

Nine Months Report
March 31, 2014



Invest & Finance Securities Limited

COMPANY INFORMATION

Board of Directors

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

Audit Committee

Mr. Shakeel Ahmed - Chairman
Syed Rashid Ali - Member
Mrs. Halima Dayala - Member

HR & R Committee

Mr. Shakeel Ahmed - Chairman
Mrs. Halima Dayala - Member
Mr. Muhammad Sohail Dayala - Member

Company Secretary

Mr. Muhammad Awais

Chief Financial Officer

Mr. Ahmad Zakir Hafeez

Auditors

M/s. Riaz Ahmad, Saqib, Gohar & Company
Chartered Accountants
5-Nasim, C.H.S. Major Nazir Bhatti Road,
Off: Shaheed-e-Millat Road,
Karachi, Pakistan.

Legal Advisor

M/s. K. D. Rajani & Company
Suit No. 210, Progressive Plaza,
Beaumont Road, Civil Lines,
Karachi, Pakistan.

Share Registrar

M/s. Technology Trade (Private) Limited
Dagja House, 241-C, Block-2, P.E.C.H.S.,
Off: Shahr-e-Quaideen,
Karachi, Pakistan.

Bankers

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

Registered Office

12th Floor, Corporate Tower, Techno City Building,
Hasrat Mohani Road, Off: I. I. Chundrigar Road,
Karachi, Pakistan.

Lahore Office/Branch

319-Siddiq Trade Centre, 72 Main Boulevard, Gulberg,
Lahore, Pakistan.

Website

www.investfinance.com.pk



DIRECTORS' REVIEW

BEGIN IN THE NAME OF ALLAH THE MOST GRACIOUS AND MERCIFUL

Dear Member(s)

I, on behalf of Board of Directors of your Company, am pleased to present herewith un-audited condensed interim financial statements of the Company for the third quarter and nine months ended March 31, 2014.

During the third quarter ended March 31, 2014, the Company earned operating revenues of Rs. 49.918 million as compared to Rs. 59.159 million for the same period during last year. Before and after tax profit stood at Rs. 52.997 million and Rs. 49.532 million respectively as compared to Rs. 49.414 million and Rs. 46.223 million respectively for the corresponding period. Earnings per share for the quarter are Rs. 1.24 as compared to Rs. 0.70 for the corresponding period.

For the nine months ended March 31, 2014, the Company earned operating revenues of Rs. 133.678 million as compared to Rs. 139.252 million for the corresponding period. The Company earned before and after tax profit of Rs. 153.878 million and Rs. 146.628 million respectively as compared to Rs. 171.939 million and Rs. 164.535 million respectively for the same period during last year. Earnings per share for the nine months are Rs. 2.96 as compared to Rs. 2.49 for the corresponding period.

The decrease in overall profits for the third quarter and nine months as compared to corresponding periods is mainly due to decrease in dividend income in the third quarter. However, the said decrease is reasonably covered by higher capital gains. Improvement in per share earnings is due to reduction in share capital as a result of buy back of shares and is explained in notes to attached financial statements.

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

Karachi, April 17, 2014

MUHAMMAD SOHAIL DAYALA
Chairman & Chief Executive Officer



CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2014

	Un-audited March 31, 2014	Audited June 30, 2013
-----Rupees-----		
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	32,509,380	36,465,311
Intangible assets	3,700,001	3,778,065
Long-term investments	43,078,600	43,078,600
Long-term deposits	2,221,627	2,221,627
	<u>81,509,608</u>	<u>85,543,603</u>
CURRENT ASSETS		
Trade debts	141,615,652	333,142,125
Short-term investments	246,046,394	212,129,999
Advances, deposits, prepayments and other receivables	45,818,247	30,174,857
Advance tax - net	29,017,349	23,933,406
Receivable from NCCPL - net	842,706,329	768,669,044
Cash and bank balances	24,004,545	22,850,437
	<u>1,329,208,516</u>	<u>1,390,899,868</u>
TOTAL ASSETS	<u>1,410,718,124</u>	<u>1,476,443,471</u>
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
SHARE CAPITAL		
Authorized capital	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid-up capital	400,097,900	660,545,600
RESERVES		
Un-appropriated profit	423,493,809	407,089,879
	<u>823,591,709</u>	<u>1,067,635,479</u>
CURRENT LIABILITIES		
Short-term running finance	543,996,758	376,697,833
Trade and other payables	43,129,657	32,110,159
	<u>587,126,415</u>	<u>408,807,992</u>
CONTINGENCIES AND COMMITMENTS	-	-
TOTAL EQUITY AND LIABILITIES	<u>1,410,718,124</u>	<u>1,476,443,471</u>

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

Nine Months Report
March 31, 2014



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS AND THIRD QUARTER ENDED MARCH 31, 2014

	Nine Months Ended		Third Quarter Ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	-----Rupees-----		-----Rupees-----	
OPERATING REVENUES				
Operating revenues	89,571,080	114,246,090	29,391,973	64,936,011
Gain on sale of investments-net	97,250,587	69,471,284	42,207,592	8,125,270
	186,821,667	183,717,374	71,599,565	73,061,281
Operating expenses	(53,143,616)	(44,465,657)	(21,681,373)	(13,902,106)
Operating profit	133,678,051	139,251,717	49,918,192	59,159,175
Other income - net	994,389	4,552,009	420,807	3,300,719
Financial charges	(4,362,952)	(2,400,535)	(1,992,483)	(1,417,691)
Gain/(loss) on revaluation of investments carried at fair value through profit and loss account - net	23,564,348	30,536,047	4,650,735	(11,628,601)
	20,195,785	32,687,521	3,079,059	(9,745,573)
PROFIT BEFORE TAXATION	153,873,836	171,939,238	52,997,251	49,413,602
TAXATION	(7,246,056)	(7,404,578)	(3,464,965)	(3,190,642)
PROFIT AFTER TAXATION	146,627,780	164,534,660	49,532,286	46,222,960
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	146,627,780	164,534,660	49,532,286	46,222,960
Earnings per share - basic and diluted	2.96	2.49	1.24	0.70

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.



CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2014

	Nine Months Ended	
	March 31, 2014	March 31, 2013
	----- --Rupees-- -----	
Cash Flows From Operating Activities		
Profit before taxation	153,873,836	171,939,238
Adjustments for:		
Depreciation	3,901,419	4,064,562
Amortization of software	78,064	29,272
Financial charges	4,362,952	2,400,535
(Gain)/loss on revaluation of investments carried at fair value through profit and loss account - net	(23,564,348)	(30,536,047)
(Gain)/loss on disposal of property, plant & equipment	(9,846)	(614,506)
	(15,231,759)	(24,656,184)
Profit before working capital changes	138,642,077	147,283,054
Changes in working capital		
(Increase)/Decrease in current assets		
Trade debts	191,526,473	(116,184,664)
Short term investments	(10,352,047)	254,734,459
Advances, deposits, prepayments and other receivables	(15,643,390)	(33,377,732)
Receivable from NCCPL	(74,037,285)	(499,983,976)
	91,493,751	(394,811,913)
Increase/(Decrease) in current liabilities		
Trade and other payables	12,019,193	(1,802,095)
Cash generated from/(used in) operations	242,155,021	(249,330,954)
Income tax paid	(12,329,999)	(11,201,167)
Finance charges paid	(5,362,647)	(1,623,670)
Net cash generated from/(used in) operating activities	224,462,375	(262,155,791)
Cash Flow From Investing Activities		
Long term deposits	-	1,250,000
Purchase of property, plant & equipment	(385,642)	(7,623,900)
Proceeds from disposal of Property, plant & equipment	450,000	1,125,000
Net cash generated from/(used in) investing activities	64,358	(5,248,900)
Cash Flow From Financing Activities		
Payments made against buy back of shares	(390,671,550)	-
Net (decrease)/increase in cash and cash equivalents	(166,144,817)	(267,404,691)
Cash and cash equivalents at the beginning of the period	(353,847,396)	(69,989,484)
Cash and cash equivalents at the end of the period	(519,992,213)	(337,394,175)

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 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 for the year ended June 30, 2012	60,049,600	(60,049,600)	-
Total comprehensive income for the nine months ended March 31, 2013	-	164,534,660	164,534,660
Balance as at March 31, 2013	660,545,600	341,597,326	1,002,142,926
Total comprehensive income for the fourth quarter ended June 30, 2013	-	65,492,553	65,492,553
Balance as at June 30, 2013	660,545,600	407,089,879	1,067,635,479
Buy Back of 26,044,770 shares of Rs. 10/- each at Rs. 15/- each during the period	(260,447,700)	(130,223,850)	(390,671,550)
Total comprehensive income for the nine months ended March 31, 2014	-	146,627,780	146,627,780
Balance as at March 31, 2014	<u>400,097,900</u>	<u>423,493,809</u>	<u>823,591,709</u>

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 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

ACCOUNTING CONVENTION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements have been presented in condensed form in accordance with the requirements of International Accounting Standard (IAS)-34 "Interim Financial Reporting" as applicable in Pakistan. These condensed interim financial statements do not include all of the information required of full annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2013.

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

The accounting policies applied for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended June 30, 2013.

3. TAXATION

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

4. PROPERTY, PLANT AND EQUIPMENT

	<u>Un-audited</u> March 31, 2014	<u>Audited</u> June 30, 2013
	----- Rupees-----	
Opening book value	36,465,311	34,277,424
Add: Additions during the period	385,642	9,741,628
Less: Disposals during the period (at book value)	(440,154)	(2,024,830)
Dispreciation charged during the period	(3,901,419)	(5,528,911)
	(4,341,573)	(7,553,741)
Closing book value	<u>32,509,380</u>	<u>36,465,311</u>

5. RELATED PARTY TRANSACTIONS

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



	<u>Un-audited</u> <u>March 31,</u> <u>2014</u>	<u>Un-audited</u> <u>March 31,</u> <u>2013</u>
Brokerage income earned from:		
	----- Rupees-----	
Directors	<u>281,123</u>	<u>9,932</u>
Employees	<u>61,201</u>	<u>92,781</u>
Transactions		
Contribution to IFSL - Employees Provident Fund	<u>1,190,292</u>	<u>886,990</u>
Balances		
Payable to Directors trading account	<u>8,335,528</u>	<u>-</u>

6. CONTINGENCIES AND COMMITMENTS

- 6.1 Bank Guarantee in favour of Karachi Stock Exchange Limited from The Bank of Khyber Limited secured against pledge of shares held by the Company.
- | | | |
|--|-------------------|-------------------|
| | <u>25,000,000</u> | <u>25,000,000</u> |
|--|-------------------|-------------------|
- 6.2 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 has assigned a nominal value of Rs.15 million to TRE Certificate and Rs. 15.9 million to KSE shares aggregating to the total BMC of Rs. 30.9 million.
- 6.3 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 has assigned a nominal value of Rs. 4 million to TRE Certificate and Rs. 3.8 million to LSE shares aggregating to the total BMC of Rs. 7.8 million.
- 6.4 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. Management is confident that the eventual outcome of the matter will be decided in favour of the Company.

7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

The paid-up/issued capital of the Company has been reduced to Rs. 400,097,900/- comprising 40,009,790 ordinary shares of Rs. 10/- each as result of purchase/buy back of Company's own ordinary shares under and pursuant to the provisions of Section 95A of the Companies Ordinance, 1984 and the Companies (Buy-Back of Shares) Rules, 1999. Total 26,044,770 shares were purchased and payment of Rs. 390,671,550 was made to the concerned members (i.e. Rs.10/- per share from the issued, subscribed & paid-up capital and Rs. 5/- per share from the un-appropriated profit).



8. EARNINGS PER SHARE

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

	Un-audited		Un-audited	
	Nine Months Ended		Third Quarter Ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Profit after taxation	146,627,780	164,534,660	49,532,286	46,222,960
Weighted average number of ordinary shares*	49,515,181	66,054,560	40,009,790	66,054,560
Earnings per share-basic and diluted	2.96	2.49	1.24	0.70

* As a result of buy back of shares as explained in note 7.

9. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been authorized for issue on April 17, 2014 by the Board of Directors of the Company.

10. GENERAL

Figures in these condensed interim financial statements have been rounded to the nearest rupee. The figures of the corresponding period have been re-arranged, wherever necessary, to facilitate comparison and for better presentation.

CHIEF EXECUTIVE OFFICER

DIRECTOR



INVEST AND FINANCE SECURITIES LIMITED

12th Floor, Corporate Tower, Techno City Building, Hasrat Mohani Road, Off: I. I. Chundrigar Road,
Karachi, Pakistan.

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