IGI
Investment Bank

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IGI
Investment Bank

BOARD OF DIRECTORS

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

Syed Babar Ali
Chairman

Towfiq H. Chinoy

Farid Khan

Arif Faruque

Khurram Raza Bakhtayari

Khalid Yacob

Syed Raza Hussain Rizvi
Chief Executive Officer

IGI
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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. Ernst & Young Ford Rhodes
Sidat Hyder & 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 Associatess

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
Ground 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: scretariat@thk.com.pk

Lahore Registered Office
5 F.C.C. Ground Floor,
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Gulberg, Lahore.
Tel: (042) 111-234-234
(042) 35753414-16
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(042) 3576-2790

Karachi Office
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Karachi-75600, Pakistan.
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Fax: (021) 111-567-567

Islamabad Office
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Islamabad.
Tel: (051) 111-234-234
(051) 2275256-58
Fax: (051) 2273861

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 Junaid Qamar
Acting Chief Financial Officer

Syed Zafarullah Maqdi
Company Secretary & Head of Compliance and Internal Audit

Sardar M. Omer
Head - Corporate Marketing (North)

Faraz Ahmed
Head – Corporate Marketing (South)

Fauzia Ahmad
Head – Human Resources & Administration

Muhammad Faisal Younus Bawani
Head – Information Technology

NOTICE OF THE TWENTY FOURTH ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Fourth Annual General Meeting of IGI Investment Bank Limited will be held at Ground Floor, 5 – F.C.C. Syed Maratib Ali Road, Gulberg, Lahore, on October 31, 2014 at 10:30 a.m. to transact the following businesses:

ORDINARY BUSINESS:

1. To confirm the minutes of Twenty Third Annual General Meeting of the Company held on February 14, 2014.

2. To receive and adopt the audited accounts for the year ended June 30, 2014 together with the directors' report to the shareholders and auditors' report thereon.

3. To appoint company's auditors for the year ending June 30, 2015 and to fix their remuneration. M/s. A.F. Ferguson & Co. Chartered Accountants have offered their services to act as auditors of the company.

SPECIAL BUSINESS:

4. To approve the shifting of registered office of the Company from Province of Punjab to Province of Sindh and amendment in Clause II of Memorandum of Association of the Company and, if approved, to pass, inter alia, the following special resolutions:

"RESOLVED that:

(a) The registered office of the Company be and is hereby shifted from Province of Punjab to Province of Sindh, subject to regulatory approvals and compliance.

(b) The existing Clause II of the Memorandum of Association of the Company be and is hereby substituted by the following new Clause II:

"The registered office of the Company will be situated in the Province of Sindh."

RESOLVED FURTHER that Chief Executive Officer and any Director of the Company, (the Authorised Persons), be and are hereby, authorised, jointly, to take such other steps and execute such other documents, deeds, statutory forms, affidavits and authority letter (including but not limited to petitions, applications, documents and statutory forms to the Securities and Exchange Commission of Pakistan and any other regulatory) as may be necessary or expedient for the purpose of shifting the registered office of the Company from Province of Punjab to Province of Sindh and giving effect to the spirit and intent of the above special resolution passed by the shareholders of the Company in this Annual General Meeting.

RESOLVED FURTHER that all actions heretofore taken by the Authorised Persons on behalf of the Company in respect of the above matters are hereby confirmed, ratified and adopted by the Company in full.

OTHER BUSINESS

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

NOTICE OF THE TWENTY FOURTH ANNUAL GENERAL MEETING

NOTES:

1. The share transfer books of the company will remain closed from October 25, 2014 to October 31, 2014 (both days inclusive).

2. A member entitled to attend and vote at the meeting may appoint a proxy. A proxy need not be a member of the company.

3. 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.

4. 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.

5. 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.

6. Pursuant to the provisions of the Finance Act 2014 effective July 1, 2014 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 - 10%
   b) Rate of tax deduction for non-filers of income tax returns - 15%

   All individuals/companies/association of persons who hold shares in physical from and/or in scrip-less from 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.

7. The share holders are advised to notify to the company's share registrar of any change in their addresses.

8. Form of proxy is attached to this notice.

9. Statement under Section 160(I)(b) of the Companies Ordinance, 1984 pertaining to special business is being sent to the members with this Notice of the Meeting.

By order of the board

Syed Zafarullah Maqdi
Company Secretary

Karachi:
October 09, 2014

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, 2014 to the Twenty Fourth Annual General Meeting of the shareholders.

General Overview

The Year 2013-2014 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--------------	
	2014	**2013**
Gross Revenue	33.229	177.609
Loss for the year before taxation	(135.114)	(796.071)
Taxation – net	(0.604)	(286.802)
Loss for the year after taxation	(135.718)	(1,082.873)
Total Assets	789.186	1,510.253
Loss per Share (In Rupee)	(0.64)	(5.11)

The annual audited financial statements for the year ended June 30, 2013 ('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.

In line with the mitigating factors as disclosed in the last year financial statements, following measures have been taken by the Investment Bank during the current year:

- the Investment Bank has received Rs.199.753 million from the sale of its wholly owned subsidiary, IGI Funds Limited which amount has been utilized by the Investment Bank to support its operations and repay its deposits;

- as detailed in note 22 to the financial statements, the Chairman and Sponsor of the Investment Bank has disbursed a long term interest free loan amounting to Rs. 285 million to the Investment Bank which has been utilized by the Investment Bank to support its operations and repay its third party deposits;

- assets acquired in satisfaction of claims amounting to Rs.66.210 million have been sold during the current year and the proceeds have also been utilized by the Investment Bank to support its operations and repay its deposits;

- the management has exerted maximum focus and efforts on recoveries out of its classified loans, leases and investment portfolios. In this regard, the Investment Bank has made recoveries of Rs. 79.21 million out of these portfolios and the amount has also been utilized by the Investment Bank to support its operations and repay its deposits;

DIRECTORS' REPORT TO THE SHAREHOLDERS

- the Investment Bank has not raised any fresh deposits or rolled over existing deposits of any third party and the management is in the process of repaying all its deposits, in compliance with the directives earlier issued by the SECP. During the current year, the Investment Bank has repaid Rs. 635.50 million to third party depositors and Rs. 200 million to its related party depositors. As at June 30, 2014, deposits payable to third parties amounted to Rs.9.75 million (2013: Rs. 645.27 million) and to related parties amounted to Rs. 175 million (2013: Rs. 375 million);

Currently, the Investment Bank continues to face certain financial difficulties as detailed below which continue to indicate the existence of a material uncertainty about the Investment Bank's ability to continue as a going concern.

These include the fact that during the current year ended June 30, 2014, the Investment Bank incurred an after tax loss of Rs.135.718 million (2013: Rs. 1,082.873 million) and its accumulated losses at the end of the year amounted to Rs. 2,226.077 million (2013: Rs. 2,090.359 million). Further, no new loans and leases were disbursed by the Investment Bank in the current year.

In addition to the above, 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, 2014, however, the equity of the Investment Bank at the year-end amounted to Rs. 31.779 million. Further, licenses of the Investment Bank in respect of undertaking leasing and investment finance services, which expired last year, are pending renewal by the SECP.

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, 2014, the outstanding loans and leases aggregate to Rs. 658.82 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; and

Material Information

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

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.

Review of Strategic Investment

IGI Funds Limited

Following the execution of Amended and Restated Share Purchase Agreement (SPA) between the Investment Bank and Alfalah GHP Investment Management Limited dated May 22, 2013, the shareholders of the Investment Bank in their extra ordinary general meeting held on May 27, 2013 resolved, subject to all regulatory approvals, the sale and transfer (through simultaneous acquisition and merger) to Alfalah GHP Investment Management Limited, the entire shareholding of the Investment Bank in IGI Funds Limited (IGIFL) for a sale price of Rs.175 million, subject to such adjustments as made in accordance with the terms of the SPA. During the current year, the SECP on October 04, 2013 issued the sanction order vide its letters no. SCD/NBFC-IIIIGIFL & AFGHP/742/2013 for sanction of the scheme in terms of section 282L of the Companies Ordinance, 1984, to be effective from October 15, 2013. Based on the audited financial statements of IGIFL as at October 14, 2013, the impact of above adjustments amounted to Rs.24.753 million. Accordingly, shareholding of the Investment Bank in IGIFL has been disposed off against sale consideration of Rs. 199.753 million received in cash.

IGI Finex Securities Limited

The Company, IGI Finex Securities Limited (IGIFSL) has turned around and has shown profitability during the previous financial year 2013 as well as the current financial year 2014, contrary to considerable losses that were being incurred previously. The financial highlights for the year 2013 and 2014 are as follows:

	Year Ended 2013-14	Year Ended 2013-14	Increase / (Decrease)
	Rupees in thousand		%
Brokerage	75,212	65,856	14%
Commission	580	233	148%
Advisory & Consulting fee	4,479	418	971%
Other income	21,172	22,432	(6%)
Total Revenue	**101,443**	**88,939**	**15%**
Administrative & operating exp	(92,222)	(75,978)	21%
Financial charges	(426)	(466)	(9%)
Operating profit	**8,795**	**12,495**	**(30%)**
Profit after taxation	7,712	17,834	(57%)

	As at June 30, 2014	As at June 30, 2014	Increase / (Decrease)
	Rupees in thousand		%
Total Assets	771,074	975,995	(21%)

DIRECTORS' REPORT TO THE SHAREHOLDERS

During the current year ended June 30, 2014, total revenue of IGIFSL increased by 15% crossing the Rs.100 million mark. Brokerage and commission income amounted to Rs. 75.2 million as against Rs.65.8 million in the previous year showing an increase of 14%.

Commission income as well as advisory / consulting revenue showed a substantial increase of 148% and 971% respectively as compared to previous year, consequent to increased focus of the management to develop and grow in other lines of business besides stock market brokerage.

Other income showed a decline of 6% as compared to last year mainly due to one off incomes earned last year amounting to Rs. 8.3 million. Excluding the impact of these one-off incomes from the previous year, other income showed an increase from Rs. 14.1 million last year to Rs. 21.1 million in the current year i.e. a growth of 49%.

Administrative and operating expenses witnessed an increase from Rs.75.9 million last year to Rs.92.2 million in the current year.

At the bottom line, IGIFSL has registered a profit after taxation of Rs. 7.7 million.

During the year assets of the company have decreased by 21% which is largely attributable to decrease in receivable of clearing balance from National Clearing Company of Pakistan (NCCPL).

Summary of the key operating and financial data

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

Credit Rating

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 February 28, 2014.

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	4
Mr. Khalid Yacob	4
Mr. Farid Khan	3
Mr. Arif Faruque	2
Mr. Towfiq H. Chinoy	1
Mr. Jalees A. Siddiqi	4
Tariq H. Quraishi - Managing Director & Chief Executive	3

Auditors

The present auditors are M/s Ernst & Young Ford Rhodes Sidat Hyder & Co, Chartered Accountants.

DIRECTORS' REPORT TO THE SHAREHOLDERS

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, 2014, the investments of the fund amount to Rs. 21.747 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 company, present its state of affairs fairly, the result of its operations, cash flows, and changes in equity.

b. Proper books of account of the company 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.

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.

IGI
Investment Bank

DIRECTORS' REPORT TO THE SHAREHOLDERS

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
Tariq H. Quraishi (Managing Director & C.E.O)	Nil	Nil
Directors:		
Khalid Yacob	500	Nil
Towfiq H. Chinoy	500	Nil
Farid Khan	500	Nil
Arif Faruque	500	Nil
Jalees A. Siddiqi	500	Nil
Chief Financial Officer	Nil	Nil
Company Secretary	Nil	Nil
Spouses	185,726	Nil

Acknowledgment

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

Chief Executive Officer **Director**

REVIEW REPORT TO THE SHAREHOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of IGI Investment Bank Limited (the Investment Bank) for the year ended 30 June 2014 to comply with Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited, where the Investment Bank is listed.

The responsibility for compliance with the Code 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 reflects the status of the Investment Bank's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 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 requires the Investment Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval the Investment Bank's 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 price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board 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 price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Investment Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Investment Bank for the year ended 30 June 2014.

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

Paragraph Reference	**Description**
4	The Chief Executive Officer resigned during the year and casual vacancy was not filled within 90 days.
10	The Chief Financial Officer resigned last year and casual vacancy has not been filled to-date.
18	The qualification and experience requirements of the Head of Internal Audit are not in compliance with the Code.
23	No mechanism in place for annual evaluation of the Board on performance as required by the Code.

Ernst & Young Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: September 30, 2014

Karachi

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERANCE

This statement is being presented to comply with the Code of Corporate Governance (The Code) as contained in Regulation No. 35 (Chapter XI) of listing regulations of Karachi, Lahore & Islamabad Stock Exchanges 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, 2014) the board includes:

CategoryName	
Independent Directors	Mr. Arif Faruque, Mr. Farid Khan, Mr. Towfiq H. Chinoy
Non-Executive Directors	Syed Babar Ali, Mr. Khalid Yacob, Mr. Jalees A. Siddiqi*

* Subsequent to the year end, Mr. Jalees A. Siddiqi has resigned and casual vanacy was duly filled through appointment of a Non-Executive Director Mr. Khurram Raza Bakhtayari.

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

2. 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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. During the year, the Chief Executive Officer of the Investment Bank resigned. Subsequent to the year end, on September 26, 2014, the casual vacancy was filled through appointment of new Chief Executive Officer.

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 Board arranged one training program for one of its director during the year. The remaining 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 which is not yet filled. Currently, the Chief Financial Officer of an associated company is working in the capacity of Acting Chief Financial Officer of the Investment Bank.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERANCE

11. The Directors' Report for the year ended June 30, 2014 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 Acting 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, of whom two 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 three members of whom two 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 31 March 2013. Currently, the Head of Internal Audit is overseeing the internal audit function of the Investment Bank whose appointment was made last year, however, the requirements of the Code as to qualification and experience were not met. These requirements are still not met at the end of the current year.

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, except for preparation of mechanism for annual evaluation of the Board's own performance which was adopted by the Board subsequent to the year end as per the requirements of the Code of Corporate Governance.

Chief Executive Officer **Director**

Dated: September 30, 2014

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of IGI Investment Bank Limited (the Investment Bank or the Holding Company) and its subsidiary company (together referred to as "the Group") as at 30 June 2014 and the related consolidated profit and loss account, consolidated statement of cash flows and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed a separate opinion on the financial statements of the Investment Bank. The financial statements of the subsidiary IGI Finex Securities Limited (IGIFSL), were audited by another firm of auditors, whose report dated 29 September 2014, included qualified opinion in respect of the matter stated in paragraph (a) below, which has been furnished to us and our opinion in so far as it relates to the amount included for such subsidiary, is based solely on the report of such auditors.

These financial statements are the responsibility of the Investment Bank's management. Our responsibility is to express an opinion on these 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.

a) As reported in the audit report of IGIFSL to its financial statements of the current year, IGIFSL has recognised net deferred tax asset of Rs.303.994 million on deductible temporary differences and unused tax losses. As stated in note 12.2 to the consolidated financial statements, in the opinion of the management, based on the projections of future taxable profits there would be sufficient profits to absorb the deductible temporary differences and unused tax losses, however, in the absence of certainty of future taxable profits, the auditors of IGIFSL were unable to determine if any adjustments were required to the carrying amount of net deferred tax asset.

In our opinion,except for the matter stated in paragraph (a) above, the consolidated financial statements present fairly the financial position of the Investment Bank and its subsidiary company as at 30 June 2014 and the results of their operations for the year then ended.

We draw your attention to the following matters:

(i) note 1.1.3 to the consolidated financial statements which states that the Investment Bank incurred an after tax loss of Rs.135.718 million during the year ended 30 June 2014 and its accumulated losses at the end of the year amounted to Rs.2,226.077 million. Further, the Investment Bank has not met the minimum equity requirement as specified under the NBFC Regulations, 2008. These conditions, along with other matters as set forth in note 1.1.3, 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 8.4, 9.4,11.6, 16.1.1 and 29.3 to the consolidated financial statements which state the non-compliances with NBFC Regulations, 2008.

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

Chartered Accountants

Audit Engagement Partner:ShabbirYunus

Date: September 30, 2014

Karachi

IGI
Investment Bank

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2014

	Note	2014	2013
ASSETS		----------- (Rupees in '000)	----------
Non-current assets			
Fixed assets	6	38,745	52,818
Investment property	7	13,165	13,565
Long-term investments	8	78,038	89,847
Long-term loans and advances - net	9	-	7,632
Investment in associates	10	-	-
Net investment in finance lease	11	-	2,403
Long-term deposits		9,204	10,454
Deferred tax asset - net	12	303,994	309,266
		443,146	485,985
Current assets			
Assets acquired in settlement of claims	13	-	69,843
Current maturity of non-current assets	14	272,200	405,513
Short-term loans and advances	15	556	1,027
Short-term investments	16	4,920	167,563
Trade debts - net	17	121,423	299,295
Deposit, prepayments and other receivables	18	201,769	205,986
Interest, mark-up and profit accrued	19	3,926	4,142
Taxation - net		269,870	266,148
Cash and bank balances	20	75,665	147,472
		950,329	1,566,989
Assets classified as held for sale	21	-	211,224
		950,329	1,778,213
TOTAL ASSETS		1,393,475	2,264,198
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	2,121,025	2,121,025
Reserves	23	115,190	115,190
Accumulated losses		(2,505,290)	(2,386,168)
Equity attributable to shareholders		(269,075)	(149,953)
Advance against issue of preference shares		650,000	650,000
		380,925	500,047
Non-controlling interest		-	-
TOTAL EQUITY		380,925	500,047
Surplus on revaluation of investments - net of tax	24	-	1,367
		380,925	501,414
Non-current liabilities			
Long term loan	25	285,000	-
Long-term certificates of deposit	26	-	197,274
Long-term deposits under lease contracts	27	-	1,048
		285,000	198,322
Current liabilities			
Current maturity of non-current liabilities	28	234,867	454,689
Short-term certificates of deposit	29	175,000	540,016
Interest and mark-up accrued	30	12,987	34,574
Trade and other payables	31	304,696	514,837
		727,550	1,544,116
Liabilities directly associated with the assets classified as 'held-for-sale'	21	-	20,346
TOTAL LIABILITIES		1,012,550	1,762,784
Contingencies and commitments	32		
TOTAL EQUITY AND LIABILITIES		1,393,475	2,264,198

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

Chief Executive Officer **Director**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		---------- (Rupees in '000) ----------	
Continuing operations			
Income from investments	33	15,420	140,083
Income from loans and advances	34	1,038	6,148
Income from lease finance	35	8,183	8,631
Income from lendings - secured		-	4,026
Income from fees, commission and brokerage	36	89,564	80,197
		114,205	239,085
Finance costs	37	62,462	234,161
		51,743	4,925
Administrative and general expenses	38	137,738	198,310
		(85,995)	(193,386)
Other operating income	39	28,205	38,233
Gain on sale of assets classified as held for sale	21	8,875	-
		(48,915)	(155,153)
Other operating expenses	40	2,951	6,652
Operating loss before provisions and share of profit in associates		(51,866)	(161,805)
Provision for bad and doubtful loans and advances / lease losses - specific - net	9.3, 11.4 & 15.2	(44,921)	(187,223)
Reversal for doubtful debts:			
Trade debts - net	17.1	2,910	9,994
Lendings - secured		4,056	9,924
Gain on settlement of term finance certificates		-	46,906
Gain on settlement of other receivables		-	8,403
Impairment in the value of assets acquired in settlement of claims		-	(7,795)
Loss on termination of lease contracts		(8,170)	(6,279)
Loss on sale of assets acquired in settlement of claims		(3,633)	-
Reversal / (impairment) of impairment against investments:			
term finance certificates - net	16.4	3,051	(60,029)
equity securities held as at year end	8.2	(11,809)	(31,687)
		(58,516)	(217,786)
		(110,382)	(379,591)
Share of profit in associates - net		-	7,261
Loss before taxation		(110,382)	(372,330)
Taxation - net	41	(8,740)	(301,381)
Loss for the year		(119,122)	(673,711)
Other comprehensive loss - net of tax		-	-
Total comprehensive loss - net of tax		(119,122)	(658,132)
Loss attributable to non-controlling interest		-	-
Loss attributable to shareholders		(119,122)	(658,132)
		(119,122)	(658,132)
		-------------- (Rupee) --------------	
Loss per share	42	(0.56)	(3.10)

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

Chief Executive Officer **Director**

IGI
Investment Bank

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		---------- (Rupees in '000) ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash generated from operations	45	119,789	1,436,262
Net recovery from long-term loans and advances - net		22,201	29,878
Gain on assets classified as held for sale	21	(8,875)	-
Net recovery from finance lease		76,750	117,624
Long-term deposits		-	135
Repayments of long-term and short-term certificates of deposit - net		(765,502)	(1,650,689)
Payments of deposits under lease contracts		(17,658)	(31,694)
Interest, mark-up and profit received		18,511	190,762
Dividend received		3,103	16,324
Finance cost paid		(84,803)	(312,491)
Income tax paid		(6,878)	(15,841)
Net cash used in operating activities		(643,362)	(219,730)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(2,369)	(763)
Proceeds from disposal of fixed assets		85,417	15,542
Long-term investments made		2,786	(15,668)
Investment disposed off in associates - net		199,753	236,208
Net cash generated from investing activities		285,587	235,319
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term finance - net		285,000	(50,000)
Net cash generated / (used in) from financing activities		285,000	(50,000)
Net decrease in cash and cash equivalents		(72,775)	(34,411)
Cash and cash equivalents at the beginning of the year		148,440	182,851
Cash and cash equivalents at the end of the year	45.2	75,665	148,440

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

Chief Executive Officer **Director**

IGI
Investment Bank

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2014

	Equity attributable to shareholders								
		Reserves							
		Capital		Revenue					
	Issued, subscribed and paid-up capital	Reserve arising on acquisition of non-controlling interest	Statutory reserve	General reserve	Accumulated losses	Total reserves	Advance against issue of preference shares	Non-controlling interest	Total
	(Rupees in '000)								
Balance as at July 01, 2012	2,121,025	(21,686)	97,098	39,733	(1,728,036)	(1,612,891)	650,000	45	1,158,179
Loss after taxation for the year ended June 30, 2013	-	-	-	-	(658,132)	(658,132)	-	-	(658,132)
Acquisition of controlling interest	-	45	-	-	-	45	-	(45)	-
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	45	-	-	(658,132)	(658,087)	-	(45)	(658,132)
Balance as at June 30, 2013	2,121,025	(21,641)	97,098	39,733	(2,386,168)	(2,270,978)	650,000	-	500,047
Balance as at July 01, 2013	2,121,025	(21,641)	97,098	39,733	(2,386,168)	(2,270,978)	650,000	-	500,047
Loss after taxation for the year ended June 30, 2014	-	-	-	-	(119,122)	(119,122)	-	-	(119,122)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(119,122)	(119,122)	-	-	(119,122)
Balance as at June 30, 2014	2,121,025	(21,641)	97,098	39,733	(2,505,290)	(2,390,100)	650,000	-	380,925

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

Chief Executive Officer **Director**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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 (Investment Bank)

1.1.1 IGI Investment Bank is a public limited company incorporated in Pakistan on February 07, 1990 under the Companies Ordinance, 1984. IGI Investment Bank is licensed to carry out investment finance activities and leasing operations as a Non-Investment Banking Finance Company under Section 282C of the Companies Ordinance, 1984, Non-Investment Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non-Investment Banking Finance Companies and Notified Entities Regulations 2008 (the NBFC Regulations). IGI Investment Bank's shares are quoted on the Karachi, Islamabad and Lahore Stock Exchanges. The registered office of IGI Investment Bank is situated at 5 F.C.C., Syed Maratab Ali Road, Gulberg, Lahore. The principal place of business is situated at 7th Floor, the Forum, Suite No. 701 to 713, G-20, Block-9, Khayaban-e-Jami, Clifton, Karachi.

1.1.2 The Pakistan Credit Rating Agency (PACRA) has assigned the Investment Bank a rating of 'BBB-' (long-term credit rating) and at 'A3' (short-term credit rating) on February 28, 2014.

1.1.3 The annual audited consolidated financial statements for the year ended June 30, 2013 (‘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.

In line with the mitigating factors as disclosed in the last year financial statements, following measures have been taken by the Investment Bank during the current year:

- The Investment Bank has received Rs.199.753 million from the sale of its wholly owned subsidiary, IGI Funds Limited which amount has been utilized by the Investment Bank to support its operations and repay its deposits;

- As detailed in note 23 to these financial statements, the Chairman and Sponsor of the Investment Bank has disbursed a long term interest free loan amounting to Rs.285 million to the Investment Bank which has been utilized by the Investment Bank to support its operations and repay its third party deposits;

- Assets acquired in satisfaction of claims amounting to Rs.66.210 million have been sold during the current year and the proceeds have also been utilized by the Investment Bank to support its operations and repay its deposits;

- The management has exerted maximum focus and efforts on recoveries out of its classified loans, leases and investment portfolios. In this regard, the Investment Bank has made recoveries of Rs.79.21 million out of these portfolios and the amount has also been utilized by the Investment Bank to support its operations and repay its deposits;

- The Investment Bank has not raised any fresh deposits or rolled over existing deposits of any third party and the management is in the process of repaying all its deposits, in compliance with the directives earlier issued by the SECP. During the current year, the Investment Bank has repaid Rs.635.50 million to third party depositors and Rs. 200 million to its related party depositors. As at June 30, 2014, deposits payable to third parties amounted to Rs.9.75 million (2013: Rs.645.27 million) and to related parties amounted to Rs.175 million (2013: Rs.375 million);

  Currently, the Investment Bank continues to face certain financial difficulties as detailed below which continue to indicate the existence of a material uncertainty about the Investment Bank's ability to continue as a going concern.

  These include the fact that during the year ended June 30, 2014, the Investment Bank incurred an after tax loss of Rs.135.718 million (2013: Rs.1,082.873 million) and its accumulated losses at the end of the year amounted to Rs.2,226.077 million (2013: Rs.2,090.359 million). Further, no new loans and leases were disbursed by the Investment Bank in the current year. Also see note 29.3 and 43.1.3.

  In addition to the above, 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, 2014, however, the equity of the Investment Bank at the year-end amounted to Rs.31.779 million. Further, licenses of the Investment Bank in respect of undertaking leasing and investment finance services, which expired last year, are pending renewal by the SECP.

  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, 2014, the outstanding loans and leases aggregate to Rs. 658.82 million. The management expects to make considerable recoveries out of the aforesaid amounts in the ensuing year; 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 Finex)

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

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

2. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except for certain investments and derivative financial instruments which are accounted for as stated in notes 3.2 and 3.4 below:

The consolidated financial statements include the financial statements of IGI Investment Bank Limited and its subsidiary company.

Subsidiary is an entity over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiary is fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases. The assets and liabilities of subsidiary company have been consolidated on a line by line basis based on the audited financial statements for the year ended June 30, 2014 and the carrying value of investments held by IGI Investment Bank is eliminated against the subsidiary's shareholders' equity in these consolidated financial statements. Intra-Group balances and transactions have been eliminated.

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board 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 Accounting standards and interpretations that became effective during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

2.2.1 The Group has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IAS 19	–	Employee Benefits – (Revised)
IFRS 7	–	Financial Instruments: Disclosures – (Amendments)
	–	Amendments enhancing disclosures about offsetting of financial assets and financial liabilities
IFRIC 20	–	Stripping Costs in the Production Phase of a Surface Mine
IFAS 3	–	Profit and Loss Sharing on Deposits

Improvements to Accounting Standards Issued by the IASB

IAS 1	–	Presentation of Financial Statements - Clarification of the requirements for comparative information
IAS 16	–	Property, Plant and Equipment – Clarification of Servicing Equipment
IAS 32	–	Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments
IAS 34	–	Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above standards, amendments interpretations and improvements did not have any effect on the financial statements of the Group.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Fixed assets

3.1.1 Property and equipment

(a) Owned assets

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 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 6.1 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.

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.

(b) Capital work-in-progress

Capital work-in-progress is stated at cost less impairment in value, if any. It consists of expenditure incurred and advances made in respect of operating fixed assets in the course of their erection, installation and acquisition.

(c) Investment property

Property held for long-term rental yields which are not occupied by the company are classified as investment property.

Investment property transferred from owner-occupied properties are recognised at their carrying amount on the date of transfer and subsequently 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 7 to these 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

3.1.2 Intangibles

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 Group 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 6.2 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.

3.2 Investments

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.

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) 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.

3.3 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.

3.4 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 mark to market the derivative using prevailing market rates. Derivatives with positive market values (unrealised gains) are included in deposit, prepayments and other receivables and derivatives with negative market values (unrealised losses) are included in accrued expenses and other liabilities in the balance sheet. The resultant gains and losses are included in the 'surplus / (deficit) on revaluation of securities' in accordance with BSD Circular No. 20 dated August 04, 2000 issued by the SBP until the derivatives are settled.

3.5 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.

3.6 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

3.7 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 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.

3.8 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.

3.9 Taxation

Current

Current tax is the expected tax payable on the taxable income for the year using tax rates prescribed by the tax law and after considering tax credits or adjustments available, if any.

Deferred

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of the deferred tax is provided at the tax rates enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forward unused tax credits and unused tax losses to the extent that it is probable that the deductible temporary differences will reverse in the future and sufficient taxable income will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred income tax relating to item recognised directly in equity is recognised in equity and not in profit and loss account.

3.10 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 profit and loss account.

3.11 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, saving accounts and short-term running finances.

3.12 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 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.

3.13 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

3.14 Staff retirement benefits

3.14.1 Defined contribution plan

The Group 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 Group and the employees.

3.14.2 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.

3.15 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.

3.16 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.

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 Group'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.

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.

3.17 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 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.

3.18 Operating segment

The Group has structured its key business areas in four 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 four primary business segments namely financing activities, investment activities, brokerage activities and asset management services.

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 financial statements.

Financing activities

Financing activities include providing long-term and short-term financing facilities 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.

3.19 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 looses 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.

3.20 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.

3.21 Assets classified as 'held-for-sale'

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the profit and loss account.

Assets and liabilities classified as held for sale are presented separately as current items in the balance sheet.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

4.1 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 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 and investment property (notes 3.1.1, 6.1 and 7)
ii) Amortisation of intangible assets (notes 3.1.2 and 6.2)
iii) Classification and valuation of investments (notes 3.2, 8 and 16)
iv) Impairment of investments (notes 8.1, 8.2, 8.3 and 16.4)
v) Classification and provision of loans and advances, net investment in finance lease, trade debts and other receivables (notes 3.8, 9.3, 11.4, 15.2 and 17.1)
vi) Provision for taxation and deferred tax (notes 3.9, 12 and 40)

5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation and amendments:

Standard, interpretation or amendment	Effective date (annual periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	January 1, 2015
IFRS 11 – Joint Arrangements	January 1, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13 – Fair Value Measurement	January 1, 2015
IAS 16 & 38 – Clarification of Acceptable Method of Depreciation and Amortization	January 1, 2016
IAS 16 & 41 – Agriculture: Bearer Plants	January 1, 2016
IAS 19 - Employee Contributions	July 1, 2014
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	January 1, 2014
IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)	January 1, 2014
IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting – (Amendment)	January 1, 2014
IFRIC 21 – Levies	January 1, 2014

The Group expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Group's financial statements in the period of initial application.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2013. The Investment Bank expects that such improvements to the standards will not have any impact on the Investment Bank's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the 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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		---- (Rupees in '000) ---	
6. FIXED ASSETS			
Property and equipment - owned	6.1	19,109	32,628
Intangible assets	6.2	19,636	20,190
		38,745	52,818

6.1 Property and equipment - owned

2014

	Cost			Accumulated Depreciation			Net book value	Rate
Particulars	**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**
Tangible	---- (Rupees in '000) ----							%
Leasehold improvements	38,070	100 (13,479)	24,691	27,525	2,099 (12,017)	17,607	7,084	10
Furniture and fittings	18,645	- (14,395)	4,250	10,003	1,341 (9,288)	2,056	2,194	10
Motor vehicles	19,577	1,875 (6,176)	15,276	9,258	1,441 (3,003)	7,696	7,580	20
Office equipment	16,572	13 (10,037)	6,548	14,423	521 (10,011)	4,933	1,615	20
Computer equipment	26,407	- 383 (264)	26,526	25,434	- 626 (170)	25,890	636	20
	119,271	2,371 (44,351)	77,291	86,643	6,028 (34,489)	58,182	19,109	

2013

	Cost			Accumulated Depreciation			Net book value	Rate
Particulars	**As at July 01, 2012**	**Additions / (deletions) / transfers***	**As at June 30, 2013**	**As at July 01, 2012**	**Charge for the year / (on deletions) / transfers***	**As at June 30, 2013**	**As at June 30, 2013**	**Per annum**
Tangible	---- (Rupees in '000) ----							%
Leasehold improvements	38,070	- - -	38,070	25,133	2,392 - -	27,525	10,545	10
Office premises	23,000	- - (23,000)*	-	671	- (671)*	-	-	5
Furniture and fittings	20,118	- (7) (1,466)*	18,645	9,154	1,919 (5) (1,065)*	10,003	8,642	10
Motor vehicles	37,172	- (14,869) (2,726)*	19,577	14,810	3,260 (6,430) (2,382)*	9,258	10,319	20
Office equipment	18,683	1121 (143) (2,080)*	16,572	13,872	1,819 (68) (1,200)*	14,423	2,149	20
Computer equipment	36,456	451 (4,855) (5,645)*	26,407	33,148	1.529 (4,787) (4,456)*	25,434	973	20
	173,499	563 (19,874) (34,917)*	119,271	96,788	10,918 (11,290) (9,774)*	86,643	32,628	

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

6.1.1 Cost and accumulated depreciation at the end of the year includes Rs.10.832 million (2013: Rs.17.596 million) in respect of fully depreciated assets still in use.

6.2 Intangible assets

	2014							
	Cost			Amortisation / impairment			Net book value	Rate
Particulars	**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)							%
Goodwill	26,407	-	26,407	26,407	-	26,407	-	-
Club Membership	2,000	-	2,000	2,000	-	2,000	-	50
Stock Exchange Membership card (note 6.2.2)	25,000	-	25,000	24,750	-	24,750	250	-
Non-competition agreement	30,000	-	30,000	30,000	-	30,000	-	33.33
Computer softwares	23,678	-	23,678	22,738	554	23,292	386	20 - 33.33
Trading Rights Entitlement Certificates (TREC) (note 6.2.3)	45,000	-	45,000	26,000	-	26,000	19,000	-
	152,085	-	152,085	131,895	554	132,449	19,636	

	2013							
	Cost			Amortisation / impairment			Net book value	Rate
Particulars	**As at July 01, 2012**	**Additions / (deletions) / transfers**	**As at June 30, 2013**	**As at July 01, 2012**	**Charge for the year / (on deletions) / transfers**	**As at June 30, 2013**	**As at June 30, 2013**	**Per annum**
	(Rupees in '000)							%
Goodwill	26,407	- -	26,407	26,407	- -	26,407	-	-
Club Membership	2,000	- -	2,000	2,000	- -	2,000	-	50
Stock Exchange Membership cards (see note 6.2.2)	126,000	- (101,000)	25,000	50,750	- (26,000)	24,750	250	-
Non-competition agreement	30,000	-	30,000	30,000	-	30,000	-	33.33
Computer softwares	28,730	200 - (5,252)	23,678	26,854	979 - (5,095)	22,738	940	20-33.33
Trading Rights Entitlement Certificates (TREC) (note 6.2.3)	-	- - 45,000	45,000	-	- - 26,000	26,000	19,000	
	213,137	200 - (61,252)	107,085	136,011	979 - (5,095)	105,895	20,190	

6.2.1 Cost and accumulated amortisation as at the end of the year include Rs.10.978 million (2013: Rs.10.163 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, 2014

	2014	2013
	--------- (Rupees in '000) ----------	
6.2.2 Membership cards and room comprises of:		
Membership card of National Commodity Exchange Limited	250	250
6.2.3 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

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

6.3 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	2,108	506	1,602	1,842	240	Negotiation	IGI Insurance Limited , Karachi**
	1,072	858	214	222	8	Group Policy	Saira Sheikh (Ex-Employee), Lahore*
	1,963	1,518	445	432	(13)	Group Policy	Tariq Qureshi (Ex-Employee), Karachi*
	995	87	908	1,000	92	Through bid	Akber Mirza, Karachi
	6,138	2,969	3,169	3,496	327		
Office equipment	9,772	9,772	-	2,779	2,779	Negotiation	IGI Insurance Limited, Karachi**
Lease hold improvements	13,479	11,791	1,688	5,000	3,312		
Furniture and fittings	14,296	9,201	5,095	7,710	2,615		
Computer equipment	264	154	110	110	-		
	37,811	30,918	6,893	15,599	8,706		
2014	43,949	33,887	10,062	19,095	9,033		
2013	19,390	10,858	8,532	15,262	6,730		

* Transfer to employees as per the Group's policy
** Represents related party

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

7. INVESTMENT PROPERTY

	2014							
	Cost			Accumulated Depreciation			Net book value	Rate
Particulars	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	

	2013							
	Cost			Accumulated Depreciation			Net book value	Rate
Particulars	As at July 01, 2012	Additions / (deletions) / (transfers note 7.2)	As at June 30, 2013	As at July 01, 2012	Charge for the year / (on deletions) / (transfers note 7.2)	As at June 30, 2013	As at June 30, 2013	Per annum
	(Rupees in '000)							%
Leasehold premises	8,939	- - 8,000	16,939	3,022	352 - -	3,374	13,565	5
	8,939	- - 8,000	16,939	3,022	352 - -	3,374 - -	13,565 - -	

7.1 Investment properties include property located at 7th Floor, Nacon House, MDM Wafai Road, Karachi which is held for long-term capital appreciation purpose. The fair value of the property determined based on valuation performed by an independent professional valuer M/s. Rizvi Associates (Private) Limited is Rs.10.118 million. The independent valuer is included on the list of Pakistan Banks Association. No rental income was earned from this property during the year.

7.2 Investment properties include Lahore Stock Exchange Limited room 302 located at the Third Floor, Lahore Stock Exchange, Egarton Road, Lahore, which was transferred from intangible assets to investment property last year due to rental income earned on the property. The fair value of the property determined based on valuation performed by an independent professional valuer M/S Hamid Mukhtar & Co. (Private) Limited is Rs.8.50 million. The independent valuer is included on the list of Pakistan Banks Association. The rental income for the year ended June 30, 2014 from this property amounted to Rs.0.500 million.

8. LONG-TERM INVESTMENTS

	Note	2014	2013
		(Rupees in '000)	
Available-for-sale - at cost			
Investment in unquoted companies	8.1	64,115	74,179
Investment in quoted companies	8.2	13,923	15,668
Investment in unquoted preference shares	8.3	-	-
		78,038	89,847

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

8.1 Investment in unquoted companies

Number of Ordinary shares 2014	Number of Ordinary shares 2013	Particulars	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
7,600,000	7,600,000	DHA Cogen Limited		76,000	76,000
1,912,344	956,172	Systems Limited		10,150	10,150
1,123,318	1,123,318	Techlogix International Limited		12,782	12,782
36,891	36,891	Visionet Systems Inc.		3,247	3,247
4,007,383	4,007,383	Karachi Stock Exchange Limited (KSE)	8.1.1	40,000	40,000
843,975	843,975	Lahore Stock Exchange Limited (LSE)	8.1.2	8,000	8,000
			8.4	150,179	150,179
Less: Provision for impairment			8.1.3	(86,064)	(76,000)
				64,115	74,179

8.1.1 Ordinary shares of Rs.10 each. Equity held 0.5% (2013: 0.5%). Break up value of each ordinary share is Rs.10.07 based on the audited financial statements for the year ended June 30, 2013.

8.1.2 Ordinary shares of Rs.10 each. Equity held 0.66% (2013: 0.66%). Break up value of each ordinary share is Rs.11.42 based on the unaudited financial statements for the half-year ended December 31, 2013.

8.1.3 During the year, impairment on Techlogix International Limited was charged amounting to Rs.10.064 million to write down the investment to its break-up value based on the most recent financial information available with the management.

8.2 Investment in quoted companies

Number of Ordinary shares of Rs. 10 each 2014	Number of Ordinary shares of Rs. 10 each 2013	Particulars	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
1,352,992	1,352,992	Agritech Limited (see note 8.2.1)	8.2.1 & 8.4	47,355	47,355
		Less: Provision for impairment		(33,432)	(31,687)
				13,923	15,668

8.2.1 This represents ordinary shares of Agritech Limited are subject to sale lock-in-period of 5 years in terms of the Share Purchase Agreement (SPA) between the ANL and various lenders including the 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, 2014

8.3 Investment in unquoted preference shares

Number of Ordinary shares of Rs. 10 each 2014	2013	Particulars	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
2,000,000	2,000,000	First Dawood Investment Bank Limited 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		20,000	20,000
		Less: Provision for impairment		(20,000)	(20,000)
				-	-

8.4 As at June 30, 2014, 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 per cent 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 and Systems 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.

9. LONG-TERM LOANS AND ADVANCES - NET

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
Unsecured and considered good - due from:			
Related parties			
Executives	9.1	-	624
Secured and considered good - due from:			
Others			
Employees		-	29
Companies, organisations and individuals	9.2	9,711	19,573
		9,711	19,602
Considered doubtful			
Others			
Companies, organisations and individuals - secured	9.2 & 9.4	209,521	220,743
Individuals - unsecured		18,671	19,091
		228,192	239,834
Less: Provision thereagainst	9.3	(228,192)	(219,466)
		-	20,368
		9,711	40,594
Less: Current maturity of long-term loans and advances - net	14	(9,711)	(32,962)
		-	7,632

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

		2014	2013
		-------- (Rupees in '000)	-------
9.1	**Reconciliation of carrying amounts of loans and advances to Executives:**		
	Opening balance	624	990
	Disbursements during the year	-	200
	Repayments during the year	(624)	(566)
		-	624

9.1.1 Maximum aggregate amount outstanding at the any time during the year was Rs.0.624 million (2013: Rs.1.043 million).

9.2 These loans carry mark-up at rates ranging from 11.34% (2013: 11.34%) per annum and are repayable over periods ranging from 1 to 9 years (2013: 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.

9.3 Long-term loans and advances include Rs.228.192 million (2013: Rs.239.834 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:

	2014			2013		
	Specific	General	Total	Specific	General	Total
	--------------------------------	(Rupees in	'000)	--------------------------------		
Opening balance	219,466	-	219,466	93,013	-	93,013
Charge for the year	14,232	-	14,232	141,272	-	141,272
Reversal during the year	(5,506)	-	(5,506)	(14,819)	-	(14,819)
	8,726	-	8,726	126,453	-	126,453
Closing balance	228,192	-	228,192	219,466	-	219,466

9.3.1 The provision held against loans of Rs.228.192 million (2013: Rs.219.466 million) has been made after deducting the value of collateral (i.e. forced sale value) amounting to Rs.Nil (2013: Rs.18.503 million) as allowed under the NBFC Regulations, 2008.

9.4 As at June 30, 2014, the Investment Bank's fund based exposure in one party 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.

10. INVESTMENT IN ASSOCIATES

As mentioned in note 3.2 to these financial statements, the Group applies equity method of accounting for its investment in units of mutual funds where significant influence exists.

		2014	2013
		-------- (Rupees in '000)	-------
10.1	**Movement of investment in associates**		
	Opening balance	-	331,418
	Net deletions made during the year	-	(236,132)
	Total acquisition at cost	-	95,286
	Post acquisition share of associates' profit	-	28,716
	Transfer to assets classified as 'held-for-sale' (see note 21)	-	(124,002)
		-	-

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		-------- (Rupees in '000) -------	
11. NET INVESTMENT IN FINANCE LEASE			
Lease rental receivables		260,128	321,684
Add: Residual value		226,897	244,556
		487,025	566,240
Less: Unearned finance income		-	(2,465)
	11.1	487,025	563,775
Less: Provision for lease losses	11.4	(224,536)	(188,821)
Less: Current maturity of net investment in finance lease	11.5 & 14	(262,489)	(372,551)
		-	2,403

11.1 Particulars of net investment in finance lease

	2014			2013		
	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	260,128	-	260,128	320,266	1,418	321,684
Add: Residual value	226,897	-	226,897	243,509	1,047	244,556
	487,025	-	487,025	563,775	2,465	566,240
Less: Unearned finance income	-	-	-	(2,403)	(62)	(2,465)
Net investment in finance lease	487,025	-	487,025	561,372	2,403	563,775

11.2 The Group has entered into various lease agreements for period of 1 to 7 years (2013: 1 to 7 years). The rate of return implicit in the leases ranges from 14.00% to 17.00% (2013: 14.00% to 17.00%) per annum. Generally, leased assets are held as securities. In certain instances, the Group has also obtained additional collateral in the form of personal guarantees.

11.3 The direct expenses incurred in relation to lease such as documentation charges, stamp duty etc. are reimbursed to the Group by the respective lessees and net balance representing excess / short reimbursement, if any, is taken to profit and loss account. However, there are no material initial direct costs associated with lease receivables.

11.4 Provision for lease losses

	2014			2013		
	Specific	General	Total	Specific	General	Total
	---------- (Rupees in '000) ----------					
Opening balance	188,821	-	188,821	126,071	-	126,071
Charge for the year	54,303	-	54,303	81,479	-	81,479
Reversal during the year	(18,588)	-	(18,588)	(18,729)	-	(18,729)
	35,715	-	35,715	62,750	-	62,750
Closing balance	224,536	-	224,536	188,821	-	188,821

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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11.4.1 Based on the NBFC Regulations, the aggregate net exposure in finance leases which have been placed under non-performing status amounted to Rs. 260.128 million (2013: Rs.309.307 million) against which a provision of Rs.224.536 million (2013: Rs.188.821 million) has been made after deducting the value of collateral (i.e. forced sale value) amounting to Rs. 38.052 million (2013: Rs.105.431 million). The total income suspended against the non-performing parties amounted to Rs.77.388 million (2013: Rs.69.373 million).

11.5 This includes Rs.226.897 million (2013: Rs.243.509 million) representing overdue lease receivables at the year end against which no provision has been made by the Group as the Group holds equivalent amount of security deposits from the respective lessees.

11.6 As at June 30, 2014, the Investment Bank's fund based exposure in one lease 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	2014	2013
		-------- (Rupees in '000)	-------
12. DEFERRED TAX ASSET - NET			
Deferred tax assets on all deductible temporary differences	12.1 & 12.2	383,357	387,442
Deferred tax liabilities arising in respect of:			
Accelerated tax depreciation		(79,363)	(77,472)
Surplus on revaluation of investments		-	(704)
		(79,363)	(78,176)
		303,994	309,266

12.1 The IGI Investment Bank has an aggregate amount of Rs.775.779 million (2013: Rs.658.954 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 IGI Investment Bank has only recognised deferred tax asset arising from unused tax losses and tax credits to the extent of sufficient taxable temporary differences available in the future.

12.2 IGI Finex has an aggregate amount of Rs.174.293 million (2013: Rs.182.168 million) in respect of unabsorbed tax losses as at June 30, 2014 on which it has recognised deferred tax asset amounting to Rs.60.507 million (2013: Rs.63.563 million) which represents the management's best estimate of the probable tax benefit which is expected to be realised in future years.

Management has prepared financial projections which have been approved by the Board of Directors of the Company. The said projections involve certain key assumptions underlying the estimation of future taxable profits projected and consideration for tax planning opportunities with respect to provision write offs. The determination of the future taxable profits takes into account various assumptions regarding the future business, economic and market conditions. A significant change in the assumptions used may impact the realisability of the deferred tax asset. Management believes that it is probable that the Company will be able to achieve the taxable profits projected in the financial projections and consequently the deferred tax asset will be fully realised in the future.

	Note	2014	2013
		-------- (Rupees in '000)	-------
13. ASSETS ACQUIRED IN SETTLEMENT OF CLAIMS			
Office building		-	16,721
Office building and shops		-	46,906
Commercial shops		-	6,216
	13.1	-	69,843

13.1 During the current year, all the assets acquired under satisfaction of claims disposed off to a related party against consideration of Rs.66.210 million received in cash resulting in loss of Rs.3.633 million.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		-------- (Rupees in '000) -------	
14. CURRENT MATURITY OF NON-CURRENT ASSETS			
Current maturity of long-term loans and advances - net	9	9,711	32,962
Current maturity of net investment in finance lease	11	262,489	372,551
		272,200	405,513

15. SHORT-TERM LOANS AND ADVANCES - NET

	Note	2014	2013
Unsecured and considered good - due from:			
Related parties			
Employees	15.3	168	115
Secured and considered good			
Others			
Short-term loans and advances		388	432
Considered doubtful			
Due from companies and organisations		170,500	170,500
Less: Provision thereagainst	15.1 & 15.2	(170,020)	(170,020)
		-	480
		556	1,027

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

15.2 Movement in provision

	2014	2013
Opening balance	170,020	172,000
Charge / (reversal)	480	(1,980)
Closing balance	170,500	170,020

15.3 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.

16. SHORT-TERM INVESTMENTS

	Note	2014			2013		
		Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
		-----------------	-----------------	(Rupees in '000)	-----------------	-----------------	
Held-for-trading							
Government securities	16.1	-	-	-	153,514	-	153,514
Available-for-sale							
Listed term finance certificates	16.2	58,075	-	58,075	74,071	-	74,071
Unlisted term finance certificates	16.2	108,264	-	108,264	120,444	-	120,444
		166,419	-	166,419	194,515	-	194,515
Impairment loss on term finance certificates	16.4	(161,419)	-	(161,419)	(180,466)	-	(180,466)
		4,920	-	4,920	167,563	-	167,563

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FOR THE YEAR ENDED JUNE 30, 2014

16.1 Particulars relating to government securities are as follows:

		2014			2013		
		Face value	Amortised cost	Market value	Face value	Amortised cost	Market value
Particulars	Note	(Rupees in '000)					
Market Treasury Bills		-	-	-	105,200	104,033	104,043
Pakistan Investment Bonds		-	-	-	50,000	47,410	49,471
	16.1.1	-	-	-	155,200	151,443	153,514

16.1.1 In accordance with the requirements of NBFC Regulations, the Investment Bank should invest atleast 15 percent of the outstanding funds raised through issue of certificates of deposit by the Investment Bank excluding certificates of deposit held by financial institutions in Pakistan Investment Bonds and Market Treasury Bills. However, the Group has divested during the period and, at the year end, there is Rs.Nil (2013: Rs.153.514 million) investment in Pakistan Investment Bonds and Market Treasury Bills.

16.2 Available-for-sale investments - term finance certificates

Number of Certificates		Particulars	Issue date	2014		2013	
2014	2013			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 16.4)	September 20, 2005	8,135	8,135	8,135	8,135
		Miscellaneous					
10,000	10,000	Pace (Pakistan) Limited* (see note 16.4)	February 15, 2008	49,940	49,940	49,940	49,940
-	8,715	Telecard Limited	May 27, 2005	-	-	15,996	15,996
				58,075	58,075	74,071	74,071

Number of Certificates		Particulars	Issue date	2014		2013	
2014	2013			Amortised cost	Market value	Amortised cost	Market value
				(Rupees in '000)			
		UNLISTED TERM FINANCE CERTIFICATES					
4,000	4,000	Agritech Limited*	November 30, 2007	19,980	19,980	19,980	19,980
861	861	Agritech Limited IV*	July 01, 2011	4,305	4,305	4,305	4,305
13,000	13,000	Azgard Nine Limited IV* (see note 16.4)	December 04, 2007	28,178	28,178	28,178	28,178
5,348	5,348	Azgard Nine Limited V* (see note 16.2.1 & 16.4)	March 31, 2012	-	-	-	-
10,000	10,000	Eden Housing Limited*	December 31, 2007	6,560	6,560	18,740	18,740
10,000	10,000	New Allied Electronics Industries (Private) Limited - Sukuk* (see note 16.4)	December 03, 2007	49,241	49,241	49,241	49,241
				108,264	108,264	120,444	120,444

* These represent non-performing Term Finance Certificates and provision is made thereagainst as per the NBFC Regulations, 2008 (see note 16.4).

16.2.1 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
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16.3 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-annually installments with stepped up repayment plan, 2012-2015 47% (Rs.699 million), 2016-2017 53% (Rs.799 million).
Pace (Pakistan) Limited	5,000	Average ask rate of six months KIBOR plus 2% (with no floor and cap)	Semi-annually	February 15, 2017	Principal to be repaid in 6 equal semi-annually installments in arrears after a grace period of 24 months from the last date of public subscription.
Unlisted Term Finance Certificates / Sukuk					
Agritech Limited I	5,000	Average ask rate of six months KIBOR plus 1.75%	Semi-annually	December 30, 2017	12 semi-annually installments with stepped up repayment plan, 2012-2014 35% (Rs.524.580,000), 2015-2017 65% (Rs.974,220,000).
Agritech Limited II	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-annually 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.

16.4 Movement in provision against investment

	2014	2013
	-------- (Rupees in '000) -------	
Opening balance	180,466	186,607
Charge for the year	-	107,386
Reversals during the year	(3,051)	(47,357)
Written-off during the year	(15,996)	-
	(19,047)	60,029
Transferred during the year	-	(66,170)
Closing balance	161,419	180,466

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	Note	2014	2013
		-------- (Rupees in '000) -------	
17. TRADE DEBTS - NET			
Considered good			
Receivable from clients against purchase of marketable securities and commodity contracts	17.2	53,047	29,526
Commission receivable		320	218
Clearing balance with National Clearing Company of Pakistan Limited		45,903	237,192
		99,270	266,936
Considered doubtful			
Receivable from clients against purchase of marketable securities and commodity contracts		611,277	624,393
Provision for doubtful debts	17.1 & 17.3	(589,124)	(592,034)
		22,153	32,359
		121,423	299,295

17.1 Movement in provision

	2014	2013
Opening provision	592,034	602,028
Charge for the year	596	1,146
Reversal	(3,506)	(11,140)
	(2,910)	(9,994)
Closing provision	589,124	592,034

17.2 This includes amounts due from related parties as under:

	2014	2013
Key management personnel	25	21
Group companies	-	-
Other - related parties and associated undertaking's	45,277	1,136
	45,302	1,157

17.3 This includes provision in respect of a related party and an associate undertaking amounting to Rs.0.023 million (2013: Rs.0.023 million) and Rs.4.380 million (2013: Rs.4.380 million) respectively.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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	Note	2014	2013
		-------- (Rupees in '000) -------	
18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Deposits			
Pakistan Mercantile Exchange Limited - margin deposit		2,006	13,562
Exposure deposits with Karachi Stock Exchange Limited (KSE)	18.1	108,350	110,100
Others		4,471	4,411
		114,827	128,073
Prepaid expenses		4,107	4,096
Other receivables - net			
Secured - considered good			
Assets repossessed in respect of terminated lease contracts		1,028	1,028
Excise duty paid on behalf of customers		4,471	4,471
Accrued commission / fee income		79	1,731
Others	18.2	17,395	9,317
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		20,559	20,859
Receivable against overdue reverse repurchase transaction		63,431	64,000
Insurance rentals receivable		1,502	1,502
Assets repossessed in respect of terminated lease contracts		7,137	7,137
		120,153	121,022
Less: Provision for bad and doubtful receivables	18.3	(60,291)	(63,752)
		201,769	205,986

18.1 This represents the deposit held at the year end against exposures arising out of trading in securities in accordance with the regulations of the KSE. Interest is earned on the deposit at rates determined by the KSE.

18.2 Included herein is a sum of Rs.2.3 million (2013: Rs.2.3 million) representing an amount deposited with Honorable High Court of Sindh (SHC) in respect of assets repossessed and sold subsequently upon termination of lease contract.

18.3 Movement in provision against receivables

	2014	2013
Opening balance	63,752	61,977
Charge for the year	595	4,075
Reversals made during the year	(4,056)	(9,924)
Transferred from lendings - secured	-	21,374
Transferred during the year	-	(13,750)
Closing balance	60,291	63,752

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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		Note	2014	2013
			-------- (Rupees in '000) ----	
19.	**INTEREST, MARK-UP AND PROFIT ACCRUED**			
	Interest, mark-up and profit accrued on:			
	Considered good			
	Investments in government securities		-	1,692
	Loans and advances		-	549
	Deposits with banks		3,926	1,901
			3,926	4,142
	Considered doubtful			
	Accrued mark-up		69,948	69,948
	Accrued mark-up on overdue reverse repurchase receivables		12,440	12,440
			82,388	82,388
			86,314	86,530
	Provision for accrued mark-up considered doubtful	19.1	(82,388)	(82,388)
			3,926	4,142
19.1	Provision for accrued mark-up considered doubtful			
	Opening balance		82,388	82,388
	Charge for the year		-	-
	Closing balance		82,388	82,388
20.	**CASH AND BANK BALANCES**			
	In hand		130	135
	In current accounts			
	State Bank of Pakistan		188	1,498
	Others			
	local currency		7,196	14,564
	Foreign currency		1,285	1,285
			8,481	15,849
	In saving accounts			
	local currency	20.1	66,866	129,990
			75,665	147,472

20.1 These represent deposit accounts with commercial banks and carry mark-up at the rate ranging between 6% to 9.5% (2013: 6% to 8%).

20.2 As at year end, IGI Finex Securities Limited has an unavailed running finance facility of Rs.300,000,000 carrying mark-up at 1 month KIBOR plus 2.00 percent per annum. The facility will expire on March 31, 2015 and is secured by way of pledge of shares of companies quoted at the Karachi Stock Exchange with margin as per Bank's discretion.

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21. ASSETS CLASSIFIED AS HELD FOR SALE

21.1 IGI Funds Limited - previously wholly owned subsidiary

Following the execution of Amended and Restated Share Purchase Agreement (SPA) between the IGI Investment Bank and Alfalah GHP Investment Management Limited dated May 22, 2013, the shareholders of the Group in their extra ordinary general meeting held on May 27, 2013 resolved, subject to all regulatory approvals, the sale and transfer (through simultaneous acquisition and merger) to Alfalah GHP Investment Management Limited, the entire shareholding of the Group in IGI Funds Limited (IGIFL) for a sale price of Rs.175 million, subject to such adjustments as made in accordance with the terms of the SPA. During the current year, the SECP on October 04, 2013 issued the sanction order vide its letters no. SCD/NBFC-IIIIGIFL & AFGHP/742/2013 for sanction of the scheme in terms of section 282L of the Companies Ordinance, 1984, to be effective from October 15, 2013. Based on the audited financial statements of IGIFL as at October 14, 2013, the impact of above adjustments amounted to Rs.24.753 million. Accordingly, shareholding of the Group in IGIFL has been disposed off against sale consideration of Rs.199.753 million received in cash.

22. SHARE CAPITAL

	2014	2013
	-------- (Rupees in '000) -------	
Authorised capital		
300,000,000 (2013: 300,000,000) Ordinary shares of Rs.10 each	3,000,000	3,000,000
Issued, subscribed and paid-up capital		
190,993,300 (2013: 190,993,300) Ordinary shares of Rs.10 each fully paid in cash	1,909,933	1,909,933
21,109,250 (2013: 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, 2014:

	2014		2013	
	Shares held (in million)	Percentage	Shares held (in million)	Percentage
Name of related party				
Packages Limited	4.611	2.174%	4.611	2.175%
IGI Insurance Limited	89.095	42.006%	89.095	42.026%
Directors, Chief Executive and their spouse and minor children	9.984	4.710%	9.984	4.710%

23. RESERVES

	Note	2014	2013
		-------- (Rupees in '000) -------	
Capital reserve			
Statutory reserve	23.1	97,098	97,098
Reserve arising on acquisition of non-controlling interest		(21,641)	(21,641)
		75,457	75,457
Revenue reserves			
General reserve		39,733	39,733
		115,190	115,190

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		-------- (Rupees in '000) -------	
24. SURPLUS ON REVALUATION OF INVESTMENTS - NET OF TAX			
Net surplus on revaluation of government securities	24.1	-	2,071
Related deferred tax asset - net	12	-	(704)
		-	(704)

24.1 Particulars of deficit on revaluation of investments - net

	2014	2013
Opening balance	2,071	(46,489)
Surplus arising on revaluation of investments during the year	(2,071)	48,560
Closing balance	-	2,071

25. LONG-TERM LOAN

	Note	2014	2013
Unsecured			
Local currency - related party	25.1	285,000	-

25.1 During the year, the IGI Investment Bank has received a sum of Rs.285 million by way of a loan from Syed Babar Ali, Chairman and a sponsor of IGI Investment Bank. In this connection, IGI 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 IGI Investment Bank or the board of directors of IGI Investment Bank that would result in change of control of IGI 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, IGI 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 Deposits issued by IGI Investment Bank have been completely and finally settled.

26. LONG-TERM CERTIFICATES OF DEPOSIT

	Note	2014	2013
Unsecured			
Financial institutions		-	11,244
Individuals		9,749	218,576
Others		-	180,415
	16.1.1 & 26.1	9,749	410,235
Less: Current maturity of long-term certificates of deposit	28	(9,749)	(212,961)
		-	197,274

26.1 These certificates of deposit have contractual maturities ranging from 1 to 8 years (2013: 1 to 8 years) from the contract date. Expected rates of return payable on these certificates ranges from 8.2% to 14.50% (2013: 8.20% to 14.50%) per annum.

27. LONG-TERM DEPOSITS UNDER LEASE CONTRACTS

	Note	2014	2013
Deposits under lease contracts	27.1	225,118	242,776
Less: Current maturity of deposits under lease contracts	28	(225,118)	(241,728)
		-	1,048

27.1 These represent interest free security deposits received against lease contracts which are repayable / adjustable at the expiry / termination of the respective leases.

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		Note	2014	2013
			-------- (Rupees in '000) -------	
28.	**CURRENT MATURITY OF NON-CURRENT LIABILITIES**			
	Current maturity of long-term certificates of deposit	26	9,749	212,961
	Current maturity of long-term deposits under lease contracts	27	225,118	241,728
			234,867	454,689
29.	**SHORT-TERM CERTIFICATES OF DEPOSIT**			
	Unsecured			
	Local currency			
	Individuals		-	73,613
	Others		175,000	466,403
		29.1, 29.2 & 16.1.1	175,000	540,016

29.1 These certificates of deposit have contractual maturities ranging from 1 to 6 months (2013: 1 to 12 months) from the contract date. Expected rate of return payable on these certificates of deposit is 11.50% (2013: 6.50% to 13.6% per annum).

29.2 This represents certificates of deposits held by a related party (2013: Rs.255 million).

29.3 IGI Investment Bank is not in compliance with the limit on aggregate liabilities as specified under the NBFC Regulations. As per the said Regulations, aggregate liabilities, excluding contingent liabilities and security deposits, of an NBFC shall not exceed ten times of its equity subsequent to the first two years of its operation, however, the aggregate liabilities of IGI Investment Bank excluding contingent liabilities and security deposits stood at Rs.532.289 million which is higher by Rs.214.502 million than the maximum allowed limit of Rs.317.787 million (ten times of equity).

		Note	2014	2013
			-------- (Rupees in '000) -------	
30.	**INTEREST AND MARK-UP ACCRUED**			
	Certificates of deposit	30.1	12,987	34,574
			12,987	34,574

30.1 Included herein is a sum of Rs.11.812 million (2013: Rs.4.087 million) representing amount payable to related party.

		Note	2014	2013
31.	**TRADE AND OTHER PAYABLES**			
	Accrued expenses		8,125	8,597
	Payable to customers on account of excess recoveries		3,028	3,028
	Management fee and distribution commission payable		300	400
	Unclaimed dividends		305	305
	Advances from lessees		7,917	14,524
	Payable against purchase of securities	31.1	230,149	453,970
	Provision for leave encashment		2,455	1,558
	Payable to IGI Insurance Limited - a related party		28,360	11,474
	Bonus payable		1,447	-
	Withholding tax payable		1,347	246
	Others		21,263	20,735
			304,696	514,837

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	2014	2013
	-------- (Rupees in '000) -------	
31.1. This includes amounts due to related parties as follows:		
Key management personnel	84	-
Other related parties and associated undertakings	679	4,054
	763	4,054

32. CONTINGENCIES AND COMMITMENTS

Contingencies

32.1 Taxation

IGI Investment Bank

Income tax returns for the tax years 2009, 2011, 2012 and 2013 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 2008 and 2010, issued by tax authorities, tax liability aggregating to Rs.161.887 million was determined and tax deductions / credits aggregating to Rs.334.725 million were allowed, leading to an aggregate assessed refund (after prior year adjustments etc.) of Rs.173.132 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 IGI 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 IGI Bank was that applicable to a IGI Banking company instead of rate applicable for a public company.

(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.

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

IGI Finex

(a) During previous year, 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. IGI Finex filed an appeal with the Commissioner Inland Revenue (Appeals) against the said demand which was heard by the Commissioner. During the year, Commissioner (Appeals) passed an order under which IGI Finex 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 is also in the process of filing an appeal in ATIR against the said order. Management and tax advisor of IGI Finex are of the view that there is a reasonable probability that outcome of appeal shall be in favor of the IGI Finex.

(b) During the financial year ended June 30, 2012, a brokerage house filed a lawsuit against IGI Finex 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, IGI Finex 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, IGI Finex filed a Written Statement in this lawsuit, while the Plaintiff has filed a rejoinder to the counter affidavit filed by IGI Finex. IGI Finex has also filed a lawsuit against the same brokerage house and the ex-official of IGI Finex in the High Court of Sindh to recover the outstanding balance appearing in IGI Finex's books of account before provision. The Court has issued notices to the defendants. The lawsuits are pending litigations and both the management and legal counsel are of the view that there is a reasonable probability of IGI Finex's success in both lawsuits.

32.2 As per the Sale Purchase Agreement (SPA) signed by IGI Investment Bank and Al-Falah GHP Investment Management Limited (AGIML), IGI 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 IGI Investment Bank) on the closure date i.e. October 14, 2013 of above SPA.

		2014	2013
		-------- (Rupees in '000) -------	
32.3	Claims not acknowledged as debts	81,570	81,570

32.4 Commitments

There are no commitments as at the year end.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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33. INCOME FROM INVESTMENTS

	2014					2013				
	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	-	4,408	-	-	4,408	-	30,783	-	-	30,783
Pakistan investment bonds	-	2,664	-	-	2,664	-	5,264	-	-	5,264
Term finance certificates	-	-	1,734	-	1,734	-	-	97,666	-	97,666
	-	7,072	1,734	-	8,806	-	36,047	97,666	-	133,713
Dividend income	-	-	3,103	-	3,103	-	-	14,126	2,198	16,324
Gain on disposal of:										
Market treasury bills	-	(7)	-	-	(7)	-	14	-	-	14
Pakistan investment bonds	-	318	-	-	318	-	-	-	-	-
Term finance certificates	-	-	3,200	-	3,200	-	-	(24,554)	-	(24,554)
Units of open end mutual fund	-	-	-	-	-	-	-	-	8,540	8,540
Reversal of share of profit on disposal of investment in associate	-	-	-	-	-	-	-	-	(5,510)	(5,510)
Listed shares and certificates	-	-	-	-	-	-	-	11,556	-	11,556
	-	311	3,200	-	3,511	-	14	(12,998)	3,030	(9,954)
	-	7,383	8,037	-	15,420	-	36,061	98,794	5,228	140,083

	2014	2013
	(Rupees in '000)	
34. INCOME FROM LOANS AND ADVANCES		
Mark-up / interest on loans and advances	1,038	6,073
Documentation charges and other loan related income	-	75
	1,038	6,148
35. INCOME FROM LEASE FINANCE		
Mark-up on lease finance	7,324	10,078
Front-end fees, documentation charges, other lease related income and termination losses - net	859	(1,447)
	8,183	8,631
36. INCOME FROM FEES, COMMISSION AND BROKERAGE		
Fee from corporate finance services	6,698	7,386
Brokerage income	75,212	65,520
Commission and advisory income	7,654	7,291
	89,564	80,197
37. FINANCE COSTS		
Mark-up on:		
Long-term finance	-	3,110
Certificates of deposits	61,992	229,636
Borrowings from financial institutions	-	899
Bank charges	470	516
	62,462	234,161

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		Note	2014	2013
38.	**ADMINISTRATIVE AND GENERAL EXPENSES**			
	Salaries, allowances and benefits		63,622	86,696
	Contribution to provident fund	38.1	921	2,063
	Contribution to employees' old-age benefit institution		60	136
	Depreciation on property and equipment and investment property		6,097	9,981
	Amortisation on intangible assets		554	940
	Rent, rates and taxes		11,046	25,435
	Travelling and entertainment		2,378	3,509
	Telephone, telex and fax		5,357	5,145
	Printing, postage and stationery		1,724	2,322
	Staff training and development		-	-
	Insurance		1,867	2,998
	Lighting, heating and cooling		2,819	7,437
	Repairs and maintenance		2,868	5,254
	Brokerage and commission		5,771	4,389
	Legal and professional fees		10,845	21,191
	Subscriptions		11,556	9,602
	Computer expenses		5,255	5,274
	Advertisement		179	323
	Other expenses		4,819	5,615
			137,738	198,310

38.1 Defined contribution plan

An amount of Rs.0.921 million (2013: Rs.2.063 million) has been charged during the year in respect of contributory provident fund maintained by the IGI Investment Bank.

		Note	2014	2013
39.	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Income from deposits with banks		12,951	25,891
	Return on market treasury bills		2,690	-
	Liquidated damages		1,696	938
	Income from non-financial assets			
	Gain on disposal of fixed assets		9,014	6,730
	Miscellaneous income		1,854	4,674
			28,205	38,233
40	**OTHER OPERATING EXPENSES**			
	Provision against other assets		595	4,075
	Auditors' remuneration	40.1	2,356	2,577
			2,951	6,652

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

40.1 Auditors' remuneration

	2014		
	IGI Bank	IGI Finex	Total
	(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
	1,918	438	2,356

	2013		
	IGI Bank	IGI Finex	Total
	(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	703	-	703
Out of pocket expenses	229	70	299
	2,157	420	2,577

	2014	2013
	(Rupees in '000)	
41. TAXATION		
Current	3,468	3,733
Deferred	5,272	297,648
	8,740	301,381

41.1 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.

	2014	2013
	(Rupees in '000)	
42. LOSS PER SHARE		
Loss after taxation	(119,122)	(658,132)
	(Number of shares)	
Weighted average number of Ordinary shares outstanding during the year	212,102,550	212,102,550
	(Rupee)	
Loss per share	(0.56)	(3.10)

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43. REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

43.1 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	
	2014	2013	2014	2013	2014	2013
	(Rupees in '000)					
Managerial remuneration (including bonus)	2,364	3,636	7,432	15,969	9,796	19,605
House rent	1,064	1,636	3,344	7,186	4,408	8,822
Utilities	236	364	743	1,597	979	1,961
Medical expenses	236	364	-	-	236	364
Conveyance	381	278	943	930	1,324	1,208
Retirement benefits	236	364	522	1,380	758	1,744
Others	33	24	78	1,448	111	1,472
	4,550	6,666	13,062	28,510	17,612	35,176
Number of persons	0	1	8	23	8	24

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

43.1.2 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.

42.1.3 During the year, the Chief Executive Officer of the Investment Bank resigned. Subsequent to the year end, the casual vacancy was filled through appointment of new Chief Executive.

43.2 IGI Finex

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

	Chief Executive		Executives		Director		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in '000)							
Managerial remuneration	2,658	-	5,675	4,512	2,556	2,381*	10,889	6,893
Reimbursements / other allowances	153	-	1,169	602	172	164	1,494	766
Retirement benefits	-	-	-	-	-	801	-	801
Housing	1,062	-	2,554	2,030	970	178	4,586	2,208
Utilities	561	-	567	451	216	-	1,344	451
Commission	-	-	403	242	-	-	403	242
	4,434	-	10,368	7,837	3,914	3,524	18,716	11,361
Number of persons **	1	1***	6	5	2	2	9	8

* It includes amount of Rs.0.4 million (2013: Rs.0.6 million) in respect of consultancy fee paid to Mr. Javed Masud, who is a non-executive director. The remaining balance pertains to remuneration paid to Executive Director.

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

*** The Chief Executive is not drawing any remuneration from IGI Finex.

43.2.1 The Chief Executive and certain Executives are provided with free use of IGI Finex's owned and maintained vehicles.

43.2.2 No meeting fees were paid to any of the Directors for attending the board meetings (2013: Rs.Nil).

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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44. 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, 2014 and June 30, 2013, refer to respective notes.

2014

Description	Entity having significant influence over the Investment Bank	Associates	Key management personnel	Other related parties	Total
	---------- (Rupees in '000) ----------				
Transactions during the year					
Certificates of deposit issued	765,000	-	-	-	765,000
Certificates of deposit matured/ pre-matured	590,000	-	-	-	590,000
Long-term loan	-	-	-	285,000	285,000
Insurance expense	808	-	-	-	808
Sale of fixed assets	17,441	-	654	-	18,095
Sale of assets acquired in settlement of claims	66,210	-	-	-	66,210
Purchase of fixed assets	2,044	-	-	-	2,044
Purchase of marketable securities	-	-	2,464	1,025,871	1,028,335
Sale of marketable securities	-	-	3,630	285,030	288,660
Income from loan and advances	-	-	27	-	27
Brokerage, commission and fee earned	-	-	25	3,980	4,005
Group shared services (see note 44.1)	3,142	-	-	-	3,142
Return on certificates of deposit	25,630	-	-	74,842	100,472
Sale of government securities	19,220	-	-	80,100	99,320
Rent expense	2,510	-	-	415	2,924
Expenses relating to employees benefit and contribution plan	-	-	-	981	981

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2013

Description	Entity having significant influence over the Investment Bank	Associates	Key management personnel	Other related parties	Total
	---------- (Rupees in ‘000) ----------				
Transactions during the year					
Certificates of deposit issued	255,000	-	-	599,559	854,559
Certificates of deposit matured	-	-	-	1,189,192	1,189,192
Insurance premium paid	2,275	-	-	621	2,896
Sale of fixed assets	5,059	-	4,736	821	10,616
Purchase of marketable securities	-	-	1,425	640,266	641,691
Sale of marketable securities	-	-	2,363	972,473	974,836
Sale of term finance certificates	-	218,550	-	-	218,550
Income from loan and advances	-	-	106	-	106
Brokerage, commission and fee earned	-	-	44	3,339	3,383
Sale of term finance certificates	-	218,550	-	-	218,550
Group shared services (see note 43.1)	23,106	-	-	-	23,106
Investment in mutual fund units	-	640,120	-	-	640,120
Redemption of mutual fund units	-	583,078	-	-	583,078
Return on certificates of deposit	-	-	-	74,842	74,842
Sale of government securities	61,562	-	489	209,715	271,766
Borrowings - unsecured	-	45,000	-	-	45,000
Repayment of borrowings - unsecured	-	45,000	-	-	45,000
Rent expense	16,987	-	-	1,417	18,404
Reimbursement of rent	595	-	-	-	595
Remuneration from IGI Income Fund, IGI Stock Fund, IGI Islamic Income Fund, IGI Money Market Fund, IGI Aggressive Income Fund and IGI Capital Protected Fund	-	75,829	-	-	75,829
Sales load - IGI Income Fund, IGI Stock Fund, IGI Islamic Income Fund, IGI Money Market Fund, IGI Aggressive Income Fund and IGI Capital Protected Fund	-	7,541	-	-	7,541
Legal and professional charges paid on behalf of IGI Sovereign Fund	-	2,532	-	-	2,532
Expenses relating to employees benefit and contribution plan	-	-	-	2,199	2,199

44.1 Group shared services

IGI Investment Bank has entered into an arrangement with its subsidiaries and other associated undertakings to share various administrative, human resource and related costs on agreed terms.

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	Note	2014	2013
		-------- (Rupees in '000) -------	
45. CASH GENERATED FROM OPERATING ACTIVITIES			
Loss for the year before taxation from continuing operations		(110,382)	(372,330)
Profit for the year before taxation from Discontinued operations		-	22,145
Net loss before tax		(110,382)	(350,185)
Adjustments for non cash and other items:			
Gain on disposal of fixed assets		(9,014)	(6,891)
Depreciation on property and equipment and investment property		6,097	11,271
Dividend income		(3,103)	(16,324)
Finance cost		62,462	237,389
Provision for bad and doubtful loans and advances / lease losses - specific - net		44,921	187,223
Bad debts written off directly		-	-
Provision / (reversal) against other assets		(595)	4,075
Gain on settlement of term finance certificates		-	(46,906)
Gain on settlement of other receivables		-	(8,403)
(Reversal) / impairment against term finance certificates - net		(3,051)	60,029
Impairment in the value of assets acquired in settlement of claims		3,633	7,795
Impairment against investments		11,809	-
Reversal of provision for doubtful debts:			
Trade debts		(2,910)	(9,994)
Receivable against reverse repurchase transactions		(4,056)	(9,924)
Reversal of share of profit on disposal of investment in associate		-	5,510
Share of profit in associates - net		-	(7,261)
Working capital changes	45.1	147,281	1,545,087
		230,171	1,786,447
		119,789	1,436,262

45.1 Working capital changes

	2014	2013
Decrease / (increase) in current assets:		
Short-term loans and advances	(9)	4,376
Lendings - secured	4,056	102,550
Short-term investments	167,251	1,508,325
Trade debts - net	180,782	(230,341)
Deposit, prepayments and other receivables	1,354	(150,350)
	353,434	1,234,560
(Decrease) / increase in current liabilities:		
Trade and other payables	(206,153)	310,527
	147,281	1,545,087

45.2 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, 2014:

	Note	2014	2013
Cash and bank balances	20	75,665	147,472
Cash and bank balances attributable to discontinued operation		-	968
Cash and cash equivalents		75,665	148,440

46. DISCRETIONARY AND NON DISCRETIONARY PORTFOLIOS

The Group 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. Further, the Group has also entered into agreements with certain counterparties to provide them investment advisory services at a fixed fee. However, no such clients exists at June 30, 2014.

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.

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 Group 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 Group 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. The Group, 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 Group is mainly exposed to mark-up / interest rate risk on its loans and advances, net investment in finance lease, lendings, investments, long-term finance, certificates of deposit and borrowings with fixed and floating interest rates. The Group manages its interest rate risk by having a balance between floating and fixed interest rate financial instruments.

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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.

As at June 30, 2014	Effective Rate %	Total	Exposed to yield / market rate risk: Within one year	More than one year and 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	-	197,662	-	-	-	197,662
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
		763,594	343,986	556	-	419,052
Financial liabilities						
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
		718,286	184,749	-	-	533,537
On-balance sheet gap		45,308	159,237	556	-	(114,485)

As at June 30, 2013	Effective Rate %	Total	Exposed to yield / market rate risk: Within one year	More than one year and 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 to 13.61	41,621	32,962	8,659	-	-
Net investment in lease finance	14.00 - 17.00	374,954	372,551	2,403	-	-
Investments	8.75 - 17.50	257,410	104,043	77,614	-	75,753
Long-term deposits	-	10,454	-	-	-	10,454
Deposits and other receivables	-	201,890	-	-	-	201,890
Trade debts - net	-	299,295	-	-	-	299,295
Interest, mark-up and profit accrued	-	4,142	-	-	-	4,142
Cash and bank balances	6.00 - 8.00	147,472	129,990	-	-	17,482
Assets classified as held for sale - net	5.00 -8.25	134,338	2,873	-	-	131,465
		1,471,576	642,419	88,676	-	740,481
Financial liabilities						
Certificates of deposit	10.00 - 14.50	950,251	752,977	197,274	-	-
Deposits under lease contracts	-	242,776	-	-	-	242,776
Interest and mark-up accrued	-	34,574	-	-	-	34,574
Trade and other payables	-	500,067	-	-	-	500,067
Liabilities directly associated with the assets classified as 'held-for-sale'	-	17,502	-	-	-	17,502
		1,745,170	752,977	197,274	-	794,919
On-balance sheet gap		(273,594)	(110,558)	(108,598)	-	(54,438)

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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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.

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:

	2014		2013	
	(Rupees in '000)	%	(Rupees in '000)	%
Finance and leases				
Dairy and poultry	315	0.12	3,100	0.75
Cement	3,100	1.14	8,671	2.08
Health	3,346	1.23	24,866	5.98
Glass and ceramics	315	0.12	315	0.08
Leather	360	0.13	3,335	0.80
Paper and board	11,651	4.28	29,702	7.14
Construction	17,563	6.45	17,563	4.22
Energy, oil and gas	15,941	5.86	15,941	3.83
Financial institutions	-	-	2,927	0.70
Electric and electric goods	3,335	1.23	5,950	1.43
Chemicals / fertilizers / pharmaceuticals	3,860	1.42	3,860	0.93
Food, tobacco and beverages	72,600	26.67	117,193	28.17
Steel, engineering and automobiles	12,657	4.65	12,657	3.04
Transport	24,297	8.93	42,084	10.12
Textile / textile composite	56,674	20.80	81,678	19.63
Miscellaneous (including individuals)	46,186	16.97	46,186	11.10
	272,200	100.00	416,028	100.00

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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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.

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	7,696	31,049	-
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	-
Assets acquired in settlement of claims	-	-	-	-
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	957,469	348,764	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	229,919	348,764	(197,758)

As at June 30, 2013	**Total**	**Within one year**	**More than one year and less than five years**	**More than five years**
	(Rupees in '000)			
Assets				
Fixed assets	52,818	7,696	45,122	-
Investment property	13,565	-	13,565	-
Investments	257,410	104,043	77,614	75,753
Loans and advances - net	41,621	32,962	8,659	-
Net investment in finance lease	374,954	372,551	2,403	-
Long-term deposits	10,454	-	-	10,454
Deferred tax assets - net	309,266	-	309,266	-
Assets acquired in settlement of claims	69,843	69,843	-	-
Taxation - net	266,148	266,148	-	-
Trade debts - net	299,295	299,295	-	-
Deposit, prepayments and other receivables	205,986	205,986	-	-
Interest, mark-up and profit accrued	4,142	4,142	-	-
Cash and bank balances	147,472	147,472	-	-
Assets classified as held for sale - net	211,224	211,224	-	-
	2,264,198	1,721,362	456,629	86,207
Liabilities				
Certificates of deposit	950,251	752,977	197,274	-
Deposits under lease contracts	242,776	241,728	1,048	-
Interest and mark-up accrued	34,574	34,574	-	-
Trade and other payables	514,837	514,837	-	-
Liabilities directly associated with the assets classified as 'held-for-sale'	20,346	20,346	-	-
	1,762,784	1,564,462	198,322	-
	501,414	156,900	258,307	86,207

48. CAPITAL RISK MANAGEMENT

As stated in note 1, the Group comprises of the following companies:
1. IGI Investment Bank
2. IGI Finex

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 IGI Investment Bank are set and regulated by the SECP. These requirements are put in place to ensure sufficient solvency margins. IGI 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, 2014, IGI Investment Bank's total equity is Rs.31.779 million (see note 1.1.3).

IGI Finex

The primary objective of IGI Finex'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.

IGI Finex 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, IGI Finex may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

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

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

(b) IGI Finex enters into security transactions on behalf of its customers involving future settlement. IGI Finex has entered into transactions that gives rise to future settlement, the unsettled amount as on June 30, 2014 of these future transactions is Rs.93.056 million (2013: Rs.74.372 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

50. FAIR VALUE OF FINANCIAL INSTRUMENTS

50.1 As at June 30, 2014, 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.

(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.

(c) **Other financial instruments**
The fair values of all other financial instruments are considered to approximate their carrying amounts.

51. SEGMENTAL ANALYSIS

	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)
Reversal/ (provision) for bad and doubtful debts (specific) - net	(44,921)	-	2,910	(42,011)
Reversal/ (provision) against other assets	(595)	-	4,056	3,461
Loss on termination of lease contracts	(8,170)	-	-	(8,170)
Impairment (charge)/ reversal against investments	-	(8,758)	-	(8,758)
Segment result	(56,529)	(52,656)	43,816	(65,369)
Other operating income				28,205
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 operating expenses				(2,356)
Loss before taxation				(119,257)
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	-	-	-	-

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

	2013			
	Financing activities	Investment activities	Brokerage activities	Total
	------------ (Rupees in '000) ------------			
Income from investments	-	147,344	-	147,344
Income from loans and advances	6,148	-	-	6,148
Income from lease finance	2,352	-	-	2,352
Income from lendings - secured	4,026	-	-	4,026
Income from fees, commission and brokerage	-	14,259	65,520	79,779
Total income for reportable segments	12,526	161,603	65,520	239,649
Finance costs	(4,009)	(229,686)	(466)	(234,161)
Administrative and general expenses (excluding depreciation and amortisation)	(11,293)	(9,185)	(34,505)	(54,983)
Depreciation and amortisation	(554)	(7,142)	(3,225)	(10,921)
Provision for bad and doubtful debts (specific) - net	(187,223)	-	9,994	(177,229)
Provision against other assets	(4,075)	-	9,924	5,849
Gain on settlement of term finance certificate	46,906	-	-	46,906
Impairment charge against investments	-	(91,716)	-	(91,716)
Segment result	(147,721)	(176,126)	47,242	(276,605)
Other operating income				38,651
Gain on settlement of other receivables				8,403
Impairment in the value of assets acquired in settlement of claims				(7,795)
Unallocated administrative expenses				(132,406)
Unallocated other operating expenses				(2,577)
Loss before taxation				(372,330)
Segment assets	416,097	229,004	123,662	768,763
Unallocated assets				1,495,435
				2,264,198
Segment liabilities	1,089,547	153,332	453,970	1,696,849
Unallocated liabilities				65,935
				1,762,784
Capital expenditure - tangible	2	23	269	294
Capital expenditure - intangible	-	-	-	-

52. DATE OF AUTHORISATION FOR ISSUE

The financial statements were approved by the Board of Directors and authorised for issue on September 30, 2014.

53. GENERAL

53.1 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
Loss on termination of lease contracts	(6,279)	Income from lease finance	Loss on termination of lease contracts
	418	Other Income	Income from fees, commission and brokerage

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

Chief Executive Officer **Director**

STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of IGI Investment Bank Limited (the Investment Bank) as at 30 June 2014 and the related profit and loss account, statement of cash flows 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 account 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 except for the changes, as stated in note 3.1 with which we concur;

   (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, statement of cash flows 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 30 June 2014 and of the loss, comprehensive loss, 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).

We draw your attention towards:

(i) note 1.3 to the financial statements which states that the Investment Bank incurred an after tax loss of Rs.135.718 million during the year ended 30 June 2014 and its accumulated losses at the end of the year amounted to Rs.2,226.077 million. Further, the Investment Bank has not met the minimum equity requirement as specified under the NBFC Regulations, 2008. These conditions, along with other matters as set forth in note 1.3, 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 8.6, 9.4,10.6,15.1.1 and 26.3 to the accompanying financial statements which state the non-compliances with NBFC Regulations, 2008.

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

Chartered Accountants
Audit Engagement Partner: Shabbir Yunus

Date: September 30, 2014

Karachi

IGI
Investment Bank

BALANCE SHEET

AS AT JUNE 30, 2014

	Note	2014	2013
		-------- (Rupees in '000) -------	
ASSETS			
Non-current assets			
Fixed assets	7	6,459	18,917
Long-term investments	8	234,121	245,930
Long-term loans and advances	9	-	7,632
Net investment in finance lease	10	-	2,403
Long-term deposits		4,669	4,669
Deferred tax asset - net	11	-	-
		245,249	279,551
Current assets			
Assets acquired in settlement of claims	12	-	69,843
Current maturity of non-current assets	13	272,200	405,513
Short-term loans and advances	14	-	480
Short-term investments	15	4,920	167,563
Taxation - net		239,877	238,664
Prepayments and other receivables	16	22,146	22,718
Interest, mark-up and profit accrued		-	2,413
Cash and bank balances	17	4,794	123,755
		543,937	1,030,949
Non-current assets held-for-sale	18	-	199,753
		543,937	1,230,702
TOTAL ASSETS		789,186	1,510,253
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	2,121,025	2,121,025
Reserves	20	136,831	136,831
Accumulated losses		(2,226,077)	(2,090,359)
		31,779	167,497
Surplus on revaluation of investments - net of tax	21	-	1,367
Non-current liabilities			
Long term loan	22	285,000	-
Long-term certificates of deposit	23	-	197,274
Long-term deposits under lease contracts	24	-	1,048
		285,000	198,322
Current liabilities			
Current maturity of non-current liabilities	25	234,867	454,689
Short-term certificates of deposit	26	175,000	610,016
Interest and mark-up accrued	27	12,987	35,328
Trade and other payables	28	49,553	43,034
		472,407	1,143,067
TOTAL LIABILITIES		757,407	1,341,389
Contingencies and commitments	29		
TOTAL EQUITY AND LIABILITIES		789,186	1,510,253

The annexed notes from 1 to 47 form an integral part of these financial statements.

Chief Executive Officer **Director**

IGI
Investment Bank

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		--------- (Rupees in '000) ---------	
Income			
Income from investments	30	14,371	142,040
Income from loans and advances		1,038	6,148
Income from lease finance	31	8,183	8,631
Income from lendings - secured		-	4,026
Income from fees, commission and brokerage	32	9,637	16,764
		33,229	177,609
Finance costs	33	65,734	236,923
		(32,505)	(59,314)
Administrative and general expenses	34	46,298	123,321
		(78,803)	(182,635)
Other operating income	35	11,684	18,117
		(67,119)	(164,518)
Other operating expenses	36	2,513	6,232
Operating loss before provisions		(69,632)	(170,750)
Provision for bad and doubtful loans and advances / lease losses - specific - net	9.3 & 10.4	(44,921)	(187,223)
Gain on settlement of term finance certificates		-	46,906
Gain on settlement of other receivables		-	8,403
Impairment in the value of assets acquired in settlement of claims		-	(7,795)
Loss on sale of assets acquired in settlement of claims	12.1	(3,633)	-
Loss on termination of lease contracts		(8,170)	(6,279)
(Impairment) / reversal of impairment against investments:			
unquoted subsidiary company	8.1	-	(387,617)
unquoted companies	8.3.1	(10,064)	-
listed equity securities	8.5	(1,745)	(31,687)
term finance certificates	15.5	3,051	(60,029)
		(20,561)	(438,098)
Loss before taxation		(135,114)	(796,071)
Taxation - net	37	(604)	(286,802)
Loss for the year		(135,718)	(1,082,873)
Other comprehensive income - net of tax		-	-
Total comprehensive loss - net of tax		(135,718)	(1,082,873)
		-------------- (Rupee) --------------	
Loss per share	38	(0.64)	(5.11)

The annexed notes from 1 to 47 form an integral part of these financial statements.

Chief Executive Officer **Director**

IGI
Investment Bank

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		-------- (Rupees in '000) -------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(135,114)	(796,071)
Adjustments for non cash and other items:			
Gain on disposal of fixed assets		(8,941)	(3,864)
Depreciation on property and equipment		2,833	6,888
Amortisation on intangible assets		471	808
Interest, mark-up and profit income		(24,142)	(164,602)
Dividend income		(2,151)	(16,113)
Finance costs		65,734	236,923
Provision / (reversal) for bad and doubtful loans and advances / lease losses - specific - net		44,921	187,223
Gain on settlement of term finance certificates		3,200	(46,906)
Gain on settlement of other receivables		-	(8,403)
Loss on sale of assets acquired in settlement of claims		3,633	7,795
Impairment against investments		3,051	387,617
Working capital changes	41	174,342	1,585,703
		262,951	2,173,069
Cash generated from operations		127,837	1,376,998
Net recovery from long-term loans and advances - net		22,201	30,244
Net recovery from finance lease		76,750	117,624
Long-term deposits		-	265
Repayments of long-term and short term certificates of deposits - net		(835,502)	(1,580,689)
Payments of deposits under lease contracts		(18,472)	(31,694)
Interest, mark-up and profit received		26,597	189,336
Dividend received		2,151	16,113
Finance cost paid		(88,075)	(311,271)
Income tax paid		(1,506)	(5,338)
Net cash flows used in operating activities		(688,019)	(198,412)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		-	(25)
Proceeds from long-term investments - net		-	234,314
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		18,095	11,596
Net cash flows generated from investing activities		284,058	245,885
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term finance - net		285,000	(50,000)
Net cash flows generated from / (used in) financing activities		285,000	(50,000)
Net decrease in cash and cash equivalents		(118,961)	(2,527)
Cash and cash equivalents at the beginning of the year		123,755	126,282
Cash and cash equivalents at the end of the year	17	4,794	123,755

The annexed notes from 1 to 47 form an integral part of these financial statements.

Chief Executive Officer **Director**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2014

		Reserves			
		Capital	Revenue		
	Issued, subscribed and paid-up capital	Statutory reserve	General reserve	Accumulated loss	Total
	(Rupees in '000)				
Balance as at July 01, 2012	2,121,025	97,098	39,733	(1,007,486)	1,250,370
Loss for the year ended June 30, 2013	-	-	-	(1,082,873)	(1,082,873)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	-	(1,082,873)	(1,082,873)
Balance as at June 30, 2013	2,121,025	97,098	39,733	(2,090,359)	167,497
Balance as at July 01, 2013	2,121,025	97,098	39,733	(2,090,359)	167,497
Loss 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

The annexed notes from 1 to 47 form an integral part of these financial statements.

Chief Executive Officer **Director**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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. The registered office of the Bank is situated at 5 F.C.C., Syed Maratab Ali Road, Gulberg, Lahore. The principal place of business is situated at 7th Floor, the Forum, Suite No. 701-713, G-20, Block-9, Khayaban-e-Jami, Clifton, Karachi.

The Pakistan Credit Rating Agency (PACRA) has assigned the Investment Bank a rating of 'BBB-' (long-term credit rating) and at 'A3' (short-term credit rating) on February 28, 2014.

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, 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 for the year ended June 30, 2013 (‘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.

In line with the mitigating factors as disclosed in the last year financial statements, following measures have been taken by the Investment Bank during the current year:

- The Investment Bank has received Rs.199.753 million from the sale of its wholly owned subsidiary, IGI Funds Limited which amount has been utilized by the Investment Bank to support its operations and repay its deposits;
- As detailed in note 22 to these financial statements, the Chairman and Sponsor of the Investment Bank has disbursed a long term interest free loan amounting to Rs.285 million to the Investment Bank which has been utilized by the Investment Bank to support its operations and repay its third party deposits;
- Assets acquired in satisfaction of claims amounting to Rs.66.210 million have been sold during the current year and the proceeds have also been utilized by the Investment Bank to support its operations and repay its deposits;
- The management has exerted maximum focus and efforts on recoveries out of its classified loans, leases and investment portfolios. In this regard, the Investment Bank has made recoveries of Rs.79.21 million out of these portfolios and the amount has also been utilized by the Investment Bank to support its operations and repay its deposits;
- The Investment Bank has not raised any fresh deposits or rolled over existing deposits of any third party and the management is in the process of repaying all its deposits, in compliance with the directives earlier issued by the SECP. During the current year, the Investment Bank has repaid Rs.635.50 million to third party depositors and Rs.200 million to its related party depositors. As at June 30, 2014, deposits payable to third parties amounted to Rs.9.75 million (2013: Rs.645.27 million) and to related parties amounted to Rs.175 million (2013: Rs.375 million);

Currently, the Investment Bank continues to face certain financial difficulties as detailed below which continue to indicate the existence of a material uncertainty about the Investment Bank’s ability to continue as a going concern.

These include the fact that during the current year ended June 30, 2014, the Investment Bank incurred an after tax loss of Rs.135.718 million (2013: Rs.1,082.873 million) and its accumulated losses at the end of the year amounted to Rs.2,226.077 million (2013: Rs.2,090.359 million). Further, no new loans and leases were disbursed by the Investment Bank in the current year. Also see note 26.3 and 39.4.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

In addition to the above, 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, 2014, however, the equity of the Investment Bank at the year-end amounted to Rs.31.779 million. Further, licenses of the Investment Bank in respect of undertaking leasing and investment finance services, which expired last year, are pending renewal by the SECP.

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, 2014, the outstanding loans and leases aggregate to Rs.658.82 million. The management expects to make considerable recoveries out of the aforesaid amounts in the ensuing year; 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.

2 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except for certain investments and derivative financial instruments which are accounted for as stated in notes 4.2 and 4.4 below.

3 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

3.1 ACCOUNTING STANDARDS AND INTERPRETATIONS THAT BECAME EFFECTIVE DURING THE YEAR

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

3.1.1 New and amended standards and interpretations

The Investment Bank has adopted the following amendments to IFRSs which became effective for the current year:

IAS 19 – Employee Benefits – (Revised)
IFRS 7 – Financial Instruments : Disclosures – (Amendments) – Amendments enhancing disclosures about offsetting of financial assets and financial liabilities
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine
IFAS 3 – Profit and Loss Sharing on Deposits

Improvements to Accounting Standards Issued by the IASB

IAS 1 – Presentation of Financial Statements - Clarification of the requirements for comparative information
IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment
IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments
IAS 34 – Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 7.1 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.

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 7.2 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

(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 mark 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. The resultant gains and losses are included in the 'surplus / (deficit) on revaluation of investments' in accordance with BSD Circular No. 20 dated August 04, 2000 issued by the SBP until the derivatives are settled.

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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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

Current

Current tax is the expected tax payable on the taxable income for the year using tax rates prescribed by the tax law and after considering tax credits or adjustments available, if any.

Deferred

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of the deferred tax is provided at the tax rates enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forward unused tax credits and unused tax losses to the extent that it is probable that the deductible temporary differences will reverse in the future and sufficient taxable income will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred income tax relating to item recognised directly in equity is recognised in equity and not in profit and loss account.

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.

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, saving 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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.

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 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 as and when incurred.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 looses 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 Non-current assets classified as 'held-for-sale'

The Investment Bank classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items in the balance sheet.

5. SIGNIFICANT 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 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 7.1)

ii) Amortisation of intangible assets (notes 4.1.2 and 7.2)

iii) Classification and valuation of investments (notes 4.2, 8,15 and 21)

iv) Impairment of investments (notes 4.2, 8.1, 8.4, 8.5 and 8.6)

v) Classification and provision of loans and advances, net investment in finance lease and other receivables (notes 4.8, 9, 10, 14, 15 and 16)

vi) Provision for taxation and deferred tax (notes 4.9, 11 and 37)

vii) Classification and measurement of 'non-current assets held for sale'. (note 4.20 and 18)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

6. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
IAS 16 & 38 – Clarification of Acceptable Method of Depreciation and Amortization	January 01, 2016
IAS 16 & 41 – Agriculture: Bearer Plants	January 01, 2016
IAS 19 - Employee Contributions	July 01, 2014
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)	January 01, 2014
IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting – (Amendment)	January 01, 2014
IFRIC 21 – Levies	January 01, 2014

The Investment Bank expects that the adoption of the above revisions, amendments and interpretations of the standards will not will not affect the Investment Bank's financial statements in the period of initial application.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2013. the Investment Bank expects that such improvements to the standards will not have any impact on the Investment Bank's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the 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

	Note	2014	2013
		-------- (Rupees in '000) -------	
7. FIXED ASSETS			
Property and equipment	7.1	6,122	18,109
Intangible assets	7.2	337	808
		6,459	18,917

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

7.1 Property and equipment

	2014							
	Cost			Accumulated Depreciation			Net book value	Rate
Particulars	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)							%
Tangible								
Lease hold improvements	22,858	- (13,479)	9,379	19,553	246 (11,791)	8,008	1,371	10
Furniture and fittings	17,457	- (14,296)	3,161	10,774	990 (9,201)	2,563	598	10
Motor vehicles	14,471	- (5,143)	9,328	7,062	1,245 (2,882)	5,425	3,903	20
Office equipment	13,257	- (9,772)	3,485	12,965	188 (9,772)	3,381	104	20
Computer equipment	4,501	- (264)	4,237	4,081	164 (154)	4,091	146	20
	72,544	- (42,954)	29,590	54,435	2,833 (33,800)	23,468	6,122	

	2013							
	Cost			Accumulated Depreciation			Net book value	Rate
Particulars	As at July 01, 2012	Additions / (deletions) / transfers*	As at June 30, 2013	As at July 01, 2012	Charge for the year / (on deletions) transfers*	As at June 30, 2013	As at June 30, 2013	Per annum
	(Rupees in '000)							%
Tangible								
Lease hold improvements	22,858	-	22,858	18,790	763	19,553	3,305	10
Office premises	23,000	- (23,000) *	-	671	- (671) *	-	-	5
Furniture and fittings	17,464	- (7)	17,457	9,431	1,348 (5)	10,774	6,683	10
Motor vehicles	28,152	- (12,850) (831) *	14,471	10,048	2,866 (5,188) (664) *	7,062	7,409	20
Office equipment	13,232	25	13,257	11,796	1,169	12,965	292	20
Computer equipment	7,312	- (3,642) 831 *	4,501	6,249	742 (3,574) 664 *	4,081	420	20
	112,018	25 (16,499) (23,000) *	72,544	56,985	6,888 (8,767) (671) *	54,435	18,109	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

7.1.1 Cost and accumulated depreciation at the end of the year include Rs.10.832 million (2013: Rs.17.596 million) in respect of fully depreciated assets still in use.

7.2 Intangible assets

2014

Particulars	Cost			Accumulated Amortisation			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)							%
Computer software	12,849	-	12,849	12,041	471	12,512	337	20
	12,849	-	12,849	12,041	471	12,512	337	

2013

Particulars	Cost			Accumulated Amortisation			Net book value	Rate
	As at July 01, 2012	Additions / (deletions)	As at June 30, 2013	As at July 01, 2012	Charge for the year / (on deletions)	As at June 30, 2013	As at June 30, 2013	Per annum
	(Rupees in '000)							%
Computer software	12,849	-	12,849	11,233	808	12,041	808	20
	12,849	-	12,849	11,233	808	12,041	808	

7.2.1 Cost and accumulated amortisation at the end of the year include Rs.10.978 million (2013: Rs.10.163 million) in respect of fully amortised intangible assets still in use.

7.3 Disposal of fixed assets

Particulars of fixed assets disposed off, having net book value exceeding Rs.50,000 or to related parties 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
Property and equipment	(Rupees in '000)						
Motor vehicles	2,108	506	1,602	1,842	240	Negotiation	IGI Insurance Limited, Karachi**
	1,072	858	214	222	8	Bank Policy	(Ex-Employee), Lahore* Saira Sheikh
	1,963	1,518	445	432	(13)	Bank Policy	(Ex-Employee), Karachi* Tariq Qureshi
	5,143	2,882	2,261	2,496	235		
Office equipment	9,772	9,772	-	2,779	2,779	Negotiation	IGI Insurance Limited, Karachi**
Lease hold improvements	13,479	11,791	1,688	5,000	3,312		
Furniture and fittings	14,296	9,201	5,095	7,710	2,615		
Computer equipment	264	154	110	110	-		
	37,811	30,918	6,893	15,599	8,706		
2014	42,954	33,800	9,154	18,095	8,941		
2013	16,499	8,767	7,732	11,596	3,864		

* Transfer to employees as per Bank policy
** Represents related party

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

		Note	2014	2013
			-------- (Rupees in '000) -------	
8.	**LONG-TERM INVESTMENTS**			
	Related parties - at cost			
	Investment in unquoted subsidiary companies	8.1	204,083	204,083
	Others - available-for-sale - at cost			
	Investment in unquoted companies	8.3	16,115	26,179
	Investment in quoted companies	8.4	13,923	15,668
	Investment in unquoted preference shares	8.5	-	-
			30,038	41,847
			234,121	245,930

		Note	IGI Finex Securities Limited 2014	IGI Finex Securities Limited 2013	IGI Funds Limited 2014	IGI Funds Limited 2013	Total 2014	Total 2013
			---------------------------- (Rupees in '000) ----------------------------					
8.1	**Investment in unquoted subsidiary companies**							
	Opening balance		204,083	548,995	-	242,440	204,083	791,435
	Investment made during the year		-	-	-	18	-	18
	Impairment charged during the year		-	(344,912)	-	(42,705)	-	(387,617)
	Transferred to Non-current assets classified as 'held-for-sale'	8.1.1	-	-	-	(199,753)	-	(199,753)
	Closing balance		204,083	204,083	-	-	204,083	204,083

8.1.1 As fully disclosed in note 18.1 to these financial statements, the Investment Bank has disposed off its entire shareholding in IGI Funds Limited during the current year against sale consideration received in cash.

		2014	2013
		-------- (Rupees in '000) -------	
8.2	**Movement in provision**		
	Cost	652,571	895,011
	Addition during the year	-	18
	Accumulated impairment	(448,488)	(491,193)
	Transferred to non-current assets classified as held-for-sale	-	(199,753)
	Net book value	204,803	204,083

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

				2014	2013
			Note	-------- (Rupees in '000) -------	

8.3 Investment in unquoted companies

Number of ordinary shares 2014	Number of ordinary shares 2013	Particulars	Note	2014	2013
7,600,000	7,600,000	DHA Cogen Limited		76,000	76,000
1,912,344	956,172	Systems Limited		10,150	10,150
1,123,318	1,123,318	Techlogix International Limited		12,782	12,782
36,891	36,891	Visionet Systems Inc.		3,247	3,247
			8.6	102,179	102,179
		Less: Provision for impairment	8.3.1	(86,064)	(76,000)
				16,115	26,179

8.3.1 During the year, impairment on Techlogix International Limited was charged amounting to Rs.10.064 million to write down the investment to its break-up value based on the most recent financial information available with the management.

8.4 Investment in quoted companies

Number of ordinary shares of Rs. 10 each 2014	Number of ordinary shares of Rs. 10 each 2013	Particulars	Note	2014	2013
1,352,992	1,352,992	Agritech Limited	8.6	47,355	47,355
		Less: Provision for impairment	8.4.1	(33,432)	(31,687)
				13,923	15,668

8.4.1 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) 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 THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

			2014	2013
			-------- (Rupees in '000) -------	
8.5 Investment in unquoted preference shares				
Number of preference shares of Rs. 10 each		**Particulars**		
2014	**2013**			
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
			-	-

8.6 As at June 30, 2014, 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 and Systems 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.

	Note	2014	2013
		-------- (Rupees in '000) -------	
9. LONG-TERM LOANS AND ADVANCES - NET			
Unsecured and considered good - due from:			
Related parties			
Executives	9.1	-	624
Secured and considered good - due from:			
Others			
Employees		-	29
Companies, organisations and individuals	9.2 & 9.4	9,711	19,573
		9,711	19,602
Considered doubtful			
Others			
Companies, organisations and individuals - secured	9.2	209,521	220,743
Individuals - unsecured		18,671	19,091
		228,192	239,834
Less: Provision thereagainst	9.3	(228,192)	(219,466)
		-	20,368
		9,711	40,594
Less: Current maturity of long-term loans and advances - net	13	(9,711)	(32,962)
		-	7,632

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

9.1 Reconciliation of carrying amounts of loans and advances to Executives

	2014	2013
	-------- (Rupees in '000) -------	
Opening balance	624	990
Disbursements during the year	-	200
Repayments during the year	(624)	(566)
	-	624

9.1.1 Maximum aggregate amount outstanding at the any time during the year was Rs.0.624 million (2013: Rs.1.043 million).

9.2 These loans carry mark-up at rate of 11.34% (2013: 11.34%) per annum and are repayable over periods ranging from 1 to 9 years (2013: 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.

9.3 Long-term loans and advances include Rs.228.192 million (2013: Rs.239.834 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:

	2014			2013		
	Specific	General	Total	Specific	General	Total
	------------------------------------- (Rupees in '000)					-------------------------------------
Opening balance	219,466	-	219,466	93,013	-	93,013
Charge for the year	14,232	-	14,232	141,272	-	141,272
Reversals during the year	(5,506)	-	(5,506)	(14,819)	-	(14,819)
	8,726	-	8,726	126,453	-	126,453
Closing balance	228,192	-	228,192	219,466	-	219,466

9.3.1 The provision held against loans of Rs.228.192 million (2013: Rs.219.466 million) has been made after deducting the value of collateral (i.e. forced sale value) amounting to Rs.Nil (2013: Rs.18.503 million) as allowed under the NBFC Regulations, 2008.

9.4 As at June 30, 2014, the Investment Bank's fund based exposure in one party 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		---------- (Rupees in '000) ------------	
10. NET INVESTMENT IN FINANCE LEASE			
Lease rental receivables		260,128	321,684
Add: Residual value		226,897	244,556
		487,025	566,240
Less: Unearned finance income		-	(2,465)
	10.1	487,025	563,775
Less: Provision for lease losses	10.4	(224,536)	(188,821)
Less: Current maturity of net investment in finance lease	10.5 & 13	(262,489)	(372,551)
		-	2,403

10.1 Particulars of net investment in finance lease

	2014			2013		
	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	260,128	-	260,128	320,266	1,418	321,684
Add: Residual value	226,897	-	226,897	243,509	1,047	244,556
Gross investment in finance lease	487,025	-	487,025	563,775	2,465	566,240
Less: Unearned finance income	-	-	-	(2,403)	(62)	(2,465)
Net investment in finance lease	487,025	-	487,025	561,372	2,403	563,775

10.2 The Investment Bank has entered into various lease agreements for period of 1 to 7 years (2013: 1 to 7 years). The rate of return implicit in the leases ranges from 14% to 17% (2013: 14.00% to 17.00%) 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.

10.3 The direct expenses incurred in relation to lease such as documentation charges, stamp duty etc. are reimbursed to the Investment Bank by the respective lessees and net balance representing excess / short reimbursement, if any, is taken to profit and loss account. However, there are no material initial direct costs associated with lease receivables.

10.4 Provisions for lease losses

	2014			2013		
	Specific	General	Total	Specific	General	Total
	------------------------------------- (Rupees in '000) -------------------------------------					
Opening balance	188,821	-	188,821	126,071	-	126,071
Charge for the year	54,303	-	54,303	81,479	-	81,479
Reversal during the year	(18,588)	-	(18,588)	(18,729)	-	(18,729)
	35,715	-	35,715	62,750	-	62,750
Closing balance	224,536	-	224,536	188,821	-	188,821

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

10.4.1 Based on the NBFC Regulations, the aggregate net exposure in finance leases which have been placed under non-performing status amounted to Rs.260.128 million (2013: Rs.309.307 million) against which a provision of Rs.224.536 million (2013: Rs.188.821 million) has been made after deducting the value of collateral (i.e. forced sale value) amounting to Rs.38.052 million (2013: Rs.105.431 million). The total income suspended against the non-performing parties amounted to Rs.77.388 million (2013: Rs.69.373 million).

10.5 This includes Rs.226.897 million (2013: Rs.243.509 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.

10.6 As at June 30, 2014, the Investment Bank's fund based exposure in one party 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	2014	2013
		-------- (Rupees in '000)	-------
11. DEFERRED TAX ASSET - NET			
Deferred tax assets on all deductible temporary differences	11.1	78,345	76,917
Deferred tax liabilities on taxable temporary differences arising in respect of:			
Accelerated tax depreciation		(78,345)	(76,213)
Surplus on revaluation of investments	21	-	(704)
		(78,345)	(76,917)
	11.2	-	-

11.1 The Investment Bank has an aggregate amount of Rs.775.779 million (2013: Rs.658.954 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.

11.2 Movement in deferred tax asset

	Note	2014	2013
Opening balance		-	293,930
Recognised during the year	37	-	(284,109)
		-	9,821
Deferred tax impact of surplus on revaluation of investments		-	(9,821)
		-	-

12. ASSETS ACQUIRED IN SETTLEMENT OF CLAIMS

	Note	2014	2013
Office building		-	16,721
Office building and shops		-	46,906
Commercial shops		-	6,216
	12.1	-	69,843

12.1 During the current year, all the assets acquired under satisfaction of claims were disposed off to a related party against consideration of Rs.66.210 million received in cash resulting in loss of Rs.3.633 million.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

		Note	2014	2013
			-------- (Rupees in '000) ------	
13.	**CURRENT MATURITY OF NON-CURRENT ASSETS**			
	Current maturity of long-term loans and advances - net	9	9,711	32,962
	Current maturity of net investment in finance lease	10	262,489	372,551
			272,200	405,513

14. SHORT-TERM LOANS AND ADVANCES

Considered doubtful

	Note	2014	2013
Due from companies and organisations		170,500	170,500
Less: Provision thereagainst	14.1 & 14.2	(170,500)	(170,020)
		-	480
		-	480

14.1 The balance has been provided as per the requirements of the NBFC Regulations.

14.2 Movement in provision

	2014	2013
Opening balance	170,020	172,000
Charge / (reversal)	480	(1,980)
Closing balance	170,500	170,020

15. SHORT-TERM INVESTMENTS

		2014			2013		
	Note	Held by the Investment Bank	Given as collateral	Total	Held by the Investment Bank	Given as collateral	Total
		------------------------------------- (Rupees in '000) -------------------------------------					
Held-for-trading							
Government securities	15.1	-	-	-	153,514	-	153,514
Available-for-sale							
Listed term finance certificates	15.2	58,075	-	58,075	74,071	-	74,071
Unlisted term finance certificates	15.2	108,264	-	108,264	120,444	-	120,444
		166,339	-	166,339	194,515	-	194,515
		166,339	-	166,339	348,029	-	348,029
Impairment loss on term finance certificates		(161,419)	-	(161,419)	(180,466)	-	(180,466)
		4,920	-	4,920	167,563	-	167,563

NOTES TO THE FINANCIAL STATEMENTS
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15.1 Particulars relating to government securities are as follows:

Particulars	Note	2014 Face value	2014 Amortised cost	2014 Market value	2013 Face value	2013 Amortised cost	2013 Market value
		(Rupees in '000)					
Market Treasury Bills		-	-	-	105,200	104,033	104,043
Pakistan Investment Bonds		-	-	-	50,000	47,410	49,471
	15.1.1	-	-	-	155,200	151,443	153,514

15.1.1 In accordance with the requirements of NBFC Regulations, the Investment Bank should invest atleast 15 percent of the outstanding funds raised through issue of certificates of deposit by the Investment Bank excluding certificates of deposit held by financial institutions in Pakistan Investment Bonds and Market Treasury Bills. However, the Investment Bank has divested during the period and, at the year end, there is Rs.Nil (2013: Rs.153.514 million) investment in Pakistan Investment Bonds and Market Treasury Bills.

15.2 Available-for-sale investments - term finance certificates

Number of certificates 2014	Number of certificates 2013	Particulars	Issue date	2014 Amortised cost	2014 Market value	2013 Amortised cost	2013 Market value
				(Rupees in '000)			
		LISTED TERM FINANCE CERTIFICATES					
		Textile					
5,000	5,000	Azgard Nine Limited II* (see note 15.4)	September 20, 2005	8,135	8,135	8,135	8,135
		Miscellaneous					
10,000	10,000	Pace (Pakistan) Limited* (see note 15.4)	February 15, 2008	49,940	49,940	49,940	49,940
-	8,715	Telecard Limited	May 27, 2005	-	-	15,996	15,996
				58,075	58,075	74,071	74,071

Number of certificates 2014	Number of certificates 2013	Particulars	Issue date	2014 Amortised cost	2014 Market value	2013 Amortised cost	2013 Market value
				(Rupees in '000)			
		UNLISTED TERM FINANCE CERTIFICATES					
4,000	4,000	Agritech Limited* (see note 15.4)	November 30, 2007	19,980	19,980	19,980	19,980
861	861	Agritech Limited IV* (see note 15.4)	July 01, 2011	4,305	4,305	4,305	4,305
13,000	13,000	Azgard Nine Limited IV* (see note 15.4)	December 04, 2007	28,178	28,178	28,178	28,178
5,348	5,348	Azgard Nine Limited V* (see note 15.2.1 & 15.4)	March 31, 2012	-	-	-	-
3,000	10,000	Eden Housing Limited*	December 31, 2007	6,560	6,560	18,740	18,740
10,000	10,000	New Allied Electronics Industries (Private) Limited - Sukuk* (see note 15.4)	December 03, 2007	49,241	49,241	49,241	49,241
				108,264	108,264	120,444	120,444

* These represent non-performing Term Finance Certificates and provision is made thereagainst as per the NBFC Regulations, 2008 (see note 15.4).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

15.2.1 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.

15.3 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-annually installments with stepped up repayment plan, 2012-2015 47% (Rs.699 million), 2016-2017 53% (Rs.799 million).
Pace (Pakistan) Limited	5,000	Average ask rate of six months KIBOR plus 2% (with no floor and cap)	Semi-annually	February 15, 2017	Principal to be repaid in 6 equal semi-annually installments in arrears after a grace period of 24 months from the last date of public subscription.
Unlisted Term Finance Certificates / Sukuk					
Agritech Limited I	5,000	Average ask rate of six months KIBOR plus 1.75%	Semi-annually	December 30, 2017	12 semi-annually installments with stepped up repayment plan, 2012-2014 35% (Rs.524.580,000), 2015-2017 65% (Rs.974,220,000).
Agritech Limited II	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-annually 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.

15.4 Movement in provision against investment

	2014	2013
	-------- (Rupees in '000) -------	
Opening balance	180,466	186,607
Charge for the year	-	107,386
Reversals during the year	(3,051)	(47,357)
Written-off during the year	(15,996)	-
	(19,047)	60,029
Transferred during the year	-	(66,170)
Closing balance	161,419	180,466

NOTES TO THE FINANCIAL STATEMENTS

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	Note	2014	2013
		-------- (Rupees in '000) -------	
16. PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments			
Rent		100	651
Others		913	1,590
Other receivables - net			
Secured - considered good			
Assets repossessed in respect of terminated lease contracts		1,028	1,028
Excise duty paid on behalf of customers		4,471	4,471
Accrued commission / fee income	16.1	79	1,731
Others	16.2	11,730	8,527
Unsecured and considered doubtful			
Federal excise duty receivable from customer		1,941	1,941
Receivable from lessees in satisfaction of claims		20,559	20,859
Insurance rentals receivable		1,502	1,502
Assets repossessed in respect of terminated lease contracts		7,137	7,137
		31,139	31,439
		49,460	49,437
Less: Provision against bad and doubtful receivables	16.3	(27,314)	(26,719)
		22,146	22,718

16.1 This includes commission aggregating to Rs.0.079 million (2013: Rs.0.5 million) due from a related party.

16.2 Included herein is a sum of Rs.2.3 million (2013: Rs.2.3 million) representing an amount deposited with Honorable High Court of Sindh (SHC) in respect of assets repossessed and sold subsequently upon termination of lease contract.

16.3 Movement in provision

	2014	2013
Opening balance	26,719	36,394
Charge for the year	595	4,075
Transferred during the year	-	(13,750)
Closing balance	27,314	26,719

NOTES TO THE FINANCIAL STATEMENTS

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		Note	2014	2013
			-------- (Rupees in '000)	-------
17.	**CASH AND BANK BALANCES**			
	In hand		80	56
	In current accounts			
	State Bank of Pakistan		188	1,498
	Others			
	Local currency		976	503
	Foreign currency		1,285	1,285
			2,261	1,788
	In saving accounts			
	Local currency	17.1	2,265	120,413
			4,794	123,755

17.1 These represent deposit accounts with commercial banks carrying mark-up at the rate ranging between 6.5% to 7% (2013: 6% to 8%) per annum.

18. NON-CURRENT ASSETS HELD-FOR-SALE

	Note	2014	2013
Investment in IGI Funds Limited - a wholly owned subsidiary	18.1	-	199,753

18.1 Following the execution of Amended and Restated Share Purchase Agreement (SPA) between the Investment Bank and Alfalah GHP Investment Management Limited dated May 22, 2013, the shareholders of the Investment Bank in their extra ordinary general meeting held on May 27, 2013 resolved, subject to all regulatory approvals, the sale and transfer (through simultaneous acquisition and merger) to Alfalah GHP Investment Management Limited, the entire shareholding of the Investment Bank in IGI Funds Limited (IGIFL) for a sale price of Rs.175 million, subject to such adjustments as made in accordance with the terms of the SPA. During the current year, the SECP on October 04, 2013 issued the sanction order vide its letters no. SCD/NBFC-IIIIGIFL & AFGHP/742/2013 for sanction of the scheme in terms of section 282L of the Companies Ordinance, 1984, to be effective from October 15, 2013. Based on the audited financial statements of IGIFL as at October 14, 2013, the impact of above adjustments amounted to Rs.24.753 million. Accordingly, shareholding of the Investment Bank in IGIFL has been disposed off against sale consideration of Rs.199.753 million received in cash.

19. SHARE CAPITAL

	2014	2013
Authorised capital		
300,000,000 (2013: 300,000,000) Ordinary shares of Rs.10 each	3,000,000	3,000,000
Issued, subscribed and paid-up capital		
190,993,300 (2013: 190,993,300) Ordinary shares of Rs.10 each fully paid in cash	1,909,933	1,909,933
21,109,250 (2013: 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

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The following shares were held by the related parties of the Investment Bank as at June 30, 2014:

	2014		2013	
	Shares held (in million)	Perecentage	Shares held (in million)	Perecentage
Name of related party				
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%

	Note	2014	2013
		-------- (Rupees in '000) -------	
20. RESERVES			
Capital reserves			
Statutory reserve	20.1	97,098	97,098
Revenue reserves			
General reserve		39,733	39,733
		136,831	136,831

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

	Note	2014	2013
		-------- (Rupees in '000) -------	
21. SURPLUS / (DEFICIT) ON REVALUATION OF INVESTMENTS - NET			
Net surplus / (deficit) on revaluation of: government securities		-	2,071
	21.1	-	2,071
Related deferred tax asset - net	11	-	(704)
		-	1,367
21.1 Particulars of deficit on revaluation of investments - net			
Opening balance		2,071	(46,511)
Surplus reclassified to profit and loss account on sale		(2,071)	48,582
Closing balance		-	2,071
22. LONG-TERM LOAN			
Unsecured			
Local currency - related party	22.1	285,000	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

22.1 During the year, the Investment Bank has 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.

	Note	2014	2013
		-------- (Rupees in '000) -------	
23. LONG-TERM CERTIFICATES OF DEPOSIT			
Unsecured			
Financial institutions		-	11,244
Individuals		9,749	218,576
Others		-	180,415
	23.1	9,749	410,235
Less: Current maturity of long-term certificates of deposit	25	(9,749)	(212,961)
		-	197,274

23.1 These certificates of deposit have contractual maturities ranging from 1 to 8 years (2013: 1 to 8 years) from the contract date. Expected rates of return payable on these certificates ranges from 8.2% to 14.5% (2013: 8.2% to 14.50%) per annum.

	Note	2014	2013
24. LONG-TERM DEPOSITS UNDER LEASE CONTRACTS			
Deposits under lease contracts	24.1	225,118	242,776
Less: Current maturity of deposits under lease contracts	25	(225,118)	(241,728)
		-	1,048

24.1 These represent interest free security deposits received against lease contracts which are repayable / adjustable at the expiry / termination of the respective leases.

	Note	2014	2013
25. CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Current maturity of long-term certificates of deposit	23	9,749	212,961
Current maturity of long-term deposits under lease contracts	24	225,118	241,728
		234,867	454,689
26. SHORT-TERM CERTIFICATES OF DEPOSIT			
Unsecured			
Local currency			
Individuals		-	73,613
Others		175,000	536,403
	26.1 & 26.2	175,000	610,016

26.1 These certificates of deposit have contractual maturities ranging from 1 to 6 months (2013: 1 to 12 months) from the contract date. Expected rate of return payable on these certificates of deposit is 11.50% (2013: 6.50% to 13.6% per annum).

26.2 This represents certificates of deposits held by a related party (2013: Rs.255 million).

NOTES TO THE FINANCIAL STATEMENTS
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26.3 The Investment Bank is not in compliance with the limit on aggregate liabilities as specified under the NBFC Regulations. As per the said Regulations, aggregate liabilities, excluding contingent liabilities and security deposits, of an NBFC shall not exceed ten times of its equity subsequent to the first two years of its operation, however, the aggregate liabilities of the Investment Bank excluding contingent liabilities and security deposits stood at Rs.532.289 million which is higher by Rs.214.502 million than the maximum allowed limit of Rs.317.787 million (ten times of equity).

	Note	2014	2013
		-------- (Rupees in '000) -------	
27. INTEREST AND MARK-UP ACCRUED			
Interest and mark-up accrued on:			
Certificates of deposit	27.1	12,987	35,328
		12,987	35,328

27.1 Included herein is a sum of Rs.11.812 million (2013: Rs.4.087 million) representing amount payable to related parties.

28. TRADE AND OTHER PAYABLES

	2014	2013
Accrued expenses	6,032	6,351
Payable to customers on account of excess recoveries	3,028	3,028
Unclaimed dividends	305	305
Withholding tax payable	1,347	246
Advances from lessees	7,917	14,524
Payable to IGI Insurance Limited - a related party	22,941	11,474
Others	7,983	7,106
	49,553	43,034

29. CONTINGENCIES AND COMMITMENTS

Contingencies

29.1 Taxation

Income tax returns for the tax years 2009, 2011, 2012 and 2013 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 2008 and 2010, issued by tax authorities, tax liability aggregating to Rs.161.887 million was determined and tax deductions / credits aggregating to Rs.334.725 million were allowed, leading to an aggregate assessed refund (after prior year adjustments etc.) of Rs.173.132 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.

(b) the dividend income was taxed at normal tax rate on dividend income instead of charging tax at the reduced tax rate of 5%.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

(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.

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

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.

	2014	**2013**
	-------- (Rupees in '000) -------	
29.3. Claims not acknowledged as debts	81,570	81,570

29.4. Commitments

There are no commitments as at the year end.

30. INCOME FROM INVESTMENTS

	2014					**2013**				
	Held to maturity	**Held-for-trading**	**Available-for-sale**	**Investment in subsidiary / associates**	**Total**	**Held to maturity**	**Held-for-trading**	**Available-for-sale**	**Investment in subsidiary / associates**	**Total**
	---------- (Rupees in '000) ----------									
Interest / mark-up / profit from:										
Market treasury bills	-	4,408	-	-	4,408	-	30,783	-	-	30,783
Pakistan investment bonds	-	2,664	-	-	2,664	-	5,264	-	-	5,264
Term finance certificates	-	-	1,734	-	1,734	-	-	94,324	-	94,324
	-	7,072	1,734	-	8,806	-	36,047	94,324	-	130,371
Dividend income	-	-	2,151	-	2,151	-	-	13,915	2,198	16,113
Gain / (loss) on disposal of:										
Market treasury bills	-	(104)	-	-	(104)	-	14	-	-	14
Pakistan investment bonds	-	318	-	-	318	-	-	-	-	-
Term finance certificates	-	-	3,200	-	3,200	-	-	(24,554)	-	(24,554)
Units of open end mutual funds	-	-	-	-	-	-	-	-	8,540	8,540
Listed shares and certificates	-	-	-	-	-	-	-	11,556	-	11,556
	-	214	3,200	-	3,414	-	14	(12,998)	8,540	(4,444)
	-	7,286	7,085	-	14,371	-	36,061	95,241	10,738	142,040

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

		Note	2014	2013
			-------- (Rupees in '000) -------	
31.	**INCOME FROM LEASE FINANCE**			
	Mark-up on lease finance		7,324	10,078
	Front-end fees, documentation charges and other lease related income		859	(1,447)
			8,183	8,631
32.	**INCOME FROM FEES, COMMISSION AND BROKERAGE**			
	Fee from corporate finance services		6,698	7,386
	Commission and advisory income		2,939	9,378
			9,637	16,764
33.	**FINANCE COSTS**			
	Mark-up on:			
	Long-term finance		-	3,110
	Certificates of deposit		65,691	231,732
	Borrowings from financial institutions		-	2,001
	Bank charges		43	80
			65,734	236,923
34.	**ADMINISTRATIVE AND GENERAL EXPENSES**			
	Salaries, allowances and benefits		22,431	56,888
	Contribution to the provident fund	34.1	921	2,063
	Contribution to employees' old-age benefit institution		60	136
	Depreciation on property and equipment	7.1	2,833	6,888
	Amortisation on intangible assets	7.2	471	808
	Rent, rates and taxes		4,009	18,558
	Travelling and entertainment		523	1,649
	Telephone, telex and fax		1,920	2,472
	Printing, postage and stationery		716	1,198
	Insurance		1,003	2,323
	Lighting, heating and cooling		470	5,347
	Repairs and maintenance		727	2,992
	Computer expenditure		1,501	1,758
	Brokerage and commission		38	106
	Legal and professional fees		6,793	16,263
	Subscriptions		1,418	1,020
	Advertisement		53	278
	Other expenses		411	2,574
			46,298	123,321

34.1. Defined contribution plan

An amount of Rs.0.921 million (2013: Rs.2.063 million) has been charged during the year in respect of contributory provident fund maintained by the Investment Bank.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

		Note	2014	2013
			-------- (Rupees in '000) -------	
35.	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Income from deposits with banks		2,743	14,054
	Income from non-financial assets			
	Gain on disposal of fixed assets		8,941	3,864
	Miscellaneous income		-	199
			11,684	18,117
36.	**OTHER OPERATING EXPENSES**			
	Provision against other assets	16.3	595	4,075
	Auditors' remuneration	36.1	1,918	2,157
			2,513	6,232
36.1	**Auditors' remuneration**			
	Statutory audit fee		850	850
	Half yearly review fee		375	375
	Special certification and other services		150	703
	Out of pocket expenses		543	229
			1,918	2,157
37.	**TAXATION**			
	Current		604	2,693
	Deferred	11.2	-	284,109
			604	286,802

37.1 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.

38. LOSS PER SHARE

	2014	2013
Loss after taxation	(135,718)	(1,082,873)
	---------- **Number of shares** ----------	
Weighted average number of ordinary shares outstanding during the year	212,102,550	212,102,550
	----------------- **(Rupee)** ----------------	
Loss per share	(0.64)	(5.11)

NOTES TO THE FINANCIAL STATEMENTS
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39. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives		Total	
	2014	2013	2014	2013	2014	2013
	(Rupees in '000)					
Managerial remuneration (including bonus)	2,364	3,636	7,432	15,969	9,796	19,605
House rent	1,064	1,636	3,344	7,186	4,408	8,822
Utilities	236	364	743	1,597	979	1,961
Medical expenses	236	364	-	-	236	364
Conveyance	381	278	943	930	1,324	1,208
Retirement benefits	236	364	522	1,380	758	1,744
Others	33	24	78	1,448	111	1,472
	4,550	6,666	13,062	28,510	17,612	35,176
Number of persons (see note 39.4)	0	1	8	23	8	24

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

39.2 The 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.

39.3 Total fees of Rs.Nil (2013: Rs.0.055 million) were accrued as payable to the directors for attending the board meetings.

39.4 During the year, the Chief Executive Officer of the Investment Bank resigned. Subsequent to the year end, the casual vacancy was filled through appointment of new Chief Executive.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

40. TRANSACTIONS WITH RELATED PARTIES

The related parties comprises of entities having significant influence over 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. For information regarding outstanding balances as at June 30, 2014 and June 30, 2013, refer to respective notes.

2014

Description	Entity having significant influence over the Investment Bank	Subsidiaries	Associates	Key management personnel	Other related parties	Total
Transactions during the year			(Rupees in '000)			
Certificates of deposit issued	765,000	210,000	-	-	-	975,000
Certificates of deposit matured / pre-matured	590,000	210,000	-	-	-	800,000
Long-term loan	-	-	-	-	285,000	285,000
Insurance expense	1,003	-	-	-	-	1,003
Sale of fixed assets	17,441	-	-	654	-	18,095
Sale of assets acquired in settlement of claims	66,210	-	-	-	-	66,210
Group shared services (see note 40.1)	5,407	526	-	-	-	5,933
Sale of government securities	19,220	147,600	-	-	80,100	246,920
Income from loans and advances	-	-	-	15	-	15
Commission income earned	-	771	-	-	-	771
Return on certificates of deposit	25,630	5,221		-	-	30,851
Rent expense	1,893	-	-	-	542	2,435
Charge for the year in respect of employee benefit and contribution plan	-	-	-	-	981	981

2013

Description	Entity having significant influence over the Investment Bank	Subsidiaries	Associates	Key management personnel	Other related parties	Total
Transactions during the year			(Rupees in '000)			
Certificates of deposit issued	255,000	120,000	-	-	599,559	974,559
Certificates of deposit matured	-	50,000	-	-	1,189,192	1,239,192
Insurance premium paid	2,275	-	-	-	-	2,275
Purchase of fixed assets	-	25	-	-	-	25
Sale of fixed assets	5,059	-	-	4,209	-	9,268
Purchase of marketable securities	-	4,395	-	-	-	4,395
Sale of marketable securities	-	253,216	-	-	-	253,216
Sale of term finance certificates	-	67,882	218,550	-	-	286,432
Group shared services (see note 40.1)	23,106	2,231	-	-	-	25,337
Investment in mutual fund units	-	-	300,000	-	-	300,000
Redemption of mutual fund units	-	-	550,000	-	-	550,000
Sale of government securities	61,562	-	-	489	209,715	271,766
Income from loans and advances	-	-	-	106	-	106
Borrowings - secured	-	26,000	-	-	-	26,000
Repayment of borrowings - secured	-	26,000	-	-	-	26,000
Borrowings - unsecured	-	-	45,000	-	-	45,000
Repayment of borrowings - unsecured	-	-	45,000	-	-	45,000
Brokerage, commission and fees paid	-	4,702	-	-	-	4,702
Return on certificates of deposit	-	1,341	-	-	74,842	76,183
Rent expense	16,987	-	-	-	1,417	18,404
Reimbursement of rent	595	688	-	-	-	1,283
Charge for the year in respect of employee benefit and contribution plan	-	-	-	-	2,199	2,199

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40.1 Group shared services

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

41. WORKING CAPITAL CHANGES

	2014	2013
	-------- (Rupees in '000) -------	
Decrease in current assets:		
Short-term loans and advances	-	4,006
Short-term investments	167,251	1,568,368
Prepayments and other receivables	572	6,632
	167,823	1,579,006
Decrease in current liabilities:		
Trade and other payables	6,519	6,697
	174,342	1,585,703

42. 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. Further, the Investment Bank has also entered into agreements with certain counterparties to provide them investment advisory services at a fixed fee. However, no such clients exists as at June 30, 2014.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Investment Bank's principal financial liabilities comprise long term loan, certificate 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 Investment Bank's policies and Investment Bank's risk appetite.

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

43.1 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.

43.1.1 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. The Investment Bank, at present is not exposed to significant currency risk.

43.1.2 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 certificate 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.

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As at June 30, 2014	Effective Rate %	Total	Exposed to yield / interest rate risk: Within one year	More than one year and less than five years	More than five years	Not exposed to yield / interest rate risk
		(Rupees in '000)				
Financial assets						
Loans and advances - net	11.34 - 13.61	9,711	9,711	-	-	-
Net investment in finance lease	14.00 - 17.00	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
Interest, mark-up and profit accrued	-	-	-	-	-	-
	6.50 - 8.50	4,794	2,265	-	-	2,529
Cash and bank balances						
Non-current assets classified		-	-	-	-	-
as 'held-for-sale'		541,837	279,385	-	-	262,452
Financial liabilities	6.25 - 11.50	184,749	184,749	-	-	-
Certificates of deposit	-	225,118	-	-	-	225,118
Deposits under lease contracts	-	12,987	-	-	-	12,987
Interest and mark-up accrued	-	40,289	-	-	-	40,289
Trade and other payables		463,143	184,749	-	-	278,394
On-balance sheet gap		78,694	94,636	-	-	(15,942)
Commitments in respect of forward sale of shares		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-

As at June 30, 2013	Effective Rate %	Total	Exposed to yield / interest rate risk: Within one year	More than one year and less than five years	More than five years	Not exposed to yield / interest rate risk
		(Rupees in '000)				
Financial assets						
Loans and advances - net	11.34 to 13.61	41,074	33,442	7,632	-	-
Net investment in finance lease	14.00 - 17.00	374,954	372,551	2,403	-	-
Investments	8.75 - 17.50	413,493	104,043	77,614	-	231,836
Long-term deposits	-	4,669	-	-	-	4,669
Other receivables	-	20,477	-	-	-	20,477
Interest, mark-up and profit accrued	-	2,413	-	-	-	2,413
Cash and bank balances	6.00 - 8.00	123,755	120,413	-	-	3,342
Non-current assets classified as 'held-for-sale'		199,753	-	-	-	199,753
		1,180,588	630,449	87,649	-	462,490
Financial liabilities						
Certificates of deposit	6.5 - 14.50	1,020,251	822,977	197,274	-	-
Deposits under lease contracts	-	242,776	-	-	-	242,776
Interest and mark-up accrued	-	35,328	-	-	-	35,328
Trade and other payables	-	28,264	-	-	-	28,264
		1,326,619	822,977	197,274	-	306,368
On-balance sheet gap		(146,031)	(192,528)	(109,625)	-	156,122
Commitments in respect of forward sale of shares		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-

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43.1.3 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.

43.2 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 Investment Bank 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 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.

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:

	2014		2013	
	(Rupees in '000)	%	(Rupees in '000)	%
Loans and leases				
Dairy and poultry	315	0.12	3,100	0.75
Cement	3,100	1.14	8,671	2.08
Health	3,346	1.23	24,866	5.98
Glass and ceramics	315	0.12	315	0.08
Leather	360	0.13	3,335	0.80
Paper and board	11,651	4.28	29,702	7.14
Construction	17,563	6.45	17,563	4.22
Energy, oil and gas	15,941	5.86	15,941	3.83
Financial institutions	-	-	2,927	0.70
Electric and electric goods	3,335	1.23	5,950	1.43
Chemicals / fertilizers / pharmaceuticals	3,860	1.42	3,860	0.93
Food, tobacco and beverages	72,600	26.67	117,193	28.17
Steel, engineering and automobiles	12,657	4.65	12,657	3.04
Transport	24,297	8.93	42,084	10.12
Textile / textile composite	56,674	20.80	81,678	19.63
Miscellaneous (including individuals)	46,186	16.97	46,186	11.10
	272,200	100.00	416,028	100.00

43.3 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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.

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	6,459	-	6,459	-
Investments	239,041	4,920	-	234,121
Loans and advances - net	9,711	9,711	-	-
Net investment in finance lease	262,489	262,489	-	-
Long-term deposits	4,669	-	-	4,669
Taxation - net	239,877	239,877	-	-
Prepayments and other receivables	22,146	22,146	-	-
Cash and bank balances	4,794	4,794	-	-
	789,186	543,937	6,459	238,790
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	49,553	49,553	-	-
	757,407	472,407	-	285,000
	31,779	71,530	6,459	(46,210)

As at June 30, 2013	Total	Within one year	More than one year and less than five years	More than five years
	(Rupees in '000)			
Assets				
Fixed assets	18,917	7,696	11,221	-
Investments	413,493	104,043	77,614	231,836
Loans and advances - net	41,074	33,442	7,632	-
Net investment in finance lease	374,954	372,551	2,403	-
Long-term deposits	4,669	-	-	4,669
Assets acquired in settlement of claims	69,843	69,843	-	-
Taxation - net	238,664	238,664	-	-
Prepayments and other receivables	22,718	22,718	-	-
Interest, mark-up and profit accrued	2,413	2,413	-	-
Cash and bank balances	123,755	123,755	-	-
Non-current assets held-for-sale	199,753	199,753	-	-
	1,510,253	1,174,878	98,870	236,505
Liabilities				
Certificates of deposit	1,020,251	822,977	197,274	
Deposits under lease contracts	242,776	241,728	1,048	-
Interest and mark-up accrued	35,328	35,328	-	-
Trade and other payables	43,034	43,034	-	-
	1,341,389	1,143,067	198,322	-
	168,864	31,811	(99,452)	236,505

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

44. 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, 2014, the Investment Bank's total equity is Rs.31.779 million (see note 1.3).

No other changes were made in the objectives, policies or processes during the years ended June 30, 2014 and June 30, 2013.

45. FAIR VALUE OF FINANCIAL INSTRUMENTS

45.1 As at June 30, 2014, 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.

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

46. DATE OF AUTHORISATION FOR ISSUE

The financial statements were approved by the Board of Directors and authorised for issue on September 30, 2014.

47. GENERAL

47.1 Comparitives

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	Reclassified To
Loss on termination of lease contracts	(6,279)	Income from lease finance	Loss on termination of lease contracts

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

Chief Executive Officer | **Director**

SUMMARY OF KEY OPERATING AND FINANCIAL DATA

(Rupees in Thousands)

	June 30 2014	June 30 2013	June 30 2012	June 30 2011	June 30 2010	June 30 2009
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	(2,089,246)	(1,953,528)	(870,655)	(647,800)	(478,805)	(251,796)
	31,779	167,497	1,250,370	1,473,225	1,642,220	1,869,229
(Defecit) / Surplus on revaluation of investments - net	-	1,367	(37,394)	(55,544)	(37,305)	(1,767)
Finance provided						
Term finance	9,711	41,074	199,797	314,859	405,868	764,041
Lease finance	262,489	374,954	555,328	665,087	1,095,712	1,829,096
	272,200	416,028	755,125	979,946	1,501,580	2,593,137
Investments (including repos and excluding reverse repos)						
Government securities	-	153,514	399,512	3,618,732	1,155,965	457,692
Listed term finance certificates	-	-	359,528	640,534	1,275,520	289,346
Unlisted term finance certificates	4,690	14,049	741,579	923,445	691,385	363,159
Listed shares, units, certificates and modarba certificates	13,923	15,668	436,731	518,292	918,018	569,749
Unlisted shares, units, certificates and modarba certificates	16,115	26,179	26,179	22,932	22,932	98,932
Investment in Subsidiaries	204,083	204,083	791,435	855,643	860,324	895,011
	239,041	413,493	2,754,964	6,579,578	4,924,144	2,673,889
Balances and placements with banks / financial institutions (excluding balances with the State Bank of Pakistan and Reverse repos)	-	-	-	-	129,000	513,000
Certificates of deposit issued	184,749	1,020,251	2,600,940	3,029,750	3,881,951	2,656,875
Term finance certificates issued	-	-	-	62,475	187,083	311,280
(Loss) / profit before taxation	(135,114)	(796,071)	(209,045)	(88,688)	(386,417)	(450,654)
(Loss) / profit after taxation	(135,718)	(1,082,873)	(222,855)	(168,995)	(199,370)	(375,086)
Cash dividend	-	-	-	-	-	-
Bonus Shares issue	-	-	-	-	-	-

INFORMATION FOR SHAREHOLDERS

Registered Office
5 - F.C.C. Ground Floor,
Syed Maratib Ali Road, Gulberg
Lahore.
Tel.: (042) 111-234-234
(042)-35755381
Fax : (042)-111-567-567
(042)-35763542

Shares Registrar
THK Associates (Pvt.) Limited
Ground 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: scretariat@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 2014-15 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 Assoicates (Pvt.) Limited serving 3,724 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:
Syed Zafarullah Maqdi
Company Secretary & Head of Compliance and Internal Audit, IGI Investment Bank
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, 2014 to October 31, 2014 (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, 2014
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.

IGI
Investment Bank

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2014

NUMBER OF SHARE HOLDERS	SHARE HOLDING FROM	TO	TOTAL SHARES HELD
309	1	100	11,720
491	101	500	166,634
400	501	1,000	363,966
1094	1,001	5,000	3,141,711
466	5,001	10,000	3,844,215
174	10,001	15,000	2,265,803
111	15,001	20,000	2,096,716
104	20,001	25,000	2,486,000
73	25,001	30,000	2,117,892
45	30,001	35,000	1,501,680
35	35,001	40,000	1,355,664
25	40,001	45,000	1,083,566
75	45,001	50,000	3,695,807
24	50,001	55,000	1,279,026
15	55,001	60,000	877,606
9	60,001	65,000	574,700
7	65,001	70,000	481,540
9	70,001	75,000	665,550
10	75,001	80,000	784,156
8	80,001	85,000	669,537
9	85,001	90,000	798,351
1	90,001	95,000	90,800
52	95,001	100,000	5,184,720
6	100,001	105,000	620,300
4	105,001	110,000	431,154
2	110,001	115,000	225,001
6	115,001	120,000	718,000
6	120,001	125,000	746,347
2	125,001	130,000	259,000
2	130,001	135,000	267,000
6	135,001	140,000	833,042
1	140,001	145,000	142,500
9	145,001	150,000	1,341,940
2	150,001	155,000	305,500
1	155,001	160,000	158,000
8	160,001	165,000	1,299,445
2	165,001	170,000	339,500
6	170,001	175,000	1,040,290
1	175,001	180,000	179,500
4	180,001	185,000	732,972
1	190,001	195,000	191,000
14	195,001	200,000	2,795,199
3	200,001	205,000	611,500
3	205,001	210,000	622,500
2	210,001	215,000	428,000
1	215,001	220,000	216,500
2	220,001	225,000	446,000
2	230,001	235,000	470,000
2	235,001	240,000	476,248
2	240,001	245,000	486,532
5	245,001	250,000	1,246,732
1	250,001	255,000	254,738
2	270,001	275,000	550,000

IGI
Investment Bank

PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2014

NUMBER OF SHARE HOLDERS	SHARE HOLDING FROM	TO	TOTAL SHARES HELD
2	275,001	280,000	556,000
1	280,001	285,000	285,000
2	285,001	290,000	575,500
3	295,001	300,000	895,100
2	300,001	305,000	606,192
2	310,001	315,000	625,500
1	315,001	320,000	315,148
2	320,001	325,000	650,000
1	340,001	345,000	340,730
1	345,001	350,000	345,754
1	375,001	380,000	375,500
1	385,001	390,000	389,500
2	395,001	400,000	799,000
1	400,001	405,000	402,000
1	405,001	410,000	409,500
1	410,001	415,000	415,000
2	440,001	445,000	882,150
1	445,001	450,000	450,000
2	450,001	455,000	905,000
1	465,001	470,000	467,500
1	470,001	475,000	473,191
1	500,001	505,000	505,000
1	540,001	545,000	544,000
1	550,001	555,000	551,461
1	565,001	570,000	570,000
1	585,001	590,000	587,000
1	595,001	600,000	595,500
1	605,001	610,000	606,191
1	610,001	615,000	610,874
1	615,001	620,000	615,683
1	700,001	705,000	702,372
1	805,001	810,000	806,166
1	865,001	870,000	866,500
1	980,001	985,000	985,000
2	995,001	1,000,000	2,000,000
2	1,000,001	1,005,000	2,003,412
1	1,060,001	1,065,000	1,060,507
1	1,210,001	1,215,000	1,212,000
1	1,440,001	1,445,000	1,444,300
1	1,475,001	1,480,000	1,479,882
1	1,820,001	1,825,000	1,823,800
1	1,995,001	2,000,000	2,000,000
1	2,120,001	2,125,000	2,121,023
1	2,210,001	2,215,000	2,214,199
1	2,590,001	2,595,000	2,594,500
1	4,025,001	4,030,000	4,026,500
1	4,400,001	4,405,000	4,405,000
1	4,610,001	4,615,000	4,610,915
1	6,530,001	6,535,000	6,533,579
1	9,795,001	9,800,000	9,796,627
1	89,095,001	89,100,000	89,095,494
3,717			**212,102,550**

PATTERN OF SHAREHOLDING AS REQUIRED BY THE CODE OF CORPORATE GOVERNANCE

AS AT JUNE 30, 2014

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	6,534,979	3.08
	National Investment Trust (NIT)		6,533,579	3.08
	Investment Corporation of Pakistan (ICP)		1,400	0.00
3	**Directors, CEO, Spouses and Minor Childern**	8	9,984,853	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
	Jalees Ahmed Siddiqi		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**	18	67,037	0.03
5	**Joint Stock Companies**	48	11,678,116	5.51
6	**Foreign Investors**	5	870,554	0.41
7	**Charitable Trusts**	6	1,974,168	0.93
8	**Others**	6	1,296,288	0.61
9	**Individuals**	3,622	85,990,146	40.54
	Total	**3,717**	**212,102,550**	**100**

PATTERN OF SHAREHOLDING AS REQUIRED BY THE CODE OF CORPORATE GOVERNANCE

AS AT JUNE 30, 2014

Shareholders having more than 5% Holding

IGI Insurance Limited	**89,095,494**	**42.01**

Shareholders' Category

Category of Shareholders	Number of Share holders	Number of Shares held	Holding %
INDIVIDUALS	3,588	83,766,863	39.49
JOINT STOCK COMPANIES	47	10,617,609	5.01
DIRECTORS, CEO, SPOUSES AND MINOR CHILDREN	8	9,984,853	4.71
NIT / ICP	1	1,400	0.00
ASSOCIATED COMPANIES, UNDERTAKING & RELATED PARTY	2	93,706,409	44.18
PUBLIC SECTOR COMPANIES AND CORPORATIONS	1	1,060,507	0.50
FINANCIAL INSTITUTIONS	5	8,207	0.00
LEASING COMPANIES	1	20	0.00
INSURANCE COMPANIES	6	24,873	0.01
MODARABAS	3	10,437	0.00
MUTUAL FUNDS	4	6,557,079	3.09
FOREIGN INVESTOR (COMPANIES)	5	870,554	0.41
CHARITABLE TRUSTS	6	1,974,168	0.93
OTHERS	6	1,296,288	0.61
GENERAL PUBLIC (FOREIGN)	34	2,223,283	1.05
Company Total	**3,717**	**212,102,550**	**100**

IGI
Investment Bank

STATEMENT OF SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

IGI Investment Bank Limited, a listed company incorporated under the laws of Pakistan (the **Company**), is in the process of amalgamation of entire undertaking of IGI Finex Securities Limited (**IGI Finex**), an unlisted company incorporated under the laws of Pakistan, with and into the Company (the **Proposed Amalgamation**).

The Company has been advised that it will be helpful for the Proposed Amalgamation process if registered offices of both merger companies (the Company and IGI Finex) are located in one common Provincial jurisdiction. The registered office of the Company is located in Province of Punjab, however, registered office of IGI Finex (which entity is proposed to be merged and amalgamated in the Company) is located in Province of Sindh.

In light of above, for the purpose of facilitating the Proposed Amalgamation, the Company proposes that, subject to regulatory approvals and compliance, its registered office be shifted from Province of Punjab to Province of Sindh. This will also require amendment in Clause II of the Memorandum of Association of the Company. For such purpose, shareholders of the Company will be required to pass a special resolution in accordance with applicable law.

Clause II of the Memorandum of Association is required to be amended as follows:

Ref	Present	Proposed
Clause II of Memorandum of Association	The registered office of the Company will be situated in the Province of Punjab.	The registered office of the Company will be situated in the Province of Sindh.

Except as set out in this paragraph, no Director of the Company has any interest, whether directly or indirectly, in the foregoing special business. The Directors declare that they have an interest in the form of their shareholdings in the Company as nominee directors; their employment in the Company; and the remuneration and benefits that might accrue to them as part of any policy of the Company.

Copies of Memorandum of Association and Articles of Association may be inspected by the members of the Company during business hours at its registered office located at Ground Floor, 5-F.C.C. Syed Maratib Ali Road, Gulberg, Lahore.

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 10:30 am at the registered office of the company on Friday, October 31, 2014 and at any adjournment thereof.

Signed this ________________ day of ________________ 2014.

Signature

Please affix Rs. 5/- Revenue Stamp

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

WITNESSES:

1. Signature: ______________________

   Name: ______________________

   Address: ______________________

   ____

   CNIC / Passport No. ______________

2. Signature: ______________________

   Name: ______________________

   Address: ______________________

   ____

   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, 5 F.C.C., Ground Floor, Syed Maratib Ali Road, Gulberg, Lahore, 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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AFFIX
CORRECT
PASTAGE

The Company Secretary

IGI Investment Bank Limited
5 F.C.C., Ground Floor,
Syed Maratib Ali Road,
Gulberg, Lahore
Pakistan

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