

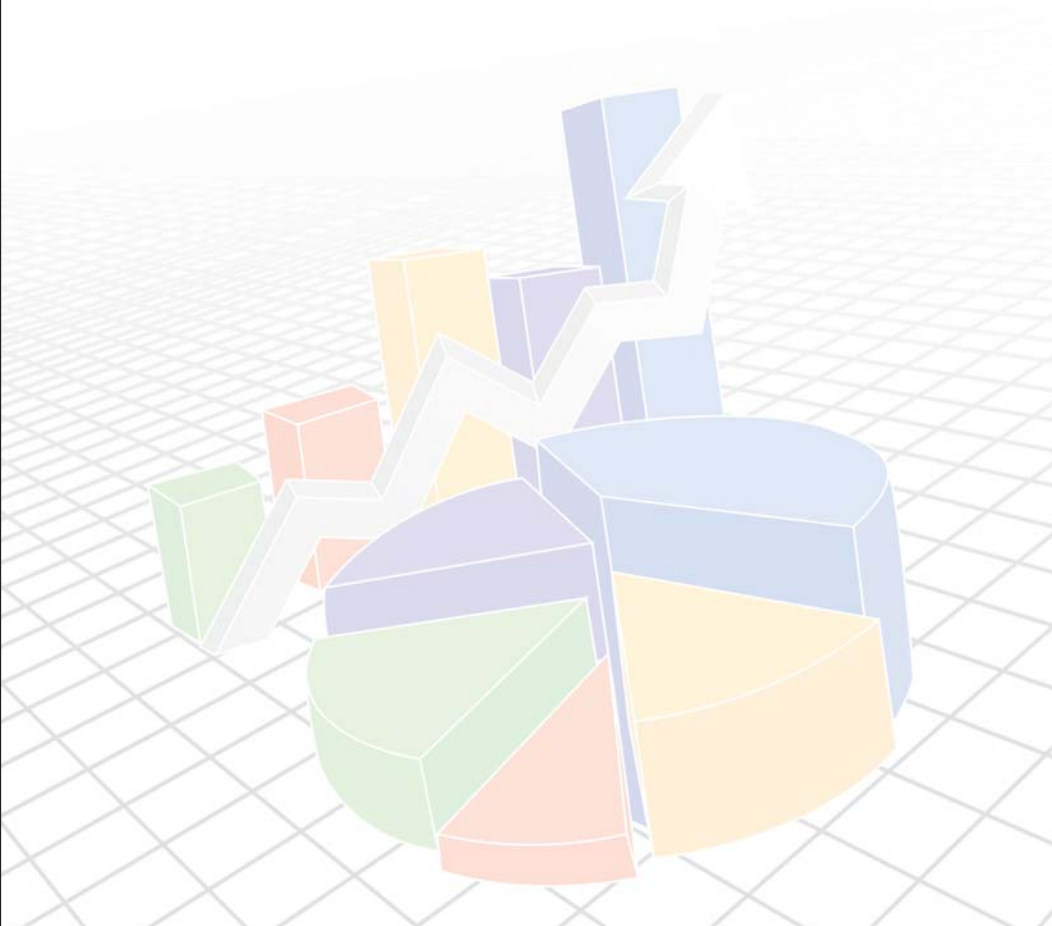


# Invest & Finance Securities Limited



## Nine Months Report

March 31, 2011





## COMPANY INFORMATION

Board of Directors	:	Mr. Naeem-ul-Hasan (Chairman & Chief Executive Officer)  Mr. Bashir Ahmed Khanani Mr. Khalid Iqbal Siddiqui Mr. Aryn Nasiruddin Syed Kaleem Akhtar Mr. Shakeel Ahmed Syed Rashid Ali
Audit Committee	:	Mr. Bashir Ahmed Khanani - Chairman Mr. Shakeel Ahmed - Member Syed Kaleem Akhtar - Member
Company Secretary	:	Mr. Muhammad Awais
Chief Financial Officer	:	Mr. Ahmad Zakir Hafeez
Auditors	:	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.
Legal Advisor	:	M/s. K. D. Rajani & Company Suit No. E-42, Executive Floor, Glass Tower, Teen Talwar, Clifton, Karachi, Pakistan.
Share Registrar	:	M/s. Technology Trade (Private) Limited Dagia House, 241-C, Block-2, P.E.C.H.S., Off: Shahrah-e-Quaideen, Karachi, Pakistan.
Bankers	:	MCB Bank Limited Bank Alfalah Limited Mybank Limited NIB Bank Limited KASB Bank Limited United Bank Limited Bank AL Habib Limited Habib Metropolitan Bank Limited Silk Bank Limited The Bank of Khyber Summit Bank Limited Bank Islami Pakistan Limited Habib Bank Limited JS Bank Limited Meezan Bank Limited
Registered Office	:	12th Floor, Corporate Tower, Techno City Building, Hasrat Mohani Road, Off: I. I. Chundrigar Road, Karachi, Pakistan.
Website	:	<a href="http://www.investfinance.com.pk">www.investfinance.com.pk</a>



## 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 condensed interim financial statements of the Company for the third quarter and nine months ended March 31, 2011.

### Performance Review

During the third quarter ended March 31, 2011, the Company earned operating revenues of Rs. 17.537 million as compared to Rs. 25.245 million for the same period during last year. The Company suffered before and after tax loss of Rs. 19.928 million and Rs. 20.194 million respectively as compared to before and after tax profit of Rs. 70.569 million and Rs. 68.295 million respectively for the corresponding period. This turnaround is mainly a result of comparatively low capital gains and brokerage income due to reduced volumes in the stock market in the third quarter. Further, loss on revaluation of investments has also increased in the quarter under review with major impact of DHA Cogen Shares loss as explained in note 5 to these financial statements. During the quarter, Company suffered per share loss of Rs. 0.34 as compared to per share earning of Rs. 1.14 for the corresponding period.

For the nine months ended March 31, 2011, the Company earned operating revenues of Rs. 40.373 million as compared to Rs. 77.634 million for the corresponding period. The Company earned before and after tax profit of Rs. 18.908 million and Rs. 16.890 million respectively as compared to Rs. 178.952 million and Rs. 173.343 million respectively for the same period during last year. The decline in profit is due to the facts described above and figures for the first half of the financial year. Earnings per share for the nine months are Rs. 0.28 as compared to Rs. 2.89 for the corresponding period.

### Economic and Stock Market Review

During the nine months of the year 2010-2011, Pakistan's balance of payments posted a turnaround, with a small current account surplus of US\$99mn. On the domestic front, Pakistan's budgetary operations remain a struggle to manage for the government as it aims to cope with the delay in release of funds by IMF and other multilateral lenders. This in turn, would continue to influence government borrowing requirements. CPI inflation for the nine months ended March 31, 2011 was 14.20%, which may have been higher if the government had increased petroleum prices locally in line with international prices. State Bank of Pakistan raised the discount rate by 150 basis points to 14% during the nine months to continue its battle against inflation. However, the rate has been kept constant in the third quarter ended March 31, 2011.

The KSE-100 Index performed well during the nine months ended March 31, 2011 with the index gaining 21.5% during the period. This was mainly driven by an influx of US\$226mn foreign portfolio investment, which more than compensated for any negative sentiment following the worst floods in the country's history in August-September 2010. Average volumes remained low with 101mn shares traded on a daily basis.

### Future Outlook

Despite a decline in profitability during the nine months ended March 31, 2011, your company remains committed to pursuing methods of improving profitability. The upcoming 2011-12 Federal Budget and the measures to be announced will be a strong indicator of how things will unfold going forward. Therefore, the fourth quarter is also expected to be characterized by low trading volumes.

### Acknowledgements

The Board of Directors of your Company would like to take this opportunity to acknowledge the valuable services rendered for the Company by Mr. Aryn Nasiruddin former Chairman and Chief Executive Officer.

We also wish to place on record our gratitude to all stakeholders for their continuous confidence and patronage. Further, we appreciate the valuable, loyal, and commendable services rendered to the Company by its employees.

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

**NAEEM-UL-HASAN**  
Chairman & Chief Executive Officer

Karachi, April 22, 2011



NINE MONTHS REPORT MARCH 31, 2011

**CONDENSED INTERIM BALANCE SHEET**  
AS AT MARCH 31, 2011

	<u>Un-audited</u> March 31, 2011	<u>Audited</u> June 30, 2010
----- Rupees -----		
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	42,346,536	39,189,344
Intangible assets	108,897,574	108,963,427
Long-term investments	2,520,000	25,400,000
Long-term deposits	3,280,000	3,280,000
	<u>157,044,110</u>	<u>176,832,771</u>
<b>CURRENT ASSETS</b>		
Trade debts	451,800,370	532,006,300
Receivable under MTS transactions	4,184,898	-
Short-term investments	153,978,690	138,179,911
Advances, deposits, prepayments and other receivables	33,487,761	25,563,713
Advance tax - net	13,623,458	12,722,694
Receivable from NCCPL	4,125,163	1,366,899
Cash and bank balances	160,606,200	12,245,712
	<u>821,806,540</u>	<u>722,085,229</u>
<b>TOTAL ASSETS</b>	<u><u>978,850,650</u></u>	<u><u>898,918,000</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
<b>SHARE CAPITAL</b>		
Authorized capital	1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital	600,496,000	600,496,000
<b>RESERVES</b>		
Accumulated (loss)/profit	(12,240,967)	39,926,507
	<u>588,255,033</u>	<u>640,422,507</u>
<b>SURPLUS ON REVALUATION OF MEMBERSHIP CARDS</b>	61,921,400	61,921,400
<b>CURRENT LIABILITIES</b>		
Trade and other payables	328,674,217	196,574,093
<b>CONTINGENCIES AND COMMITMENTS</b>		
	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>978,850,650</u></u>	<u><u>898,918,000</u></u>

The annexed notes from 1 to 8 form an integral part of these condensed interim financial statements.

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CHIEF EXECUTIVE

\_\_\_\_\_  
DIRECTOR



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

FOR THE NINE MONTHS AND THIRD QUARTER ENDED MARCH 31, 2011

	Nine Months Ended		Third Quarter Ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
	----- Rupees -----		----- Rupees -----	
Operating revenues	40,372,967	77,634,522	17,536,894	25,245,020
Gain on sale of investments-net	16,945,724	162,759,799	6,298,850	73,497,031
	57,318,691	240,394,321	23,835,744	98,742,051
Operating expenses	(38,484,263)	(44,668,455)	(13,977,148)	(13,105,665)
Operating profit	18,834,428	195,725,866	9,858,596	85,636,386
Other operating income	15,830,016	15,146,298	6,849,461	8,726,037
Provision for workers' welfare fund	(4,352,362)	-	-	-
Financial charges	(2,665,760)	(12,936,653)	(186,454)	(214,901)
Loss on revaluation of investments carried at fair value through profit and loss account- net	(8,738,228)	(18,983,840)	(36,449,957)	(23,578,307)
	73,666	(16,774,195)	(29,786,950)	(15,067,171)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	<b>18,908,094</b>	<b>178,951,671</b>	<b>(19,928,354)</b>	<b>70,569,215</b>
<b>TAXATION</b>	<b>(2,018,528)</b>	<b>(5,608,166)</b>	<b>(265,277)</b>	<b>(2,273,813)</b>
<b>PROFIT/(LOSS) AFTER TAXATION</b>	<b>16,889,566</b>	<b>173,343,505</b>	<b>(20,193,631)</b>	<b>68,295,402</b>
Other comprehensive income	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>16,889,566</b>	<b>173,343,505</b>	<b>(20,193,631)</b>	<b>68,295,402</b>
Earnings per share - basic and diluted	0.28	2.89	(0.34)	1.14

The annexed notes from 1 to 8 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR



## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE NINE MONTHS ENDED MARCH 31, 2011

	Nine Months Ended	
	March 31, 2011	March 31, 2010
----- Rupees -----		
<b>Cash Flows From Operating Activities</b>		
Profit before taxation	18,908,094	178,951,671
Adjustments for:		
Depreciation	3,987,646	4,328,624
Amortization of software	65,853	97,794
Provision for workers' welfare fund	776,729	-
Financial charges	2,665,760	12,936,653
Loss on revaluation of investments carried at fair value through profit and loss - net	8,738,228	18,983,840
Loss on disposal of assets	-	106,241
	<u>16,234,216</u>	<u>36,453,152</u>
Profit before working capital changes	35,142,310	215,404,823
Changes in working capital (Increase) / decrease in current assets		
Trade debts	80,205,930	122,440,414
Receivable under MTS transactions	(4,184,898)	-
Short-term investments	(1,657,007)	(100,684,990)
Advances, deposits, prepayments and other receivables	(7,924,048)	(9,501,072)
Receivable from NCCPL	(2,758,264)	-
	<u>63,681,713</u>	<u>12,254,352</u>
Increase / (decrease) in current liabilities		
Trade and other payables	134,445,603	333,562,596
Cash generated from operations	<u>233,269,626</u>	<u>561,221,771</u>
Income tax paid	(2,919,292)	(6,300,718)
Finance charges paid	(6,566,457)	(24,855,371)
Net cash generated from operating activities	<u>223,783,877</u>	<u>530,065,682</u>
<b>Cash Flows From Investing Activities</b>		
Long term deposits	-	33,150
Long term investments	-	6,720,000
Purchase of fixed assets	(7,144,838)	(481,600)
Proceeds from disposal of fixed assets	-	2,790,000
Net cash (used in)/generated from investing activities	<u>(7,144,838)</u>	<u>9,061,550</u>
<b>Cash Flows From Financing Activities</b>		
Dividend paid	(68,278,551)	-
Loan repaid during the period	-	(180,000,000)
Lease liabilities paid	-	(89,493)
Net cash used in financing activities	<u>(68,278,551)</u>	<u>(180,089,493)</u>
<b>Net increase in cash and cash equivalents</b>	<u>148,360,488</u>	<u>359,037,739</u>
Cash and cash equivalents at the beginning of the period	12,245,712	(178,070,728)
Cash and cash equivalents at the end of the period	<u>160,606,200</u>	<u>180,967,011</u>

The annexed notes from 1 to 8 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

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

FOR THE NINE MONTHS ENDED MARCH 31, 2011

	Share capital	Unappropriated profit / Accumulated (loss)	Total
	----- Rupees -----		
Balance as at June 30, 2009	600,496,000	(132,130,666)	468,365,334
Total comprehensive income for the nine months ended March 31, 2010	-	173,343,505	173,343,505
<b>Balance as at March 31, 2010</b>	<u>600,496,000</u>	<u>41,212,839</u>	<u>641,708,839</u>
Total comprehensive income for the period	-	(1,286,332)	(1,286,332)
<b>Balance as at June 30, 2010</b>	<u>600,496,000</u>	<u>39,926,507</u>	<u>640,422,507</u>
Issuance of dividend @ Rs. 1.15 per share	-	(69,057,040)	(69,057,040)
Total comprehensive income for the nine months ended March 31, 2011	-	16,889,566	16,889,566
<b>Balance as at March 31, 2011</b>	<u>600,496,000</u>	<u>(12,240,967)</u>	<u>588,255,033</u>

The annexed notes from 1 to 8 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVEDIRECTOR



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

FOR THE NINE MONTHS ENDED MARCH 31, 2011

### **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 Karachi Stock Exchange (Guarantee) Limited. The registered office of the Company is situated at 12th Floor, Corporate Tower, Techno City Building, Hasrat Mohani Road, Off: I. I. Chundrigar Road, Karachi, Pakistan.

The Company is a Corporate Member of the Karachi Stock Exchange (Guarantee) Limited, the Lahore Stock Exchange (Guarantee) Limited and the National Commodity Exchange Limited and is accredited by Financial Markets Association of Pakistan as inter-bank broker. The Company is engaged in Financial Brokerage, Corporate Finance and Equity Research.

### **2 BASIS OF PREPARATION**

#### **ACCOUNTING CONVENTION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

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" as applicable in Pakistan. 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, 2010.

These 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 and rounded off to the nearest rupee.

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, 2010.

### **3 TAXATION**

Provision for Taxation has been estimated at the current rate of taxation.

### **4 FIXED ASSETS**

Fixed Capital Expenditure during the period amounted to Rs. 7.145 million (March 31, 2010 : Rs. 0.482 million). Deletion in Fixed Assets during the period amounted to Rs. Nil (March 31, 2010 : Rs. 5.326 million).



**5 LONG TERM INVESTMENT**

	<u>Un-audited</u> <u>March 31,</u> <u>2011</u>	<u>Audited</u> <u>June 30,</u> <u>2010</u>
	----- Rupees -----	
Other investments	25,400,000	50,400,000
Less: Impairment Loss	5.1 (22,880,000)	(25,000,000)
	<u>2,520,000</u>	<u>25,400,000</u>

5.1 The company has recognized an impairment loss of Rs. 22.88 million, due to negative break up value of DHA Cogen shares as per its latest available accounts as of December 31, 2009. The company is carrying token value of investment, @ Rs. 0.50 per share, in these financials.

**6 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 financial statements, are as follows:

	<u>Un-audited</u> <u>March 31,</u> <u>2011</u>	<u>Un-audited</u> <u>March 31,</u> <u>2010</u>
	----- Rupees -----	
<b>Brokerage income earned from:</b>		
Directors	-	55,029
Employees	<u>128,262</u>	<u>386,607</u>
<b>Transactions</b>		
Contribution to IFSL - Employees Provident Fund	<u>758,692</u>	<u>468,459</u>



## NINE MONTHS REPORT MARCH 31, 2011

	<u>Un-audited</u> <u>March 31,</u> <u>2011</u>	<u>Audited</u> <u>June 30,</u> <u>2010</u>
	----- Rupees -----	
<b>Balances</b>		
Loan to director	<u>13,048,000</u>	<u>13,498,000</u>
<b>7 CONTINGENCIES AND COMMITMENTS</b>		
Equity transaction entered into by the Company in respect of which transactions have not been settled. (Net receivable/(payable))	<u>4,125,163</u>	<u>1,366,899</u>
Bank Guarantee in favour of Karachi Stock Exchange (Guarantee) Limited from KASB Bank Limited and secured against charge over current assets of the Company	<u>10,000,000</u>	<u>25,000,000</u>
Income tax	7.1 <u>8,897,216</u>	<u>-</u>

7.1 The Income Tax Authorities have rased demands of Rs. 823,630/-, Rs. 5,177,042/- and Rs. 2,896,544/- against the Company under Section 122(5A) of the Income Tax Ordinance, 2001 in respect of tax years 2006, 2007 and 2008 respectively. The Company has filed appeals against these demands before the Commissioner Inland Revenue (Appeals-II). Management is confident that the eventual outcome of the matter will be deecided in favour of the Company and accordingly no provision has been made in these condensed interim finanacial statments in respect of these demands.

### 8 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been authorized for issue on April 22, 2011 by the Board of Directors of the Company.

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CHIEF EXECUTIVE

\_\_\_\_\_  
DIRECTOR



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