

Annual Report

2015-2016



Institute of Financial Markets of Pakistan

(Formerly Institute of Capital Markets)

MESSAGE FROM THE CEO

It is my privilege to present the FY 2015-2016 Annual Report of the Institute of Financial Markets of Pakistan (IFMP) formerly Institute of Capital Markets. This year marks an important milestone for IFMP as it embarks on a transformative business direction to become a leading learning and development solutions provider for the financial markets industry. In a fast-moving and challenging financial market landscape, the existence of a talent pool high in professionalism and integrity is an influential factor for the preservation of investor confidence and the resilience of the financial market in Pakistan. In this regard, IFMP's transformation is timely in addressing current and future talent development challenges to support the growth of an increasingly complex and sophisticated Pakistan Financial Market. Positioning itself as a strategic learning and development industry partner with an ability to contextualize professional development solutions based on relevance and industry expectations, IFMP will heighten its collaborations with industry players to respond to financial market talent development needs and issues, set competency standards for financial market job roles, and offer targeted learning solutions and consultancy services for different areas, competencies and levels within the financial market. As IFMP pursues its mission of raising the standard of financial market participants to support the rapid growth of the industry, it also plays an important role to provide learning and development initiatives that complement the SECP's regulatory activities. Moving in tandem with regulatory and market developments, IFMP will focus on priority areas such as governance, risk and compliance in addition to its current range of programmes. This transformation strategy has resulted in increased emphasis on industry engagement and collaboration leading to a deeper understanding of the market and its participants. I am confident that IFMP's new business direction will strengthen its contribution to the creation of a competent, high-integrity talent pool crucial for the growth of the Pakistan financial market, and at the same time enable IFMP to accelerate national expansion by leveraging its expertise.



Mr. Muhammad Ali Khan

CONTENTS

| | |
|--|-----------|
| Vision and Mission | 3 |
| Core Objectives | 4 |
| Company Overview | |
| Company Profile | 5 |
| Organizational Structure | 6 |
| Profile of the Board of Directors | 7 |
| Directors' Report | |
| Corporate Governance | 12 |
| Governance Framework..... | 13 |
| Financial Highlights..... | 14 |
| Operational Highlights..... | 19 |
| Six Years' Summary | 22 |
| Corporate and Financial Reporting Framework | 25 |
| Accounting Standards | 26 |
| Auditors..... | 27 |
| Disclosure to the Number of Employees | 28 |
| Future Prospects and Risks | 29 |
| Financials | 30 |
| Number of Board Meetings and Attendance | |
| Board of Directors..... | 59 |
| Board Committee | |
| Audit and Risk Committee..... | 60 |
| Human Resource and Remuneration Committee..... | 61 |
| Procurement Committee | 61 |
| Strategic Learning, Development and Innovation | 62 |
| Pattern of Shareholdings | 63 |
| Appreciation and Acknowledgement | 64 |

VISION

Bring contemporary knowledge and ethical standards to Pakistan's financial markets; as are practiced in structurally parallel but advanced jurisdictions.

MISSION

To develop an industry focused membership organization to raise the ethical levels and knowledge standards in the Financial Services Industry and foster professional development through

- Providing practical and contemporary skills;
 - Undertaking research towards developing financial markets;
 - Introducing minimum ethical standards and,
 - Promoting ethical practices.
-

CORE OBJECTIVES

- To provide an institution that promotes the certification programme to enhance the knowledge and educational standards of financial market professionals.
- To provide a platform for the development of financial markets professionals through holding the certification examination.
- To inculcate in the members of the Company, the feeling, understanding and spirit of maintaining and observance of the professional ethics and character.
- To represent, express, promote and to give effect to the findings and opinions on events and issues relating to financial markets.
- To establish an effective forum of discussions, and to communicate the results of such discussions to the relevant government agencies and regulators in Pakistan.

COMPANY OVERVIEW

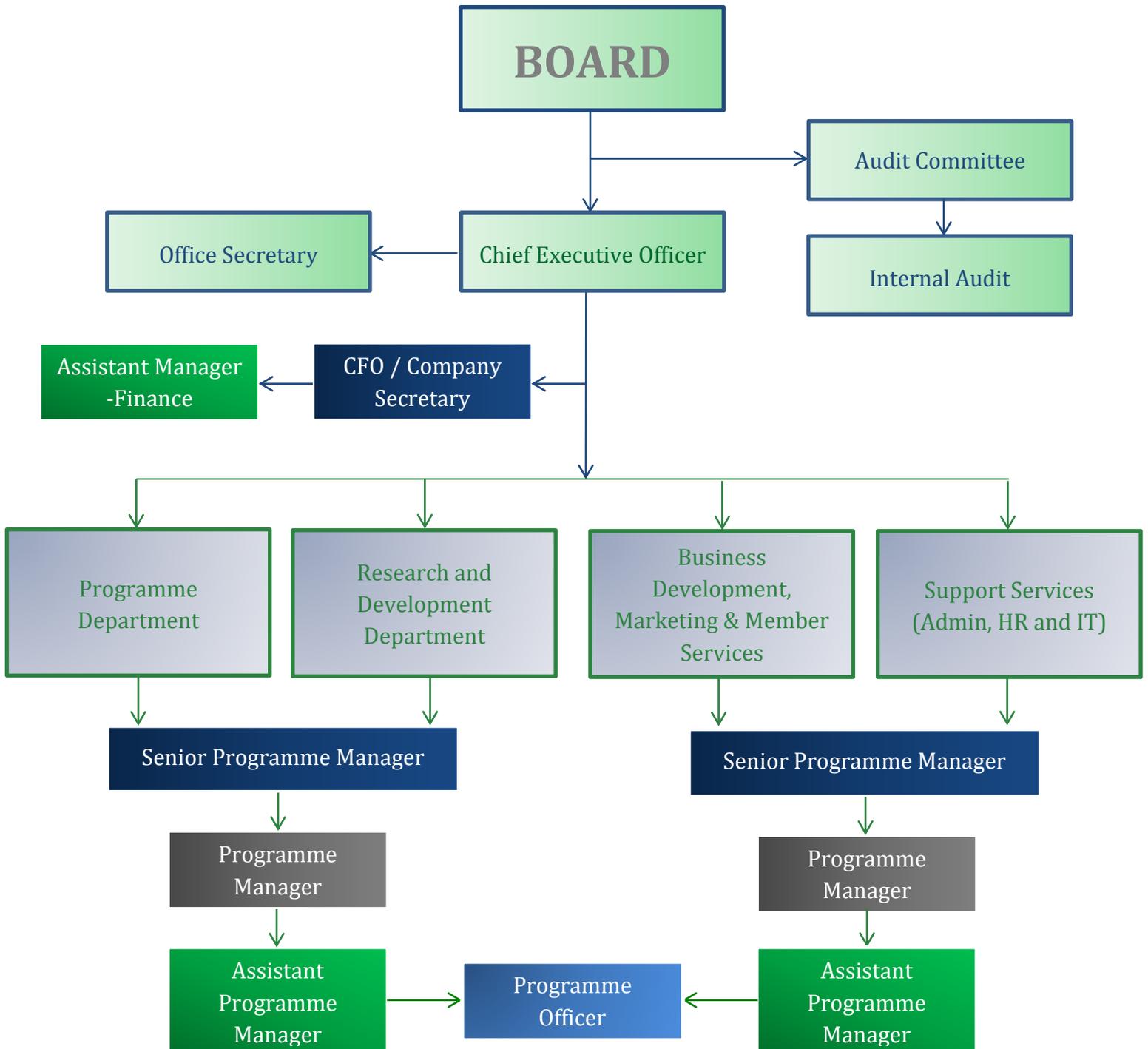
Company Profile

The Institute of Financial Markets of Pakistan (IFMP) formerly Institute of Capital Markets, Pakistan's first securities market institute, has been established in 2008 as a permanent platform to develop quality human capital, to meet the emerging professional knowledge needs of financial markets and to create standards among market professionals.

Pakistan markets presently face the capacity constraint where standards of knowhow and lack of quality human financial are major impediment to build investor's confidence. There exists a strong need of a dedicated institute that can conduct educational and training activities for the market participants to develop financial market practitioners and focus on the current issues being faced by the financial market. Hence, IFMP has been envisioned to conduct various licensing examinations leading to certifications for different segments of the financial markets. Currently, IFMP is offering eighteen programmes (five licensing programmes, four insurance programmes and nine other programmes).

The Institute intends to develop a pool of trained and certified professionals, skilled not only to deal in conventional instruments but also to develop and trade new and complex financial market products. IFMP requires its members to meet the standards set out within the Institute's Principles. The professionals must always comply with the requirements in a discrete and transparent manner. The Institute has been registered as a not-for-profit company limited by guarantee with share capital under section 42 of the Companies Ordinance, 1984.

Organizational Structure



Profile of the Board of Directors

 **Dr. Izhar Hussain**
Chairman

Izhar Hussain works for the Center for Executive Education, Institute of Business Administration (IBA). Before the current engagement, he spent more than 25 years at senior management positions in various MNCs, including Abbott, where he was the Director Business Excellence and Development and had a regional role for Business Excellence as well.

His experience encompasses marketing & sales, business development, performance excellence management, supply chain management and business excellence. He holds PhD and MBA in Marketing. He is Certified Auditor for ISO 9000 & Certified Six Sigma Black Belt. He has been imparting training within and outside Pakistan. He taught in various business and pharmacy schools for last 25 years. He also helped various institutions in curriculum development, and acquiring collaboration with various academic institutions and world recognized professional bodies. He also worked as a Corporate Representative in the Accreditation Inspection Committee (AIC) of the National Business Education Accreditation Council (NBEAC), the Higher Education Commission (HEC). He serves at boards of studies of various academic institutions.

 **Dr. Zeeshan Ahmed**
Director

Dr. Zeeshan Ahmed is an Associate Professor at KSBL. Prior to joining KSBL he was heading the undergraduate program in Accounting and Finance at Suleman Dawood School of Business, Lahore University of Management Sciences (LUMS). Dr. Zeeshan has over ten years of diverse experience including training, research and consultancy experience. After completing his MBA from IBA Karachi, he worked as a management consultant with Ferguson Associates, an affiliate firm of PricewaterhouseCoopers. He completed his Ph.D. from Mississippi State University, US in the discipline of Finance. Professionally, he is a CFA and has also passed all CPA examinations – the two most respected professional qualifications in Finance and Accounting respectively. His decade-long experience as an academician comprises of teaching and training using a variety of pedagogical techniques (including case method) at top business schools in Pakistan. He has also been influential in shaping the curriculum for business education at these schools.

 **Mr. Ashraf Bava**
Director

Mr. Ashraf Bava, CFA is the Chief Executive of Nael Capital (Private) Limited, a corporate member of Pakistan Stock Exchange (formerly Karachi Stock Exchange). Mr. Bava's association with Pakistan's capital markets dates back to 1995 and has over 20 years of experience. He joined Indosuez WI Carr Securities (Pvt) Limited now Elixir Securities Pakistan (Private) Limited in August 1999 and worked there as Senior salesperson, Head of Sales before being elevated as the Chief Executive of the company in

October 2005. He served in that capacity until February 2008, thereafter, founded Nael Capital to pursue his own business in equity markets. Mr. Bava has done his BBA (Hons) and MBA with majors in marketing from Institute of Business Administration, Karachi in 1994; he is also a Chartered Financial Analyst (CFA) from CFA Institute, USA. Mr. Bava has served on the board of Pakistan Stock Exchange Guarantee (Ltd.) and National Clearing Company of Pakistan (Pvt) Ltd in the year 2011. As part of his volunteer work he is also the President of the CFA Society of Pakistan since October 2013. He has been volunteering for the CFA Society Pakistan since its inception in 2002.

 **Mr. Hassanali Abdullah**

Director

Mr. Hasanali Abdullah qualified as Chartered Accountant in 1973 and is also a “Certified Director” from Pakistan Institute of Corporate Governance. Mr. Hasanali has been associated with EFU General Insurance Ltd since 1979 and was appointed as Managing Director & Chief Executive of EFU General Insurance Ltd. in July 2011. He is also the Director of two other companies of EFU Group i.e. Allianz EFU Health Insurance Ltd. and EFU Services (Private) Ltd.

He is Director of Tourism Promotion Services (Pakistan) Ltd. (owners of Serena Hotels in Pakistan), Honorary Treasurer of Aga Khan Hospital & Medical College Foundation, Member of National Committee of Pakistan of Aga Khan University Foundation, Geneva and Chairman of Pakistan Insurance Institute. He has served on the Boards, Council and Committees of various Aga Khan Development Network institutions from 1976 to 2002.

 **Mr. Imran Zafar**

Director

Mr. Imran Zafar is the Head of Merchant Banking Group at Bank Alfalah Ltd. Imran is a seasoned professional having over 15 years of experience in the field of investment banking, capital markets, strategy, & principal investing in Pakistan and the UK. Prior to joining Bank Alfalah, he was associated with Dhabi Group, MCB Bank, Elixir Securities and Dresdner Kleinwort Wasserstein. Imran holds a Master degree in Economics from University of London.

 **Dr. Muhammad Mohsin Khan**

Director

Dr. Muhammad Mohsin Khan is the Director of Institute of Management Sciences (IM-Sciences) Peshawar. His educational qualifications include a Doctorate in Business Administration from San Diego, California, USA, in 1986. After returning to Pakistan he joined a development financial institution in Islamabad and worked for the promotion of business and industry in the less developed areas of Pakistan. Thereafter, he joined the founding team that established the Bank of Khyber in 1992. As an Executive Vice President his main areas of responsibilities were banking operations, project financing, and training and research. In 2004, he left the banking sector and conducted research and consultancy assignments in Pakistan and Afghanistan for multinational organizations.

Dr. Muhammad Mohsin Khan joined the Institute of Management Sciences, Peshawar in March 2005 as the Joint Director (Academics). He worked with his team members for introducing new academic

programs, developing need based scholarship programs and enhancing the quality of the programs and facilities. In February, 2013, he was appointed as the Director of the Institute of Management Sciences.

 **Mr. Saad Al Marwat**

Director

Mr. Saad Khan Al-Marwat is an Assistant Professor at NUST Business School, faculty of Finance & Investment from 2013. Prior to joining NUST he was in Duke Street Capital London. He completed private equity research focused on identifying potential UK-based acquisition targets within sub-sectors of the Oil & Gas industry. He completed his MBA (on merit) from Cass Business School, London in 2012. He was also Teaching Assistant for Mergers and Acquisitions Module for Cass Executive Education. He completed his Bachelors in Economics, Accounting and Law in 1994 (Presidential Scholarship). His decade-long experience as an academician comprises of teaching and training using a variety of pedagogical techniques (including case method) at top business schools in Pakistan. He is also an IFC certified trainer at PICG. He has also been influential in shaping the curriculum for business education at different schools. There are several areas in which Dr. Marwat has designed and conducted training workshops.

 **Mr. Ejaz Ali Shah**

Director

Mr. Ejaz Ali Shah is the Managing Director of Pakistan Mercantile Exchange Limited. He has over two decades of diversified experience in domestic and international markets. Previously, he served for 16 years as General Manager - Head of Marketing & Customer Support Services at Central Depository Company of Pakistan Limited (CDCPL) where he played a vital role in developing, positioning and nurturing CDC as a diversified service provider. Prior to joining CDC, Mr. Shah has served as a Systems / Programmer Analyst in Cordoba Corporation, Los Angeles from November 1989 to January 1992. Later he worked with the Management Automation Group as a Project Manager from January 1992 to February 1994 and in Fidelity Investment Bank Limited as Manager, Money & Capital Markets, from February 1994 to March 1997.

Mr. Shah obtained Bachelor of Business Administration (MIS) from the University of Oklahoma, USA in 1989. He also served as the National Chair for International Public Relations Association (IPRA) in Pakistan for the years 2010-11.

 **Mr. Hanif Jakhura**

Director

Mr. Muhammad Hanif Jakhura is the Fellow Member of the Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Corporate Secretaries of Pakistan (ICSP). Mr. Jakhura was appointed as Chief Executive Officer of National Clearing Company of Pakistan Ltd. (NCCPL) in January 2002 and served in that position up to September, 2005. He is currently holding the position of Chief Executive Officer of Central Depository Company of Pakistan Limited (CDC) since March 2002.

He has served as the Chairman of the Committee to Review Institutional Arrangement for Financing Stock Brokers and Stock Market Investors and is a member of Margin Financing Committee formed by Securities and Exchange Commission of Pakistan. He has also served as the Chairman of Asia Pacific

Central Depositories Group for the year 2006-07. He is serving as President of Memon Professional Forum (MPF), consisted of Members from various disciplines.

 **Mr. Nadeem Naqvi**

Director

Mr. Nadeem Naqvi holds the degrees of M.B.A. in Finance and B.Sc. with honors in Banking and International Finance from The City University CASS Business School in London, United Kingdom. He brings with him a rich work experience of over 28 years in financial services industry operating in diverse environments of Middle East, North America and Europe besides that of Pakistan. His last assignment, before joining Pakistan Stock Exchange, was as the Chief Executive Officer of AKD Investment Management Limited. Earlier, he was involved in setting-up a brokerage house for overseas investors. He has also served as Chief Executive Officer of AKD Securities Limited. Under the banner of AKD, he served as Chairman of the first technology venture capital fund of Pakistan.

He was also the Head of Research of the advisory company of Morgan Stanley Asset Management's Pakistan Investment Fund and prior to that worked at BMA Capital Management Limited as Head of Research.

His association with the capital markets is also longstanding where he served in committees of Pakistan Stock Exchange and was a member of the Capital Markets Committee."

 **Ms. Mashmooma Zehra Majeed**

Director

Ms. Mashmooma Zehra Majeed completed her Chartered Financial Analyst (CFA) program in 2001 from the CFA Institute and the Financial Risk Manager (FRM) Program in 2010. She has been associated with the asset management industry in Pakistan for over ten years with her forte being in investment management and product development.

She has played an instrumental role in launching the first Islamic open-end mutual fund in Pakistan as well as the launch of the voluntary pension scheme in Pakistan under the Voluntary Pension System Rules. She has been actively involved with MUFAP throughout her career. She has previously worked in senior positions in Atlas Asset Management Limited, JS Investments and Crosby Asset Management. She started her career with HMA.

 **Mr. Muhammad Ali Khan**

Chief Executive Officer

Muhammad Ali Khan holds a Masters of Business Administration (Finance) degree from Durham University Business School United Kingdom and a Master of Business Administration (MIS) degree from Institute of Business Administration (IBA) Karachi, Pakistan. Additionally, he is also a Law Graduate of University of Karachi, Pakistan.

Muhammad Ali Khan has more than 10 years of experience in Capital Markets, Research & Policy Development and Corporate Banking. He has worked with World Bank and Asian Development Bank (ADB) on several policy and development related assignments mainly focusing on Capital Markets and Insurance industry reforms.

Prior to joining IFMP as a Chief Executive Officer, he was working with Al Habib Capital Markets Pvt. Ltd. mainly focusing equity research and business strategy.

DIRECTORS' REPORT

Corporate Governance

Company Information

Board of Directors

- ❖ Dr. Izhar Hussain (Chairman)
- ❖ Dr. Zeeshan Ahmed
- ❖ Mr. Ashraf Bava
- ❖ Mr. Hassanali Abdullah
- ❖ Mr. Imran Zafar
- ❖ Dr. Muhammad Mohsin Khan
- ❖ Mr. Saad Almarwat
- ❖ Mr. Ejaz Ali Shah
- ❖ Mr. Hanif Jakhura
- ❖ Mr. Nadeem Naqvi
- ❖ Ms. Mashmooma Zehra Majeed
- ❖ Mr. Muhammad Ali Khan (CEO)

Company Secretary

- ❖ Mr. Riaz Ahmed

Contact Details

Call: +92-21-34540843-44
Sms: +92-302-2552509
Email: info@ifmp.org.pk
Website: www.ifmp.org.pk

Auditor

Deloitte Yousuf Adil,
Chartered Accountants
Cavish Court, A-35, Block 7 & 8,
K.C.H.S.U, Sharah-e-Faisal,
Karachi, Pakistan
Tel: +92(21) 3 4546494-97

Registered Office

Institute of Financial Markets of
Pakistan
Park Avenue Building, Suite No.
1009, 10th Floor, P.E.C.H.S Block
No. 6, Shahrah-e-Faisal,
Karachi, Pakistan



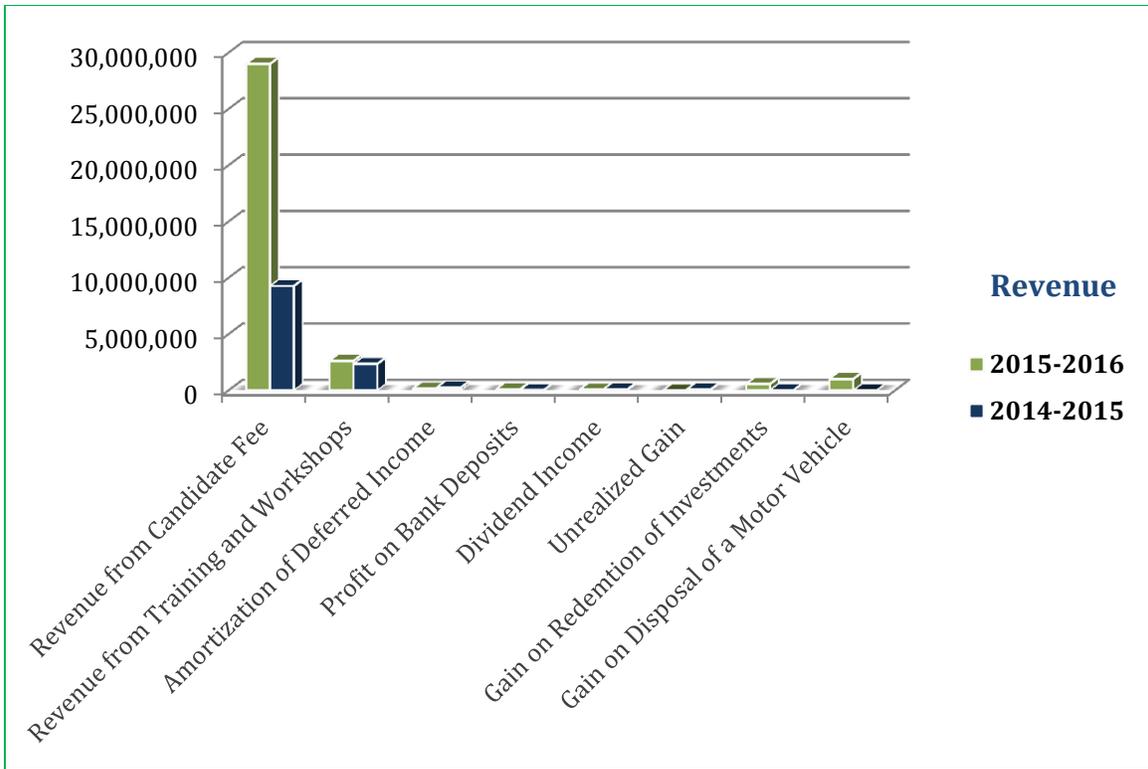
Financial Highlights

The surplus for FY 2015-16 has augmented by 12 times as compared to the corresponding year. This was made possible through the revenues earned from candidate fee and trainings, better returns on bank deposits, coupled with gains on sale of investments. However, the expenditures for this year have gone up from 10.8 million to 15.9 million.

| | FY 2015-2016 | FY 2014-2015 |
|--|-------------------|------------------|
| Revenue for the Year | 33,615,305 | 12,198,129 |
| Expenditure for the Year | (15,890,277) | (10,818,045) |
| SURPLUS/ (DEFICIT) FOR THE YEAR | 17,725,028 | 1,380,084 |

The institute has recorded a total income of Rs.33.6 million which has increased by three times as compared to the FY 2014-15. The break-up of the total revenue is given below:

| | FY2015-2016 | FY 2014-2015 |
|-------------------------------------|-------------------|-------------------|
| Revenue from Candidate Fee | 29,014,043 | 9,291,390 |
| Revenue from Training and Workshops | 2,634,705 | 2,360,050 |
| Amortization of Deferred Income | 164,952 | 259,890 |
| Profit on Bank Deposits | 121,326 | 56,897 |
| Dividend Income | 77,882 | 103,598 |
| Unrealized Gain | - | 84,423 |
| Gain on Redemption of Investments | 582,397 | 41,881 |
| Gain on Disposal of a Motor Vehicle | 1,020,000 | - |
| Other Income | - | - |
| REVENUE FOR THE PERIOD | 33,615,305 | 12,198,129 |



The graph shows that the major contributor to the rise of the total income is the revenue earned from candidate fee. It has increased to 29 million from 9 million. This drastic increase is mainly due to the exemption from the certification requirements granted by SECP through grandfathering regime till June 30, 2016.

Horizontal and Vertical Analysis

| | Vertical Analysis | | Horizontal Analysis | |
|--|-------------------|-----------|---------------------|--|
| | 2015-2016 | 2014-2015 | | |

INCOME

| | A Rs. | % | B Rs. | % | C= A-B Rs. | Variance % |
|---|-------------------|-------------|-------------------|-------------|-------------------|-------------|
| Revenue from Candidate Fee | 29,014,043 | 86.31% | 9,291,390 | 76.17% | 19,722,653 | 212% |
| Revenue from Training and Workshops | 2,634,705 | 7.84% | 2,360,050 | 19.35% | 274,655 | 12% |
| Amortization of Deferred Income | 164,952 | 0.49% | 259,890 | 2.13% | (94,938) | -37% |
| Gain on Redemption of Investments | 582,397 | 1.73% | 41,881 | 0.34% | 540,516 | 1291% |
| Dividend Income | 77,882 | 0.23% | 103,598 | 0.85% | (25,716) | -25% |
| Unrealized Gain on Revaluation of Investments | - | 0.00% | 84,423 | 0.69% | (84,423) | -100% |
| Profit on Bank Deposits | 121,326 | 0.36% | 56,897 | 0.47% | 64,429 | 113% |
| Gain on Disposal of Motor Vehicle | 1,020,000 | 0.03% | 0 | 0.00% | 1,020,000 | - |
| Revenue for the Period | 33,615,305 | 100% | 12,198,129 | 100% | 21,417,176 | 176% |

EXPENDITURE

| | | | | | | |
|--|------------|--------|-----------|--------|-----------|-------|
| Salaries and benefits | 11,992,241 | 75.47% | 8,237,881 | 76.15% | 3,754,360 | 46% |
| Staff training and development | 120,000 | 0.76% | 0 | 0.00% | 120,000 | - |
| Telephone and internet charges | 68,680 | 0.43% | 56,140 | 0.52% | 12,540 | 22% |
| Travelling and Conveyance Expenses | 39,600 | 0.25% | 58,390 | 0.54% | (18,790) | -32% |
| Printing and Publication Expense | 14,300 | 0.09% | 64,771 | 0.60% | (50,471) | -78% |
| Stationery and Office Supplies | 86,295 | 0.54% | 70,088 | 0.65% | 16,207 | 23% |
| Entertainment Expense | 33,877 | 0.21% | 45,104 | 0.42% | (11,227) | -25% |
| Stamp Duty and Filing Fee | 25,045 | 0.16% | 55,710 | 0.51% | (30,665) | -55% |
| Depreciation Expense | 172,227 | 1.08% | 367,091 | 3.39% | (194,864) | -53% |
| Training and Workshops | 672,995 | 4.24% | 689,952 | 6.38% | (16,957) | -2% |
| Courier Charges | 70,628 | 0.44% | 88,170 | 0.82% | (17,542) | -20% |
| Audit Fee | 129,400 | 0.81% | 183,358 | 1.69% | (53,958) | -29% |
| Legal and Professional Fee | 467,000 | 2.94% | 66,000 | 0.61% | 401,000 | 608% |
| Certification Fee | 0 | 0.00% | 190,000 | 1.76% | (190,000) | -100% |
| Bank Charges | 8,504 | 0.05% | 7,250 | 0.07% | 1,254 | 17% |
| Examination (National Testing Service) Expense | 898,500 | 5.65% | 366,900 | 3.39% | 531,600 | 145% |
| Web Development and Maintenance | 30,000 | 0.19% | 95,868 | 0.89% | (65,868) | -69% |
| Repair and Maintenance | 41,901 | 0.26% | 116,203 | 1.07% | (74,302) | -64% |
| Insurance Expense | 408,027 | 2.57% | 40,511 | 0.37% | 367,516 | 907% |

| | | | | | | |
|---------------------------------------|-------------------|-------------|-------------------|-------------|------------------|------------|
| Candidate Fess Receivable Written Off | 370,000 | 2.33% | 0 | 0.00% | 370,000 | - |
| Miscellaneous Expense | 161,162 | 1.01% | 18,658 | 0.17% | 142,504 | 764% |
| Rent Expense | 79,895 | 0.50% | 0 | 0.00% | 79,895 | - |
| Expenditure for the Period | 15,890,277 | 100% | 10,818,045 | 100% | 5,072,232 | 47% |

The vertical and horizontal analysis of the income portion shows that the revenue from candidate fee has increased drastically by 212% which is mainly due to the exemption from the certification requirements granted by SECP through grandfathering regime till June 30, 2016. Revenue from training and workshops also grew by 12% as more trainings and workshops were conducted during this year as compared to the corresponding year. The depreciation on the items of fixed assets purchased from the grant fund which is recognized as amortization of deferred income has decreased by 37%. The gain on redemption of investments increased significantly by 1291% due to the redemption of mutual fund units. Dividend income fell by 25%. There is a drastic rise in profits on bank deposits which points out that the amount of deposits on which the profit is earned has gone up as compared to the previous year. IFMP has also earned income through the gain on disposal of the motor vehicle.

The expenditure portion indicates that salaries and benefits have increased by 46% as compared to the corresponding year. This change is due to the annual increment and distribution of bonuses approved by the HR Committee. Telephone and internet charges have gone up by 22%. Printing and publication expense shows a significant decrease of 78% due to lower demand for the hard copies of study guides. Stationary and office supplies have also risen by 23% because of the increasing strength of the staff and volume of business. Entertainment expense has reduced by 25%. There is a drastic rise of 608% in legal and professional fee due to the addition of internal audit pertaining to the payment made to Akhtar & Co. for providing legal and taxation services to IFMP. Examination expense has surged because of the increase in the number of registrations and examinations held during the year. Web development and maintenance charges dropped by 69% due to internally capacity building. Insurance expense shows a dramatic increase of 907% because IFMP switched its policy to Jubilee Takaful group policy from EFU insurance group policy and also because of the increasing strength of its staff. A huge increase in the miscellaneous expense is due to the shifting of office from I.I. Chundrigar to Shahrah-e-Faisal.

Ratio Analysis

| | 2015-2016 | 2014-2015 |
|-----------------------|------------|-----------|
| Current Ratio | 27.00 | 16.07 |
| Liquid Assets Ratio | 26.42 | 13.35 |
| Return On Assets | 66% | 17% |
| Return On Equity | 78% | 22% |
| Profit Margin | 56% | 11% |
| Working Capital | 25,567,189 | 7,251,376 |
| Earnings Per Share | Rs.2332.24 | Rs.138.00 |
| Total Assets Turnover | 1.94 | 1.54 |
| Debt To Equity Ratio | 0.17 | 0.26 |

The current and liquid assets ratio increased during the FY 2015-2016 from those recorded in FY 2014-2015. The current ratio rose from 16.07 to 27.00 and the liquid assets ratio shows a rise to 26.42 from 13.35. This indicates an increase in the current assets from 7.7 million to 26.5 million and resultantly denotes a stronger year in terms of liquidity for the IFMP.

Return on total assets and equity surged from 17% to 66% and 22% to 78% respectively, showing that the total assets and equity of IFMP are very much effective in generating profits. The profit margin soared from 11% to 56% which reflects that IFMP is effective in its marketing and sales effort and its certifications are now more acceptable as compared to the previous year.

The working capital of IFMP climbed from 7.2 million to 25.6 million which indicates robust financial strength and its ability to meet all the short-term obligations.

There is a drastic increase in earnings per share from Rs.138 to Rs.2332 which shows that the earning power of IFMP has very much improved and it is making huge profits as compared to the previous year.

The total assets turnover ratio is 1.94 which is slightly higher than the corresponding year's ratio of 1.54. IFMP doesn't utilize its assets to generate sales as the sales of IFMP solely depend upon the mandate issued by SECP and its business development team.

The total debt to total equity ratio has slightly decreased from 0.26 to 0.17 because IFMP doesn't finance its assets by debt. Its total debt is lower than total equity, which is favorable for its financial position.

Operational Highlights

Number of Candidate Registrations, Examination Registrations and Memberships

FOR THE FY 2015-2016

| S. No. | COURSE NAME | ACTUAL NUMBER | PKR | BUDGETED NUMBER |
|---------------------------------|---|---------------|-------------------|-----------------|
| 1 | New Registration | | | |
| | Candidate Registrations | 704 | 3,563,500 | |
| | Sub-Total | 704 | 3,563,500 | 491 |
| 2 | New Grandfathering | | | |
| | New Grandfathering (2 Certifications) | 303 | 6,060,000 | |
| | New Grandfathering (3 Certifications) | 283 | 8,490,000 | |
| | New Grandfathering (4 Certifications) | 21 | 840,000 | |
| | New Grandfathering (5 Certifications) | 21 | 1,050,000 | |
| | Sub-Total | 628 | 16,440,000 | 200 |
| 3 | Grandfathering Membership | | | |
| | Membership Renewals (Grandfathering) | 516 | 2,452,000 | |
| | Sub-Total | 516 | 2,452,000 | 784 |
| LICENSING CERTIFICATIONS | | | | |
| 4 | Stock Brokers' Certification (SBC) | | | |
| | Program Enrolments | - | - | |
| | Examination Registration | 41 | 205,000 | 122 |
| | New Membership | 3 | 15,000 | * |
| | Membership Renewals | 6 | 26,000 | * |
| | Study Guide | 1 | 800 | |
| | Sub-Total | 51 | 246,800 | 122 |
| 5 | Mutual Fund Distributors Certification (MFC) | | | |
| | Examination Registrations | 504 | 2,662,000 | 287 |
| | New Memberships | 47 | 215,500 | * |
| | Membership Renewals | 118 | 496,000 | * |
| | Sub-Total | 669 | 3,373,500 | 287 |

| | | | | |
|-----------------------------|--|------------|------------------|--------------|
| 6 | Fundamentals of Capital Markets Certification | | | |
| | Examination Registrations | 436 | 2,200,000 | 1,260 |
| | Study Guide | 1 | 800 | |
| | Sub-Total | 437 | 2,200,800 | 1,260 |
| 7 | Pakistan's Market Regulations Certification | | | |
| | Examination Registrations | 116 | 592,000 | 1,260 |
| | New Membership | 2 | 10,000 | * |
| | Sub-Total | 118 | 602,000 | 1,260 |
| 8 | Commodity Brokers' Certification | | | |
| | Examination Registration | 3 | 17,000 | |
| | Sub-Total | 3 | 17,000 | ** |
| OTHER CERTIFICATIONS | | | | |
| 9 | Financial Advisors Certification | | | |
| | Examination Registrations | 19 | 99,000 | ** |
| | New Membership | 3 | 15,000 | * |
| | Sub-Total | 22 | 114,000 | |
| 10 | Risk Management Certification | | | |
| | Examination Registration | 3 | 15,000 | |
| | Sub-Total | 3 | 15,000 | ** |
| 11 | Compliance Officer Certification | | | |
| | Examination Registration | 5 | 25,000 | |
| | Sub-Total | 5 | 25,000 | ** |
| 12 | Clearing & Settlement Certification | | | |
| | Examination Registration | 4 | 20,000 | |

| | | | | |
|-----------------------------|--|--------------|-------------------|-----------|
| | Sub-Total | 4 | 20,000 | ** |
| 13 | Investment Banking Certification | | | |
| | Examination Registration | 1 | 5,000 | |
| | Sub-Total | 1 | 5,000 | ** |
| 14 | Islamic Finance Certification | | | |
| | Examination Registration | 6 | 30,000 | |
| | Study Guide | 1 | 800 | |
| | Sub-Total | 7 | 30,800 | ** |
| 15 | Capital Budgeting and Corporate Finance | | | |
| | Examination Registration | 2 | 10,000 | |
| | Sub-Total | 2 | 10,000 | ** |
| GRAND TOTAL | | 3,170 | 29,115,400 | |
| LESS: TAX ADJUSTMENT | | | (101,357) | |
| NET TOTAL | | | 29,014,043 | |

* Total number of Membership renewal is 179, whereas it was budgeted as 147 per annum.

** Total number of items is 43, whereas it was budgeted as 11 per annum.

Six Years Summary

2010-2011 2011-2012 2012-2013 2013-2014 2014-2015 2015-2016

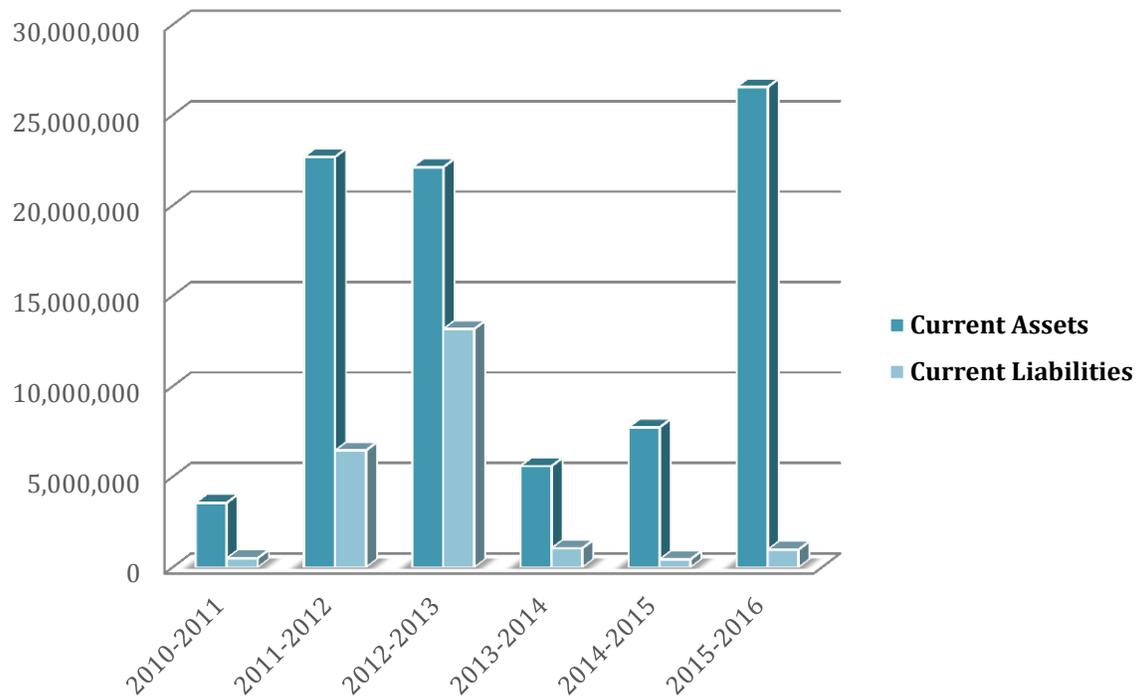
BALANCE SHEET SUMMARY

| | | | | | | |
|-------------------------------|-----------|------------|------------|-----------|-----------|------------|
| Share Capital and Reserves | 4,343,118 | 16,951,419 | 9,599,215 | 4,903,258 | 6,283,342 | 22,821,794 |
| Long Term Liabilities | 284,197 | - | 424,842 | 164,952 | 1,168,029 | 2,921,393 |
| Current Liabilities | 508,995 | 6,457,525 | 13,171,492 | 1,058,739 | 446,088 | 983,404 |
| Current Assets | 3,565,988 | 22,686,615 | 22,118,154 | 5,594,906 | 7,732,507 | 26,550,593 |
| Property, Plant and Equipment | 1,235,987 | - | - | 532,043 | 164,952 | 175,998 |
| Fixed Assets | 1,286,125 | 722,329 | 1,077,395 | - | - | - |
| Investments | - | - | 8,676,412 | 4,522,801 | 4,650,453 | - |
| Cash and Bank Balances | 3,487,495 | 22,321,288 | 12,612,483 | 852,605 | 1,771,730 | 25,979,438 |

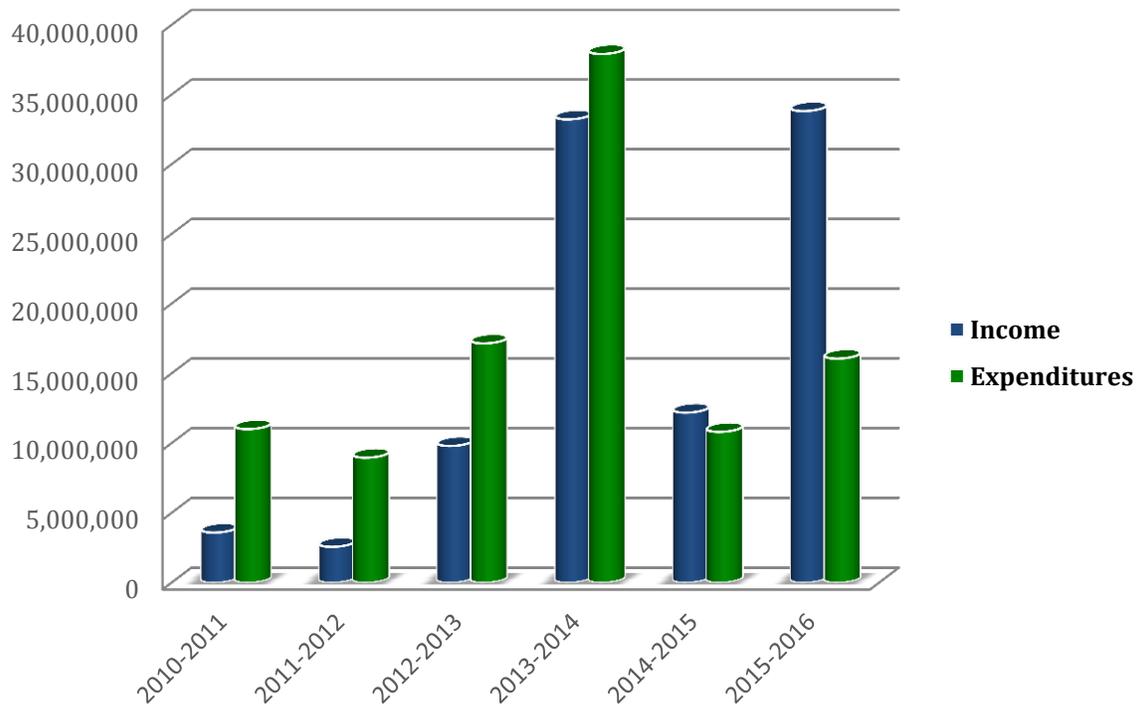
CASHFLOWS SUMMARY

| | | | | | | |
|--|-------------|-------------|--------------|--------------|-----------|------------|
| Cash and cash equivalents at the beginning of the year | 10,800,386 | 3,487,495 | 22,321,288 | 12,612,483 | 852,605 | 1,771,730 |
| Net Cash from Operating Activities | (7,280,258) | (6,466,955) | (14,503,446) | (33,634,711) | 1,421,981 | 18,138,131 |
| Net Cash from Investing Activities | (32,633) | (9,500) | (8,966,299) | 4,600,000 | (1,348) | 6,069,577 |
| Net Cash from Financing Activities | - | 25,310,248 | 13,760,940 | 17,274,833 | (501,508) | - |
| Cash and cash equivalents at the end of the year | 3,487,495 | 22,321,288 | 12,612,483 | 852,605 | 1,771,730 | 25,979,438 |

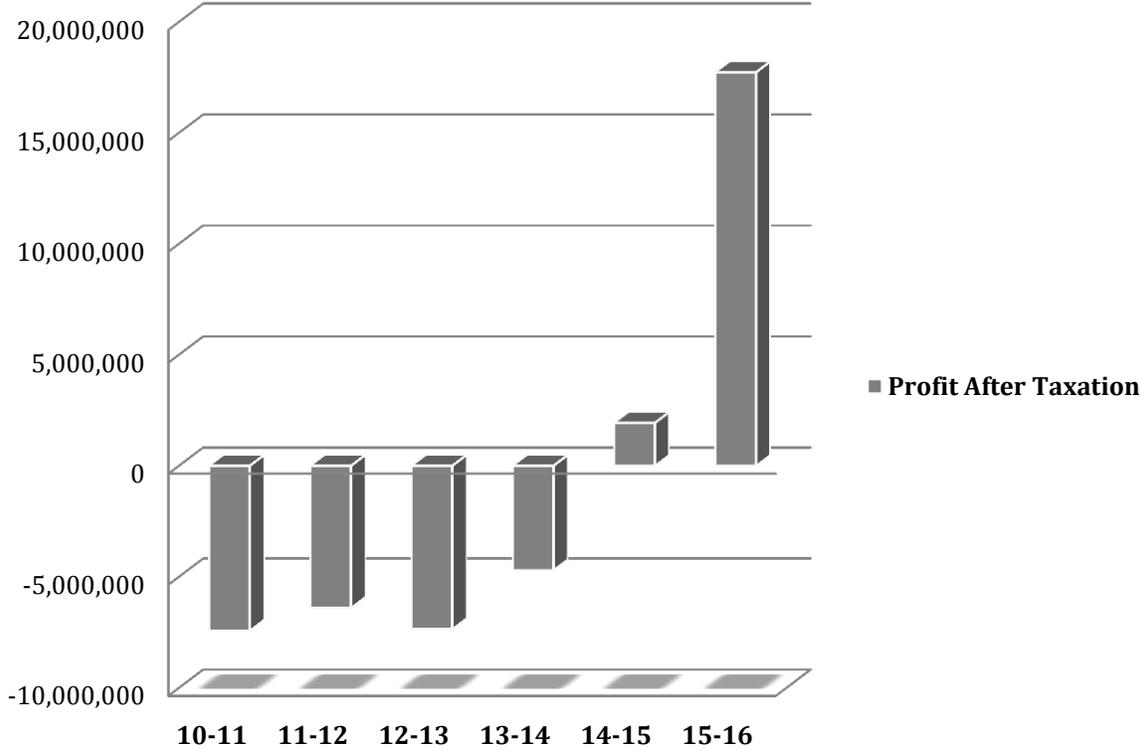
CURRENT ASSETS VS CURRENT LIABILITIES



INCOME VS EXPENDITURE



PROFIT AFTER TAXATION



Corporate and Financial Reporting Framework

The Board is fully aware of its corporate responsibilities as included in the Code of Corporate Governance, prescribed by the Securities and Exchange Commission of Pakistan and is pleased to certify that:

1. The financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of accounts of the company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements. Accounting estimates are based on reasonable prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures there from have been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the company's ability to continue as a going concern.
7. There is no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Accounting Standards

The accounting policies of the Company fully reflect the requirements of the Companies Ordinance 1984 and such approved International Accounting Standards and International Financial Reporting Standards as have been notified under this Ordinance as well as through directives issued by the Securities and Exchange Commission of Pakistan.

Auditors

IFMP has appointed Deloitte Yousuf Adil as its new auditor. The external auditor has been given satisfactory rating under the Quality Control Review of the ICAP. They have confirmed that their firm is in compliance with clause XXVII of the Code as promulgated by the SECP and International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan. The external auditor has not been appointed to provide any other services which may impair its independence. They have confirmed that they have observed IFAC guidelines in this respect.

Disclosure to the Number of Employees

Disclosure to the number of employees' as required in clause 2D of the part-III of the fifth schedule to the Ordinance, the information produced here under for the FY 2015-16:

"Total Number of Employees working at IFMP as at June 30, 2016 = 8 Nos."

*Average Number of Employees working at IFMP as at June 30, 2015 = 7.5 Nos.

* Basis of Average of Employees

Average No. of Employees = (Opening + Ending) / 2

1- Employees working at IFMP as at July 01, 2015 (Opening) = 7 Nos.

2- Employees working at IFMP as at June 30, 2016 (Ending) = 8 Nos.

Future Prospects and Risks

The Institute of Financial Markets of Pakistan is a not-for-profit public sector company and is striving to establish and achieve high standards of governance. New courses have been developed to further strengthen the revenue stream for the Institute and create more awareness in terms of its presence so there is a bright future prospect for the Institute. However, the same is also dependent on the support from its shareholders, regulatory institutions and market participants.

IFMP currently has limited sources of funding which are not sufficient to be able to meet the future requirements for a full fledged self-sustainable institute. It needs to prioritize its objectives and effectively utilize its limited financial resources. Also, it has to preserve and use the recently injected capital to establish its basic infrastructure and meet its expenditures for at least next three years. IFMP requires adequate resources, market driven offerings, and a national outreach in order to become self-sustainable.

FINANCIALS

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

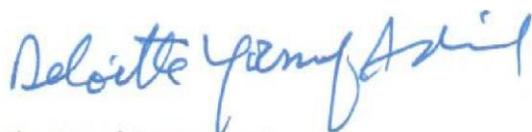
We have reviewed the Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 ('the Rules') for the year ended Arne 30, 2016 prepared by the Board of Directors of the Institute of Financial Markets of Pakistan (formerly Institute of Capital Markets) ('the Company') to comply with the provisions of the Rules.

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

As part of audit of the financial statements, we are required to obtain an understanding of the accounting and internal control system 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 Company's corporate governance procedures and risks.

The Rules require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of the Company'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 of directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material aspects with the Rules, as applicable to the Company for the year ended June 30, 2016.



Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirari

Dated: August 24, 2016
Karachi

AUDITORS' REPORT TO THE MEMBERS

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

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a.** in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b.** in our opinion:
 - i.** the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii.** the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii.** the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- c.** in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the loss, its cash flows and changes in equity for the year then ended, and;

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


Chartered Accountants

Engagement Partner:
Mushtaq Ali Hirari

Dated: August 24, 2016
Karachi

**INSTITUTE OF FINANCIAL MARKETS OF PAKISTAN
(FORMERLY INSTITUTE OF CAPITAL MARKETS)
BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2016**

| | Note | 2016 Rupees | 2015 Rupees |
|--|------|-------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Motor vehicle and equipment | 4 | 175,998 | 164,952 |
| Current assets | | | |
| Loan to employees | | 36,000 | 68,000 |
| Deposits and prepayments | 5 | 371,519 | 91,752 |
| Other receivables | 6 | 163,636 | 1,150,572 |
| Investments | 7 | - | 4,650,453 |
| Cash and bank balances | 8 | 25,979,438 | 1,771,730 |
| | | <u>26,550,593</u> | <u>7,732,507</u> |
| | | <u>26,726,591</u> | <u>7,897,459</u> |
| EQUITY AND LIABILITIES | | | |
| Share capital | 9 | 38,000,000 | 38,000,000 |
| Accumulated deficit | | (15,178,206) | (31,716,658) |
| | | 22,821,794 | 6,283,342 |
| Non-current liabilities | | | |
| Staff retirement gratuity | 10 | 2,921,393 | 1,133,022 |
| Deferred income | 11 | - | 35,007 |
| | | 2,921,393 | 1,168,029 |
| Current liabilities | | | |
| Accrued expenses and other liabilities | 12 | 983,404 | 316,143 |
| Deferred income | 11 | - | 129,945 |
| | 13 | <u>983,404</u> | <u>446,088</u> |
| CONTINGENCIES AND COMMITMENTS | | | |
| | | <u>26,726,591</u> | <u>7,897,459</u> |

The annexed notes from 1 to 22 form an integral part of these financial statements.

DYA


CHIEF EXECUTIVE


Director

**INSTITUTE OF FINANCIAL MARKETS OF PAKISTAN
(FORMERLY INSTITUTE OF CAPITAL MARKETS)
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2016**

| | Note | 2016 Rupees | 2015 Rupees |
|---|------|----------------|----------------|
| Income from operational activities | 14 | 31,648,748 | 11,651,440 |
| Other income | 15 | 1,966,557 | 546,689 |
| Expenditure | | | |
| Operating and administrative expenses | 16 | (15,890,277) | (10,818,045) |
| Surplus for the year before taxation | | 17,725,028 | 1,380,084 |
| Taxation | | - | - |
| Surplus for the year after taxation | | 17,725,028 | 1,380,084 |

The annexed notes from 1 to 22 form an integral part of these financial statements.

DMA

MACE
CHIEF EXECUTIVE

Abdullah Hussain
Director

**INSTITUTE OF FINANCIAL MARKETS OF PAKISTAN
(FORMERLY INSTITUTE OF CAPITAL MARKETS)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016**

| | Note | 2016 Rupees | 2015 Rupees |
|---|------|----------------|----------------|
| Surplus for the period after taxation | | 17,725,028 | 1,380,084 |
| Other comprehensive income | 10 | (1,186,576) | - |
| Total comprehensive surplus for the period | | 16,538,452 | 1,380,084 |

The annexed notes from 1 to 22 form an integral part of these financial statements.

DYA

MACE
CHIEF EXECUTIVE

Abid Hussain
Director

**INSTITUTE OF FINANCIAL MARKETS OF PAKISTAN
(FORMERLY INSTITUTE OF CAPITAL MARKETS)
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016**

| | Note | 2016 Rupees | 2015 Rupees |
|---|-------------|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Surplus for the year before taxation | | 17,725,028 | 1,380,084 |
| Adjustments for | | | |
| Depreciation | | 172,227 | 367,091 |
| Amortization of deferred income | | (164,952) | (259,890) |
| Dividend Income | | (77,882) | (103,598) |
| Gain on disposal of a motor vehicle | | (1,020,000) | - |
| Gain on sale of investments | | (582,397) | (41,881) |
| Unrealized gain on revaluation of investments | | - | (84,423) |
| Provision for staff retirement gratuity | | 601,795 | 1,133,022 |
| | | (1,071,209) | 1,010,321 |
| Change in working capital | | | |
| Loans to employees | | 32,000 | (8,000) |
| Deposits and prepayments | | (279,767) | (77,229) |
| Other receivables | | 986,936 | (1,005,595) |
| Accrued expenses and other liabilities | | 667,261 | 18,802 |
| | | 1,406,430 | (1,072,022) |
| Net cash generated from operating activities | | 18,138,131 | 1,421,981 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investments in mutual fund units | | (15,837,882) | (4,738,013) |
| Proceeds from redemption of mutual fund units | | 20,992,850 | 4,633,067 |
| Dividend received | | 77,882 | 103,598 |
| Purchase of office equipment | | (183,273) | - |
| Proceeds from disposal of a motor vehicle | | 1,020,000 | |
| Net cash generated / (used in) from investing activities | | 6,069,577 | (1,348) |

DYA

| | 2016 Rupees | 2015 Rupees |
|--|--------------------------|-------------------------|
| Note | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Grant from Institutional Development Fund | | (501,508) |
| Net cash used in financing activities | <u>-</u> | <u>(501,508)</u> |
| Net increase in cash and cash equivalents during the year | <u>24,207,708</u> | <u>919,125</u> |
| Cash and cash equivalents at the beginning of the year | 1,771,730 | 852,605 |
| Cash and cash equivalents at the end of the year | <u><u>25,979,438</u></u> | <u><u>1,771,730</u></u> |

The annexed notes from 1 to 22 form an integral part of these financial statements.

DYA

MACE
CHIEF EXECUTIVE

Abir Hussain
Director

**INSTITUTE OF FINANCIAL MARKETS OF PAKISTAN
(FORMERLY INSTITUTE OF CAPITAL MARKETS)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016**

| | Share capital | Accumulated deficit | Total |
|---|-----------------------------|--------------------------------|--------------|
| | ----- (Rupees) ----- | | |
| Balance as at July 1, 2014 | 38,000,000 | (33,096,742) | 4,903,258 |
| Surplus after taxation for the year ended June 30, 2015 | - | 1,380,084 | 1,380,084 |
| Balance as at June 30, 2015 | 38,000,000 | (31,716,658) | 6,283,342 |
| Surplus after taxation for the year ended June 30, 2016 | - | 16,538,452 | 16,538,452 |
| Balance as at June 30, 2016 | 38,000,000 | (15,178,206) | 22,821,794 |

DYA

MACE
CHIEF EXECUTIVE

[Signature]
Director

**INSTITUTE OF FINANCIAL MARKETS OF PAKISTAN
(FORMERLY INSTITUTE OF CAPITAL MARKETS)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

1 THE COMPANY AND ITS OPERATIONS

Institute of Financial Markets of Pakistan (Formerly Institute of Capital Markets) (the Company) is a company limited by guarantee having a share capital and was incorporated in Pakistan under the Companies Ordinance, 1984 on August 21, 2008. The registered office of the Company is situated at 10th Floor, Suit No. 1009, Park Avenue Building, P.E.C.H.S. Shahra-e-Faisal, Karachi.

Name of the Company was changed from Institute of Capital Markets to Institute of Financial Markets of Pakistan under Section 39 of Companies Ordinance, 1984 through certificate issued by Securities and Exchange Commission of Pakistan (SECP) dated June 16, 2016.

The main object of the Company is to provide an institution that promotes and enhance the knowledge and educational standards of capital market professionals, including intermediaries, analysts, staff of the stock and commodities exchanges, companies linked with the exchanges and also staff of regulatory bodies for advancement in the fields of finance, investment and portfolio management, securities valuation and allied subjects relevant to all or any of the service relating to the capital markets and matters incidental thereto, through certification program

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the requirements of 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 Ordinance), provision of and directive issued under the Ordinance. These accounting standards are notified by the Securities and Exchange Commission of Pakistan (SECP) through S.R.O 928/929 (1)/2015 dated September 10, 2015. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

The financial statements for the year ended June 30, 2015 and prior years were prepared in accordance with the requirements of Accounting and Financial Reporting Standards (AFRSs) for Small-Sized Entities issued by the Institute of Chartered Accountants of Pakistan as notified by the SECP. Since the Company is a public sector company in view of more than fifty percent holding of a regulatory body, i.e. SECP, and also meet the requirements of Public Interest Company (PIC) licensed / formed under Section 42 of Companies ordinance, 1984, which is defined in the Public Sector Companies (Corporate Governance) Rules 2013, the financial statements for the current year is prepared in accordance with IFRSs as notified by SECP.

DYA

The above mentioned change in accounting framework for the preparation of the financial statements has not resulted in any material adjustments to the carrying values of the assets and liabilities of the Company as at June 30, 2016 or at previous balance sheet date and does not require any significant change in the accounting policies of the Company except for the application of IAS 19 "Employee Benefits" (Revised 2011), IFRS 13 and IFRS 7 refer note 3.

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention except that certain investments classified as financial assets 'at fair value through profit or loss' have been marked to market and carried at fair values.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency.

2.4 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2016

The following standards, amendments and interpretations are effective for the year ended June 30, 2016. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial information other than certain additional disclosures.

| Standards or interpretations | Effective date (accounting 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 27 (Revised 2011) — Separate Financial Statements | January 01, 2015 |
| IAS 28 (Revised 2011) — Investments in Associates and Joint | January 01, 2015 |

Certain annual improvements have also been made to a number of IFRSs.

New accounting standards / amendments and IFRS interpretations that are not yet effective

DYA

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

| Standards or interpretations | Effective date (accounting periods beginning on or after) |
|--|--|
| Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations | January 01, 2016 |
| Amendments to IAS 1 - Disclosure | January 01, 2016 |
| Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization | January 01, 2016 |
| Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants | January 01, 2016 |
| Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | January 01, 2016 |

| Standards or interpretations | Effective date (accounting periods beginning on or after) |
|---|--|
| Amendments to IFRS-10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception | January 01, 2016 |

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (LASS) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1— First Time Adoption of International Financial Reporting Standards
- IFRS 9 — Financial Instruments
- IFRS 14 — Regulatory Deferral Accounts
- IFRS 15 — Revenue from Contracts with Customers
- IFRS 16 — Leases

3. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The accounting policies applied for the preparation of this condensed interim financial information are the same as those applied in the preparation of the audited annual published financial statements of the Company for the year ended June 30, 2015, except for the application of:

DYA

- IAS 19 "Employee Benefits" (Revised 2011) which requires the obligation under the employee benefit scheme to be valued using the Projected Unit Credit Method. Currently amount of obligation of each employee at the year-end is computed by multiplying the number of years of completed service with the last drawn monthly gross salary. The difference between the current and the previous obligation is charged to the profit and loss account as expense for the year. The Company carried out actuarial valuation as at June 30, 2016 using the 'projected unit credit method'.
- IFRS 13 "Fair Value Measurement" which establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. However, it does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The application of this standard does not have an impact on these financial statements except certain additional disclosures as given in note 19.

3.1 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Company's accounting policies. 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. Revisions to accounting estimates are recognized in the period in which the estimates is revised and in any future periods effective. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statement.

- Residual values and useful lives of property, plant and equipment (note 3.2)
- Provision for staff retirement benefits-gratuity (note 3.9)
- Provision against doubtful debts (note 3.4)

3.2 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises acquisition and other directly attributable costs.

Depreciation is charged to income using the straight line method whereby the cost of an asset is written off over its estimated useful life at the rates specified in note 4 to the financial statement. In respect of additions and disposals of assets during the year, depreciation is charged from the month the asset is available for use and upto the month preceding the disposal respectively.

Maintenance and normal repairs are charged to income as and when incurred while major renewals and improvements, if any, are capitalized and the assets so replaced, if any are written off.

DYA

Assets are derecognized when disposed or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposal of assets are included in the profit and loss account as and when incurred.

3.3 Loans, advances, prepayments and other receivables

These are stated at cost less estimates made for doubtful receivables based on review of all outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

3.4 Provisions

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

3.5 Cash and cash

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and cash at bank.

3.6 Investments

Investments are classified in following categories:

(a) At fair value through profit or loss

These include investments held for trading and investments designated upon initial recognition as at fair value through profit and loss. Investments which are acquired principally for the purpose of generating profit from short term fluctuation in price or dealer's margin are classified as held for trading. All investments, classified as investments at fair value through profit and loss, are initially measured at cost being fair value of consideration given. Subsequently these investments are measured at fair value with any resulting gain or loss recognized directly in the profit and loss account. The fair value of such investments is determined on the basis of prevailing market prices. Transaction costs are charged to profit and loss account when incurred.

(b) Held to maturity

These are investments with fixed maturity and the Company has the positive intent and ability to hold to maturity. Field to maturity investments are initially measured at cost plus attributable transaction cost and subsequently stated at amortized cost using the effective interest rate method less impairment losses, if so determined.

(c) Available for sale

DYA

Investments not covered in any of the above categories are classified as available for sale and are initially recognized at cost inclusive of transaction cost and subsequently quoted investments are marked to market using the last quoted rate at the close of the financial period with any resultant gain or loss being recognized in equity through other comprehensive income. Investments for which quoted market price is not available are measured at cost. Gains or losses on remeasurement of available for sale investments are recognized in equity until the investments are sold, disposed off or impaired.

(d) Impairment of financial assets

The entity at the end of each reporting period assesses whether there is any objective evidence that an investment is impaired. In case of investments classified as Held-to-Maturity the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of loss is recognised in profit or loss.

In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in surplus / (deficit) on revaluation of securities within equity is removed there-from and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in the profit and

Gains or losses on sale of investments are included in the profit and loss account for the year.

3.7 Financial instruments

Financial instruments carried on the balance sheet include loans, advances and other receivables, cash and bank balances and creditors, accrued and other liabilities.

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and it intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

3.8 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

3.9 Staff retirement benefits

The company operates an unfunded gratuity scheme for its employees who have completed the qualifying period as defined under the scheme. The Company's obligation under the scheme is determined through actuarial valuation based on projected unit credit method. The most recent actuarial valuation was carried out on June 30, 2016. Remeasurement changes which comprise of actuarial gains and losses are recognized in other comprehensive income.

DYA

3.10 Revenue recognition

Revenue is recognised on accrual basis, except for revenue from candidate fees which is recognised on receipt basis.

3.11 Grants

Grants are recognised at fair value in the balance sheet when there is a reasonable assurance that the grant will be received and that the Company will comply with all the attached conditions.

Grants relating to fixed assets are recorded as deferred revenue in the balance sheet and recognised as income on a systematic basis over the useful lives of the assets acquired from the grant.

3.12 Donation

Donation is recognised at fair value in the balance sheet when it is received and there is a reasonable assurance that the Company will comply with all the attached conditions.

3.13 Taxation

The Company is exempt from income tax under section 2(36)(c) of the Income Tax Ordinance, 2001 read with Rules 212 and 220 of the Income Tax Rules, 2002.

DYA

4. MOTOR VEHICLE AND EQUIPMENT

| | Cost | | | Depreciation | | | Carrying value at June 30, 2016 | Rate % |
|--------------------|--------------------|------------------------|------------------|------------------|-----------------------------------|------------------------------|---------------------------------|--------|
| | at July 01, 2015 | Additions/ (disposals) | at June 30, 2016 | at July 01, 2015 | Charge for the year / (disposals) | Accumulated at June 30, 2016 | | |
| | ----- Rupees ----- | | | | | | | |
| Office equipment | 721,866 | 183,273 | 905,139 | 707,395 | 21,746 | 729,141 | 175,998 | 30 |
| Computer equipment | 1,662,599 | - | 1,662,599 | 1,512,118 | 150,481 | 1,662,599 | - | 30 |
| Motor vehicle | 1,395,058 | - | - | 1,395,058 | - | - | - | 20 |
| | | (1,395,058) | | | (1,395,058) | | | |
| | 1,395,058 | 183,273 (1,395,058) | 2,567,738 | 3,614,571 | 172,227 (1,395,058) | 2,391,740 | 175,998 | |

- For comparative period

| | Cost | | | Depreciation | | | Carrying value at June 30, 2015 | Rate % |
|--------------------|--------------------|------------------------|------------------|------------------|-----------------------------------|------------------------------|---------------------------------|--------|
| | at July 01, 2014 | Additions/ (disposals) | at June 30, 2015 | at July 01, 2014 | Charge for the year I (disposals) | Accumulated at June 30, 2015 | | |
| | ----- Rupees ----- | | | | | | | |
| Office equipment | 721,866 | - | 721,866 | 684,595 | 22,800 | 707,395 | 14,471 | 30 |
| Computer equipment | 1,662,599 | - | 1,662,599 | 1,274,192 | 237,926 | 1,512,118 | 150,481 | 30 |
| Motor vehicle | 1,395,058 | - | 1,395,058 | 1,288,693 | 106,365 | 1,395,058 | - | 20 |
| | 3,779,523 | - | 3,779,523 | 3,247,480 | 367,091 | 3,614,571 | 164,952 | |

4.1 Included in cost of computer and office equipment are fully depreciated items still in use having cost of Rs. 2,948,231.

DPA

| | Note | 2016 ----- (Rupees) ----- | 2015 |
|--|------|-------------------------------------|-----------|
| 5. DEPOSITS AND PREPAYMENTS | | | |
| Security deposit- office premises | | 180,000 | |
| Prepaid insurance | | 166,715 | 91,752 |
| Prepaid web hosting and domain fees | | 8,825 | |
| Prepaid rent | | 15,979 | |
| | | 371,519 | 91,752 |
| 6. OTHER RECEIVABLES | | | |
| Tax withheld on profit on bank deposit | 6.1 | 73,778 | 65,572 |
| Tax withheld on sale of investments | | 86,973 | - |
| Candidate fee | | - | 500,000 |
| Training and workshop | | | 585,000 |
| Others | | 2,885 | - |
| | | 163,636 | 1,150,572 |

6.1 This represents withholding tax deducted from profit on bank deposits. The Institute is a non profit organization, under section 2(36)(c), of the Income Tax Ordinance, 2001.

7. INVESTMENTS

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

Units of mutual funds - Market value

| | | |
|-------------------------------------|---|-----------|
| ABL Cash Fund | - | 1,401,832 |
| NAFA Islamic Aggressive Income Fund | - | 1,506,181 |
| UBL Liquidity Plus Fund | - | 1,742,440 |
| | - | 4,650,453 |

7.1 Net unrealized appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' – held for trading

| | | |
|------------------------------------|---|-----------|
| Market value of securities | - | 4,650,453 |
| Less: carrying value of securities | - | 4,566,030 |
| Unrealized gain | - | 84,423 |

DYA

8. CASH AND BANK BALANCES

| | | | |
|--|-----|-------------------|------------------|
| Cash in hand | | 23,237 | 17,631 |
| Balance with bank in a savings account | 8.1 | 25,956,201 | 1,754,099 |
| | | <u>25,979,438</u> | <u>1,771,730</u> |

8.1 The rate of profit is 5% (June 30, 2015: 5%) per annum.

9. SHARE CAPITAL

The Company is limited by guarantee having share capital and has ten members as per pattern of shareholding disclosed below. Each member of the Company has undertaken to contribute an amount not exceeding Rs 50,000 to the assets of the Company in the event of its being wound up.

| | 2016 | 2015 |
|---|----------------------|------------|
| | ----- (Rupees) ----- | |
| Authorized | | |
| 10,000 ordinary shares of Rs 5,000 each | 50,000,000 | 50,000,000 |
| Issued, subscribed and paid-up | | |
| 7,600 ordinary shares of Rs 5,000 each | 38,000,000 | 38,000,000 |

| | | As at June 30, 2016 and June 30, 2015 | | |
|--------|--|---------------------------------------|-------------------|-----------------------------|
| S. No. | Name of institution | Number of shares | Amount in Rupees | Percentage of share capital |
| 1 | Securities and Exchange Commission of Pakistan | 5,600 | 28,000,000 | 73.69 |
| 2 | Pakistan Stock Exchange (Formerly: Karachi Stock Exchange Limited) | 200 | 1,000,000 | 2.63 |
| 3 | ISE Towers REIT Management Company Limited (Formerly: Islamabad Stock Exchange Limited) | 200 | 1,000,000 | 2.63 |
| 4 | LSE Financial Services (Formerly: Lahore Stock Exchange Limited) | 200 | 1,000,000 | 2.63 |
| 5 | Pakistan Mercantile Exchange Limited | 200 | 1,000,000 | 2.63 |
| 6 | Mutual Fund Association of Pakistan | 200 | 1,000,000 | 2.63 |
| 7 | Central Depository Company of Pakistan Limited | 400 | 2,000,000 | 5.27 |
| 8 | National Clearing Company of Pakistan Limited | 200 | 1,000,000 | 2.63 |
| 9 | CFA Association of Pakistan | 200 | 1,000,000 | 2.63 |
| 10 | Institute of Cost and Management Accountants of Pakistan | 200 | 1,000,000 | 2.63 |
| | | <u>7,600</u> | <u>38,000,000</u> | <u>100</u> |

DA

| | Note | 2016 ---(Rupees)--- | 2015 |
|--|------|------------------------|-----------|
| 10. STAFF RETIREMENT GRATUITY | | | |
| Employees retirement benefits-gratuity | 10.1 | 2,921,393 | 1,133,022 |

10.1 Movement in the liability recognized in the balance sheet

| | | | |
|---|--------|-----------|-----------|
| Present value of defined benefit obligations at beginning of the year | | 1,133,022 | - |
| Current service cost | 10.11 | 462,681 | 1,133,022 |
| Interest cost | 10.1.1 | 139,114 | - |
| Benefits paid during the year | | - | - |
| Remeasurement: actuarial losses | 10,1.2 | 1,186,576 | - |
| Present value of defined benefit obligations at end of the year | | 2,921,393 | 1,133,022 |

10.1.1 Expense recognised in profit and loss account

| | 2016 | 2015 |
|----------------------|----------------------|------|
| | ----- (Rupees) ----- | |
| Current service cost | 462,681 | - |
| Net interest expense | 139,114 | - |
| Expense for the year | 601,795 | - |

10.1.2 Remeasurement losses I (gains) recognised in other comprehensive income

| | | |
|--|-----------|---|
| Actuarial losses on defined benefit obligation | 1,186,576 | - |
| Remeasurement losses | 1,186,576 | - |

10.1.3 The principal assumptions used in the actuarial valuations carried out as of June 30, 2016, using the 'Projected Unit Credit' method, are as follows:

| | 2016 | 2015 |
|--|---------------------------------------|------|
| Discount rate per annum (%) | 10.50% | - |
| Expected per annum rate of increase in future salaries (%) | 9% | - |
| Expected mortality rate | (2001-05) Ultimate Mortality table | - |
| Expected withdrawal rate Retirement Assumption | Age-Based Age 60 | - |

10.1.4 The Plans expose the Company to the actuarial risks such as:

Salary risks

The risks that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Mortality / withdrawal risks

The risks that the actual mortality / withdrawal experience is different. The effect depends upon the beneficiaries' service / age distribution and the benefit.

10.1.5 Sensitivity analysis for actuarial assumptions

| | Rupees |
|--|---------------|
| The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is: | |
| Discount rate (1% increase) | 2,614,968 |
| Discount rate (1% decrease) | 3,303,329 |
| Future salary increase rate (1% increase) | 3,309,062 |
| Future salary increase rate (1% decrease) | 2,603,811 |

10.1.6 The weighted average duration of the defined benefit obligation is 12 years

| | | 2016 | 2015 |
|---|---------|-----------------|-----------|
| | N o t e | (R u p e e s) | |
| 11. DEFERRED INCOME | | | |
| Opening balance | 11.1 | 164,952 | 926,350 |
| Less: Amortization of deferred income | 11.2 | (164,952) | (259,890) |
| Unutilized grant refunded to the World Bank | | - | (501,508) |
| | 11.3 | - | 164.952 |

In 2011, the World Bank provided Institutional Development Fund grant amounting to US 380,000 to the Company for institutional capacity building and development of capital markets in Pakistan. Out of the total grant sanctioned, US\$ 379,957 equivalent to Rs, 37,346,021 had been received till June 30, 2014 by the Company. A total of Rs. 36,844,513 of the same had been utilized during the years 2012, 2013 and 2014 respectively for the purchase of fixed assets, hiring consultants and for organising trainings and workshops. The remaining Rs. 501,508 was refunded to the World Bank during the year ended June 30, 2015. The SBP via its letter no. FD/4425/GFAU-935-2015, has confirmed that the unspent balance of Rs. 501,517 in respective Revolving Fund Account (RPM has been surrendered by the Project Authority (PA) i.e. Institute of Financial Markets of Pakistan (formerly: Institute of Capital Markets) into the Federal Government account. i16 at June 30, 2015

RYA

Rs. 164,952 only represented the unamortized portion of the grant pertaining to remaining depreciation on the items of fixed assets purchased from the grant fund during prior periods which was amortized during the period ended June 30, 2016.

11.2 In the year 2013 the Company had utilized an amount of Rs 866,299 for the purchase of fixed assets and the related depreciation charge of Rs 164,952 (June 30, 2015: Rs 259,890) has been recognized as amortization income for the period.

| | Notes | 2015 -----Rupees----- | 2016 |
|---|-------|--------------------------|----------------|
| 11.3 Current portion of deferred income | | - | 129,945 |
| Non-current portion of deferred income | | - | 35,007 |
| | | <u>-</u> | <u>164,952</u> |

12. Accrued expenses and other liabilities

| | | |
|-----------------------------|----------------|----------------|
| Advance fee from candidates | - | 40,043 |
| Accrued Expenses | 265,279 | 7,500 |
| Audit fee | 102,898 | 115,000 |
| NTS fee | - | 150,000 |
| Withholding tax | 39,614 | 3,600 |
| Provision for staff bonus | 575,613 | - |
| | <u>983,404</u> | <u>316,143</u> |

13. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as on June 30, 2016.

14. INCOME FROM OPERATIONAL ACTIVITIES

| | | | |
|------------------------|-------------|-------------------|-------------------|
| Candidates fee | 14.1 | 29,014,043 | 9,291,390 |
| Training and workshops | | 2,634,705 | 2,360,050 |
| | | <u>31,648,748</u> | <u>11,651,440</u> |

14.1 Breakup of Candidate fee is:

| | | |
|-------------------------|------------|-----------|
| Registration fee income | 3,528,138 | 2,690,000 |
| Membership fee income | 3,216,300 | 1,773,390 |
| Examination fee income | 5,842,405 | 3,584,000 |
| Grandfathering income | 16,424,800 | 1,212,000 |

MYA

Study guides

2,400

32,000

29,014,043

9,291,390

| Notes | 2015 -----Rupees----- | 2016 |
|---------------------|--------------------------|---------|
| OTHER INCOME | | |
| | 164,952 | 259,890 |
| 11.2 | 1,020,000 | - |
| | 582,397 | 41,881 |
| | 77,882 | 103,598 |
| | - | 84,423 |
| 6.1 | 121,326 | 56,897 |
| | 1,966,557 | 546,689 |

OPERATING AND ADMINISTRATIVE EXPENSES

| | | | |
|--|------|------------|------------|
| Salaries and benefits | 16.1 | 11,992,241 | 8,237,881 |
| Staff training and development | | 120,000 | - |
| Training and workshops | | 672,995 | 689,952 |
| Examination (National Testing Service) Expense | | 898,500 | 366,900 |
| Telephone and interne | | 68,680 | 56,140 |
| Travelling and conveyance | | 39,600 | 58,390 |
| Rent | | 79,895 | - |
| Printing and publication Expense | | 14,300 | 64,771 |
| Stationery and office supplies | | 86,295 | 70,088 |
| - Entertainment | | 33,877 | 45,104 |
| Stamp duty and filing fee | | 25,045 | 55,710 |
| Web development and maintenance | | 30,000 | 95,868 |
| Depreciation | | 172,227 | 367,091 |
| Courier charges | | 70,628 | 88,170 |
| Audit fee | | 129,400 | 183,358 |
| Legal and professional | | 467,000 | 66,000 |
| Certification Fees | | - | 190,000 |
| Bank charges | | 8,504 | 7,250 |
| Repairs and maintenance | | 41,901 | 116,203 |
| Insurance | | 408,027 | 40,511 |
| Candidate fee receivable written off | | 370,000 | - |
| Miscellaneous | | 161,162 | 18,658 |
| | | 15,890,277 | 10,818,045 |

This includes staff retirement gratuity Rs. 601,795.

PUA

TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of all members of the Company, their related entities and the key management personnel including cross directorships of elected directors. The transactions are in the normal course of business and are on agreed terms.

| | 2016 | | 2015 | |
|-------------------------------------|--------------------------|-----------------------|--------------------------|-----------------------|
| | Key management personnel | Other related parties | Key management personnel | Other related parties |
| | Rupees | Rupees | Rupees | Rupees |
| Transactions during the year | | | | |
| Remuneration of the Chief Executive | 4,184,688 | - | 2,265,566 | - |
| Filing fee to SECP | - | 25,045 | - | 50,460 |

18. FINANCIAL RISK MANAGEMENT

18.1 Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks, i.e. market risk, credit risk and liquidity risk. The Board of Directors has the overall responsibility for the establishment and oversight of Company's risk management framework. The Board is responsible for developing, implementing and monitoring the Company's risk management policies.

18.2.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, interest rate risk and currency risk. As at June 30, 2016 and June 30, 2015, the Company is not exposed to interest rate risk because it does not have any interest bearing assets and liabilities except for interest on bank balance in savings account.

18.2.1.1 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 Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency), As at the balance sheet date, the Company is not exposed to currency risk.

18.2.1.2 Price risk

RYA

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As at June 30, 2016, the Company is not exposed to price risk.

18.2.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The Company's exposure to credit risk is mainly related to bank balances, however, management believes that these balances are not significantly exposed to credit risk as the bank accounts have been maintained with a bank having good credit rating as follows:

| | <i>Long term</i> | <i>Short term</i> |
|--------------|------------------|-------------------|
| PACRA | AA | A1 + |

18.2.3 Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or encounters difficulty in raising funds to meet the commitments associated with financial liabilities as they all fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. As at June 30, 2016, the Company's financial liabilities of Rs. 0.943 million (June 30, 2015: Rs. 0.312 million) are all current and due in next financial year against which the Company has adequate liquid resources to pay these off and as such the Company is not exposed to liquidity risk as at June 30, 2016.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction other than in a forced or liquidation sale.

Fair value hierarchy

The fair values of the financial instruments have been analyzed in various fair value levels as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

NYA

The following table presents the Company's financial assets which are carried at fair value:

| | 2016 | | | |
|--|----------------|----------------|----------------|---------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | Rupees | Rupees | Rupees | Rupees |
| Financial assets - at fair value | | | | |
| <i>Fair value through profit or loss</i> | | | | |
| <i>- Held for trading</i> | | | | |
| Units of mutual funds | - | - | - | - |

| | 2015 | | | |
|--|----------------|----------------|----------------|---------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | Rupees | Rupees | Rupees | Rupees |
| Financial assets - at fair value | | | | |
| <i>Fair value through profit or loss</i> | | | | |
| <i>- Held for trading</i> | | | | |
| Units of mutual funds | 4,650,453 | - | - | 4,650,453 |

There were no transfers between levels during the year.

There were no changes in valuation techniques during the year.

20. DATE OF AUTHORISATION

This financial information were authorized for issue on 24 AUG 2016 by the Board of Directors of the Company.

21. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. No major reclassifications were made during the current period.

22. GENERAL

Figures have been rounded off to the nearest Rupee.

NYA


CHIEF EXECUTIVE


Director

NUMBER OF BOARD MEETINGS AND ATTENDANCE

Board of Directors

The Board comprises of one executive director, three non-independent directors and eight independent directors. The Board has the collective responsibility for ensuring that the affairs of IFMP are managed competently and with integrity.

An independent Director, Mr. Izhar Hussain, chairs the Board and the Chief Executive Officer is Mr. Muhammad Ali Khan. The new board is composed of the following:

| Name | Nominated by / Elected | Ind, Non-Ind or Exe |
|----------------------------|-------------------------|-----------------------|
| Dr. Izhar Hussain | Nominated by SECP | Chairman, Independent |
| Dr. Zeeshan Ahmed | Nominated by SECP | Independent |
| Mr. Ashraf Bava | Nominated by SECP | Independent |
| Mr. Hassanali Abdullah | Nominated by SECP | Independent |
| Mr. Imran Zafar | Nominated by SECP | Independent |
| Dr. Muhammad Mohsin Khan | Nominated by SECP | Independent |
| Mr. Saad Al Marwat | Nominated by SECP | Independent |
| Mr. Ejaz Ali Shah | Nominated by SECP | Independent |
| Mr. Hanif Jakhura | CDC- Elected | Non- Independent |
| Mr. Nadeem Naqvi | PSX- Elected | Non- Independent |
| Ms. Mashmooma Zehra Majeed | MUFAP- Elected | Non- Independent |
| Mr. Muhammad Ali Khan | Chief Executive Officer | Executive |

Attendance

In 2015-16, the Board of Directors held 6 meetings to cover its complete cycle of activities. The attendance record of the Directors is as follows:

| Directors' Name | Meetings Attended |
|----------------------|---------------------------------------|
| Mr. Nadeem Hussain* | Attended 3 meetings out of 4 meetings |
| Ms. Mussarat Jabeen | Attended 0 meeting out of 2 meetings |
| Mr. Ejaz Ali Shah*** | Attended 5 meetings out of 6 meetings |
| Mr. Taher G. Sahak | Attended 1 meeting out of 4 meetings |

| | |
|-------------------------------|---------------------------------------|
| Mr. Arif Masud Mirza | Attended 3 meetings out of 4 meetings |
| Mr. Amin D. Saleh | Attended 2 meetings out of 4 meetings |
| Mr. Zafar Iqbal Sobhani | Attended 3 meetings out of 4 meetings |
| Mr. Muhammad Shoaib | Attended 3 meetings out of 4 meetings |
| Ms. Mashmooma Zehra Majeed | Attended 6 meetings out of 6 meetings |
| Mr. Muhammad Hanif Jakhura | Attended 2 meetings out of 6 meetings |
| Mr. Nadeem Naqvi | Attended 3 meetings out of 6 meetings |
| Mr. Abid Hussain | Attended 2 meetings out of 2 meetings |
| Mr. Izhar Hussain* (Chairman) | Attended 2 meetings out of 2 meetings |
| Dr. Zeeshan Ahmed** | Attended 1 meeting out of 2 meetings |
| Mr. Imran Zafar** | Attended 1 meeting out of 2 meetings |
| Mr. Ashraf Bava** | Attended 2 meetings out of 2 meetings |
| Mr. Saad Al-Marwat** | Attended 2 meetings out of 2 meetings |
| Mr. Hasanali Abdullah** | Attended 2 meetings out of 2 meetings |
| Dr. M. Mohsin Khan** | Attended 2 meetings out of 2 meetings |

* Mr. Izhar Hussain replaced Mr. Nadeem Hussain on April 26, 2016.

** SECP nominated names of seven new members to the board of directors.

*** Mr. Ejaz Ali Shah re-nominated by SECP under section 183(b) of the Companies Ordinance, 1984.

Board Committees

The Board has established four committees:

□ *Audit and Risk Committee*

The committee meets at least once every quarter and assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to shareholders.

The Chief Financial Officer regularly attends the Audit Committee meetings by invitation to present the accounts. After each meeting, the Chairman of the Committee reports to the Board.

The Committee met four times during the year. The new committee is composed of the following:

| <i>Members</i> | <i>Secretary of the Committee</i> |
|-----------------------------------|-----------------------------------|
| Mr. Hassanali Abdullah (Chairman) | Mr. Shahid Naseer |
| Dr. Zeeshan | |
| Mr. Saad Al-Marwat | |
| Mr. Muhammad Hanif Jakhura | |

Attendance

| | |
|----------------------|--------------------------------------|
| Ms. Musarat Jabeen** | Attended 0 meeting out of 3 meetings |
|----------------------|--------------------------------------|

| | |
|----------------------------|---------------------------------------|
| Mr. Arif Masud Mirza** | Attended 2 meetings out of 3 meetings |
| Mr. Zafar Iqbal Sobhani* | Attended 3 meetings out of 3 meetings |
| Mr. Muhammad Hanif Jakhura | Attended 4 meetings out of 4 meetings |
| Mr. Hassanali Abdullah* | Attended 1 meeting out of 1 meeting |
| Dr. Zeeshan | Attended 1 meeting out of 1 meeting |
| Mr. Saad Al-Marwat | Attended 1 meeting out of 1 meeting |

* Mr. Zafar Iqbal Sobhani has been replaced by Mr. Hassanali Abdullah.

** The members have been replaced by the new nominated members except Mr. Hanif Jakhura.

□ *Human Resource and Remuneration Committee*

The committee overlooks the remuneration scale, employee performance and employee grievance related issues. The Committee met four times during the year. The new committee is composed of the following:

| <i>Members</i> | <i>Secretary of the Committee</i> |
|------------------------------|-----------------------------------|
| Dr. Izhar Hussain (Chairman) | Mr. Riaz Ahmed |
| Mr. Nadeem Naqvi | |
| Mr. Muhammad Ali Khan | |
| Mr. Saad Al-Marwat | |

| <i>Attendance</i> | |
|-----------------------|---------------------------------------|
| Mr. Nadeem Hussain* | Attended 3 meetings out of 3 meetings |
| Mr. Taher G. Sachak** | Attended 0 meeting out of 3 meetings |
| Mr. Nadeem Naqvi | Attended 2 meetings out of 4 meetings |
| Mr. Muhammad Ali Khan | Attended 5 meetings out of 5 meetings |
| Dr. Izhar Hussain* | Attended 2 meeting out of 2 meeting |
| Mr. Saad Al-Marwat** | Attended 2 meeting out of 2 meeting |

* Mr. Nadeem Hussain has been replaced by Mr. Izhar Hussain.

** Mr. Saad Al-Marwat has replaced Mr. Taher G. Sachak.

□ *Procurement Committee*

The scope of the procurement committee is to identify, assess, monitor and manage procurement and review the policy for board approval. The committee has been established to report and make recommendations to the board in respect of procurement functions as details in the policy and need of the Institute of Financial Markets of Pakistan (IFMP). The Committee met one time during the year. The new committee is composed of the following:

| <i>Members</i> | <i>Secretary of the Committee</i> |
|--|-----------------------------------|
| Mr. Mohsin Khan (Chairman) Mr. Ashraf Bava Mr. Nadeem Naqvi Mr. M. Ali Khan | Mr. Riaz Ahmed |

| <i>Attendance</i> | |
|-------------------|-------------------------------------|
| Mr. Mohsin Khan | Attended 1 meeting out of 1 meeting |
| Mr. Ashraf Bava | Attended 1 meeting out of 1 meeting |
| Mr. Nadeem Naqvi | Attended 0 meeting out of 1 meeting |
| Mr. M. Ali Khan | Attended 1 meeting out of 1 meeting |

□ *Strategic Learning, Development and Innovation (SLDI)*

The scope of the committee is to:

1. Review and recommend for approval of new certification programmes to the Board;
2. Review and recommend the course material and question bank to the Board;
3. Review and recommend fee structure for the various IFMP programmes to the Board for approval;
4. Review and select the consultant as per guidelines and requirement of World Bank under IDF Grant.

The new committee is composed of the following:

| <i>Members</i> | <i>Secretary of the Committee</i> |
|---|-----------------------------------|
| Dr. Zeeshan (Chairman) Mr. Saad Al-Marwat Mr. Ashraf Bava Ms. Mashmooma Zehra Majeed Mr. Imran Zafar Mr. Muhammad Ali Khan | Mr. Shahid Naseer |

No meeting has been held during the FY 2015-2016.

PATTERN OF SHAREHOLDINGS

As at June 30, 2016

| Name of Institution | Contribution in Paid-up Capital (Rs. In Million) | Shares Held | Percentage (%) |
|---|--|-------------|----------------|
| Securities and Exchange Commission of Pakistan | 28,000,000 | 5600 | 73.69 |
| Pakistan Stock Exchange (Formerly: Karachi Stock Exchange Limited) | 1,000,000 | 200 | 2.63 |
| ISE Towers REIT Management Company Limited (Formerly: Islamabad Stock Exchange Limited) | 1,000,000 | 200 | 2.63 |
| LSE Financial Services (Formerly: Lahore Stock Exchange Limited) | 1,000,000 | 200 | 2.63 |
| Pakistan Mercantile Exchange Limited | 1,000,000 | 200 | 2.63 |
| Mutual Fund Association of Pakistan | 1,000,000 | 200 | 2.63 |
| Central Depository Company of Pakistan Limited | 2,000,000 | 400 | 5.27 |
| National Clearing Company of Pakistan Limited | 1,000,000 | 200 | 2.63 |
| CFA Association of Pakistan | 1,000,000 | 200 | 2.63 |
| Institute of Cost and Management Accountants of Pakistan | 1,000,000 | 200 | 2.63 |
| TOTAL | 38,000,000 | 7600 | 100 |

APPRECIATION AND ACKNOWLEDGEMENT

At this time, we would like to appreciate the efforts of the Securities and Exchange Commission of Pakistan, Central Depository Company, Pakistan Stock Exchange, Mutual Funds Association of Pakistan, Pakistan Mercantile Exchange, Institute of Cost and Management of Pakistan, National Clearing Company of Pakistan Limited and CFA Association of Pakistan for strengthening the Institute by improving regulatory, policy and governance framework.

We would also like to take this opportunity to also thank on behalf of the Board and Management of the Institute of Financial Markets of Pakistan, the candidates and the shareholders for entrusting their confidence in us and assure them that we remain committed to maintaining high service standards and a strong culture of good corporate governance and compliance in all our endeavors. We would also like to express our sincere gratitude to the employees of the Institute for their dedication and hard work.

For and on behalf of the Board



MUHAMMAD ALI KHAN
(Chief Executive Officer)



DR. IZHAR HUSSAIN
(Chairman)



Institute of Financial Markets of Pakistan
(Formerly Institute of Capital Markets)

Park Avenue Building, Suite No. 1009 10th Floor, P.E.C.H.S Block No. 6, Shahrah-e-Faisal, Karachi

Ph: +92 (21) 34540843-44

Email: info@ifmp.org.pk

Website: www.ifmp.org.pk