NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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 engaged in Financial Brokerage, Corporate Finance and Equity Research.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of Measurement

These financial statements have been prepared on the basis of historical cost convention except for Membership cards which are stated on revalued amount and certain short term investments which are stated at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Company and rounded off to the nearest rupee.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgment estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the financial statements are described in note 27.

2.5 New accounting standards & IFRIC interpretation

The following standards, amendments and interpretations of approved accounting standards, are effective for accounting periods beginning from the date specified below. These 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 increased disclosures.

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statements of cash flows'). Entities whose ordinary activities comprise renting and subsequently selling assets presents proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchases, rentals and sale of those assets are classified as cash flows from operating activities.

IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).

The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

IAS 37, 'Provisions, contingent liabilities and contingent asset's, requires contingent liabilities to be disclosed, not recognized. IAS 19 has been amended to be consistent.

Revised IAS 23-Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

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Amended IAS 27-Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former a subsidiary will be measured at fair value with gain or loss recognized in the profit or loss.

IAS 28 (Amendment), ‘investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial Instruments: Disclosures'). Where an investment in associate is accounted for in accordance with IAS 39 'Financial Instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosure'. IAS 29 - Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008).

IAS 31 (Amendment)- 'interest in joint ventures, (and consequential amendments to IAS 32 and IFRS 7). Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation', and IFRS 7 'Financial Instruments: Disclosure'.

Amendment to IAS 32-Financial Instruments: Presentation and IAS 1 -Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.

IAS 36 (Amendment), 'impairment of assets'. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculations should be made.

IAS 38 (Amendment), ‘Intangible assets'. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.

Amendments to IAS 39 Financial Instruments: Recognition and measurement - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.

IAS 40 (Amendment), 'investment property' (and consequential amendments to IAS 16). Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value.

IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009). It requires the use of market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value.

IFRS 2 (Amendment), 'Share-based payment'- Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations.

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent considerations to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interests in identifiable assets and liabilities of an acquiree, on a transaction -by-transaction basis.

IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control.

IFRS 7 'Financial instruments: Disclosures' (effective for annual periods on or after 28 April 2008) supersedes IAS 30 - Disclosures in the Financial statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 - Financial Instruments: Disclosure and Presentation.

IFRS 8 'Operating segments' (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently the Company presents segment information in respect of its business segments.

IFRS 5 Amendment - Improvements to IFRSs - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 July 2009) specify that: if an entity is committed to a sale plan involving the loss of control a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in paragraph 6 to 8 of IFRS 5 are met disclosures for discontinued operations would be required by the parent when a subsidiary meets the definition of a discontinued operation.

IFRIC 13- Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services.

IFRIC 15-Agreement for Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenues by real estate developers for sale of units, such as apartments or houses, ‘off-plan', that is, before construction is complete.

IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used.

IFRIC- 17 Distributions of Non-cash Assets to Owners (effective annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Staff retirement benefits

Defined contribution plan

The Company operates a defined contribution plan i.e. recognized provident fund scheme for all of its eligible employees in accordance with the trust deed and rules made there under. Equal monthly contributions at the rate of 10% of basic salary are made.

3.2 Property & Equipment

These are stated at cost less accumulated depreciation and impairment, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress.

These are transferred to specific assets as and when assets are available for use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

Depreciation is charged to income applying the reducing balance method over the estimated useful lives of related assets, at the rates specified in note 4 to the financial statements. Full year's Depreciation on fixed assets is charged in the year of acquisition, whereas no depreciation charged in the year of disposal.

Repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Gains or losses on disposals of property and equipment are determined by comparing proceeds with the carrying amount. These are included in the profit and loss account.

The Company assesses at each balance sheet date whether there is any indication that a fixed asset may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the estimated recoverable amount, assets are written down to the recoverable amount.

3.3 Intangibles, Stock Exchange Membership Cards and Rooms

These are stated at cost less impairment, if any. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts and where carrying value exceeds estimated recoverable amount, these are written down to their estimated recoverable amount.

Amortization is Charged to income applying the reducing balance method over the estimated useful lives of related assets, at the rates specified in note 4 to the financial statements. Full year's amortization on intangible assets is charged in the year of acquisition, whereas no amortization charged in the year of disposal.

Intangible assets are capitalized when it is probable that future economic benefits attributable to the asset will flow to the enterprise and the same shall be amortized applying an appropriate depreciation rate.

Membership cards

This is stated at revalued amount. Provision is made for decline in value other than temporary, if any.

3.4 Assets subject to finance lease

Assets held under finance lease are accounted for by recording the asset and related liability at the amounts determined on the basis of lower of fair value of the asset and the present value of minimum lease payments.

The outstanding obligation under the lease less finance charges allocated to future periods is shown as a liability.

Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Depreciation is charged on the leased assets on the basis similar to that of owned tangible assets.

3.5 Investments

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standards (IAS) 39: "Financial Instruments Recognition and Measurement", at the time of the purchase and re-evaluates this classification on a regular basis.

All investments are initially recognized at cost, being the fair value of the consideration given including transaction costs associated with the investment except in the case of held for trading investments where transaction costs are charged to profit and loss account when incurred.

Unquoted investments, where active market does not exist and fair value cannot be reasonably calculated, are carried at cost. Provision for impairment in value, if any, is taken to income currently. The Company classifies its investments in the following categories;

Held-to-maturity

Investments with fixed maturity, where management has both the intention and ability to hold to maturity, are classified as held-to-maturity. These investments are initially recorded at cost. Such investments are subsequently measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. Any gain/loss arising on derecognition/impairment in value of such investments, is recognized in the profit and loss account.

Available-for-sale

Investments which are not held for trading but may be sold in response to the need for liquidity or changes in market rates are classified as available-for-sale. These are initially measured at cost, being the fair value of the consideration given. At subsequent reporting dates, these investments are remeasured at fair value (quoted market price). Any difference in the carrying value and the revalued amount is taken to equity.

Financial assets at fair value through profit or loss account

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in prices are classified as 'financial assets at fair value through profit or loss - held for trading'. Subsequent to initial recognition these investments are marked to market and are carried on the Balance Sheet at fair value. Net gains and losses arising on changes in fair values of these investments are taken to the Profit and Loss account.

3.6 Foreign currency translation

Foreign currency transactions are converted into rupees at the rates of exchange approximating to those ruling at the date of transaction. Assets and liabilities in foreign currencies have been translated into rupees at the rates of exchange approximating those ruling at the balance sheet date. Exchange gains or losses are included in income currently.

3.7 Revenue recognition

(a) Brokerage, advisory fees, commission and other income are accrued as and when due. Sales and purchases of investments are recognized on the date of settlement.

(b) Dividend income on equity investments is recognized, when the right to receive the same is established.

(c) Capital gains or losses on sale of investments are recognized in the period in which they arise.

(d) Underwriting commission is recognized when the agreement is executed. Take-up commission is recognized at the time commitment is fulfilled.

(e) Consultancy and advisory fee, are recognized as and when incurred.

(f) Unrealized capital gains / (losses) arising from marking to market of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in profit and loss account in the period in which they arise.

3.8 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account available tax credits and rebates or 0.5% of turnover which ever is higher, if any, and any under/over provisions in respect of prior year.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of temporary timing differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.9 Borrowing Cost

The borrowing costs are interest or other auxiliary cost incurred by the Company in connection with borrowing of funds and is treated as periodic cost and charged to profit and loss account.

3.10 Securities sold under repurchase/ purchased under resale agreements

Investments sold with a simultaneous commitment to repurchase at a specified future date (Repo) continue to be recognized in the balance sheet and are measured in accordance with the accounting policies for investments. Amounts received under these agreements are recorded as securities sold under repurchase agreements. The difference between purchase and sale is treated as mark-up expense. Investments purchased with a corresponding commitments to resell at a specified future date (Reverse Repo) are not recognized in the balance sheet. Amounts paid under these obligations are included in fund placements. The difference between purchase and resale price is treated as mark-up/ interest income.

3.11 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to set-off the recognized amounts and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.12 Financial instruments

Financial instrument carried on the balance sheet include investments, receivables, cash and bank balances, finances under mark-up arrangements, other payables, deposits, creditors, accrued and other liabilities. At the time of initial recognition all the financial assets and liabilities are measured at the fair value. The particular recognition method adopted is disclosed in the individual policy statement associated with each item.

3.13 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

3.14 Trade debts and other receivables

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.

3.15 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

3.16 Dividend distributions and appropriations

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

3.17 Earnings per share

Earning per share is calculated by dividing the profit after tax for the year by the weighted average number of shares outstanding during the year.

3.18 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, demand deposits and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents also consist of bank overdrafts repayable on demand, if any.

4. PROPERTY AND EQUIPMENT

2009

Particulars	COST As at July 01, 2008	 Additions/ (Disposals)/ *Reclassification	 As at June 30, 2009	 Depreciation Rate	DEPRECIATION As at July 01, 2008	 Charge for the year/ (Disposals)/ *Reclassification	 As at June 30, 2009	 Written down value as at June 30, 2009
	Rupees			%	Rupees			Rupees
Owned -								
Building	27,575,000	-	27,575,000	10	7,365,500	2,020,950	9,386,450	18,188,550
Furniture and fixtures	17,426,961	-	17,037,108	10	3,570,683	1,350,541	4,882,239	12,154,869
Office equipments	10,871,383	(389,853) 243,980	10,748,881	10	2,050,980	(38,985) 873,455	2,887,787	7,861,094
Computers	9,211,424	(366,482) 545,080	9,756,504	33	4,579,656	(36,648) 1,708,360	6,288,016	3,468,488
Vehicle	5,380,345	39,000 (6,248,000) * 11,382,000	10,553,345	20	1,453,669	1,318,857 (3,049,024) * 5,554,416	5,277,918	5,275,427
	70,465,113	828,060 (7,004,335) * 11,382,000	75,670,838		19,020,488	7,272,163 (3,124,657) * 5,554,416	28,722,410	46,948,428
Leased -								
Vehicle	12,071,000	- * (11,382,000)	689,000	20	5,802,456	88,192 * (5,554,416)	336,232	352,768
	82,536,113	828,060 (7,004,335)	76,359,838		24,822,944	7,360,355 (3,124,657)	29,058,642	47,301,196

2008

Particulars	COST As at July 01, 2007	 Additions/ (Disposals)/ *Reclassification	 As at June 30, 2008	 Depreciation Rate	DEPRECIATION As at July 01, 2007	 Charge for the year/ (Disposals)/ *Reclassification	 As at June 30, 2008	 Written down value as at June 30, 2008
	Rupees			%	Rupees			Rupees
Owned -								
Building	27,575,000	-	27,575,000	10	5,120,000	2,245,500	7,365,500	20,209,500
Furniture and fixtures	16,719,243	707,718	17,426,961	10	2,031,097	1,539,586	3,570,683	13,856,278
Office equipments	8,673,571	2,197,812	10,871,383	10	1,070,935	980,045	2,050,980	8,820,403
Computers	5,802,020	3,409,404	9,211,424	33	2,298,337	2,281,319	4,579,656	4,631,768
Vehicle	2,360,000	3,020,345	5,380,345	20	472,000	981,669	1,453,669	3,926,676
	61,129,834	9,335,279 -	70,465,113		10,992,369	8,028,119 -	19,020,488	51,444,625
Leased -								
Vehicle	12,071,000	-	12,071,000	20	4,235,320	1,567,136	5,802,456	6,268,544
	73,200,834	9,335,279	82,536,113		15,227,689	9,595,255	24,822,944	57,713,169

4.1 Disposal of property and equipment

The following is a statement of assets disposed off during the year with written down value exceeding Rs. 50,000

Particulars	Acquisition Cost	Accumulated Depreciation	Written Down Value	Sale Proceed	Gain/(Loss)	Mode of Disposal	Particulars of Buyers
Motor Vehicle							
Pajero	3,999,000	1,951,512	2,047,488	2,850,000	802,512	Negotiation	Mr. Aziz-ul-Haq, Karachi
Mitsubishi Gallant	2,249,000	1,097,512	1,151,488	1,175,000	23,512	Negotiation	Mr. Zaki Ahmed, Karachi
	6,248,000	3,049,024	3,198,976	4,025,000	826,024		
Furniture & Fixture	389,853	38,985	350,868	108,000	(242,868)	Negotiation	Mr. Arif Hussain, Hyderabad
Office Equipment	366,482	36,648	329,834	196,000	(133,834)	Negotiation	Mr. Arif Hussain, Hyderabad
	7,004,335	3,124,657	3,879,678	4,329,000	449,322		

5 Intangible

	Note	2009 Rupees	2008 Rupees
Membership cards		107,500,000	105,000,000
Club membership		-	805,000
Telephone booth		1,200,000	1,200,000
Computer software	5.1	395,121	592,652
		109,095,121	107,597,652

5.1 Computer Software

2009

Particulars	COST: As at July 01, 2008	COST: Additions/ (Disposals)/ *Reclassification	COST: As at June 30, 2009	Depreciation Rate	DEPRECIATION: As at July 01, 2008	DEPRECIATION: Charge for the year/(Disposals)/ *Reclassification	DEPRECIATION: As at June 30, 2009	Written down value as at June 30, 2009
	Rupees			%	Rupees			Rupees
Owned -								
Computer software	2,000,000	-	2,000,000	33.33	1,407,348	197,531	1,604,879	395,121

2008

Particulars	COST: As at July 01, 2007	COST: Additions/ (Disposals)/ *Reclassification	COST: As at June 30, 2008	Depreciation Rate	DEPRECIATION: As at July 01, 2007	DEPRECIATION: Charge for the year/(Disposals)/ *Reclassification	DEPRECIATION: As at June 30, 2008	Written down value as at June 30, 2008
	Rupees			%	Rupees			Rupees
Owned -								
Computer software	2,000,000	-	2,000,000	33.33	1,111,067	296,281	1,407,348	592,652

6 Long Term Investments

	Note	2009 Rupees	2008 Rupees
Related parties: - Investment in associated company		6,720,000	6,720,000
Other investments	6.1	50,400,000	50,400,000
		57,120,000	57,120,000

6.1 The break-up value per share as on June 30, 2008 on the basis of audited accounts was Rs. 9.83/- per share.

7 TRADE DEBTS - Unsecured

	2009 Rupees	2008 Rupees
Considered good	633,881,957	954,210,649

8 SHORT TERM INVESTMENTS

	Note	2009 Rupees Market Value	2008 Rupees Market Value
Financial assets at fair value through profit and loss - Held for trading Investment of shares in listed companies	8.1	124,646,864	492,477,350
Unquoted equity securities 100,000 units of MCB Dynamic allocation fund		-	8,764,790
Available for sale Unquoted sukuk bond of Maple Leaf Cement Factory Ltd.		25,000,000	25,000,000
		149,646,864	526,242,140

8.1 Detail of investment of shares in listed companies:

Number Of Shares 30-Jun-09	Number Of Shares 30-Jun-08	Name of Companies	2009 Rupees Market Value	2008 Rupees Market Value
116,111	104,500	Arif Habib Bank Ltd.	811,616	2,004,310
109,325	20,000	Arif Habib Securities Ltd.	3,021,743	3,229,600
3	-	Arif Habib Ltd.	201	-
8	-	Adamjee Insurance Co. Ltd.	672	-
-	2,000	Attock Refinery Ltd.	-	499,760
74,039	5,000,000	Azgard Nine Ltd.	1,639,223	304,750,000
98,965	25,000	Bank Alfalah Ltd.	1,044,080	1,026,500
120,000	120,000	Bank Islami Pakistan Ltd.	764,400	1,777,200
1,000	-	Bifo Industries Ltd.	35,430	-
80	80	Bosicor Pakistan Ltd.	557	1,072
4,997,500	-	Dewan Cement Ltd.	13,743,125	-
1,095,000	1,095,000	Dewan Farooq Spinning Mills Ltd.	1,314,000	10,063,050

Number Of Shares		Name of Companies	2009 Rupees	2008 Rupees
30-Jun-09	30-Jun-08		Market Value	Market Value
35,000	-	Descon Oxychem Ltd.	263,900	-
1,000,000	-	Dewan Salman Fiber Ltd.	1,490,000	-
227,400	-	D.G Khan Cement Ltd.	6,742,410	-
1,000	-	D.S. Industries Ltd.	3,090	-
83,200	55,250	Engro Chemicals Ltd.	10,685,376	15,360,053
80	70	Faysal Bank Ltd.	774	2,453
9,500	9,500	Fecto Cement Ltd.	148,770	170,335
-	20,000	Fauji Fertilizer Bin Qasim Ltd.	-	712,400
10,000	19,300	Fauji Fertilizer Co. Ltd.	869,500	2,553,775
55,000	55,000	Glaxo Smithkline Pakistan Ltd.	6,589,550	9,350,000
169	-	Habib Bank Ltd.	14,544	-
75,000	75,000	Hub Power co. Ltd.	2,031,750	2,145,000
8,000	-	ICI Pakistan Ltd.	1,122,000	-
174,065	119,000	Jahangir Siddiqui Co. Ltd.	4,036,567	63,087,850
6,300	6,300	Khursheed Spinning Ltd.	2,583	13,545
12,650	11,500	Kohat Cement Ltd.	92,092	421,245
500	-	MCB Bank Ltd.	77,515	-
36,875	36,875	Maple Leaf Cement Factory Ltd.	157,088	402,306
201,000	90,000	National Bank of Pakistan	13,473,030	13,275,000
303,290	255,290	NIB Bank Ltd.	1,440,628	2,902,647
401,900	160,000	Oil & Gas Development Co. Ltd.	31,605,416	19,897,600
10,250	10,250	PICIC Growth Fund	86,100	241,285
56,380	20,000	Pakistan Oilfields Ltd.	8,225,842	7,296,800
15,100	65,000	Pakistan Petroleum Ltd.	2,862,054	15,989,350
5,000	-	Pakistan State Oil Co. Ltd.	1,068,250	-
790	20,000	Pakistan Telecommunication Ltd.	13,620	772,800
5,000	-	Sakrand Sugar Mills Ltd.	7,500	-
5,616	4,680	Security Papers Ltd.	280,800	358,769
50,000	50,000	Sui Southern Gas Company Ltd.	700,000	1,403,000
33,500	-	Saitex Spinning Mills Ltd.	3,350	-
51,177	51,177	Taj Textile Mills Ltd.	35,824	89,560
-	167,500	Telecard Ltd.	-	1,065,300
302,127	-	The Bank of Punjab	3,317,354	-
126,000	136,500	United Bank Ltd.	4,824,540	11,614,785
9,913,900	7,804,772		124,646,864	492,477,350

9 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2009 Rupees	2008 Rupees
Advances - considered good			
Employees - against salaries		16,057,520	3,304,576
Taxation- net		11,722,298	17,299,588
Short term deposits	9.1	600,000	37,414,274
Prepayments		591,858	397,837
Other receivables		11,734,987	18,884,252
		40,706,663	77,300,527

9.1 This represents deposits with the Karachi Stock Exchange (Guarantee) Ltd. and National Commodity Exchange of Pakistan Ltd. against exposure.

10 CASH AND BANK BALANCES

	2009 Rupees	2008 Rupees
Cash in hand	333,400	416,701
Cash at banks		
On deposit accounts	298,690	221,900
On current accounts	1,637,834	7,900,125
	1,936,524	8,122,025
	2,269,924	8,538,726

11 SHARE CAPITAL

2009 (Number of shares)	2008 (Number of shares)	Ordinary shares of Rs.10/= each	2009 Rupees	2008 Rupees
27,015,500	27,015,500	Issued fully paid in cash	270,155,000	270,155,000
33,034,100	33,034,100	Issued as bonus shares	330,341,000	330,341,000
60,049,600	60,049,600		600,496,000	600,496,000

12 SURPLUS ON REVALUATION OF MEMBERSHIP CARDS

The company has revalued its Membership Cards on January 26, 2006. The revaluation was carried out by M/s Anjum Adil & Associates. As a consequence of this revaluation, surplus on revaluation had increased by Rs. 61,921,400.

13 LONG TERM LOAN

	2009 Rupees	2008 Rupees
Opening balance	260,000,000	200,000,000
Obtained during the year	100,000,000	100,000,000
	360,000,000	300,000,000
Less: Repaid during the year	(180,000,000)	(40,000,000)
Current portion	(40,000,000)	(100,000,000)
	140,000,000	160,000,000

These loans have been obtained from local commercial banks with mark-up rates of 3 month Kibor + 1.75% and 6 months Kibor + 2.00% and are repayable in quarterly installments. The loan is secured against charge over assets of the company.

14 LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	2009		2008	
	Minimum lease payments	Present value	Minimum lease payments	Present value
	Rupees	Rupees	Rupees	Rupees
Within one year	89,734	89,493	4,829,298	4,601,625
After one year but not more than five years	-	-	89,734	89,493
Total minimum lease payments	89,734	89,493	4,919,032	4,691,118
Less: Amounts representing finance charges	241	-	227,914	-
Present value of minimum lease payments	89,493	89,493	4,691,118	4,691,118
Less: Current portion	89,493	89,493	4,601,625	4,601,625
	-	-	89,493	89,493

The Company has entered into lease agreements with a commercial bank for lease of vehicle. Lease rentals are payable in monthly instalments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rate 13.42% at the end of the lease term. The Company has the option to acquire the assets subject to adjustment of security deposits.

15 SHORT TERM RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS- Secured

	2009 Rupees	2008 Rupees
Bank AL Falah Limited	74,762,962	47,629,716
KASB Bank Limited	97,958,399	31,476,680
Silk Bank Limited	7,619,291	-
Standard Chartered Bank (Pakistan) Limited	-	169,304,106
United Bank Limited	-	650,336,937
MCB Bank Limited	-	140,959,265
	180,340,652	1,039,706,704

The Company has aggregate running finance facilities from various banks of Rs. 1.8 billion (June 30, 2008: Rs. 2.025 billion) under mark-up arrangements. Mark-up rates varies from 1-6 months Kibor + 1.5% to 1-6 Months Kibor + 3.5% (June 30, 2008: 3-6 Months Kibor+1.5% to 3-6 Months Kibor +2.00%). These arrangements would remain valid for varying periods upto June 30, 2010 and are secured against pledge of listed securities and charge over current assets of the Company.

16 TRADE AND OTHER PAYABLES

	Note	2009 Rupees	2008 Rupees
Creditors		135,590,220	312,919,859
Accrued liabilities			
Mark-up on short term running finance		5,313,250	21,746,441
Mark-up on long term finance		6,717,945	4,950,881
Accrued expenses and other liabilities		4,512,331	11,802,237
		16,543,526	38,499,559
		152,133,746	351,419,418

17 CONTINGENCIES AND COMMITMENTS

	2009 Rupees	2008 Rupees
Continuous Funding System (including transaction to be rolled over) entered into by the company in respect of which the purchase transaction has not been settled as at June 30.	-	65,854,763
Future sales transaction of equity securities entered in to by the Company in respect of which the sales transaction has not been settled as at June 30.	-	539,953,349
Underwriting Commitments	-	21,972,000

18 ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2009 Rupees	2008 Rupees
Salaries, allowances and other benefits		23,593,372	26,400,052
Provident fund contribution		484,896	1,154,720
Traveling, conveyance and vehicle running expenses		1,725,186	2,354,997
Office rent		2,566,224	2,522,907
Utility charges		1,967,239	2,450,335
Postage, telephone and telegram		2,120,310	3,017,685
Repair and maintenance		2,080,260	2,011,248
Insurance		966,852	896,116
Depreciation	4	7,360,355	9,595,255
Amortization-computer software	5	197,531	296,281
Entertainment		108,395	416,021
Newspaper and periodicals		91,181	54,285
Advertisement		279,960	1,421,644
Printing and stationery		618,979	1,578,209
Legal and professional charges		115,251	118,840
Auditors' remuneration	18.1	485,000	195,000
Service charges		2,670,889	10,919,229
CDC charges		2,570,079	2,856,818
Fees and Subscription		6,066,454	10,869,069
Commission		6,570,130	8,790,760
Office Supplies		729,481	1,020,180
Bad Debts & write off		4,632,898	-
Donation	18.2	-	60,000
Miscellaneous		96,103	122,392
		68,097,025	89,122,043

		Note	2009 Rupees	2008 Rupees
18.1	**Auditors' remuneration**			
	Audit fee	18.1.1	250,000	125,000
	Tax advisory and consultancy fees		235,000	70,000
			485,000	195,000
18.1.1	Audit fee		190,000	80,000
	Half yearly review		30,000	30,000
	Code of Corporate Governance		20,000	10,000
	Out of pocket expenses		10,000	5,000
			250,000	125,000

18.2 Directors, their spouses and dependents have no interest in donee.

19 OTHER INCOME

	2009	2008
Return on bank deposit accounts	2,221,775	104,084
Gain on sale of assets	449,322	-
Miscellaneous	1,197,310	212,345
	3,868,407	316,429

20 FINANCIAL CHARGES

	2009	2008
Bank charges	467,058	802,535
Mark-up on short term running finances	93,148,536	44,890,124
Mark-up on long term financing	34,848,649	22,910,641
Mark-up under finance lease	227,674	765,144
	128,691,917	69,368,444

21 TAXATION

	2009	2008
Current	5,697,027	12,643,725
Prior	5,826,372	-
	11,523,399	12,643,725

21.1 Reconciliation of tax charge for the year

	2009	2008
Accounting (loss)/profit	(158,500,332)	32,856,075
Corporate tax rate	35%	35%
Tax on accounting profit at applicable rate	(55,475,116)	11,499,626
Tax effect of - income exempt from tax	12,178,364	(1,433,434)
- lower tax rate on certain income	23,806,811	4,151,939
- Adjustment due to available tax losses	27,544,608	-
- Others	3,468,732	(1,574,406)
	11,523,399	12,643,725

22 EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the company, which is based on:

	2009	2008
Profit after taxation	(158,500,332)	20,212,350
Weighted average number of ordinary shares	60,049,600	51,929,052
Earnings per share - basic and diluted	(2.64)	0.39

22.1 Diluted earnings per share has not been calculated as the Company does not have any convertible instrument in issue as at June 30, 2009 and June 30, 2008 which would have any effect on the earnings per share if the option exercised.

23 CASH AND CASH EQUIVALENTS

	2009	2008
Cash and bank balances	2,269,924	8,538,726
Short term running finance	(180,340,652)	(1,039,706,704)
	(178,070,728)	(1,031,167,978)

24 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

24.1 Maturities of financial assets and liabilities
As at June 30, 2009

	Effective mark-up rate	Mark-up bearing maturity: Upto one year	Mark-up bearing maturity: Over one year upto five years	Mark-up bearing maturity: Sub-total	Non-mark-up bearing maturity: Upto one year	Non-mark-up bearing maturity: Over one year upto five years	Non-mark-up bearing maturity: Sub-total	Total
	%	Rupees						
Financial assets								
Deposits	-	-	-	-	-	2,828,900	2,828,900	2,828,900
Trade debts	-	-	-	-	633,881,957	-	633,881,957	633,881,957
Trade debts Margin financing	-	-	-	-	-	-	-	-
Receivable under CFS transactions	-	-	-	-	-	-	-	-
Receivable from NCCPL	-	-	-	-	-	-	-	-
Investments	17.35	-	25,000,000	25,000,000	124,646,864	57,120,000	181,766,864	206,766,864
Advances and other receivables	-	-	-	-	28,984,365	-	28,984,365	28,984,365
Cash and bank balances	5 to 10	298,690	-	298,690	1,971,234	-	1,971,234	2,269,924
		298,690	25,000,000	25,298,690	789,484,420	59,948,900	849,433,320	874,732,010
Financial liabilities								
Long term loan	13.97 to 14.98	40,000,000	140,000,000	180,000,000	-	-	-	180,000,000
Liabilities against assets subject to finance lease	13.42	89,493	-	89,493	-	-	-	89,493
Short term running finance	14.22 to 16.09	180,340,652	-	180,340,652	-	-	-	180,340,652
Trade and other payables	-	-	-	-	152,133,746	-	152,133,746	152,133,746
		220,430,145	140,000,000	360,430,145	152,133,746	-	152,133,746	512,563,891
On Balance Sheet Gap		(220,131,455)	(115,000,000)	(335,131,455)	637,350,674	59,948,900	697,299,574	362,168,119

Maturities of financial assets and liabilities
As at June 30, 2008

	Effective mark-up rate	Mark-up bearing maturity: Upto one year	Mark-up bearing maturity: Over one year upto five years	Mark-up bearing maturity: Sub-total	Non-mark-up bearing maturity: Upto one year	Non-mark-up bearing maturity: Over one year upto five years	Non-mark-up bearing maturity: Sub-total	Total
	%	Rupees						
Financial assets								
Deposits	-	-	-	-	-	4,743,385	4,743,385	4,743,385
Trade debts	-	-	-	-	954,210,649	-	954,210,649	954,210,649
Trade debts Margin financing	16	321,683,287	-	321,683,287	-	-	-	321,683,287
Receivable under CFS transactions	13 to 14	65,854,763	-	65,854,763	-	-	-	65,854,763
Receivable from NCCPL	-	-	-	-	163,600,008	-	163,600,008	163,600,008
Investments	11.67	-	25,000,000	25,000,000	501,242,140	57,120,000	558,362,140	583,362,140
Advances and other receivables	-	-	-	-	60,000,939	-	60,000,939	60,000,939
Cash and bank balances	2 to 5	221,900	-	221,900	8,316,826	-	8,316,826	8,538,726
		387,759,950	25,000,000	412,759,950	1,687,370,562	61,863,385	1,749,233,947	2,161,993,897
Financial liabilities								
Long term loan	11.92 to 12.35	100,000,000	160,000,000	260,000,000	-	-	-	260,000,000
Liabilities against assets subject to finance lease	13.79	4,601,625	89,493	4,691,118	-	-	-	4,691,118
Short term running finance	11.43 to 12.17	1,039,706,704	-	1,039,706,704	-	-	-	1,039,706,704
Trade and other payables	-	-	-	-	351,419,418	-	351,419,418	351,419,418
		1,144,308,329	160,089,493	1,304,397,822	351,419,418	-	351,419,418	1,655,817,240
On Balance Sheet Gap		(756,548,379)	(135,089,493)	(891,637,872)	1,335,951,144	61,863,385	1,397,814,529	506,176,657

25 Financial Risk Management

The Company's activity are exposed to variety of financial risk namely interest rate risk, credit risk, liquidity risk, foreign exchange risk, fair value instruments risk and market risk. The Company has established adequate procedure to manage each of these risks as explained below:

25.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. As indicated in note 24.1, the Company is not materially exposed to interest rate risk as most financial instruments are either for a very short term period or not exposed to interest rate risk.

25.2 Liquidity risk

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. To guard against this risk the Company's assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents. The maturity profile is monitored to ensure that adequate liquidity is maintained. The liquidity profile of the Company is disclosed in note 24.1.

25.3 Credit risk

Credit risk is the risk that one party to a financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Company provides its services to individual and corporate clients. The Company is not exposed to credit risk as the debtors are reputable individuals and local and multinational companies.

25.4 Market risk

Market risk is the risk that the values of the financial instruments may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in the market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

The Company manages market risk by monitoring exposure on marketable securities by following the internal risk management and investment policies.

25.5 Fair values 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 arm's length transaction. The estimated fair values of all the financial assets and liabilities are not materially different from their book values as at the balance sheet date.

25.6 Foreign exchange risk

Foreign exchange risk arises mainly where receivables and payables exist in foreign currency. The Company is not exposed to foreign exchange risk.

26 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the remuneration, including certain benefits to the chief executive, directors and executives of the Company is as follows:

	Chief Executive		Directors		Executives	
	June 2009	June 2008	June 2009	June 2008	June 2009	June 2008
	(Rupees)					
Remuneration	1,935,484	2,322,581	2,677,663	2,225,806	2,113,950	4,478,187
House rent allowance	870,968	1,045,161	1,204,949	1,001,613	951,277	1,300,119
Utility Allowance	193,548	232,258	267,766	222,581	211,395	288,915
	3,000,000	3,600,000	4,150,378	3,450,000	3,276,622	6,067,221
Number of Persons *	2	1	5	2	3	4

The Company provides the company maintained car to the chief executive, executive directors and certain executives.

* It represent maximum number of persons during the year

27 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. The remuneration of Chief Executive, Directors and Executives is disclosed in Note 26 to the financial statements.

Details of transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2009 Rupees	2008 Rupees
Brokerage income earned from:		
Directors	16,284	13,091
Employees	49,498	276,467
IFSL - Employees provident fund	-	2,141
	65,782	291,699
Balances		
Amount due from IFSL - Employees provident fund	500,000	-
Loan to director	14,498,000	-
Transactions		
Advance against salary - Director	15,000,000	-
Contribution to IFSL - Employees provident fund	484,896	1,154,720

28 ACCOUNTING ESTIMATES AND JUDGMENTS

Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of the appellate authorities on certain issues in the past.

Property and equipment

The Company reviews the rate of depreciation/ useful life, residual values and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property and equipment with a corresponding affect on the depreciation charge and impairment.

Intangible assets

The Company reviews the rate of amortization and value of intangible assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of respective items of intangible asset with a corresponding affect on the amortization charge and impairment.

Investment stated at fair value

The Company has determined fair value of certain investments by using quotations from active market. Fair value estimates are made at a specific point in time based on market conditions and information about financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgments (e.g. valuation, interest rates, etc.) and therefore cannot be determined with precision.

Trade Debts

The Company reviews its debts portfolio regularly to assess amount of any provision required against such debtors.

29 Capital Risk Management

The objective of managing capital is to safeguard the Company's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

30 DATE OF AUTHORIZATION

These financial statements have been authorized for issue on September 07, 2009 by the Board of Directors of the Company.

31 GENERAL

Figures in these financial statements have been rounded off to the nearest rupee.

CHIEF EXECUTIVE OFFICER	DIRECTOR