

First Quarter Report
September 30, 2016

2016



INVEST AND FINANCE SECURITIES LIMITED

COMPANY INFORMATION

Board of Directors	<p>Mr. Muzzammil Aslam (Chairman & Chief Executive Officer)</p> <p>Mr. Asim Ali Mr. Fayyaz Ilyas Mr. Hayat Javed Mr. Irfan Pardesi Mr. Shakeel Ilyas Mr. Rahat Aziz</p>
Audit Committee	<p>Mr. Fayyaz Ilyas - Chairman Mr. Hayat Javed - Member Mr. Irfan Pardesi - Member Mr. Rahat Aziz - Member</p>
HR & R Committee	<p>Mr. Hayat Javed – Chairman Mr. Shakeel Ilyas – Member Mr. Muzzammil Aslam - Member</p>
Company Secretary	Mr. Shahid Kamal
Chief Financial Officer	Mr. Ahmad Zakir Hafeez
Auditors	<p>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.</p>
Legal Advisor	<p>M/s. K. D. Rajani & Company Suit No. 210, Progressive Plaza, Beaumont Road, Civil Lines, Karachi, Pakistan.</p>
Share Registrar	<p>M/s. Technology Trade (Private) Limited Dagia House, 241-C, Block-2, P.E.C.H.S., Off: Shahrah-e-Quaideen, Karachi, Pakistan.</p>
Bankers	<p>MCB Bank Limited Bank Alfalah Limited NIB Bank Limited Askari Bank Limited United Bank Limited Allied 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</p>
Registered Office	<p>Office No. 904, 9th Floor, Emerald Tower, Plot No. G-19, Block-5, Clifton, Karachi, Pakistan.</p>
Lahore Branch	<p>319-Siddiq Trade Centre, 72 Main Boulevard, Gulberg, Lahore, Pakistan.</p>
Website	<p>www.investfinance.com.pk</p>



DIRECTORS' REVIEW

**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 un-audited condensed interim financial statements of the Company for the first quarter ended September 30, 2016.

Operational Results

During the first quarter of the financial year, the Company earned operating revenues of Rs. 27.538 million compared to Rs. 18.996 million for the corresponding period. Before and after tax loss stood at Rs. 0.158 million and Rs. 0.975 million respectively as compared to before and after tax profit Rs. 2.605 million and Rs. 1.434 million respectively for the same period last year. The basic and diluted (loss)/earnings per share for the quarter is Rs. (0.05) compared to Rs. 0.07 for the same period during last year.

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

MUZZAMMIL ASLAM

Chairman & Chief Executive Officer

Karachi, October 24, 2016



ڈائریکٹرز رپورٹ برائے ممبران

شروع اللہ کے نام سے جو بڑا مہربان اور رحم والا ہے۔

محترم ممبران

السلام وعلیکم،

میں آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے بخوشی پہلی سہ ماہی 30 ستمبر 2016 کو ختم ہونے والی کمپنی کی غیر آڈٹ شدہ عبوری مالی تفصیلات کی رپورٹ پیش کرتا ہوں۔

کاروباری نتیجہ :

مالی سال کے پہلے سہ ماہی کے دوران کمپنی نے 27.538 ملین روپے کمائے جبکہ گذشتہ سال اسی سہ ماہی کے دوران 18.996 ملین روپے کمائے تھے۔ قبل از ٹیکس اور بعد از ٹیکس نقصان 0.158 ملین اور 0.975 ملین بالترتیب ہے۔ جبکہ گذشتہ سال اسی سہ ماہی کے دوران قبل از ٹیکس اور بعد از ٹیکس منافع بالترتیب 2.605 ملین اور 1.434 ملین روپے تھا۔ اس سہ ماہی کافی حصص خسارہ 0.05 روپے اور مقابلتاً گذشتہ سال اسی سہ ماہی کے دوران فی حصص آمدنی 0.07 روپے تھی۔

آخر میں؛ اللہ تعالیٰ سے دُعا ہے کہ وہ ہم پر، ہماری کمپنی، ملک اور قوم پر اپنی رحمتیں اور برکتیں نازل فرمائے۔ اور ہمیں صحت و تندرستی عطا کرے اور ہماری رہنمائی فرمائے۔ آمین

منجانب بورڈ آف ڈائریکٹرز

مزیل اسلم

چیرمین اینڈ چیف ایگزیکٹو آفیسر

تاریخ: 24 اکتوبر 2016



CONDENSED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2016

	<u>Un - audited</u> <u>September</u> <u>30, 2016</u>	<u>Audited</u> <u>June</u> <u>30, 2016</u>
 Rupees	
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	36,925,083	35,445,948
Intangible assets	3,700,005	3,700,005
Long-term investments	43,078,600	43,078,600
Long-term deposits	1,059,735	1,109,735
	<u>84,763,423</u>	<u>83,334,288</u>
CURRENT ASSETS		
Trade debts - net	63,998,931	32,620,348
Short-term investments	28,090,200	28,706,080
Advances, deposits, prepayments and other receivables	42,955,133	31,574,462
Advance tax - net	42,058,091	38,838,349
Receivable from NCCPL - net	709,971	-
Cash and bank balances	119,264,195	60,709,509
	<u>297,076,521</u>	<u>192,448,748</u>
TOTAL ASSETS	<u>381,839,944</u>	<u>275,783,036</u>
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorized capital	1,000,000,000	1,000,000,000
Issued, subscribed and paid-up capital	200,156,500	200,156,500
Un-appropriated (loss)	(9,199,848)	(8,224,779)
	<u>190,956,652</u>	<u>191,931,721</u>
NON-CURRENT LIABILITIES		
Liabilities against assets subject to finance lease	5,742,080	4,440,000
CURRENT LIABILITIES		
Current portion of liabilities against assets subject to finance lease	1,583,520	1,184,000
Short-term running finance	52,952,988	1,251,975
Payable to NCCPL - net	-	2,280,508
Trade and other payables	130,604,704	74,694,832
	<u>185,141,212</u>	<u>79,411,315</u>
CONTINGENCIES AND COMMITMENTS		
	-	-
TOTAL EQUITY AND LIABILITIES	<u>381,839,944</u>	<u>275,783,036</u>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

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

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2016

	First Quarter Ended	
	September 30, 2016	September 30, 2015
 Rupees	
OPERATING REVENUES		
Operating revenues	26,262,882	18,477,382
Gain on sale of investments-net	1,275,009	518,414
	27,537,891	18,995,796
EXPENDITURES		
Administrative and general expenses	(27,024,319)	(16,752,013)
Operating profit	513,572	2,243,783
Other income	218,736	596,064
Other charges	-	(52,101)
Financial charges	(529,047)	(182,702)
Gain/(loss) on revaluation of investments carried at fair value through profit and loss account- net	(361,636)	-
	(671,947)	361,261
(LOSS) / PROFIT BEFORE TAXATION	(158,375)	2,605,044
TAXATION	(816,694)	(1,171,005)
(LOSS) / PROFIT AFTER TAXATION	(975,069)	1,434,039
Other comprehensive income	-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(975,069)	1,434,039
Earnings per share - basic and diluted	(0.05)	0.07

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE OFFICER_____
DIRECTOR



CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2016

	First Quarter Ended	
	September 30, 2016	September 30, 2015
..... Rupees		
Cash Flows From Operating Activities		
(Loss) / profit before taxation	(158,375)	2,605,044
Adjustments for:		
Depreciation	1,373,715	605,613
Financial charges	529,047	182,702
Loss on revaluation of investments carried at fair value through profit and loss account - net	361,636	-
	<u>2,264,398</u>	<u>788,315</u>
Profit before working capital changes	2,106,023	3,393,359
Changes in working capital		
(Increase) / decrease in current assets		
Trade debts - net	(31,378,583)	(6,735,986)
Short term investments	254,244	92,407,684
Advances, deposits, prepayments and other receivables	(11,380,671)	47,234,243
Receivable from NCCPL - net	(709,971)	146,189,855
	<u>(43,214,981)</u>	<u>279,095,796</u>
Increase / (decrease) in current liabilities		
Trade and other payables	55,782,554	(384,702,785)
Payable to NCCPL - net	(2,280,508)	-
Cash generated from / (used in) operations	<u>12,393,088</u>	<u>(102,213,630)</u>
Income tax paid	(4,036,436)	(2,523,947)
Financial charges paid	(401,729)	(835,946)
Net cash generated from / (used in) operating activities	<u>7,954,923</u>	<u>(105,573,523)</u>
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(2,852,850)	-
Long-term deposits	50,000	-
Net cash (used in) / generated from investing activities	<u>(2,802,850)</u>	<u>-</u>
Cash Flows From Financing Activities		
Liabilities against assets subject to finance lease	1,701,600	-
Dividend paid	-	(255,199,538)
Net cash used in financing activities	<u>1,701,600</u>	<u>(255,199,538)</u>
Net increase / (decrease) in cash and cash equivalents	6,853,673	(360,773,061)
Cash and cash equivalents at the beginning of the period	59,457,534	428,815,003
Cash and cash equivalents at the end of the period	<u>66,311,207</u>	<u>68,041,942</u>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR



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

FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2016

	Share capital	Unappropriated profit/(loss)	Total
	-----Rupees-----		
Balance as at June 30, 2015	200,156,500	256,648,305	456,804,805
Issuance of dividend @ Rs. 12.75 per share	-	(255,199,538)	(255,199,538)
Total comprehensive income for the first quarter ended September 30, 2015	-	1,434,039	1,434,039
Balance as at September 30, 2015	<u>200,156,500</u>	<u>2,882,806</u>	<u>203,039,306</u>
Balance as at June 30, 2016	200,156,500	(8,224,779)	191,931,721
Total comprehensive loss for the first quarter ended September 30, 2016	-	(975,069)	(975,069)
Balance as at September 30, 2016	<u>200,156,500</u>	<u>(9,199,848)</u>	<u>190,956,652</u>

The annexed notes from 1 to 13 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 FIRST QUARTER ENDED SEPTEMBER 30, 2016

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 Pakistan Stock Exchange Limited (formerly, Karachi Stock Exchange Limited). The registered office of the Company is situated at Office No. 904, 9th Floor, Emerald Tower, Plot No. G-19, Block- 5, Clifton, Karachi, Pakistan.

The Company is Trading Right Entitlement (TRE) Certificate Holder of the Pakistan 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 condensed interim financial statements have been presented in condensed form in accordance with the requirements of International Accounting Standard (IAS)-34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. 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, 2016.

These condensed interim 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.

3 SIGNIFICANT ACCOUNTING POLICIES

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, 2016.

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. All client purchases and sales are recognized on T+2 basis - i.e. on the date of settlement.

4 PROPERTY, PLANT AND EQUIPMENT

	Un - audited	Audited
	September	June
	30, 2016	30, 2016
 Rupees	
Opening book value	35,445,948	12,952,529
Add: Additions during the period - own	355,850	19,606,518
Additions during the period - leased vehicles	2,497,000	7,400,000
Less: Disposals during the period (at book value)	-	(1,058,173)
Depreciation charged during the period	(1,373,715)	(3,454,926)
	(1,373,715)	(4,513,099)
Closing book value	<u>36,925,083</u>	<u>35,445,948</u>



	<u>Un - audited</u> <u>September</u> <u>30, 2016</u>	<u>Audited</u> <u>June</u> <u>30, 2016</u>
5 TRADE DEBTS - NET Rupees	
Trade debts - net	<u>63,998,931</u>	<u>32,620,348</u>

Aging Analysis

Within 5 days	<u>34,826,070</u>	26,474,176
Above 5 days	<u>30,011,551</u>	6,956,122
Provision for doubtful debts	<u>(838,690)</u>	(809,950)

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.

	<u>Un - audited</u> <u>September</u> <u>30, 2016</u>	<u>Audited</u> <u>June</u> <u>30, 2016</u>
6 CASH AND BANK BALANCES Rupees	

Cash in hand	<u>191,177</u>	191,541
Cash at banks		
- in deposit accounts	<u>12,057,202</u>	12,560,955
- in current accounts - pertaining to brokerage house	<u>3,577,394</u>	1,663,999
- in current accounts - pertaining to clients	<u>103,438,422</u>	46,293,014
	<u>119,073,018</u>	60,517,968
	<u>119,264,195</u>	60,709,509

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

NIB Bank Limited	<u>51,975,237</u>	1,251,975
Askari Bank Limited	<u>977,751</u>	-
	<u>52,952,988</u>	1,251,975

The Company has aggregate running finance facilities of Rs. 150 million (June 30, 2016 : Rs. 150 million) under mark-up arrangements. The facilities carry Mark-up at 3 months KIBOR + 2% (June 30, 2016 : 3 Months KIBOR + 2%) . These arrangements would remain valid for varying periods and are secured against pledge of listed securities total Rs. 89,900,075/- in which clients securities are Rs.79,920,000/-.

	<u>Un - audited</u> <u>September</u> <u>30, 2016</u>	<u>Un - audited</u> <u>September</u> <u>30, 2015</u>
8 OPERATING REVENUES Rupees	
Equity brokerage income	<u>20,113,572</u>	11,221,070
Inter-bank brokerage	<u>5,789,310</u>	5,077,828
Fees and commission	<u>-</u>	473,109
Dividend income	<u>360,000</u>	1,705,375
	<u>26,262,882</u>	18,477,382



9 CONTINGENCIES AND COMMITMENTS

- 9.1 Bank Guarantee in favour of Pakistan Stock Exchange Limited (formerly, Karachi Stock Exchange Limited) from The Bank of Khyber, secured against pledge of shares held by Company. - 25,000,000
- 9.2 The Company has pledged/hypothecated TRE Certificate of Pakistan Stock Exchange Limited (formerly, 'Karachi Stock Exchange Limited') and 1,602,853 ordinary shares of PSX with PSX. Further the Company has assigned sale proceeds of 804,430 shares of PSX, together with dividends on these shares declared from time to time along with any Right / Bonus shares, held in Blocked Account and to be sold in terms of Stock Exchanges (Corporatization, Demutualization & Integration) Act, 2012 to fulfill the Base Minimum Capital requirement under the Regulations of the Exchange.
- 9.3 The income tax authorities have issued Show Cause Notices for charging of WWF for tax years 2010 to 2015 and passed Orders for tax years 2010, 2011, 2013, 2014 and 2015. The Company has filed a writ petition against the imposition of WWF, the Honorable High Court of Sindh at Karachi has granted stay order in favor of the Company for tax year 2012. The Company has replied all the notices/orders on the basis of stay order and for tax year 2010 the Company had paid the WWF with tax return of 2010. 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 condensed interim financial statements for Tax Year 2012 and 2013.
- 9.4 The income tax authorities have issued Notice under section 122(5A) read with Section 122(9) of the Income Tax Ordinance, 2001 to amend the assessment for the tax year 2013. In this regard, tax Authorities have passed an order vide decreasing tax loss claimed for the year. However, the Company has filed an appeal before the Commissioner (Appeals-III) against the above order and the proceedings thereof are pending till date. The management is confident that the eventual outcome of the matters will be decided in favour of the Company. Accordingly, no provisions have been made in these financial statements.
- 9.5 The income tax authorities have issued Show Cause Notices under section 122(9) for amendment under section 122(5A) of the Income Tax Ordinance, 2001 for tax years 2010, 2011 and 2013 to 2015 and they have passed Orders under section 122(5A) for tax years 2014 and 2015 by raising demand of Rs.11,367,383/- and 11,353,261/- respectively. The Company has filed petitions in the Honorable High Court of Sindh at Karachi against notices/orders for tax years 2010, 2011, 2014 and 2015. The Honorable High Court of Sindh has granted Stay Orders in favor of the Company. Further, the Company has also filed appeals for tax year 2014 & 2015 before the commissioner (Appeals-III) against the above orders and the proceedings thereof are pending till date. In respect of tax year 2013 the Company had already filed appeal mentioned in Note 9.4 and proceedings thereof are pending till date. During the year Honorable High Court of Sindh at Karachi has passed orders for tax year 2014 and 2015 that respondents shall not enforce the recovery of impugned demand for another period of seven days to enable the petitioner to seek further remedy in accordance with law. 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 condensed interim financial statements.
- 9.6 The income tax authorities have issued Show Cause Notices under section 161/205 of the Income Tax Ordinance, 2001 for monitoring of withholding tax for tax years 2014 and 2015 and passed the orders by raising demand of Rs. 23,049,621/- and 35,389,628/- including default surcharge respectively for non withholding of tax against payment of Buy-Back of shares under section 95A of the Companies Ordinance, 1984. The Company has filed petitions in the Honorable High Court of Sindh at Karachi against notices. The Honorable High Court of Sindh has granted Stay Orders in favor of the Company. Further the Company has also filed appeals before the commissioner (Appeals-III) against the above orders and the proceedings thereof are pending till date. 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 condensed interim financial statements.



10 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>September</u> <u>30, 2016</u>	<u>Un - audited</u> <u>September</u> <u>30, 2015</u>
 Rupees	
Brokerage income earned from:		
Directors	<u>57,557</u>	<u>408,389</u>
Employees	<u>68,557</u>	<u>65,237</u>
Transactions		
Contribution to IFSL - Employees Provident Fund	<u>631,539</u>	<u>366,063</u>
Balances		
Payable to directors in their shares trading accounts	<u>1,584</u>	<u>398,293</u>
Payable to employees in their shares trading account	<u>864,332</u>	<u>-</u>
Receivables from employees in their shares trading account	<u>173,957</u>	<u>-</u>

11 TURNOVER

The Company shares turnover in value '000 is as under: Rupees '000	
Retail clients	<u>4,955,069</u>	<u>6,139,560</u>
Institutional clients	<u>10,613,053</u>	<u>6,581,156</u>
Proprietary trades	<u>235,772</u>	<u>2,751,052</u>

12 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been authorized for issue on October 24, 2016 by the Board of Directors of the Company.

13 GENERAL

Figures in these condensed interim financial statements have been rounded off to the nearest rupee. Prior year's figures in these condensed interim financial statements have been re-arranged / re-classified, where necessary, for better presentation.

CHIEF EXECUTIVE OFFICER

DIRECTOR



**PATTERN OF SHAREHOLDING
As at September 30, 2016**

[Sub-Regulation 2(e) of Regulation 34 under chapter IV
of Securities Brokers (Licensing and Operations)
Regulations, 2016]

1. Shareholders holding more than 5%

SHAREHOLDERS HOLDING MORE THAN 5% OF THE VOTING SHARES/INTERESTS IN THE COMPANY			
Names	Number of Shareholders	Number of Shares held	% of Shareholding
Mr. Muzzammil Aslam	1	3,561,726	17.79%
Mr. Irfan Pardesi	1	3,183,452	15.90%
Mr. Fayyaz Ilyas	1	2,861,373	14.30%
Mr. Shakeel Ilyas	1	2,705,924	13.52%
Mr. Hayat Javed	1	2,203,292	11.01%
Mr. Asim Ali	1	1,097,199	5.48%

2. Changes in shareholding above 5%

There is no change in the above shaherholders holding during first quarter ended
September 30, 2016



If undelivered, please return to:

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