

Half Yearly Report
December 31, 2016

2016



INVEST AND FINANCE SECURITIES LIMITED

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COMPANY INFORMATION

Driven By Trust

Board of Directors	<p>Mr. Muzzammil Aslam (Chairman & Chief Executive Officer)</p> <p>Mr. Asim Ali Mr. Fayyaz Ilyas Mr. Hayat Javed Mr. Irfan Pardesi Mr. Shakeel Ilyas Mr. Rahat Aziz</p>
Audit Committee	<p>Mr. Fayyaz Ilyas - Chairman Mr. Hayat Javed - Member Mr. Irfan Pardesi - Member Mr. Rahat Aziz - Member</p>
HR & R Committee	<p>Mr. Hayat Javed – Chairman Mr. Shakeel Ilyas – Member Mr. Muzzammil Aslam - Member</p>
Company Secretary	Mr. Shahid Kamal
Chief Financial Officer	Mr. Ahmad Zakir Hafeez
Auditors	<p>M/s. Riaz Ahmad, Saqib, Gohar & Company Chartered Accountants 5-Nasim, C.H.S. Major Nazir Bhatti Road, Off: Shaheed-e-Millat Road, Karachi, Pakistan.</p>
Legal Advisor	<p>M/s. K. D. Rajani & Company Suit No. 210, Progressive Plaza, Beaumont Road, Civil Lines, Karachi, Pakistan.</p>
Share Registrar	<p>M/s. Technology Trade (Private) Limited Dagia House, 241-C, Block-2, P.E.C.H.S., Off: Shahrah-e-Quaideen, Karachi, Pakistan.</p>
Bankers	<p>MCB Bank Limited Bank Alfalah Limited NIB Bank Limited Askari Bank Limited United Bank Limited Allied Bank Limited Bank AL Habib Limited BankIslami Pakistan Limited Habib Metropolitan Bank Limited Silk Bank Limited The Bank of Khyber Summit Bank Limited Habib Bank Limited JS Bank Limited Meezan Bank Limited</p>
Registered Office	<p>Office No. 904, 9th Floor, Emerald Tower, Plot No. G-19, Block-5, Clifton, Karachi, Pakistan.</p>
Lahore Branch	<p>319-Siddiq Trade Centre, 72 Main Boulevard, Gulberg, Lahore, Pakistan.</p>
Website	<p>www.investfinance.com.pk</p>



DIRECTORS' REVIEW

BEGIN IN THE NAME OF ALLAH THE MOST GRACIOUS AND MERCIFUL

Dear Member(s)

I, on behalf of Board of Directors of your Company, am pleased to present herewith un-audited condensed interim financial statements of the Company for the half year ended December 31, 2016. These condensed interim financial statements have been reviewed by the external auditors of the Company.

Performance Review

During the second quarter ended December 31, 2016, the Company earned operating revenues of Rs. 32.850 million as compared to Rs. 18.251 million for the same period during last year. The Company earned before and after tax profit of Rs.3.765 million and Rs.3.000 million respectively as compared to before and after tax loss of Rs. 0.204 million and Rs. 0.367 million respectively for the corresponding period. Earnings per share for the quarter stood at Rs. 0.15 as compared to per share loss of Rs. 0.02 for the corresponding period.

For the half year ended December 31, 2016, the Company earned operating revenues of Rs. 60.388 million as compared to Rs. 37.246 million for the corresponding period. The Company earned before and after tax profit of Rs. 3.607 million and Rs. 2.025 million respectively as compared to Rs. 2.401 million and Rs. 1.067 million respectively for the same period during last year. Earnings per share for the half year are Rs. 0.10 as compared to Rs. 0.05 for the corresponding period.

The management of your company has focused at brokerage business due to which revenue from brokerage commission has increased by 60% during this half year and 79% during this quarter as compared to corresponding periods. We expect the momentum of earning growth going forward along with increased volume at the local bourse and international market as well.

Take-Over/Acquisition by EFG

By the Grace of Almighty Allah, EFG Hermes Frontier Holdings LLC (the "Acquirer") has obtained necessary regulatory approvals from respective authorities and now as per requirement of the Securities Act, 2015 ('Act') and the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2008 ('Regulations') (Act and Regulations collectively referred to as the 'Take Over Laws'), Public Announcement of Offer to acquire up to 2,201,342 shares (approximately 11% of the total issued Shares) at Rs. 15/- per share and control of Invest and Finance Securities Limited (the 'Company') by EFG Hermes Frontier Holdings LLC has been completed. In this respect your company has also announced book closure as per requirement.

In conclusion, we pray to almighty Allah for his blessings, guidance, health and prosperity to us, our Company, Country and Nation.

For and on behalf of the Board of Directors

MUZZAMMIL ASLAM

Chairman & Chief Executive Officer

Karachi, February 20, 2017



ڈائریکٹرز رپورٹ برائے ممبران

شروع اللہ کے نام سے جو بڑا مہربان اور رحم والا ہے۔

محترم ممبران

السلام وعلیکم،

میں آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے، بخوشی کمپنی کے بیرونی آڈیٹرز کی نظر ثانی شدہ ششماہی 31 دسمبر 2016 کو ختم ہونے والی کمپنی کی غیر آڈٹ شدہ عبوری مالی تفصیلات کی رپورٹ پیش کرتا ہوں۔

کارکردگی کا جائزہ:

31 دسمبر 2016 کو ختم ہونے والی دوسری سہ ماہی کے دوران کمپنی نے کاروباری آمدنی کی مد میں 32.850 ملین روپے کمائے جبکہ گزشتہ سال اسی دورانیہ میں 18.251 ملین روپے کمائے تھے۔ کمپنی نے زیر غور مدت کے دوران قبل از ٹیکس اور بعد از ٹیکس منافع بالترتیب 3.765 ملین اور 3.000 ملین مقابلتا قبل از ٹیکس اور بعد از ٹیکس نقصان بالترتیب 0.204 ملین اور 0.367 ملین روپے کمایا۔ زیر غور مدت میں فی حصص آمدنی 0.15 مقابلتا فی حصص خسارہ 0.02 رہی۔

کمپنی نے مذکورہ مدت کے دوران نصف مالی سال 31 دسمبر 2016 کے اختتام پر کاروباری آمدنی کی مد میں 60.388 ملین روپے کمائے جبکہ گزشتہ سال اسی دورانیہ میں 37.246 ملین روپے کمائے تھے۔ کمپنی نے قبل از ٹیکس اور بعد از ٹیکس منافع 3.607 ملین اور 2.025 ملین بالترتیب کمایا جبکہ گزشتہ سال اسی دورانیہ میں 2.401 ملین اور 1.067 ملین روپے کمایا تھا۔ نصف سال کی مذکورہ مدت میں فی حصص آمدنی 0.10 مقابلتا گزشتہ سال 0.05 رہی۔

آپ کی کمپنی کی پیٹرنٹ نے بروکریج کی طرف توجہ مرکوز کی جس کی وجہ سے بروکریج کمیشن میں اس سہ ماہی میں 79 فیصد جبکہ نصف سال کے دوران 60 فیصد اضافہ ہوا۔ ہم توقع کرتے ہیں کہ مقامی اور بین الاقوامی حصص مارکیٹ میں کاروباری حجم کے ساتھ آمدنی میں اضافہ کا تناسب بڑھے گا۔

ٹیک اور حصول - EFG

اللہ تعالیٰ کے فضل سے، ای ایف جی ہرمز فرنیچر ہولڈنگز ایل ایل سی ('ایکویٹی') نے متعلقہ اداروں سے ضروری ضابطوں کی منظوریاں حاصل کر لی ہیں اور اب سیکورٹیز ایکٹ، 2015 ('ایکٹ') کی ضرورت کے مطابق اور سیکورٹیز (سٹیٹوشنل ایکویزیشن آف ووٹنگ شیئر ز اینڈ ٹیک اوروز) ریگولیشنز 2008 ('ریگولیشنز') (ایکٹ اور ریگولیشنز مجموعی طور پر 'ٹیک اور لاز' کہلائیے گئے)، ای ایف جی ہرمز فرنیچر ہولڈنگز ایل ایل سی کی جانب سے انویسٹ اینڈ فنانس سیکورٹیز لمیٹڈ ('کمپنی') کے 2,201,342 حصص تک (ٹوٹل جاری شدہ حصص کے تقریباً 11 فیصد) بحساب 15 روپے فی حصص کی خریداری اور کنٹرول حاصل کرنے کے لیے پبلک انانویسٹمنٹ آف آفر کی تعمیل کر لی ہے۔ اس سلسلے میں آپ کی کمپنی ضرورت کے مطابق کتابوں کی بندش کا اعلان بھی کر چکی ہے۔

آخر میں: اللہ تعالیٰ سے دعا ہے کہ وہ ہم پر، ہماری کمپنی، ملک اور قوم پر اپنی رحمتیں نازل فرمائے۔ اور ہمیں صحت و تندرستی عطا کرے اور ہماری رہنمائی فرمائے۔ آمین

منجانب بورڈ آف ڈائریکٹرز

مزل اعلم

چیرمین اینڈ چیف ایگزیکٹو آفیسر

تاریخ: 20 فروری، 2017

AUDITOR'S REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Invest and Finance Securities Limited as at December 31, 2016 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with selected explanatory notes to the condensed interim financial information forming part thereof for the six months period then ended (here-in-after referred to as the 'condensed interim financial information'). Management of the company is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the six months period ended December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figure for the condensed interim profit and loss account of the quarters ended December 31, 2015 & 2016 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2016 and we do not express a conclusion thereon.

Riaz Ahmad, Saqib, Gohar & Company
Chartered Accountants
Engagement Partner: **Muhammad Kamal Gohar**

Karachi: February 20, 2017

Website: www.rasgco.com Email: rasgkhi@rasgco.com
Regional Offices at Lahore & Islamabad



CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2016

		<u>Un - audited</u> <u>December</u> <u>31, 2016</u>	<u>Audited</u> <u>June</u> <u>30, 2016</u>
..... Rupees			
ASSETS	Note		
NON-CURRENT ASSETS			
Property, plant and equipment	5	35,751,894	35,445,948
Intangible assets		3,700,005	3,700,005
Long-term investments	6	43,078,600	43,078,600
Long-term deposits		1,059,735	1,109,735
		83,590,234	83,334,288
CURRENT ASSETS			
Trade debts - net	7	49,589,187	32,620,348
Short-term investments		4,951,750	28,706,080
Advances, deposits, prepayments and other receivables		120,597,019	31,574,462
Advance tax - net		46,843,422	38,838,349
Receivable from NCCPL - net		2,464,246	-
Cash and bank balances	8	92,495,900	60,709,509
		316,941,524	192,448,748
TOTAL ASSETS		400,531,758	275,783,036
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital		200,156,500	200,156,500
Un-appropriated loss		(6,199,506)	(8,224,779)
		193,956,994	191,931,721
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		5,446,080	4,440,000
CURRENT LIABILITIES			
Current portion of liabilities against assets subject to finance lease		1,583,520	1,184,000
Short-term running finance	9	33,092,351	1,251,975
Payable to NCCPL - net		-	2,280,508
Trade and other payables		166,452,813	74,694,832
		201,128,684	79,411,315
CONTINGENCIES AND COMMITMENTS			
	10	-	-
TOTAL EQUITY AND LIABILITIES		400,531,758	275,783,036

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**

FOR THE HALF YEAR AND SECOND QUARTER ENDED DECEMBER 31, 2016

	Half Year Ended		Second Quarter Ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	Rupees		Rupees	
Operating revenues	56,548,875	35,409,711	30,285,993	16,932,329
Gain on sale of investments-net	3,838,794	1,836,783	2,563,785	1,318,369
	60,387,669	37,246,494	32,849,778	18,250,698
Operating expenses	(56,031,658)	(35,109,606)	(29,007,339)	(18,357,593)
Operating profit / (loss)	4,356,011	2,136,888	3,842,439	(106,895)
Other income - net	477,041	888,383	258,305	292,319
Other charges	-	(48,017)	-	4,084
Financial charges	(1,283,183)	(219,220)	(754,136)	(36,518)
Gain / (loss) on revaluation of investments carried at fair value through profit and loss account- net	56,776	(357,190)	418,412	(357,190)
	(749,366)	263,956	(77,419)	(97,305)
PROFIT / (LOSS) BEFORE TAXATION	3,606,645	2,400,844	3,765,020	(204,200)
TAXATION	(1,581,372)	(1,334,271)	(764,678)	(163,266)
PROFIT / (LOSS) AFTER TAXATION	2,025,273	1,066,573	3,000,342	(367,466)
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	2,025,273	1,066,573	3,000,342	(367,466)
Earnings / (loss) per share - basic and diluted	0.10	0.05	0.15	(0.02)

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE OFFICER_____
DIRECTOR



CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE HALF YEAR AND SECOND QUARTER ENDED DECEMBER 31, 2016

	Half Year Ended	
	December 31, 2016	December 31, 2015
..... Rupees		
Cash Flows From Operating Activities		
Profit before taxation	3,606,645	2,400,844
Adjustments for:		
Depreciation	2,849,778	1,233,885
Financial charges	1,283,183	219,220
(Gain) / loss on revaluation of investments carried at fair value through profit and loss account - net	(56,776)	357,190
Loss on disposal of property, plant and equipment	23,819	61,633
	<u>4,100,004</u>	<u>1,871,928</u>
Profit before working capital changes	7,706,649	4,272,772
Changes in working capital		
(Increase) / decrease in current assets		
Trade debts - net	(16,968,839)	(17,516,730)
Short term investments	23,811,106	85,485,564
Advances, deposits, prepayments and other receivables	(89,022,557)	897,432
Receivable from NCCPL - net	(2,464,246)	197,658,285
	<u>(84,644,536)</u>	<u>266,524,551</u>
Increase / (decrease) in current liabilities		
Trade and other payables	91,441,049	(365,298,667)
Payable to NCCPL - net	(2,280,508)	-
Cash generated from / (used in) operations	<u>12,222,654</u>	<u>(94,501,344)</u>
Income tax paid	(9,586,445)	(4,185,883)
Financial charges paid	(966,251)	(946,504)
Net cash generated from / (used in) operating activities	<u>1,669,958</u>	<u>(99,633,731)</u>
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(3,179,543)	(493,966)
Long term deposits	50,000	-
Net cash used in investing activities	<u>(3,129,543)</u>	<u>(493,966)</u>
Cash Flows From Financing Activities		
Liabilities against assets subject to finance lease	1,405,600	-
Dividend paid	-	(255,199,538)
Net cash generated from / (used in) financing activities	<u>1,405,600</u>	<u>(255,199,538)</u>
Net decrease in cash and cash equivalents	(53,985)	(355,327,235)
Cash and cash equivalents at the beginning of the period	59,457,534	428,815,003
Cash and cash equivalents at the end of the period	59,403,549	73,487,768

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Share capital	Unappropriated profit/(loss)	Total
	-----Rupees-----		
Balance as at June 30, 2015	200,156,500	256,648,305	456,804,805
Issuance of final dividend @ Rs. 12.75 per share for the year ended June 30, 2015	-	(255,199,538)	(255,199,538)
Total comprehensive income for the half year ended December 31, 2015	-	1,066,573	1,066,573
Balance as at December 31, 2015	<u>200,156,500</u>	<u>2,515,340</u>	<u>202,671,840</u>
Total comprehensive loss for the half year ended June 30, 2016	-	(10,740,119)	(10,740,119)
Balance as at June 30, 2016	<u>200,156,500</u>	<u>(8,224,779)</u>	<u>191,931,721</u>
Total comprehensive income for the half year ended December 31, 2016	-	2,025,273	2,025,273
Balance as at December 31, 2016	<u>200,156,500</u>	<u>(6,199,506)</u>	<u>193,956,994</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2016

1 STATUS AND NATURE OF BUSINESS

Invest and Finance Securities Limited ('the Company') was incorporated under the Companies Ordinance, 1984 on September 27, 1999 as a Private Limited Company and converted into Public Unquoted Company w.e.f. November 27, 2006. Effective March 20, 2008 the Company became a listed Company with its shares quoted on the Pakistan Stock Exchange Limited (formerly, Karachi Stock Exchange Limited). The registered office of the Company is situated at Office No. 904, 9th Floor, Emerald Tower, Plot No. G-19, Block- 5, Clifton, Karachi, Pakistan.

The Company is Trading Right Entitlement (TRE) Certificate Holder of the Pakistan Stock Exchange Limited, Corporate Member of the Pakistan Mercantile Exchange Limited and is registered with/accredited by Financial Markets Association of Pakistan as inter-bank broker and Mutual Funds Association of Pakistan as service provider/distributor. The Company is engaged in Financial Brokerage, Corporate Finance and Financial Research.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been presented in condensed form in accordance with the requirements of International Accounting Standard (IAS)-34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. These condensed interim financial statements do not include all of the information required of full annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2016.

These condensed interim financial statements are un-audited and are being submitted to the shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984. These condensed interim financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended June 30, 2016.

Regular purchases and sales of investments are recognized on trade date basis - i.e. on the date when the Company commits to purchase or sell the asset. All client purchases and sales are recognized on T+2 basis - i.e. on the date of settlement.

4 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those applied in the preparation of the annual audited financial statements for the year ended June 30, 2016.

5 PROPERTY, PLANT AND EQUIPMENT

	Un - audited	Audited
	December	June
	31, 2016	30, 2016
Note	Rupees	
Opening book value	35,445,948	12,952,529
Add: Additions during the period - own	682,543	19,606,518
Additions during the period - leased vehicles	2,497,000	7,400,000
Less: Disposals during the period (at book value)	(23,819)	(1,058,173)
Depreciation charged during the period	(2,849,778)	(3,454,926)
	(2,873,597)	(4,513,099)
Closing book value	35,751,894	35,445,948

6 LONG-TERM INVESTMENTS

Available for sale investments	6.1 & 6.2	43,078,600	43,078,600
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- 6.1** This represents unquoted shares of Pakistan Stock Exchange Limited ('PSX') allotted as a result of (Corporatization, Demutualization and Integration) Act, 2012. (the Act) in lieu of membership card of KSE, out of which 60% i.e. 2,404,430 shares are kept in blocked account in the name of the Company maintained under the PSX's Participant ID for divestment to strategic investor(s), general public and financial institution in accordance with the requirements of the Act. However, 40% of the shares kept in blocked account have been decided to be sold to Chinese consortium through the divestment committee at Rs. 28/- per share. As per the communication by divestment committee through its letter dated December 29, 2016, the sale consideration will be transferred after holding 10% of the sale price as Retention money in terms of Share Purchase Agreement. The remaining 20% will be sold to general public in due course of time. Further, two TRE Certificates of PSX (i.e. one each against TRE Certificates of the Karachi Stock Exchange Limited and the Lahore Stock Exchange Limited) have been issued to the Company.

- 6.2** This also represents unquoted shares of LSE Financial Services Limited ('LSEFSL') formed as an NBFC allotted as a result of (Corporatization, Demutualization and Integration) Act, 2012 in lieu of membership card of LSE.

Since all these shares of PSX and LSEFSL are not presently tradable therefore fair value cannot be determined. The Company reclassified its investment from Intangible Assets to Long Term Investments at cost price for better presentation.

	<u>Un - audited</u> <u>December</u> <u>31, 2016</u>	<u>Audited</u> <u>June</u> <u>30, 2016</u>
7 TRADE DEBTS - NET Rupees	
Trade debts - net	49,589,187	32,620,348
Aging Analysis		
Within 5 days	30,604,240	26,474,176
Above 5 days	19,794,897	6,956,122
Provision for doubtful debts	(809,950)	(809,950)

Trade debts and other receivables are recognized at fair value and subsequently measured at amortized cost. A provision for impairment in trade debts and other receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

As per Brokers (licensing and operations) Regulations 2016 trade debts for more than five days to the extent by which the amount receivable exceed the collateral held from such customer after applying haircuts on VAR basis are Rs. 5.17million .

	<u>Un - audited</u> <u>December</u> <u>31, 2016</u>	<u>Audited</u> <u>June</u> <u>30, 2016</u>
8 CASH AND BANK BALANCES Rupees	
Cash in hand	191,541	191,541
Cash at banks		
- in deposit accounts	12,111,625	12,560,955
- in current accounts - pertaining to brokerage house	1,599,644	1,663,999
- in current accounts - pertaining to clients	78,593,090	46,293,014
	92,304,359	60,517,968
	92,495,900	60,709,509

Client(s) balances of Rs. 58.5million are kept in margin deposit account of respective UIN's with the National Clearing Company of Pakistan Limited.



	Un-audited December 31, 2016	Audited June 30, 2016
9 SHORT - TERM RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS - Secured Rupees	
NIB Bank Limited	<u>33,092,351</u>	<u>1,251,975</u>

The Company has aggregate running finance facilities of Rs. 350 million (June 30, 2016 : Rs. 150 million) under mark-up arrangements. The facilities carry Mark-up at 3 months KIBOR + 2% (June 30, 2016 : 3 Months KIBOR + 2%). These arrangements would remain valid for varying periods and are secured against pledge of listed securities. Securities pledged are Rs. 59,822,400/- related to client(s).

10 CONTINGENCIES AND COMMITMENTS

- 10.1** The Company has pledged/hypothecated TRE Certificate of Pakistan Stock Exchange Limited (formerly, 'Karachi Stock Exchange Limited') and 1,602,853 ordinary shares of PSX and 843,875 shares of LSE Financial Services Limited with PSX to fulfill the Base Minimum Capital requirement under the Regulations of the Exchange.
- 10.2** The income tax authorities have issued Notice under section 122(5A) read with Section 122(9) of the Income Tax Ordinance, 2001 to amend the assessment for the tax year 2013. In this regard, tax Authorities have passed an order vide decreasing tax loss claimed for the year. However, the Company has filed an appeal before the Commissioner (Appeals-III) against the above order and the proceedings thereof are pending till date. The management is confident that the eventual outcome of the matters will be decided in favour of the Company. Accordingly, no provisions have been made in these financial statements.
- 10.3** The income tax authorities have issued Show Cause Notices under section 122(9) for amendment under section 122(5A) of the Income Tax Ordinance, 2001 for tax years 2010, 2011 and 2013. The Company has filed petitions in the Honorable High Court of Sindh at Karachi against notices/orders for tax years 2010 and 2011. The Honorable High Court of Sindh has granted Stay Orders in favor of the Company. In respect of tax year 2013 the Company had already filed appeal mentioned in Note 10.2 and proceedings thereof are pending till date. The management is confident that the eventual outcome of the matter will be decided in favour of the Company. Accordingly, no provisions have been made in these condensed interim financial statements.
- 10.4** The income tax authorities have issued Show Cause Notices under section 161/205 of the Income Tax Ordinance, 2001 for monitoring of withholding tax for tax years 2014 and 2015 and passed the orders by raising demand of Rs. 23,049,621/- and 35,389,628/- including default surcharge respectively for non withholding of tax against payment of Buy-Back of shares under section 95A of the Companies Ordinance, 1984. The Company has filed petitions in the Honorable High Court of Sindh at Karachi against notices. The Honorable High Court of Sindh has granted Stay Orders in favor of the Company. Further the Company has also filed appeals before the commissioner (Appeals-III) against the above orders and the proceedings thereof are pending till date. The management is confident that the eventual outcome of the matter will be decided in favour of the Company. Accordingly, no provisions have been made in these condensed interim financial statements.
- 10.5** Tax department has filed appeal against the Supreme Court decision in the matter of Federal Excise Duty. The PSX Stock Broker Association is defending the case and Company became a party with them. Further tax department has issued Show Cause Notice under section 121(1)(d) of the Income Tax Ordinance, 2001 for best judgment assessment for the tax year 2012. The Company has filed Suit before the Honorable High Court of Sindh at Karachi for challenging notice and merger of proceedings under section 122(5A) of the Income Tax ordinance, 2001 initiated and closed earlier by the Additional Commissioner Inland Revenue. The management is confident that the eventual outcome of the matter will be decided in favour of the Company.
- 10.6** The income tax authorities have issued order for levy of default surcharge under section 205 (1B) for failing to pay advance tax under subsection (4A) or 6 of section 147 of income tax ordinance 2001 of Rs 171,331. The Company has filed an appeal before Commissioner (appeals) and the proceedings thereof are pending till date. The Company is confident that the said demand in the order will be deleted and appeal shall be finalized in its favour.



	<u>Un - audited</u> <u>December</u> <u>31, 2016</u>	<u>Un - audited</u> <u>December</u> <u>31, 2015</u>
11 OPERATING REVENUES Rupees	
Equity brokerage income	46,133,614	19,372,042
Inter-bank brokerage	9,221,064	11,483,439
Fees and commission	8,840	519,749
Dividend income	1,185,357	4,034,481
	<u>56,548,875</u>	<u>35,409,711</u>

12 RELATED PARTY TRANSACTIONS

The related parties comprise of major shareholders, associated companies with or without common directors, directors of the Company and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the entity. The Company considers all members of their management team, including the Chief Executive Officer and Directors to be its key management personnel. Remuneration and benefits to Executives of the Company are in accordance with the terms of the employment. Transactions with other related parties are entered into at rates negotiated with them. Details of transactions with related parties, other than those which have been disclosed elsewhere in these condensed interim financial statements, are as follows:

	<u>Un - audited</u> <u>December</u> <u>31, 2016</u>	<u>Un - audited</u> <u>December</u> <u>31, 2015</u>
 Rupees	
Brokerage income earned from:		
Directors	<u>281,065</u>	<u>306,189</u>
Employees	<u>174,586</u>	<u>124,474</u>
Transactions		
Contribution to IFSL - Employees Provident Fund	<u>1,253,993</u>	<u>724,672</u>
Salaries and remuneration to Chief Executive & Director	<u>5,600,000</u>	<u>4,413,333</u>
Fee to Non- Executive Director (Independent)	<u>25,000</u>	<u>-</u>
Balances		
Payable to directors in their shares trading accounts	<u>736,476</u>	<u>-</u>
Payable to employees in their shares trading account	<u>522,604</u>	<u>-</u>
13 TURNOVER Rupees '000	
The Company shares turnover is as under:		
Retail clients	<u>13,400,340</u>	<u>9,224,687</u>
Institutional clients	<u>24,626,315</u>	<u>11,507,464</u>
Proprietary trades	<u>656,878</u>	<u>3,443,274</u>



CHANGE IN SHARE HOLDING STRUCTURE

The Directors and Shareholders of the Company holding in aggregate 15,612,966 ordinary shares constituting 78% of the total issued shares of the Company have entered into a Share Purchase Agreement on August 24, 2016 for sale of their upto 10,207,982 ordinary shares at a price of Rs. 15/- per share with EFG Hermes Frontier Holdings LLC.

15 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been authorized for issue on February 20, 2016 by the Board of Directors of the Company.

16 GENERAL

Figures in these condensed interim financial statements have been rounded off to the nearest rupee. Prior year's figures in these financial statements have been re-arranged / re-classified, where necessary, for better presentation.



CHIEF EXECUTIVE OFFICER

DIRECTOR



PATTERN OF SHAREHOLDING

As at December 31, 2016

[Sub-Regulation 2(e) of Regulation 34 under chapter IV
of Securities Brokers (Licensing and Operations)
Regulations, 2016]

SHAREHOLDERS HOLDING 5% OR MORE OF THE VOTING SHARES/ INTERESTS IN THE COMPANY			
Names	Number of Shareholders	Number of Shares held	% of Shareholding
Mr. Muzzammil Aslam	1	3,561,726	17.79%
Mr. Irfan Pardesi	1	3,183,452	15.90%
Mr. Fayyaz Ilyas	1	2,861,373	14.30%
Mr. Shakeel Ilyas	1	2,705,924	13.52%
Mr. Hayat Javed	1	2,203,292	11.01%
Mr. Asim Ali	1	1,097,199	5.48%
Mr. Munaf Ibrahim	1	1,279,500	6.39%

CHANGES IN SHAREHOLDERS HOLDING ABOVE 5%			
Names	Holding Balance as at September 30, 2016	Holding Balance as at December 31, 2016	Changes
Mr. Muzzammil Aslam	3,561,726	3,561,726	0
Mr. Irfan Pardesi	3,183,452	3,183,452	0
Mr. Fayyaz Ilyas	2,861,373	2,861,373	0
Mr. Shakeel Ilyas	2,705,924	2,705,924	0
Mr. Hayat Javed	2,203,292	2,203,292	0
Mr. Asim Ali	1,097,199	1,097,199	0
Mr. Munaf Ibrahim	0	1,279,500	1,279,500

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CORPORATE