



Annual Report 2012

CONTENTS

	Page No.
Vision, Mission and Values	02
Company Information	03
Code of Conduct	04
Profile of Directors	05
Directors' Report to the Members	07
Financial Highlights	12
Notice of Annual General Meeting	13
Review Report to the Members on Statement of Compliance	15
Statement of Compliance with the Code of Corporate Governance	16
STANDALONE FINANCIAL STATEMENTS	
Auditors' Report to the Members	19
Balance Sheet	20
Profit and Loss Account	21
Cash Flow Statement	22
Statement of Changes in Equity	23
Notes to the Financial Statements	24
CONSOLIDATED FINANCIAL STATEMENTS	
Directors' Report on Consolidated Financial Statements	48
Auditors' Report to the Members	49
Consolidated Balance Sheet	50
Consolidated Profit and Loss Account	51
Consolidated Cash Flow Statement	52
Consolidated Statement of Changes in Equity	53
Notes to the Consolidated Financial Statements	54
Pattern of Shareholding	76
Form of Proxy	

Vision

To invest in Quality Human Resource ensuring sustained growth enabling provision of par excellence financial services fuelled with innovation.

Mission

Building a team of professionals, managing relationship with all stakeholders their families and businesses on the principles of integrity, accountability with a tradition of trust.



Vision ————— Customer Oriented, Innovative

Attitude ————— Proactive, Based on Commitment & Respect

Leadership ————— Based on Integrity, Trust & Teamwork

Upright ————— Credible & Reliable

Excellence ————— In Customer Services with Quality

Synergy ————— In Team Result

COMPANY INFORMATION

Board of Directors:

Syed Asghar Ali Shah - Chairman
Nadir Rahman - Chief Executive Officer
Saeed Yousuf Chinoy
Irfan Nadeem
Salman Naqvi
Mahmood Ali Shah Bukhari
Asad Mustafa Shafqat - Chief Financial Officer

Audit Committee:

Saeed Yousuf Chinoy - Chairman
Syed Asghar Ali Shah
Irfan Nadeem
Zia-ul-Haq - Secretary

Company Secretary:

Zia-ul-Haq

Auditors:

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
Karachi, Pakistan

Bankers:

Allied Bank Limited
Askari Bank Limited
Bank Al-Habib Limited
Deutsche Bank AG
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
KASB Bank Limited
MCB Bank Limited
NIB Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Legal Advisor:

Bawaney & Partners
Advocates & Investment &
Corporate Advisers
404, 4th Floor, Beaumont Plaza,
6-CL-10, Beaumont Road, Civil Lines,
Karachi, Pakistan
Ph: (92-21) 35657658-59 & 35657674
E-mail: bawaney@cyber.net.pk

Registered & Head Office:

5th Floor, Trade Centre,
I.I. Chundrigar Road,
Karachi, Pakistan
Ph : (92-21) 111-222-000
Fax: (92-21) 32630202
E-mail: kasbho@kasb.com

Branches:

Faisalabad

Ground Floor State Life Building,
2- Liaquat Road.
Ph: (92-41) 2541006-7, 2541186-7
Fax: (92-41) 2541189
Email: kasbfsl@kasb.com

Gujranwala

Shop No. 81, Ground Floor
Gujranwala Development Authority Trust Plaza.
Ph: (92-55) 3822501-4
Fax: (92-55) 3822505
Email: kasbgrw@kasb.com

Gulshan-e-Iqbal - Karachi

Friends Paradise, 1st Floor, SB-36, Block No. 13-B,
KDA Scheme - 24, Main University Road.
Ph : (92-21) 34980763-4 and 34980766
Fax: (92-21) 34980761
E-mail: kasbgul@kasb.com

Islamabad

90-91, Razia Sharif Plaza, Jinnah Avenue, Blue Area.
Ph : (92-51) 111-222-000
Fax: (92-51) 2272841
E-mail: kasbisb@kasb.com

Lahore

2nd Floor, Fountain Avenue Building,
64-A, Main Boulevard, Main Gulberg.
Ph : (92-42) 111-222-000
Fax: (92-42) 35787545
E-mail: kasblhr@kasb.com

Multan

Ground Floor, State Life Building, Abdali Road.
Ph : (92-61) 4500273-76
Fax: (92-61) 4500272
E-mail: kasbmul@kasb.com

Peshawar

1st Floor, State Life Building, 34 - The Mall.
Ph : (92-91) 5276025-27
Fax: (92-91) 5273683
E-mail: kasbpsh@kasb.com

Rahim Yar Khan

Plot No. 29, City Park Chowk, Town Hall Road.
Ph: (92-68) 5873252 and 5873254
Fax: (92-68) 5873251
E-mail: rahimyarkhan@kasb.com

Website:

www.kasb.com

Share Registrar:

THK Associates (Private) Limited
Ground Floor, State Life Building No.3,
Dr. Ziauddin Ahmed Road, Karachi, Pakistan.
Ph : (92-21) 111-000-322
Fax: (92-21) 35655595

CODE OF CONDUCT

KASB Securities is a strong supporter of corporate decorum and ensures that its employees endeavor to maintain highest ethical standards during the discharge of their duties. The Company has adopted a Code of Ethics and Business Practices applicable to all its employees which is regularly circulated within the Company. A summary of the Code is as follows:

Conflict of Interest

Employees must act at all times in the Company's best interests and are expected to avoid situations in which their financial or other personal interests or dealings are in conflict with the interests of the Company. Matters involving conflict of interest are prohibited as a matter of policy and any conflict that arises in a specific situation or transaction must be disclosed and resolved.

Gifts or entertainment

Offering or acceptance of money, gifts, entertainment, loans or any other benefit or preferential treatment is not acceptable from any existing or potential customer, supplier or business associate of the Company, other than occasional gifts of a modest value and entertainment on a modest scale as part of customary business practice.

Bribery

The making or receiving of facilitation payments or inducements such as bribes and similar acts in cash or kind are prohibited and the resources of the Company are not utilized for any such purpose.

Accounting Standards

Compliance with applicable accounting standards and procedures is always necessary. The information supplied to the external auditors, shareholders and other third parties must be complete and not misleading.

Human Resources

Human Resource policies are consistent, transparent and fair and staff members are encouraged to make suggestions or raise business concerns. Selection for employment and promotion is based on objective assessment of ability, qualification and experience, free from discrimination on any grounds. Discrimination on the basis of caste, culture, religion, disability or sex is intolerable.

Compliance with Regulatory Requirements

KASB Securities transacts its business in accordance with the applicable laws, rules and regulations and cooperates fully with the government and regulatory bodies.

Confidentiality

Employees are bound to protect the confidentiality of information and are obliged to keep delicate information confidential. Use of Company information for personal gain is strictly prohibited. Confidential information must ONLY be used for the intended purpose.

Community Responsibility

KASB aims to operate as a responsible corporate citizen, supporting the communities locally and globally and recognizes its responsibilities towards these communities.

Environmental Responsibility

KASB is concerned with the conservation of the environment in its broadest sense, recognizing its role in this respect by maintaining responsibility for the building and land which it occupies and it aims to limit its use of all finite resources.

PROFILE OF DIRECTORS

Syed Asghar Ali Shah – Chairman

Syed Asghar Ali Shah is a seasoned and experienced technology expert having worked with a number of banks and institutions in Pakistan and abroad. He is a German national of Pakistani origin. He received his education in Pakistan and graduated from the University of Punjab in 1969. He has a Diploma in Data Processing from Frankfurt CDI, Germany and has done numerous other professional courses from UK, USA and Germany.

Mr. Shah has worked in senior positions with a number of organizations during the period since 1971, such as the Frankfurt Stock Exchange, American Express Frankfurt, University Info Systems Hannover, Abbott Europe, H. Q. Wiesbaden in Germany, BCCI London, Asia Pacific Hong Kong and Abu Dhabi. He was the CEO of Mustekham Steel, Rawalpindi, Education Tech-Knowledge, Lahore and Amtex Europe HO, Loerrach, Germany. He also remained a Director on the Board of Privatization Commission.

Currently, Mr. Shah is the Chairman BOD at KASB Securities and Director Hi-Tech Engineering Works in Karachi. Mr. Shah has accumulated vast business and management experience, has traveled the world over and also possesses full command of the German language.

Nadir Rahman – Chief Executive Officer

Mr. Nadir Rahman has 20 plus years of experience in corporate and investment banking, sales and trading, direct investments, and real estate. He has done business in over 25 countries, focused on capital markets and financing.

Mr. Rahman has held senior management positions (including board memberships) with various global and local firms, including Pakistan's Fauji Foundation.

Mr. Rahman holds degrees from the Wharton School and the College of Arts and Sciences of the University of Pennsylvania.

Saeed Yousuf Chinoy – Director

Mr. Saeed Yousuf Chinoy is a business and management consultant with over forty years global experience in corporate consultancy and project development. He is appointed to the Board of Directors of KASB Securities Limited as an independent non-executive Director and is currently the President of the Oxford & Cambridge Society, an educational charity raising money to fund university education of the financially disadvantaged. He has also served on the Boards of various other companies in Pakistan including Singer Pakistan Limited, Premier Sugar and Distillery Company Limited, Phipson & Co. Limited, Pakistan Agencies Limited, and Continental Furnishing Co. Limited, as well as companies in Saudi Arabia and Dubai. He remains engaged in international financial services and equity markets and holds investments in Pakistan Real Estate and Capital Markets. He holds a Bachelors as well as a Masters degree from Cambridge University, United Kingdom.

Irfan Nadeem – Director

Mr. Irfan Nadeem is a senior retired civil servant and during his service with the Government of Pakistan, Mr. Nadeem served as (a) Federal Secretary-Ministry of Science and Technology, (b) Director General, Pakistan Standards and Quality Control Authority, (c) Deputy/Acting Chairman-National Accountability Bureau (d) Additional Director General, Economic Crimes Wing-Federal Investigation Agency and (e) Member Inland Revenue FBR apart from various field positions in Income Tax. Mr. Nadeem also served as a member of the governing body of the Higher Education Commission, COMSATS, NUST apart from being the Chairman Board of Governors of Commeccs Institute for nearly 14 years.

Mr. Nadeem holds a bachelor's degree in Law and Commerce from the University of Karachi. While serving the Government of Pakistan, he attended specialized training programs such as the Executive Leadership Development Program in Honors category from the JFK School of Government, Harvard University, Cambridge, USA, Advance Management for Senior Tax Officials at Lincoln, England, International Taxation in Tokyo, Japan, apart from many other short and long courses. He has lead Pakistani delegations in many National and International conferences and is recipient of many Awards.

Salman Naqvi – Director

Salman Naqvi has over 32 years of experience from banking and different industries. He is currently working with KASB Bank as Group Head of Branch Banking and is responsible for looking after a portfolio of branches around Pakistan. Prior to joining KASB Bank, he was Retail and Distribution Banking Head at NIB Bank Ltd. He has also worked with ABN Amro bank as Head of country assets, liability, consumer branch & non stop banking center. He has also served as Director production / sales and General Manager positions of Europe & Srilankan regions.

Mahmood Ali Shah Bukhari – Director

Mahmood Ali Shah Bukhari is a Director in KASB Finance Limited and an Economic Consultant with KASB Modaraba where his primary focus is on devising feasibilities of new ventures with group companies.

As a KASB Foundation Ambassador, Mr. Bukhari also plays an active role in fulfilling social responsibilities by volunteering for human relief efforts, and special children projects. In addition, he has also participated in various national and international conferences organized by outfits, such as Young Presidents Organization (YPO) and United Nations.

Mr. Bukhari has a BSc in Liberal Studies from University of Waterloo, Waterloo-Canada. Furthermore, he has received professional training in various aspects of Asset Management, Investment Analysis, Core Banking and Brokerage at leading companies such as Citi Group, Tikehau Capital and Stanhope Capital.

Asad Mustafa Shafqat – Director

Asad Mustafa Shafqat possesses more than 15 years of experience in Investment Banking, Capital Markets and Private Equity. During his career, Mr. Shafqat has lead-managed large ticket domestic and international transactions, including M&A, debt and equity raising, project finance, corporate restructurings & reorganizations, portfolio and investment management, asset valuation and loan resolution/workouts.

Previously, Mr. Shafqat has held senior level positions at renowned organizations including Faysal Bank, Foundation Securities, Fauji Foundation, Actis Capital and Ernst & Young Pakistan.

Mr. Shafqat received his Bachelors in Finance & Accounting from The University of Hull UK in 1998 and is a CFA Level 3 Candidate.

DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors of KASB Securities Limited, I am pleased to present the audited financial statements of the Company, and commentary for the year ended December 31, 2012.

Economic Review

Pakistan's macroeconomic situation remained mixed in 2012, witnessing an improved geopolitical situation and lower inflation during the year. The highlight of the year was the restoration of ties with the US, resulting in the release of USD 1.1 billion of Coalition Support Fund (CSF) and USD 248 million under the Kerry-Lugar Bill in August, followed by another CSF tranche of USD 688 million received in the last week of December. This raised the current account position to a surplus of USD 218 billion in the first half of FY13 compared to a deficit of USD 2.4 billion in the first half of FY12. Following improvements in the external account and inflation receding to single-digit (averaging at 8.2% between July 2012 and February 2013), the State Bank of Pakistan (SBP) decided to cut the discount rate by 250bps to 9.5% in the second half of CY12.

However key challenges remain in the form of slow reforms in recent years, fiscal slippages in the run up to the elections and weak investment outlook due to adverse law and order situation. Moreover, pending loan repayments to IMF in the next 2 years continue to pose a threat to the exchange rate.

Equity Market Review

2012 went down in history as the most consistently bullish year alongside 2002, with positive returns in 11 out of 12 months. The KSE index posted a 49% return for the year, supported by positive foreign flows in 10 out of 12 months for CY12. The turnaround in KSE fortunes vis-à-vis CY11 came about due to the CGT package unveiled by the Finance Minister in mid-January 2012, which addressed two major investor concerns, (1) calculation of CGT and (2) questions on sources of income. While CGT drove the rally from mid-January 2012 to April 2012, the May lull was arrested in June due to gradual normalization of Pak-US relations after a 7 month break up.

The normalization of Pak-US relations was followed by aggressive monetary easing by the SBP where despite concerns over the rate cuts being influenced by upcoming elections (in the second quarter of CY13), it did provide fodder to the bulls. In terms of activity, trading volumes jumped nearly 220% to c. 174 million shares per day in CY12, while value traded was up a more moderate 23% year on year to USD 50 million per day.

Debt and Currency Market Review

Money market liquidity was adequately managed by the SBP, which conducted weekly Open Market Operations (OMO) throughout the year. The size of OMO increased to PKR 600-650 billion by year-end from PKR 200 billion in January 2012. With the policy rate maintained steady during first half of 2012, money market rates remained stable. However, in the second half of the year, T-bill yields went down by 250-260bps, following the 250bps cut in the discount rate. Market participation remained skewed towards longer-term tenors in anticipation of monetary easing.

In line with the government's growing reliance on banks to finance its deficit, the SBP conducted fortnightly T-bill auctions worth PKR 4.2 trillion, ten PIB auctions worth PKR 270 billion and four Ijarah Sukuk auctions worth PKR 145 billion during the year.

The inter-bank currency market saw increased volatility in the first half of the year with the PKR depreciating 4.9% against USD on the back of the first repayment to the IMF (USD 1.0 billion paid in the first half of CY12) and poor Pak-US relations. However, the exchange rate outlook improved to some extent towards the mid-year as Pak-US relations took a turn for the better resulting in unlocking of foreign flows. As a result, during the second half of CY12, the PKR depreciated by a lower 2.8% against USD, closing the year at PKR 97.15 to the USD.

Operating and Financial Performance

Profit after tax for CY12 amounted to PKR 131.4 million as compared to a Loss after tax of PKR 146.2 million for CY11. Monetary impact of key P&L items on the Company's bottom-line are highlighted as under:

- Operating revenue increased 62% from PKR 194.3 million in CY11 to PKR 313.9 million in CY12, reflecting the increase in brokerage fees / income due to increased market activity during the year;
- A net gain of PKR 25.3 million was realized from the sale of equity investments in CY12, compared to a net loss of PKR 36.2 million realized in CY11 - an increase of 170%. Further, a net unrealized profit of PKR 0.4 million was made from revaluation of investments, compared to CY11's loss of PKR 16.4 million;

- A net gain of PKR 0.3 million was earned from available-for-sale investments, compared to PKR 50.0 million from CY11, reflecting lower investments held for sale in CY12;
- Dividend income reduced approximately 90% from PKR 7.8 million in CY11 to PKR 0.8 million in CY12 to reflect management's focus on capitalizing on increased market activity and capital gains available instead of holding equities purely for dividend purposes. However, mark-up earned from bank deposits, investments and other receivables increased 12% from PKR 40.4 million in CY11 to PKR 45.2 million in CY12;
- Increased market activity and bullish trends allowed provisions of PKR 33.5 million against provision for doubtful debts to be reversed in CY12. A provision of the same size was made in CY11;
- Operating and administrative costs increased by 15% from PKR 281.3 million in CY11 to PKR 323.6 million in CY12;
- Combination of the above factors resulted in the Company generating an operating profit of PKR 95.7 million in CY12, as against an operating loss of PKR 74.9mn of CY11, an increase of 228% in current year profits;
- Finance cost incurred during the year was also lower, reducing 74% from PKR 69.8 million in CY11 to PKR 18.4 million in CY12. This was chiefly because the Company was able to retire its secured TFC issue of PKR 500 million;
- Thus, the Company was able to turn the loss after tax of PKR 146.2 million in CY11 into a profit after tax of PKR 131.4 million in CY12.
- Other comprehensive income decreased 29% from PKR 73.1 million in CY11 to PKR 51.9 million in CY12, reflecting lower unrealized gains and reclassification adjustments for the year;
- These factors allowed the Company to make a total comprehensive income of PKR 183.3 million in CY12, an increase of 351% over the previous year's total comprehensive loss of PKR 73.1 million;
- The Company's Earnings Per Share (EPS) increased from a loss of PKR 1.46 in CY11 to a gain of PKR 1.31 in CY12.
- The Board has decided to propose a dividend of PKR 0.50 per share for CY 2012.

During the year, the Company retired its secured TFC issue of PKR 500 million.

Corporate Governance

The directors confirm compliance with the Corporate & Financial Reporting Framework of the Securities and Exchange Commission of Pakistan's (SECP) Code of Corporate Governance for the following:

- Proper books of account of the Company have been maintained;
- The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and the changes in equity;
- Appropriate accounting policies, as more fully explained in note 4 of the financial statements have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgement;
- Approved Accounting Standards, as applicable in Pakistan, Companies Ordinance, 1984 and the directives issued by the Commission as also stated in note 3 to the financial statements, have been followed in the preparation of the financial statements;
- The system of internal control, which is sound in design has been effectively implemented and is being continuously reviewed and monitored;
- The Company is financially sound and is a going concern and that there are no doubts about its ability to continue as a going concern;
- There has not been any material departure from the best practices of Corporate Governance, as detailed in the listing regulations;

- Although not mandatory, the Company maintains a balance of executive and non-executive directors in the Board of Directors, with one director meeting the criteria for an independent director as laid out in the listing regulations. Executive Directors do not number more than one third of the elected directors. Details of the composition of the Board of Directors appear on page 05;
- The Board of Directors has ensured that all regulations concerning responsibilities, powers and functions of the Directors have been carefully considered and acted upon. In addition, Company Secretary, CFO and Head of Internal Audit who meet the requirements laid out in the Code have been appointed;
- The Board is well aware of the training requirements of the directors under the code. The management of the Company is considering an orientation course for its directors to apprise them of their duties and responsibilities;
- Key operating and financial data of the preceding years is appearing on page 12;
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on December 31, 2012 except for those disclosed in the financial statements;
- Related-party transactions have been placed before the Audit Committee and their recommendations placed;
- The Company operates an approved contributory provident fund for its eligible employees. The value of investments as per the audited financial statements for the year ended December 31, 2012 amounts to approximately PKR 57.3 million;
- No material changes and commitments affecting the financial position of your Company have occurred between the balance sheet date and the date of the Directors Report.

Corporate Social Responsibility

Responsibility towards the Community: KASB continues to be a good corporate citizen, supporting the communities from which it derives its business and recognizing its responsibilities in respect of all such communities. KASB will be supportive of community initiatives across the organization, targeting those most appropriate for each individual community.

Responsibility towards the Environment: KASB is concerned with conservation of the environment in its broadest sense, recognizing its role in this respect by maintaining responsibility for the building and land which it occupies and aims to limit its use of all finite resources, with specific focus on its waste management practices and usage of energy.

KASB has integrated Corporate Social Responsibility (CSR) into its ethics and business practices. In this context, community and stakeholder needs are carefully assessed and support is extended in line with the Company's policies, code of ethics and business objectives.

Summary of CSR activities during 2012 are as follows:

- Adherence to regulatory requirements: The Company and its employees contributed an amount of PKR 39.5 million to the national exchequer in the form of taxes.
- People / Human Resources: The Company follows a policy of contributing to employees' professional development and promoting physical, mental and emotional health. To this end:
 - Employees are awarded study scholarships for pursuits in higher education
 - Various in-house and external training programs have been conducted and arranged to improve HR quality
 - An inter-department night-match cricket tournament was conducted in September 2012.
 - A company outing to Arena was organized in July 2012.
- Philanthropic contributions are made via KASB Foundation. This year a total contribution of PKR 2.0 million was made to the Foundation.

The Board

The Board comprised of five non-executive directors and two executive directors. The positions of the Chairman and the Chief Executive Officer are kept separate in line with the best governance practices and the Chairman has been elected from among the non-executive directors. The Board has established a separate Audit Committee to assist the Board in the performance of its functions. Further, none of the directors is elected or nominated in more

than seven listed companies, including unlisted subsidiaries of listed companies.

Five meetings of the Board of Directors were held during the year 2012. As per the requirements of the Code of Corporate Governance, written notices were circulated at least 7 days in advance and significant issues as detailed in the Code were placed for the information, consideration and decision of the Board and the Audit Committee. Minutes were appropriately recorded, including any dissenting views.

The attendance of directors at the Board meetings was as follows:

Name of Director	Meetings held during 2012	Meetings attended during 2012*
Syed Asghar Ali Shah - Chairman	Five	Five
Nadir Rahman, Chief Executive Officer	Five	Five
Saeed Yousuf Chinoy	Five	Five
Irfan Nadeem	Five	Five
Malik Munir Ahmed Saleem	Five	Three
Mahmood Ali Shah Bukhari	Five	Four
Asad Mustafa Shafqat	Five	Four

*Against all absences, leave of absence was duly granted by the Board.

The directors wish to report the following changes during 2012 in the composition of the Board of Directors:

- Nadim D. Khan, elected on March 24, 2011, resigned and in his place, Mahmood Ali Shah Bukhari was co-opted on March 20, 2012.

The Board welcomes the new director on the Board and places on record its sincere appreciation for the services rendered by the outgoing director.

Audit Committee

As per the requirements of the Code of Corporate Governance, the Audit Committee consists entirely of non executive directors. The attendance of directors at the Audit Committee meetings was as follows:

Name of Director	Meetings held during 2012	Meetings attended during 2012*
Saeed Yousuf Chinoy - Chairman	Four	Three
Syed Asghar Ali Shah	Four	Four
Irfan Nadeem	Four	Four

*Against all absences, leave of absence was duly granted by the Committee.

Financial Responsibility

The management of the Company is responsible for the preparation of financial statements and the related notes contained therein. These financial statements are reviewed by the Audit Committee before being approved by the Board of Directors.

The Audit Committee assists the Board in monitoring and managing risks associated with the business and the internal controls put in place to mitigate these risks. The Committee operates in accordance with the requirements laid down in the Code of Corporate Governance and the terms of reference approved by the Board. The Committee comprises of three non-executive directors and held four meetings during the year.

Appointment of External Auditors

The external auditors Messrs. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants stand retired following expiry of their tenor. As per the recommendations of the Audit Committee, the Board endorses the re-appointment of Messrs. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as the external auditors for the financial year ending 2013. Approval to this effect will be sought from the members at the forthcoming Annual General Meeting.

Shareholding

The pattern of shareholding as on December 31, 2012 appears on page 76. Transactions in the shares of the Company as reported by the Directors, Chief Executive Officer, Chief Financial Officer and Company Secretary of the Company on their own account and on account of their spouses and minor children are also reported therein.

Credit Rating

The Pakistan Credit Rating Agency (PACRA) had maintained the Company's long term rating at "A-" (A minus) from the previous year, and maintained the short term rating at A2 (A Two). The rating of the secured TFC issue of PKR 500 million had been maintained at "A" (Single A). These ratings denoted a low expectation of credit risk emanating from a strong capacity for timely payments of financial commitments. After the successful retirement of the secured TFC issue in June 2012, the management has decided to discontinue seeking credit ratings until such time as required for business operations.

Future Outlook

Looking ahead, all eyes will be on the caretaker setup as it will likely lead negotiations on re-entry into an IMF program bringing along with it potential monetary tightening. In addition, international politics will be noteworthy to track as sovereign flows remain critical to macroeconomic framework.

Acknowledgement

The Directors wish to record their gratitude to the Company's valued clients, shareholders, business partners and other stakeholders for their continued trust that they have reposed in the Company. The Board would also like to record their appreciation to the employees of the Company for their commitment and dedication.

On behalf of the Board of Directors



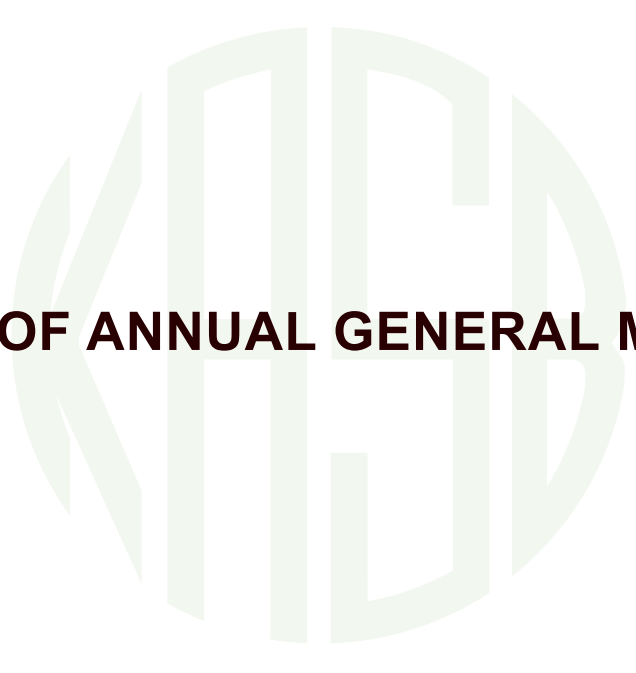
Syed Asghar Ali Shah
Chairman

Karachi: March 15, 2013

FINANCIAL HIGHLIGHTS

	Jan - Dec 2012	Jan - Dec 2011	Jan - Dec 2010	Jan - Dec 2009	Jan - Dec 2008	July - Dec 2007*
Operating Performance						
(Rupees in '000)						
Revenue	385,856	267,937	335,171	511,732	488,679	459,230
Operating and administrative expenses	(323,617)	(281,319)	(301,574)	(242,964)	(194,988)	(217,775)
Reversal of provision / (provision) / impairment	33,454	(61,521)	102,324	(450,858)	(156,961)	(10,062)
Finance cost	(18,439)	(69,774)	(72,600)	(85,320)	(106,575)	(53,518)
Other income	8,770	10,813	11,710	14,117	15,045	1,647
Profit / (loss) before taxation	86,024	(133,864)	75,031	(253,293)	45,200	179,522
Profit / (loss) after taxation	131,396	(146,226)	68,872	(298,270)	4,690	151,003
Per Ordinary Share						
(Rupees)						
Earnings / (loss) per share	1.31	(1.46)	0.69	(2.98)	0.05	2.38
Break-up value per share	11.74	9.90	10.63	10.18	11.98	13.71
Dividends						
(Percentage)						
Final dividend	5%	-	-	-	-	-
Financial Position						
(Rupees in '000)						
Assets and Liabilities						
Total assets	2,007,012	1,665,708	2,034,743	2,305,027	2,255,343	3,368,462
Current assets	1,002,555	747,216	1,151,957	1,876,991	2,143,693	3,122,576
Current liabilities	833,460	675,444	804,791	785,478	556,308	1,493,612
Equity						
Shareholders' equity	1,173,552	990,264	1,063,386	1,018,202	1,198,356	1,371,103
Share capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Reserves	173,552	(9,736)	63,386	18,202	198,356	371,103
No. of Shares outstanding (Number in '000)	100,000	100,000	100,000	100,000	100,000	100,000
Return on capital employed - (%)	7.33	(13.52)	7.06	(24.88)	3.77	13.09
Return on total assets - (%)	5.20	(3.85)	7.26	(7.29)	6.73	6.92
Current ratio-times	1.20	1.11	1.43	2.39	3.85	2.09
Interest cover ratio-times	5.67	(0.92)	2.03	(1.97)	1.42	4.35

* In 2007, the Company changed its financial year from June 30 to December 31.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirteenth Annual General Meeting of KASB Securities Limited (the Company) will be held at **Beach Luxury Hotel**, Karachi on **Wednesday April 24, 2013 at 09:30 am** to transact the following businesses:

- To confirm the minutes of the Twelfth Annual General Meeting held on April 27, 2012;
- To receive, consider and adopt the audited standalone and consolidated financial statements of the Company for the year ended December 31, 2012 together with the Directors' and Auditors' Report thereon;
- To approve Cash Dividend of 5% i.e. Rs. 0.50 per share for the year ended December 31, 2012;
- To appoint Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as the auditors for the year ending December 31, 2013 and fix their remuneration; and
- To transact any other business with the permission of the Chair.

By order of the Board



Zia-ul-Haq
Company Secretary

Karachi
April 02, 2013

Notes:

- Share transfer books of the Company will remain closed from April 18, 2013 to April 24, 2013 (both days inclusive). Transfers received in order at the office of our Registrar, THK Associates (Private) Limited, Ground Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi; by the close of business on April 17, 2013 will be treated in time.
- A member of the Company entitled to attend and vote may appoint another member as his/her proxy to attend and vote instead of him/her. Proxy will have the same rights as are available to the member.
- Proxy must be received at the office of our Registrar not later than 48 hours before the time of the meeting. The form of proxy submitted must be witnessed by two persons whose names, addresses and Computerized National Identity Card (CNIC) numbers must be mentioned on the form, along with the attested copies of CNIC or the passport of the beneficial owner and the proxy.
- In case of proxy by a corporate entity, Board of Directors' resolution/power of attorney shall also be submitted along with the form.
- Beneficial owners of the shares registered in the name of Central Depository Company of Pakistan Limited and/or their proxies are required to produce their original CNIC or Passport for identification purpose at the time of attending the meeting.
- Members are requested to promptly notify any change in their address to the office of our registrar.



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan

Tel: +9221 3565 0007
Fax: +9221 3568 1965
www.ey.com

**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE
WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE**

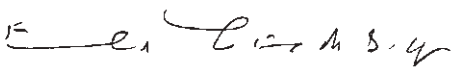
We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2012, prepared by the Board of Directors of KASB Securities Limited (the Company) to comply with the Listing Regulations of the 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 reflects the status of the Company's compliance with the provisions of the Code and report if it does not. 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 part of our audit of 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's 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.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange Limited (formerly Karachi Stock Exchange (Guarantee) Limited) vide circular number KSE / N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for its consideration and approval 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, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure 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 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 31 December 2012.



Chartered Accountants

Date: 15 March 2013

Karachi

A member firm of Ernst & Young Global Limited

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange 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 on its Board. At present the board includes:

Category	Names
Independent Directors	• Saeed Yousuf Chinoy
Executive Directors	• Nadir Rahman • Asad Mustafa Shafqat
Non-Executive Directors	• Syed Asghar Ali Shah • Irfan Nadeem • Malik Munir Ahmed Saleem • Mahmood Ali Shah Bukhari

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
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. A casual vacancy occurring on the board on February 20, 2012 was filled up by the directors within 30 days.
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 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 is well aware of the training requirements of the directors under the code. The orientation course of all members of Board of Directors was conducted in the year 2009. Thereafter, orientation course is carried out for any new director joining the Board.
10. There was no new appointment of CFO and Company Secretary or Head of Internal Audit during the year. The remuneration and terms and conditions of appointment were approved by Board of the Company when appointed.
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.

15. The board has formed an Audit Committee. It comprises three members, all of whom 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 is in process of forming an HR and Remuneration committee.
18. The board has set up an internal audit function. The Head of Internal Audit is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company. The Company is taking steps to further strengthen it.
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.

On behalf of Board of Directors



Syed Asghar Ali Shah
Chairman

Karachi: March 15, 2013



STANDALONE FINANCIAL STATEMENTS



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan

Tel: +9221 3565 0007
Fax: +9221 3568 1965
www.ey.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of KASB Securities Limited (the Company) as at 31 December 2012 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 4.1 to the financial statements 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 31 December 2012 and of the profit, comprehensive income, 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.



Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Date: 15 March 2013

Karachi

A member firm of Ernst & Young Global Limited

BALANCE SHEET

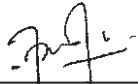
AS AT DECEMBER 31, 2012

	Note	2012	2011
		----- (Rupees in '000) -----	
ASSETS			
Non-current assets			
Property and equipment	7	35,838	36,588
Intangible assets	8	12,736	13,590
Investment properties	9	7,429	8,129
Long-term Investments	10	866,372	826,176
Long-term loans and advances	11	1,448	2,017
Long-term deposits and prepayments	12	3,616	3,604
Long-term receivable	13	23,480	27,920
Deferred tax asset - net	14	53,538	468
		1,004,457	918,492
Current assets			
Assets held for sale	15	-	86,490
Short-term investments	16	175,978	221,864
Trade debts	17	298,133	227,617
Advances, deposits, prepayments and other receivables	18	147,078	66,084
Taxation - net		18,278	2,853
Cash and bank balances	19	363,088	142,308
		1,002,555	747,216
TOTAL ASSETS		2,007,012	1,665,708
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued, subscribed and paid-up capital	20	1,000,000	1,000,000
General reserve		18,752	18,752
Unrealized gain on re-measurement of 'available-for-sale' investments to fair value - net		140,121	88,229
Unappropriated profit / (accumulated loss)		14,679	(116,717)
		1,173,552	990,264
Current liabilities			
Trade and other payables	21	580,748	507,362
Short-term borrowing	22	250,000	-
Accrued mark-up	24	2,712	1,582
Current maturity of redeemable capital		-	166,500
		833,460	675,444
TOTAL EQUITY AND LIABILITIES		2,007,012	1,665,708
CONTINGENCIES AND COMMITMENTS	25		

The annexed notes 1 to 40 form an integral part of these financial statements.


Syed Asghar Ali Shah
Chairman


Nadir Rahman
Chief Executive Officer


Asad Mustafa Shafqat
Chief Financial Officer

PROFIT AND LOSS ACCOUNT

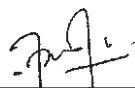
FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		----- (Rupees in '000) -----	
Operating revenue	26	313,853	194,252
Net gain / (loss) on investments 'at fair value through profit and loss'			
Net gain / (loss) on sale of equity investments		25,322	(36,175)
Net unrealised gain / (loss) on revaluation of investments		386	(16,350)
		25,708	(52,525)
Net gain / (loss) on 'available-for-sale' investments			
Net gain on sale of investments	27	304	78,047
Impairment loss		-	(28,001)
		304	50,046
Dividend income		776	7,791
Mark-up / profit on bank deposits, investments and other receivables	28	45,215	40,372
		385,856	239,936
Operating and administrative expenses	29	(323,617)	(281,319)
Reversal of provision / (provision) against doubtful debts		33,454	(33,520)
		(290,163)	(314,839)
Operating profit / (loss)		95,693	(74,903)
Finance cost	30	(18,439)	(69,774)
		77,254	(144,677)
Other income	31	8,770	10,813
Profit / (loss) before taxation		86,024	(133,864)
Taxation	32	45,372	(12,362)
Profit / (loss) after taxation		131,396	(146,226)
Other comprehensive income:			
Net unrealised gain arising during the year on re-measurement of 'available-for-sale' investments - net		51,892	65,321
Reclassification adjustment for net gain realized on disposal of 'available-for-sale' investments		-	(20,218)
Reclassification adjustment for impairment loss on 'available-for-sale' investments included in profit or loss		-	28,001
Other comprehensive income for the year		51,892	73,104
Total comprehensive income / (loss) for the year		183,288	(73,122)
		----- (Rupees) -----	
Earnings / (loss) per share - basic and diluted	33	1.31	(1.46)

The annexed notes 1 to 40 form an integral part of these financial statements.


Syed Asghar Ali Shah
Chairman


Nadir Rahman
Chief Executive Officer


Asad Mustafa Shafqat
Chief Financial Officer

CASH FLOW STATEMENT

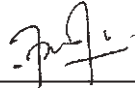
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	86,024	(133,864)
Non-cash adjustments to reconcile profit / (loss) before tax to net cash flows:		
Depreciation	8,605	9,951
Amortisation	854	1,509
Gain on sale of investments - net	(25,626)	(41,872)
Gain on sale of property and equipment	(67)	(3,150)
Gain on sale of 'asset held for sale'	(510)	-
Unrealised (gain) / loss on re-measurement of investments 'at fair value through profit or loss' - net	(386)	16,350
Impairment loss on 'available-for-sale' investments	-	28,001
Reversal of provision against doubtful debts	(33,454)	(987)
Provision against long-term receivable	-	13,988
Provision against doubtful debts	-	20,519
Finance cost	18,439	69,774
Dividend income	(776)	(7,791)
	(32,921)	106,292
	53,103	(27,572)
Working capital adjustments:		
(Increase) / decrease in assets		
'Assets held for sale'	-	(86,490)
Trade debts	(37,062)	134,193
Advances, deposits, prepayments and other receivables	(81,069)	(4,297)
	(118,131)	43,406
Increase in current liabilities		
Trade and other payables	73,386	42,082
	8,358	57,916
Finance cost paid	(17,309)	(69,406)
Income tax paid	(23,123)	(21,246)
Net cash flows used in operating activities	(32,074)	(32,736)
CASH FLOW FROM INVESTING ACTIVITIES		
'Available-for-sale' investments - net	12,000	185,993
Investments 'at fair value through profit or loss' - net	71,594	257,831
Purchase of property and equipment	(7,263)	(4,850)
Proceeds from disposal of property and equipment	175	5,041
Proceeds from disposal of 'asset held for sale'	87,000	-
Dividend received	851	7,754
Net cash flows generated from investing activities	164,357	451,769
CASH FLOW FROM FINANCING ACTIVITIES		
Long-term loans and advances	569	(996)
Long-term deposits and prepayments	(12)	2,034
Short-term borrowing	250,000	-
Long-term receivable	4,440	(41,908)
Redemption of redeemable capital	(166,500)	(332,800)
Net cash flows generated from / (used in) financing activities	88,497	(373,670)
Net increase in cash and cash equivalents	220,780	45,363
Cash and cash equivalents at the beginning of the year	142,308	96,945
Cash and cash equivalents at the end of the year	363,088	142,308

The annexed notes 1 to 40 form an integral part of these financial statements.


Syed Asghar Ali Shah
Chairman


Nadir Rahman
Chief Executive Officer


Asad Mustafa Shafqat
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2012

	Share capital	General reserve	Unappropriated profit / (accumulated loss)	Unrealised gain on re-measurement of 'available-for-sale' investments to fair value - net	Total
----- (Rupees in '000) -----					
Balance as at January 01, 2011	1,000,000	18,752	29,509	15,125	1,063,386
Total comprehensive loss for the year	-	-	(146,226)	73,104	(73,122)
Balance as at December 31, 2011	1,000,000	18,752	(116,717)	88,229	990,264
Total comprehensive income for the year	-	-	131,396	51,892	183,288
Balance as at December 31, 2012	1,000,000	18,752	14,679	140,121	1,173,552

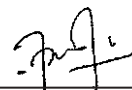
The annexed notes 1 to 40 form an integral part of these financial statements.



Syed Asghar Ali Shah
Chairman



Nadir Rahman
Chief Executive Officer



Asad Mustafa Shafqat
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

1. STATUS AND NATURE OF BUSINESS

- 1.1 KASB Securities Limited (the Company) was incorporated in Pakistan on October 24, 2000 under the Companies Ordinance, 1984 and commenced its operations effective January 01, 2003, on the transfer of assets and liabilities of the securities segment of the then Khadim Ali Shah Bukhari and Company Limited under a scheme of arrangement approved by the High Court of Sindh. The shares of the Company are listed on the Karachi Stock Exchange Limited. The registered office of the Company is situated at 5th Floor, Trade Centre, I.I. Chundrigar Road, Karachi.

The Company is a subsidiary of KASB Bank Limited (the Parent company) which holds 77.12% of the shares of the Company. The ultimate parent of the Group is KASB Finance (Private) Limited.

The Company has corporate membership of the Karachi Stock Exchange Limited [formerly : Karachi Stock Exchange (Guarantee) Limited] and Pakistan Mercantile Exchange Limited (PMEL) and is principally engaged in the business of stocks, money market, foreign exchange and commodity broking. Other activities include investment in a mix of listed and unlisted equity and debt securities, economic research and advisory services.

- 1.2 These are separate financial statements of the Company in which investment in subsidiary is reported on the basis of direct equity interest and is not consolidated.

2. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except for investments which are carried at fair value as referred to in note 4.7 below.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New and amended standards and interpretations

The Company has adopted the following amendments to IFRSs which became effective for the current year:

IFRS 7 - Financial Instruments: Disclosures - Enhanced De-recognition Disclosure Requirements (Amendment)
IAS 12 - Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any effect on the financial statements.

4.2 Property and equipment

These are stated at cost less accumulated depreciation and impairment, if any. Such costs include the cost of replacing parts of fixed assets when that cost is incurred. Maintenance and normal repairs are charged to income as and when incurred. Depreciation is charged to income over the useful life of the asset on a systematic basis applying the straight line method at the rates specified in note 7 to the financial statements.

Property and equipment are assessed for impairment whenever there is an indication that the same are impaired. Depreciation is charged from the day of purchase and no depreciation is charged from the day of disposal.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The asset's residual values, useful lives and methods are reviewed and adjusted, if appropriate at each financial year end.

Gains and losses on disposals, if any, of assets are included in income currently.

4.3 Assets subject to finance lease

Assets subject to finance lease are stated at fair value of the leased assets at inception of the lease or, if lower at the present value of minimum lease payments. Depreciation is charged at the rates specified in note 7.

The outstanding obligations under finance lease less finance charges allocated to future periods are shown as liability. The finance charges are calculated at the rate implicit in the leases and are charged to profit and loss account.

4.4 Intangible assets

These are stated at cost less accumulated amortisation and impairment, if any. Amortisation is charged over the useful life of the asset on a systematic basis to income applying the straight line method at the rate specified in note 8 to the financial statements.

Intangible assets with indefinite useful lives are not amortised. These are annually tested for impairment to assess whether these are in excess of their recoverable amounts, and where the carrying amounts exceed the estimated recoverable amounts, the carrying amounts are written down to the estimated recoverable amounts.

Intangible assets are assessed for impairment whenever there is an indication that the same are impaired. Costs associated with maintaining assets are recognized as an expense in the period in which these are incurred. Gains and losses on disposals, if any, of assets are included in income currently.

4.5 Investment properties

Investment properties are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged at the rate specified in note 9. Subsequent expenditures, depreciation and gains or losses on disposals are accounted for in the same manner as property and equipment.

4.6 Assets held for sale

Assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

4.7 Financial assets

4.7.1 Investments

Investments in subsidiary company is stated at cost less provision for impairment, if any. Other, Investments are classified as either 'investments at fair value through profit or loss', 'held-to-maturity' investments or 'available-for sale' investments, as appropriate.

When investments are recognised initially, these are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases / sales of investments are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Company. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of securities within the time frame generally established by regulation or convention in the market place.

Investments at fair value through profit or loss

Investments classified as 'investments at fair value through profit or loss' are carried at fair value. Gain / loss on remeasurement of such investments to fair value is recognised in the profit and loss account.

Available-for-sale

Investments classified as 'available-for-sale' are measured at fair value. Gains or losses on available-for-sale investments are recognised directly in equity until the investment is sold, derecognised or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of comprehensive income is included in income. Upon impairment, gain / loss that which had been previously recognised directly in the statement of comprehensive income, is included in the profit and loss account for the year.

The fair value of those investments representing listed equity and other securities i.e. debt instruments, are determined on the basis of year-end prices obtained from stock exchange quotations.

4.7.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are carried at amortised cost using effective yield method, less impairment losses, if any.

4.8 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when these are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

4.9 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also accordingly offset.

4.10 Revenue recognition

- Brokerage income is recognised as and when such services are rendered.
- Financial advisory fees and other income is recognised on an accrual basis.
- Underwriting commission is recognised on accrual basis in accordance with the terms of the agreement.
- Capital gains and losses on sale of securities is recognised when realised.
- Mark-up income, return on bank deposits and balances are recognized on accrual basis.
- Dividend income is recorded when the right to receive the dividend is established.

4.11 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits, rebates and tax exemptions available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessment framed / finalised during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. A deferred tax asset is recognised 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 benefits will be realized.

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss account.

Deferred tax, if any, on revaluation of investments is recognised as an adjustment to surplus / deficit arising on revaluation.

4.12 Dividend distributions and appropriations

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

4.13 Employees' benefits

Defined contribution plan

The Company operates a contributory provident fund for all its permanent employees and contributions are made monthly in accordance with the fund rules.

Employee compensated absences

The Company allows its management and non-management employees' to avail 30 days annual earned leave. The unutilized portion of the earned leave is neither accumulating nor encashable.

4.14 Cash and cash equivalents

Cash in hand and at banks is carried at cost. For the purposes of cash flow statement, cash and cash equivalents consist of cash in hand and bank balances. For the purposes of statement of cash flows, cash and cash equivalents are presented net of short term borrowings which are repayable on demand or in the short term and form an integral part of the Company's cash management.

4.15 Foreign currency transactions

Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

Foreign currency translation

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange prevailing on the balance sheet date. Gains and losses on translation are taken into income currently. Non-monetary-items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4.16 Provisions

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

4.17 Trade and other payables

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

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and 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 result of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

The estimates, judgements and assumptions that have significant effect on the financial statements are as follows:

	<u>Note</u>
Useful lives of assets and methods of depreciation and impairment	4.2 to 4.5, 7, 8 & 9
Classification of investments	4.7.1, 10 & 16
Provision for doubtful debts	4.16 & 17
Deferred taxation and taxation	4.11, 14 & 32

6. STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

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

Standard, Interpretation or amendment	Effective date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments : Disclosures - (Amendments)	
- Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 1 - Presentation of Financial Statements - Presentation of items of comprehensive income	July 01, 2012
IAS 19 - Employee Benefits - (Revised)	January 01, 2013
IAS 32 - Offsetting Financial Assets and Financial liabilities - (Amendment)	January 01, 2014
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

Improvements to IFRS

In addition to the above amendments, improvements 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 any material impact on the Company's financial statements in the period of initial application.

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

	Effective date (annual periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 - Consolidated Financial Statements	January 01, 2013
IFRS 11 - Joint Arrangements	January 01, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 - Fair Value Measurement	January 01, 2013



7. PROPERTY AND EQUIPMENT

	2012				
	Office premises-lease hold	Furniture and fixtures	Computers and office equipment	Motor vehicles	Total
	(Rupees in '000)				
Cost	21,197	25,192	121,338	3,890	171,617
Accumulated depreciation	(5,112)	(12,455)	(115,524)	(1,938)	(135,029)
Net book value at the beginning of the year	16,085	12,737	5,814	1,952	36,588
Changes during the year					
Additions during the year	-	667	6,596	-	7,263
Disposals during the year					
- Cost	-	-	(3,079)	-	(3,079)
- Depreciation	-	-	2,971	-	2,971
Depreciation charge for the year	(1,061)	(2,244)	(108)	-	(108)
	(1,061)	(1,577)	(4,166)	(434)	(7,905)
Net book value at the end of the year	15,024	11,160	2,322	(434)	(750)
	15,024	11,160	8,136	1,518	35,838
Analysis of Net Book Value					
Cost	21,197	25,859	124,855	3,890	175,801
Accumulated depreciation	(6,173)	(14,699)	(116,719)	(2,372)	(139,963)
Net book value as at December 31, 2012	15,024	11,160	8,136	1,518	35,838
Depreciation rate (% per annum)	5	10	33.33	20	
	2011				
	Office premises-lease hold	Furniture and fixtures	Computers and office equipment	Motor vehicles	Total
	(Rupees in '000)				
Cost	23,853	24,882	118,864	5,484	173,083
Accumulated depreciation	(5,844)	(10,367)	(110,700)	(3,483)	(130,394)
Net book value at the beginning of the year	18,009	14,515	8,164	2,001	42,689
Changes during the year					
Additions during the year	-	361	3,099	1,390	4,850
Disposals during the year					
- Cost	(2,656)	(51)	(625)	(2,984)	(6,316)
- Depreciation	1,832	40	522	2,031	4,425
Depreciation charge for the year	(824)	(11)	(103)	(953)	(1,891)
	(1,100)	(2,128)	(5,346)	(486)	(9,060)
Net book value at the end of the year	(1,924)	(1,778)	(2,350)	(49)	(6,101)
	16,085	12,737	5,814	1,952	36,588
Analysis of Net Book Value					
Cost	21,197	25,192	121,338	3,890	171,617
Accumulated depreciation	(5,112)	(12,455)	(115,524)	(1,938)	(135,029)
Net book value as at December 31, 2011	16,085	12,737	5,814	1,952	36,588
Depreciation rate (% per annum)	5	10	33.33	20	

7.1 Disposal of property and equipment

Particulars of property and equipment disposed off during the year are as follows:

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain/(loss)	Particular of Buyers	Mode of disposal
----- (Rupees in '000) -----							
Equipment							
Blackberry	19	12	7	7	-	Nadim D. Khan (ex-employee)-Karachi	Company policy
Blackberry	19	9	10	15	5	EFU General Insurance-Karachi	Insurance claim
Blackberry (31 sets)	1,067	1,057	10	10	-	S. S. Electronics-Karachi	Negotiation
Blackberry	24	24	-	-	-	Scraped	-
Blackberry	20	12	8	8	-	Atif M. Aziz (ex-employee)-Karachi	Company policy
Blackberry	19	13	6	6	-	Saqib Sajjad (ex-employee)-Karachi	Company policy
Blackberry	22	22	-	-	-	GM Mobile Accessories	Negotiation
Blackberry	19	15	4	5	1	Shoaib Saleem (ex-employee)-Karachi	Company policy
BlackBerry	19	13	6	7	1	Muhammad Fawad Khan (ex-employee)-Karachi	Company policy
Laptop	59	37	22	22	-	Nadim D. Khan (ex-employee)-Karachi	Company policy
Laptop	73	73	-	5	5	Ali Hemani (ex-employee)-Karachi	Company policy
Laptop	83	83	-	5	5	Atif M. Aziz (ex-employee)-Karachi	Company policy
Laptop	59	31	28	28	-	Saqib Sajjad (ex-employee)-Karachi	Company policy
Laptop	59	52	7	4	(3)	Kodvavi Computers-Karachi	Negotiation
Laptop	98	98	-	6	6	Citi Computer-Karachi	Negotiation
Laptop	91	91	-	5	5	Citi Computer-Karachi	Negotiation
Laptop	91	91	-	6	6	Citi Computer-Karachi	Negotiation
Laptop	71	71	-	5	5	Muhammad Fawad Khan (ex-employee)-Karachi	Company policy
Computers	34	34	-	-	-	DWP Technologies (Pvt) Ltd-Karachi	Negotiation
Computers, Servers and Accessories	165	165	-	-	-	System Care-Karachi	Negotiation
LCD Monitor	196	196	-	-	-	System Care-Karachi	Negotiation
Desktop PC	566	566	-	12	12	System Care-Karachi	Negotiation
LCD Monitor	16	16	-	1	1	Kodvavi Computers-Karachi	Negotiation
Desktop	15	15	-	3	3	Grace Collection-Karachi	Negotiation
Desktop	21	21	-	3	3	Grace Collection-Karachi	Negotiation
Printer	21	21	-	2	2	Laser & Computer Dealers-Karachi	Negotiation
Printer	23	23	-	1	1	Jamshaid Masih-Karachi	Negotiation
Attendance Machine	90	90	-	8	8	Limton Innovative System-Karachi	Negotiation
Oven	20	20	-	1	1	UNI Computer Bank-Karachi	Negotiation
December 31, 2012	3,079	2,971	108	175	67		
December 31, 2011	6,316	4,425	1,891	5,041	3,150		

8. INTANGIBLE ASSETS

	2012					
	Computer software	Membership of PMEL	Rooms at KSE	Booths at KSE	Membership of KSE (Note 8.1)	Total
	(Rupees in '000)					
Cost	8,575	500	5,804	950	4,945	20,774
Accumulated amortisation	(7,184)	-	-	-	-	(7,184)
Net book value at the beginning of the year	1,391	500	5,804	950	4,945	13,590
Amortisation for the year	(854)	-	-	-	-	(854)
Net book value at the end of the year	537	500	5,804	950	4,945	12,736
Analysis of Net Book Value						
Cost	8,575	500	5,804	950	4,945	20,774
Accumulated amortisation	(8,038)	-	-	-	-	(8,038)
Net book value as at December 31, 2012	537	500	5,804	950	4,945	12,736
Amortisation rate (% per annum)	33.33	-	-	-	-	

- 8.1** In accordance with the requirements of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act), the Company has received equity shares of KSE and a Trading Right Entitlement (TRE) in lieu of its membership card of KSE. The Company's entitlement in respect of KSE's shares is determined on the basis of valuation of assets and liabilities of KSE as approved by the SECP and the Company has been allotted 4,007,383 shares of the face value of Rs 10/- each, out of which 2,404,430 shares are kept in the blocked account and the divestment of the same will be made in accordance with the requirements of the Act within two years from the date of Demutualization. The allocation of the carrying value of the composite asset (KSE shares and TRE) will be made in the due course based on the recommendation of the Professional Standards and Technical Committee of the Institute of Chartered Accountants of Pakistan.

	2011					
	Computer software	Membership of PMEL	Rooms at KSE	Booths at KSE	Membership of KSE	Total
	(Rupees in '000)					
Cost	8,575	500	5,804	950	4,945	20,774
Accumulated amortisation	(5,675)	-	-	-	-	(5,675)
Net book value at the beginning of the year	2,900	500	5,804	950	4,945	15,099
Amortisation for the year	(1,509)	-	-	-	-	(1,509)
Net book value at the end of the year	1,391	500	5,804	950	4,945	13,590
Analysis of Net Book Value						
Cost	8,575	500	5,804	950	4,945	20,774
Accumulated amortisation	(7,184)	-	-	-	-	(7,184)
Net book value as at December 31, 2011	1,391	500	5,804	950	4,945	13,590
Amortisation rate (% per annum)	33.33	-	-	-	-	

	Note	2012	2011
		----- (Rupees in '000) -----	
9. INVESTMENT PROPERTIES			
Cost		20,732	20,732
Accumulated depreciation		(12,603)	(11,712)
Net book value at the beginning of the year		8,129	9,020
Depreciation charge for the year		(700)	(891)
Net book value at the end of the year		7,429	8,129
Analysis of net book value			
Cost		20,732	20,732
Accumulated depreciation		(13,303)	(12,603)
Net book value at the end of the year	9.1	7,429	8,129
Depreciation rate (% per annum)		5	5

- 9.1** Investment properties comprise of office spaces at 10th floor, Trade Centre, I.I. Chundrigar Road, Karachi given to KASB Bank Limited and 6th Floor, Trade Centre, I.I. Chundrigar Road, Karachi given to KASB Funds Limited (a related party) and KASB Bank Limited (the parent company) on rental basis. The fair value of these properties amount in aggregate to Rs. 70.317 million (2011: Rs. 70.317 million) as at the year end on the basis of valuation carried out by M/s. Akbani & Javed Associates on December 31, 2012. The rent income for the year amounted to Rs. 3.803 million (2011: Rs. 3.797 million) from the aforementioned investment properties.

	Note	2012	2011
		----- (Rupees in '000) -----	
10. LONG-TERM INVESTMENTS			
Subsidiary company (48,858,120 shares of Rs.10 each)	10.1	488,581	488,581
Available-for-sale investments	10.2	377,791	337,595
		866,372	826,176

- 10.1** Structured Venture (Private) Limited is subsidiary of the Company. The total amount of investment approved by the shareholders of the Company in the extra-ordinary general meeting held on June 22, 2010 is Rs. 625 million. As of the balance sheet date, the Company has invested a total sum of Rs. 488.581 million.

The book value of each ordinary share is Rs. 9.80 (2011: Rs. 9.80) based on the latest audited financial statements of the subsidiary for the year ended December 31, 2012.

10.2 Description of 'available-for-sale' investments

2012		2011		2012		2011		
Number of shares		Name of investee		Note	Cost*	Carrying value	Cost*	Carrying value
				----- (Rupees in '000) -----				
Quoted shares								
19,858,649	19,858,649	KASB Bank Limited (Parent company)	10.2.1	21,844	48,256	49,845	21,844	
Unquoted shares								
3,370	3,370	Al Jomaih Power Limited	10.2.2	184,197	297,906	184,197	272,426	
-	2,000,000	KASB Funds Limited (related Party)	10.2.3	-	-	11,696	11,696	
		New Horizon Exploration and Production Limited (related Party)						
14,760,000	14,760,000	- Class 'A' ordinary shares		31,629	31,629	31,629	31,629	
				237,670	377,791	277,367	337,595	

(*) adjusted for impairment charge

- 10.2.1** These shares have been blocked by the Central Depository Company of Pakistan Limited (CDC) in compliance with BPRD Circular No. 4 dated May 22, 2008 issued by the State Bank of Pakistan. No activity (including pledge and withdrawal) in these shares is allowed without prior written permission of the State Bank of Pakistan.

- 10.2.2** The Company's investment in unquoted shares of Al Jomaih Power Limited valued at its fair value as at the year end based on the net assets value of the investee Company as at September 30, 2012 .

10.2.3 During the year, the Company has sold 2,000,000 shares of KASB Funds Limited to a related party for a sale consideration of Rs. 12 million. This transaction has also been approved by the SECP as per the applicable regulations.

	Note	2012	2011
		----- (Rupees in '000) -----	
11. LONG-TERM LOANS AND ADVANCES - Considered good			
Loans and advances to:			
- Employees		1,348	2,644
- Executives		1,938	1,879
	11.1	3,286	4,523
Current maturity shown in current assets	18	(1,838)	(2,506)
		1,448	2,017

11.1 This represents loans and advances given to executives and employees for purchase of motor vehicles and as general purpose cash advances in accordance with their terms of employment. These loans and advances (except for loan given for purchase of motorcycle) carry mark-up at the rate of 14% (2011: 6% to 10%) per annum and are recovered through deduction from salaries over varying periods up to a maximum period of 120 months. The motor vehicle loans are secured by way of title of the motor vehicles being held in the name of the company, whereas general purpose cash advances are secured against staff provident fund balances.

	Note	2012	2011
		----- (Rupees in '000) -----	
12. LONG-TERM DEPOSITS AND PREPAYMENTS			
Deposits with:			
- Karachi Stock Exchange Limited		362	362
- National Clearing Company of Pakistan Limited		400	400
- Pakistan Mercantile Exchange Limited		2,500	2,500
- Others		342	342
		3,604	3,604
Prepayments		12	-
		3,616	3,604

13. LONG-TERM RECEIVABLE			
Receivable from client	13.1	79,268	81,638
Less: current maturity shown in current assets	18	(41,800)	(39,730)
		37,468	41,908
Less: provision against long-term receivable		(13,988)	(13,988)
		23,480	27,920

13.1 On February 01, 2011, the Company entered into a settlement agreement with three customers in respect of their liabilities owed to the Company, amounting to Rs. 99.638 million (as of the date of the agreement) in respect of the securities transactions undertaken by them through the Company.

Under the agreement, the obligations of these three customers have been taken over by another customer, who has agreed to pay an aggregate sum of Rs. 99.638 million to the Company along with the mark-up at the rate used in (three months) KIBOR ask rate plus 3.28% per annum, in monthly installments over a period up to January 2015. During the year, the customer agreed to pay principal of Rs. 9.87 million and mark-up of Rs.13.54 million aggregating to Rs. 23.41 million. Against the said amount, the Company has received an aggregate amount of Rs.17.70 million. Subsequent to the year end, the Company has received Rs. 12.5 million from the customer. However, as a matter of prudence, the Company has retained provision to the extent of Rs. 13.988 million after considering the market value of securities held by the Company in respect of the said account.

The above receivable is secured against marketable securities of the customers, held by the Company. The market value of such securities as at the December 31, 2012 is Rs. 117.670 million (2011: Rs. 67.650 million).

	2012	2011
	----- (Rupees in '000) -----	
14. DEFERRED TAX ASSET - NET		
Deductible temporary differences arising from:		
- Provision against trade debts	44,582	48,666
- Unused tax losses	7,867	28,556
- Minimum tax	1,354	1,915
- Differences between written down values and tax base of assets	-	468
	<u>53,803</u>	<u>79,605</u>
Taxable temporary differences arising from:		
- Differences between written down values and tax base of assets	(265)	-
	<u>53,538</u>	<u>79,605</u>

14.1 As at December 31, 2011, the aggregate deferred tax assets on temporary differences between tax and accounting base of assets and liabilities, carry forward tax losses and minimum tax amounts to Rs. 79.605 million. However, up until the previous year, in view of the uncertainty about the timing of realization of such differences, the Company had recognised deferred tax asset to the extent of Rs. 0.468 million only.

14.2 The management, based on the current year results and the future years projections, estimates that sufficient taxable profits would be available in future against which the above deferred tax asset could be realized. Accordingly, the deferred tax asset has been fully recognised in these financial statements.

15. ASSETS HELD FOR SALE

During the year, the Company has sold 25 residential plots in Defence Housing Authority, Lahore to its related party at a sale consideration of Rs. 87 million, resulting in a gain of Rs. 0.51 million.

	Note	2012	2011
		----- (Rupees in '000) -----	
16. SHORT-TERM INVESTMENTS			
'At fair value through profit or loss' - held for trading			
- Open end mutual funds units	16.1	163,428	78,779
- Listed shares		-	117,986
- Term finance certificates	16.2	12,550	25,099
		<u>175,978</u>	<u>221,864</u>

16.1 Open and mutual funds units

2012	2011			2012	2011
Number of units		Name of investee company	Note	Cost	Carrying value
				Cost	Carrying value
----- (Rupees in '000) -----					
704,923	705,948	KASB Cash Fund	16.1.1	65,493	72,315
-	36,669	AMZ Plus Income Fund		-	-
214,648	-	MCB Cash Mang Optimizer		20,000	21,523
2,148,504	-	ABL Cash Fund		20,000	21,513
214,607	-	UBL Liquidity Plus Fund		20,000	21,520
102,082	-	JS Cash Fund		10,000	10,425
160,467	-	Askari Sovereign Cash Fund		15,000	16,132
				<u>150,493</u>	<u>163,428</u>
				69,177	78,779

16.1.1 This includes investment in mutual fund units of a related party amounting to Rs. 72.315 million (2011: Rs. 74.922 million). Further, Mutual fund units valued at Rs. 160.727 million (2011: Rs. 74.922 million) are pledge with KSE against exposure margin.

16.2 Term Finance Certificates

2012	2011			2012		2011	
Number of certificates		Name of investee company	Note	Cost	Carrying value	Cost	Carrying value
----- (Rupees in '000) -----							
10,000	10,000	Pace Pakistan Limited (Face value of Rs. 5,000 each)	16.2.1	25,099	12,550	45,369	25,099

(*) adjusted for impairment charge

16.2.1 The above TFCs are secured and carry mark at the rate of 6 month KIBOR + 2% and will mature in 15 February 2017. These TFCs are currently rated as 'non-performing' by the Mutual Funds Association of Pakistan and accordingly, the Company has made a provision for decline in the value of investment of Rs. 32.819 million as at December 31, 2012.

	Note	2012	2011
----- (Rupees in '000) -----			
17. TRADE DEBTS			
Receivable against purchase of marketable securities			
-net of provisions	17.1, 17.2 & 17.3	293,527	224,636
Inter-bank brokerage		2,124	1,803
Fees		2,482	1,178
		<u>298,133</u>	<u>227,617</u>
17.1 Considered good			
Secured		236,446	186,212
Unsecured		187	550
		<u>236,633</u>	<u>186,762</u>
Considered doubtful			
		172,789	187,223
		<u>409,422</u>	<u>373,985</u>
Provision for doubtful debts	17.4	(115,895)	(149,349)
		<u>293,527</u>	<u>224,636</u>

17.2 This includes receivable from KSE and NCCPL amounting to Rs. Nil (2011: Rs. 6.091 million) and Rs. 35.558 million (2011: Rs. Nil) respectively in respect of trading in securities settled subsequent to the year end.

17.3 This includes receivables from related parties amounting to Rs. 1.419 million (2011 : Rs. 1.464 million).

	Note	2012	2011
----- (Rupees in '000) -----			
17.4 Reconciliation of provisions against trade debts			
Opening balance		149,349	129,817
Provision for the year		-	20,519
Reversal of provision during the year		(33,454)	(987)
		<u>(33,454)</u>	<u>19,532</u>
		<u>115,895</u>	<u>149,349</u>

17.4.1 Provisions against doubtful debts have been made after considering the market value of listed shares amounting to Rs. 56.894 million (2011: Rs. 37.874 million) held in custody by the Company against respective customers accounts.

	Note	2012	2011
		----- (Rupees in '000) -----	
18. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to:			
- Suppliers		888	861
- Current portion of long-term loans and advances to employees and executives	11	1,838	2,506
Deposits:			
- Exposure deposit with KSE		73,000	-
- Exposure deposit with PMEL		3,784	2,283
- Others		3,313	2,354
		80,097	4,637
Prepayments:			
- Rent		1,570	1,247
- Insurance		673	188
- Software development and maintenance		3,179	4,235
- Others		1,918	1,902
		7,340	7,572
Other receivables:			
- Dividends receivable		-	75
- Profit on bank deposits		121	555
- Profit on exposure deposit with KSE		285	-
- Profit on long-term receivables		1,464	3,153
- Current portion of long-term receivable	13	41,800	39,730
- Receivable against margin trading system		-	990
- Receivable from related parties	18.1	12,889	4,772
- Receivable from PMEL		-	1,058
- Others		356	175
		56,915	50,508
		147,078	66,084
18.1 Receivable from related parties comprises of:			
- KASB Funds Limited		453	127
- KASB Bank Limited (the parent company)		-	4,613
- New Horizon Exploration and Production Limited		26	-
- KASB Technology Services Limited		-	32
- Director of KASB Finance (Private) Limited (the ultimate parent of Company)	10.2.3	12,410	-
		12,889	4,772
19. CASH AND BANK BALANCES			
Cash at bank in:			
- Current accounts	19.1 & 19.2	19,928	4,250
- Saving accounts		343,159	55,975
- Certificate of deposit		-	15,015
- Term deposit		-	67,000
		363,087	142,240
Cash in hand		-	64
Stamps in hand		1	4
		363,088	142,308

19.1 These carry profit at rates ranging from 1% to 11.25% (2011: 1% to 11.25%) per annum.

19.2 This includes Rs.339.980 million (2011:Rs.56.149 million) with KASB Bank Limited (the parent Company). The said balance includes Rs.250 million which is under lien against short term borrowing from the parent Company (note 22.1)

20. SHARE CAPITAL

20.1 Authorised Capital

2012	2011		2012	2011
---- (Number of shares) ----			----- (Rupees in '000) -----	
<u>200,000,000</u>	<u>200,000,000</u>	Ordinary shares of Rs. 10 each	<u>2,000,000</u>	<u>2,000,000</u>

20.2 Issued, subscribed and paid-up share capital

<u>89,867,900</u>	<u>89,867,900</u>	Ordinary shares of Rs 10 each fully paid-up in cash	<u>898,679</u>	<u>898,679</u>
<u>10,132,100</u>	<u>10,132,100</u>	Ordinary shares of Rs 10 each fully paid-up as part of the scheme of arrangement	<u>101,321</u>	<u>101,321</u>
<u>100,000,000</u>	<u>100,000,000</u>		<u>1,000,000</u>	<u>1,000,000</u>

20.3 The following shares were held by related parties of the Company:

	2012		2011	
	Shares held	Percentage	Shares held	Percentage
KASB Bank Limited	77,117,500	77.118%	77,117,500	77.118%
KASB Bank Limited - Employees Provident Fund Trust	400,000	0.400%	400,000	0.400%
KASB Securities Limited - Employees Provident Fund Trust	32,000	0.032%	32,000	0.032%
KASB Funds PS Limited - Employees Provident Fund Trust	3,000	0.003%	13,000	0.013%
KASB Finance (Private) Limited	700,000	0.700%	700,000	0.700%
Key Management Personnel	945	0.001%	99,700	0.100%
	<u>78,253,445</u>	<u>78.254%</u>	<u>78,362,200</u>	<u>78.363%</u>

	Note	2012	2011
----- (Rupees in '000) -----			
21. TRADE AND OTHER PAYABLES			
Trade creditors	21.1	525,860	477,197
Accrued expenses	21.2	50,459	28,985
Withholding tax		2,668	67
Unclaimed dividends		609	609
Others		1,152	504
		<u>580,748</u>	<u>507,362</u>

21.1 This includes payables to KSE and NCCPL amounting to Rs. 17.470 million (2011: Rs. 18.181) and Rs. Nil (2011: Rs. 11.631) respectively in respect of trading in securities, settled subsequent to the year end.

21.2 This includes accrued expenses relating to various services provided by related parties amounting to Rs. 7.410 million (2011: 6.225 million)

	Note	2012	2011
----- (Rupees in '000) -----			

22. SHORT-TERM BORROWING

Short-term borrowing from KASB Bank Limited (the parent Company)	22.1	<u>250,000</u>	<u>-</u>
--	------	----------------	----------

22.1 This represents short term borrowing from the parent Company which carries mark-up at the rate of 11% per annum and is repayable after January 07, 2013. This borrowing is secured against lien on bank balance with the parent Company (note 19.2). Subsequent to the year end, the Company has fully repaid the borrowing.

23. SHORT-TERM RUNNING FINANCES UNDER MARK-UP ARRANGEMENTS - Secured

23.1 Running finance facility of Rs. 299 million (2011: Rs. 299 million) is available to the company from the parent company which remained unutilised as at the year end. The facility is subject to mark-up at rates ranging from 12.70% to 14.49% (2011: 15.17% to 15.52%) per annum during the year and is required to be secured by second ranking charge over all present and future current assets of the Company.

23.2 Further, the facilities for short-term running finances available from various banks amounted to Rs. 850 million (2011: Rs. 850 million) which remained unutilised as at the year end. These facilities are subject to mark-up at rates ranging from 12.38% to 15.14% (2011: 15.03% to 17.04%) per annum and is required to be secured by pledge of securities for the purposes of utilisation of finance.

	Note	2012	2011
		----- (Rupees in '000) -----	
24. ACCRUED MARK-UP			
Mark-up accrued on:			
- Short-term borrowing - KASB Bank Limited (the parent Company)		2,712	-
- Short-term running finances facilities		-	1,265
- Redeemable capital		-	317
		<u>2,712</u>	<u>1,582</u>
25. CONTINGENCIES AND COMMITMENTS			
Contingencies			
There were no contingencies as at the year end.			
Commitments			
- Outstanding sales against commodities future		-	1,782
		<u>-</u>	<u>1,782</u>
26. OPERATING REVENUE			
Brokerage		306,855	182,817
Subscription research income		3,201	2,448
Financial advisory fee		2,580	1,239
Custody services		963	3,858
Profit on margin trading system		254	2,965
Underwriting commission		-	925
		<u>313,853</u>	<u>194,252</u>
27. NET GAIN ON SALE OF AVAILABLE-FOR-SALE INVESTMENTS			
Gain on:			
- sale of long-term investments	10.2.3	304	57,829
- sale of open ended mutual fund units		-	20,218
		<u>304</u>	<u>78,047</u>
28. MARK-UP / PROFIT ON BANK DEPOSITS, INVESTMENTS AND OTHER RECEIVABLES			
Profit on bank deposits		28,109	17,223
Profit on term finance certificates		3,055	9,363
Profit on long-term receivable	28.1	13,641	13,786
Mark-up on receivable from related party	10.2.3	410	-
		<u>45,215</u>	<u>40,372</u>

28.1 This represents mark-up on long-term receivable as fully explained in note 13.1.

	Note	2012	2011
		----- (Rupees in '000) -----	
29. OPERATING AND ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	29.1	201,428	176,563
Staff training and development		382	795
Rent, rates and taxes		9,075	7,725
Insurance charges		286	307
Depreciation	29.2	8,605	9,951
Amortisation	8	854	1,509
Repairs and maintenance		6,162	5,341
Power and utilities		10,137	6,766
Communication		14,413	13,034
Trading costs		9,991	7,997
Information technology related costs		17,552	13,796
Fees and subscription		10,274	14,204
Printing and stationery		2,972	4,407
Papers and periodicals		147	161
Advertisement and business promotion		3,331	5,473
Travelling and conveyance		4,529	3,427
Entertainment		2,167	458
Brokerage expense		14,102	1,204
Legal and professional charges		2,251	1,766
Auditor's remuneration	29.3	882	861
Stamp charges		89	25
Donations	29.4	2,060	1,460
Workers' Welfare Fund		1,756	(52)
Financial Advisory fee		-	36
Service Level Agreement		-	3,928
Others		172	177
		<u>323,617</u>	<u>281,319</u>
29.1	Salaries, allowances and benefits include Company's contribution to provident fund amounting to Rs. 5.918 million (2011: Rs. 6.162 million).		
29.2 Depreciation			
Property and equipment	7	7,905	9,060
Investment properties	9	700	891
		<u>8,605</u>	<u>9,951</u>
29.3 Auditors' remuneration			
Statutory audit fee		480	435
Half yearly review fee and other certifications		310	335
Out of pocket expenses		92	91
		<u>882</u>	<u>861</u>
29.4	Donation were not made to any donee fund in which any director of the Company or his spouse had any interest.		
30. FINANCE COST			
Mark-up on:			
- Short-term Borrowing (the parent company)		2,712	-
- Short-term running finances facilities		280	3,669
- Redeemable capital		11,255	64,058
- Repurchase transaction		2,307	-
Bank charges		1,885	2,047
		<u>18,439</u>	<u>69,774</u>
31. OTHER INCOME			
Gain on disposal of property and equipment	7.1	67	3,150
Gain on disposal of 'assets held for sale'		510	-
Rental income		7,603	7,252
Others		590	411
		<u>8,770</u>	<u>10,813</u>

	Note	2012	2011
		----- (Rupees in '000) -----	
32. TAXATION			
Current			
- for the year		(7,698)	(8,328)
- for prior year		-	(4,568)
Deferred	14.2	53,070	534
		<u>45,372</u>	<u>(12,362)</u>

32.1 Relationship between tax expense and accounting profit

Profit / (loss) before taxation	86,024	(133,864)
Tax at the applicable rate of 35% (2011: 35%)	(30,108)	-
Tax effects of:		
- Expenses that are not deductible in determining taxable income	(1,380)	-
- Income taxed at reduced rate (dividend income, rental income and capital gains)	5,620	-
- Income exempt from tax	494	-
- Income under final tax regime	(7,912)	-
- Deferred tax recognised during the year on prior years temporary differences	79,605	-
- Others	(947)	-
	<u>45,372</u>	<u>-</u>

The reconciliation between tax expenses and accounting profit for the previous year has not been presented as charge for income tax was mainly based on the final tax regime.

33. EARNINGS / (LOSS) PER SHARE

Profit / (loss) after taxation attributable to ordinary shareholders	131,396	(146,226)
	----- (Number of shares) -----	
Weighted average number of ordinary shares	100,000	100,000
	----- (Rupees) -----	
Earnings / (loss) per share - basic	1.31	(1.46)

Diluted earnings per share has not been presented as the Company did not have any convertible instruments in issue as at December 31, 2012 and December 31, 2011 which could have any effect on the earnings / (loss) per share.

34. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration, including all benefits, to the chief executive, directors and executives of the Company are as follows:

	2012			2011		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	----- (Rupees in '000) -----					
Managerial remuneration	17,185	8,145	46,382	15,563	9,918	78,764
Fee (note 34.2)	-	1,620	-	-	1,380	-
Reimbursable expenses	42	636	-	-	123	-
Contribution to provident fund	684	350	1,766	645	446	3,262
	<u>17,911</u>	<u>10,751</u>	<u>48,148</u>	<u>16,208</u>	<u>11,867</u>	<u>82,026</u>
Number of persons	1	4	18	1	7	43

34.1 The Chief Executive and certain executives of the Company are provided with free use of Company owned and maintained cellular phones.

34.2 The fee was paid to the Directors for attending the Board and audit committee meetings of the Company.

35. RELATED PARTY TRANSACTIONS

The related parties of the Company comprise of KASB Bank Limited (the Parent company), associated undertakings (including companies under common directorship), employee benefit plans and its key management personnel. The balances with related parties as at December 31, 2012 and December 31, 2011 and transactions with related parties during the year ended December 31, 2012 and December 31, 2011 are as follows:-

	2012					2011
	Parent Company	Subsidiary / associates	Key management personnel	Others	Total	Total
----- (Rupees in '000) -----						
BALANCES						
Long-term deposits	-	142	-	-	142	142
Trade debts	115	31	1,052	221	1,419	1,464
Other receivables	-	-	396	12,410	12,806	2,644
Prepaid rent	332	-	-	-	332	315
Profit receivable on bank deposit	1,059	-	-	-	1,059	389
Receivable against expenses	-	480	-	-	480	4,772
Bank balances	339,980	-	-	-	339,980	56,149
Trade payables	-	2	4,029	-	4,031	112,112
Short-term borrowing	250,000	-	-	-	250,000	-
Payable against expenses	4,435	2,663	312	-	7,410	6,225
Accrued mark-up	2,712	-	-	-	2,712	1,265
Rent payable	631	-	-	-	631	850
OFF BALANCE SHEET ITEM						
Bank guarantee	51,000	-	-	-	51,000	51,000

	2012					2011
	Parent Company	Subsidiary / associates	Key management personnel	Others	Total	Total

----- (Rupees in '000) -----

TRANSACTIONS

Income

Brokerage income earned	571	1,766	2,746	528	5,611	3,701
Profit on bank deposits	22,582	-	-	-	22,582	8,632
Rent income	5,005	2,598	-	-	7,603	7,052
Others	-	-	-	410	410	-

Expenses

Bank charges	1,526	-	-	-	1,526	1,050
Charge in respect of contributory plan	-	-	-	5,918	5,918	6,162
Communication expenses	-	8,838	-	-	8,838	7,178
Custody services	7	161	48	5	221	65
Donation	-	-	-	2,040	2,040	1,410
Locker rent	4	-	-	-	4	4
Mark-up expense	2,992	-	-	-	2,992	3,653
Reimbursement of expenses	15,335	6,235	-	13	21,583	8,326
Remuneration to management personnel	-	-	74,010	-	74,010	71,027
Rent expense	585	-	-	-	585	600
Salary expense reimbursed	-	48	-	-	48	48
Service level agreement	-	-	-	-	-	3,928

Other transactions

Loans disbursed	-	-	3,257	-	3,257	3,548
Loans repayment	-	-	4,835	-	4,835	3,572
Mutual fund bonus units issued	-	-	-	9,369	9,369	8,888
Mutual fund units purchased	-	-	-	-	-	84,793
Mutual fund units redeemed	-	-	-	10,000	10,000	214,793
Purchase of property and equipment	-	-	-	-	-	1,390
Purchase of 'assets held for sale'	-	-	-	-	-	85,200
Property and equipment disposed off	-	-	-	814	814	1,068
Sale of 'available-for-sale' investments	-	-	-	12,000	12,000	101,200
Sale of 'assets held for sale'	-	-	-	87,000	87,000	-

36. FINANCIAL INSTRUMENTS

36.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. As of the balance sheet date, the Company is exposed to such risk mainly in respect of bank balances and investment in income based mutual fund units. Effective interest rates on such instruments are disclosed in respective notes to the financial statements.

Management of the Company estimates that 1% increase in the market interest rate, with all other factors remaining constant, would increase the Company's total comprehensive income by Rs. 2.121 million (2011: Rs. 1.610 million) and a 1% decrease would result in decrease in the Company's total comprehensive income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Equity price risk

Equity price risk is the risk of volatility in share 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 on the balance sheet as investments at fair value through profit or loss and available-for-sale investments. The management believes that 10% increase or decrease in the value of investments (mutual fund units) at fair value through profit and loss, with all other factors remaining constant would result in increase or decrease of the Company's profit by Rs. 16.343 million and 10% of such increase or decrease would result in increase or decrease of unrealized gain on revaluation of available-for-sale investments by Rs. 4.826 million.

36.2 Liquidity risk

Liquidity risk is the risk that an enterprise may encounter difficulty in raising funds to meet commitments associated with financial instruments. The company manages liquidity risk by following internal guidelines of the company executive committee such as monitoring maturities of financial assets and financial liabilities and investing in liquid financial assets.

The table below summarises the maturity profile of the Company's financial liabilities:

	2012				Total
	On Demand	Upto three months	More than three months and upto one year	More than one year	
	(Rupees in '000)				
Trade and other payables	577,471	-	-	-	577,471
Accrued mark-up	2,712	-	-	-	2,712
	<u>580,183</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>580,183</u>
	2011				
	On Demand	Upto three months	More than three months and upto one year	More than one year	Total
	(Rupees in '000)				
Trade and other payables	506,686	-	-	-	506,686
Accrued mark-up	1,582	-	-	-	1,582
Redeemable capital	-	-	166,500	-	166,500
	<u>508,268</u>	<u>-</u>	<u>166,500</u>	<u>-</u>	<u>674,768</u>

36.3 Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continuously assessing the credit worthiness of counter parties. The Company seeks to minimise the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The table below analyses the Company's maximum exposure to credit risk:

	2012	2011
	(Rupees in '000)	
Trade debts	409,422	373,985
Bank balances (see note 36.3.2)	363,087	142,240
Long-term receivable	79,268	81,638
Long-term loans and advances	3,286	4,523
Long-term deposits and prepayments	3,616	3,604
Advances, deposits, prepayments and other receivables	103,440	23,848
	<u>962,119</u>	<u>629,838</u>

36.3.1 The table below shows analysis of the financial assets that are past due or impaired:

	2012	2011
	----- (Rupees in '000) -----	
Debts neither impaired nor past due	35,558	6,091
Debts past due but not impaired	205,681	183,652
Debts impaired - net of provision	56,894	37,874
	<u>298,133</u>	<u>227,617</u>

36.3.2 The analysis below summarises the credit quality of the Company's balances with banks/financial institutions:

Rating (short-term) of Banks and Financial Institutions*

A1	236	15,070
A1+	22,710	71,022
A-1	79	-
A-1+	82	-
A3	339,980	56,148
	<u>363,087</u>	<u>142,240</u>

*Rating performed by PACRA, JCR-VIS & Standard & Poor's.

37. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital include:

- Reinforcing company's ability to continue as a going concern in order to provide returns to all its stakeholders with their corresponding risk profiles;
- Maintaining a strong capital base - resulting in enhancement of company's business operations.

In order to maintain the balance of its capital structure, the Company may consider adjusting its dividend payouts, controlling non-developmental cash outflows and issuing fresh debt or capital instruments.

The Company monitors capital on the basis of the gearing ratio and its related profitability ratios. Gearing is calculated as debt divided by debt plus equity. Debt represents redeemable capital and other long-term borrowings, if any, as shown in the balance sheet. Equity represents paid-up capital of the Company, general reserve and unappropriated profit and loss.

Net capital requirements of the Company are set and regulated by KSE. These requirements are put in place to ensure sufficient solvency margins and are based on excess of current assets over current liabilities. The Company manages its net capital requirements by assessing its capital structure against required capital level on a regular basis.

38. FAIR VALUE 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. Consequently, differences can arise between carrying value and fair value estimates. The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values.

Under the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

39.1 Financial Assets Fair Value Hierarchy

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

Level 1 - quoted prices in active markets for identical assets.

Level 2 - other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 - techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at December 31, 2012 the Company held the following financial instruments measured at fair value:

2012				
	Total	Level 1	Level 2	Level 3 (note 38.1.1)
	----- (Rupees in '000) -----			
'Available-for-sale' investments	346,162	48,256	-	297,906
Investment 'at fair value through profit and loss' - held for trading	175,978	163,428	-	12,550
	<u>522,140</u>	<u>211,684</u>	<u>-</u>	<u>310,456</u>
2011				
	Total	Level 1	Level 2	Level 3 (note 38.1.1)
	----- (Rupees in '000) -----			
'Available-for-sale' investments	305,966	21,844	-	284,122
Investment 'at fair value through profit and loss' - held for trading	221,864	196,765	-	25,099
	<u>527,830</u>	<u>218,609</u>	<u>-</u>	<u>309,221</u>

38.1.1 The reconciliation from the beginning to ending balances for assets measured at fair value using level 3 valuation technique is given below:

	2012	2011
	----- (Rupees in '000) -----	
Opening balance	309,221	11,696
Additions during the year	25,480	297,525
Provision for impairment	(12,549)	-
Investment disposed during the year	(11,696)	-
Closing balance	<u>310,456</u>	<u>309,221</u>

39. DATE OF AUTHORISATION

These financial statements have been authorised for issue by the Board of Directors of the Company on March 15, 2013.

40. GENERAL

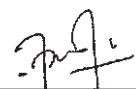
- 40.1** Corresponding figures have been rearranged and re-classified, wherever necessary, for the purpose of comparison. However, there are no material reclassifications to report.
- 40.2** The Board of Directors of the Company has proposed a cash dividend of Rs. 0.50 per share (2011: Nil) amounting to Rs. 50 million (2011: Nil) at its meeting held on March 15, 2013 for the approval of members at the Annual General Meeting to be held on April 24, 2013.
- 40.3** Figures have been rounded off to the nearest thousands.



Syed Asghar Ali Shah
Chairman



Nadir Rahman
Chief Executive Officer



Asad Mustafa Shafqat
Chief Financial Officer





CONSOLIDATED FINANCIAL STATEMENTS

DIRECTORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors present the report on consolidated financial statements of KASB Securities Limited and its wholly owned subsidiary namely Structured Venture (Private) Limited, for the year ended December 31, 2012.

The consolidated financial results of the group for the year ended December 31, 2012, under review, are summarized as follows:

	2012	2011
	----- (Rupees in '000) -----	
Profit / (loss) before taxation	86,097	(194,208)
Taxation	45,371	(12,372)
Profit / (loss) after taxation	131,468	(206,580)
Un-appropriated (loss) / profit brought forward	(184,497)	22,083
Loss available for appropriation	<u>(53,029)</u>	<u>(184,497)</u>
	----- (Rupees) -----	
Earning / (loss) per share - basic and diluted	<u>1.31</u>	<u>(2.07)</u>

Summary of changes in equity

The Group's earnings per share (EPS) increased from a loss of PKR 2.07 in CY11 to a gain of PKR 1.31 in CY12. Following this, the Board has decided to propose a dividend of PKR 0.50 per share for CY 2012.

Summary of changes in the nature of group business interests

KASB Securities Limited and Structured Venture (Private) Limited continue in their stated nature of business and have made no changes to the nature of business interests, nor to the class of business interests in which the Group has an interest.

Retirement of secured TFC issue of PKR 500 million

The Group has retired the secured TFC issue of PKR 500 million by KASB Securities Limited in June 2012. There are no other material changes and commitments affecting the financial position of the Group made during the year.

Pattern of Shareholding

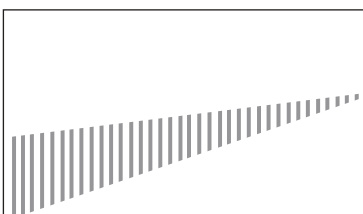
The pattern of shareholding as at December 31, 2012 along with disclosure required under the Code of Corporate Governance and Section-236 of the Companies Ordinance, 1984 is annexed to the report.

On behalf of the Board of Directors



Syed Asghar Ali Shah
Chairman

Karachi: March 15, 2013





Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan

Tel: +9221 3565 0007
Fax: +9221 3568 1965
www.ey.com

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of KASB Securities Limited (the Holding company) and Structured Venture (Private) Limited, its Subsidiary company, (together referred to as Group) as at 31 December 2012, and the related consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof for the year then ended. We have also expressed separate opinions on the financial statements of the Holding company and its Subsidiary company.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing as applicable in Pakistan and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstance.

In our opinion, the consolidated financial statements present fairly the financial position of KASB Securities Limited and its subsidiary company as at 31 December 2012 and the results of their operation for the year then ended.



Chartered Accountants
Audit Engagement Partner: Arslan Khalid
Date: 15 March 2013
Karachi

A member firm of Ernst & Young Global Limited

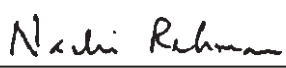
CONSOLIDATED BALANCE SHEET

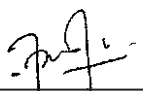
AS AT DECEMBER 31, 2012

	Note	2012	2011
		----- (Rupees in '000) -----	
ASSETS			
Non-current assets			
Property and equipment	7	35,838	36,588
Intangible assets	8	12,736	13,590
Investment properties	9	382,429	383,129
Long-term Investments	10	421,162	380,966
Long-term loans and advances	11	1,448	2,017
Long-term deposits and prepayments	12	3,616	3,604
Long-term receivable	13	23,480	27,920
Deferred tax asset - net	14	53,538	468
		934,247	848,282
Current assets			
Assets held for sale	15	-	86,490
Short-term investments	16	175,978	221,864
Trade debts	17	298,133	227,617
Advances, deposits, prepayments and other receivables	18	147,078	66,084
Taxation - net		18,430	2,981
Cash and bank balances	19	366,663	145,835
		1,006,282	750,871
TOTAL ASSETS		1,940,529	1,599,153
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued, subscribed and paid-up capital	20	1,000,000	1,000,000
General reserve		18,752	18,752
Unrealized gain on re-measurement of 'available-for-sale' investments to fair value - net		140,121	88,229
Accumulated loss		(53,029)	(184,497)
		1,105,844	922,484
Current liabilities			
Trade and other payables	21	581,973	508,587
Short-term borrowing	22	250,000	-
Accrued mark-up	24	2,712	1,582
Current maturity of redeemable capital		-	166,500
		834,685	676,669
TOTAL EQUITY AND LIABILITIES		1,940,529	1,599,153
CONTINGENCIES AND COMMITMENTS	25		

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.


Syed Asghar Ali Shah
Chairman


Nadir Rahman
Chief Executive Officer


Asad Mustafa Shafqat
Chief Financial Officer

CONSOLIDATED PROFIT AND LOSS ACCOUNT

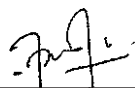
FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	2012	2011
		----- (Rupees in '000) -----	
Operating revenue	26	313,853	194,252
Net gain / (loss) on investments 'at fair value through profit and loss'			
Net gain / (loss) on sale of equity investments		25,322	(36,175)
Net unrealised gain / (loss) on revaluation of investments		386	(16,350)
		25,708	(52,525)
Net gain / (loss) on 'available-for-sale' investments			
Net gain on sale of investments	27	304	20,218
Impairment loss		-	(28,001)
		304	(7,783)
Dividend income		776	7,791
Mark-up / profit on bank deposits, investments and other receivables	28	45,468	40,842
		386,109	182,577
Operating and administrative expenses	29	(323,797)	(284,304)
Reversal of provision / (provision) against doubtful debts		33,454	(33,520)
		(290,343)	(317,824)
Operating profit / (loss)		95,766	(135,247)
Finance cost	30	(18,439)	(69,774)
		77,327	(205,021)
Other income	31	8,770	10,813
Profit / (loss) before taxation		86,097	(194,208)
Taxation	32	45,371	(12,372)
Profit / (loss) after taxation		131,468	(206,580)
Other comprehensive income:			
Net unrealised gain arising during the year on re-measurement of 'available-for-sale' investments - net		51,892	65,321
Reclassification adjustment for net gain realized on disposal of 'available-for-sale' investments		-	(20,218)
Reclassification adjustment for impairment loss on 'available-for-sale' investments included in profit and loss		-	28,001
Other comprehensive income for the year		51,892	73,104
Total comprehensive income / (loss) for the year		183,360	(133,476)
		----- (Rupees) -----	
Earnings / (loss) per share - basic and diluted	33	1.31	(2.07)

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.


Syed Asghar Ali Shah
Chairman


Nadir Rahman
Chief Executive Officer


Asad Mustafa Shafqat
Chief Financial Officer

CONSOLIDATED CASH FLOW STATEMENT

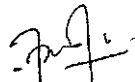
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	86,097	(194,208)
Non-cash adjustments to reconcile profit / (loss) before tax to net cash flows:		
Depreciation	8,605	9,951
Amortisation	854	1,509
Gain on sale of investments - net	(25,626)	(41,872)
Gain on sale of property and equipment	(67)	(3,150)
Gain on sale of 'asset held for sale'	(510)	-
Unrealised (gain) / loss on re-measurement of investments 'at fair value through profit or loss' - net	(386)	16,350
Impairment loss on 'available-for-sale' investments	-	28,001
Reversal of provision against doubtful debts	(33,454)	(987)
Provision against long-term receivable	-	13,988
Provision against doubtful debts	-	20,519
Finance cost	18,439	69,774
Dividend income	(776)	(7,791)
	(32,921)	106,292
	53,176	(87,916)
Working capital adjustments:		
(Increase) / decrease in assets		
'Assets held for sale'	-	(86,490)
Trade debts	(37,062)	134,193
Advances, deposits, prepayments and other receivables	(81,069)	1,705
	(118,131)	49,408
Increase in current liabilities		
Trade and other payables	73,386	43,182
	8,431	4,674
Finance cost paid	(17,309)	(69,406)
Income tax paid	(23,148)	(21,350)
Net cash flows used in operating activities	(32,026)	(86,082)
CASH FLOW FROM INVESTING ACTIVITIES		
'Available-for-sale' investments - net	12,000	142,622
Investments 'at fair value through profit or loss' - net	71,594	257,831
Investment properties	-	91,360
Purchase of property and equipment	(7,263)	(4,850)
Proceeds from disposal of property and equipment	175	5,041
Proceeds from disposal of 'asset held for sale'	87,000	-
Dividend received	851	7,754
Net cash flows generated from investing activities	164,357	499,758
CASH FLOW FROM FINANCING ACTIVITIES		
Long-term loans and advances	569	(996)
Long-term deposits and prepayments	(12)	2,034
Short-term borrowing	250,000	-
Long-term receivable	4,440	(41,908)
Redemption of redeemable capital	(166,500)	(332,800)
Net cash flows generated from / (used in) financing activities	88,497	(373,670)
Net increase in cash and cash equivalents	220,828	40,006
Cash and cash equivalents at the beginning of the year	145,835	105,829
Cash and cash equivalents at the end of the year	366,663	145,835

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.


Syed Asghar Ali Shah
Chairman


Nadir Rahman
Chief Executive Officer


Asad Mustafa Shafqat
Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

1. STATUS AND NATURE OF BUSINESS

The Group comprises of:

Holding company

- KASB Securities Limited

Subsidiary company

- Structured Venture (Private) Limited

KASB Securities Limited (the Company) was incorporated in Pakistan on October 24, 2000 under the Companies Ordinance, 1984 and commenced its operations effective January 01, 2003, on the transfer of assets and liabilities of the securities segment of the then Khadim Ali Shah Bukhari and Company Limited under a scheme of arrangement approved by the High Court of Sindh. The shares of the Group are listed on the Karachi Stock Exchange Limited. The registered office of the Group is situated at 5th Floor, Trade Centre, I.I. Chundrigar Road, Karachi.

The Company is a subsidiary of KASB Bank Limited (the Parent company) which holds 77.12% of the shares of the Group.

The Company has corporate membership of the Karachi Stock Exchange Limited [formerly: Karachi Stock Exchange (Guarantee) Limited] and Pakistan Mercantile Exchange Limited (PMEL) and is principally engaged in the business of stocks, money market, foreign exchange and commodity broking. Other activities include investment in a mix of listed and unlisted equity and debt securities, economic research and advisory services.

Structured Venture (Private) Limited (the subsidiary) was incorporated in Pakistan on June 25, 2010 under the Companies Ordinance, 1984. The registered office of the company is situated at 5th Floor, Trade Centre, I.I. Chundrigar Road, Karachi.

The subsidiary is wholly owned by KASB Securities Limited.

The subsidiary's core objective is to capitalize on opportunities across different asset classes, including but not limited to, commodities, structured products, real estate etc. In addition, the subsidiary can, subject to regulatory approvals, invest / participate in selected local and foreign business ventures.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared under the historical cost convention except for investments which are carried at fair value as referred to in note 4.8 below.

3. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

New and amended standards and interpretations

The Group has adopted the following amendments to IFRSs which became effective for the current year:

IFRS 7 - Financial Instruments: Disclosures - Enhanced De-recognition Disclosure Requirements (Amendment)
IAS 12 - Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any effect on the consolidated financial statements.

4.2 Basis of consolidation

The financial statements of the subsidiary are included in the consolidated financial statements from the date the control commences until the date control ceases. In preparing consolidated financial statements, the financial statements of the Holding Company and subsidiary are consolidated on a line by line basis by adding together the like items of assets, liabilities, income and expenses. Significant intercompany transactions have been eliminated.

4.3 Property and equipment

These are stated at cost less accumulated depreciation and impairment, if any. Such costs include the cost of replacing parts of fixed assets when that cost is incurred. Maintenance and normal repairs are charged to income as and when incurred. Depreciation is charged to income over the useful life of the asset on a systematic basis applying the straight line method at the rates specified in note 7 to the financial statements.

Property and equipment are assessed for impairment whenever there is an indication that the same are impaired. Depreciation is charged from the day of purchase and no depreciation is charged from the day of disposal.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The asset's residual values, useful lives and methods are reviewed and adjusted, if appropriate at each financial year end.

Gains and losses on disposals, if any, of assets are included in income currently.

4.4 Assets subject to finance lease

Assets subject to finance lease are stated at fair value of the leased assets at inception of the lease or, if lower at the present value of minimum lease payments. Depreciation is charged at the rates specified in note 7.

The outstanding obligations under finance lease less finance charges allocated to future periods are shown as liability. The finance charges are calculated at the rate implicit in the leases and are charged to profit and loss account.

4.5 Intangible assets

These are stated at cost less accumulated amortisation and impairment, if any. Amortisation is charged over the useful life of the asset on a systematic basis to income applying the straight line method at the rate specified in note 8 to the financial statements.

Intangible assets with indefinite useful lives are not amortised. These are annually tested for impairment to assess whether these are in excess of their recoverable amounts, and where the carrying amounts exceeds the estimated recoverable amounts, the carrying amounts are written down to the estimated recoverable amounts.

Intangible assets are assessed for impairment whenever there is an indication that the same are impaired. Costs associated with maintaining assets are recognized as an expense in the period in which these are incurred. Gains and losses on disposals, if any, of assets are included in income currently.

4.6 Investment properties

Investment properties are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged at the rate specified in note 9. Subsequent expenditures, depreciation and gains or losses on disposals are accounted for in the same manner as property and equipment.

4.7 Assets held for sale

Assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

4.8 Financial Assets

4.8.1 Investments

Investments in subsidiary company is stated at cost less provision for impairment, if any. Other, Investments are classified as either 'investments at fair value through profit or loss', 'held-to-maturity' investments or 'available-for sale' investments, as appropriate.

When investments are recognised initially, these are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases / sales of investments are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Group. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of securities within the time frame generally established by regulation or convention in the market place.

Investments at fair value through profit or loss

Investments classified as 'investments at fair value through profit or loss' are carried at fair value. Gain / loss on remeasurement of such investments to fair value is recognised in the profit and loss account.

Available-for-sale

Investments classified as 'available-for-sale' are measured at fair value. Gains or losses on available-for-sale investments are recognised directly in equity until the investment is sold, derecognised or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of comprehensive income is included in income. Upon impairment, gain / loss that which had been previously recognised directly in the statement of comprehensive income, is included in the profit and loss account for the year.

The fair value of those investments representing listed equity and other securities i.e. debt instruments, are determined on the basis of year-end prices obtained from stock exchange quotations.

4.8.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are carried at amortised cost using effective yield method, less impairment losses, if any.

4.9 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Group control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when these are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

4.10 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Group has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also accordingly offset.

4.11 Revenue recognition

- Brokerage income is recognised as and when such services are rendered.
- Financial advisory fees and other income is recognised on an accrual basis.
- Underwriting commission is recognised on accrual basis in accordance with the terms of the agreement.
- Capital gains and losses on sale of securities is recognised when realised.
- Mark-up income, return on bank deposits and balances are recognized on accrual basis.
- Dividend income is recorded when the right to receive the dividend is established.

4.12 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits, rebates and tax exemptions available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessment framed / finalised during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. A deferred tax asset is recognised 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 benefits will be realized.

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss account.

Deferred tax, if any, on revaluation of investments is recognised as an adjustment to surplus / deficit arising on revaluation.

4.13 Dividend distributions and appropriations

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

4.14 Employees' benefits

Defined contribution plan

The Group operates a contributory provident fund for all its permanent employees and contributions are made monthly in accordance with the fund rules.

Employee compensated absences

The Group allows its management and non-management employees' to avail 30 days annual earned leave. The unutilized portion of the earned leave is neither accumulating nor encashable.

4.15 Cash and cash equivalents

Cash in hand and at banks is carried at cost. For the purposes of cash flow statement, cash and cash equivalents consist of cash in hand and bank balances. For the purposes of statement of cash flows, cash and cash equivalents are presented net of short term borrowings which are repayable on demand or in the short term and form an integral part of the Group's cash management.

4.16 Foreign currency transactions

Functional and presentation currency

These consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

Foreign currency translation

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange prevailing on the balance sheet date. Gains and losses on translation are taken into income currently. Non monetary-items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4.17 Provisions

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

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and 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 result of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

The estimates, judgements and assumptions that have significant effect on the consolidated financial statements are as follows:

	<u>Note</u>
Useful lives of assets and methods of depreciation and impairment	4.3 to 4.5, 7, 8 & 9
Classification of investments	4.8.1, 10 & 16
Provision for doubtful debts	4.17 & 17
Deferred taxation and taxation	4.12, 14 & 32

6. STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

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

Standard, Interpretation or amendment	Effective date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments : Disclosures - (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 1 - Presentation of Financial Statements - Presentation of items of other comprehensive income	July 01, 2012
IAS 19 - Employee Benefits - (Revised)	January 01, 2013
IAS 32 - Offsetting Financial Assets and Financial liabilities - (Amendment)	January 01, 2014
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Group expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Group's financial statements in the period of initial application.

Improvements to IFRS

In addition to the above amendments, improvements 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 Group expects that such improvements to the standards will not have any material impact on the Group's financial statements in the period of initial application.

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

Standard, Interpretation or amendment	Effective date (annual periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 - Consolidated Financial Statements	January 01, 2013
IFRS 11 - Joint Arrangements	January 01, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 - Fair Value Measurement	January 01, 2013

7. PROPERTY AND EQUIPMENT

	2012				
	Office premises-lease hold	Furniture and fixtures	Computers and office equipment	Motor vehicles	Total
	(Rupees in '000)				
Cost	21,197	25,192	121,338	3,890	171,617
Accumulated depreciation	(5,112)	(12,455)	(115,524)	(1,938)	(135,029)
Net book value at the beginning of the year	16,085	12,737	5,814	1,952	36,588
Changes during the year					
Additions during the year	-	667	6,596	-	7,263
Disposals during the year					
- Cost	-	-	(3,079)	-	(3,079)
- Depreciation	-	-	2,971	-	2,971
	-	-	(108)	-	(108)
Depreciation charge for the year	(1,061)	(2,244)	(4,166)	(434)	(7,905)
	(1,061)	(1,577)	2,322	(434)	(750)
Net book value at the end of the year	15,024	11,160	8,136	1,518	35,838
Analysis of Net Book Value					
Cost	21,197	25,859	124,855	3,890	175,801
Accumulated depreciation	(6,173)	(14,699)	(116,719)	(2,372)	(139,963)
Net book value as at December 31, 2012	15,024	11,160	8,136	1,518	35,838
Depreciation rate (% per annum)	5	10	33.33	20	
	2011				
	Office premises-lease hold	Furniture and fixtures	Computers and office equipment	Motor vehicles	Total
	(Rupees in '000)				
Cost	23,853	24,882	118,864	5,484	173,083
Accumulated depreciation	(5,844)	(10,367)	(110,700)	(3,483)	(130,394)
Net book value at the beginning of the year	18,009	14,515	8,164	2,001	42,689
Changes during the year					
Additions during the year	-	361	3,099	1,390	4,850
Disposals during the year					
- Cost	(2,656)	(51)	(625)	(2,984)	(6,316)
- Depreciation	1,832	40	522	2,031	4,425
	(824)	(11)	(103)	(953)	(1,891)
Depreciation charge for the year	(1,100)	(2,128)	(5,346)	(486)	(9,060)
	(1,924)	(1,778)	(2,350)	(49)	(6,101)
Net book value at the end of the year	16,085	12,737	5,814	1,952	36,588
Analysis of Net Book Value					
Cost	21,197	25,192	121,338	3,890	171,617
Accumulated depreciation	(5,112)	(12,455)	(115,524)	(1,938)	(135,029)
Net book value as at December 31, 2011	16,085	12,737	5,814	1,952	36,588
Depreciation rate (% per annum)	5	10	33.33	20	

7.1 Disposal of property and equipment

Particulars of property and equipment disposed off during the year are as follows:

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain/(loss)	Particular of Buyers	Mode of disposal
----- (Rupees in '000) -----							
Equipment							
Blackberry	19	12	7	7	-	Nadim D. Khan (ex-employee)-Karachi	Company policy
Blackberry	19	9	10	15	5	EFU General Insurance-Karachi	Insurance claim
Blackberry	1,067	1,057	10	10	-	S. S. Electronics-Karachi	Negotiation
Blackberry	24	24	-	-	-	Scraped	-
Blackberry	20	12	8	8	-	Atif M. Aziz (ex-employee)-Karachi	Company policy
Blackberry	19	13	6	6	-	Saqib Sajjad (ex-employee)-Karachi	Company policy
Blackberry	22	22	-	-	-	GM Mobile Accessories	Negotiation
Blackberry	19	15	4	5	1	Shoaib Saleem (ex-employee)-Karachi	Company policy
BlackBerry	19	13	6	7	1	Muhammad Fawad Khan (ex-employee)-Karachi	Company policy
Laptop	59	37	22	22	-	Nadim D. Khan (ex-employee)-Karachi	Company policy
Laptop	73	73	-	5	5	Ali Hemani (ex-employee)-Karachi	Company policy
Laptop	83	83	-	5	5	Atif M. Aziz (ex-employee)-Karachi	Company policy
Laptop	59	31	28	28	-	Saqib Sajjad (ex-employee)-Karachi	Company policy
Laptop	59	52	7	4	(3)	Kodvavi Computers-Karachi	Negotiation
Laptop	98	98	-	6	6	Citi Computer-Karachi	Negotiation
Laptop	91	91	-	5	5	Citi Computer-Karachi	Negotiation
Laptop	91	91	-	6	6	Citi Computer-Karachi	Negotiation
Laptop	71	71	-	5	5	Muhammad Fawad Khan (ex-employee)-Karachi	Company policy
Computers	34	34	-	-	-	DWP Technologies (Pvt) Ltd-Karachi	Negotiation
Computers, Servers and Accessories	165	165	-	-	-	System Care-Karachi	Negotiation
LCD Monitor	196	196	-	-	-	System Care-Karachi	Negotiation
Desktop PC	566	566	-	12	12	System Care-Karachi	Negotiation
LCD Monitor	16	16	-	1	1	Kodvavi Computers-Karachi	Negotiation
Desktop	15	15	-	3	3	Grace Collection-Karachi	Negotiation
Desktop	21	21	-	3	3	Grace Collection-Karachi	Negotiation
Printer	21	21	-	2	2	Laser & Computer Dealers-Karachi	Negotiation
Printer	23	23	-	1	1	Jamshaid Masih-Karachi	Negotiation
Attendance Machine	90	90	-	8	8	Limton Innovative System-Karachi	Negotiation
Oven	20	20	-	1	1	UNI Computer Bank-Karachi	Negotiation
December 31, 2012	3,079	2,971	108	175	67		
December 31, 2011	6,316	4,425	1,891	5,041	3,150		

8. INTANGIBLE ASSETS

2012						
	Computer software	Membership of PMEL	Rooms at KSE	Booths at KSE	Membership of KSE (Note 8.1)	Total
(Rupees in '000)						
Cost	8,575	500	5,804	950	4,945	20,774
Accumulated amortisation	(7,184)	-	-	-	-	(7,184)
Net book value at the beginning of the year	1,391	500	5,804	950	4,945	13,590
Amortisation for the year	(854)	-	-	-	-	(854)
Net book value at the end of the year	537	500	5,804	950	4,945	12,736
Analysis of Net Book Value						
Cost	8,575	500	5,804	950	4,945	20,774
Accumulated amortisation	(8,038)	-	-	-	-	(8,038)
Net book value as at December 31, 2012	537	500	5,804	950	4,945	12,736
Amortisation rate (% per annum)	33.33	-	-	-	-	

- 8.1** In accordance with the requirements of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act), the Group has received equity shares of KSE and a Trading Right Entitlement (TRE) in lieu of its membership card of KSE. The Group's entitlement in respect of KSE's shares is determined on the basis of valuation of assets and liabilities of KSE as approved by the SECP and the Group has been allotted 4,007,383 shares of the face value of Rs. 10/- each, out of which 2,404,430 shares are kept in the blocked account and the divestment of the same will be made in accordance with the requirements of the Act within two years from the date of Demutualization. The allocation of the carrying value of the composite asset (KSE shares and TRE) will be made in the due course based on the recommendation of the Professional Standards and Technical Committee of the Institute of Chartered Accountants of Pakistan.

2011						
	Computer software	Membership of PMEL	Rooms at KSE	Booths at KSE	Membership of KSE	Total
(Rupees in '000)						
Cost	8,575	500	5,804	950	4,945	20,774
Accumulated amortisation	(5,675)	-	-	-	-	(5,675)
Net book value at the beginning of the year	2,900	500	5,804	950	4,945	15,099
Amortisation for the year	(1,509)	-	-	-	-	(1,509)
Net book value at the end of the year	1,391	500	5,804	950	4,945	13,590
Analysis of Net Book Value						
Cost	8,575	500	5,804	950	4,945	20,774
Accumulated amortisation	(7,184)	-	-	-	-	(7,184)
Net book value as at December 31, 2011	1,391	500	5,804	950	4,945	13,590
Amortisation rate (% per annum)	33.33	-	-	-	-	

10.1.1 These shares have been blocked by the Central Depository Company of Pakistan Limited (CDC) in compliance with BPRD Circular No. 4 dated May 22, 2008 issued by the State Bank of Pakistan . No activity (including pledge and withdrawal) in these shares is allowed without prior written permission of the State Bank of Pakistan.

10.1.2 The Group's investment in unquoted shares of Al Jomaih Power Limited valued at its fair value as at the year end based on the net assets value of the investee Company as at September 30, 2012 .

10.1.3 During the year, the Group has sold 2,000,000 shares of KASB Funds Limited to a related party for a sale consideration of Rs. 12 million. This transaction has also been approved by the SECP as per the applicable regulations.

	Note	2012	2011
----- (Rupees in '000) -----			
11. LONG-TERM LOANS AND ADVANCES - Considered good			
Loans and advances to:			
- Employees		1,348	2,644
- Executives		1,938	1,879
	11.1	3,286	4,523
Current maturity shown in current assets	18	(1,838)	(2,506)
		<u>1,448</u>	<u>2,017</u>

11.1 This represents loans and advances given to executives and employees for purchase of motor vehicles and as general purpose cash advances in accordance with their terms of employment. These loans and advances (except for loan given for purchase of motorcycle) carry mark-up at the rate of 14% (2011: 6% to 10%) per annum and are recovered through deduction from salaries over varying periods up to a maximum period of 120 months. The motor vehicle loans are secured by way of title of the motor vehicles being held in the name of the group, whereas general purpose cash advances are secured against staff provident fund balances.

	Note	2012	2011
----- (Rupees in '000) -----			
12. LONG-TERM DEPOSITS AND PREPAYMENTS			
Deposits with:			
- Karachi Stock Exchange Limited		362	362
- National Clearing Company of Pakistan Limited		400	400
- Pakistan Mercantile Exchange Limited		2,500	2,500
- Others		342	342
		3,604	3,604
Prepayments		12	-
		<u>3,616</u>	<u>3,604</u>

13. LONG-TERM RECEIVABLE

Receivable from client	13.1	79,268	81,638
Less: current maturity shown in current assets	18	(41,800)	(39,730)
		37,468	41,908
Less: provision against long-term receivable		(13,988)	(13,988)
		<u>23,480</u>	<u>27,920</u>

13.1 On February 01, 2011, the Group entered into a settlement agreement with three customers in respect of their liabilities owed to the Group, amounting to Rs. 99.638 million (as of the date of the agreement) in respect of the securities transactions undertaken by them through the Group.

Under the agreement , the obligations of these three customers have been taken over by another customer, who has agreed to pay an aggregate sum of Rs. 99.638 million to the Group along with the mark-up at the rate used in (three months) KIBOR ask rate plus 3.28% per annum, in monthly installments over a period up to January 2015. During the year, the customer agreed to pay principal of Rs. 9.87 million and mark-up of Rs.13.54 million aggregating to Rs. 23.41 million. Against the said amount, the Group has received an aggregate amount of Rs. 17.70 million. Subsequent to the year end, the Group has received Rs. 12.5 million from the customer. However, as a matter of prudence, the Group has retained provision to the extent of Rs. 13.988 million after considering the market value of securities held by the Group in respect of the said account.

The above receivable is secured against marketable securities of the customers, held by the Group. The market value of such securities as at the December 31, 2012 is Rs. 117.670 million (2011: Rs. 67.650 million).

	Note	2012	2011
		----- (Rupees in '000) -----	
14. DEFERRED TAX ASSET - NET			
Deductible temporary differences arising from:			
- Provision against trade debts		44,582	48,666
- Unused tax losses		7,867	28,556
- Minimum tax		1,354	1,915
- Differences between written down values and tax base of assets		-	468
		<u>53,803</u>	<u>79,605</u>
Taxable temporary differences arising from:			
- Differences between written down values and tax base of assets		(265)	-
		<u>53,538</u>	<u>79,605</u>

14.1 As at December 31, 2011, the aggregate deferred tax assets on temporary differences between tax and accounting base of assets and liabilities, carry forward tax losses and minimum tax amounts to Rs. 79,605 million. However, up until the previous year, in view of the uncertainty about the timing of realization of such differences, the Group had recognised deferred tax asset to the extent of Rs. 0.468 million only.

14.2 The management, based on the current year results and the future years projections, estimates that sufficient taxable profits would be available in future against which the above deferred tax asset could be realized. Accordingly, the deferred tax asset has been fully recognised in these consolidated financial statements.

15. ASSETS HELD FOR SALE

During the year, the Group has sold 25 residential plots in Defence Housing Authority, Lahore to its related party at a sale consideration of Rs. 87 million, resulting in a gain of Rs. 0.51 million.

	Note	2012	2011
		----- (Rupees in '000) -----	
16. SHORT-TERM INVESTMENTS			
'At fair value through profit or loss' - held for trading			
- Open end mutual funds units	16.1	163,428	78,779
- Listed shares		-	117,986
- Term finance certificates	16.2	12,550	25,099
		<u>175,978</u>	<u>221,864</u>

16.1 Open and mutual funds units

2012	2011			2012		2011	
Number of units		Name of investee company	Note	Cost	Carrying value	Cost	Carrying value
----- (Rupees in '000) -----							
704,923	705,948	KASB Cash Fund	16.1.1	65,493	72,315	66,878	74,922
-	36,669	AMZ Plus Income Fund		-	-	2,299	3,857
214,648	-	MCB Cash Mang Optimizer		20,000	21,523	-	-
2,148,504	-	ABL Cash Fund		20,000	21,513	-	-
214,607	-	UBL Liquidity Plus Fund		20,000	21,520	-	-
102,082	-	JS Cash Fund		10,000	10,425	-	-
160,467	-	Askari Sovereign Cash Fund		15,000	16,132	-	-
				150,493	163,428	69,177	78,779

16.1.1 This includes investment in mutual fund units of a related party amounting to Rs. 72.315 million (2011: Rs. 74.922 million). Further, Mutual fund units valued at Rs. 160.727 million (2011: Rs. 74.922 million) are pledge with KSE against exposure margin.

16.2 Term Finance Certificates

2012	2011			2012		2011	
Number of certificates		Name of investee company	Note	Cost*	Carrying value	Cost*	Carrying value
----- (Rupees in '000) -----							
10,000	10,000	Pace Pakistan Limited (Face value of Rs. 5,000 each)	16.2.1	25,099	12,550	45,369	25,099

(*) adjusted for impairment charge

16.2.1 The above TFCs are secured and carry mark at the rate of 6 month KIBOR + 2% and will mature in 15 February 2017. These TFCs are currently rated as 'non-performing' by the Mutual Funds Association of Pakistan and accordingly, the Group has made a provision for decline in the value of investment of Rs. 32.819 million as at December 31, 2012.

	Note	2012	2011
----- (Rupees in '000) -----			
17. TRADE DEBTS			
Receivable against purchase of marketable securities			
- net of provisions	17.1, 17.2 & 17.3	293,527	224,636
Inter-bank brokerage		2,124	1,803
Fees		2,482	1,178
		<u>298,133</u>	<u>227,617</u>
17.1 Considered good			
Secured		236,446	186,212
Unsecured		187	550
		<u>236,633</u>	<u>186,762</u>
Considered doubtful			
		172,789	187,223
		<u>409,422</u>	<u>373,985</u>
Provision for doubtful debts	17.4	(115,895)	(149,349)
		<u>293,527</u>	<u>224,636</u>

17.2 This includes receivable from KSE and NCCPL amounting to Rs. Nil (2011: Rs. 6.091 million) and Rs. 35.558 million (2011: Rs. Nil) respectively in respect of trading in securities settled subsequent to the year end.

17.3 This includes receivables from related parties amounting to Rs. 1.419 million (2011 : Rs. 1.464 million).

	Note	2012	2011
----- (Rupees in '000) -----			
17.4 Reconciliation of provisions against trade debts			
Opening balance		149,349	129,817
Provision for the year		-	20,519
Reversal of provision during the year		(33,454)	(987)
		<u>(33,454)</u>	<u>19,532</u>
		<u>115,895</u>	<u>149,349</u>

17.4.1 Provisions against doubtful debts have been made after considering the market value of listed shares amounting to Rs. 56.894 million (2011: Rs. 37.874 million) held in custody by the Group against respective customers accounts.

	Note	2012	2011
		----- (Rupees in '000) -----	
18. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to:			
- Suppliers		888	861
- Current portion of long-term loans and advances to employees and executives	11	1,838	2,506
Deposits:			
- Exposure deposit with KSE		73,000	-
- Exposure deposit with PMEL		3,784	2,283
- Others		3,313	2,354
		80,097	4,637
Prepayments:			
- Rent		1,570	1,247
- Insurance		673	188
- Software development and maintenance		3,179	4,235
- Others		1,918	1,902
		7,340	7,572
Other receivables:			
- Dividends receivable		-	75
- Profit on bank deposits		121	555
- Profit on exposure deposit with KSE		285	-
- Profit on long-term receivables		1,464	3,153
- Current portion of long-term receivable	13	41,800	39,730
- Receivable against margin trading system		-	990
- Receivable from related parties	18.1	12,889	4,772
- Receivable from PMEL		-	1,058
- Others		356	175
		56,915	50,508
		147,078	66,084
18.1 Receivable from related parties comprises of:			
- KASB Funds Limited		453	127
- KASB Bank Limited (the parent company)		-	4,613
- New Horizon Exploration and Production Limited		26	-
- KASB Technology Services Limited		-	32
- Director of KASB Finance (Private) Limited (the ultimate parent of Company)	10.1.3	12,410	-
		12,889	4,772
19. CASH AND BANK BALANCES			
Cash at bank in:			
- Current accounts	19.1 & 19.2	19,928	4,250
- Saving accounts		346,734	59,520
- Certificate of deposit		-	15,015
- Term deposit		-	67,000
		366,662	145,767
Cash in hand		-	64
Stamps in hand		1	4
		366,663	145,835

19.1 These carry profit at rates ranging from 1% to 11.25% (2011: 1% to 11.25%) per annum.

19.2 This includes Rs. 339.980 million (2011:Rs. 56.149 million) with KASB Bank Limited (the parent Company). The said balance includes Rs.250 million which is under lien against short-term borrowing from the parent Company (note 22.1).

20. SHARE CAPITAL

20.1 Authorised Capital

2012	2011		2012	2011
----- (Number of shares) -----			----- (Rupees in '000) -----	
<u>200,000,000</u>	<u>200,000,000</u>	Ordinary shares of Rs. 10 each	<u>2,000,000</u>	<u>2,000,000</u>

20.2 Issued, subscribed and paid-up share capital

<u>89,867,900</u>	<u>89,867,900</u>	Ordinary shares of Rs 10 each fully paid-up in cash	<u>898,679</u>	<u>898,679</u>
<u>10,132,100</u>	<u>10,132,100</u>	Ordinary shares of Rs 10 each fully paid-up as part of the scheme of arrangement	<u>101,321</u>	<u>101,321</u>
<u>100,000,000</u>	<u>100,000,000</u>		<u>1,000,000</u>	<u>1,000,000</u>

20.3 The following shares were held by related parties of the Group:

	2012		2011	
	Shares held	Percentage	Shares held	Percentage
KASB Bank Limited	77,117,500	77.118%	77,117,500	77.118%
KASB Bank Limited - Employees Provident Fund Trust	400,000	0.400%	400,000	0.400%
KASB Securities Limited - Employees Provident Fund Trust	32,000	0.032%	32,000	0.032%
KASB Funds PS Limited - Employees Provident Fund Trust	3,000	0.003%	13,000	0.013%
KASB Finance (Private) Limited	700,000	0.700%	700,000	0.700%
Key Management Personnel	945	0.001%	99,700	0.100%
	<u>78,253,445</u>	<u>78.254%</u>	<u>78,362,200</u>	<u>78.363%</u>

	Note	2012	2011
----- (Rupees in '000) -----			
21. TRADE AND OTHER PAYABLES			
Trade creditors	21.1	525,860	477,197
Accrued expenses	21.2	51,684	30,210
Withholding tax		2,668	67
Unclaimed dividends		609	609
Others		1,152	504
		<u>581,973</u>	<u>508,587</u>

21.1 This includes payables to KSE and NCCPL amounting to Rs. 17.470 million (2011: Rs. 18.181) and Rs. Nil (2011: Rs. 11.631) respectively in respect of trading in securities, settled subsequent to the year end.

21.2 This includes accrued expenses relating to various services provided by related parties amounting to Rs. 7.410 million (2011: 6.225 million).

22. SHORT-TERM BORROWING

Short-term borrowing from KASB Bank Limited (the parent Company)	22.1	<u>250,000</u>	<u>-</u>
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22.1 This represents short term borrowing from the parent Company which carries mark-up at the rate of 11% per annum and is repayable after January 07, 2013. This borrowing is secured against lien on bank balance with the parent Company (note 19.2). Subsequent to the year end, the Group has fully repaid the borrowing.

23. SHORT-TERM RUNNING FINANCES UNDER MARK-UP ARRANGEMENTS - Secured

23.1 Running finance facility of Rs. 299 million (2011: Rs. 299 million) is available to the Group from the parent Company which remained unutilised as at the year end. The facility is subject to mark-up at rates ranging from 12.70% to 14.49% (2011: 15.17% to 15.52%) per annum during the year and is required to be secured by second ranking charge over all present and future current assets of the Group.

23.2 Further, the facilities for short-term running finances available from various banks amounted to Rs. 850 million (2011: Rs. 850 million) which remained unutilised as at the year end. These facilities are subject to mark-up at rates ranging from 12.38% to 15.14% (2011: 15.03% to 17.04%) per annum and is required to be secured by pledge of securities for the purposes of utilisation of finance.

	Note	2012	2011
		----- (Rupees in '000) -----	
24. ACCRUED MARK-UP			
Mark-up accrued on:			
- Short-term borrowing - KASB Bank Limited (the parent Company)		2,712	-
- Short-term running finances facilities		-	1,265
- Redeemable capital		-	317
		<u>2,712</u>	<u>1,582</u>
25. CONTINGENCIES AND COMMITMENTS			
Contingencies			
There were no contingencies as at the year end.			
Commitments			
- Outstanding sales against commodities future		-	1,782
		<u>-</u>	<u>1,782</u>
26. OPERATING REVENUE			
Brokerage		306,855	182,817
Subscription research income		3,201	2,448
Financial advisory fee		2,580	1,239
Custody services		963	3,858
Profit on margin trading system		254	2,965
Underwriting commission		-	925
		<u>313,853</u>	<u>194,252</u>
27. NET GAIN ON SALE OF AVAILABLE-FOR-SALE INVESTMENTS			
Gain on:			
- sale of long-term investments	10.1.3	304	-
- sale of open ended mutual fund units		-	20,218
		<u>304</u>	<u>20,218</u>
28. MARK-UP / PROFIT ON BANK DEPOSITS, INVESTMENTS AND OTHER RECEIVABLES			
Profit on bank deposits		28,362	18,222
Profit on term finance certificates		3,055	9,363
Profit on long-term receivable	28.1	13,641	13,786
Loss on sale of properties		-	(529)
Mark-up on receivable from related party	10.1.3	410	-
		<u>45,468</u>	<u>40,842</u>

28.1 This represents mark-up on long-term receivable as fully explained in note 13.1.

	Note	2012	2011
		----- (Rupees in '000) -----	
29. OPERATING AND ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	29.1	201,428	176,563
Staff training and development		382	795
Rent, rates and taxes		9,075	7,725
Insurance charges		286	307
Depreciation	29.2	8,605	9,951
Amortisation	8	854	1,509
Repairs and maintenance		6,162	5,341
Power and utilities		10,137	6,766
Registration fee		-	25
Consultancy charges		-	1,721
Communication		14,413	13,034
Trading costs		9,991	7,997
Information technology related costs		17,552	13,796
Fees and subscription		10,294	15,304
Printing and stationery		2,972	4,407
Papers and periodicals		147	161
Advertisement and business promotion		3,331	5,473
Travelling and conveyance		4,529	3,427
Entertainment		2,167	458
Brokerage expense		14,102	1,204
Legal and professional charges		2,251	1,766
Auditor's remuneration	29.3	1,033	1,000
Stamp charges		89	25
Donations	29.4	2,060	1,460
Workers' Welfare fund		1,756	(52)
Financial Advisory fee		-	36
Service Level Agreement		-	3,928
Others		181	177
		<u>323,797</u>	<u>284,304</u>
29.1 Salaries, allowances and benefits include Group's contribution to provident fund amounting to Rs. 5.918 million (2011: Rs. 6.162 million).			
29.2 Depreciation			
Property and equipment	7	7,905	9,060
Investment properties	9	700	891
		<u>8,605</u>	<u>9,951</u>
29.3 Auditors' remuneration			
Statutory audit fee		631	574
Half-yearly review fee and other certifications		310	335
Out of pocket expenses		92	91
		<u>1,033</u>	<u>1,000</u>
29.4 Donation were not made to any donee fund in which any director of the Group or his spouse had any interest.			
30. FINANCE COST			
Mark-up on:			
- Short-term Borrowing (the parent company)		2,712	-
- Short-term running finances facilities		280	3,669
- Redeemable capital		11,255	64,058
- Repurchase transaction		2,307	-
Bank charges		1,885	2,047
		<u>18,439</u>	<u>69,774</u>
31. OTHER INCOME			
Gain on disposal of property and equipment	7.1	67	3,150
Gain on disposal of 'assets held for sale'		510	-
Rental income		7,603	7,252
Others		590	411
		<u>8,770</u>	<u>10,813</u>

	Note	2012	2011
		----- (Rupees in '000) -----	
32. TAXATION			
Current			
- for the year		(7,699)	(8,338)
- for prior year		-	(4,568)
Deferred	14.2	53,070	534
		<u>45,371</u>	<u>(12,372)</u>

32.1 Relationship between tax expense and accounting profit

Profit / (loss) before taxation	86,097	(194,208)
Tax at the applicable rate of 35% (2011: 35%)	(30,134)	-
Tax effects of:		
- Expenses that are not deductible in determining taxable income	(1,380)	-
- Income taxed at reduced rate (dividend income, rental income and capital gains)	5,620	-
- Income exempt from tax	494	-
- Income under final tax regime	(7,912)	-
- Deferred tax recognised during the year on deductible temporary differences of prior years	79,605	-
- Others	(922)	-
	<u>45,371</u>	<u>-</u>

The reconciliation between tax expenses and accounting profit for the previous year has not been presented as charge for income tax was mainly based on the final tax regime.

33. EARNINGS / (LOSS) PER SHARE

Profit / (loss) after taxation attributable to ordinary shareholders	131,468	(206,580)
	----- (Number of shares) -----	
Weighted average number of ordinary shares	100,000	100,000
	----- (Rupees) -----	
Earnings / (loss) per share - basic	1.31	(2.07)

Diluted earnings per share has not been presented as the Group did not have any convertible instruments in issue as at December 31, 2012 and December 31, 2011 which could have any effect on the earnings / (loss) per share.

34. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration, including all benefits, to the chief executive, directors and executives of the Group are as follows:

	2012			2011		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	----- (Rupees in '000) -----					
Managerial remuneration	17,185	8,145	46,382	15,563	9,918	78,764
Fee (note 34.2)	-	1,620	-	-	1,380	-
Reimbursable expenses	42	636	-	-	123	-
Contribution to provident fund	684	350	1,766	645	446	3,262
	<u>17,911</u>	<u>10,751</u>	<u>48,148</u>	<u>16,208</u>	<u>11,867</u>	<u>82,026</u>
Number of persons	<u>1</u>	<u>4</u>	<u>18</u>	<u>1</u>	<u>7</u>	<u>43</u>

34.1 The Chief Executive and certain executives of the Group are provided with free use of Group owned and maintained cellular phones.

34.2 The fee was paid to the Directors for attending the Board and audit committee meetings of the Group.

35. RELATED PARTY TRANSACTIONS

The related parties of the Group comprise of KASB Bank Limited (the Parent company), associated undertakings (including companies under common directorship), employee benefit plans and its key management personnel. The balances with related parties as at December 31, 2012 and December 31, 2011 and transactions with related parties during the year ended December 31, 2012 and December 31, 2011 are as follows:-

	2012					2011
	Parent Company	Associates	Key management personnel	Others	Total	Total
----- (Rupees in '000) -----						
BALANCES						
Long-term deposits	-	142	-	-	142	142
Trade debts	115	31	1,052	221	1,419	1,464
Other receivables	-	-	396	12,410	12,806	2,644
Prepaid rent	332	-	-	-	332	315
Profit receivable on bank deposit	1,059	-	-	-	1,059	389
Receivable against expenses	-	480	-	-	480	4,772
Bank balances	339,980	-	-	-	339,980	56,149
Trade payables	-	2	4,029	-	4,031	112,112
Short-term borrowing	250,000	-	-	-	250,000	-
Payable against expenses	4,435	2,663	312	-	7,410	6,225
Accrued mark-up	2,712	-	-	-	2,712	1,265
Rent payable	631	-	-	-	631	850
OFF BALANCE SHEET ITEM						
Bank guarantee	51,000	-	-	-	51,000	51,000

	2012					2011
	Parent Company	Associates	Key management personnel	Others	Total	Total
(Rupees in '000)						
TRANSACTIONS						
Income						
Brokerage income earned	571	1,766	2,746	528	5,611	3,701
Profit on bank deposits	22,582	-	-	-	22,582	8,632
Rent income	5,005	2,598	-	-	7,603	7,052
Others	-	-	-	410	410	-
Expenses						
Bank charges	1,526	-	-	-	1,526	1,050
Charge in respect of contributory plan	-	-	-	5,918	5,918	6,162
Communication expenses	-	8,838	-	-	8,838	7,178
Custody services	7	161	48	5	221	65
Donation	-	-	-	2,040	2,040	1,410
Locker rent	4	-	-	-	4	4
Mark-up expense	2,992	-	-	-	2,992	3,653
Reimbursement of expenses	15,335	6,235	-	13	21,583	8,326
Remuneration to management personnel	-	-	74,010	-	74,010	71,027
Rent expense	585	-	-	-	585	600
Salary expense reimbursed	-	48	-	-	48	48
Service level agreement	-	-	-	-	-	3,928
Other transactions						
Loans disbursed	-	-	3,257	-	3,257	3,548
Loans repayment	-	-	4,835	-	4,835	3,572
Mutual fund bonus units issued	-	-	-	9,369	9,369	8,888
Mutual fund units purchased	-	-	-	-	-	84,793
Mutual fund units redeemed	-	-	-	10,000	10,000	214,793
Purchase of property and equipment	-	-	-	-	-	1,390
Property and equipment disposed off	-	-	-	814	814	1,068
Sale of 'assets held for sale'	-	-	-	87,000	87,000	-

36. FINANCIAL INSTRUMENTS

36.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. As of the balance sheet date, the Group is exposed to such risk mainly in respect of bank balances and investment in income based mutual fund units. Effective interest rates on such instruments are disclosed in respective notes to the financial statements.

Management of the Group estimates that 1% increase in the market interest rate, with all other factors remaining constant, would increase the Group total comprehensive income by Rs. 2.121 million (2011: Rs. 1.610 million) and a 1% decrease would result in decrease in the Group's total comprehensive income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

(iii) Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The Group is exposed to price risk because of investments held by the Group and classified on the balance sheet as investments at fair value through profit or loss and available-for-sale investments. The management believes that 10% increase or decrease in the value of investments (mutual fund units) at fair value through profit and loss, with all other factors remaining constant would result in increase or decrease of the Group's profit by Rs. 16,343 million and 10% of such increase or decrease would result in increase or decrease of unrealized gain on revaluation of available-for-sale investments by Rs. 4.826 million.

36.2 Liquidity risk

Liquidity risk is the risk that an enterprise may encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group manages liquidity risk by following internal guidelines of the Group executive committee such as monitoring maturities of financial assets and financial liabilities and investing in liquid financial assets.

The table below summarises the maturity profile of the Group's financial liabilities:

	2012				
	On Demand	Upto three months	More than three months and upto one year	More than one year	Total
	(Rupees in '000)				
Trade and other payables	578,696	-	-	-	578,696
Accrued mark-up	2,712	-	-	-	2,712
	581,408	-	-	-	581,408
	2011				
	On Demand	Upto three months	More than three months and upto one year	More than one year	Total
	(Rupees in '000)				
Trade and other payables	507,911	-	-	-	507,911
Accrued mark-up	1,582	-	-	-	1,582
Redeemable capital	-	-	166,500	-	166,500
	509,493	-	166,500	-	675,993

36.3 Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continuously assessing the credit worthiness of counter parties. The Group seeks to minimise the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The table below analyses the Group's maximum exposure to credit risk:

	2012	2011
	(Rupees in '000)	
Trade debts	409,422	373,985
Bank balances (see note 36.3.2)	366,662	145,767
Long-term receivable	79,268	81,638
Long-term loans and advances	3,286	4,523
Long-term deposits and prepayments	3,616	3,604
Advances, deposits, prepayments and other receivables	103,440	23,848
	<u>965,694</u>	<u>633,365</u>

36.3.1 The table below shows analysis of the financial assets that are past due or impaired:

	2012	2011
	----- (Rupees in '000) -----	
Debts neither impaired nor past due	35,558	6,091
Debts past due but not impaired	205,681	183,652
Debts impaired - net of provisions	56,894	37,874
	<u>298,133</u>	<u>227,617</u>

36.3.2 The analysis below summarises the credit quality of the Group's balances with banks / financial institutions:

Rating (short term) of Banks and Financial Institutions*

A1	236	15,070
A1+	22,710	71,022
A-1	79	-
A-1+	82	-
A3	343,555	59,675
	<u>366,662</u>	<u>145,767</u>

*Rating performed by PACRA, JCR-VIS & Standard & Poor's.

37. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital include:

- Reinforcing Group's ability to continue as a going concern in order to provide returns to all its stakeholders with their corresponding risk profiles;
- Maintaining a strong capital base - resulting in enhancement of Group's business operations.

In order to maintain the balance of its capital structure, the Group may consider adjusting its dividend payouts, controlling non-developmental cash outflows and issuing fresh debt or capital instruments.

The Group monitors capital on the basis of the gearing ratio and its related profitability ratios. Gearing is calculated as debt divided by debt plus equity. Debt represents redeemable capital and other long-term borrowings, if any, as shown in the balance sheet. Equity represents paid-up capital of the Group, general reserve and unappropriated profit and loss.

Net capital requirements of the Group are set and regulated by KSE. These requirements are put in place to ensure sufficient solvency margins and are based on excess of current assets over current liabilities. The Group manages its net capital requirements by assessing its capital structure against required capital level on a regular basis.

38. FAIR VALUE 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. Consequently, differences can arise between carrying value and fair value estimates. The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values.

Under the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

38.1 Financial Assets Fair Value Hierarchy

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

Level 1 - quoted prices in active markets for identical assets.

Level 2 - other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 - techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at December 31, 2012 the Group held the following financial instruments measured at fair value:

	2012			
	Total	Level 1	Level 2	Level 3 (note 38.1.1)
	----- (Rupees in '000) -----			
'Available-for-sale' investments	346,162	48,256	-	297,906
Investment 'at fair value through profit and loss' - held for trading	175,978	163,428	-	12,550
	<u>522,140</u>	<u>211,684</u>	<u>-</u>	<u>310,456</u>

	2011			
	Total	Level 1	Level 2	Level 3 (note 38.1.1)
	----- (Rupees in '000) -----			
'Available-for-sale' investments	305,966	21,844	-	284,122
Investment 'at fair value through profit and loss' - held for trading	221,864	196,765	-	25,099
	<u>527,830</u>	<u>218,609</u>	<u>-</u>	<u>309,221</u>

38.1.1 The reconciliation from the beginning to ending balances for assets measured at fair value using level 3 valuation technique is given below:

	2012	2011
	----- (Rupees in '000) -----	
Opening balance	309,221	11,696
Additions during the year	25,480	297,525
Provision for impairment	(12,549)	-
Investment disposed during the year	(11,696)	-
Closing balance	<u>310,456</u>	<u>309,221</u>

39. DATE OF AUTHORISATION

These consolidated financial statements have been authorised for issue by the Board of Directors of the Group on March 15, 2013.

40. GENERAL

40.1 Corresponding figures have been rearranged and re-classified, wherever necessary, for the purpose of comparison. However, there are no material reclassifications to report.

40.2 The Board of Directors of the Group has proposed a cash dividend of Rs. 0.50 per share (2011: Nil) amounting to Rs. 50 million (2011: Nil) at its meeting held on March 15, 2013 for the approval of members at the Annual General Meeting to be held on April 24, 2013.

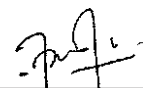
40.3 Figures have been rounded off to the nearest thousands.



Syed Asghar Ali Shah
Chairman



Nadir Rahman
Chief Executive Officer



Asad Mustafa Shafqat
Chief Financial Officer

PATTERN OF SHAREHOLDINGS

Number of Shareholders	Shareholding From	To	Total number of Shares held	Percentage %
445	1	100	8,145	0.0081%
4,217	101	500	945,938	0.9459%
407	501	1,000	325,752	0.3258%
397	1,001	5,000	1,093,066	1.0931%
120	5,001	10,000	969,257	0.9693%
44	10,001	15,000	571,279	0.5713%
32	15,001	20,000	604,086	0.6041%
24	20,001	25,000	573,121	0.5731%
14	25,001	30,000	389,542	0.3895%
7	30,001	35,000	228,505	0.2285%
9	35,001	40,000	352,300	0.3523%
2	40,001	45,000	85,300	0.0853%
6	45,001	50,000	297,200	0.2972%
6	50,001	55,000	311,647	0.3116%
2	55,001	60,000	118,820	0.1188%
4	60,001	65,000	254,821	0.2548%
6	65,001	70,000	409,616	0.4096%
2	70,001	75,000	146,053	0.1461%
4	75,001	80,000	310,218	0.3102%
1	85,001	90,000	90,000	0.0900%
7	95,001	100,000	696,500	0.6965%
3	100,001	105,000	308,019	0.3080%
1	105,001	110,000	107,454	0.1075%
2	110,001	115,000	224,109	0.2241%
1	125,001	130,000	125,300	0.1253%
1	130,001	135,000	132,500	0.1325%
4	145,001	150,000	600,000	0.6000%
1	165,001	170,000	166,100	0.1661%
1	220,001	225,000	223,000	0.2230%
1	225,001	230,000	228,461	0.2285%
2	290,001	295,000	585,300	0.5853%
1	370,001	375,000	375,000	0.3750%
1	395,001	400,000	400,000	0.4000%
1	530,001	535,000	531,000	0.5310%
1	695,001	700,000	700,000	0.7000%
1	1,120,001	1,125,000	1,121,500	1.1215%
1	1,230,001	1,235,000	1,230,500	1.2305%
1	1,695,001	1,700,000	1,700,000	1.7000%
1	2,775,001	2,780,000	2,779,591	2.7796%
1	3,680,001	3,685,000	3,685,000	3.6850%
1	75,995,001	76,000,000	75,996,000	75.9960%
<u>5,783</u>			<u>100,000,000</u>	<u>100%</u>

Shareholders' Category	Number of Shareholders	Number of Shares held	Percentage %
Directors, CEO & Children	7	153,375	0.1534%
Associated Companies	6	78,252,500	78.2525%
Banks, DFI & NBFI	1	2,779,591	2.7796%
Individuals	5,738	17,617,214	17.6172%
Others	31	1,197,320	1.1973%
	<u>5,783</u>	<u>100,000,000</u>	<u>100%</u>

* Includes 2,800 CDC Beneficial owners as per list appearing on CDS.

Pattern of Shareholding Additional Information

Serial No	Description	No of Shareholders	No of Shares held
1	Associated Companies and Related Parties		
	KASB Bank Limited	2	77,117,500
	Trustee KASB Funds Limited - Employees Provident Fund	1	400,000
	KASB Funds PS Limited - Employees Provident Fund	1	3,000
	KASB Finance (Pvt) Limited	1	700,000
	Trustee KASB Securities Limited - Employees Provident Fund	1	32,000
		<u>6</u>	<u>78,252,500</u>
2	Directors:		
	Syed Asghar Ali Shah	1	625
	Nadir Rahman	1	150,000
	Saeed Yousuf Chinoy	1	625
	Irfan Nadeem	1	500
	Malik Munir Ahmed Saleem	1	500
	Mahmood Ali Shah Bukhari	1	625
	Asad Mustafa Shafqat	1	500
		<u>7</u>	<u>153,375</u>
3	Banks, DFI & NBFI	<u>1</u>	<u>2,779,591</u>
	Individuals	<u>5,738</u>	<u>17,617,214</u>
	Others	<u>31</u>	<u>1,197,320</u>



FORM OF PROXY THIRTEENTH ANNUAL GENERAL MEETING

The Company Secretary

KASB Securities Limited
5th Floor, Trade Centre,
I.I. Chundrigar Road, Karachi,
Pakistan.

I/We _____

of _____

being member(s) of **KASB Securities Limited** holding _____

ordinary shares hereby appoint _____

of _____ or failing him/her _____

of _____ who is/are also member(s) of **KASB Securities Limited** as my/our proxy in my/our

absence to attend and vote for me/us and on my / our behalf at the Thirteenth Annual General Meeting of the Company to be held

at Beach Luxury Hotel, Karachi on Wednesday, April 24, 2013 at 09:30 am and / or any adjournment thereof.

As witness my / our hand / seal this _____ day of _____ 2013.

Witnesses

1. _____

2. _____

Shareholder Folio No.
or
CDC Participant I.D. No.
&
Sub Account No.

Signature on
Five Rupees
Revenue Stamp

The Signature should
agree with the
specimen registered
with the Company's
Registrar

NOTES:

1. The Member is requested:
 - (a) to affix Revenue Stamp of Rs. 5 at the place indicated above;
 - (b) to sign across the Revenue Stamp in the same Style of Signature as is registered with the Company's Registrar; and
 - (c) to write down his folio number.
2. This proxy form, duly completed and signed, must be received at the office of our Registrar not later than 48 hours before the time of the meeting.
3. No person shall act as a proxy unless he / she himself / herself is a member of the Company, except that a Corporate body may appoint a person who is not a member.
4. CDC shareholders or their proxies should bring their original Computerised National Identity Card or Passport along with the Participant's ID Number and their Account number to facilitate their identification.

AFFIX
CORRECT
POSTAGE

The Company Secretary
KASB Securities Limited
5th Floor, Trade Centre,
I.I. Chundrigar Road, Karachi, Pakistan
Ph: (92-21) 111-222-000 & 32635501-10
Fax: (92-21) 32630202

Dear Shareholder,

Subject: DIVIDEND MANDATE FORM

It is to inform you that under Section-250 of the Companies Ordinance, 1984 a shareholder may, if so desire, directs the company to pay dividend through his / her its bank account.

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan (SECP) vide Circular Number 18 of 2012 dated June 05, 2012, we hereby give the opportunity to authorize the Company to directly credit cash dividend in your bank account, if any, declared by the Company in future.

{PLEASE NOTE THAT DIVIDEND MANDATE IS OPTIONAL AND NOT COMPULSORY. IN CASE YOU DO NOT WISH YOUR DIVIDEND TO BE DIRECTLY CREDITED INTO YOUR BANK ACCOUNT, THEN THE SAME SHALL BE PAID TO YOU THROUGH THE DIVIDEND WARRANT.}

Do you wish the cash dividend declared by the company, if any, is directly credited in your bank account, instead of issue of dividend warrant please "tick" any of the following boxes:

YES ☐

NO ☐

If yes than please provide the following information:

Shareholder's Bank Detail	
Folio No.	
Name of the Shareholder	
Name of the listed company	
*CNIC No.	
Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	
Cell number of Shareholder	
Landline Number of shareholder, if any	

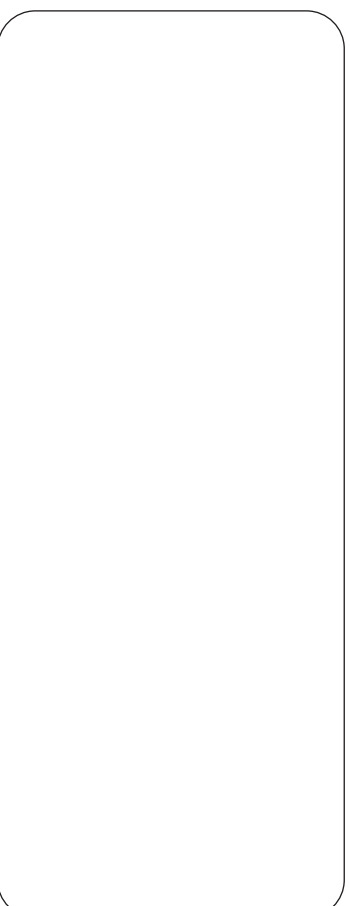
It is stated that the above-mentioned information is correct, that I will intimate the changes in the above mentioned information to the Company and the concerned Share Registrar as soon as these occur.

Signature of the member/shareholder

*please attach attested copy

NOTE: Physical Shareholders are requested to please submit the Dividend Mandate Form duly completed to THK Associates (Private) Limited. In case of CDC account holder, please submit the Mandate Form to their participants.

BOOK POST



if undelivered, please return to the address mentioned below



5th Floor, Trade Centre,
I.I. Chundrigar Road, Karachi.
UAN: +92 21 111 222 000 Fax: +92 21 3263 0202
E-mail: kasbho@kasb.com URL: www.kasb.com