

DIRECTORS' REPORT

Your Directors are pleased to present the Annual Report and the Audited Financial Statements of the Company for the year ended June 30th, 2016 together with the Auditors' report thereon.

Profit and Loss Appropriations

The Directors propose following appropriations out of the profit for the current year:

| | 2015 - 16 | 2014 - 15 |
|---|-------------------|---------------------|
| | | <i>Rupees</i> |
| Profit before Tax | 17,963,485 | 194,266,711 |
| Other Comprehensive Income | (52,575) | 142,463 |
| Taxation | <u>(811,610)</u> | <u>(69,992,759)</u> |
| Total Comprehensive Income | 17,099,300 | 124,416,415 |
| Un-appropriated Profit as at July 1st, 2015 / 2014 | <u>67,266,264</u> | <u>(57,150,151)</u> |
| | 84,365,564 | 67,266,264 |
| Appropriation during the year | | |
| - Final Cash Dividend for the year 2014-15 Nil (2013-14: Nil) | - | - |
| | <u>84,365,564</u> | <u>67,266,264</u> |
| Balance as at June 30th, 2015 / 2014 | <u>84,365,564</u> | <u>67,266,264</u> |

Subsequent Effects

The Board of Directors of the Company in their meeting held on September 21st 2016, did not propose any dividend.

Financial Results

The sales revenue of Rs.163.0 million for the year was lower by 69% compared to Rs.533.9 million of previous year, resulting in net profit of Rs. 17.2 million for the year as compared to profit of Rs.124.3 during the previous year.

The decrease in profitability is mainly due to the impact of BISE project where in results tabulation business could not be done. Decrease in profitability was also due to discontinuation of outsourcing agreement from NIFT effective January 1st, 2016.

Cost of Services during the year decreased by 60.1% as compared to the previous year mainly due to reduction in BISE related business.

Other Income of Rs. 1.9 million was earned mainly on sale of scrap/assets and write back of liabilities no longer required to be paid.

Liquidity Management and Cash Flow Strategy

During the year under review liquidity was under pressure due to slow progress on collection of projects related receivables. Company's cash and cash equivalents were decreased by Rs. 1.4 million as compared to last year. The funds were mainly required for on-going project financing and capital expenditure. At the end of the year, the Company had a net position comprising positive cash and cash equivalent amounting to Rs.3.1 million.

Current cash requirements are adequately financed through internal cash generation and also with recourse to financing by Parent Company. Borrowing capacity of the company is limited to lease financing arrangements and short term financing by Parent Company.

Operations and Significant Events

1. Support to NIFT Operations

- a. Provided support to NIFT's 28 clearing centers, PKI data center as well as NIFT's main data center and its DR site in Islamabad.
- b. Provided Support to NIFT's BISE and PBOR Projects on the H/W deployed at centers.

2. Execution of NIFT's BISE, ECP, PBOR Printing & EOBI Projects.

Completed projects which NIFT outsourced to ISM. These included BISE (printing) and ECP (printing), EOBI (archiving) and PBOR (printing).

3. Batch Printing Business

During the year Image System Marketing (Pvt.) Limited has started batch printing business by capturing Haleeb Foods opportunity. The project involves printing of batch information. Batch information contains manufacturing date and time, expiry date and production batch number. Installation of 32 machines at Haleeb Foods was completed in December, 2015. In the reporting year revenue of Rs. 13.3 million was booked.

4. Check Truncation / Desk Top Scanners

During the year company had signed exclusive distributor agreement with Digital Check of USA for Desktop Scanners. Digital Check is world renowned company for desktop scanners. Marketing campaign for this hardware has started. We plan to market the scanners through our own efforts as well as through resellers.

Future Prospects and Plans

Printing needs of BISE project will continue to be handled by the company in 2016-17. There are prospects to enter into support maintenance of software with BISE Boards.

The Company has signed an exclusive Distribution Agreement for Digital Check equipment for check imaging with Globalis Inc. of Canada who is the master distributor of Digital Check for this region.

As and when Check Truncation is introduced, ISM will play its role in marketing its products and services to bank branches.

Industrial Relations

Harmonious working environment prevailed at all locations of the Company.

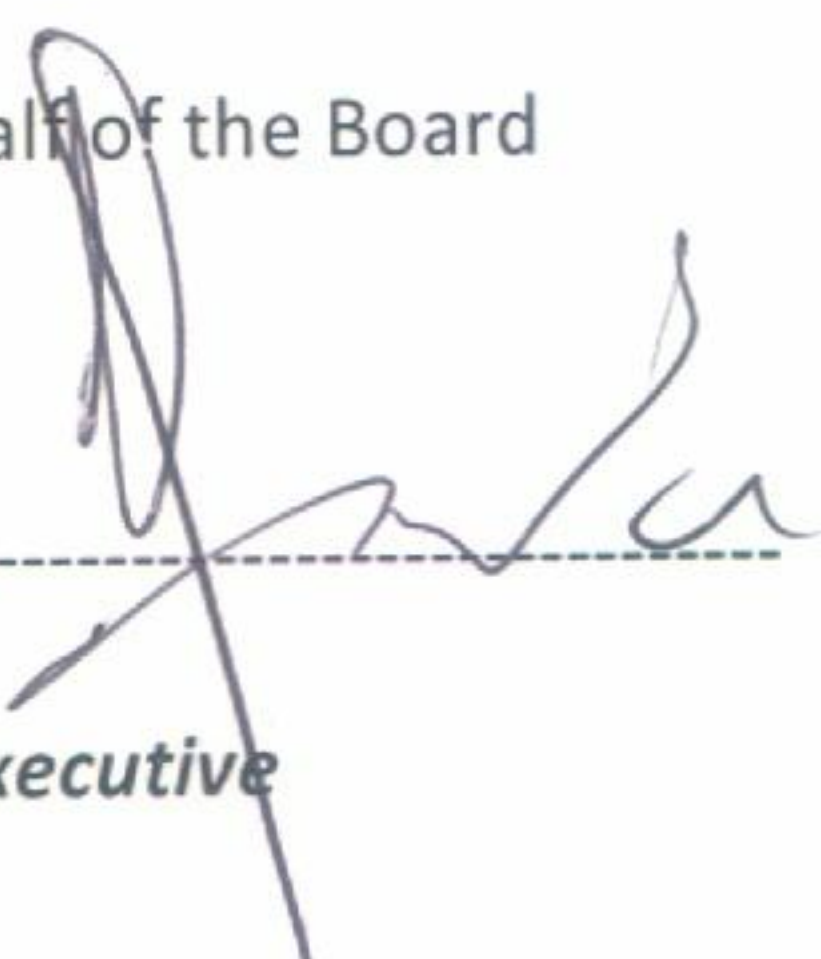
Directors

Since the last Annual General Meeting held on 28th October, 2015, Mr. Tariq M. Akbar and Mr. Kashif Karimi had joined the Board in place of Mr. Faiq Sadiq and Mr. Agha Saeed Khan.

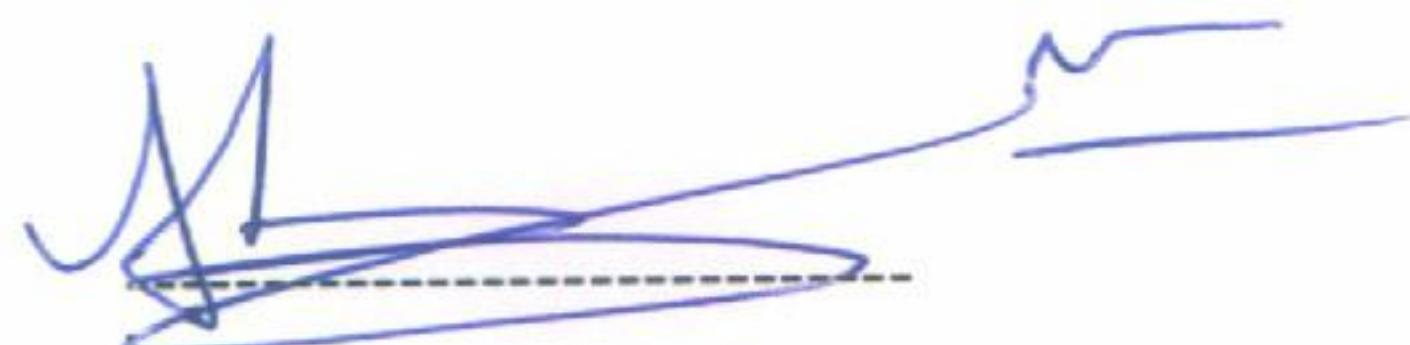
Auditors

The auditors A. F. Ferguson & Company, Chartered Accountants, retire and are eligible for reappointment for the year 2016-17. As recommended by Audit and Finance Committee of the Board, the Directors have recommended the reappointment of the retiring auditors.

On behalf of the Board



Chief Executive



Director