



## DIRECTORS' REPORT TO THE MEMBERS

BEGIN IN THE NAME OF ALLAH THE MOST GRACIOUS AND MERCIFUL

Dear Member(s)

Assalam-o-Alykum!

I, on behalf of Board of Directors of your Company, am pleased to present herewith Audited Annual Financial Statements of the Company for the financial year ended June 30, 2011, together with the Auditors' Report thereon.

### Performance Review

The Company earned operating revenue of Rs. 100.157 million as compared to Rs. 293.810 million for the corresponding period. The said decrease is mainly a result of lower capital gains and stock brokerage income due to reduced volumes in the stock market. Further, fees & commission has also reduced substantially due to lower corporate finance activity in the market. However, in conformity with the Company's efforts to explore new avenues; your Company started inter-bank brokerage operations during the year and it contributed Rs. 11.227 million in the operating revenue.

The Company earned before and after tax profit of Rs. 50.772 million and Rs. 48.468 million respectively as compared to Rs. 178.782 million and Rs. 172.057 million respectively for the corresponding period. This decrease has mainly resulted due to decrease in operating revenue. However, financial charges have been substantially reduced due to low utilization of finance facilities. Further, impact of loss on re-measurement of investments has also been converted into gain due to increase in share prices at the Karachi Stock Exchange (Guarantee) Limited.

The operating results of the Company for the year ended June 30, 2011 are summarized as follows:

	2011 Rupees	2010 Rupees
Operating Revenue	100,156,896	293,809,693
Profit before tax	50,772,082	178,781,653
Profit after tax	48,467,956	172,057,173
Earnings per share	0.81	2.87

### Dividend and other appropriations

The impact of the economic conditions of the Country has resulted in uncertainty for investors thus effecting Stock Exchange and ultimate impact on the performance of your Company. The Board of Directors has not recommended any dividend or other appropriations for the period under consideration.

### Earnings per share

The basic and diluted earnings per share of the Company is Rs. 0.81 as compared to Rs. 2.87 for the corresponding period.

### Post Balance Sheet Events

There has been no material event subsequent to the balance sheet date that would require appropriate disclosure or adjustment to the financial statements referred herein.



## Financial Statements

These financial statements have been endorsed by Chief Executive Officer and Chief Financial Officer of the Company, recommended for approval by the Audit Committee of the Board, and approved by the Board of Directors for presenting before the Members and for Members' consideration, approval and adoption. The auditors of the Company, M/s. Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants, audited the financial statements and have issued an unqualified report to the Members.

## Auditors

The present auditors, M/s. Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants, shall retire at the conclusion of Annual General Meeting and being eligible for reappointment have offered themselves for the same. The Board of Directors of your Company, based on the recommendation of the audit committee of the Board, proposed M/s. Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants, for reappointment as auditors of the Company for the ensuing year.

## Corporate Social Responsibility

The Company acknowledges the importance of corporate social responsibility and necessary measures are taken to fulfill its responsibilities.

The Company being a service provider in nature of business undertakes necessary measures in respect of energy conservation and environment protection at its offices premises and safety and health of its employees.

The Company has established proper systems and procedures to avoid corruption and to operate the Company in a professional and ethical manner to protect the clients and also otherwise.

The Company has excellent relationships with its peers, bankers, regulators and other relevant institutions/organizations.

The Directors fully recognizing the social responsibilities are of the view that the provisions for charity, community welfare etc. will be considered in future depending on the Company's profitability/financial health.

The Company's contribution to National Exchequer in the form of taxes and levies is given in the notes to the financial statements.

## Compliance with the Code of Corporate Governance

The Statement of Compliance with the Code of Corporate Governance is annexed.

## Statement of Compliance under the Code of Corporate Governance

- a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in the preparation of financial statements except for the changes as given in notes to the financial statements; and accounting estimates are based on reasonable and prudent judgments.



- d) International reporting standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
- h) Key operating and financial data for last six years in summarized form is annexed.
- i) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2011 except for those disclosed in financial statements.
- j) The Company operates an approved contributory provident fund for its eligible employees. Value of investments as per un-audited financial statements for the year ended June 30, 2011 amounts to approximately Rs. 2,575,000/-.
- k) During the year five (5) meetings of Board of Directors were held. Attendance by each Director was as follows:

S. No.	Name of Director	No. of meetings eligible to attend	No. of meetings attended
1.	Mr. Naeem-ul-Hasan	1	1
2.	Mr. Khalid Iqbal Siddiqui	5	5
3.	Syed Kaleem Akhtar	5	5
4.	Mr. Aryn Nasiruddin	5	5
5.	Mr. Bashir Ahmed Khanani	5	2
6.	Syed Rashid Ali	5	2
7.	Mr. Shakeel Ahmed	5	5
8.	Mrs. Nausheen Javed Ahmedjee	4	3

Leave of absence was granted to Directors who could not attend some of the Board meetings.

Mr. Naeem-ul-Hasan was co-opted as Director of the Company on March 08, 2011 due to casual vacancy occurred upon the resignation of Mrs. Nausheen Javed Ahmedjee. He was also elected as Chairman and appointed as Chief Executive Officer of the Company on March 08, 2011 due to resignation of Mr. Aryn Nasiruddin from the offices of Chairman and Chief Executive Officer of the Company.

Mr. Ahmad Zakir Hafeez has been co-opted as Director of the Company on August 08, 2011 due to casual vacancy occurred upon the resignation of Mr. Aryn Nasiruddin.

Mr. Muhammad Sohail Dayala has been elected/co-opted/appointed as Chairman, Director and Chief Executive Officer of the Company on August 23, 2011 in place of Mr. Naeem-ul-Hasan due to his resignation from these offices.

- l) Patterns of shareholdings as required under the Companies Ordinance, 1984 and the Code of Corporate Governance are annexed at the end of annual report.
- m) The Chief Executive Officer, Directors, Chief Financial Officer or the Company Secretary including their respective spouses and minor children have not traded in the shares of the Company, during the year, except the following:



- Mrs. Ambreen Aryn spouse of Mr. Aryn Nasiruddin, Director sold 2,500,000 shares during the year that were reported as per law.
- Mr. Muhammad Awais, Company Secretary sold 10,000 shares during the year that were reported as per law.

### **Economic and Stock Market Review**

During the year 2010-2011, Pakistan's balance of payments posted a turnaround, with a current account surplus of US\$542mn. On the domestic front, Pakistan's budgetary operations remained a struggle to manage for the Government as it aimed to cope with the delay in release of funds by IMF and other multilateral lenders. The fiscal deficit has been estimated by State Bank of Pakistan as 6.2% of GDP for 2010-11. This in turn, would continue to influence Government borrowing requirements within 2011-12 as well. CPI inflation for the year ended 2010-11 was 13.9%, 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 year to continue its battle against inflation. The discount rate has recently been reduced in July 2011 by 50 basis points to 13.50%. The country's GDP grew at a low rate of 2.4%, against an initial target of over 4%, as the devastating August 2010 floods caused overall agriculture and industrial production to be depressed.

The KSE-100 Index gained 28.5% during the year 2010-11. This was mainly driven by an influx of US\$279mn foreign portfolio investment, which more than compensated for any negative sentiment following the worst floods in the country's history. However, average volumes remained low with 94mn shares traded on a daily basis.

### **Future Prospects and Outlook**

Despite a decline in profitability during the year 2010-11, your Company remains committed to pursuing methods of improving profitability. The brewing crisis in the US and European economies has resulted in massive sell-off during August 2011, which has dampened sentiment locally as well. Therefore, with the specter of foreign selling hanging on the market, it could well be another year of thin trading volumes, especially with capital gains tax still intact on stock market investors, as per the 2011-12 Federal Budget.

### **Acknowledgements**

The Board of Directors of your Company wishes to place on record its gratitude to the Regulators, its bankers, Members, clients and business partners for their continued cooperation and support. Further, the Board appreciates 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**

**MUHAMMAD SOHAIL DAYALA**  
Chairman & Chief Executive Officer

Karachi: August 23, 2011

**ANNEXURE TO THE DIRECTORS' REPORT****Memorandum under Section 218 of the Companies Ordinance, 1984**

1. The Board of Directors of Invest and Finance Securities Limited ('the Company') in its meeting held on March 08, 2011, approved the appointment of Mr. Naeem-ul-Hasan as the Chief Executive Officer of the Company, effective from March 08, 2011 for the remainder term of outgoing Chief Executive Officer, i.e., until March 30, 2012. Mr. Naeem-ul-Hasan is entitled to a managerial remuneration of Rs. 275,000/- per month. The above remuneration is subject to such increments and adjustments, including bonuses as may be granted in accordance with the Company's policies and rules, subject to the approval of the Board of Directors. He is also entitled for other perquisites and facilities/benefits as per the Company's policies and rules including, Company maintained car, cellular phone bills, hospitalization facility (insurance cover) for self, spouse and dependent children, membership of employees' provident fund, etc.

The resignation of Mr. Naeem-ul-Hasan from the office of Chief Executive Officer was accepted by the Board of Directors on August 23, 2011.

2. The Board of Directors of Invest and Finance Securities Limited ('the Company') in its meeting held on August 23, 2011, approved the appointment of Mr. Muhammad Sohail Dayala as the Chief Executive Officer of the Company, effective from August 23, 2011 for the remainder term of outgoing Chief Executive Officer, i.e., until March 30, 2012. Mr. Muhammad Sohail Dayala is entitled to a managerial remuneration of Rs. 400,000/- per month. The above remuneration is subject to such increments and adjustments, including bonuses as may be granted in accordance with the Company's policies and rules subject to the approval of the Board of Directors. He is also entitled for other perquisites and facilities/benefits as per the Company's policies and rules including, Company maintained car, cellular phone bills, hospitalization facility (insurance cover) for self, spouse and dependent children, membership of employees' provident fund, etc.
3. The Board of Directors of Invest and Finance Securities Limited ('the Company') approved the co-option of Mr. Ahmad Zakir Hafeez, Chief Financial Officer as Director (Executive Director) of the Company effective from August 08, 2011 for the remainder tenure of outgoing Director i.e. until March 27, 2012 at his existing remuneration of Rs. 65,000/- per month and terms and conditions of employment. The said remuneration is subject to such increments and adjustments, including bonuses as may be granted in accordance with the Company's policies and rules subject to the approval of the Board of Directors. He is also entitled for other perquisites and facilities/benefits as per the Company's policies and rules including, Company maintained car, hospitalization facility (insurance cover) for self, spouse and dependent children, membership of employees' provident fund, etc.

No other director(s) is/are concerned or interested in the above referred matters.