



# Annual Report 2014

**INVEST AND FINANCE SECURITIES LIMITED**



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# COMPANY INFORMATION

<b>Board of Directors</b>	Mr. Muhammad Sohail Dayala (Chairman & Chief Executive Officer)  Mrs. Halima Dayala Syed Kaleem Akhtar Mr. Ahmad Zakir Hafeez Mr. Muhammad Awais Syed Rashid Ali Mr. Shakeel Ahmed
<b>Audit Committee</b>	Mr. Shakeel Ahmed - Chairman Syed Rashid Ali - Member Mrs. Halima Dayala - Member
<b>HR &amp; R Committee</b>	Mr. Shakeel Ahmed - Chairman Mrs. Halima Dayala - Member Mr. Muhammad Sohail Dayala - Member
<b>Company Secretary</b>	Mr. Muhammad Awais
<b>Chief Financial Officer</b>	Mr. Ahmad Zakir Hafeez
<b>Auditors</b>	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.
<b>Legal Advisor</b>	M/s. K. D. Rajani & Company Suit No. 210, Progressive Plaza, Beaumont Road, Civil Lines, Karachi, Pakistan.
<b>Share Registrar</b>	M/s. Technology Trade (Private) Limited Dagja House, 241-C, Block-2, P.E.C.H.S., Off: Shahrah-e-Quaideen, Karachi, Pakistan.
<b>Bankers</b>	MCB Bank Limited Bank Alfalah Limited NIB Bank Limited Burj Bank Limited KASB Bank Limited United 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
<b>Registered Office</b>	12th Floor, Corporate Tower, Techno City Building, Hasrat Mohani Road, Off: I. I. Chundrigar Road, Karachi, Pakistan.
<b>Lahore Office/Branch</b>	319-Siddiq Trade Centre, 72 Main Boulevard, Gulberg, Lahore, Pakistan.
<b>Website</b>	<a href="http://www.investfinance.com.pk">www.investfinance.com.pk</a>



## VISION

Our vision is to develop our Company on professional and ethical basis in order to become a leading market player in the financial services sector and a valued contributor in the development of financial markets. We seek to create and maximize value by constantly trying to remain abreast of the market's perspective. We aim to work as a partner to help in attaining the best financial outcome for our clients. Our goal is to be the most respected financial services Company.

## MISSION

Our mission is to contribute to the ideal growth of capital markets. We are committed to being a balanced intermediary with the highest ethical principles in order to provide clients with the best execution services and innovative products.



## NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING

Notice is hereby given that Fifteenth Annual General Meeting of the Members of Invest and Finance Securities Limited ('the Company') will be held on Friday, August 29, 2014 at 10:00 am at Seminar Hall, Institute of Cost and Management Accountants of Pakistan, City Campus, Plot No. 36/4, Hussain Shah Shaheed Road, Soldier Bazar, Karachi, Pakistan; to transact the following businesses:

### Ordinary Business:

1. To confirm the minutes of the Fourteenth Annual General Meeting of the Company held on September 16, 2013;
2. To receive, consider, approve and adopt the audited financial statements of the Company for the financial year ended June 30, 2014, together with the Directors' and Auditors' Reports thereon;
3. To appoint the Statutory Auditors for the year ending June 30, 2015, and to fix their remuneration;
4. To transact any other business with the permission of the Chair.

### Special Business:

5. To seek approval of Members, through Special Resolution, for purchase/buy back, under and pursuant to the provisions of Section 95A of the Companies Ordinance, 1984 and the Companies (Buy-Back of Shares) Rules, 1999, upto a maximum of 20,009,790 Company's own issued ordinary shares of the nominal value of Rs. 10/- each at a purchase price of Rs. 20/- per share within a period of sixty days from the date of approval/passing of special business/resolution.

By order of the Board

**MUHAMMAD AWAIS**  
Director & Company Secretary

Karachi: August 07, 2014

### NOTES:

1. The Share Transfer Books of the Company will remain closed for the period from August 22, 2014 to August 29, 2014 (both days inclusive) and no transfer of shares will be accepted for registration during this period. Transfers received in order at the Office of Company's Share Registrar M/s. Technology Trade (Private) Limited, Dagia House, 241-C, Block-2, P.E.C.H.S., Off: Shakra-e-Quaideen, Karachi, Pakistan ('Registrar') at the close of business on August 21, 2014 will be considered in time to attend and vote at the Meeting and to send the tender notice subject to approval of business at Agenda Item 5.
2. Members (Non-CDC) are requested to promptly notify change in their addresses, if any, to the Registrar of the Company. All Members holding their shares in book entry form in CDS are requested to please update their particulars with their Participants.
3. Members (Non-CDC) are requested to provide their valid CNIC/NTN & Dividend Mandate Information to the Registrar of the Company, if not provided earlier. All Members holding their shares in book entry form in CDS are requested to please update their CNIC/NTN and dividend mandate information with their Participants, if not updated earlier.
4. A member of the Company entitled to attend and vote at this meeting, may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.
5. a) Individual beneficial owner of CDC entitled to attend and vote at the meeting must bring his/her Participant ID and Account/Sub-Account number along with original NIC or original passport to authenticate his/her identity. In case of Corporate entity, resolution of Board of Directors/Power of Attorney with specimen signature of the nominee shall be produced (unless provided earlier) at the time of the meeting.  
b) For appointing the proxy; the Individual beneficial owner of CDC shall submit the proxy form as per above requirements together with attested copy of NIC or Passport of the beneficial owner and proxy. In case of corporate entity, the Board of Directors' resolution/power of attorney, alongwith the specimen signature of the nominee, shall be submitted along with the proxy form to the Company.  
The proxy form shall be witnessed by two witnesses with their names, addresses, and NIC numbers. The proxy shall produce his/her original NIC or original Passport at the time of meeting.

***"Statement under Sections 95A(3) and 160(1)(b) of the Companies Ordinance, 1984, concerning the Special Business, is attached alongwith the Notice circulated to the members of the Company, and is deemed an integral part hereof"***



**STATEMENT UNDER SECTIONS 95A(3) AND 160(1)(b) OF THE COMPANIES ORDINANCE, 1984**

This statement is annexed as an integral part of the Notice of the Fifteenth Annual General Meeting of the Members of Invest and Finance Securities Limited ("the Company" or "IFSL") to be held on Friday, August 29, 2014 at 10:00 am at Seminar Hall, Institute of Cost and Management Accountants of Pakistan, City Campus, Plot No. 36/4, Hussain Shah Shaheed Road, Soldier Bazar, Karachi, Pakistan; and sets out the material facts and other required information concerning the Special Business to be transacted at the Meeting.

**Special Business**

5. To seek approval of Members, through Special Resolution, for purchase/buy back, under and pursuant to the provisions of Section 95A of the Companies Ordinance, 1984 and the Companies (Buy-Back of Shares) Rules, 1999, upto a maximum of 20,009,790 Company's own issued ordinary shares of nominal value of Rs. 10/- each at a purchase price of Rs. 20/- per share within a period of sixty days from the date of approval/passing of special business/resolution.

The Board of Directors of the Company in its meeting held on July 24, 2014 has approved and recommended to seek approval from the Members of the Company, through special resolution, to purchase/buy back by the Company upto a maximum of 20,009,790 its own issued ordinary shares of the nominal value of Rs. 10/- each at a purchase price of Rs. 20/- per share within a period of sixty days from the date of approval/passing of special business/resolution ('the proposed purchase').

Therefore, if thought appropriate, fit and proper, following resolutions are proposed to be passed as special resolutions with or without modification:

***"RESOLVED THAT the Company be and is hereby authorized, under and pursuant to the provisions of Section 95A of the Companies Ordinance, 1984 and the Companies (Buy-Back of Shares) Rules, 1999, to buy back / purchase, in accordance with the provisions of the said Section and Rules, upto a maximum of 20,009,790 its own issued ordinary shares of the nominal value of Rs. 10/- each at a purchase price of Rs. 20/- per share within a period of sixty days from the date on which this resolution is passed."***

***"FURTHER RESOLVED THAT the ordinary shares purchased pursuant to the above resolution will be cancelled and issued share capital will be reduced by an amount equal to the aggregate nominal value of the cancelled shares."***

***"FURTHER RESOLVED THAT the purchase aforesaid by the Company of its own issued ordinary shares shall be made through a tender offer in such form or forms as the Chief Executive Officer and/or the Company Secretary of the Company may determine through the publication of an abridge notice in newspapers and by notices to the Members of the Company individually under postal certificate or through Courier Service and/or Registered Post."***

***"FURTHER RESOLVED THAT for the purpose of giving effect to the above resolutions and for the purposes of implementing, procuring and completing the buy-back/purchase by the Company of its own issued ordinary shares pursuant thereto, the Chief Executive Officer and/or the Company Secretary be and is/are hereby authorized to take all such steps and do all such acts, deeds and things that may be required in this respect."***

***"FURTHER RESOLVED THAT in case any error, omission, or mistake is pointed by the Securities and Exchange Commission of Pakistan and/or any other competent authority in the aforesaid Resolutions, the Chief Executive Officer and/or the Company Secretary be and is/are hereby authorized to make necessary amendments/corrections therein as permitted under the law and such amendments/corrections shall be deemed to be part of these Special Resolutions without the need of the Members to pass fresh Special Resolutions."***



### Details of Proposed Purchase

The Proposed Purchase will allow to exercise the power of the Company to purchase upto a maximum of 20,009,790 its own issued ordinary shares of the nominal value of Rs.10/- each representing about 50% of the existing issued share capital of the Company. The power to purchase the shares will have to be exercised within a period of sixty days from the date on which the above mentioned special resolutions are passed by the Members.

The price at which the above mentioned shares are purchased by the Company shall be Rs. 20/- per share. The shares will be purchased using the distributable profits of the Company. The amount of distributable profits to be utilized depends on the actual number of shares purchased by the Company. If all 20,009,790 issued ordinary shares are purchased by the Company, the distributable profits of the Company will be utilized to the extent of Rs. 400,195,800/-.

The ordinary shares purchased through the proposed purchase will be cancelled. The issued share capital shall be reduced by an amount equal to the aggregate nominal value of the cancelled shares.

The Purposed Purchase will be effected through a tender system, whereby the Members desiring to sell to the Company the ordinary shares held by them will make an offer to the Company on a prescribed Form of Offer, which will be sent to the Members individually at their addresses recorded with the Company, under postal certificate or through Courier Service and/or Registered Post, and will also be available at the Registered Office of the Company, website of the Company [www.investfinance.com.pk](http://www.investfinance.com.pk) and at designated branches of one or more authorized bank(s) at which such Forms of Offer are required to be submitted, within the period to be specified in the tender notice ('closing date'). The notice inviting tender offers will also be published, in abridge form, in the newspapers.

The Company shall take a decision on the acceptance of the offers received from the Members within stipulated time. Where the offers received exceed the maximum number of shares to be purchased then the offers will be accepted on a pro rata basis in slabs of 500 shares, that is, offers to the extent of 500 shares or less will be first accommodated (and if required; on a pro rata basis within such slab, but so that resulting fractions will be ignored), and thereafter in slabs of 500 shares (and to the extent required on a pro rata basis within the relevant slab, but so that resulting fractions will be ignored) until offers for the maximum number of shares to be purchased have been accepted.

The Company will communicate to the Members its decision regarding acceptance of the offers received within stipulated time. At that time the Company will provide all necessary instructions and information regarding submission of shares:

- 1) If shares are held in physical form: submission of share certificates together with relevant transfer deeds duly signed, verified and witnessed and authorization to split shares, if required; and
- 2) If shares are held on the Central Depository System (CDS): submission of an "Inter/intra participant/account Free Delivery Report" (evidencing transfer of shares), duly authenticated, by the concerned Participant/CDC Investor Account Services, confirming transfer of shares to a specified Investor/Sub Account on the CDS to be opened by the Company specifically for this purpose.

The Members concerned will be required to submit the above documents within such period as specified in the acceptance letter. If the acceptance is on a pro-rata basis, then the acceptance will specify the number of shares which the Company has agreed to purchase.

If the above documents are not submitted by the members concerned within the specified period, the acceptance of the offer shall in accordance with the provisions of Rule 5(10) of the Companies (Buy-Back of shares) Rules, 1999 be deemed to have been revoked and the Company will not purchase the ordinary shares offered by the Member concerned.

The purchase price for the shares purchased by the Company shall be paid to the Members concerned within 7 days of the receipt by the Company of the above mentioned documents through a bank draft/pay order made out in favour of the Member concerned for the amount of the purchase price for the shares purchased from such Member.



Please note that as per SRO 192(I)/2010 of Securities and Exchange Commission of Pakistan; process of buy back of shares is required to be completed within thirty Days of the issue of tender notice. Therefore, time period will be adjusted in order to comply with the stipulated time and will be communicated at the time of respective process/step.

#### Debt-Equity and Current Ratios

As at June 30, 2014, the Debt-Equity and Current Ratios of the Company are 0.43:1 and 3.11:1 respectively.

#### Justification/Rationale for the Proposed Purchase

This is second purchase by the Company of its own issued ordinary shares. The Company purchased 26,044,770 shares in previous purchase and share capital was accordingly reduced from 66,054,560 shares to 40,009,790 shares. The Company has decided to further reduce the capital as the Company still has excess capital/funds and shall has sufficient capital/funds after the proposed purchase to meet its business requirements.

The Proposed Purchase when implemented is expected to improve earnings per share for Members retaining their shares and the same is also evident from financial results for the year ended June 30, 2014 where earnings have increased substantially with regard to previous and reduced capital. This will also result in better dividends. Further, it will provide an opportunity to those Members who wish to liquidate their investment in the Company at a reasonable price and to make their individual decisions with regard to their capital. It is important to highlight that in case an initial member (since listing) accepts this offer, he/she will get return of around 19% per annum.

As regards the price of Rs. 20/- per share for the proposed purchase by the Company of its own issued ordinary shares; please note that current price per share at Karachi Stock Exchange Limited ('KSE') is around Rs. 18/- and average price per share (on the basis of closing rates) of the Company's shares at the KSE for last three years is as follows:

Period	Average price per share
July 2011 - June 2012	9.44
July 2012 - June 2013	13.41
July 2013 - June 2014	14.47

The Board of Directors of the Company, therefore, believes that price of Rs. 20/- per share would be reasonable.

#### Source of Funding

The Company shall utilize its distributable profits for the Purposed Purchase. The Company has sufficient cash resources available for the Proposed Purchase.

#### Effects of Proposed Purchase

In the event, Company purchases the maximum of 20,009,790 issued ordinary shares of the nominal value of Rs.10/- each authorized to be purchased under the Proposed Purchase (whereupon such shares shall be cancelled), the effect of the Proposed Purchase on the Share Capital and Financial Position are set out below:

##### a) Share Capital

Description	No. of Shares	Amount (Rs.)
Share capital as at June 30, 2014	40,009,790	400,097,900/-
Less: Proposed purchase to be cancelled	(20,009,790)	(200,097,900/-)
<b>Share capital after the proposed purchase</b>	<b>20,000,000</b>	<b>200,000,000/-</b>





### b) Financial Position

The proposed purchase will not have an adverse effect on the Company's financial position and will result in the consolidation of shareholders' equity and will increase earnings per share in future.

A majority of Directors, including the Chief Executive, have executed the declaration of solvency in the form prescribed by the Companies (Buy-Back of shares) Rules, 1999, which will be filed with the Securities and Exchange Commission of Pakistan and the Registrar of Companies within prescribed time following the purchase of the issued ordinary shares of the Company. In this declaration the Directors have confirmed that they have made a full inquiry into the affairs of the Company and are of the opinion that the Company shall continue to operate as a going concern and is capable of meeting its liabilities on time during the period up to the end of the immediately succeeding financial year.

### Interest of Directors

The Directors are likewise interested in the special business/proposed purchase, to the extent of their respective shares, as the other Members and they may also participate in the proposed purchase.

### Documents for Inspection

The following documents are available for inspection at the Office of the Company Secretary at Registered Office of the Company, 12th Floor, Corporate Tower, Technocity Building, Hasrat Mohani Road, Off: I. I. Chundrigar Road, Karachi, Pakistan and may be inspected up to and including the day preceding the date of the meeting during normal office hours:

- Memorandum and Articles of Association
- Declaration of solvency
- Financial statements



## 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 Financial Statements of the Company for the financial year ended June 30, 2014, together with the Auditors' Report thereon.

### Performance Review

The Company earned operating revenue of Rs. 261.666 million during the year under review as compared to Rs. 311.767 million for the corresponding period. Before and after tax profit stood at Rs. 200.001 million and Rs. 191.318 million respectively as compared to Rs. 246.254 million and Rs. 230.027 million respectively for the corresponding period. The said decrease in operating revenue and overall profit of the Company is mainly resulted due to lower capital gains and dividend income.

The operating results of the Company for the year ended June 30, 2014 are summarized as follows:

	2014 Rupees	2013 Rupees
Operating Revenue	261,666,145	311,766,561
Profit before tax	200,001,509	246,253,680
Profit after tax	191,318,112	230,027,213
Earnings per share	4.06	3.48

Improvement in earnings per share is due to reduction in share capital as a result of buy back of shares.

### Buy Back/Purchase of Company's own Shares in 2013-2014

The recommendation of Board of Directors in its meeting held on August 13, 2013 in respect of purchase/buy back by the Company upto a maximum of 26,054,560 its own issued ordinary shares of the nominal value of Rs. 10/- each at a purchase price of Rs. 15/- per share was approved by the Members in the Fourteenth Annual General Meeting held on September 16, 2013. The tender notice was issued on September 18, 2013 inviting offers from Members for sale of their shares upto September 25, 2013. Decision on acceptance of offers was taken on September 30, 2013 that was communicated to the concerned Members on October 01, 2013 informing them to deposit the shares/documents by October 08, 2013. The Company received offers of 26,668,893 shares from members for sale their shares to the Company and accepted the offers for 26,054,560 shares being maximum number of shares to be purchased by the Company. Members deposited 26,044,770 shares for sale to the Company against 26,054,560 accepted shares. The Company made payment for the purchased shares to the concerned Members upto October 10, 2013. As a result, paid-up capital of the Company has been reduced to Rs. 400,097,900/- comprising 40,009,790 ordinary shares of Rs. 10/- each.



### **Buy Back/Purchase of Company's own Shares**

Now, the Board of Directors, in order to further reduce the surplus capital, has again approved and recommended to seek approval from the Members of the Company, through special resolution, to purchase/buy back by the Company upto a maximum of 20,009,790 its own issued ordinary shares of the nominal value of Rs. 10/- each at a purchase price of Rs. 20/- per share within a period of sixty days from the date of approval/passing of special business/resolution ('the proposed purchase'). The Proposed Purchase will allow to exercise the power of the Company to purchase upto a maximum of 20,009,790 its own issued ordinary shares of the nominal value of Rs.10/- each. The ordinary shares purchased through the proposed purchase will be cancelled. The issued share capital shall be reduced by an amount equal to the aggregate nominal value of the cancelled shares. The detailed information in this respect is disclosed in the notice of fifteenth annual general meeting attached herewith.

### **Dividend and other appropriations**

The Board has not recommended any stock and/or cash dividend. The Board has approved and recommended the purchase/buy back, under and pursuant to the provisions of Section 95A of the Companies Ordinance, 1984 and the Companies (Buy-Back of Shares) Rules, 1999, upto a maximum of 20,009,790 Company's own issued ordinary shares of the nominal value of Rs. 10/- each at a purchase price of Rs. 20/- per share.

### **Post Balance Sheet Events**

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company to which the balance sheet relates and the date of this report except the above mentioned proposed purchase which is subject to approval of the Members. The effect of such purchase/buy back, if approved, shall be reflected in the subsequent financial statements.

### **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 given in notes to the financial statements, if any; and accounting estimates are based on reasonable and prudent judgments.
- d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departures therefrom has been adequately disclosed and explained.
- 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) Key operating and financial data for last six years in summarized form is annexed.
- h) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2014 except for those disclosed in financial statements.
- i) 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, 2014 amounts to approximately Rs. 8,840,525/-.
- j) - During the year four (4) meetings of Board of Directors were held. Attendance by each Director was as follows:

S. No.	Name of Director	No. of meetings attended
1.	Mr. Muhammad Sohail Dayala	4
2.	Mrs. Halima Dayala	4
3.	Syed Kaleem Akhtar	4
4.	Mr. Ahmad Zakir Hafeez	4
5.	Mr. Muhammad Awais	4
6.	Syed Rashid Ali	3
7.	Mr. Shakeel Ahmed	4

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



## INVEST AND FINANCE SECURITIES LIMITED

- During the year five (5) meetings of Audit Committee were held. Attendance by each Member was as follows:

S. No.	Name of Member	No. of meetings attended
1.	Mr. Shakeel Ahmed	5
2.	Syed Rashid Ali	3
3.	Mrs. Halima Dayala	5

- During the year one (1) meeting of Human Resource and Remuneration Committee (HRRC) was held. Attendance by each Member was as follows:

S. No.	Name of Member	No. of meetings attended
1.	Mr. Shakeel Ahmed	1
2.	Mrs. Halima Dayala	1
3.	Mr. Muhammad Sohail Dayala	1

- k) Patterns of shareholdings as required under the Companies Ordinance, 1984 and the Code of Corporate Governance are annexed at the end of annual report.
- l) The Directors have gone through one in-house orientation course/training program held on August 13, 2013. One Director had acquired necessary certification in respect of Directors' Training Program (DTP) for the year ended June 30, 2013. For the year under review, two Directors were registered for DTP to be held in March 2014 at Karachi. However, the said training program was not conducted/arranged by the relevant institute including its rescheduling for two times i.e. for April and June 2014. Now, the program has again scheduled for August 2014.
- m) The Company is not in default or likely to default in any loans, sukuks or other debt instruments.
- n) The Directors and Executives including their respective spouses and minor children have not traded in the shares of the Company during the year except Mrs. Halima Dayala, Director who sold her 14,385,667 shares of the Company in the buy back offer of the Company for purchase/buy back of its own issued ordinary shares at purchase price of Rs. 15/- per share under and pursuant to the provisions of Section 95A of the Companies Ordinance, 1984 and the Companies (Buy-Back of Shares) Rules, 1999.

(For the clause 'n' above and clause xxiii of the Code of Corporate Governance the term/expression 'Executive' includes, in addition to Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Head of Internal Audit and Company Secretary by whatever name called, all other employees of the Company having basic salary of Rs. 1,000,000/- or above in a financial year.)

### Economic and Industry Review

During the year 2013-14, Pakistan's economy seems to have entered the beginning of a turnaround, as an IMF program has installed renewed discipline in the country's economic management. All the major economic indicators have remained well under control, and the major turnaround has been led by a strong build-up in foreign exchange reserves to close to US\$14 billion. This resulted in a sharp appreciation of close to 10% in the value of the Pak Rupee against the US\$, as it now trades below Rs. 100 per US\$. With inflation rate comfortably in the single digit, averaging 8.6% for 2013-14, the State Bank remained comfortable in keeping its discount rate unchanged for most of the fiscal year at 10%.

The KSE-100 Index performed very well, gaining 41% during the year 2013-14, with average daily volume of 146 mn shares. Foreign investors ended up being net buyers worth US\$ 262 million during the fiscal year. Foreign investors flows were driven by anticipation of a change in Pakistan's weightage in the MSCI Frontier Markets Index in May 2014, which doubled from 4.2% to 8.4%.



### Future Prospects and Outlook

It is expected that economic reform process will continue, especially as Pakistan remains within an IMF programme. Corporate profitability growth and foreign investor interest are expected to continue to result in better performance of the equity market in the current fiscal year.

### 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: July 24, 2014

### ANNEXURE TO THE DIRECTORS' REPORT

#### Memorandum under Section 218 of the Companies Ordinance, 1984

The monthly salaries/remunerations of following whole time working/Executive Directors were revised/increased effective from July 01, 2013:

Name of Whole Time Working/ Executive Director	Previous Salary	Increased Salary
	(Rupees)	
Syed Kaleem Akhtar	100,000/-	110,000/-
Mr. Muhammad Awais	83,000/-	90,000/-
Mr. Ahmad Zakir Hafeez	71,500/-	80,000/-

Other terms and conditions of employment of above whole time working/Executive Directors remain the same.

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



## SIX YEARS AT A GLANCE

PARTICULARS	2014	2013	2012	2011	2010	2009
<b>Operating Performance (Rupees in 000)</b>						
Revenue	261,666	311,767	283,105	100,157	293,810	124,642
Operating expenses	64,689	69,226	59,186	59,452	57,144	68,097
Financial expenses	7,386	5,487	6,317	2,939	13,031	128,692
Other income / (loss)	1,726	5,247	729	9,267	30,830	3,868
Gain / (loss) on revaluation of investments	12,684	3,954	3,849	8,330	(52,603)	(78,699)
Profit / (loss) before tax	200,001	246,254	222,180	50,772	178,782	(146,977)
Profit / (loss) after tax	191,318	230,027	217,775	48,468	172,057	(158,500)
<b>Per Ordinary Shares (Rupees)</b>						
Earnings per share (*Restated)	4.06	3.48	3.30*	0.81	2.87	(2.64)
Break-up value per share	21.70	16.16	13.95	10.32	10.66	7.80
<b>Dividends (Percentage)</b>						
Cash	-	-	-	-	11.50%	-
Bonus shares	-	-	10%	-	-	-
<b>Assets &amp; Liabilities (Rupees in 000)</b>						
Total assets	1,240,783	1,476,443	951,562	879,344	898,918	1,042,851
Current assets	1,158,917	1,390,900	866,959	786,843	722,085	826,505
Current liabilities	372,500	408,808	113,954	259,511	196,574	372,564
<b>Financial Position (Rupees in 000)</b>						
Shareholders' equity	868,282	1,067,635	837,608	619,833	640,423	468,365
Share capital	400,098	660,546	600,496	600,496	600,496	600,496
Reserves	468,184	407,090	237,112	19,337	39,927	(132,131)
Shares outstanding- (Number in 000)	40,010	66,055	60,050	60,050	60,050	60,050
Return on capital employed-(%)	22.03%	21.55%	26.00%	7.82%	26.87%	-33.84%
Return on total assets-(%)	15.42%	15.58%	22.89%	5.51%	19.14%	-15.20%
Current ratio-times	3.11	3.40	7.61	3.03	3.67	2.22



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE - YEAR ENDED JUNE 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in Regulation No. 35 of Listing Regulations of Karachi Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Syed Rashid Ali Mr. Shakeel Ahmed
Executive Directors	Mr. Muhammad Sohail Dayala Syed Kaleem Akhtar Mr. Ahmad Zakir Hafeez Mr. Muhammad Awais
Non-Executive Directors	Mrs. Halima Dayala

The independent Directors meets the criteria of independence under clause i(b) of the CCG.

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No Casual vacancy occurred on the Board during the period under review.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other Executive and Non-Executive Directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged one in-house orientation course/training program for its Directors during the year. One Director had acquired necessary certification in respect of Directors' Training Program (DTP) for the year ended June 30, 2013. For the year under review, two Directors





## INVEST AND FINANCE SECURITIES LIMITED

were registered for DTP to be held in March 2014 at Karachi. However, the said training program was not conducted/arranged by the relevant institute including its rescheduling for two times i.e. for April and June 2014. Now, the program has again scheduled for August 2014.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG except for matter discussed in paragraph 9 above.
15. The Board has formed an audit committee. It comprises of three members, of whom three are Non-Executive Directors and the Chairman of the committee is an Independent Director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two are Non-Executive Directors and the Chairman of the committee is an Independent Director.
18. The Board has set-up an effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to Directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

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

Karachi  
July 24, 2014

# RIAZ AHMAD, SAQIB, GOHAR & COMPANY

Chartered Accountants

## REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Invest and Finance Securities Limited** ("the Company") for the year ended June 30, 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

Further, we highlight an instance of non-compliance with the requirement of the Code as reflected in paragraph 9 of the Statement of Compliance which states that certification in respect of Directors' Training Program was not arranged due to the reason stated therein.

Karachi: July 24, 2014

**Riaz Ahmad, Saqib, Gohar & Company**  
**Chartered Accountants**

A Member of AGN International Ltd. Accountants Global Network an International Association

# RIAZ AHMAD, SAQIB, GOHAR & COMPANY

Chartered Accountants

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Invest and Finance Securities Limited ("the Company")** as at June 30, 2014 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 2.5 and 3.8(a) with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Karachi: July 24, 2014

**Riaz Ahmad, Saqib, Gohar & Company**  
Chartered Accountants

**Engagement Partner: Shahid Kamran**

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## BALANCE SHEET

AS AT JUNE 30, 2014

<u>ASSETS</u>	Note	2014 Rupees	2013 Rupees
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	32,865,361	36,465,311
Intangible assets	5	3,700,005	3,778,065
Long-term investments	6	43,078,600	43,078,600
Long-term deposits		2,221,627	2,221,627
		<u>81,865,593</u>	<u>85,543,603</u>
<b>CURRENT ASSETS</b>			
Trade debts	7	151,230,611	333,142,125
Short-term investments	8	303,093,614	212,129,999
Advances, deposits, prepayments and other receivables	9	36,377,075	30,174,857
Advance tax - net		29,785,002	23,933,406
Receivable from NCCPL - net	10	610,205,017	768,669,044
Cash and bank balances	11	28,225,669	22,850,437
		<u>1,158,916,988</u>	<u>1,390,899,868</u>
<b>TOTAL ASSETS</b>		<u><b>1,240,782,581</b></u>	<u><b>1,476,443,471</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>SHARE CAPITAL</b>			
Authorized capital 100,000,000 (2013: 100,000,000) ordinary shares of Rs.10/- each		<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid-up capital	12	400,097,900	660,545,600
<b>RESERVES</b>			
Un-appropriated profit		468,184,141	407,089,879
		<u>868,282,041</u>	<u>1,067,635,479</u>
<b>CURRENT LIABILITIES</b>			
Short-term running finance	13	330,703,052	376,697,833
Trade and other payables	14	41,797,488	32,110,159
		<u>372,500,540</u>	<u>408,807,992</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	15	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>1,240,782,581</b></u>	<u><b>1,476,443,471</b></u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR



## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
<b>OPERATING REVENUE</b>			
Operating revenues	16	118,976,737	145,909,425
Gain on sale of investments-net		142,689,408	165,857,136
		<b>261,666,145</b>	<b>311,766,561</b>
<b>EXPENDITURES</b>			
Administrative and general expenses	17	(64,688,635)	(69,226,494)
Operating profit		<b>196,977,510</b>	<b>242,540,067</b>
Other income - net	18	1,725,648	5,247,177
Other charges	19	(4,000,030)	-
Financial charges	20	(7,385,660)	(5,487,226)
Gain on re-measurement of investments carried at fair value through profit and loss account- net		12,684,041	3,953,662
		<b>3,023,999</b>	<b>3,713,613</b>
<b>PROFIT BEFORE TAXATION</b>		<b>200,001,509</b>	<b>246,253,680</b>
<b>TAXATION</b>	21	<b>(8,683,397)</b>	<b>(16,226,467)</b>
<b>PROFIT AFTER TAXATION</b>		<b>191,318,112</b>	<b>230,027,213</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>191,318,112</b>	<b>230,027,213</b>
Earnings per share - basic and diluted	22	<b>4.06</b>	<b>3.48</b>

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR



## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
<b>Cash Flows From Operating Activities</b>			
Profit before taxation		200,001,509	246,253,680
<b>Adjustments for:</b>			
Depreciation		5,308,097	5,528,911
Amortization of software		78,060	39,026
Financial charges		7,385,660	5,487,226
Gain on revaluation of investments carried at fair value through profit and loss account - net		(12,684,041)	(3,953,662)
Gain on disposal of property, plant and equipment		(68,125)	(850,170)
		19,651	6,251,331
Profit before working capital changes		200,021,160	252,505,011
<b>Changes in working capital (Increase) / decrease in current assets</b>			
Trade debts		181,911,514	(252,013,503)
Short term investments		(78,279,574)	508,998,628
Advances, deposits, prepayments and other receivables		(6,202,218)	(15,100,710)
Receivable from NCCPL-net		158,464,027	(749,786,871)
		255,893,749	(507,902,456)
<b>Increase / (decrease) in current liabilities</b>			
Trade and other payables		9,704,172	2,826,290
Cash generated from / (used in) operations		465,619,081	(252,571,155)
Income tax paid		(14,534,993)	(22,580,517)
Finance charges paid		(7,402,503)	(3,047,985)
Net cash generated from / (used in) operating activities		443,681,585	(278,199,657)
<b>Cash Flow From Investing Activities</b>			
Purchase of property, plant and equipment		(2,338,022)	(9,741,628)
Proceeds from disposal of property, plant and equipment		698,000	2,875,000
Long term deposits		-	1,208,373
Net cash (used in) investing activities		(1,640,022)	(5,658,255)
<b>Cash Flows From Financing Activities</b>			
Payments made against buy back of shares		(390,671,550)	-
Net increase / (decrease) in cash and cash equivalents		51,370,013	(283,857,912)
Cash and cash equivalents at the beginning of the year		(353,847,396)	(69,989,484)
Cash and cash equivalents at the end of the year	23	(302,477,383)	(353,847,396)

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR



## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2014

	Share capital	Un-appropriated profit	Total
	-----Rupees-----		
Balance as at June 30, 2012	600,496,000	237,112,266	837,608,266
Issue of bonus shares	60,049,600	(60,049,600)	-
Total comprehensive income for the year	-	230,027,213	230,027,213
<b>Balance as at June 30, 2013</b>	<b>660,545,600</b>	<b>407,089,879</b>	<b>1,067,635,479</b>
Buy Back of 26,044,770 shares having face value of Rs. 10/- each at a purchase price of Rs. 15/- each	(260,447,700)	(130,223,850)	(390,671,550)
Total comprehensive income for the year	-	191,318,112	191,318,112
<b>Balance as at June 30, 2014</b>	<b>400,097,900</b>	<b>468,184,141</b>	<b>868,282,041</b>

The annexed notes from 1 to 33 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

### 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 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 Trading Right Entitlement (TRE) Certificate Holder of the Karachi Stock Exchange Limited and the Lahore 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 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 (IFRSs) 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 certain short term investments which are stated at fair value and as otherwise stated in respective policy notes.

#### 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 judgments, 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 28.

### 2.5 Standards, amendments and interpretations adopted during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

#### 2.5.1 New and amended standards and interpretations

The Company has adopted the following new and amended IFRS and IFRIC interpretations which become effective during the year:

- IAS 19 Employee Benefits - Amended Standard resulting from the post-employment benefits and termination benefits projects.
- IAS 28 Investments in Associates and Joint Ventures (2011) - IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture.
- IFRS 7 Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.
- IFRIC 20 Stripping cost in the production phase of a surface mining. The interpretation requires production stripping cost in a surface mine to be capitalised if certain criteria are met.

The adoption of the above standards, amendments / improvements and interpretations did not have any material effect on these financial statements.

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

### 2.6 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretation:



	<b>Standard or Interpretation</b>	<b>Effective Date (Accounting periods beginning on or after)</b>
IAS 32	Offsetting Financial Assets and Financial Liabilities. The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 - Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.	January 01, 2014
IAS 39	Amendments for novations of derivatives and continuation of hedge accounting. The amendments addresses circumstances when a hedging instrument is required to be novated to the central counter party as a result of laws and regulations.	January 01, 2014

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have material effect on the Company's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2013. The Company expects that such improvements to the standards will not have material effect on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

<b>Standards</b>		<b>IASB Effective date (annual periods beginning on or after)</b>
IFRS 9	Financial Instruments	January 01, 2018
IFRS 11	Joint Agreements	January 01, 2016
IFRS 13	Fair Value Measurement	July 01, 2014
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 15	Revenue from Contracts with Customers	January 01, 2017



## 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 are made at the rate of 10% of basic salary.

### 3.2 Property, plant and 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 recognized 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. Depreciation is charged from the month the assets are available for use while no depreciation is charged in the month 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, plant and equipment are determined by comparing proceeds with the carrying amount and are included in the profit and loss account of the period to which it relates.

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 Intangible assets

#### (a) TRE certificates & membership

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



**(b) Others**

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 5 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 amortization rate.

**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 Financial assets**

The management determines the appropriate classification of its financial assets (including 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. The Company classifies its financial assets in following categories:

**3.5.1 Classification**

**(i) Financial assets at fair value through profit or loss account - held for trading**

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in market price, interest rate movements or are financial assets included in a portfolio in which a pattern of short-term profit taking exists.

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivable comprise of trade debts, advances, deposits, cash and bank balances, and other receivables in the balance sheet.



### (iii) Held-to-maturity

These are financial assets with fixed or determinable payments and fixed maturity which the Company has positive intent and ability to hold to the maturity.

### (iv) Available-for-sale

These are non-derivatives that are either designated in this category or not classified under any of the other categories.

### 3.5.2 Regular way contract

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.

### 3.5.3 Initial recognition and measurement

Financial assets are initially recognized at fair value plus transaction cost except for financial assets carried at fair value through profit or loss – held for trading. Financial assets carried at fair value through profit or loss - held for trading are initially recognized at fair value and transaction cost are expensed in the profit and loss account.

### 3.5.4 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as following:

#### a) 'Financial assets at fair value through profit or loss' – held for trading and available for sale

'Financial assets at fair value through profit or loss' are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss account in the period in which these arise.

'Available for sale' financial assets are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair value of these financial assets are recognized in other comprehensive income, until the available for sale financial assets are derecognized. At this time, the cumulative gain or loss previously recognized directly in other comprehensive income is reclassified from other comprehensive income to profit or loss as a reclassification adjustment.

Unquoted investments, where active market does not exist and fair value cannot be reasonably calculated, are carried at cost.

#### b) 'Loans and receivables' and 'held to maturity'

'Loans and receivables' and 'held to maturity' financial assets are carried at amortized cost.



### 3.5.5 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment in any asset or group of assets. If such indication exists, the recoverable amount of the assets is estimated and impairment losses are recognized immediately as an expense in the profit and loss account. In case of equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in comprehensive income, is reclassified from other comprehensive income and recognized in the profit and loss account. Impairment losses on equity financial assets recognized in profit and loss account are not reversed through profit and loss account.

### 3.5.6 Derecognition

Financial assets are derecognized when the right to receive cash flows from the financial assets have expired, have been realized or transferred, and the Company has transferred substantially all risks and rewards of ownership.

### 3.5.7 Reclassification

The Company may choose to reclassify a non-derivative trading financial asset in equity securities out of the 'held for trading' category to the 'available for sale' category if the financial asset is no longer held for the purpose of selling it in the near term. Such reclassifications are made only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. Reclassifications are made at fair value as of the reclassification date which then becomes the new cost and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made.

### 3.5.8 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.

## 3.6 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Financial liabilities include trade and other payables, running finance under mark-up arrangements, accrued mark-up on borrowing, liabilities against assets subject to finance lease, redeemable capital and dividend payable.

## 3.7 Foreign currency transactions

Foreign currency transactions are converted into rupees at the rates of exchange approximating to those ruling at the date of transaction. Monetary 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.



## 3.8 Revenue recognition

- (a) Brokerage, advisory fees, commission and other income are accrued as and when due.
- (b) Dividend income on equity investments is recognized, when the right to receive the same is established.
- (c) 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, advisory fee and service charges, are recognized as and when earned.
- (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.

## 3.9 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, 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 basis 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. Deferred tax asset for the year works out to Rs.2,067,620/- but it has not been recognized in the financial statements as it is not reasonably certain that the related tax benefit will be realized.

## 3.10 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. However, borrowing costs incurred on qualifying assets are capitalized as part of the cost of the asset.



### 3.11 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.

### 3.12 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 amount of obligation can be made.

### 3.13 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.

### 3.14 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.

### 3.15 Dividend distributions and appropriations

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

### 3.16 Earnings per share

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

### 3.17 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.





# INVEST AND FINANCE SECURITIES LIMITED

## 4. PROPERTY, PLANT AND EQUIPMENT

Particulars	2014				DEPRECIATION			WRITTEN DOWN VALUE
	C O S T			Rate	As at July 01, 2013	Charge for the year/ (Disposals)	As at June 30, 2014	As at June 30, 2014
	As at July 01, 2013	Additions/ (Disposals)	As at June 30, 2014					
Building	27,575,000	-	27,575,000	10	15,641,493	1,193,352	16,834,845	10,740,155
Furniture and fixtures	12,163,065	-	12,163,065	10	6,345,509	581,756	6,927,265	5,235,800
Office equipments	8,344,226	- (42,925)	8,301,301	10	4,127,765	421,449 (21,528)	4,527,686	3,773,615
Computers	7,487,853	547,142	8,034,995	33	6,478,708	419,236	6,897,944	1,137,051
Vehicle	21,418,268	1,790,880 (1,540,210)	21,668,938	20	7,929,626	2,692,304 (931,732)	9,690,198	11,978,740
	76,988,412	2,338,022 (1,583,135)	77,743,299		40,523,101	5,308,097 (953,260)	44,877,938	32,865,361

Particulars	2013				DEPRECIATION			WRITTEN DOWN VALUE
	C O S T			Rate	As at July 01, 2012	Charge for the year/ (Disposals)	As at June 30, 2013	As at June 30, 2013
	As at July 01, 2012	Additions/ (Disposals)	As at June 30, 2013					
Building	27,575,000	-	27,575,000	10	14,315,548	1,325,945	15,641,493	11,933,507
Furniture and fixtures	12,163,065	-	12,163,065	10	5,699,114	646,395	6,345,509	5,817,556
Office equipments	8,055,433	288,793	8,344,226	10	3,686,009	441,756	4,127,765	4,216,461
Computers	7,034,353	453,500	7,487,853	33	6,037,508	441,200	6,478,708	1,009,145
Vehicles	16,675,208	8,999,335 (4,256,275)	21,418,268	20	7,487,456	2,673,615 (2,231,445)	7,929,626	13,488,642
	71,503,059	9,741,628 (4,256,275)	76,988,412		37,225,635	5,528,911 (2,231,445)	40,523,101	36,465,311

## 4.1 Disposal of property, plant 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 Proceeds	Gain / (Loss)	Mode of Disposal	Particulars of Buyers
	-----Rupees-----						
<b>Motor Vehicles</b>							
Honda City	901,000	743,539	157,461	220,000	62,539	Negotiation	Usman Hassan
Suzuki Ravi	600,210	160,056	440,154	450,000	9,846	Negotiation	Muhammad Iqbal
	<u>1,501,210</u>	<u>903,595</u>	<u>597,615</u>	<u>670,000</u>	<u>72,385</u>		

5	INTANGIBLE ASSETS	Note	2014 Rupees	2013 Rupees
	Membership - Pakistan Mercantile Exchange Limited		2,500,000	2,500,000
	Telephone booth		1,200,000	1,200,000
	Trading Right Entitlement Certificates	5.1	-	-
	Computer software	5.2	5	78,065
			<u>3,700,005</u>	<u>3,778,065</u>

5.1 The Company has been granted Trading Right Entitlement (TRE) Certificates in pursuance of Section 5 of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 read with Regulation 6 of the Stock Exchanges (Corporatisation, Demutualization and Integration) Regulations, 2012. These TRE Certificates represent intangible assets and are accounted for on Nil values as presently, the value of these TRE Certificates can not be determined with reasonable accuracy.

## 5.2 Computer Software

Particulars	2014				AMORTIZATION			WRITTEN DOWN VALUE
	C O S T			Rate	As at July 01, 2013	Charge for the year/ (Disposals)	As at June 30, 2014	As at June 30, 2014
	As at July 01, 2013	Additions/ (Disposals)	As at June 30, 2014					
	-----Rupees-----			%	-----Rupees-----			Rupees
Computer software	2,000,000	-	2,000,000	33.33	1,921,935	78,060	1,999,995	5

Particulars	2013				AMORTIZATION			WRITTEN DOWN VALUE
	C O S T			Rate	As at July 01, 2012	Charge for the year/ (Disposals)	As at June 30, 2013	As at June 30, 2013
	As at July 01, 2012	Additions/ (Disposals)	As at June 30, 2013					
	-----Rupees-----			%	-----Rupees-----			Rupees
Computer software	2,000,000	-	2,000,000	33.33	1,882,909	39,026	1,921,935	78,065



## INVEST AND FINANCE SECURITIES LIMITED

### 6 LONG-TERM INVESTMENTS

In the wake of promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act 2012, in lieu of Membership Cards, Shares and Trading Right Entitlement (TRE) Certificates have been issued to holders of such Cards. Out of total number of shares as mentioned below, 2,404,430 and 506,385 ordinary shares of the Karachi Stock Exchange Limited (KSE) and the Lahore Stock Exchange Limited (LSE) respectively, being 60% of total number of shares allotted to the Company have been blocked in the Company's Sub-Accounts maintained under the respective Stock Exchanges Participant IDs. Since these shares are not presently tradable therefore, fair value cannot be determined. The Company has reclassified its investment from Intangible Assets to Long-Term Investments at cost price for better presentation. Detail and break-up of shares are as under:

	Note	2014 Rupees	2013 Rupees
Karachi Stock Exchange Limited (4,007,383 Ordinary Shares)	6.1	35,078,600	35,078,600
Lahore Stock Exchange Limited (843,975 Ordinary Shares)	6.2	<u>8,000,000</u>	<u>8,000,000</u>
		<u>43,078,600</u>	<u>43,078,600</u>

6.1 The Company has pledged/hypothecated TRE Certificate of Karachi Stock Exchange Limited (KSE) and 1,602,953 ordinary shares of KSE with KSE in compliance with Base Minimum Capital (BMC) requirement under Regulation 2.1 of the Regulations Governing Risk Management of the KSE. The Board of Directors of KSE, through its notice no. KSE/N-6955 dated December 18, 2013 has assigned a nominal value of Rs. 15 million to TRE Certificate and Rs. 16.1 million to KSE shares aggregating to the total BMC of Rs. 31.1 million.

6.2 The Company has pledged/hypothecated TRE Certificate of Lahore Stock Exchange Limited (LSE) and 337,590 ordinary shares of LSE with LSE in compliance with Base Minimum Capital (BMC) requirement under Regulation 2.1 of the Regulations Governing Risk Management of the LSE. The Board of Directors of LSE, through its notice no. 1320 dated March 06, 2014 has assigned a nominal value of Rs. 4.1 million to TRE Certificate and Rs. 3.8 million to LSE shares aggregating to the total BMC of Rs. 7.9 million.

	2014 Rupees	2013 Rupees
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### 7 TRADE DEBTS - UNSECURED, CONSIDERED GOOD

Receivable against purchase of marketable securities	<u>151,230,611</u>	<u>333,142,125</u>
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### 8 SHORT-TERM INVESTMENTS

	Note	2014 Rupees Market Value	2013 Rupees Market Value
Financial assets at fair value through profit and loss - held for trading			
- Investment in shares of listed companies	8.1	267,249,595	180,945,926
- Open-end fund units (at redemption price)	8.2	26,054,146	18,269,200
Available for sale			
Unquoted Sukuk Bond of Maple Leaf Cement Factory Ltd.		9,789,873	12,914,873
		<u>303,093,614</u>	<u>212,129,999</u>

## 8.1 Detail of investment in shares of listed companies:

Number of Shares		Name of Companies	2014	2013
30-Jun-14	30-Jun-13		Rupees Market Value	Rupees Market Value
<b>Banks</b>				
-	260,368	Askari Bank Limited	-	3,962,800
-	119,000	Bank Al Habib Limited	-	3,235,610
31,080	31,080	Meezan Bank Limited	1,343,899	901,320
100,000	-	National Bank of Pakistan	6,223,000	-
363,000	363,000	NIB Bank Limited	809,490	842,160
470,000	700,000	Silk Bank Limited	968,200	1,582,000
250,000	500,000	Soneri Bank Limited	3,190,000	3,750,000
193,000	193,000	Summit Bank Limited	646,550	447,760
17,600,000	-	Summit Bank Preference Class "B"	176,000,000	-
221,518	150,296	The Bank of Punjab	2,015,814	1,914,771
<b>Chemicals</b>				
50,000	50,000	Agritech Limited	514,500	579,000
275,000	-	Arif Habib Corporation Limited	7,656,000	-
800,000	900,000	Dewan Salman Fiber Limited	1,656,000	2,268,000
200,000	200,000	Fatima Fertilizer Co. Limited	5,800,000	4,966,000
-	50,000	Fauji Fertilizer Bin Qasim Limited	-	1,877,000
75,000	381,500	Fauji Fertilizer Co. Limited	8,418,750	40,984,545
-	7,904	ICI Pakistan Limited	-	1,315,463
200,000	200,000	Lotte Chemical Pakistan Limited	1,438,000	1,524,000
<b>Construction &amp; Materials</b>				
1,500	1,500	Akzo Nobel Pakistan Limited	253,440	90,195
100,000	-	Fauji Cement Limited	1,924,000	-
50,000	-	Maple Leaf Cement Limited	1,502,500	-
<b>Electricity</b>				
19,000	-	Hub Power Co. Limited	1,116,060	-
200,000	-	Kot Addu Power Co. Limited	11,808,000	-
<b>Food Producers</b>				
24	24	Nestle Pakistan Limited	195,840	155,976
7,000	7,000	Sakrand Sugar Mills Limited	17,500	23,450
<b>Forestry &amp; Paper</b>				
287	750	Century Paper & Board Mills Limited	15,297	20,288
<b>Industrial Metals &amp; Mining</b>				
6,000	6,000	International Industries Limited	296,640	270,660
<b>Non Life Insurance</b>				
115,500	100,000	Pakistan Reinsurance Limited	2,992,605	2,363,000
<b>Oil &amp; Gas</b>				
-	9,500	National Refinery Limited	-	2,285,510
80,000	-	Oil & Gas Development Co. Limited	20,902,400	-
-	11,500	Shell Pakistan Limited	-	1,646,455
<b>Personal Goods</b>				
1,380,000	15,009,500	Azgard Nine Limited	8,224,800	95,460,420
46,500	46,500	Mohammad Farooq Textile Mills Ltd.	158,100	138,105
<b>Pharma &amp; Bio Tech</b>				
7,000	68,750	Glaxo Smithkline Limited	1,162,210	8,341,438
<u>22,841,409</u>	<u>19,367,172</u>		<u>267,249,595</u>	<u>180,945,926</u>



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## 8.2 Detail of investment in open-end fund units:

Number of Units		Name of Investee	2014 Rupees Redemption Price	2013 Rupees Redemption Price
30-Jun-14	30-Jun-13			
123,414	1,000,000	JS Growth Fund	17,669,214	12,130,000
733,596	480,000	PICIC Energy Fund	8,384,932	6,139,200
<u>857,010</u>	<u>1,480,000</u>		<u>26,054,146</u>	<u>18,269,200</u>

	Note	2014 Rupees	2013 Rupees
<b>9</b>	<b>ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	Advances to employees - considered good	1,102,000	791,917
	Short term deposits	18,100,000	15,100,000
	Inter-bank brokerage	5,100,102	3,874,380
	Prepayments	620,540	29,776
	Advance against purchase of room (LSE new building)	2,823,200	-
	Other receivables	8,631,233	10,378,784
		<u>36,377,075</u>	<u>30,174,857</u>

9.1 This represents deposits with the Karachi Stock Exchange Limited against exposure.

	Note	2014 Rupees	2013 Rupees
<b>10</b>	<b>RECEIVABLE FROM NCCPL - NET</b>	<u>610,205,017</u>	<u>768,669,044</u>

10.1 This represents receivable against Company's regular and future market transactions of equity securities which were not settled as at balance sheet date.

	2014 Rupees	2013 Rupees
<b>11</b>	<b>CASH AND BANK BALANCES</b>	
	Cash in hand	125,122
	Cash at banks	70,087
	- in deposit accounts	196,995
	- in current accounts	27,903,552
		<u>28,100,547</u>
		<u>28,225,669</u>
		20,231,134
		2,549,216
		<u>22,780,350</u>
		<u>22,850,437</u>



<b>12 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>					
	2014 (Number of Shares)	2013	Ordinary shares of Rs.10/- each		
				2014 Rupees	
				2013 Rupees	
	27,015,500	27,015,500	Fully paid in cash	270,155,000	270,155,000
	39,039,060	39,039,060	Issued as bonus shares	390,390,600	390,390,600
	(26,044,770)	-	Buy back of shares	(260,447,700)	-
	<u>40,009,790</u>	<u>66,054,560</u>		<u>400,097,900</u>	<u>660,545,600</u>
<b>13 SHORT TERM RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS- Secured</b>					
				2014 Rupees	2013 Rupees
NIB Bank Limited				35,496,992	65,621,457
Silk Bank Limited				215,250,258	311,054,702
The Bank of Khyber				40,000,000	21,674
Askari Bank Limited				39,955,802	-
				<u>330,703,052</u>	<u>376,697,833</u>
13.1	The Company has aggregate running finance facilities from various banks of Rs. 0.725 billion (June 30, 2013 : Rs. 0.625 billion) under mark-up arrangements. Mark-up rates varies from 3 months Kibor + 1.25% to 3 Months Kibor + 3% (June 30, 2013 : 3 Months Kibor+1.25% to 3 Months Kibor +3%). These arrangements would remain valid for varying periods up to June 30, 2015 and are secured against pledge of listed securities and charge over current assets of the Company.				
<b>14 TRADE AND OTHER PAYABLES</b>					
				2014 Rupees	2013 Rupees
Creditors				23,605,417	19,411,278
Accrued liabilities :					
Mark-up on short term running finance				2,910,049	2,926,892
Workers' Welfare Fund				5,015,472	1,015,442
Federal excise duty - net				565,309	1,069,235
Dividend payable				735,909	736,332
Accrued expenses and other liabilities				8,965,332	6,950,980
				<u>18,192,071</u>	<u>12,698,881</u>
				<u>41,797,488</u>	<u>32,110,159</u>
<b>15 CONTINGENCIES AND COMMITMENTS</b>					
15.1	Bank Guarantee in favour of Karachi Stock Exchange Limited from The Bank of Khyber Limited, secured against pledge of shares held by Company.				
				<u>25,000,000</u>	<u>25,000,000</u>
15.2	The Company has pledged/hypothecated TRE Certificate of Karachi Stock Exchange Limited (KSE) and 1,602,953 ordinary shares of KSE with KSE in compliance with Base Minimum Capital (BMC) requirement under Regulation 2.1 of the Regulations Governing Risk Management of the KSE. The Board of Directors of KSE, through its notice no. KSE/N-6955 dated December 18, 2013 has assigned a nominal value of Rs. 15 million to TRE Certificate and Rs. 16.1 million to KSE shares aggregating to the total BMC of Rs. 31.1 million.				



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- 15.3 The Company has pledged/hypothecated TRE Certificate of Lahore Stock Exchange Limited (LSE) and 337,590 ordinary shares of LSE with LSE in compliance with Base Minimum Capital (BMC) requirement under Regulation 2.1 of the Regulations Governing Risk Management of the LSE. The Board of Directors of LSE, through its notice no. 1320 dated March 06, 2014 has assigned a nominal value of Rs. 4.1 million to TRE Certificate and Rs. 3.8 million to LSE shares aggregating to the total BMC of Rs. 7.9 million.
- 15.4 In Tax Year 2011 and 2012, the income tax authorities have showed their intention to charge Workers' Welfare Fund (WWF) under the provisions of the Workers' Welfare Fund Ordinance, 1971 amounting to Rs. 1,015,441/- and Rs. 4,443,599/- respectively through Show Cause Notices dated June 16, 2013. The Company has filed a writ petition under Article 199 of the Constitution of Islamic Republic of Pakistan in the Honorable High Court of Sindh at Karachi for grant of stay order against the imposition of WWF. The Honorable High Court of Sindh has granted Stay Order in favor of the Company. The income tax authorities have further showed their intention to amend the assessment for Tax Year 2012 determining a net tax payable amounting to Rs. 2,283,047 (which is mainly due to imposition of WWF) through Show Cause Notice dated April 11, 2013.
- 15.5 During the year, the income tax authorities have issued another Show Cause Notice dated June 28, 2014 to charge WWF for tax year 2013 amounting to Rs. 4,925,073/-. The Company replied to the Show Cause Notice based on its plea adopted for tax year 2011 and 2012. 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 financial statements.

16	Note	2014 Rupees	2013 Rupees
<b>OPERATING REVENUES</b>			
Equity brokerage income		51,670,626	46,025,810
Inter-bank brokerage		22,572,870	27,830,528
Commodity brokerage income		520,842	766,522
Fees and commission		12,019	746,404
Service charges		15,508,575	3,354,277
Dividend income		23,230,410	63,140,478
Profit on Sukuk Bonds		5,461,395	4,045,406
		<u>118,976,737</u>	<u>145,909,425</u>
<b>17 ADMINISTRATIVE AND GENERAL EXPENSES</b>			
Salaries, allowances and other benefits		29,323,351	31,706,793
Traveling, conveyance and vehicle running expenses		2,674,126	3,134,082
Office rent		24,560	32,560
Utility charges		3,405,787	3,046,072
Postage, telephone and telegram		1,424,070	1,734,741
Repair and maintenance		1,414,416	1,178,482
Insurance		1,018,790	1,020,613
Depreciation	4	5,308,097	5,528,911
Amortization	5.2	78,060	39,026
Entertainment		497,696	681,534
Newspaper and periodicals		66,480	63,159
Advertisement		91,050	91,205
Printing and stationery		391,551	397,060
Legal and professional charges		200,450	460,450
Auditors' remuneration	17.1	250,000	250,000
Service charges		4,653,097	3,231,684
CDC charges		3,845,315	2,422,669
Fees and subscription		4,319,956	8,219,574
Commission		4,854,766	5,209,453
Office supplies		847,017	585,710
Bad debts expenses		-	192,716
		<u>64,688,635</u>	<u>69,226,494</u>



	Note	2014 Rupees	2013 Rupees
<b>17.1 Auditors' remuneration</b>			
Audit fee		190,000	190,000
Half yearly review		30,000	30,000
Code of Corporate Governance		20,000	20,000
Out of pocket expenses		10,000	10,000
		<u>250,000</u>	<u>250,000</u>
<b>18 OTHER INCOME - NET</b>			
Return on bank deposits		985,490	4,173,718
Profit on exposure deposit with exchange		672,033	223,289
Gain on sale of assets		68,125	850,170
		<u>1,725,648</u>	<u>5,247,177</u>
<b>19 OTHER CHARGES</b>			
Workers' Welfare Fund		<u>4,000,030</u>	<u>-</u>
<b>20 FINANCIAL CHARGES</b>			
Bank charges		691,203	466,270
Mark-up on short term running finances		6,694,457	5,020,956
		<u>7,385,660</u>	<u>5,487,226</u>
<b>21 TAXATION</b>			
Current	21.1	8,855,366	16,089,772
Prior		(171,969)	136,695
		<u>8,683,397</u>	<u>16,226,467</u>
<b>21.1 Reconciliation of tax charge for the year</b>			
Accounting profit		200,001,509	246,253,680
Corporate tax rate		34%	35%
Tax on accounting profit at applicable rate		68,000,513	86,188,788
Tax effect of - income exempt from tax		(4,312,574)	(31,692,162)
- lower tax rate on certain income		(50,501,303)	(25,671,169)
- adjustment due to available tax losses		(5,729,292)	(10,950,124)
- others		1,398,022	(1,785,561)
		<u>8,855,366</u>	<u>16,089,772</u>
<b>22 EARNINGS PER SHARE</b>			
There is no dilutive effect on the basic earnings per share of the Company, which is based on:			
Profit after taxation		<u>191,318,112</u>	<u>230,027,213</u>
Weighted average number of ordinary shares		<u>47,145,343</u>	<u>66,054,560</u>
Earnings per share - basic and diluted	22.1	<u>4.06</u>	<u>3.48</u>
<b>22.1</b>	Diluted earnings per share has not been calculated as the Company does not have any convertible instrument in issue as at June 30, 2014 and 2013 which would have any effect on the earnings per share if the option exercised.		





# INVEST AND FINANCE SECURITIES LIMITED

	2014 Rupees	2013 Rupees
<b>23 CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	28,225,669	22,850,437
Short term running finance	<u>(330,703,052)</u>	<u>(376,697,833)</u>
	<u><b>(302,477,383)</b></u>	<u><b>(353,847,396)</b></u>
<b>24 FINANCIAL INSTRUMENTS BY CATEGORY</b>		
<b>24.1 Financial assets and liabilities</b>		
<b>Financial assets</b>		
- Loans and receivables		
Loans and advances	9,025,302	4,666,297
Deposits	20,321,627	17,321,627
Trade debts	151,230,611	333,142,125
Other receivables	8,631,233	10,378,784
Receivable from NCCPL-net	610,205,017	768,669,044
Cash and bank balances	28,225,669	22,850,437
	<u><b>827,639,459</b></u>	<u><b>1,157,028,314</b></u>
- Fair value through profit and loss Investments	<u><b>293,303,741</b></u>	<u><b>199,215,126</b></u>
- Available for sale	<u><b>9,789,873</b></u>	<u><b>12,914,873</b></u>
<b>Financial liabilities</b>		
- Financial liabilities at amortized cost		
Short term financing	330,703,052	376,697,833
Accrued mark-up	2,910,049	2,926,892
Trade and other payables	38,887,439	29,183,267
	<u><b>372,500,540</b></u>	<u><b>408,807,992</b></u>

## 25 FINANCIAL RISK MANAGEMENT

The Company's activities are exposed to variety of financial risks namely market risk (including currency risk, interest rate and other price risk), credit risk, liquidity risk. The Company has established adequate procedure to manage each of these risks as explained below:

### 25.1 Market risk

Market risk is the risk that the values of the financial instrument 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.

Market risk comprises of currency risk, interest rate risk and other price risk.

#### 25.1.1 Currency risk

Currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to foreign exchange risk because none of the Company's monetary assets and liabilities are denominated in foreign currency.

## 25.1.2 Yield / interest rate risk

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Interest rate risk is the risk that the value of financial instruments or cash flows relating to financial instruments, will fluctuate due to changes in the market rates. Sensitivity to interest / mark-up rate risk arises from mismatches or gaps in the amounts of interest / mark-up based assets and liabilities that mature or reprice in a given period. The Company manages this risk by matching the repricing of financial assets and liabilities through appropriate policies.

	2014						
	Mark-up bearing maturity			Non-mark-up bearing maturity			Total
	Upto one year	Over one year upto five years	Sub-total	Upto one year	Over one year upto five years	Sub-total	
----- Rupees -----							
<b>Financial assets</b>							
Deposits	18,100,000	-	18,100,000	-	2,221,627	2,221,627	20,321,627
Trade debts	-	-	-	151,230,611	-	151,230,611	151,230,611
Loan and advances	-	-	-	9,025,302	-	9,025,302	9,025,302
Receivable from NCCPL - net	-	-	-	610,205,017	-	610,205,017	610,205,017
Investments	-	9,789,873	9,789,873	293,303,741	-	293,303,741	303,093,614
Other receivables	-	-	-	8,631,233	-	8,631,233	8,631,233
Cash and bank balances	196,995	-	196,995	28,028,674	-	28,028,674	28,225,669
	<u>18,296,995</u>	<u>9,789,873</u>	<u>28,086,868</u>	<u>1,100,424,578</u>	<u>2,221,627</u>	<u>1,102,646,205</u>	<u>1,130,733,073</u>
<b>Financial liabilities</b>							
Short term financing	330,703,052	-	330,703,052	-	-	-	330,703,052
Accrued mark-up	-	-	-	2,910,049	-	2,910,049	2,910,049
Trade and other payables	-	-	-	38,887,439	-	38,887,439	38,887,439
	<u>330,703,052</u>	<u>-</u>	<u>330,703,052</u>	<u>41,797,488</u>	<u>-</u>	<u>41,797,488</u>	<u>372,500,540</u>
On-balance Sheet Gap	(312,406,057)	9,789,873	(302,616,184)	1,058,627,090	2,221,627	1,060,848,717	758,232,533
Off-balance Sheet Gap	-	-	-	-	-	-	-
----- Rupees -----							
<b>Financial assets</b>							
Deposits	15,100,000	-	15,100,000	-	2,221,627	2,221,627	17,321,627
Trade debts	-	-	-	333,142,125	-	333,142,125	333,142,125
Loan and advances	-	-	-	4,666,297	-	4,666,297	4,666,297
Receivable from NCCPL - net	-	-	-	768,669,044	-	768,669,044	768,669,044
Investments	-	12,914,873	12,914,873	199,215,126	-	199,215,126	212,129,999
Other receivables	-	-	-	10,378,784	-	10,378,784	10,378,784
Cash and bank balances	20,231,134	-	20,231,134	2,619,303	-	2,619,303	22,850,437
	<u>35,331,134</u>	<u>12,914,873</u>	<u>48,246,007</u>	<u>1,318,690,679</u>	<u>2,221,627</u>	<u>1,320,912,306</u>	<u>1,369,158,313</u>
<b>Financial liabilities</b>							
Short term financing	376,697,833	-	376,697,833	-	-	-	376,697,833
Accrued mark-up	-	-	-	2,926,892	-	2,926,892	2,926,892
Trade and other payables	-	-	-	29,183,267	-	29,183,267	29,183,267
	<u>376,697,833</u>	<u>-</u>	<u>376,697,833</u>	<u>32,110,159</u>	<u>-</u>	<u>32,110,159</u>	<u>408,807,992</u>
On-balance Sheet Gap	(341,366,699)	12,914,873	(328,451,826)	1,286,580,520	2,221,627	1,288,802,147	960,350,321
Off-balance Sheet Gap	-	-	-	-	-	-	-



## 25.1.3 Other price risk

Other price risk is the risk of volatility in shares prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The Company is exposed to price risk because of investments held by the Company and classified in the balance sheet as investments at fair value through profit or loss account. The management believes that 10% increase or decrease in the value of investments at fair value through profit or loss account, while all other factors remaining constant would result in increase or decrease of the Company's profit by Rs. 26.725 million (2013: Rs.18.095 million).

## 25.2 Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting commitments associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and bank balances, marketable securities and availability of funds through an adequate amount of committed credit lines. The Company is not exposed to liquidity risk. The maturity profile is monitored to ensure that adequate liquidity is maintained. The liquidity profile of the Company is disclosed in note 25.1.2.

## 25.3 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. All the financial assets of the Company are exposed to credit risk. To manage the exposure to credit risk, the Company applies credit limit to its customers and in certain cases obtains margin and deposit in the form of cash. The Company has established internal policies for extending credit which captures essential details regarding customers. Based on the review of borrowers credentials as available internally and value of collaterals held as security, the management is confident that credit quality of debts which are not past due nor impaired remains sound at the balance sheet date.

The majority of the Company's transactions, and consequently, the concentration of its credit exposure are with the customers, brokers and other financial institutions. These activities primarily involve collateralized arrangement and may result in credit exposure if the counter party fails to meet its contracted obligations. The Company's exposure to credit risk can only be directly impacted by volatile security markets which may impair the ability of counter parties to satisfy their contractual obligations. The Company seeks to control its credit risk through a variety of reporting and control procedures, including establishing credit limit based upon a review of the counter parties' financial conditions. The Company monitors collateral levels on a regular basis and requests changes in collateral levels as appropriate if considered necessary.

An analysis of the age of significant financial assets that are past due but not impaired are as under:

	2014 Rupees	2013 Rupees
<b>Financial instruments carried at amortized cost</b>		
Trade debts - net	<u>151,230,611</u>	<u>333,142,125</u>
<b>Payments over due</b>		
1-360 days	151,230,611	330,661,920
Above 360 days	-	2,480,205

An analysis of significant financial assets that are individually impaired are as under. The factors in determining the impairment loss mainly comprises management's assessment of potential loss which is expected to arise on these financial assets.



	2014 Rupees	2013 Rupees
Short term investment	9,789,873	12,914,873

The credit quality of Company's bank balances can be assessed with reference to external credit rating as follows:

Bank	Rating Agency	Rating	
		Short term	Medium to long term
Allied Bank Ltd	PACRA	A1+	AA+
Bank Al-Falah Ltd	PACRA	A1+	AA
Bank Al-Habib Ltd	PACRA	A1+	AA+
Habib Bank Ltd	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Ltd	PACRA	A1+	AA+
JS Bank Ltd	PACRA	A1	A+
KASB Bank Ltd	PACRA	A3	BBB
MCB Bank Ltd	PACRA	A1+	AAA
Meezan Bank Ltd	JCR-VIS	A-1+	AA
NIB Bank Ltd	PACRA	A1+	AA-
Silk Bank Ltd	JCR-VIS	A-2	A-
Standard Chartered Bank (Pakistan) Ltd	PACRA	A1+	AAA
Summit Bank Ltd	JCR-VIS	A-3	A-
The Bank of Khyber Ltd	PACRA	A1+	AA-
United Bank Ltd	JCR-VIS	A-1+	AA+
Bankislami Pakistan Ltd	PACRA	A1	A
Burj Bank Ltd	JCR-VIS	A-1	A

#### 25.4 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.

#### 25.5 Financial assets fair value hierarchy

All financial instruments carried at fair value are categorized in three categories defined as follows:

Level 1 - Quoted market prices

Level 2 - Valuation techniques (market observable)

Level 3 - Valuation techniques (non-market observable)

Assets	2014			Total
	Level 1	Level 2	Level 3	
	----- (Rupees) -----			
Investment in equity securities - held for trading	293,303,741	-	-	293,303,741
Investment classified as available for sale	-	9,789,873	-	9,789,873
	<u>293,303,741</u>	<u>9,789,873</u>	<u>-</u>	<u>303,093,614</u>

Assets	2013			Total
	Level 1	Level 2	Level 3	
	----- (Rupees) -----			
Investment in equity securities - held for trading	199,215,126	-	-	199,215,126
Investment classified as available for sale	-	12,914,873	-	12,914,873
	<u>199,215,126</u>	<u>12,914,873</u>	<u>-</u>	<u>212,129,999</u>



## INVEST AND FINANCE SECURITIES LIMITED

### 25.6 Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Company monitors capital on the basis of the gearing ratio. Gearing ratio is calculated as debt divided by debt plus equity, where debt represents total long term borrowings and equity represents paid-up capital, reserves and accumulated profit / (loss).

	2014 Rupees	2013 Rupees
Total long term borrowings	-	-
Total equity	<u>868,282,041</u>	<u>1,067,635,479</u>
	<u>868,282,041</u>	<u>1,067,635,479</u>

Gearing ratio	0%	0%
---------------	----	----

### 26 REMUNERATION OF CHIEF EXECUTIVE OFFICER, EXECUTIVE DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the remuneration, including certain benefits to the Chief Executive Officer, Executive Directors and Executives of the Company is as follows:

	Chief Executive Officer		Executive Directors		Executives	
	2014	2013	2014	2013	2014	2013
	(Rupees)					
Remuneration	3,096,774	3,096,774	2,167,742	1,970,323	6,552,581	5,124,703
House rent allowance	1,393,548	1,393,548	975,484	886,645	2,948,661	2,306,117
Utility Allowance	309,678	309,678	216,774	197,032	655,258	512,470
Commission & Bonus	-	-	702,985	644,167	2,812,272	1,044,091
	<u>4,800,000</u>	<u>4,800,000</u>	<u>4,062,985</u>	<u>3,698,167</u>	<u>12,968,772</u>	<u>8,987,381</u>
Number of Persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>9</u>	<u>7</u>

The Company provides the company maintained car to the chief executive officer, executive directors and certain executives. The Company does not pay remuneration to any non-executive directors. Further the chief executive officer and executive directors are also entitled for perquisites and facilities/benefits as per the Company's policies and rules.

### 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 Officer, 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:



	2014 Rupees	2013 Rupees
<b>Brokerage income earned from:</b>		
Directors	<u>831,879</u>	<u>290,173</u>
Employees	<u>197,357</u>	<u>383,800</u>
<b>Transactions</b>		
Contribution to IFSL - Employees Provident Fund	<u>1,572,391</u>	<u>1,272,013</u>
<b>Balances</b>		
Directors' receivable / (payable)	<u>(163,587)</u>	<u>-</u>

## 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, plant 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, plant 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 NON-ADJUSTING EVENTS AFTER BALANCE SHEET DATE

The Board of Directors of the Company in its meeting held on July 24, 2014 has approved and recommended to seek approval of Members, through Special Resolution, for purchase/buy back, under and pursuant to the provisions of Section 95A of the Companies Ordinance, 1984 and the Companies (Buy-Back of Shares) Rules, 1999, upto a maximum of 20,009,790 Company's own issued ordinary shares of the nominal value of Rs. 10/- each at a purchase price of Rs. 20/- per share. The ordinary shares purchased pursuant to the above resolution will be cancelled and issued share capital will be reduced by an amount equal to the aggregate nominal value of the cancelled shares.

## 30 PROVIDENT FUND RELATED DISCLOSURES

The following information is based on un-audited financial statements of the provident fund as at June 30, 2014 and 2013.



# INVEST AND FINANCE SECURITIES LIMITED

	Note	2014 Rupees	2013 Rupees
Size of the fund - total assets		8,906,720	7,078,660
Fair value of investments	30.1	8,906,720	7,078,660
Cost of investments made		8,840,525	6,848,273
Percentage of investments made		100%	100%

30.1 The Break-up of fair value of investments is as follows:

	Percentage		2014 Rupees	2013 Rupees
	2014 Rupees	2013 Rupees		
Special savings certificates	23%	25%	2,030,281	1,737,942
Treasury bills	0%	51%	-	3,639,743
Bank deposits	13%	9%	1,123,054	657,748
PIB's 7 Year	59%	0%	5,256,260	-
Listed securities	6%	15%	497,125	1,043,227
	<u>100%</u>	<u>100%</u>	<u>8,906,720</u>	<u>7,078,660</u>

Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

31	NUMBER OF EMPLOYEES	2014	2013
	Number of employees as at year end	<u>42</u>	<u>52</u>
	Average number of employees during the year	<u>44</u>	<u>50</u>

## 32 DATE OF AUTHORIZATION

These financial statements have been authorized for issue on July 24, 2014 by the Board of Directors of the Company.

## 33 GENERAL

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

33.2 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

### THE COMPANIES ORDINANCE, 1984

(Section 236(1) and 464)

### PATTERN OF SHAREHOLDING

1. Incorporation Number **0040559**
2. Name of the Company **INVEST AND FINANCE SECURITIES LIMITED**
3. Pattern of holding of the shares held by the Shareholders as at **3 0 0 6 2 0 1 4**

Number of Shareholders	Shareholdings			Total Shares held
311	1	-	100	Shares 12,681
152	101	-	500	Shares 54,621
2457	501	-	1000	Shares 1,364,841
452	1001	-	5000	Shares 835,570
35	5001	-	10000	Shares 234,485
7	10001	-	15000	Shares 77,389
5	15001	-	20000	Shares 85,991
3	20001	-	25000	Shares 67,928
1	25001	-	30000	Shares 26,401
4	30001	-	35000	Shares 130,609
1	35001	-	40000	Shares 38,500
1	45001	-	50000	Shares 49,896
1	50001	-	55000	Shares 52,000
2	110001	-	115000	Shares 224,196
1	145001	-	150000	Shares 150,000
2	245001	-	250000	Shares 499,320
1	285001	-	290000	Shares 286,388
1	390001	-	395000	Shares 390,268
1	9785001	-	9790000	Shares 9,786,693
1	10995001	-	11000000	Shares 11,000,000
1	14640001	-	14645000	Shares 14,642,013
<b>3440</b>	<b>TOTAL</b>			<b>40,009,790</b>

Categories of Shareholders	Shares held	Percentage
5.1 Directors, Chief Executive Officer, and their spouse and minor children	35,497,457	88.72%
5.2 Associated Companies, undertakings and related parties	-	0.00%
5.3 NIT and ICP	-	0.00%
5.4 Banks, Development Financial Institutions, Non-Banking Financial Institutions	-	0.00%
5.5 Insurance Companies	-	0.00%
5.6 Modarabas and Mutual Funds	-	0.00%
5.7 Shareholders holding 10%	35,428,706	88.55%
5.8 General Public		
a. Local	4,487,186	11.22%
b. Foreign	-	0.00%
5.9 Others (Joint Stock Companies, Brokrage Houses, Employees Funds, Trustees, etc.)	25,147	0.06%





**Pattern of Shareholding under Regulation 35(xvi)(j) of the Code of Corporate Governance as on June 30, 2014**

Categories of Shareholders	Number of Shareholders	Number of Shares held	% of Shareholding
1. <u>Associated Companies, Undertakings &amp; Related Parties</u> -	-	-	0.00%
2. <u>Mutual Funds</u> -	-	-	0.00%
3. <u>Directors, their Spouses &amp; Minor Children</u>			
Directors			
3.1 Mr. Muhammad Sohail Dayala	1	20,786,693	51.95%
3.2 Mrs. Halima Dayala	1	14,642,013	36.60%
3.3 Syed Kaleem Akhtar	1	26,401	0.07%
3.4 Mr. Ahmad Zakir Hafeez	1	38,500	0.10%
3.5 Mr. Muhammad Awais	1	2,200	0.01%
3.6 Syed Rahsid Ali	1	1,100	0.00%
3.7 Mr. Shakeel Ahmed	1	550	0.00%
	7	35,497,457	88.72%
Spouses of Directors	-	-	0.00%
Minor Children of Directors	-	-	0.00%
4. <u>Executives</u>	1	1,100	0.00%
5. <u>Public Sector Companies &amp; Corporations</u>	-	-	0.00%
6. <u>Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modarbas &amp; Pension Funds</u>	-	-	0.00%
7. <u>Others (Individuals, Brokerage Houses, Joint Stock Companies, Employees Funds, etc.)</u>	3,432	4,511,233	11.28%
	<b>3,440</b>	<b>40,009,790</b>	<b>100.00%</b>

SHAREHOLDERS HOLDING 5% OR MORE OF THE VOTING SHARES/INTERESTS IN THE COMPANY			
Names	Number of Shareholders	Number of Shares held	% of Shareholding
Mr. Muhammad Sohail Dayala	1	20,786,693	51.95%
Mrs. Halima Dayala	1	14,642,013	36.60%



**FORM OF PROXY**

**INVEST AND FINANCE SECURITIES LIMITED**

**IMPORTANT**

This form of Proxy duly completed must be deposited at the Registered Office of the Company, 12th Floor, Corporate Tower, Technocity Building, Hasrat Mohani Road, Off: I. I. Chundrigar Road, Karachi, Pakistan, not later than 48 hours before the time of the meeting.

A Proxy should also be a member of the Company.

I/we \_\_\_\_\_  
of \_\_\_\_\_ being member(s) of INVEST  
AND FINANCE SECURITIES LIMITED and holder of \_\_\_\_\_ Ordinary Shares  
as per Registered Folio No./ CDC Investor Account/Participant ID and Investor/Sub Account  
No. \_\_\_\_\_ hereby appoint \_\_\_\_\_ of

\_\_\_\_\_ or failing him \_\_\_\_\_  
of \_\_\_\_\_

who is also member of INVEST AND FINANCE SECURITIES LIMITED vide Registered Folio  
No./ CDC Investor Account/Participant ID and Investor/Sub Account No. \_\_\_\_\_  
as my/our proxy to vote for me/us and on my/our behalf at the 15th Annual General  
Meeting of the Company to be held on Friday, August 29, 2014 at 10:00 a.m. and any  
adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014.

Signature  
over  
Revenue  
Stamp

Witness: \_\_\_\_\_  
SIGNATURE

Name: \_\_\_\_\_

CNIC No.: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Witness: \_\_\_\_\_  
SIGNATURE

Name: \_\_\_\_\_

CNIC No.: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_



**INVEST AND FINANCE SECURITIES LIMITED**  
12th Floor, Corporate Tower, Technocity Building,  
Hasrat Mohani Road, Off: I. I. Chundrigar Road,  
Karachi, Pakistan.

**AFFIX  
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## IMPORTANT NOTICES/INFORMATION

### **SUBMISSION OF COPY OF CNIC/NTN CERTIFICATE**

Dear Member(s),

In accordance with the Circular/Notice of Securities and Exchange Commission of Pakistan for submission of copy of CNIC/NTN Certificate and printing of CNIC Number/NTN on the dividend warrant(s), all Members holding their shares in physical form are requested to kindly provide photocopy of their valid CNIC or NTN Certificate in case of corporate entity, if not provided earlier, mentioning Folio Number and Name of the Company to the Share Registrar of the Company M/s. Technology Trade (Private) Limited, Dagia House, 241-C, Block-2, P.E.C.H.S., Off: Shakra-e-Quaideen, Karachi, Pakistan. All Members holding their shares in book entry form in CDS are requested to please update their particulars, if not updated, with their Participant(s)/Investor Account Service(s).

Further, pursuant to the provisions of Finance Act, 2014, effectively July 01, 2014, the rates of deduction of income tax under Section 150 of the Income Tax Ordinance, 2001 from dividend payment have been revised as 10% and 15% respectively for filers and non-filers of income tax returns. Therefore, CNIC/NTN is also very important to file/submit enabling us to check the status of filing of income tax returns and process the dividend payments, if any, according to the tax paying status of the members.

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### **PAYMENT OF CASH DIVIDEND ELECTRONICALLY (e-Dividend)**

Dear Member(s),

The Securities and Exchange Commission of Pakistan ('SECP' or 'the Commission') vide Circular No. 8(4) SM/CDC 2008 dated April 05, 2013 has devised a mechanism for the payment of cash dividend electronically (e-Dividend). Through e-Dividend, Members can receive the amount of cash dividend into their respective bank accounts electronically without any delay.

We, therefore, provide you an opportunity to authorize the Company to credit the respective dividend amount directly in your bank account for future dividends, if declared, by the Company. Therefore, a Standardized Dividend Mandate Form is being sent separately along with this Annual Report for the year ended June 30, 2014 which is printed at the reverse of this page.

The Members who hold shares in physical form are requested to return duly filled Dividend Mandate Form directly to the share registrar of the Company; M/s. Technology Trade (Private) Limited, Dagia House, 241-C, Block-2, P.E.C.H.S., Off: Shakra-e-Quaideen, Karachi, Pakistan.

All Member(s) holding their shares in book entry form in CDS are requested to please update their dividend mandate information with their Participant(s)/Investor Account Service(s).

Further, an awareness session will also be conducted at the fifteenth annual general meeting of the Company to be held on August 29, 2014 in respect of benefits associated with e-Dividend i.e. instant credit of dividends.

To:

**Technology Trade (Private) Limited**

Share Registrar - Invest and Finance Securities Limited

Dagja House, 241-C, Block-2, P.E.C.H.S.,

Off: Shahra-e-Quaideen,

Karachi, Pakistan.

Subject: **DIVIDEND MANDATE FORM**

I, \_\_\_\_\_ S/O,D/O,W/O \_\_\_\_\_ being registered shareholder of Invest and Finance Securities Limited ('the Company') having folio number \_\_\_\_\_ hereby authorize the Company to directly credit cash dividend declared by the Company, if any, in the below mentioned bank account:

Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	

It is stated that the above-mentioned information is correct, that I will intimate the changes in the above-mentioned information to the Company and the concerned Share Registrar as soon as these occur.

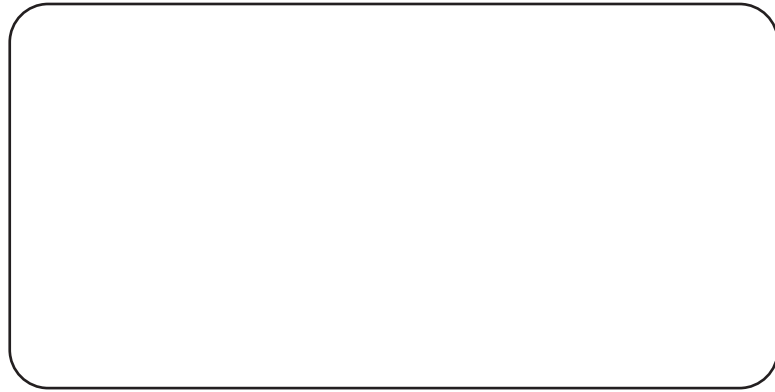
\_\_\_\_\_  
**Signature of the member/shareholder**

Date: \_\_\_\_\_

**Notes:**

- The Members who hold shares in physical form are requested to return duly filled Dividend Mandate Form directly to the share registrar of the Company at the above mentioned address.
- All Member(s) holding their shares in book entry form in CDS are requested to please update their dividend mandate information with their Participant(s)/Investor Account Service(s).

BOOK POST



*If undelivered, please return to:*



**INVEST AND FINANCE SECURITIES LIMITED**

12th Floor, Corporate Tower, Techno City Building, Hasrat Mohani Road, Off: I. I. Chundrigar Road,  
Karachi, Pakistan. Ph: (+92 21) 32276932-35, Fax: (+92 21) 32276969

[www.investfinance.com.pk](http://www.investfinance.com.pk)