposit matured / pre-matured	175,000	590,000	-	210,000	-	-	-	-	175,000	800,000
Long term loan received	-	-	69,860	-	-	-	-	285,000	69,860	285,000
Long term loan paid	-	-	-	-	-	-	32,000	-	32,000	-
Sale of marketable securities	40,801	-	-	-	-	-	-	-	40,801	-
Security deposit refunded	255	-	-	-	-	-	39	-	294	-
Insurance expense	252	1,003	-	-	-	-	387	-	639	1,003
Sale of fixed assets	-	17,441	-	-	2,311	-	-	-	2,311	17,441
Group shared services	1,321	5,407	419	526	-	-	-	-	1,740	5,933
Commission income earned	-	-	-	771	-	-	-	-	-	771
Return on certificates of deposit paid	19,890	26,796	-	-	-	-	-	-	19,890	26,796
Return on certificates of deposit accrued	6,720	25,630	-	5,221	-	-	-	-	6,720	30,851
Markup expense on long term loan	-	-	4,047	-	-	-	-	-	4,047	-
Rent expense	790	1,893	352	-	-	-	646	-	1,788	1,893
Charge for the year in respect of employee benefit and contribution plan	-	-	-	-	-	-	616	921	616	921
Balances at year end										
Long-term loan	-	-	69,860	-	253,000	285,000	-	-	322,860	285,000
Payable to IGI Insurance Limited	22,652	22,941	-	-	-	-	-	-	22,652	22,941
Receivable in respect of Employee Benefit and Contribution Plan	-	-	-	-	-	-	140	-	140	-
Security deposit	498	753	-	-	-	-	733	773	1,231	1,526
Prepaid rent	92	83	-	-	-	-	20	17	112	100
Markup payable on long term loan	-	-	4,047	-	-	-	-	-	4,047	-

36.1 Group shared services

The Investment Bank has entered into an arrangement with its subsidiary and other related parties to share various administrative, human resource and related costs on agreed terms.

2015 2014
Unaudited Unaudited
—— (Rupees in '000) ——

37. DISCLOSURE RELATING TO PROVIDENT FUND

(i)	Size of the Fund	24,666	26,122
(ii)	Cost of investments made	19,625	23,675
(iii)	Percentage of investment made	80%	91%
(iv)	Fair value of investments	23,432	25,068

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Breakup of investments

	2015		2014	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
Bank Deposits	3,907	17%	2,699	11%
Government Securities	12,580	54%	15,953	64%
Mutual Funds	6,173	26%	5,128	20%
Listed Securities	439	2%	301	1%
Term Finance Certificates	333	1%	988	4%
	<u>23,432</u>	<u>100%</u>	<u>25,069</u>	<u>100%</u>

The figure for 2015 and 2014 are based on the un-audited financial statements of Provident Fund. Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Ordinance and the rules formulated for the purpose.

	2015	2014
	(Number of staff)	(Number of staff)
38. STAFF STRENGTH		
Total number of employees as at June 30	10	13
Average number of employees during the year	<u>11</u>	<u>14</u>

	2015	2014
	(Rupees in '000)	(Rupees in '000)
39. WORKING CAPITAL CHANGES		
Decrease in current assets:		
Prepayments and other receivables	4,795	(23)
Decrease in current liabilities:		
Trade and other payables	(2,767)	6,519
	<u>2,028</u>	<u>6,496</u>

40. DISCRETIONARY AND NON DISCRETIONARY PORTFOLIOS

The Investment Bank is also acting as an Investment Advisor for various clients by providing services such as consultation in investment decisions, to sell, purchase, liquidate and otherwise manage the portfolio of securities. Investment advisory fee from the portfolio includes Management Fee and Performance Fee. Management fee is calculated annually based on assets under management, whereas, Performance Fee is calculated on profit earned over and above an agreed level of performance in the respective agreements with the clients. Performance fee is computed at the conclusion of the agreement period. The details of the portfolio of assets under management are as under:

	2015	2014
Number of clients	3	-
Total portfolio at cost (Rs in '000)	65,064	-
Total portfolio at market value (Rs in '000)	65,346	-
Fee earned (Rs in '000)	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

41. FINANCIAL INSTRUMENTS BY CATEGORY

ASSETS	2015				2014			
	Loans & receivables	Held for trading	Available for sale	Total	Loans & receivables	Held for trading	Available for sale	Total
	(Rupees in '000)				(Rupees in '000)			
Non-current assets								
Loans and advances - net	-	-	-	-	9,711	-	-	9,711
Long-term investments	204,083	-	13,136	217,219	204,083	-	30,038	234,121
Long-term deposits	4,375	-	-	4,375	4,669	-	-	4,669
	208,458	-	13,136	221,594	218,463	-	30,038	248,501
Current assets								
Net investment in finance lease	245,220	-	-	245,220	262,489	-	-	262,489
Short-term investments	-	7,801	3,280	11,081	-	-	4,920	4,920
Other receivables	6,760	-	-	6,760	21,133	-	-	21,133
Cash and bank balances	8,184	-	-	8,184	4,794	-	-	4,794
	260,164	7,801	3,280	271,245	288,416	-	4,920	293,336
	468,622	7,801	16,416	492,839	506,879	-	34,958	541,837

LIABILITIES	2015		2014	
	Financial liabilities at amortised cost	Total	Financial liabilities at amortised cost	Total
	(Rupees in '000)		(Rupees in '000)	
Non-current liabilities				
Long term loans	322,860	322,860	285,000	285,000
Current liabilities				
Short-term certificates of deposit	7,389	7,389	184,749	184,749
Deposits under lease contracts	222,316	222,316	225,118	225,118
Interest and mark-up accrued	4,307	4,307	12,987	12,987
Trade and other payables	38,274	38,274	40,289	40,289
	272,286	272,286	463,143	463,143
	595,146	595,146	748,143	748,143

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Investment Bank's principal financial liabilities comprise long term loans, certificates of deposits, trade and other payables. The main purpose of these financial liabilities is to raise finances for the Investment Bank's operations and to provide guarantee to support its operations. The Investment Bank has lease, loans and advances, investments, other receivables and cash and short-term deposits that arrive directly from its operations. The Investment Bank also holds available-for-sale investments.

The Investment Bank is exposed to market risk, credit risk and liquidity risk.

The Investment Bank's senior management oversees that financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Investment Bank's policies and the Investment Bank's risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

42.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. The Investment Bank is exposed to market risk as a result of mismatches or gaps in the amounts of financial assets and financial liabilities that mature or reprice in a given period. The Investment Bank manages this risk by matching the repricing of financial assets and liabilities through risk management strategies.

Market risk mainly comprises of currency risk, interest rate risk and equity price risk.

42.1.1 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. As such the Investment Bank does not regularly deal in foreign currency transactions except for maintenance of foreign currency bank account which currently is denominated in US Dollars. The Investment Bank, at present is not exposed to significant currency risk.

42.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Investment Bank is mainly exposed to mark-up / interest rate risk on its net investment in finance lease, loans and advances, investments, borrowings and certificates of deposits with fixed and floating interest rates. The Investment Bank manages its interest rate risk by having a balance between floating and fixed interest rate financial instruments.

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

	Effective rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
			Within one year	More than one year and less than five years	More than five years	
As at June 30, 2015						
Financial assets	%	(Rupees in '000)				
Loans and advances - net	-	-	-	-	-	-
Net investment in finance lease	-	245,220	-	-	-	245,220
Investments	6.59 - 9.77	228,300	11,081	-	-	217,219
Long-term deposits	-	4,375	-	-	-	4,375
Other receivables	-	6,760	-	-	-	6,760
Cash and bank balances	5.00 - 6.50	8,184	4,228	-	-	3,956
		492,839	15,309	-	-	477,530
Financial liabilities						
Long term loans	8.83 - 12.16	322,860	69,860	-	-	253,000
Certificates of deposit	-	7,389	-	-	-	7,389
Deposits under lease contracts	-	222,316	-	-	-	222,316
Interest and mark-up accrued	-	4,307	-	-	-	4,307
Trade and other payables	-	38,274	-	-	-	38,274
		595,146	69,860	-	-	525,286
On-balance sheet gap		(102,307)	(54,551)	-	-	(47,756)
Commitments in respect of forward sale of shares		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

			Exposed to yield / interest rate risk			
	Effective rate	Total	Within one year	More than one year and less than five years	More than five years	Not exposed to yield / interest rate risk
As at June 30, 2014						
Financial assets	%	(Rupees in '000)				
Loans and advances - net	11.34 - 13.61	9,711	9,711	-	-	-
Net investment in finance lease	-	262,489	-	-	-	262,489
Investments	8.75 - 13.50	239,041	4,920	-	-	234,121
Long-term deposits	-	4,669	-	-	-	4,669
Other receivables	-	21,133	-	-	-	21,133
Cash and bank balances	6.50 - 8.50	4,794	2,265	-	-	2,529
		541,837	16,896	-	-	524,941
Financial liabilities						
Long term loans	-	285,000	-	-	-	285,000
Certificates of deposit	6.25 - 11.50	184,749	184,749	-	-	-
Deposits under lease contracts	-	225,118	-	-	-	225,118
Interest and mark-up accrued	-	12,987	-	-	-	12,987
Trade and other payables	-	40,289	-	-	-	40,289
		748,143	184,749	-	-	563,394
On-balance sheet gap		(206,306)	(167,853)	-	-	(38,453)
Commitments in respect of forward sale of shares		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-

42.1.3 Equity risk

The Investment Bank's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Investment Bank manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Investment Bank's senior management on a regular basis. The Investment Bank's Board of Directors reviews and approves all equity investment decisions. Currently, Investment Bank's investments in listed equity securities only includes shares of Agritech Limited, and impact of price risk is not material.

42.2 Credit risk and concentrations of credit risk

Exposure to 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. The Investment Bank attempts to control credit risk by monitoring credit exposures, limiting transactions to specific counterparties and continually assessing the credit worthiness of counterparties.

Credit risk of the Investment Bank arises principally from loans and advances, net investment in finance lease, investments, long term deposits and other receivables. The Investment Bank follows two sets of guidelines. It has its own operating policy and the management of the Investment Bank also adheres to the regulations issued by the SECP. The operating policy defines the extent of fund and non-fund based exposures with reference to a particular sector or group. Management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The Investment Bank'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 loans and leases amounting to Rs. 574,896 million (refer note 7.3, 8.3 and 11.2), impairment against investments amounting to Rs. 704,608 million (refer note 6.1, 6.2, 6.3, 6.4 and 12.4) and provision against other receivable amounting to Rs. 29,520 million (refer note 13.2), 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:

	2015	2014
	----- (Rupees in '000) -----	
Loans and advances	-	9,711
Net investment in finance lease	245,220	262,489
Investments	228,300	239,041
Long-term deposits	4,375	4,669
Other receivables	6,760	21,133
Cash and bank balances	8,184	4,794
	<u>492,839</u>	<u>541,837</u>

42.2.1 The maximum exposure to credit risk for loans, advances and leases at the balance sheet date by geographic region are as follows:

Local clients	245,220	262,489
Foreign clients	-	-
	<u>245,220</u>	<u>262,489</u>

	2015			2014		
	Gross	Provision	Net	Gross	Provision	Net
	 (Rupees in '000)			 (Rupees in '000)		
Past due more than 365 days	820,116	(574,896)	245,220	885,717	(623,228)	262,489

Except for the provision disclosed above, no provision has been recognised in respect of these loans and leases as the as the Investment Bank holds equivalent amount of security deposits from the respective lessees and collateral against lease contracts (i.e. forced sale value of collateral) amounting to Rs. 245,220 million (2014: Rs.262,489 million).

42.2.2 Bank balances

The analysis below summarises the credit quality of the Investment Bank's bank balance (other than balance maintained with the State Bank of Pakistan).

	2015	2014
	----- (Rupees in '000) -----	
AAA	5,652	2,889
AA+	374	389
AA-	7	7
AA	567	8
AI+	1,339	-
A+	-	1,233
A	68	-
	<u>8,007</u>	<u>4,526</u>

42.2.3 Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of an entity's performance to developments affecting a particular industry.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

The Investment Bank seeks to manage its credit risk through diversification of financing activities to avoid undue concentrations of credit risk with individuals or groups of customers in specific locations or businesses. It also obtains securities when appropriate. Details of the composition of loans and lease portfolios of the Investment Bank are given below:

	2015		2014	
	(Rupees in '000)	%	(Rupees in '000)	%
Loans and leases				
Dairy and poultry	239	0.10	239	0.09
Cement	870	0.35	870	0.32
Health	3,357	1.37	3,357	1.23
Glass and ceramics	1,082	0.44	1,082	0.40
Leather	5,025	2.05	5,025	1.85
Paper and board	4,376	1.78	4,376	1.61
Construction	5,450	2.22	5,450	2.00
Energy, oil and gas	15,467	6.31	19,395	7.13
Financial institutions	-	-	-	-
Electric and electric goods	16,102	6.57	16,102	5.92
Chemicals / fertilizers / pharmaceuticals	13,759	5.61	14,823	5.45
Food, tobacco and beverages	9,941	4.05	9,941	3.65
Steel, engineering and automobiles	12,098	4.93	13,052	4.80
Transport	12,492	5.11	12,702	4.67
Textile / textile composite	15,949	6.50	25,963	9.51
Miscellaneous (including individuals)	129,013	52.61	139,823	51.37
	<u>245,220</u>	<u>100.00</u>	<u>272,200</u>	<u>100.00</u>

42.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet the commitments associated with financial instruments. To safeguard this risk, the Investment Bank has diversified its funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile of assets and liabilities is monitored to ensure adequate liquidity is maintained. The Investment Bank has the ability to mitigate any short-term liquidity gaps by disposal of short-term investments and the availability of liquid funds at short notice.

The table below summarises the maturity profile of the Investment Bank's assets and liabilities. The contractual maturities of assets and liabilities at the year-end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the Investment Bank's history and the availability of liquid funds. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets / liabilities will be realised / settled.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

As at June 30, 2015

Assets

Fixed assets
Investments
Loans and advances - net
Net investment in finance lease
Long-term deposits
Deferred tax asset - net
Taxation - net
Prepayments and other receivables
Cash and bank balances

Total	Within one year	More than one year and less than five years	More than five years
..... (Rupees in '000)			
5,226	-	5,226	-
228,300	7,801	-	220,499
-	-	-	-
245,220	245,220	-	-
4,375	-	-	4,375
-	-	-	-
153,629	153,629	-	-
8,007	8,007	-	-
8,184	8,184	-	-
652,941	422,841	5,226	224,874
7,389	7,389	-	-
322,860	-	69,860	253,000
222,316	222,316	-	-
4,307	260	4,047	-
46,786	46,786	-	-
603,658	276,751	73,907	253,000
49,283	146,090	(68,681)	(28,126)

Liabilities

Certificates of deposit
Long-term loans
Deposits under lease contracts
Interest and mark-up accrued
Trade and other payables

As at June 30, 2014

Assets

Fixed assets
Investments
Loans and advances - net
Net investment in finance lease
Long-term deposits
Taxation - net
Prepayments and other receivables
Cash and bank balances

Total	Within one year	More than one year and less than five years	More than five years
..... (Rupees in '000)			
6,459	-	6,459	-
239,041	4,920	-	234,121
9,711	9,711	-	-
262,489	262,489	-	-
4,669	-	-	4,669
239,877	239,877	-	-
22,146	22,146	-	-
4,794	4,794	-	-
789,186	543,937	6,459	238,790
184,749	184,749	-	-
285,000	-	-	285,000
225,118	225,118	-	-
12,987	12,987	-	-
49,553	49,553	-	-
757,407	472,407	-	285,000
31,779	71,530	6,459	(46,210)

Liabilities

Certificates of deposit
Long-term loans
Deposits under lease contracts
Interest and mark-up accrued
Trade and other payables

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

42.4 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 Investment Bank's operations either internally within the Investment Bank or externally at the Investment Bank'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 Investment Bank's activities.

The Investment Bank'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.

43. CAPITAL RISK MANAGEMENT

The objective of managing capital is to safeguard the Investment Bank's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of the Investment Bank to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Investment Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Investment Bank manages the structure and makes adjustments to it in the light of changes in economic conditions, the regulatory requirements and payment of dividends or issuance of new shares.

Capital requirements applicable to the Investment Bank are set and regulated by the SECP. These requirements are put in place to ensure sufficient solvency margins. The Investment Bank manages its capital requirements by assessing its capital structure against the required level on a regular basis. The minimum equity requirement as per the NBFC Regulations for the leasing and investment finance companies is Rs.1,700 million. As at June 30, 2015, the Investment Bank's total equity is Rs. 49.283 million (see note 1.3).

44. FAIR VALUE OF FINANCIAL INSTRUMENTS

44.1 As at June 30, 2015, the fair values of all financial instruments are based on the valuation methodology outlined below:

(a) Finances and certificates of deposit

For all finances (including leases and certificates of deposit) the fair values have been taken at carrying amounts as these are not considered materially different from their fair values based on the current yields / market rates and repricing profiles of similar finance and deposit portfolios.

(b) Investments

The fair values of quoted investments are based on quoted market prices. Unquoted investments are carried at cost less accumulated impairment, if any, which approximates their fair value in the absence of an active market.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

- 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.

	2015	
	Level 1	Level 2
	(Rupees in '000)	
Investment in quoted companies	10,418	-
Government securities, listed and unlisted term finance certificates	-	11,081
	10,418	11,081

	2014	
	Level 1	Level 2
	(Rupees in '000)	
Investment in quoted companies	13,923	-
Government securities, listed and unlisted term finance certificates	-	4,920
	13,923	4,920

(c) Other financial instruments

The fair values of all other financial instruments are considered to approximate their carrying amounts.

45. DATE OF AUTHORISATION FOR ISSUE

The financial statements were approved by the Board of Directors and authorised for issue on October 02, 2015.

46. GENERAL

46.1 Comparatives

Comparative information has been reclassified, rearranged or additionally incorporated in these financial statements for the purposes of better presentation. Details are mentioned as follows:

Description	Amount Rupees in '000	Reclassified	
		From	To
Provision against other assets	595	Other operating expenses	Provision against other assets

46.2 Figures have been rounded off to the nearest thousand rupees.

Chairman

Chief Executive Officer

INFORMATION FOR SHAREHOLDERS

Registered Office

7th Floor, The Forum,
Suite No. 701-713, G-20,
Block 9, Khayaban-e-Jami,
Clifton, Karachi-75600.
Tel.: (021) 111-444-001
(021) 111-234-234
Fax : (021) 35309169, 35301780
website: www.igiinvestmentbank.com.pk

Shares Registrar

THK Associates (Pvt.) Limited
2nd Floor, State Life Building # 3,
Dr. Ziauddin Ahmed Road,
Karachi, 75530 P.O Box # 8533.
UAN: (+92-21) 111-000-322
Fax: (+92-21) 35655595
E-mail: secretariat@thk.com.pk

Listing on Stock Exchanges

Shares of IGI Investment Bank Limited are quoted on the Karachi, Lahore and Islamabad Stock Exchanges.

Listing Fees

The annual listing fee for the financial year 2015-16 has been paid to all stock exchanges within the prescribed time limit.

Stock Code

The stock code for dealing in shares of IGI Investment Bank at the Stock Exchanges is IGIBL.

Shares Registrar

IGI Investment Bank's shares department is operated by THK Associates (Pvt.) Limited serving 3,298 shareholders. It is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function.

The Shares Registrar has online connectivity with Central Depository Company of Pakistan Limited. It undertakes activities pertaining to dematerialization of shares, share transfers, transmissions, issue of duplicate/re-validated dividend warrants, issue of duplicate/ replaced share certificates, change of addresses and other related matters.

For assistance, shareholders may contact either the Registered Office or the Shares Registrar Office.

Contact persons:

Adil Ali Abbasi
Chief Financial Officer & Company Secretary
Tel.: (021) 111-234-234
Fax : (021) 111-567-567
(021) 35301729

Asghar Abbas

General Manager - THK Associates (Pvt.) Limited
Tel.: (021) 111-000-322
Fax: (021) 35655595

INFORMATION FOR SHAREHOLDERS

Service Standards

IGI Investment Bank has always endeavored to provide investors with prompt services. Listed below are various investor services and the maximum time limits set internally for their execution:

Service	For request received through post	Over the counter
Transfer of shares	45 Days after receipt	45 Days after receipt
Transmission of shares	45 days after receipt	45 Days after receipt
Issue of duplicate share certificate	45 Days after receipt	45 Days after receipt
Issue of duplicate dividend warrants	20 Days after receipt	20 Days after receipt
Issue of re-validated dividend warrants	10 Days after receipt	10 Days after receipt
Change of address	05 Days after receipt	05 Days after receipt

Well-qualified personnel of the Shares Registrar have been entrusted with the responsibility of ensuring that services are rendered within the set time limits.

Statutory Compliance

During the year, IGI Investment Bank has complied with all applicable provisions, filed all returns/forms and furnished all the relevant information as required under the Companies Ordinance, 1984 and allied rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the listing requirements.

Dematerialization of Shares

The shares of IGI Investment Bank are under the compulsory dematerialization category. As of date approximately 97% of the equity shares of IGI Investment Bank have been dematerialized by the shareholders. Shareholders holding shares in physical form are requested to dematerialize their holdings at the earliest by approaching the depository participants registered with the CDC.

Book Closure Dates

The Register of Members and Share Transfer Books of IGI Investment Bank will remain closed from October 25, 2015 to October 31, 2015 (both days inclusive).

Annual General Meeting and Voting Rights

Pursuant to section 158 of the Companies Ordinance, 1984, IGI Investment Bank holds a General Meeting of shareholders at least once a year. Every shareholder has a right to attend the General Meeting. The notice of such Meeting is sent to all the shareholders at least 21 days before the Meeting and also advertised in at least one English and one Urdu newspaper having circulation in Karachi, Lahore and Islamabad.

All shares issued by IGI Investment Bank carry equal voting rights. Generally, matters at the General Meetings are decided by a show of hands in the first instance. Voting by show of hands operates on the principle of "One Member-One Vote". If majority of shareholders raise their hands in favour of a particular resolution, it is taken as passed, unless a poll is demanded.

Since the fundamental voting principle in a company is "One Share-One Vote", voting takes place by a poll, if demanded. On a poll being taken, the decision arrived by poll is final, overruling any decision taken on a show of hands.

INFORMATION FOR SHAREHOLDERS

Proxies

Pursuant to Section 161 of the Companies Ordinance, 1984 and according to the Memorandum and Articles of Association of IGI Investment Bank, every shareholder of IGI investment Bank who is entitled to attend and vote at a General Meeting of IGI Investment Bank, can appoint another person as his/her proxy to attend and vote instead of himself / herself. Every notice calling a General Meeting of IGI Investment Bank contains a statement that a shareholder entitled to attend and vote is entitled to appoint a proxy, who needs not be a member of IGI Investment Bank.

The instrument appointing a proxy (duly signed by the shareholder appointing that proxy) should be deposited at the office of IGI Investment Bank not less than 48 hours before the meeting.

Shareholders' Grievances

IGI Investment Bank received the following correspondence / complaints during the year:

Nature of correspondence / complaint by shareholders	Received during the year	Addressed during the year	Complaints pending as on June 30, 2015
Non-receipt of annual/half-yearly/quarterly reports	0	0	0

Web Presence

Updated information regarding IGI Investment Bank can be accessed at IGI website, www.igiinvestmentbank.com.pk The website contains the latest financial results of IGI Investment Bank together with its profile, corporate philosophy and major products and services.

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2015

NUMBER OF SHARE HOLDERS	SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
308	1	100	11,510
449	101	500	148,540
360	501	1,000	323,228
972	1,001	5,000	2,745,445
380	5,001	10,000	3,075,285
145	10,001	15,000	1,852,656
107	15,001	20,000	2,012,506
87	20,001	25,000	2,081,870
48	25,001	30,000	1,380,729
32	30,001	35,000	1,057,180
25	35,001	40,000	970,377
20	40,001	45,000	852,466
74	45,001	50,000	3,639,307
12	50,001	55,000	638,026
14	55,001	60,000	824,585
9	60,001	65,000	571,200
10	65,001	70,000	688,412
14	70,001	75,000	1,037,750
7	75,001	80,000	549,825
7	80,001	85,000	587,837
6	85,001	90,000	533,850
4	90,001	95,000	378,500
44	95,001	100,000	4,386,045
4	100,001	105,000	409,300
3	105,001	110,000	325,363
4	110,001	115,000	457,000
5	115,001	120,000	595,500
8	120,001	125,000	986,895
3	125,001	130,000	389,000
5	135,001	140,000	685,793
1	140,001	145,000	144,000
7	145,001	150,000	1,043,940
3	150,001	155,000	457,500
2	155,001	160,000	320,000
6	160,001	165,000	974,445
1	165,001	170,000	169,000
6	170,001	175,000	1,035,790
2	175,001	180,000	352,500
3	180,001	185,000	550,972
2	185,001	190,000	377,500
11	195,001	200,000	2,199,199
1	200,001	205,000	205,000
2	205,001	210,000	415,500
1	215,001	220,000	220,000
3	235,001	240,000	712,248
1	240,001	245,000	241,532
7	245,001	250,000	1,750,000
2	250,001	255,000	506,238
1	265,001	270,000	265,500
1	270,001	275,000	275,000
1	275,001	280,000	280,000

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2015

NUMBER OF SHARE HOLDERS	SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
2	285,001	290,000	575,500
1	290,001	295,000	292,500
4	295,001	300,000	1,200,000
3	300,001	305,000	909,692
1	310,001	315,000	314,000
1	315,001	320,000	315,148
1	320,001	325,000	325,000
1	335,001	340,000	339,000
2	340,001	345,000	684,730
4	345,001	350,000	1,394,254
2	370,001	375,000	749,500
1	375,001	380,000	375,500
1	385,001	390,000	388,500
3	395,001	400,000	1,200,000
1	405,001	410,000	406,166
2	430,001	435,000	868,500
1	450,001	455,000	452,500
1	475,001	480,000	479,000
1	495,001	500,000	500,000
2	520,001	525,000	1,043,691
1	540,001	545,000	544,000
1	550,001	555,000	551,461
1	570,001	575,000	575,000
1	580,001	585,000	583,000
3	605,001	610,000	1,819,191
1	610,001	615,000	610,874
1	640,001	645,000	643,000
1	700,001	705,000	702,372
1	750,001	755,000	750,500
1	780,001	785,000	785,000
1	805,001	810,000	808,000
1	825,001	830,000	825,500
1	850,001	855,000	855,000
1	895,001	900,000	900,000
1	980,001	985,000	983,000
1	995,001	1,000,000	1,000,000
1	1,000,001	1,005,000	1,001,000
1	1,060,001	1,065,000	1,060,507
1	1,185,001	1,190,000	1,185,500
1	1,225,001	1,230,000	1,229,882
1	1,440,001	1,445,000	1,444,300
1	1,445,001	1,450,000	1,450,000
1	1,820,001	1,825,000	1,823,800
1	2,120,001	2,125,000	2,121,023
1	4,610,001	4,615,000	4,610,915
1	5,590,001	5,595,000	5,592,000
1	5,795,001	5,800,000	5,800,000
1	6,430,001	6,435,000	6,433,579
1	7,015,001	7,020,000	7,017,000
1	9,795,001	9,800,000	9,796,627
1	89,095,001	89,100,000	89,095,494
3,298			212,102,550

**PATTERN OF SHAREHOLDING AS REQUIRED BY
THE CODE OF CORPORATE GOVERNANCE
AS AT JUNE 30, 2015**

S. No.	Category of Shareholders	Number of Shareholders	Number of Shares held	Holding %
1	Associated Companies	2	93,706,409	44.18
	IGI Insurance Limited		89,095,494	42.01
	Packages Limited		4,610,915	2.17
2	National Investment Trust (NIT) / Investment Corporation of Pakistan (ICP)	2	6,434,979	3.03
	National Investment Trust (NIT)		6,433,579	3.03
	Investment Corporation of Pakistan (ICP)		1,400	0.00
3	Directors, CEO, Spouses and Minor Children	7	9,984,353	4.71
	Syed Babar Ali		9,796,627	4.62
	Mrs. Perwin Babar Ali		172,040	0.08
	Faiza Raana Khalid		13,686	0.01
	Mr. Khalid Yacob		500	0.00
	Farid Khan		500	0.00
	Arif Dino Faruque		500	0.00
	Towfiq H. Chinoy		500	0.00
4	Banks, Development Financial Institutions, Non-banking Financial Institutions, Insurance Companies, Modarabas & Mutual Funds	17	47,078	0.02
5	Joint Stock Companies	42	9,478,243	4.47
6	Foreign Investors	5	1,189,554	0.56
7	Charitable Trusts	5	1,969,168	0.93
8	Others	5	1,190,788	0.56
9	Individuals	3,213	88,101,978	41.54
	Total	3,298	212,102,550	100

PATTERN OF SHAREHOLDING AS REQUIRED BY THE CODE OF CORPORATE GOVERNANCE

AS AT JUNE 30, 2015

Shareholders having more than 5% Holding

IGI Insurance Limited	89,095,494	42.01
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Shareholders' Category

Category of Shareholders	Number of Share holders	Number of Shares held	Holding %
INDIVIDUALS	3,169	85,943,754	40.53
JOINT STOCK COMPANIES	41	8,417,736	3.97
DIRECTORS, CEO, SPOUSES AND MINOR CHILDREN	8	9,984,853	4.71
NIT / ICP	2	6,434,979	3.03
ASSOCIATED COMPANIES, UNDERTAKING & RELATED PARTY	2	93,706,409	44.18
PUBLIC SECTOR COMPANIES AND CORPORATIONS	1	1,060,507	0.50
FINANCIAL INSTITUTIONS	6	8,227	0.00
LEASING COMPANIES	1	41	0.00
INSURANCE COMPANIES	6	24,873	0.01
MODARABAS	2	437	0.00
MUTUAL FUNDS	2	13,500	0.00
FOREIGN INVESTOR (COMPANIES)	5	1,189,554	0.56
CHARITABLE TRUSTS	5	1,969,168	0.93
OTHERS	5	1,190,788	0.56
GENERAL PUBLIC (FOREIGN)	43	2,157,724	1.02
Company Total	3,298	212,102,550	100

FORM OF PROXY

I/We _____ of _____ being member(s) of

IGI Investment Bank Limited and holder of _____ Ordinary Shares as per the Share Register **Folio No.** _____ and / or **CDC participant**

I.D. _____ and Account / Sub Account _____ hereby appoint _____ (Name) of _____ or failing him/ her

_____ (Name) of _____ as my / our proxy to vote for me & on my behalf at the Annual General Meeting of the company to be held at 9:30 am at the registered office of the company on Friday, October 31, 2015 and at any adjournment thereof.

Signed this _____ day of _____ 2015.

Signature

Please
affix Rs. 5/-
Revenue Stamp

(Signature should agree with the specimen signature registered with the company)

WITNESSES:

1. Signature: _____

2. Signature: _____

Name: _____

Name: _____

Address: _____

Address: _____

CNIC / Passport No. _____

CNIC / Passport No. _____

Note:

A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A Proxy need not be a member of the Company.

If a member is unable to attend the meeting, they may complete and sign this form and send it to the Company Secretary, IGI Investment Bank Limited, 7th floor, The Forum, Suite No. 701-713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi-75600, Pakistan so as to reach not less than 48 hours before the time appointed for holding the Meeting.

For CDC Account Holders/ Corporate Entities

In addition to the above the following requirements have to be met.

- (i) The proxy form shall be witnessed by two persons whose names, addresses and Computerized National Identity Card numbers (CNIC) shall be stated on the form.
- (ii) Beneficial owner and their Proxies are each requested to attach an attested photocopy of their CNIC or Passport with this proxy form before submission to the company.
- (iii) The proxy shall produce his original CNIC or original passport at the time of the meeting.
- (iv) In case of a corporate entity, the Board of Directors resolution/ power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

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The Company Secretary

*7th floor, The Forum, Suite No.
701-713, G-20, Block 9,
Khayaban-e-Jami, Clifton,
Karachi-75600,*

AFFIX
CORRECT
PASTAGE

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Fold Here



7th floor, The Forum, Suite 701-713, Khayaban-e-Jami, Clifton, Karachi
Phone: (92-21) 111-234-234 Fax: (92-21) 111-567-567, 5301729