



Annual Report 2013

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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 relationships with all stakeholders their families and businesses on the principles of integrity and 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 Results

COMPANY INFORMATION**Board of Directors:**

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

Audit Committee:

Irfan Nadeem - Chairman
Mahmood Ali Shah Bukhari
Saeed Yousuf Chinoy
Zia-ul-Haq - Secretary

HR Committee:

Irfan Nadeem - Chairman
Saeed Yousuf Chinoy
Mahmood Ali Shah Bukhari
Najmus Saqib - 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) 35657658-9 & 35657674
E-mail: bawaney@cyber.net.pk

Registered & Head Office:

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

Branches:**Faisalabad**

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

Gujranwala

81, Ground Floor,
Gujranwala Development Authority Trust Plaza,
Phone: (92 55) 3822501-04
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,
Phone: (92 21) 34980763, 64 & 66
Fax: (92 21) 34980761
Email: kasbgul@kasb.com

Islamabad

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

Lahore

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

Multan

Ground Floor, State Life Building,
Abdali Road,
Phone: (92 61) 4500273-6
Fax: (92 61) 4500272
Email: kasbmul@kasb.com

Peshawar Cantt

1st Floor, State Life Building,
34-The Mall,
Phone: (92 91) 5276025-28
Fax: (92 91) 5273683
Email: kasbpsh@kasb.com

Rahim Yar Khan

Plot No. 24, Model Town,
Near Town Hall Road.
Phone: (92 68) 5873252-4
Fax: (92 68) 5873251
Email: rahimyarkhan@kasb.com

Rawalpindi

3rd Floor, East Wing,
Ferozsons Chamber, Saddar Road,
Phone: (92 51) 5701520-4
Fax: (92 51) 5701525
Email: rawalpindi@kasb.com

Website:

www.kasb.com

Share Registrar:

THK Associates (Private) Limited
2nd 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

Saeed Yousuf Chinoy – Chairman

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.

Nadir Rahman – Chief Executive Officer

Mr. Nadir Rahman has 24 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.

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

Mr. 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

Mr. 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.

Tahir Iqbal - Director

Mr. Tahir Iqbal joined KASB Securities Limited in February 1994. Mr. Iqbal has over a decade long association with KASB Securities Limited where he has been engaged with settlements, custody and general operations of the company and has been a key resource in designing and automating its business and back office systems. Prior to joining KASB Securities he was Associated as a Cost Accountant with Associated Industries Pakistan (Pvt) Ltd., one of the most prominent export houses in Pakistan. Mr. Iqbal has an MBA (Finance & Accounts) degree from Preston University, USA and has completed various courses from the Institute of Cost and Management Accountants of Pakistan.

Asad Mustafa Shafqat – Director

Mr. 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 Charter holder.

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, 2013.

Economic Review

Pakistan's macroeconomic situation improved in 2013, led by a successful democratic transition of power in the May-2013 elections. Two major positives emerged, 1) the first time in Pakistan's sixty-five year history a democratically elected government completed its term and handed over power to another and 2) the PML -N government won a simple majority in the National Assembly, which is beneficial to the reform process.

Broadly, macro indicators are moving in the right direction. CPI inflation fell to an avg. of 7.7% in CY13, from 9.7% in CY12. Pakistan entered a new IMF program in Sep-2013, which was critical for macro-economic stability, and to steady the balance of payments position. Under the new government, private sector credit has improved considerably; fiscal deficit has been contained, whilst GDP growth and LSM growth have rebounded significantly. The energy sector resolution in June 2013 helped alleviate the circular debt crisis, and improved electricity availability in the country.

In 2014, the government's ambitious privatization program, along with impending issuance of Eurobonds and a 3G auction would be important milestones for the economy. Shoring up FX reserves and stabilizing the balance of payments would be the crucial challenge for the year. Working within the IMF program, energy and fiscal reforms hold the key to unlock a high growth trajectory.

Equity Market Review

2013 was the second consecutive year in which the KSE-100 posted a return of 49%. The smooth transition of power in May 2013 elections drove re-rating at the KSE (forward P/E rose to 7.9x by Dec-13 from 6.7x in Dec-12), and helped achieve a 49% return in 2013. In terms of activity, volumes jumped 29% in 2013 to 223 million shares a day, whilst value traded was up a more significant 50% YoY to US\$ 75 million / day, a four year high. Pakistan's equity market handsomely out-performed Asian peers in 2013, whose average return was 9%, compared to 49% for the KSE-100. Politics was the dominant investment theme for Pakistan's equity market in 2013, with the smooth transition of power in the May-13 elections exciting domestic and foreign investors alike. Foreign portfolio investment was US\$ 402 million, representing a 3-year high.

Debt and Currency Market Review

There was significant volatility in debt markets in 2013. Firstly, there was a reduction in the discount rate (DR) from 9.5% to 9.0% in June 2013, which was subsequently followed by two DR hikes of 50bp each in Sep-13 and Nov-13. Meanwhile, the SBP also reduced in interest rate corridor (difference between the repo and reserve repo rates) by 50bp to 2.5%.

In line with the government's growing reliance on banks to finance its deficit, the SBP conducted fortnightly T-bill auctions worth PKR 6.1 trillion, ten PIB auctions worth PKR 347 billion and only one Ijarah Sukuk auction worth PKR 43 billion during the year.

The inter-bank currency market saw the PKR depreciating by 8.6% against the greenback in 2013, as falling FX reserves (SBP reserves fell below 1 month of import cover) weakened the currency. However, in the first few months of 2014, this trend has reversed, and we have witnessed a sharp appreciation in the PKR.

Operating and Financial Performance

Profit after tax for CY13 amounted to PKR 81.5 million as compared to a profit after tax of PKR 131.4 million for CY12. Monetary impact of key P&L items on the Company's bottom-line are highlighted as under:

- Operating revenue increased 53.3% from PKR 313.9 million in CY12 to PKR 481.1 million in CY13, reflecting the increase in brokerage fees / income due to increased market activity during the year;
- Reversal of provisions (net) were of PKR 9.7 million in CY 13 as against PKR 33.5 million in CY12;
- Operating and administrative costs increased by 23.8% from PKR 323.6 million in CY12 to PKR 400.7 million in CY13;
- The Company generated an operating profit of PKR 126.8 million in CY13 , as against an operating profit of PKR 95.7 million in CY12 , an increase of 32.5%;
- The Company posted profit before tax of PKR 125.1 million in CY13 as against PKR 86.0 million in CY12;
- After due taxation adjustments, the Company's profit after tax was PKR 81.5 million (EPS of 0.81) in CY13 as compared to PKR 131.4 million (EPS of 1.31) in CY12;
- In light of the performance for the year, the board has proposed to issue a dividend of PKR 0.50 per share for CY 2013.

Corporate Governance

The directors confirm compliance with the Corporate & Financial Reporting Framework of the Securities and Exchange Commission of Pakistan (SECP's) 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 notes 4.2 to 4.16 of the financial statements have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment;
- Approved Accounting Standards, as applicable in Pakistan, Companies Ordinance, 1984 and the directives issued by the Commission as also stated in note 4.1 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;
- The Company maintains a balance of executive and non-executive directors in the Board of Directors, with three directors meeting the criteria for independent directors 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 5.

- 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. One director from the Board got certified under the Board Development Series organized by Pakistan Institute of Corporate Governance;
- 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, 2013 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 un-audited financial statements for the year ended December 31, 2013 amounts to approximately PKR 60 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 towards 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 2013 are as follows:

- Adherence to regulatory requirements: The Company and its employees contributed an amount of PKR 68.9 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 were awarded study scholarships for pursuing in higher education
 - Various in-house and external training programs have been conducted and arranged to improve HR quality
- 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 three independent directors, two 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 and an HR & Remuneration 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 2013. 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 2013 | Meetings attended during 2013* |
|---------------------------------------|---------------------------|--------------------------------|
| Syed Asghar Ali Shah, Chairman | 5 | 5 |
| Saeed Yousuf Chinoy | 5 | 5 |
| Salman Naqvi | 5 | 4 |
| Mahmood Ali Shah Bukhari | 5 | 4 |
| Irfan Nadeem | 5 | 3 |
| Nadir Rahman, Chief Executive Officer | 5 | 5 |
| Asad Mustafa Shafqat | 5 | 5 |

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

The directors wish to report the following changes during 2013 in the composition of the Board of Directors:

- Malik Munir Ahmed Saleem, appointed on February 11, 2010, resigned and in his place, Salman Naqvi was co-opted on March 15, 2013..

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 Committee's meetings was as follows:

| Name of Director | Meetings held during 2013 | Meetings attended during 2013* |
|-------------------------------|---------------------------|--------------------------------|
| Saeed Yousuf Chinoy, Chairman | 4 | 4 |
| Syed Asghar Ali Shah | 4 | 4 |
| Irfan Nadeem | 4 | 2 |

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

Human Resource & Remuneration Committee

The Human Resource & Remuneration Committee consists entirely of non-executive directors. The attendance of Directors at the Committee's meetings was as follows:

| Name of Director | Meetings held during 2013 | Meetings attended during 2013* |
|--------------------------|---------------------------|--------------------------------|
| Irfan Nadeem, Chairman | 2 | 2 |
| Mahmood Ali Shah Bukhari | 2 | 1 |
| Saeed Yousuf Chinoy | 2 | 1 |

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

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 2014. 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, 2013 appears on page 77. 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.

Dividends

Keeping in view the success the Company has achieved this year, the board has proposed to issue a dividend payment of PKR 0.50 per share.

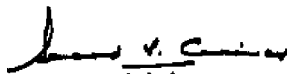
Future Outlook

YTD 2014 KSE-100 index has shown strong performance of 7.5%, hitting new highs of 27,300 this year. Pak Rupee at the same time has also appreciated by 6.7% Jan-Mar 2014 on back of increased foreign inflows and commitments. Going forward, privatization and secondary offerings of key government owned entities, materialization of expected foreign inflows and portfolio investment, leading to strengthening Pak Rupee, decline in inflation and thus monetary easing would be the key trigger for the equity markets. Increase in Pakistan's weight in MSCI Frontier Market Index scheduled in May-2014 from exclusion of UAE and Qatar would also be a key trigger to watch out for this year.

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



Saeed Yousuf Chinoy
Chairman

Karachi: March 20, 2014

FINANCIAL HIGHLIGHTS

| | Year Ended December 31, | | | | | |
|--|-------------------------|-----------|-----------|-----------|-----------|-----------|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Operating Performance | | | | | | |
| (Rupees in '000) | | | | | | |
| Revenue | 517,717 | 385,856 | 267,937 | 335,171 | 511,732 | 488,679 |
| Operating and administrative expenses | (400,656) | (323,617) | (281,319) | (301,574) | (242,964) | (194,988) |
| Reversal of provision / (provision) / impairment | 9,695 | 33,454 | (61,521) | 102,324 | (450,858) | (156,961) |
| Finance cost | (8,942) | (18,439) | (69,774) | (72,600) | (85,320) | (106,575) |
| Other income | 7,263 | 8,770 | 10,813 | 11,710 | 14,117 | 15,045 |
| Profit / (loss) before taxation | 125,077 | 86,024 | (133,864) | 75,031 | (253,293) | 45,200 |
| Profit / (loss) after taxation | 81,454 | 131,396 | (146,226) | 68,872 | (298,270) | 4,690 |
| Per Ordinary Share | | | | | | |
| (Rupees) | | | | | | |
| Earnings / (loss) per share | 0.81 | 1.31 | (1.46) | 0.69 | (2.98) | 0.05 |
| Break-up value per share | 12.18 | 11.74 | 9.90 | 10.63 | 10.18 | 11.98 |
| Dividends | | | | | | |
| (Percentage) | | | | | | |
| Final dividend | 5% | 5% | - | - | - | - |
| Financial Position | | | | | | |
| (Rupees in '000) | | | | | | |
| Assets and Liabilities | | | | | | |
| Total assets | 2,257,847 | 2,007,012 | 1,665,708 | 2,034,743 | 2,305,027 | 2,255,343 |
| Current assets | 1,272,453 | 1,002,555 | 747,216 | 1,151,957 | 1,876,991 | 2,143,693 |
| Current liabilities | 939,432 | 833,460 | 675,444 | 804,791 | 785,478 | 556,308 |
| Equity | | | | | | |
| Shareholders' equity | 1,218,415 | 1,173,552 | 990,264 | 1,063,386 | 1,018,202 | 1,198,356 |
| Share capital | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Reserves | 218,415 | 173,552 | (9,736) | 63,386 | 18,202 | 198,356 |
| No. of Shares outstanding (Number in '000) | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Return on capital employed - (%) | 10.27 | 7.33 | (13.52) | 7.06 | (24.88) | 3.77 |
| Return on total assets - (%) | 5.94 | 5.20 | (3.85) | 7.26 | (7.29) | 6.73 |
| Current ratio-times | 1.35 | 1.20 | 1.11 | 1.43 | 2.39 | 3.85 |
| Interest cover ratio-times | 14.99 | 5.67 | (0.92) | 2.03 | (1.97) | 1.42 |



NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fourteenth Annual General Meeting of KASB Securities Limited (the Company) will be held at **Beach Luxury Hotel, Karachi** on **Tuesday April 22, 2014 at 09:00 am** to transact the following businesses:

- To confirm the minutes of the Extraordinary General Meeting held on January 28, 2014;
- To receive, consider and adopt the audited standalone and consolidated financial statements of the Company for the year ended December 31, 2013 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, 2013;
- To appoint Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as the auditors for the year ending December 31, 2014 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 01, 2014

Notes:

- (i) Share transfer books of the Company will remain closed from April 16, 2014 to April 22, 2014 (both days inclusive). Transfers received in order at the office of our Registrar, THK Associates (Private) Limited, 2nd Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi; by the close of business on April 15, 2014 will be treated in time.
- (ii) 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.
- (iii) 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.
- (iv) In case of proxy by a corporate entity, Board of Directors' resolution/power of attorney shall also be submitted along with the form.
- (v) 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.
- (vi) 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
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eyfrsh.khi@pk.ey.com
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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **KASB Securities Limited** (the Company) for the year ended 31 December 2013 to comply with the requirements of Listing Regulation No 35 of the Karachi Stock Exchange where the Company is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2013.

Further, we highlight the matter referred in note 19 of the Statement of Compliance which states that the Head of internal audit resigned with effect from 23 December 2013 and no fresh appointment was made on this position as of the date.



Chartered Accountants

Date: 20 March 2014

Karachi

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. The Board includes:

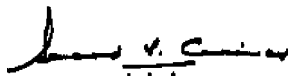
| Category | Names |
|-------------------------|--|
| Independent Directors | <ul style="list-style-type: none"> • Saeed Yousuf Chinoy • Syed Asghar Ali Shah* • Irfan Nadeem |
| Executive Directors | <ul style="list-style-type: none"> • Nadir Rahman • Asad Mustafa Shafqat |
| Non-Executive Directors | <ul style="list-style-type: none"> • Salman Naqvi • Mahmood Ali Shah Bukhari |

*Syed Asghar Ali Shah completed his tenure in January 2014 and has not offered himself for re-appointment as a Director of the Company.

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 14, 2013 was filled up by a new director within 90 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 & 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 meeting. 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. One director from the Board got certified under the Board Development Series organized by Pakistan Institute of Corporate Governance.
10. The Chief Financial Officer and the Company Secretary were appointed by the Board. The remuneration and terms & conditions of appointment were approved by Board of the Company.
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 the 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 as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR & Remuneration Committee. It comprises three members, all of whom are non-executive directors and the chairman of the committee is an independent director.
18. Two meetings of the HR & Remuneration committee were held during the year.
19. The Board has set up an internal audit function. The Head of internal audit resigned with effect from December 23, 2013 and no fresh appointment was made on this position as of the date. The Company is in the process of appointing a new Head of internal audit. Further, the Company is taking steps to strengthen the internal audit department.
20. 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.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulation and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The 'closed period', prior to the announcement of interim/ final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and the stock exchange.
23. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of Board of Directors



Saeed Yousuf Chinoy
Chairman

Karachi: March 20, 2014



STANDALONE FINANCIAL STATEMENTS



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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **KASB Securities Limited** (the Company) as at December 2013 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 2013 and of the profit, total comprehensive income, cash flows and changes in equity for the year then ended; and
- (d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of the Ordinance.



Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Date: 20 March 2014

Karachi

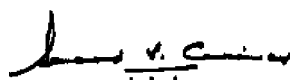
A member firm of Ernst & Young Global Limited

BALANCE SHEET

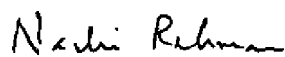
AS AT DECEMBER 31, 2013

| | Note | 2013 | 2012 |
|---|------|------------------|------------------|
| ----- (Rupees in '000) ----- | | | |
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 7 | 46,837 | 35,838 |
| Intangible assets | 8 | 8,854 | 12,736 |
| Investment properties | 9 | - | 7,429 |
| Long-term Investments | 10 | 883,376 | 866,372 |
| Long-term loans and advances | 11 | 498 | 1,448 |
| Long-term deposits and prepayments | 12 | 6,429 | 3,616 |
| Long-term receivable | 13 | 218 | 23,480 |
| Deferred tax asset - net | 14 | 39,182 | 53,538 |
| | | 985,394 | 1,004,457 |
| Current assets | | | |
| Short-term investments | 15 | 267,630 | 175,978 |
| Trade debts | 16 | 382,704 | 298,133 |
| Advances, deposits, prepayments and other receivables | 17 | 257,970 | 147,078 |
| Taxation - net | | 26,752 | 18,278 |
| Cash and bank balances | 18 | 337,397 | 363,088 |
| | | 1,272,453 | 1,002,555 |
| TOTAL ASSETS | | 2,257,847 | 2,007,012 |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Issued, subscribed and paid-up capital | 19 | 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 | | 153,530 | 140,121 |
| Unappropriated profit | | 46,133 | 14,679 |
| | | 1,218,415 | 1,173,552 |
| Non-current liabilities | | | |
| Long-term loan | 20 | 100,000 | - |
| Current liabilities | | | |
| Trade and other payables | 21 | 939,399 | 580,748 |
| Short-term borrowing | 22 | - | 250,000 |
| Accrued mark-up | 24 | 33 | 2,712 |
| | | 939,432 | 833,460 |
| TOTAL EQUITY AND LIABILITIES | | 2,257,847 | 2,007,012 |
| CONTINGENCIES AND COMMITMENTS | 25 | | |

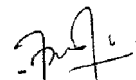
The annexed notes from 1 to 41 form an integral part of these financial statements.



Saeed Yousuf Chinoy
Chairman



Nadir Rahman
Chief Executive Officer



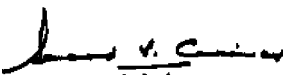
Asad Mustafa Shafqat
Chief Financial Officer

PROFIT AND LOSS ACCOUNT

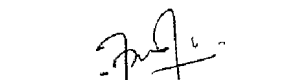
FOR THE YEAR ENDED DECEMBER 31, 2013

| | Note | 2013 | 2012 |
|---|------|------------------------------|-----------|
| | | ----- (Rupees in '000) ----- | |
| Operating revenue | 26 | 481,126 | 313,853 |
| Net (loss) / gain on investments 'at fair value through profit or loss' | | | |
| Net (loss) / gain on sale of equity securities, other investments and commodities | | (20,778) | 25,322 |
| Net unrealised gain on re-measurement of investments | | 16,652 | 386 |
| | | (4,126) | 25,708 |
| Net gain on sale of 'available for sale' investments | | - | 304 |
| Dividend income | | 1,549 | 776 |
| Mark-up / profit on bank deposits, investments and other receivables | 27 | 39,168 | 45,215 |
| | | 517,717 | 385,856 |
| Operating and administrative expenses | 28 | (400,656) | (323,617) |
| (Provision) / reversal of provision against doubtful debts-net | 16.3 | (4,293) | 33,454 |
| Reversal of provision against long-term receivable | 13.2 | 13,988 | - |
| | | (390,961) | (290,163) |
| Operating profit | | 126,756 | 95,693 |
| Finance cost | 29 | (8,942) | (18,439) |
| | | 117,814 | 77,254 |
| Other income | 30 | 7,263 | 8,770 |
| Profit before taxation | | 125,077 | 86,024 |
| Taxation | 31 | (43,623) | 45,372 |
| Profit after taxation | | 81,454 | 131,396 |
| Other comprehensive income: | | | |
| Net unrealised gain arising during the year on re-measurement of 'available-for-sale' investments - net | | 13,409 | 51,892 |
| Other comprehensive income for the year | | 13,409 | 51,892 |
| Total comprehensive income for the year | | 94,863 | 183,288 |
| | | ----- (Rupees) ----- | |
| Earnings per share - basic and diluted | 32 | 0.81 | 1.31 |

The annexed notes from 1 to 41 form an integral part of these financial statements.


Saeed Yousuf Chinoy
 Chairman


Nadir Rahman
 Chief Executive Officer

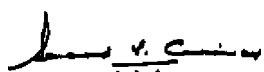

Asad Mustafa Shafqat
 Chief Financial Officer

CASH FLOW STATEMENT

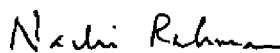
FOR THE YEAR ENDED DECEMBER 31, 2013

| | 2013 | 2012 |
|---|------------------------------|------------------|
| | ----- (Rupees in '000) ----- | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 125,077 | 86,024 |
| Non-cash adjustments to reconcile profit before tax to net cash flows: | | |
| Depreciation | 10,120 | 8,605 |
| Amortisation | 537 | 854 |
| Loss / (gain) on sale of investments - net | 20,778 | (25,626) |
| Gain on sale of property and equipment | (494) | (67) |
| Property and equipment written off | 2,059 | - |
| Gain on sale of 'asset held for sale' | - | (510) |
| Unrealised gain on re-measurement of investments 'at fair value through profit or loss' - net | (16,652) | (386) |
| Provision / (reversal of provision) against doubtful debts | 4,293 | (33,454) |
| Reversal of provision against long-term receivable | (13,988) | - |
| Finance cost | 8,942 | 18,439 |
| Dividend income | (1,549) | (776) |
| | <u>14,046</u> | <u>(32,921)</u> |
| | 139,123 | 53,103 |
| Working capital adjustments: | | |
| Increase in assets | | |
| Trade debts | (88,780) | (37,062) |
| Advances, deposits, prepayments and other receivables | (73,726) | (81,069) |
| | <u>(162,506)</u> | <u>(118,131)</u> |
| Increase in current liabilities | | |
| Trade and other payables | 357,925 | 73,386 |
| | <u>334,542</u> | <u>8,358</u> |
| Finance cost paid | (11,621) | (17,309) |
| Income tax paid | (37,741) | (23,123) |
| Net cash flows generated from / (used in) operating activities | <u>285,180</u> | <u>(32,074)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| 'Available-for-sale' investments - net | - | 12,000 |
| Investments 'at fair value through profit or loss' - net | (95,778) | 71,594 |
| Purchase of property and equipment | (17,249) | (7,263) |
| Proceeds from disposal of property and equipment | 1,744 | 175 |
| Proceeds from disposal of 'asset held for sale' | - | 87,000 |
| Dividend received | 1,549 | 851 |
| Net cash flows (used in) / generated from investing activities | <u>(109,734)</u> | <u>164,357</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Long-term loans and advances | 950 | 569 |
| Long-term deposits and prepayments | (2,813) | (12) |
| Short-term borrowing | (250,000) | 250,000 |
| Long-term loan | 100,000 | - |
| Long-term receivable | - | 4,440 |
| Dividend paid | (49,274) | - |
| Redemption of redeemable capital | - | (166,500) |
| Net cash flows (used in) generated from financing activities | <u>(201,137)</u> | <u>88,497</u> |
| Net (decrease) / increase in cash and cash equivalents | <u>(25,691)</u> | <u>220,780</u> |
| Cash and cash equivalents at the beginning of the year | 363,088 | 142,308 |
| Cash and cash equivalents at the end of the year | <u>337,397</u> | <u>363,088</u> |

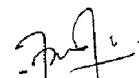
The annexed notes from 1 to 41 form an integral part of these financial statements.



Saeed Yousuf Chinoy
Chairman



Nadir Rahman
Chief Executive Officer



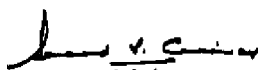
Asad Mustafa Shafqat
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

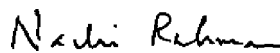
FOR THE YEAR ENDED DECEMBER 31, 2013

| | Share capital | General reserve | (Accumulated loss) / unappropriated profit | Unrealised gain on re-measurement of 'available-for-sale' investments to fair value - net | Total |
|---|------------------|-----------------|--|---|------------------|
| ----- (Rupees in '000) ----- | | | | | |
| Balance as at January 01, 2012 | 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 |
| Total comprehensive income for the year | - | - | 81,454 | 13,409 | 94,863 |
| Dividend paid during the year | - | - | (50,000) | - | (50,000) |
| Balance as at December 31, 2013 | 1,000,000 | 18,752 | 46,133 | 153,530 | 1,218,415 |

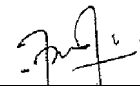
The annexed notes from 1 to 41 form an integral part of these financial statements.



Saeed Yousuf Chinoy
Chairman



Nadir Rahman
Chief Executive Officer



Asad Mustafa Shafqat
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

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 Company is KASB Corporation Limited [Formerly: KASB Finance (Private) Limited.]

The Company has corporate membership of the Karachi Stock Exchange Limited (KSE) 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 4.6 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 (IASB) 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:

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

IFRS 7 – Financial Instruments: Disclosures - (Amendment)

Improvements to Accounting Standards Issued by the IASB:

IAS 1 – Presentation of Financial Statements - Clarification of the requirements for comparative information.

IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment.

IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments.

IAS 34 – Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities.

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 on 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 assets' 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 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.

4.5 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 Financial assets

4.6.1 Investments

Investment 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 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.

4.6.2 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.

4.7 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.

4.8 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are off-set 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 off-set.

4.9 Revenue recognition

- Brokerage income is recognised as and when such services are rendered.
- Financial advisory fees and other income are 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 are 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.

4.10 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.

4.11 Dividend distributions and appropriations

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

4.12 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.

4.13 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.

4.14 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.

4.15 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.

4.16 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 judgments, 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 judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

The estimates, judgments 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 | 4.6.1,10 & 15 |
| Provision for doubtful debts | 4.15 & 16 |
| Deferred taxation and taxation | 4.10,14 & 31 |

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) |
|---|--|
| IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting | January 01, 2014 |
| IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment) | January 01, 2014 |
| IFRIC 21 – Levies | January 01, 2014 |
| IAS 32 – Off-setting Financial Assets and Financial liabilities – (Amendment) | January 01, 2014 |
| IFAS 3 – Profit and Loss Sharing on Deposits | June 12, 2013 |

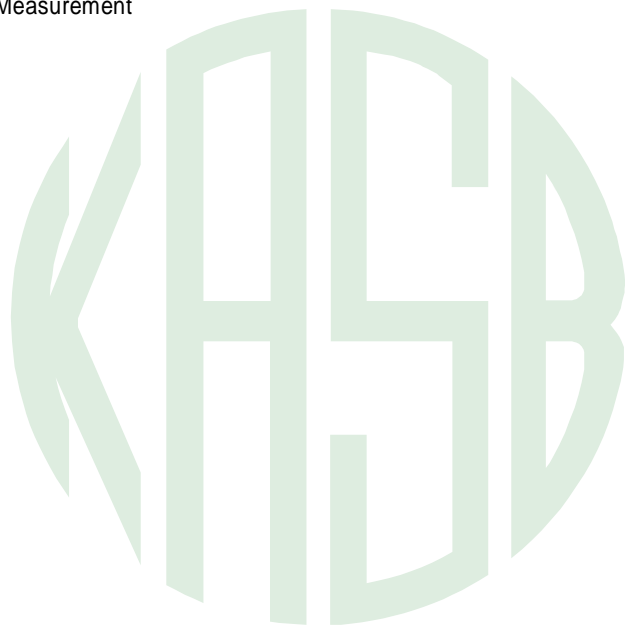
The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

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.

| Standard | 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

| | 2013 | | | | |
|--|--------------------------------|---------------------------|-----------------------------------|----------------|---------------|
| | Office premises- lease hold | Furniture and fixtures | Computers and office equipment | Motor vehicles | Total |
| ----- (Rupees in '000) ----- | | | | | |
| 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 at the beginning of the year | 15,024 | 11,160 | 8,136 | 1,518 | 35,838 |
| Changes during the year | | | | | |
| Additions during the year | - | 1,555 | 11,364 | 4,080 | 16,999 |
| Disposals during the year | | | | | |
| - Cost | - | (1,923) | (3,671) | (1,328) | (6,922) |
| - Depreciation | - | 1,107 | 3,503 | 1,062 | 5,672 |
| Written off during the year (note 7.1) | | | | | |
| - Cost | - | (816) | (168) | (266) | (1,250) |
| - Depreciation | (2,149) | (2,001) | (63,824) | - | (67,974) |
| Depreciation charge for the year | 418 | 1,715 | 63,782 | - | 65,915 |
| Transfer from investment properties during the year (note 9) | (1,731) | (286) | (42) | - | (2,059) |
| - Cost | (1,217) | (2,249) | (5,592) | (543) | (9,601) |
| - Depreciation | 20,732 | - | - | - | 20,732 |
| Net book value at the end of the year | (13,822) | - | - | - | (13,822) |
| | 6,910 | - | - | - | 6,910 |
| | 3,962 | (1,796) | 5,562 | 3,271 | 10,999 |
| Net book value at the end of the year | 18,986 | 9,364 | 13,698 | 4,789 | 46,837 |
| Analysis of Net Book Value | | | | | |
| Cost | 39,780 | 23,490 | 68,724 | 6,642 | 138,636 |
| Accumulated depreciation | (20,794) | (14,126) | (55,026) | (1,853) | (91,799) |
| Net book value as at December 31, 2013 | 18,986 | 9,364 | 13,698 | 4,789 | 46,837 |
| Depreciation rate (% per annum) | 5 | 10 | 33.33 | 20 | |
| | 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 | - | - | (108) | - | (108) |
| | (1,061) | (2,244) | (4,166) | (434) | (7,905) |
| 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 | |

7.1 During the year, a comprehensive exercise for physical verification of fixed assets was performed by a firm of Chartered Accountants, whose report dated October 10, 2013 suggests that cost of fixed assets amounting to Rs. 65.69 million requires to be written off. Accordingly, the Company has written off fixed assets having cost of Rs. 65.69 million (written down value of Rs. 0.33 million) during the year.

In addition, the Company has also written off certain other fixed assets during the year which were not in usable condition amounting to Rs. 2.28 million (written down value of Rs. 1.73 million).

7.2 Disposal of property and equipment

Particulars of property and equipment disposed off during the year having book value of more than Rs. 50,000 are as follows:

| | Cost | Accumulated depreciation | Written down value | Sale proceeds | Gain / (loss) | Particular of Buyers | Mode of disposal |
|--|--------------|--------------------------|--------------------|---------------|---------------|--------------------------------------|------------------|
| ----- (Rupees in '000) ----- | | | | | | | |
| Furniture & Fixtures | | | | | | | |
| Office Furniture | 661 | 359 | 302 | 175 | (127) | KASB Funds Limited-related party | Negotiation |
| Office Furniture | 823 | 453 | 370 | 574 | 204 | KASB Bank Limited-the Parent Company | Negotiation |
| Vehicles | | | | | | | |
| Toyota Corolla | 1,328 | 1,062 | 266 | 750 | 484 | Younus Khan | Negotiation |
| The aggregate amount of property and equipment disposed off during the year having book value less than Rs. 50,000: | | | | | | | |
| Furniture and fixtures | 439 | 295 | 144 | 58 | (86) | | |
| Computer and office equipment | 3,671 | 3,503 | 168 | 187 | 19 | | |
| December 31, 2013 | 6,922 | 5,672 | 1,250 | 1,744 | 494 | | |
| December 31, 2012 | 3,079 | 2,971 | 108 | 175 | 67 | | |

8. INTANGIBLE ASSETS

2013

| | Computer software | Membership of PMEL | Rooms at KSE (Note 8.1) | Booths at KSE | Membership of KSE (Note 8.2) | Total |
|--|-------------------|--------------------|-------------------------|---------------|------------------------------|---------------|
| ----- (Rupees in '000) ----- | | | | | | |
| Cost | 8,575 | 500 | 5,804 | 950 | 4,945 | 20,774 |
| Accumulated amortisation | (8,038) | - | - | - | - | (8,038) |
| Net book value at the beginning of the year | 537 | 500 | 5,804 | 950 | 4,945 | 12,736 |
| Adjustment during the year | - | 250 | - | - | (3,595) | (3,345) |
| Amortisation for the year | (537) | - | - | - | - | (537) |
| Net book value at the end of the year | - | 750 | 5,804 | 950 | 1,350 | 8,854 |

Analysis of Net Book Value

| | | | | | | |
|---|----------|------------|--------------|------------|--------------|--------------|
| Cost | 8,575 | 750 | 5,804 | 950 | 1,350 | 17,429 |
| Accumulated amortisation | (8,575) | - | - | - | - | (8,575) |
| Net book value as at December 31, 2013 | - | 750 | 5,804 | 950 | 1,350 | 8,854 |
| Amortisation rate (% per annum) | 33.33 | - | - | - | - | - |

8.1 Currently, rooms at KSE are used by KASB Bank Limited (the Parent Company) under rental arrangements.

8.2 Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act), the ownership in a stock exchange has been segregated from right to trade on the exchange. Accordingly, the Company has received equity shares of KSE and a Trading Right Entitlement (TREC) 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 cost / book value of the KSE membership card amounts to Rs. 4.95 million as at December 31, 2013. In absence of an active market of the shares of KSE and TREC, the allocation of the carrying value of the membership card between the shares (financial asset) and TREC (an intangible asset) has been made by the Company on the basis of the face value of ordinary shares and the TREC value assigned by the KSE for minimum capital requirement purpose applicable to the stock exchange brokers currently.

2012

| | 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 | (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 | - | - | - | - | - |

| | Note | 2013 | 2012 |
|--|------|----------------|--------------|
| ----- (Rupees in '000) ----- | | | |
| 9. INVESTMENT PROPERTIES | | | |
| Cost | | 20,732 | 20,732 |
| Accumulated depreciation | | (13,303) | (12,603) |
| Net book value at the beginning of the year | | 7,429 | 8,129 |
| Depreciation charge for the year | | (519) | (700) |
| Transfers during the year | | | |
| - Cost | | (20,732) | - |
| - Depreciation | | 13,822 | - |
| | 9.1 | (6,910) | - |
| Net book value at the end of the year | | - | 7,429 |
| Analysis of net book value | | | |
| Cost | | - | 20,732 |
| Accumulated Depreciation | | - | (13,303) |
| Net book value at the end of the year | | - | 7,429 |
| Depreciation rate (% per annum) | | 5 | 5 |

9.1 During the year, the Company has transferred the investment properties (comprising 6th and 10th floor office spaces) to its own use. Previously, these office spaces were given on rent to KASB Bank Limited (the Parent Company) and KASB Funds Limited (a related party), however, during the year, the rental contracts with these group companies were not renewed and the Company is now using these offices for its own operations.

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 | 394,795 | 377,791 |
| | | 883,376 | 866,372 |

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. 488.58 million.

The book value of each ordinary share is Rs. 9.79 (2012: Rs. 9.80) based on the audited financial statements of the subsidiary for the year ended December 31, 2013.

10.2 Description of 'available-for-sale' investments

| 2013 | | 2012 | | 2013 | | 2012 | |
|------------------------|------------------------------|--|--------|----------------|----------------|----------------|----------------|
| Number of shares | Name of the Investee Company | Note | Cost* | Carrying value | Cost* | Carrying value | |
| Quoted shares | | | | | | | |
| 19,858,649 | 19,858,649 | KASB Bank Limited (Parent Company) | 10.2.1 | 21,844 | 38,129 | 21,844 | 48,256 |
| Unquoted shares | | | | | | | |
| 2,915,925 | - | Karachi Stock Exchange Limited | 8.2 | 3,595 | 3,595 | - | - |
| 3,370 | 3,370 | Al Jomaih Power Limited | 10.2.2 | 184,197 | 321,442 | 184,197 | 297,906 |
| | | 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 |
| | | | | 241,265 | 394,795 | 237,670 | 377,791 |

(*) 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 is valued at its fair value as at the year end based on the net assets value of the investee Company as at December 31, 2012.

| | Note | 2013 | 2012 |
|---|------|--------------|----------------|
| ----- (Rupees in '000) ----- | | | |
| 11. LONG-TERM LOANS AND ADVANCES - Considered good | | | |
| Loans and advances to: | | | |
| - Employees | | 1,025 | 1,348 |
| - Executives | | 454 | 1,938 |
| | 11.1 | <u>1,479</u> | <u>3,286</u> |
| Current maturity shown in current assets | 17 | <u>(981)</u> | <u>(1,838)</u> |
| | | <u>498</u> | <u>1,448</u> |

11.1 This represents loans and advances given to executives and employees for purchase of motor vehicles and as general purpose cash advance 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 12% (2012: 14%) 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 balance.

12. LONG-TERM DEPOSITS AND PREPAYMENTS

Deposits with:

- Karachi Stock Exchange Limited
- National Clearing Company of Pakistan Limited
- Pakistan Mercantile Exchange Limited
- Central Depository Company of Pakistan Limited
- Rental deposits
- Others

| | | |
|--------------------|--------------|--------------|
| | 262 | 362 |
| | 350 | 400 |
| | 2,500 | 2,500 |
| | 200 | - |
| | 1,485 | - |
| | 1,632 | 342 |
| | <u>6,429</u> | <u>3,604</u> |
| Prepayments | - | 12 |
| | <u>6,429</u> | <u>3,616</u> |

13. LONG-TERM RECEIVABLE

| | | | |
|--|------|------------|---------------|
| Receivable from client | 13.1 | 37,468 | 79,268 |
| Less: current maturity shown in current assets | 17 | (37,250) | (41,800) |
| | | 218 | 37,468 |
| Less: provision against long-term receivable | 13.2 | - | (13,988) |
| | | <u>218</u> | <u>23,480</u> |

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. 99.64 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 have agreed to pay an aggregate sum of Rs. 99.64 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 Company has received Rs. 52.86 million from the customer in accordance with the terms of the agreement. The above receivable is secured against marketable securities of the customers, held by the Company. The market value of such securities as at year end was Rs. 211.71 million (2012: Rs. 117.67 million).

13.2 In view of the regular repayments made by the customer and also due to significant increase in the market value of securities held as collateral, during the year, the Company has reversed the provision for Rs.13.99 million held against the above receivable.

| | Note | 2013 | 2012 |
|--|------|---------------|---------------|
| ----- (Rupees in '000) ----- | | | |
| 14. DEFERRED TAX ASSET - NET | | | |
| Deductible temporary differences arising from: | | | |
| - Provision against trade debts | | 40,864 | 44,582 |
| - Unused tax losses | | - | 7,867 |
| - Minimum tax | | - | 1,354 |
| | | <u>40,864</u> | <u>53,803</u> |
| Taxable temporary differences arising from: | | | |
| - Differences between written down values and tax base of assets | | (1,682) | (265) |
| | | <u>39,182</u> | <u>53,538</u> |

15. SHORT-TERM INVESTMENTS

'At fair value through profit or loss' - held for trading

| | | | |
|-------------------------------|------|----------------|----------------|
| - Open end mutual funds units | 15.1 | 255,080 | 163,428 |
| - Term finance certificates | 15.2 | 12,550 | 12,550 |
| | | <u>267,630</u> | <u>175,978</u> |

15.1 Open End Mutual Funds Units

| 2013 | 2012 | | | 2013 | 2012 | | |
|------------------------------|-----------|-------------------------------|--------|----------------|----------------|----------------|----------------|
| Number of units | | Name of investee company | Note | Cost | Carrying value | Cost | Carrying value |
| ----- (Rupees in '000) ----- | | | | | | | |
| 1,011,957 | 704,923 | KASB Cash Fund | 15.1.1 | 97,315 | 103,497 | 65,493 | 72,315 |
| 232,360 | 214,648 | MCB Cash Management Optimizer | | 21,523 | 23,248 | 20,000 | 21,523 |
| 2,321,531 | 2,148,504 | ABL Cash Fund | | 21,513 | 23,227 | 20,000 | 21,513 |
| 230,506 | 214,607 | UBL Liquidity Plus Fund | | 21,520 | 23,183 | 20,000 | 21,520 |
| 630,845 | 102,082 | JS Cash Fund | | 60,425 | 64,523 | 10,000 | 10,425 |
| 172,647 | 160,467 | Askari Sovereign Cash Fund | | 16,132 | 17,402 | 15,000 | 16,132 |
| | | | | <u>238,428</u> | <u>255,080</u> | <u>150,493</u> | <u>163,428</u> |

15.1.1 This represents investment in mutual fund units of a related party amounting to Rs. 103.50 million (2012: Rs. 72.32 million). Further, Mutual Fund units valued at Rs. 254.22 million (2012: Rs. 160.73 million) are pledged with KSE against exposure margin.

15.2 Term Finance Certificates

| 2013 | 2012 | | | 2013 | 2012 | | |
|------------------------------|--------|---|--------|--------|----------------|--------|----------------|
| 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) | 15.2.1 | 12,550 | 12,550 | 25,099 | 12,550 |

(*) adjusted for impairment charge

15.2.1 The above TFCs are secured and carry mark-up at the rate of 6 month KIBOR + 2% and will mature in February 15, 2017. These TFCs are currently rated as 'non-performing' by the Mutual Funds Association of Pakistan and accordingly, the Company is maintaining a provision for decline in the value of investment to the extent of Rs. 32.82 million as at December 31, 2013.

| | Note | 2013 | 2012 |
|---|-------------|-----------------------|----------------|
| ----- (Rupees in '000) ----- | | | |
| 16. TRADE DEBTS | | | |
| Receivable against purchase of marketable securities - net of provisions | 16.1 & 16.2 | 378,880 | 293,527 |
| Inter-bank brokerage | | 2,707 | 2,124 |
| Fees | | 1,117 | 2,482 |
| | | <u>382,704</u> | <u>298,133</u> |
| 16.1 Considered good | | | |
| Secured | | 338,928 | 236,446 |
| Unsecured | | 491 | 187 |
| | | 339,419 | 236,633 |
| Considered doubtful | | | |
| Provision for doubtful debts | 16.3 | (120,188) | (115,895) |
| | | <u>378,880</u> | <u>293,527</u> |

16.2 This includes receivables from related parties amounting to Rs. 0.20 million (2012 : Rs. 1.42 million)

| | | | |
|--|--|-----------------------|----------------|
| 16.3 Reconciliation of provisions against trade debts | | | |
| Opening balance | | 115,895 | 149,349 |
| Provision for the year | | 13,104 | - |
| Reversal of provision during the year | | (8,811) | (33,454) |
| | | 4,293 | (33,454) |
| | | <u>120,188</u> | <u>115,895</u> |

16.3.1 Provisions against doubtful debts have been made after considering the market value of listed shares amounting to Rs. 39.46 million (2012: Rs. 56.89 million) held in custody by the Company against respective customers accounts.

| | Note | 2013 | 2012 |
|---|-------------|----------------|----------------|
| ----- (Rupees in '000) ----- | | | |
| 17. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES | | | |
| Advances to: | | | |
| - Suppliers | | 4,476 | 888 |
| - Current portion of long-term loans and advances to employees and executives | 11 | 981 | 1,838 |
| | | 5,457 | 2,726 |
| Deposits: | | | |
| - Exposure deposits with KSE | | 207,008 | 73,000 |
| - Exposure deposit with PMEL | | 1,190 | 3,784 |
| - Others | | - | 3,313 |
| | | 208,198 | 80,097 |
| Prepayments: | | | |
| - Rent | | 1,925 | 1,570 |
| - Insurance | | 350 | 673 |
| - Software development and maintenance | | 969 | 3,179 |
| - Others | | 2,595 | 1,918 |
| | | 5,839 | 7,340 |
| Other receivables: | | | |
| - Profit on bank deposits | | 145 | 121 |
| - Profit on exposure deposit with KSE | | 821 | 285 |
| - Profit on long-term receivables | | - | 1,464 |
| - Current portion of long-term receivable | 13 | 37,250 | 41,800 |
| - Receivable from related parties | 17.1 | 152 | 12,889 |
| - Others | | 108 | 356 |
| | | 38,476 | 56,915 |
| | | <u>257,970</u> | <u>147,078</u> |
| 17.1 Receivable from related parties comprises of: | | | |
| - KASB Funds Limited | | 152 | 453 |
| - New Horizon Exploration and Production Limited | | - | 26 |
| - Director of KASB Corporation Limited [formerly KASB Finance (Private) Limited] (the ultimate Parent of the Company) | | - | 12,410 |
| | | <u>152</u> | <u>12,889</u> |
| 18. CASH AND BANK BALANCES | | | |
| Cash at bank in: | | | |
| - Current accounts | 18.1 | 68,661 | 19,928 |
| - Saving accounts | 18.1 & 18.2 | 268,697 | 343,159 |
| | | 337,358 | 363,087 |
| Cash in hand | | 36 | - |
| Stamps in hand | | 3 | 1 |
| | | <u>337,397</u> | <u>363,088</u> |

18.1 These carry profit at rates ranging from 1.25% to 9.25% (2012: 1% to 11.25%) per annum.

18.2 This includes Rs. 303.75 million (2012:Rs. 339.98 million) with KASB Bank Limited (the Parent Company).

19. SHARE CAPITAL

19.1 Authorised Capital

| 2013 | 2012 | Note | 2013 | 2012 |
|------------------------------|--------------------|--------------------------------|------------------------------|------------------|
| ---- (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> |

| | | Note | 2013 | 2012 |
|--|--------------------|--|-------------------------|------------------|
| ----- (Rupees in '000) ----- | | | | |
| 19.2 Issued, subscribed and paid-up share capital | | | | |
| 89,867,900 | 89,867,900 | Ordinary shares of Rs 10 each fully paid-up in cash | 898,679 | 898,679 |
| 10,132,100 | 10,132,100 | Ordinary shares of Rs 10 each fully paid-up as part of the scheme of arrangement | 101,321 | 101,321 |
| <u>100,000,000</u> | <u>100,000,000</u> | | <u>1,000,000</u> | <u>1,000,000</u> |

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

| | 2013 | | 2012 | |
|--|--------------------------|-----------------------|-------------------|----------------|
| | 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% | 3,000 | 0.003% |
| KASB Corporation Limited [formerly KASB Finance (Private) Limited] | 700,000 | 0.700% | 700,000 | 0.700% |
| Key Management Personnel | 825 | 0.001% | 945 | 0.001% |
| | <u>78,253,325</u> | <u>78.254%</u> | <u>78,253,445</u> | <u>78.254%</u> |

20. LONG-TERM LOAN

| | | | |
|--|------|-----------------------|---|
| Long-term loan from KASB Bank Limited (the Parent Company) | 20.1 | <u>100,000</u> | - |
|--|------|-----------------------|---|

20.1 During the year, the Company has obtained a long-term loan of Rs.100 million from the Parent Company. The loan carries mark-up at the rate of 3 months KIBOR + 2.5% per annum and payable on quarterly basis starting from September 2013 to January 2015. The principal amount will be paid as a bullet payment in January 2015. The loan is secured by first ranking charge over all present and future current assets of the Company.

21. TRADE AND OTHER PAYABLES

| | | | |
|---------------------|------|-----------------------|----------------|
| Trade creditors | 21.1 | 896,862 | 525,860 |
| Accrued expenses | 21.2 | 19,699 | 50,459 |
| Withholding tax | | 11,795 | 2,668 |
| Unclaimed dividends | | 609 | 609 |
| Dividend payable | | 726 | - |
| Others | | 9,708 | 1,152 |
| | | <u>939,399</u> | <u>580,748</u> |

21.1 This includes payable to KSE and NCCPL amounting to Rs. 2.61 million (2012: Rs. 17.47 million) and Rs. 66.09 million (2012: Rs. Nil) 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. 3.44 million (2012: 7.41 million)

22. SHORT-TERM BORROWING

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

22.1 Short-term borrowing from the Parent Company which carried mark-up at the rate of 11% per annum was repaid during the year.

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

23.1 Running finance facility of Rs. 199 million (2012: Rs. 299 million) is available to the Company from the Parent Company. The facility is subject to mark-up at rates ranging from 11.58% to 12.03% (2012: 12.70% to 14.49%) per annum during the year and is required to be secured by first 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. 750 million (2012: Rs. 850 million) which remained unutilised as at the year end. These facilities are subject to mark-up at rates ranging from 11.51% to 13.15% (2012: 12.38% to 15.14%) per annum and are required to be secured by pledge of securities for the purposes of utilisation of finance.

| | Note | 2013 | 2012 |
|---|------|------|-------|
| ----- (Rupees in '000) ----- | | | |
| 24. ACCRUED MARK-UP | | | |
| Mark-up accrued on: | | | |
| - Long-term borrowing - KASB Bank Limited (the Parent Company) | | 33 | - |
| - Short-term borrowing - KASB Bank Limited (the Parent Company) | | - | 2,712 |
| | | 33 | 2,712 |
| | | 33 | 2,712 |

25. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at the year end.

26. OPERATING REVENUE

| | | | |
|---------------------------------|------|---------|---------|
| Brokerage | | 447,081 | 306,855 |
| Subscription research income | | 2,069 | 3,201 |
| Financial advisory fee | 26.1 | 28,563 | 2,580 |
| Custody services | | 1,188 | 963 |
| Profit on margin trading system | | 2,225 | 254 |
| | | 481,126 | 313,853 |
| | | 481,126 | 313,853 |

26.1 During the year, the Company was engaged by a foreign bank as a sub-contractor to provide financial advisory services and act as a purchase agent in connection with the de-listing of securities of a multinational company from all stock exchanges in Pakistan. As per the terms of the subject agreement, the Company has received a cash fee of USD 200,000 at the successful de-listing of the securities of all stock exchanges in Pakistan. Further, an additional fee of USD 100,000 based on the satisfactory provision of services was also payable at the sole discretion of the multinational company, out of which, the Company has received USD 50,000 as at the year end and the remaining USD 50,000 will be paid at the discretion of the multinational company and hence the Company has not accrued the same as its income in these financial statements. In respect of the above transactions, the Company has recorded income of Rs 26.53 million which is included in the account head of 'financial advisory fee' above.

27. MARK-UP / PROFIT ON BANK DEPOSITS, INVESTMENTS AND OTHER RECEIVABLES

| | | | |
|--|------|--------|--------|
| Profit on bank deposits | | 28,328 | 28,109 |
| Profit on term finance certificates | | 591 | 3,055 |
| Profit on long-term receivable | 27.1 | 9,595 | 13,641 |
| Mark-up on receivable from related party | | 654 | 410 |
| | | 39,168 | 45,215 |
| | | 39,168 | 45,215 |

27.1 This represents mark-up on long-term receivables as fully explained in note 13.1.

| | Note | 2013 | 2012 |
|---|------|----------------|----------------|
| ----- (Rupees in '000) ----- | | | |
| 28. OPERATING AND ADMINISTRATIVE EXPENSES | | | |
| Salaries, allowances and other benefits | 28.1 | 244,840 | 201,428 |
| Staff training and development | | 212 | 382 |
| Rent, rates and taxes | | 16,404 | 9,075 |
| Insurance charges | | 333 | 286 |
| Depreciation | 28.2 | 10,120 | 8,605 |
| Amortisation | 8 | 537 | 854 |
| Repairs and maintenance | | 12,352 | 6,162 |
| Power and utilities | | 11,854 | 10,137 |
| Communication | | 17,742 | 14,413 |
| Trading costs | | 21,193 | 9,991 |
| Information technology related costs | | 15,170 | 17,552 |
| Fees and subscription | | 6,234 | 10,274 |
| Printing and stationery | | 4,131 | 2,972 |
| Papers and periodicals | | 177 | 147 |
| Advertisement and business promotion | | 910 | 911 |
| Sales and marketing | | 3,739 | 2,420 |
| Travelling and conveyance | | 5,951 | 4,529 |
| Entertainment | | 2,573 | 2,167 |
| Brokerage expense | | 15,799 | 14,102 |
| Legal and professional charges | | 2,427 | 2,251 |
| Auditor's remuneration | 28.3 | 980 | 882 |
| Stamp charges | | 48 | 89 |
| Donations | 28.4 | 2,105 | 2,060 |
| Workers' Welfare Fund | | 2,553 | 1,756 |
| Property and equipment written off | 7 | 2,059 | - |
| Others | | 213 | 172 |
| | | <u>400,656</u> | <u>323,617</u> |
| 28.1 Salaries, allowances and benefits include Company's contribution to provident fund amount to Rs. 6.22 million (2012: Rs. 5.92 million). | | | |
| 28.2 Depreciation | | | |
| Property and equipment | 7 | 9,601 | 7,905 |
| Investment properties | 9 | 519 | 700 |
| | | <u>10,120</u> | <u>8,605</u> |
| 28.3 Auditors' remuneration | | | |
| Statutory audit fee | | 536 | 480 |
| Half yearly review fee and other certifications | | 347 | 310 |
| Out of pocket expenses | | 97 | 92 |
| | | <u>980</u> | <u>882</u> |
| 28.4 Donation were not made to any donee fund in which any director of the Company or his spouse had any interest. | | | |
| 29. FINANCE COST | | | |
| Mark-up on: | | | |
| - Short-term borrowing (the Parent Company) | | 452 | 2,712 |
| - Short-term running finance facilities (the Parent Company) | | 519 | 280 |
| - Long-term loan (the Parent Company) | | 6,021 | - |
| - Redeemable capital | | - | 11,255 |
| - Repurchase transaction | | - | 2,307 |
| Bank charges | | 1,950 | 1,885 |
| | | <u>8,942</u> | <u>18,439</u> |
| 30. OTHER INCOME | | | |
| Gain on disposal of property and equipment | 7.2 | 494 | 67 |
| Gain on disposal of 'assets held for sale' | | - | 510 |
| Rental income | | 6,002 | 7,603 |
| Others | | 767 | 590 |
| | | <u>7,263</u> | <u>8,770</u> |

| | Note | 2013 | 2012 |
|------------------------------|------|-----------------|---------------|
| ----- (Rupees in '000) ----- | | | |
| 31. TAXATION | | | |
| Current | | | |
| - for the year | | (40,839) | (7,698) |
| - for prior year | | 11,572 | - |
| Deferred | 14 | (14,356) | 53,070 |
| | | <u>(43,623)</u> | <u>45,372</u> |

31.1 Relationship between tax expense and accounting profit

| | | |
|---|-----------------|---------------|
| Profit before taxation | <u>125,077</u> | <u>86,024</u> |
| Tax at the applicable rate of 34% (2012: 35%) | (42,526) | (30,108) |
| Tax effects of: | | |
| - Expenses that are not deductible in determining taxable income | (14,982) | (1,380) |
| - Income taxed at reduced rate (dividend income, rental income and capital gains) | (783) | 5,620 |
| - Income exempt from tax | - | 494 |
| - Income under final tax regime | 5,177 | (7,912) |
| - Prior year taxation | 11,572 | - |
| - Deferred tax recognised on prior year temporary differences | - | 79,605 |
| - Others | (2,081) | (947) |
| | <u>(43,623)</u> | <u>45,372</u> |

32. EARNINGS PER SHARE

| | | |
|---|--------------------------------|----------------|
| Profit after taxation attributable to ordinary shareholders | <u>81,454</u> | <u>131,396</u> |
| | ----- (Number of shares) ----- | |
| Weighted average number of ordinary shares | <u>100,000</u> | <u>100,000</u> |
| | ----- (Rupees) ----- | |
| Earnings per share - basic and diluted | <u>0.81</u> | <u>1.31</u> |

Diluted earnings per share has not been presented as the Company did not have any convertible instruments in issue as at December 31, 2013 and December 31, 2012 which could have any effect on the earnings per share.

33. 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:

| | 2013 | | | 2012 | | |
|--------------------------------|-----------------|---------------|----------------|-----------------|---------------|----------------|
| | Chief Executive | Directors | Executives | Chief Executive | Directors | Executives |
| ----- (Rupees in '000) ----- | | | | | | |
| Managerial remuneration | 17,930 | 8,512 | 77,705 | 17,185 | 8,145 | 83,010 |
| Performance incentive | 9,000 | 5,000 | 31,785 | 5,250 | 1,750 | 19,315 |
| Fee (note 33.2) | - | 1,560 | - | - | 1,620 | - |
| Reimbursable expenses | 45 | 445 | - | 42 | 636 | - |
| Contribution to provident fund | 722 | 372 | 2,967 | 684 | 350 | 3,123 |
| | <u>27,697</u> | <u>15,889</u> | <u>112,457</u> | <u>23,161</u> | <u>12,501</u> | <u>105,448</u> |
| Number of persons | <u>1</u> | <u>4</u> | <u>44</u> | <u>1</u> | <u>4</u> | <u>49</u> |

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

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

34. 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, 2013 and December 31, 2012 and transactions with related parties during the year ended December 31, 2013 and December 31, 2012 are as follows:-

| | 2013 | | | | |
|-----------------------------------|----------------|-------------------------|--------------------------|--------|---------|
| | Parent Company | Subsidiary / associates | Key management personnel | Others | Total |
| ----- (Rupees in '000) ----- | | | | | |
| BALANCES | | | | | |
| Long-term deposits | - | 142 | - | - | 142 |
| Trade debts | 18 | 13 | 50 | 118 | 199 |
| Profit receivable on bank deposit | 144 | - | - | - | 144 |
| Receivable against expenses | - | 152 | 3 | - | 155 |
| Bank balances | 303,753 | - | - | - | 303,753 |
| Trade payables | - | 1 | 1,546 | - | 1,547 |
| Long-term loan | 100,000 | - | - | - | 100,000 |
| Payable against expenses | 3,012 | 232 | 180 | - | 3,424 |
| Accrued mark-up | 33 | - | - | - | 33 |

| | 2012 | | | | |
|-----------------------------------|----------------|-------------------------|--------------------------|--------|---------|
| | Parent Company | Subsidiary / associates | Key management personnel | Others | Total |
| ----- (Rupees in '000) ----- | | | | | |
| BALANCES | | | | | |
| Long-term deposits | - | 142 | - | - | 142 |
| Trade debts | 115 | 31 | 1,052 | 221 | 1,419 |
| Other receivables | - | - | 396 | 12,410 | 12,806 |
| Prepaid rent | 332 | - | - | - | 332 |
| Profit receivable on bank deposit | 1,059 | - | - | - | 1,059 |
| Receivable against expenses | - | 480 | - | - | 480 |
| Bank balances | 339,980 | - | - | - | 339,980 |
| Trade payables | - | 2 | 4,029 | - | 4,031 |
| Short-term borrowing | 250,000 | - | - | - | 250,000 |
| Payable against expenses | 4,435 | 2,663 | 312 | - | 7,410 |
| Accrued mark-up | 2,712 | - | - | - | 2,712 |
| Rent payable | 631 | - | - | - | 631 |

OFF BALANCE SHEET ITEM

| | | | | | |
|----------------|--------|---|---|---|--------|
| Bank guarantee | 51,000 | - | - | - | 51,000 |
|----------------|--------|---|---|---|--------|

| | 2013 | | | | |
|--|----------------|-------------------------|--------------------------|--------|--------|
| | Parent Company | Subsidiary / associates | Key management personnel | Others | Total |
| ----- (Rupees in '000) ----- | | | | | |
| TRANSACTIONS | | | | | |
| Income | | | | | |
| Brokerage income earned | 1,189 | - | 1,716 | 421 | 3,326 |
| Custody services | 6 | 178 | 38 | - | 222 |
| Profit on bank deposits | 22,161 | - | - | - | 22,161 |
| Rent income | 4,811 | 1,191 | - | - | 6,002 |
| Others | - | - | 654 | - | 654 |
| Expenses | | | | | |
| Bank charges | 1,635 | - | - | - | 1,635 |
| Charge in respect of contributory plan | - | - | - | 6,224 | 6,224 |
| Communication expenses | - | 11,484 | - | - | 11,484 |
| Donation | - | - | - | 2,040 | 2,040 |
| Locker rent | 4 | - | - | - | 4 |
| Mark-up expense | 6,992 | - | - | - | 6,992 |
| Reimbursement of expenses | 555 | 3,781 | 211 | 48 | 4,595 |
| Rent expense | 889 | - | - | - | 889 |
| Other transactions | | | | | |
| Loans disbursed | - | - | 8,017 | - | 8,017 |
| Loans repayment | - | - | 8,642 | - | 8,642 |
| Mutual Funds bonus units issued | - | - | - | 6,395 | 6,395 |
| Mutual Funds units purchased | - | - | - | 25,000 | 25,000 |
| ----- | | | | | |
| 2012 | | | | | |
| ----- (Rupees in '000) ----- | | | | | |
| TRANSACTIONS | | | | | |
| Income | | | | | |
| Brokerage income earned | 571 | 1,766 | 2,746 | 528 | 5,611 |
| Custody services | 7 | 161 | 48 | 5 | 221 |
| Profit on bank deposits | 22,582 | - | - | - | 22,582 |
| Rent income | 5,005 | 2,598 | - | - | 7,603 |
| Others | - | - | - | 410 | 410 |
| Expenses | | | | | |
| Bank charges | 1,526 | - | - | - | 1,526 |
| Charge in respect of contributory plan | - | - | - | 5,918 | 5,918 |
| Communication expenses | - | 8,838 | - | - | 8,838 |
| Donation | - | - | - | 2,040 | 2,040 |
| Locker rent | 4 | - | - | - | 4 |
| Mark-up expense | 2,992 | - | - | - | 2,992 |
| Reimbursement of expenses | 15,335 | 6,235 | - | 13 | 21,583 |
| Rent expense | 585 | - | - | - | 585 |
| Salary expense reimbursed | - | 48 | - | - | 48 |
| Other transactions | | | | | |
| Loans disbursed | - | - | 3,257 | - | 3,257 |
| Loans repayment | - | - | 4,835 | - | 4,835 |
| Mutual Fund bonus units issued | - | - | - | 9,369 | 9,369 |
| Mutual Fund units redeemed | - | - | - | 10,000 | 10,000 |
| Property and equipment disposed off | - | - | - | 814 | 814 |
| Sale of 'available-for-sale' investments | - | - | - | 12,000 | 12,000 |
| Sale of 'assets held for sale' | - | - | - | 87,000 | 87,000 |

Particulars relating to remuneration of Chief Executive Officer, Directors and Executives who are key management personnel are disclosed in note 33.

35. PROVIDENT FUND RELATED DISCLOSURE

The following information is based on latest un-audited financial statements of the Fund:

| | Note | 2013 | 2012 |
|--------------------------------|------|---------------|---------------|
| ----- (Rupees in '000) ----- | | | |
| Size of the fund -Total assets | | <u>64,119</u> | <u>56,743</u> |
| Cost of investments made | | <u>49,794</u> | <u>48,255</u> |
| Percentage of investments made | | <u>93.54%</u> | <u>93.67%</u> |
| Fair value of investments | 35.1 | <u>59,978</u> | <u>53,153</u> |

35.1 Fair value of investments is:

| | 2013 | | 2012 | |
|---------------------------|---------------|----------------|---------------|----------------|
| | (Rs. in '000) | % | (Rs. in '000) | % |
| Government securities | 10,200 | 17.01% | 9,259 | 17.42% |
| Term deposits | 22,269 | 37.13% | 19,500 | 36.69% |
| Term finance certificates | - | - | 9,997 | 18.81% |
| Mutual Funds units | 27,282 | 45.49% | 14,229 | 26.77% |
| Listed shares | 227 | 0.37% | 168 | 0.31% |
| | <u>59,978</u> | <u>100.00%</u> | <u>53,153</u> | <u>100.00%</u> |

The investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

36. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at December 31, 2013 and December 31, 2012 respectively are as follows:

| | 2013 | 2012 |
|---|------------|------------|
| ---Number of employees--- | | |
| Average number of employees during the year | <u>147</u> | <u>134</u> |
| Number of employees as at year end | <u>149</u> | <u>139</u> |

37. FINANCIAL INSTRUMENTS

37.1 Market risk

Market risk is the risk that the fair value or future cash 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. 3.19 million (2012: Rs. 2.12 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 of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of change in foreign exchange rates relates only to the investment in Al Jomaih Power Limited maintained in US dollars amounting to Rs. 321.44 million (2012: Rs. 297.91 million) [US dollars 3.06 million (2012: US dollars 3.06 million)].

Management of the Company estimates that 10% increase in the exchange rate between US dollars and Pak Rupees will increase the comprehensive income of the Company by Rs. 32.14 million and 10% decrease in the exchange rate would result in decrease in comprehensive income of the Company by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

(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. 25.51 million and 10% increase or decrease in the value of 'available-for-sale' investments would result in increase or decrease of other comprehensive income by Rs. 3.79 million.

37.2 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:

| | 2013 | | | | Total |
|--------------------------|------------------|-------------------|--|--------------------|------------------|
| | On Demand | Upto three months | More than three months and upto one year | More than one year | |
| | (Rupees in '000) | | | | |
| Long-term loan | - | - | - | 100,000 | 100,000 |
| Trade and other payables | 926,269 | - | - | - | 926,269 |
| Accrued mark-up | 33 | - | - | - | 33 |
| | 926,302 | - | - | 100,000 | 1,026,302 |

| | 2012 | | | | Total |
|--------------------------|------------------|-------------------|--|--------------------|----------------|
| | On Demand | Upto three months | More than three months and upto one year | More than one year | |
| | (Rupees in '000) | | | | |
| Short-term borrowing | - | 250,000 | - | - | 250,000 |
| Trade and other payables | 577,471 | - | - | - | 577,471 |
| Accrued mark-up | 2,712 | - | - | - | 2,712 |
| | 580,183 | 250,000 | - | - | 830,183 |

37.3 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:

| | 2013 | 2012 |
|---|------------------|----------------|
| | (Rupees in '000) | |
| Trade debts | 499,068 | 409,422 |
| Bank balances (see note 37.3.2) | 337,358 | 363,087 |
| Long-term receivable | 37,468 | 79,268 |
| Long-term loans and advances | 1,479 | 3,286 |
| Long-term deposits and prepayments | 6,429 | 3,616 |
| Advances, deposits, prepayments and other receivables | 219,739 | 103,440 |
| | 1,101,541 | 962,119 |

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

| | 2013 | 2012 |
|-------------------------------------|------------------------------|-----------------------|
| | ----- (Rupees in '000) ----- | |
| Debts neither impaired nor past due | - | 35,558 |
| Debts past due but not impaired | 343,243 | 205,681 |
| Debts impaired - net of provision | 39,461 | 56,894 |
| | <u>382,704</u> | <u>298,133</u> |

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

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

| | | |
|------|-----------------------|-----------------------|
| A1 | 700 | 236 |
| A1+ | 32,777 | 22,710 |
| A-1 | 63 | 79 |
| A-1+ | 65 | 82 |
| A3 | 303,753 | 339,980 |
| | <u>337,358</u> | <u>363,087</u> |

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

38. 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.

39. 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, 2013 the Company held the following financial instruments measured at fair value:

| | 2013 | | | |
|---|------------------------------|----------------|----------|--------------------------|
| | Total | Level 1 | Level 2 | Level 3 (note 39.1.1) |
| | ----- (Rupees in '000) ----- | | | |
| 'Available-for-sale' investments | 359,571 | 38,129 | - | 321,442 |
| Investment 'at fair value through profit and loss' - held for trading | 267,630 | 255,080 | - | 12,550 |
| | <u>627,201</u> | <u>293,209</u> | <u>-</u> | <u>333,992</u> |

| | 2012 | | | |
|---|------------------------------|----------------|----------|--------------------------|
| | Total | Level 1 | Level 2 | Level 3 (note 39.1.1) |
| | ----- (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> |

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

| | 2013 | 2012 |
|-------------------------------------|------------------------------|----------------|
| | ----- (Rupees in '000) ----- | |
| Opening balance | 310,456 | 309,221 |
| Additions during the year | 23,536 | 25,480 |
| Provision for impairment | - | (12,549) |
| Investment disposed during the year | - | (11,696) |
| Closing balance | <u>333,992</u> | <u>310,456</u> |

40. DATE OF AUTHORISATION

These financial statements have been authorised for issue by the Board of Directors of the Company on March 20, 2014.

41. GENERAL

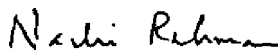
41.1 Corresponding figures have been rearranged and re-classified, wherever necessary, for the purpose of comparison. However, there are no material reclassifications to report.

41.2 The Board of Directors of the Company has proposed a cash dividend of Rs. 0.50 per share (2012: Rs. 0.50 per share) amounting to Rs. 50 million (2012: Rs. 50 million) at its meeting held on March 20, 2014 for the approval of members at the Annual General Meeting to be held on April 22, 2014. These financial statements do not reflect this appropriation as explained in note 4.11.

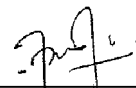
41.3 Figures have been rounded off to the nearest thousand.



Saeed Yousuf Chinoy
Chairman



Nadir Rahman
Chief Executive Officer



Asad Mustafa Shafiqat
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, 2013.

The consolidated financial results of the group for the year ended December 31, 2013, under review, are summarized as follows:

| | 2013 | 2012 |
|---------------------------------------|------------------------------|------------------------|
| | ----- (Rupees in '000) ----- | |
| Profit before taxation | 124,933 | 86,097 |
| Taxation | <u>(43,651)</u> | 45,371 |
| Profit after taxation | 81,282 | 131,468 |
| Dividend paid during the year | <u>(50,000)</u> | - |
| Un-appropriated loss brought forward | <u>(53,029)</u> | (184,497) |
| Loss available for appropriation | <u><u>(21,747)</u></u> | <u><u>(53,029)</u></u> |
| | ----- (Rupees) ----- | |
| Earning per share - basic and diluted | <u><u>0.81</u></u> | <u><u>1.31</u></u> |

Summary of changes in equity

The Group's profit after tax was PKR 81.30 million (EPS of 0.81) in CY13 as compare to PKR 131.50 million (EPS 1.31) in CY12.

In light of the performance for the year, the boards has proposed to issue a dividened of PKR 0.50 per share for CY 2013.

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.

Pattern of Shareholding

The pattern of shareholding as at December 31, 2013 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

Saeed Yousuf Chinoy
Chairman

Karachi: March 20, 2014



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

Tel: +9221 3565 0007 11
Fax: +9221 3568 1965
eyfrsh.khi@pk.ey.com
ey.com/pk

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 2013, 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 Holding 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 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 2013 and the results of their operation for the year then ended.



Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Date: 20 March 2014

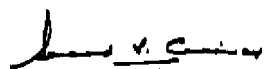
Karachi

CONSOLIDATED BALANCE SHEET

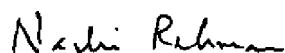
AS AT DECEMBER 31, 2013

| | Note | 2013 | 2012 |
|---|------|------------------|------------------|
| ----- (Rupees in '000) ----- | | | |
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 7 | 46,837 | 35,838 |
| Intangible assets | 8 | 8,854 | 12,736 |
| Investment properties | 9 | 375,000 | 382,429 |
| Long-term Investments | 10 | 438,166 | 421,162 |
| Long-term loans and advances | 11 | 498 | 1,448 |
| Long-term deposits and prepayments | 12 | 6,429 | 3,616 |
| Long-term receivable | 13 | 218 | 23,480 |
| Deferred tax asset - net | 14 | 39,182 | 53,538 |
| | | 915,184 | 934,247 |
| Current assets | | | |
| Short-term investments | 15 | 267,630 | 175,978 |
| Trade debts | 16 | 382,704 | 298,133 |
| Advances, deposits, prepayments and other receivables | 17 | 257,970 | 147,078 |
| Taxation - net | | 26,899 | 18,430 |
| Cash and bank balances | 18 | 340,805 | 366,663 |
| | | 1,276,008 | 1,006,282 |
| TOTAL ASSETS | | 2,191,192 | 1,940,529 |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Issued, subscribed and paid-up capital | 19 | 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 | | 153,530 | 140,121 |
| Accumulated loss | | (21,747) | (53,029) |
| | | 1,150,535 | 1,105,844 |
| Non-current liabilities | | | |
| Long-term loan | 20 | 100,000 | - |
| Current liabilities | | | |
| Trade and other payables | 21 | 940,624 | 581,973 |
| Short-term borrowing | 22 | - | 250,000 |
| Accrued mark-up | 24 | 33 | 2,712 |
| | | 940,657 | 834,685 |
| TOTAL EQUITY AND LIABILITIES | | 2,191,192 | 1,940,529 |
| CONTINGENCIES AND COMMITMENTS | 25 | | |

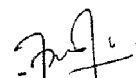
The annexed notes 1 to 41 form an integral part of these consolidated financial statements.



Saeed Yousuf Chinoy
Chairman



Nadir Rahman
Chief Executive Officer



Asad Mustafa Shafqat
Chief Financial Officer

CONSOLIDATED PROFIT AND LOSS ACCOUNT

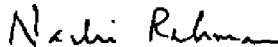
FOR THE YEAR ENDED DECEMBER 31, 2013

| | Note | 2013 | 2012 |
|---|------|-----------|-----------|
| ----- (Rupees in '000) ----- | | | |
| Operating revenue | 26 | 481,126 | 313,853 |
| Net (loss) / gain on investments 'at fair value through profit or loss' | | | |
| Net (loss) / gain on sale of equity securities, other investments and commodities | | (20,778) | 25,322 |
| Net unrealised gain on re-measurement of investments | | 16,652 | 386 |
| | | (4,126) | 25,708 |
| Net gain on sale of 'available for sale' investments | | - | 304 |
| Dividend income | | 1,549 | 776 |
| Mark-up / profit on bank deposits, investments and other receivables | 27 | 39,390 | 45,468 |
| | | 517,939 | 386,109 |
| Operating and administrative expenses | 28 | (401,022) | (323,797) |
| (Provision) / reversal of provision against doubtful debts-net | 16.3 | (4,293) | 33,454 |
| Reversal of provision against long-term receivable | 13.2 | 13,988 | - |
| | | (391,327) | (290,343) |
| Operating profit | | 126,612 | 95,766 |
| Finance cost | 29 | (8,942) | (18,439) |
| | | 117,670 | 77,327 |
| Other income | 30 | 7,263 | 8,770 |
| Profit before taxation | | 124,933 | 86,097 |
| Taxation | 31 | (43,651) | 45,371 |
| Profit after taxation | | 81,282 | 131,468 |
| Other comprehensive income: | | | |
| Net unrealised gain arising during the year on re-measurement of 'available-for-sale' investments - net | | 13,409 | 51,892 |
| Other comprehensive income for the year | | 13,409 | 51,892 |
| Total comprehensive income for the year | | 94,691 | 183,360 |
| ----- (Rupees) ----- | | | |
| Earnings per share - basic and diluted | 32 | 0.81 | 1.31 |

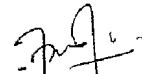
The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



Saeed Yousuf Chinoy
Chairman



Nadir Rahman
Chief Executive Officer



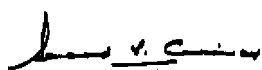
Asad Mustafa Shafqat
Chief Financial Officer

CONSOLIDATED CASH FLOW STATEMENT

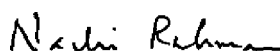
FOR THE YEAR ENDED DECEMBER 31, 2013

| | 2013 | 2012 |
|---|------------------------------|------------------|
| | ----- (Rupees in '000) ----- | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 124,933 | 86,097 |
| Non-cash adjustments to reconcile profit before tax to net cash flows: | | |
| Depreciation | 10,120 | 8,605 |
| Amortisation | 537 | 854 |
| Loss / (gain) on sale of investments - net | 20,778 | (25,626) |
| Gain on sale of property and equipment | (494) | (67) |
| Property and equipment written off | 2,059 | - |
| Gain on sale of 'asset held for sale' | - | (510) |
| Unrealised gain on re-measurement of investments 'at fair value through profit or loss' - net | (16,652) | (386) |
| Provision / (reversal of provision) against doubtful debts | 4,293 | (33,454) |
| Reversal of provision against long-term receivable | (13,988) | - |
| Finance cost | 8,942 | 18,439 |
| Dividend income | (1,549) | (776) |
| | 14,046 | (32,921) |
| | 138,979 | 53,176 |
| Working capital adjustments: | | |
| Increase in assets | | |
| Trade debts | (88,780) | (37,062) |
| Advances, deposits, prepayments and other receivables | (73,726) | (81,069) |
| | (162,506) | (118,131) |
| Increase in current liabilities | | |
| Trade and other payables | 357,925 | 73,386 |
| | 334,398 | 8,431 |
| Finance cost paid | (11,621) | (17,309) |
| Income tax paid | (37,764) | (23,148) |
| Net cash flows generated from / (used in) operating activities | 285,013 | (32,026) |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| 'Available-for-sale' investments - net | - | 12,000 |
| Investments 'at fair value through profit or loss' - net | (95,778) | 71,594 |
| Purchase of property and equipment | (17,249) | (7,263) |
| Proceeds from disposal of property and equipment | 1,744 | 175 |
| Proceeds from disposal of 'asset held for sale' | - | 87,000 |
| Dividend received | 1,549 | 851 |
| Net cash flows (used in) / generated from investing activities | (109,734) | 164,357 |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Long-term loans and advances | 950 | 569 |
| Long-term deposits and prepayments | (2,813) | (12) |
| Short-term borrowing | (250,000) | 250,000 |
| Long-term loan | 100,000 | - |
| Long-term receivable | - | 4,440 |
| Dividend paid | (49,274) | - |
| Redemption of redeemable capital | - | (166,500) |
| Net cash flows (used in) generated from financing activities | (201,137) | 88,497 |
| Net (decrease) / increase in cash and cash equivalents | (25,858) | 220,828 |
| Cash and cash equivalents at the beginning of the year | 366,663 | 145,835 |
| Cash and cash equivalents at the end of the year | 340,805 | 366,663 |

The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



Saeed Yousuf Chinoy
Chairman



Nadir Rahman
Chief Executive Officer



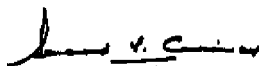
Asad Mustafa Shafqat
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

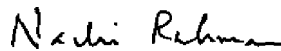
FOR THE YEAR ENDED DECEMBER 31, 2013

| | Share capital | General reserve | 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, 2012 | 1,000,000 | 18,752 | (184,497) | 88,229 | 922,484 |
| Total comprehensive income for the year | - | - | 131,468 | 51,892 | 183,360 |
| Balance as at December 31, 2012 | 1,000,000 | 18,752 | (53,029) | 140,121 | 1,105,844 |
| Total comprehensive income for the year | - | - | 81,282 | 13,409 | 94,691 |
| Dividend paid during the year | - | - | (50,000) | - | (50,000) |
| Balance as at December 31, 2013 | 1,000,000 | 18,752 | (21,747) | 153,350 | 1,150,535 |

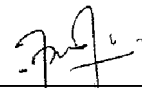
The annexed notes from 1 to 41 form an integral part of these consolidated financial statements.



Saeed Yousuf Chinoy
Chairman



Nadir Rahman
Chief Executive Officer



Asad Mustafa Shafqat
Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

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

The Company has corporate membership of the Karachi Stock Exchange Limited (KSE) 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 25 June 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 4.7 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 (IASB) 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 described below:

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

IFRS 7 – Financial Instruments : Disclosures – (Amendments)

Improvements to Accounting Standards Issued by the IASB:

IAS 1 – Presentation of Financial Statements - Clarification of the requirements for comparative information.

IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment.

IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments.

IAS 34 – Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities.

The adoption of the above amendments did not have any effect on the 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 the 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 consolidated 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 on 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 assets' 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 the 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 consolidated 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 Financial assets

4.7.1 Investments

Investment 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 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 Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they 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 off-set and the net amount is reported in the balance sheet if the Group has a legally enforceable right to set-off the transactions 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 off-set.

4.10 Revenue recognition

- Brokerage income is recognised as and when such services are rendered.
- Financial advisory fees and other income are 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 are recognised as and 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 current tax also includes adjustments where necessary, relating to prior years which arise from assessment framed / finalised during the year.

Deferred

Deferred tax is recognized 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 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 accumulated 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 purpose 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.

4.15 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 recorded at the exchange rate 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 rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

4.16 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.

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 amortised cost.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires management to make judgments, 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 judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

The estimates, judgments 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 4.6,7, 8 & 9 |
| Classification of investments | 4.7.1, 10 & 15 |
| Provision for doubtful debts | 4.16 & 16 |
| Deferred taxation and taxation | 4.11,14 & 31 |

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) |
|---|--|
| IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting | January 01, 2014 |
| IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment) | January 01, 2014 |
| IFRIC 21 – Levies | January 01, 2014 |
| IAS 32 – Off-setting Financial Assets and Financial liabilities – (Amendment) | January 01, 2014 |
| IFAS 3 – Profit and Loss Sharing on Deposits | June 12, 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 | 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

| | 2013 | | | | |
|--|--------------------------------|---------------------------|-----------------------------------|----------------|---------------|
| | Office premises- lease hold | Furniture and fixtures | Computers and office equipment | Motor vehicles | Total |
| ----- (Rupees in '000) ----- | | | | | |
| 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 at the beginning of the year | 15,024 | 11,160 | 8,136 | 1,518 | 35,838 |
| Changes during the year | | | | | |
| Additions during the year | - | 1,555 | 11,364 | 4,080 | 16,999 |
| Disposals during the year | | | | | |
| - Cost | - | (1,923) | (3,671) | (1,328) | (6,922) |
| - Depreciation | - | 1,107 | 3,503 | 1,062 | 5,672 |
| | - | (816) | (168) | (266) | (1,250) |
| Written off during the year (note 7.1) | | | | | |
| - Cost | (2,149) | (2,001) | (63,824) | - | (67,974) |
| - Depreciation | 418 | 1,715 | 63,782 | - | 65,915 |
| | (1,731) | (286) | (42) | - | (2,059) |
| Depreciation charge for the year | (1,217) | (2,249) | (5,592) | (543) | (9,601) |
| Transfer from investment properties during the year (note 9.1) | | | | | |
| - Cost | 20,732 | - | - | - | (20,732) |
| - Depreciation | (13,822) | - | - | - | (13,822) |
| | 6,910 | - | - | - | 6,910 |
| | 3,962 | (1,796) | 5,562 | 3,271 | 10,999 |
| Net book value at the end of the year | 18,986 | 9,364 | 13,698 | 4,789 | 46,837 |
| Analysis of Net Book Value | | | | | |
| Cost | 39,780 | 23,490 | 68,724 | 6,642 | 138,636 |
| Accumulated depreciation | (20,794) | (14,126) | (55,026) | (1,853) | (91,799) |
| Net book value as at December 31, 2013 | 18,986 | 9,364 | 13,698 | 4,789 | 46,837 |
| Depreciation rate (% per annum) | 5 | 10 | 33.33 | 20 | |
| | 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 | |

7.1 During the year, a comprehensive exercise for physical verification of fixed assets was performed by a firm of Chartered Accountants, whose report dated October 10, 2013 suggests that cost of fixed assets amounting to Rs. 65.69 million requires to be written off. Accordingly, the Group has written off fixed assets having cost of Rs. 65.69 million (written down value of Rs. 0.33 million) during the year.

In addition, the Group has also written off certain other fixed assets during the year which were not in usable condition amounting to Rs. 2.28 million (written down value of Rs. 1.73 million).

7.2 Disposal of property and equipment

Particulars of property and equipment disposed off during the year having book value of more than Rs. 50,000 are as follows:

| | Cost | Accumulated depreciation | Written down value | Sale proceeds | Gain / (loss) | Particular of Buyers | Mode of disposal |
|--|--------------|--------------------------|--------------------|---------------|---------------|--------------------------------------|------------------|
| ----- (Rupees in '000) ----- | | | | | | | |
| Furniture & Fixtures | | | | | | | |
| Office Furnitures | 661 | 359 | 302 | 175 | (127) | KASB Funds Limited-related party | Negotiation |
| Office Furniture | 823 | 453 | 370 | 574 | 204 | KASB Bank Limited-the Parent Company | Negotiation |
| Vehicles | | | | | | | |
| Toyota Corolla | 1,328 | 1,062 | 266 | 750 | 484 | Younus Khan | Negotiation |
| The aggregate amount of property and equipment disposed off during the year having book value less than Rs. 50,000: | | | | | | | |
| Furniture and fixtures | 439 | 295 | 144 | 58 | (86) | | |
| Computer and office equipment | 3,671 | 3,503 | 168 | 187 | 19 | | |
| December 31, 2013 | 6,922 | 5,672 | 1,250 | 1,744 | 494 | | |
| December 31, 2012 | 3,079 | 2,971 | 108 | 175 | 67 | | |

8. INTANGIBLE ASSETS

| | 2013 | | | | | |
|--|-------------------|--------------------|-------------------------|---------------|------------------------------|---------------|
| | Computer software | Membership of PMEL | Rooms at KSE (Note 8.1) | Booths at KSE | Membership of KSE (Note 8.2) | Total |
| | (Rupees in '000) | | | | | |
| Cost | 8,575 | 500 | 5,804 | 950 | 4,945 | 20,774 |
| Accumulated amortisation | (8,038) | - | - | - | - | (8,038) |
| Net book value at the beginning of the year | 537 | 500 | 5,804 | 950 | 4,945 | 12,736 |
| Adjustment during the year | - | 250 | - | - | (3,595) | (3,345) |
| Amortisation for the year | (537) | - | - | - | - | (537) |
| Net book value at the end of the year | - | 750 | 5,804 | 950 | 1,350 | 8,854 |
| Analysis of Net Book Value | | | | | | |
| Cost | 8,575 | 750 | 5,804 | 950 | 1,350 | 17,429 |
| Accumulated amortisation | (8,575) | - | - | - | - | (8,575) |
| Net book value as at December 31, 2013 | - | 750 | 5,804 | 950 | 1,350 | 8,854 |
| Amortisation rate (% per annum) | 33.33 | - | - | - | - | - |

8.1 Currently, rooms at KSE are used by KASB Bank Limited (the Parent Company) under rental arrangements.

8.2 Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act), the ownership in a stock exchange has been segregated from right to trade on the exchange. Accordingly, the Group has received equity shares of KSE and a Trading Right Entitlement (TREC) 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 asset 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 cost / book value of the KSE membership card amounts to Rs. 4.95 million as at December 31, 2013. In absence of an active market of the shares of KSE and TREC, the allocation of the carrying value of the membership card between the shares (financial asset) and TREC (an intangible asset) has been made by the Group on the basis of the face value of ordinary shares and the TREC value assigned by the KSE for minimum capital requirement purpose applicable to the stock exchange brokers currently.

| | 2012 | | | | | |
|--|-------------------|--------------------|--------------|---------------|-------------------|---------------|
| | 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 | (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 | - | - | - | - | - |

| | Note | 2013 | 2012 |
|--|-------|-----------------|----------|
| ----- (Rupees in '000) ----- | | | |
| 9. INVESTMENT PROPERTIES | | | |
| Investment properties | 9.1 | - | 7,429 |
| Advance paid for purchase of land - in Korangi Housing Scheme | 9.2 | 375,000 | 375,000 |
| | | 375,000 | 382,429 |
| 9.1 Cost | | 20,732 | 20,732 |
| Accumulated depreciation | | (13,303) | (12,603) |
| Net book value at the beginning of the year | | 7,429 | 8,129 |
| Depreciation charge for the year | | (519) | (700) |
| Transfers during the year | | | |
| - Cost | | (20,732) | - |
| - Depreciation | | 13,822 | - |
| | 9.1.1 | (6,910) | - |
| Net book value at the end of the year | | - | 7,429 |
| Analysis of Net Book Value | | | |
| Cost | | - | 20,732 |
| Accumulated depreciation | | - | (13,303) |
| Net book value at the end of the year | | - | 7,429 |
| Depreciation rate (% per annum) | | 5 | 5 |

9.1.1 During the year, the Group has transferred the investment properties (comprising 6th and 10th floor office spaces) to its own use. Previously, these office spaces were given on rent to KASB Bank Limited (the Parent Company) and KASB Funds Limited (a related party), however, during the year, the rental contracts with these group companies were not renewed and the Group is now using these offices for its own operations.

9.2 During the year 2010, the Group had acquired housing scheme land of 375 residential plots for an aggregate purchase consideration of Rs. 300 million. Under the agreement, the Group has also paid a sum of Rs. 75 million as development charges to the developers for completion of all development work on the aforementioned land.

The Group is in the process of completing the legal formalities for the transfer of ownership title of these properties in the name of the Group. These residential plots are held mainly for capital appreciation and sale in due course of business and accordingly have been classified as investment properties.

The fair market value of these residential plots as determined by the independent valuer amounted to Rs. 465 million as of December 28, 2013 (2012: Rs.450 million).

| | Note | 2013 | 2012 |
|----------------------------------|------|----------------|---------|
| ----- (Rupees in '000) ----- | | | |
| 10. LONG-TERM INVESTMENTS | | | |
| 'Available-for-sale' investments | 10.1 | 438,166 | 421,162 |

10.1 Description of 'available-for-sale' investments

| 2013 | | 2012 | | 2013 | | 2012 | |
|------------------------|------------------------------|--|--------|----------------|----------------|----------------|---------|
| Number of shares | Name of the Investee Company | Note | Cost | Carrying value | Cost | Carrying value | |
| Quoted shares | | | | | | | |
| 19,858,649 | 19,858,649 | KASB Bank Limited (Parent Company) | 10.1.1 | 21,844 | 38,129 | 21,844 | 48,256 |
| Unquoted shares | | | | | | | |
| 2,915,925 | - | Karachi Stock Exchange Limited | 8.2 | 3,595 | 3,595 | - | - |
| 3,370 | 3,370 | Al Jomaih Power Limited | 10.1.2 | 184,197 | 321,442 | 184,197 | 297,906 |
| | | New Horizon Exploration and Production Limited (related party) | | | | | |
| 25,000,000 | 25,000,000 | Class 'A' ordinary shares | | 25,000 | 25,000 | 25,000 | 25,000 |
| 10,000,000 | 10,000,000 | Class 'B' ordinary shares | | 50,000 | 50,000 | 50,000 | 50,000 |
| | | | | 75,000 | 75,000 | 75,000 | 75,000 |
| | | | | 284,636 | 438,166 | 281,041 | 421,162 |

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 are valued at its fair value as at year end based on the net assets value of the investee Company as at December 31, 2012.

| | Note | 2013 | 2012 |
|---|------|-------------------|---------------------|
| ----- (Rupees in '000) ----- | | | |
| 11. LONG-TERM LOANS AND ADVANCES - Considered good | | | |
| Loans and advances to: | | | |
| - Employees | | 1,025 | 1,348 |
| - Executives | | 454 | 1,938 |
| | 11.1 | <u>1,479</u> | <u>3,286</u> |
| Current maturity shown in current assets | 17 | <u>981</u> | <u>(1,838)</u> |
| | | <u><u>498</u></u> | <u><u>1,448</u></u> |

11.1 This represents loans and advances given to executives and employees for purchase of motor vehicles and as general purpose cash advance 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 12% (2012: 14%) 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 balance.

| | Note | 2013 | 2012 |
|--|------|---------------------|---------------------|
| ----- (Rupees in '000) ----- | | | |
| 12. LONG-TERM DEPOSITS AND PREPAYMENTS | | | |
| Deposits with: | | | |
| - Karachi Stock Exchange Limited | | 262 | 362 |
| - National Clearing Company of Pakistan Limited | | 350 | 400 |
| - Pakistan Mercantile Exchange Limited | | 2,500 | 2,500 |
| - Central Depository Company of Pakistan Limited | | 200 | - |
| - Rental deposits | | 1,485 | - |
| - Others | | 1,632 | 342 |
| | | <u>6,429</u> | <u>3,604</u> |
| Prepayments | | <u>-</u> | <u>12</u> |
| | | <u><u>6,429</u></u> | <u><u>3,616</u></u> |

13. LONG-TERM RECEIVABLE

| | | | |
|--|------|-------------------|----------------------|
| Receivable from client | 13.1 | <u>37,468</u> | <u>79,268</u> |
| Less: current maturity shown in current assets | 17 | <u>(37,250)</u> | <u>(41,800)</u> |
| | | <u>218</u> | <u>37,468</u> |
| Less: provision against long-term receivable | 13.2 | <u>-</u> | <u>(13,988)</u> |
| | | <u><u>218</u></u> | <u><u>23,480</u></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. 99.64 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 have agreed to pay an aggregate sum of Rs. 99.64 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 Group has received Rs. 52.86 million from the customer in accordance with the terms of the agreement. The above receivable is secured against marketable securities of the customers, held by the Group. The market value of such securities as at year end was Rs. 211.71 million (2012: Rs. 117.67 million).

- 13.2 In view of the regular repayments made by the customer and also due to significant increase in the market value of securities held as collateral, during the year, the Group has reversed the provision for Rs.13.99 million held against the above receivable.

| | Note | 2013 | 2012 |
|--|------|---------------|---------------|
| ----- (Rupees in '000) ----- | | | |
| 14. DEFERRED TAX ASSET - NET | | | |
| Deductible temporary differences arising from: | | | |
| - Provision against trade debts | | 40,864 | 44,582 |
| - Unused tax losses | | - | 7,867 |
| - Minimum tax | | - | 1,354 |
| | | <u>40,864</u> | <u>53,803</u> |
| Taxable temporary differences arising from: | | | |
| - Differences between written down values and tax base of assets | | (1,682) | (265) |
| | | <u>39,182</u> | <u>53,538</u> |

15. SHORT-TERM INVESTMENTS

'At fair value through profit or loss' - held for trading

| | | | |
|-------------------------------|------|----------------|----------------|
| - Open end mutual funds units | 15.1 | 255,080 | 163,428 |
| - Term finance certificates | 15.2 | 12,550 | 12,550 |
| | | <u>267,630</u> | <u>175,978</u> |

15.1 Open End Mutual Funds Units

| 2013 | | 2012 | | 2013 | | 2012 | |
|------------------------------|--------------------------|-------------------------------|--------|----------------|----------------|----------------|----------------|
| Number of units | Name of investee company | Note | Cost | Carrying value | Cost | Carrying value | |
| ----- (Rupees in '000) ----- | | | | | | | |
| 1,011,957 | 704,923 | KASB Cash Fund | 15.1.1 | 97,315 | 103,497 | 65,493 | 72,315 |
| 232,360 | 214,648 | MCB Cash Management Optimizer | | 21,523 | 23,248 | 20,000 | 21,523 |
| 2,321,531 | 2,148,504 | ABL Cash Fund | | 21,513 | 23,227 | 20,000 | 21,513 |
| 230,506 | 214,607 | UBL Liquidity Plus Fund | | 21,520 | 23,183 | 20,000 | 21,520 |
| 630,845 | 102,082 | JS Cash Fund | | 60,425 | 64,523 | 10,000 | 10,425 |
| 172,647 | 160,467 | Askari Sovereign Cash Fund | | 16,132 | 17,402 | 15,000 | 16,132 |
| | | | | <u>238,428</u> | <u>255,080</u> | <u>150,493</u> | <u>163,428</u> |

- 15.1.1 This represents investment in mutual fund units of a related party amounting to Rs. 103.50 million (2012: Rs. 72.32 million). Further, Mutual Fund units valued at Rs. 254.22 million (2012: Rs. 160.73) are pledged with KSE against exposure margin.

15.2 Term Finance Certificates

| 2013 | | 2012 | | 2013 | | 2012 | |
|------------------------------|--------------------------|---|--------|----------------|--------|----------------|--------|
| 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) | 15.2.1 | 12,550 | 12,550 | 25,099 | 12,550 |

(*) adjusted for impairment charge

- 15.2.1 The above TFCs are secured and carry mark-up at the rate of 6 month KIBOR + 2% and will mature in February 15, 2017. These TFCs are currently rated as 'non-performing' by the Mutual Funds Association of Pakistan and accordingly, the Group is maintaining a provision for decline in the value of investment to the extent of Rs. 32.82 million as at December 31, 2013.

| | Note | 2013 | 2012 |
|---|-------------|----------------|-----------|
| ----- (Rupees in '000) ----- | | | |
| 16. TRADE DEBTS | | | |
| Receivable against purchase of marketable securities | | | |
| - net of provisions | 16.1 & 16.2 | 378,880 | 293,527 |
| Inter-bank brokerage | | 2,707 | 2,124 |
| Fees | | 1,117 | 2,482 |
| | | 382,704 | 298,133 |
| 16.1 Considered good | | | |
| Secured | | 338,928 | 236,446 |
| Unsecured | | 491 | 187 |
| | | 339,419 | 236,633 |
| Considered doubtful | | | |
| Provision for doubtful debts | 16.3 | (120,188) | (115,895) |
| | | 378,880 | 293,527 |
| 16.2 This includes receivables from related parties amounting to Rs. 0.2 million (2012 : Rs. 1.42 million) | | | |
| 16.3 Reconciliation of provisions against trade debts | | | |
| Opening balance | | 115,895 | 149,349 |
| Provision for the year | | 13,104 | - |
| Reversal of provision during the year | | (8,811) | (33,454) |
| | | 4,293 | (33,454) |
| | | 120,188 | 115,895 |
| 16.3.1 Provisions against doubtful debts have been made after considering the market value of listed shares amounting to Rs. 39.46 million (2012: Rs. 56.89 million) held in custody by the Group against respective customers accounts. | | | |
| 17. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES | | | |
| Advances to: | | | |
| - Suppliers | | 4,476 | 888 |
| - Current portion of long-term loans and advances to employees and executives | 11 | 981 | 1,838 |
| | | 5,457 | 2,726 |
| Deposits: | | | |
| - Exposure deposits with KSE | | 207,008 | 73,000 |
| - Exposure deposit with PMEL | | 1,190 | 3,784 |
| - Others | | - | 3,313 |
| | | 208,198 | 80,097 |
| Prepayments: | | | |
| - Rent | | 1,925 | 1,570 |
| - Insurance | | 350 | 673 |
| - Software development and maintenance | | 969 | 3,179 |
| - Others | | 2,595 | 1,918 |
| | | 5,839 | 7,340 |
| Other receivables: | | | |
| - Profit on bank deposits | | 145 | 121 |
| - Profit on exposure deposit with KSE | | 821 | 285 |
| - Profit on long-term receivables | | - | 1,464 |
| - Current portion of long-term receivable | 13 | 37,250 | 41,800 |
| - Receivable from related parties | 17.1 | 152 | 12,889 |
| - Others | | 108 | 356 |
| | | 38,476 | 56,915 |
| | | 257,970 | 147,078 |

| | Note | 2013 | 2012 |
|---|------|------------|---------------|
| ----- (Rupees in '000) ----- | | | |
| 17.1 Receivable from related parties comprises of: | | | |
| - KASB Funds Limited | | 152 | 453 |
| - New Horizon Exploration and Production Limited | | - | 26 |
| - Director of KASB Corporation Limited [formerly KASB Finance (Private) Limited] (the ultimate Parent of the Company) | | - | 12,410 |
| | | <u>152</u> | <u>12,889</u> |

18. CASH AND BANK BALANCES

| | | | |
|--------------------|-------------|----------------|----------------|
| Cash at bank in: | | | |
| - Current accounts | | 68,661 | 19,928 |
| - Savings accounts | 18.1 | <u>272,105</u> | <u>346,734</u> |
| | 18.1 & 18.2 | <u>340,766</u> | <u>366,662</u> |
| Cash in hand | | 36 | - |
| Stamps in hand | | 3 | 1 |
| | | <u>340,805</u> | <u>366,663</u> |

18.1 These carry profit at rates ranging from 1.25% to 9.25% (2012: 1% to 11.25%) per annum.

18.2 This includes Rs. 307.16 million (2012: Rs. 343.56 million) with KASB Bank Limited (the Parent Company).

19. SHARE CAPITAL

19.1 Authorised Capital

| 2013 | 2012 | | | |
|--------------------------------|--------------------|--------------------------------|------------------|------------------|
| ----- (Number of shares) ----- | | | | |
| <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> |

19.2 Issued, subscribed and paid-up share capital

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

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

| | 2013 | | 2012 | |
|--|-------------------|----------------|-------------------|----------------|
| | 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% | 3,000 | 0.003% |
| KASB Corporation Limited [formerly KASB Finance (Private) Limited] | 700,000 | 0.700% | 700,000 | 0.700% |
| Key Management Personnel | 825 | 0.001% | 945 | 0.001% |
| | <u>78,253,325</u> | <u>78.254%</u> | <u>78,253,445</u> | <u>78.254%</u> |

| | | 2013 | 2012 |
|--|------|----------------|----------|
| ----- (Rupees in '000) ----- | | | |
| 20. LONG-TERM LOAN | | | |
| Long-term loan from KASB Bank Limited (the Parent Company) | 20.1 | <u>100,000</u> | <u>-</u> |

20.1 During the year, the Group has obtained a long-term loan of Rs.100 million from the Parent Company. The loan carries mark-up at the rate of 3 months KIBOR + 2.5% per annum and payable on quarterly basis starting from September 2013 to January 2015. The principal amount will be paid as a bullet payment in January 2015. The loan is secured by first ranking charge over all present and future current assets of the Group.

| | Note | 2013 | 2012 |
|-------------------------------------|------|---------|---------|
| ----- (Rupees in '000) ----- | | | |
| 21. TRADE AND OTHER PAYABLES | | | |
| Trade creditors | 21.1 | 896,862 | 525,860 |
| Accrued expenses | 21.2 | 20,924 | 51,684 |
| Withholding tax | | 11,795 | 2,668 |
| Unclaimed dividends | | 609 | 609 |
| Dividend Payable | | 726 | - |
| Others | | 9,708 | 1,152 |
| | | 940,624 | 581,973 |

21.1 This includes payable to KSE and NCCPL amounting to Rs. 2.61 million (2012: Rs. 17.47 million) and Rs. 66.09 million (2012: Rs. Nil) 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. 3.44 million (2012: Rs. 7.41 million)

22. SHORT-TERM BORROWING

| | | | |
|---|------|---|---------|
| Short-term borrowing from KASB Bank Limited (the Parent Company) | 22.1 | - | 250,000 |
|---|------|---|---------|

22.1 Short-term borrowing from the Parent Company which carried mark-up at the rate of 11% per annum was repaid during the year.

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

23.1 Running finance facility of Rs. 199 million (2012: Rs. 299 million) is available to the Group from the Parent Company. The facility is subject to mark-up at rates ranging from 11.58% to 12.03% (2012: 12.70% to 14.49%) per annum during the year and is required to be secured by first 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. 750 million (2012: Rs. 850 million) which remained unutilised as at the year end. These facilities are subject to mark-up at rates ranging from 11.51% to 13.15% (2012: 12.38% to 15.14%) per annum and are required to be secured by pledge of securities for the purposes of utilisation of finance.

| | 2013 | 2012 |
|---|------|-------|
| ----- (Rupees in '000) ----- | | |
| 24. ACCRUED MARK-UP | | |
| Mark-up accrued on: | | |
| - Long-term borrowing - KASB Bank Limited (the Parent Company) | 33 | - |
| - Short-term borrowing - KASB Bank Limited (the Parent Company) | - | 2,712 |
| | 33 | 2,712 |

25. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at the year end.

26. OPERATING REVENUE

| | | | |
|---------------------------------|------|---------|---------|
| Brokerage | | 447,081 | 306,855 |
| Subscription research income | | 2,069 | 3,201 |
| Financial advisory fee | 26.1 | 28,563 | 2,580 |
| Custody services | | 1,188 | 963 |
| Profit on margin trading system | | 2,225 | 254 |
| | | 481,126 | 313,853 |

26.1 During the year, the Group was engaged by a foreign bank as a sub-contractor to provide financial advisory services and act as a purchase agent in connection with the de-listing of securities of a multinational company from all stock exchanges in Pakistan. As per the terms of the subject agreement, the Group has received a cash fee of USD 200,000 at the successful de-listing of the securities of all stock exchanges in Pakistan. Further an additional fee of USD 100,000 based on the satisfactory provision of services was also payable at the sole discretion of the multinational company, out of which, the Group has received USD 50,000 as at the year end and the remaining USD 50,000 will be paid at the discretion of the multinational company and hence the Group has not accrued the same as its income in these financial statements. In respect of the above transactions, the Group has recorded income of Rs. 26.53 million which is included in the account head of 'financial advisory fee' above.

| | Note | 2013 | 2012 |
|---|------|------------------------------|---------------|
| 27. MARK-UP / PROFIT ON BANK DEPOSITS, INVESTMENTS AND OTHER RECEIVABLES | | ----- (Rupees in '000) ----- | |
| Profit on bank deposits | | 28,550 | 28,362 |
| Profit on term finance certificates | | 591 | 3,055 |
| Profit on long-term receivable | 27.1 | 9,595 | 13,641 |
| Mark-up on receivable from related party | | 654 | 410 |
| | | 39,390 | 45,468 |

27.1 This represents mark-up on long-term receivables as fully explained in note 13.1.

28. OPERATING AND ADMINISTRATIVE EXPENSES

| | | | |
|---|------|----------------|----------------|
| Salaries, allowances and other benefits | 28.1 | 244,840 | 201,428 |
| Staff training and development | | 212 | 382 |
| Rent, rates and taxes | | 16,404 | 9,075 |
| Insurance charges | | 333 | 286 |
| Depreciation | 28.2 | 10,120 | 8,605 |
| Amortisation | 8 | 537 | 854 |
| Repairs and maintenance | | 12,352 | 6,162 |
| Power and utilities | | 11,854 | 10,137 |
| Communication | | 17,742 | 14,413 |
| Trading costs | | 21,193 | 9,991 |
| Information technology related costs | | 15,170 | 17,552 |
| Fees and subscription | | 6,241 | 10,294 |
| Printing and stationery | | 4,131 | 2,972 |
| Papers and periodicals | | 177 | 147 |
| Advertisement and business promotion | | 910 | 911 |
| Sales and marketing | | 3,739 | 2,420 |
| Travelling and conveyance | | 5,951 | 4,529 |
| Entertainment | | 2,573 | 2,167 |
| Brokerage expense | | 15,799 | 14,102 |
| Legal and professional charges | | 2,619 | 2,251 |
| Auditor's remuneration | 28.3 | 1,123 | 1,033 |
| Stamp charges | | 48 | 89 |
| Donations | 28.4 | 2,105 | 2,060 |
| Workers' Welfare fund | | 2,553 | 1,756 |
| Property and equipment written off | 7 | 2,059 | - |
| Others | | 237 | 181 |
| | | 401,022 | 323,797 |

28.1 Salaries, allowances and benefits include Group's contribution to provident fund amounting to Rs. 6.22 million (2012: Rs. 5.92 million).

28.2 Depreciation

| | | | |
|------------------------|---|---------------|--------------|
| Property and equipment | 7 | 9,601 | 7,905 |
| Investment properties | 9 | 519 | 700 |
| | | 10,120 | 8,605 |

| | Note | 2013 | 2012 |
|---|---|-----------------------------|----------------|
| ----- (Rupees in '000) ----- | | | |
| 28.3 Auditors' remuneration | | | |
| Statutory audit fee | | 661 | 631 |
| Half-yearly review fee and other certifications | | 347 | 310 |
| Out of pocket expenses | | 115 | 92 |
| | | <u>1,123</u> | <u>1,033</u> |
| 28.4 | Donation were not made to any donee fund in which any director of the Group or his spouse had any interest. | | |
| 29. FINANCE COST | | | |
| Mark-up on: | | | |
| - Short-term borrowing (the Parent Company) | | 452 | 2,712 |
| - Short-term running finances facilities (the Parent Company) | | 519 | 280 |
| - Long-term loan (the Parent Company) | | 6,021 | - |
| - Redeemable capital | | - | 11,255 |
| - Repurchase transaction | | - | 2,307 |
| Bank charges | | 1,950 | 1,885 |
| | | <u>8,942</u> | <u>18,439</u> |
| 30. OTHER INCOME | | | |
| Gain on disposal of property and equipment | 7.2 | 494 | 67 |
| Gain on disposal of 'assets held for sale' | | - | 510 |
| Rental income | | 6,002 | 7,603 |
| Others | | 767 | 590 |
| | | <u>7,263</u> | <u>8,770</u> |
| 31. TAXATION | | | |
| Current | | | |
| - for the year | | (40,841) | (7,699) |
| - for prior year | | 11,546 | - |
| Deferred | 14 | (14,356) | 53,070 |
| | | <u>(43,651)</u> | <u>45,371</u> |
| 31.1 Relationship between tax expense and accounting profit | | | |
| Profit before taxation | | 124,933 | 86,097 |
| Tax at the applicable rate of 34% (2012: 35%) | | (42,477) | (30,134) |
| Tax effects of: | | | |
| - Expenses that are not deductible in determining taxable income | | (15,107) | (1,380) |
| - Income taxed at reduced rate (dividend income, rental income and capital gains) | | (730) | 5,620 |
| - Income exempt from tax | | - | 494 |
| - Income under final tax regime | | 5,177 | (7,912) |
| - Deferred tax recognised on prior year temporary differences | | - | 79,605 |
| - Prior year taxation | | 11,546 | - |
| - Others | | (2,060) | (922) |
| | | <u>(43,651)</u> | <u>45,371</u> |
| 32. EARNINGS PER SHARE | | | |
| Profit after taxation attributable to ordinary shareholders | | 81,282 | 131,468 |
| | | <u>81,282</u> | <u>131,468</u> |
| | | -----(Number of shares)---- | |
| Weighted average number of ordinary shares | | 100,000 | 100,000 |
| | | <u>100,000</u> | <u>100,000</u> |
| | | ----- (Rupees) ----- | |
| Earnings per share - basic and diluted | | 0.81 | 1.31 |
| | | <u>0.81</u> | <u>1.31</u> |

Diluted earnings per share has not been presented as the Group did not have any convertible instruments in issue as at December 31, 2013 and December 31, 2012 which could have any effect on the earnings per share.

33. 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:

| | 2013 | | | 2012 | | |
|--------------------------------|------------------------------|---------------|----------------|-----------------|---------------|----------------|
| | Chief Executive | Directors | Executives | Chief Executive | Directors | Executives |
| | ----- (Rupees in '000) ----- | | | | | |
| Managerial remuneration | 17,930 | 8,512 | 77,705 | 17,185 | 8,145 | 83,010 |
| Performance incentive | 9,000 | 5,000 | 31,785 | 5,250 | 1,750 | 19,315 |
| Fee (note 33.2) | - | 1,560 | - | - | 1,620 | - |
| Reimbursable expenses | 45 | 445 | - | 42 | 636 | - |
| Contribution to provident fund | 722 | 372 | 2,967 | 684 | 350 | 3,123 |
| | <u>27,697</u> | <u>15,889</u> | <u>112,457</u> | <u>23,161</u> | <u>12,501</u> | <u>105,448</u> |
| Number of persons | <u>1</u> | <u>4</u> | <u>44</u> | <u>1</u> | <u>4</u> | <u>49</u> |

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

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



34. 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, 2013 and December 31, 2012 and transactions with related parties during the year ended December 31, 2013 and December 31, 2012 are as follows:

| | 2013 | | | | |
|-----------------------------------|----------------|------------|--------------------------|--------|---------|
| | Parent Company | Associates | Key management personnel | Others | Total |
| ----- (Rupees in '000) ----- | | | | | |
| BALANCES | | | | | |
| Long-term deposits | - | 142 | - | - | 142 |
| Trade debts | 18 | 13 | 50 | 118 | 199 |
| Profit receivable on bank deposit | 144 | - | - | - | 144 |
| Receivable against expenses | - | 152 | 3 | - | 155 |
| Bank balances | 307,161 | - | - | - | 307,161 |
| Trade payables | - | 1 | 1,546 | - | 1,547 |
| Long-term loan | 100,000 | - | - | - | 100,000 |
| Payable against expenses | 3,012 | 232 | 180 | - | 3,424 |
| Accrued mark-up | 33 | - | - | - | 33 |
| ----- | | | | | |
| | 2012 | | | | |
| | Parent Company | Associates | Key management personnel | Others | Total |
| ----- (Rupees in '000) ----- | | | | | |
| BALANCES | | | | | |
| Long-term deposits | - | 142 | - | - | 142 |
| Trade debts | 115 | 31 | 1,052 | 221 | 1,419 |
| Other receivables | - | - | 396 | 12,410 | 12,806 |
| Prepaid rent | 332 | - | - | - | 332 |
| Profit receivable on bank deposit | 1,059 | - | - | - | 1,059 |
| Receivable against expenses | - | 480 | - | - | 480 |
| Bank balances | 343,555 | - | - | - | 343,555 |
| Trade payables | - | 2 | 4,029 | - | 4,031 |
| Short-term borrowing | 250,000 | - | - | - | 250,000 |
| Payable against expenses | 4,435 | 2,663 | 312 | - | 7,410 |
| Accrued mark-up | 2,712 | - | - | - | 2,712 |
| Rent payable | 631 | - | - | - | 631 |
| OFF BALANCE SHEET ITEM | | | | | |
| Bank guarantee | 51,000 | - | - | - | 51,000 |

| | 2013 | | | | |
|--|----------------|------------|--------------------------|--------|--------|
| | Parent Company | Associates | Key management personnel | Others | Total |
| (Rupees in '000) | | | | | |
| TRANSACTIONS | | | | | |
| Income | | | | | |
| Brokerage income earned | 1,189 | - | 1,716 | 421 | 3,326 |
| Custody services | 6 | 178 | 38 | - | 222 |
| Profit on bank deposits | 22,383 | - | - | - | 22,383 |
| Rent income | 4,811 | 1,191 | - | - | 6,002 |
| Others | - | - | 654 | - | 654 |
| Expenses | | | | | |
| Bank charges | 1,635 | - | - | - | 1,635 |
| Charge in respect of contributory plan | - | - | - | 6,224 | 6,224 |
| Communication expenses | - | 11,484 | - | - | 11,484 |
| Donation | - | - | - | 2,040 | 2,040 |
| Locker rent | 4 | - | - | - | 4 |
| Mark-up expense | 6,992 | - | - | - | 6,992 |
| Reimbursement of expenses | 555 | 3,781 | 211 | 48 | 4,595 |
| Rent expense | 889 | - | - | - | 889 |
| Other transactions | | | | | |
| Loans disbursed | - | - | 8,017 | - | 8,017 |
| Loans repayment | - | - | 8,642 | - | 8,642 |
| Mutual Fund bonus units issued | - | - | - | 6,395 | 6,395 |
| Mutual Fund units purchased | - | - | - | 25,000 | 25,000 |
| 2012 | | | | | |
| | Parent Company | Associates | Key management personnel | Others | Total |
| (Rupees in '000) | | | | | |
| TRANSACTIONS | | | | | |
| Income | | | | | |
| Brokerage income earned | 571 | 1,766 | 2,746 | 528 | 5,611 |
| Custody services | 7 | 161 | 48 | 5 | 221 |
| Profit on bank deposits | 22,835 | - | - | - | 22,835 |
| Rent income | 5,005 | 2,598 | - | - | 7,603 |
| Others | - | - | - | 410 | 410 |
| Expenses | | | | | |
| Bank charges | 1,526 | - | - | - | 1,526 |
| Charge in respect of contributory plan | - | - | - | 5,918 | 5,918 |
| Communication expenses | - | 8,838 | - | - | 8,838 |
| Donation | - | - | - | 2,040 | 2,040 |
| Locker rent | 4 | - | - | - | 4 |
| Mark-up expense | 2,992 | - | - | - | 2,992 |
| Reimbursement of expenses | 15,335 | 6,235 | - | 13 | 21,583 |
| Rent expense | 585 | - | - | - | 585 |
| Salary expense reimbursed | - | 48 | - | - | 48 |
| Other transactions | | | | | |
| Loans disbursed | - | - | 3,257 | - | 3,257 |
| Loans repayment | - | - | 4,835 | - | 4,835 |
| Mutual Fund bonus units issued | - | - | - | 9,369 | 9,369 |
| Mutual Fund units redeemed | - | - | - | 10,000 | 10,000 |
| Property and equipment disposed off | - | - | - | 814 | 814 |
| Sale of 'available-for-sale' investments | - | - | - | 12,000 | 12,000 |
| Sale of 'assets held for sale' | - | - | - | 87,000 | 87,000 |

Particulars relating to remuneration of Chief Executive Officer, Directors and Executives who are key management personnel are disclosed in note 33.

35. PROVIDENT FUND RELATED DISCLOSURE

The following information is based on latest un-audited financial statements of the Fund:

| | Note | 2013 | 2012 |
|--------------------------------|------|------------------------------|---------------|
| | | ----- (Rupees in '000) ----- | |
| Size of the fund -Total assets | | <u>64,119</u> | <u>56,743</u> |
| Cost of investments made | | <u>49,794</u> | <u>48,255</u> |
| Percentage of investments made | | <u>93.54%</u> | <u>93.67%</u> |
| Fair value of investments | 35.1 | <u>59,978</u> | <u>53,153</u> |

35.1 Fair value of investments is:

| | 2013 | | 2012 | |
|--------------------------|---------------|----------------|---------------|----------------|
| | (Rs. in '000) | % | (Rs. in '000) | % |
| Government securities | 10,200 | 17.01% | 9,259 | 17.42% |
| Term deposits | 22,269 | 37.13% | 19,500 | 36.69% |
| Term finance certificate | - | - | 9,997 | 18.81% |
| Mutual Funds units | 27,282 | 45.49% | 14,229 | 26.77% |
| Listed shares | 227 | 0.37% | 168 | 0.31% |
| | <u>59,978</u> | <u>100.00%</u> | <u>53,153</u> | <u>100.00%</u> |

The investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

36. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at December 31, 2013 and December 31, 2012 respectively are as follows:

| | ---Number of employees--- | |
|---|---------------------------|------------|
| Average number of employees during the year | <u>147</u> | <u>134</u> |
| Number of employees as at year end | <u>149</u> | <u>139</u> |

37. FINANCIAL INSTRUMENTS

37.1 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's total comprehensive income by Rs. 3.22 million (2012: Rs. 2.12 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 of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of change in foreign exchange rates relates only to the investment in Al Jomaih Power Limited maintained in US dollars amounting to Rs. 321.44 million (2012: Rs. 297.91 million) [US dollars 3.06 million (2012: US dollars 3.06 million)].

Management of the Group estimates that 10% increase in the exchange rate between US dollars and Pak Rupees will increase the comprehensive income of the Group by Rs. 32.14 million and 10% decrease in the exchange rate would result in decrease in comprehensive income of the Group by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

(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. 25.51 million and 10% increase or decrease in the value of 'available-for-sale' investments would result in increase or decrease of other comprehensive income by Rs. 3.79 million.

37.2 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:

| | 2013 | | | | Total |
|------------------------------|----------------|-------------------|--|--------------------|------------------|
| | On Demand | Upto three months | More than three months and upto one year | More than one year | |
| ----- (Rupees in '000) ----- | | | | | |
| Long-term loan | - | - | - | 100,000 | 100,000 |
| Trade and other payables | 927,494 | - | - | - | 927,494 |
| Accrued mark-up | 33 | - | - | - | 33 |
| | <u>927,527</u> | <u>-</u> | <u>-</u> | <u>100,000</u> | <u>1,027,527</u> |
| | 2012 | | | | Total |
| | On Demand | Upto three months | More than three months and upto one year | More than one year | |
| ----- (Rupees in '000) ----- | | | | | |
| Short-term borrowing | - | 250,000 | - | - | 250,000 |
| Trade and other payables | 578,696 | - | - | - | 578,696 |
| Accrued mark-up | 2,712 | - | - | - | 2,712 |
| | <u>581,408</u> | <u>250,000</u> | <u>-</u> | <u>-</u> | <u>831,408</u> |

37.3 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:

| | 2013 | 2012 |
|---|------------------|----------------|
| ----- (Rupees in '000) ----- | | |
| Trade debts | 499,068 | 409,422 |
| Bank balances (see note 37.3.2) | 340,766 | 366,662 |
| Long-term receivable | 37,468 | 79,268 |
| Long-term loans and advances | 1,479 | 3,286 |
| Long-term deposits and prepayments | 6,429 | 3,616 |
| Advances, deposits, prepayments and other receivables | 219,739 | 103,440 |
| | <u>1,104,949</u> | <u>965,694</u> |

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

| | | |
|-------------------------------------|----------------|----------------|
| Debts neither impaired nor past due | - | 35,558 |
| Debts past due but not impaired | 343,243 | 205,681 |
| Debts impaired - net of provision | 39,461 | 56,894 |
| | <u>382,704</u> | <u>298,133</u> |

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

| | 2013 | 2012 |
|---|------------------------------|-----------------------|
| | ----- (Rupees in '000) ----- | |
| Rating (short-term) of Banks and Financial Institutions* | | |
| A1 | 700 | 236 |
| A1+ | 32,777 | 22,710 |
| A-1 | 63 | 79 |
| A-1+ | 65 | 82 |
| A3 | <u>307,161</u> | <u>343,555</u> |
| | <u><u>340,766</u></u> | <u><u>366,662</u></u> |

*Ratings performed by PACRA, JCR-VS & Standard & Poor's.

38. 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.

39. 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.

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, 2013 the Group held the following financial instruments measured at fair value:

| | 2013 | | | |
|---|------------------------------|----------------|----------|--------------------------|
| | Total | Level 1 | Level 2 | Level 3 (note 39.1.1) |
| | ----- (Rupees in '000) ----- | | | |
| 'Available-for-sale' investments | 359,571 | 38,129 | - | 321,442 |
| Investment 'at fair value through profit and loss' - held for trading | 267,630 | 255,080 | - | 12,550 |
| | <u>627,201</u> | <u>293,209</u> | <u>-</u> | <u>333,992</u> |
| | 2012 | | | |
| | Total | Level 1 | Level 2 | Level 3 (note 39.1.1) |
| | ----- (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> |

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

| | 2013 | 2012 |
|-------------------------------------|------------------------------|----------------|
| | ----- (Rupees in '000) ----- | |
| Opening balance | 310,456 | 309,221 |
| Additions during the year | 23,536 | 25,480 |
| Provision for impairment | - | (12,549) |
| Investment disposed during the year | - | (11,696) |
| Closing balance | <u>333,992</u> | <u>310,456</u> |

40. DATE OF AUTHORISATION

These consolidated financial statements have been authorised for issue by the Board of Directors of the Group on March 20, 2014.

41. GENERAL

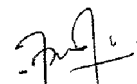
- 41.1** Corresponding figures have been rearranged and re-classified, wherever necessary, for the purpose of comparison. However, there are no material reclassifications to report.
- 41.2** The Board of Directors of the Group has proposed a cash dividend of Rs. 0.50 per share (2012: Rs.0.50 per share) amounting to Rs. 50 million (2012: Rs. 50 million) at its meeting held on March 20, 2014 for the approval of members at the Annual General Meeting to be held on April 22, 2014. These financial statements do not reflect this appropriation as explained in note 4.12.
- 41.3** Figures have been rounded off to the nearest thousands.



Saeed Yousuf Chinoy
Chairman



Nadir Rahman
Chief Executive Officer



Asad Mustafa Shafqat
Chief Financial Officer

PATTERN OF SHAREHOLDINGS

| Number of Shareholders | Shareholding | | Total number of Shares held | Percentage % |
|------------------------|--------------|------------|-----------------------------|--------------|
| | From | To | | |
| 408 | 1 | 100 | 7,243 | 0.0072% |
| 4015 | 101 | 500 | 890,647 | 0.8906% |
| 366 | 501 | 1,000 | 293,157 | 0.2932% |
| 307 | 1,001 | 5,000 | 767,445 | 0.7674% |
| 96 | 5,001 | 10,000 | 766,925 | 0.7669% |
| 24 | 10,001 | 15,000 | 310,400 | 0.3104% |
| 26 | 15,001 | 20,000 | 480,998 | 0.4810% |
| 10 | 20,001 | 25,000 | 239,150 | 0.2392% |
| 10 | 25,001 | 30,000 | 279,945 | 0.2799% |
| 4 | 30,001 | 35,000 | 131,000 | 0.1310% |
| 2 | 35,001 | 40,000 | 79,000 | 0.0790% |
| 4 | 40,001 | 45,000 | 170,085 | 0.1701% |
| 8 | 45,001 | 50,000 | 399,500 | 0.3995% |
| 4 | 50,001 | 55,000 | 208,753 | 0.2088% |
| 2 | 55,001 | 60,000 | 115,820 | 0.1158% |
| 5 | 60,001 | 65,000 | 316,621 | 0.3166% |
| 3 | 65,001 | 70,000 | 202,312 | 0.2023% |
| 1 | 70,001 | 75,000 | 73,553 | 0.0736% |
| 2 | 75,001 | 80,000 | 151,218 | 0.1512% |
| 5 | 95,001 | 100,000 | 499,500 | 0.4995% |
| 2 | 100,001 | 105,000 | 201,519 | 0.2015% |
| 1 | 105,001 | 110,000 | 110,000 | 0.1100% |
| 1 | 110,001 | 115,000 | 110,609 | 0.1106% |
| 1 | 130,001 | 135,000 | 131,000 | 0.1310% |
| 1 | 140,001 | 145,000 | 141,000 | 0.1410% |
| 1 | 145,001 | 150,000 | 150,000 | 0.1500% |
| 2 | 165,001 | 170,000 | 336,100 | 0.3361% |
| 1 | 245,001 | 250,000 | 250,000 | 0.2500% |
| 1 | 290,001 | 295,000 | 293,500 | 0.2935% |
| 1 | 345,001 | 350,000 | 347,500 | 0.3475% |
| 1 | 390,001 | 395,000 | 391,500 | 0.3915% |
| 1 | 395,001 | 400,000 | 400,000 | 0.4000% |
| 1 | 495,001 | 500,000 | 500,000 | 0.5000% |
| 1 | 695,001 | 700,000 | 700,000 | 0.7000% |
| 1 | 710,001 | 715,000 | 715,000 | 0.7150% |
| 1 | 905,001 | 910,000 | 910,000 | 0.9100% |
| 1 | 930,001 | 935,000 | 930,500 | 0.9305% |
| 1 | 995,001 | 1,000,000 | 1,000,000 | 1.0000% |
| 1 | 1,120,001 | 1,125,000 | 1,121,500 | 1.1215% |
| 1 | 1,380,001 | 1,385,000 | 1,381,000 | 1.3810% |
| 1 | 2,495,001 | 2,500,000 | 2,500,000 | 2.5000% |
| 1 | 4,995,001 | 5,000,000 | 5,000,000 | 5.0000% |
| 1 | 75,995,001 | 76,000,000 | 75,996,000 | 75.9960% |
| <u>5,327</u> | | | <u>100,000,000</u> | <u>100%</u> |

| Shareholders' Category | Number of Shareholders | Number of Shares held | Percentage % |
|---------------------------|------------------------|-----------------------|--------------|
| Directors, CEO & Children | 7 | 175,250 | 0.1753% |
| Associated Companies | 6 | 78,252,500 | 78.2525% |
| Individuals | 5,290 | 20,336,304 | 20.3363% |
| Others | 24 | 1,235,946 | 1.2359% |
| | <u>5,327</u> | <u>100,000,000</u> | <u>100%</u> |

*Includes 2,413 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 |
| | KASB Bank Limited - Employees Provident Fund Trust | 1 | 400,000 |
| | KASB Securities Limited - Employees Provident Fund Trust | 1 | 32,000 |
| | KASB Funds PS Limited -Employees Provident Fund Trust | 1 | 3,000 |
| | KASB Corporation Limited [formerly KASB Finance (Private) Limited] | 1 | 700,000 |
| | | <u>6</u> | <u>78,252,500</u> |
| 2 | Directors: | | |
| | Saeed Yousuf Chinoy | 1 | 1,125 |
| | Mahmood Ali Shah Bukhari | 1 | 1,125 |
| | Nadir Rahman | 1 | 170,000 |
| | Irfan Nadeem | 1 | 1,000 |
| | Salman Naqvi | 1 | 1,000 |
| | Tahir Iqbal | 1 | 500 |
| | Asad Mustafa Shafqat | 1 | 500 |
| | | <u>7</u> | <u>175,250</u> |
| | Individuals | <u>5,290</u> | <u>20,336,304</u> |
| | Others | <u>24</u> | <u>1,235,946</u> |

FORM OF PROXY FOURTEENTH 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 Fourteenth Annual General Meeting of the Company to be held
at Beach Luxury Hotel, Karachi on Tuesday, April 22, 2014 at 09:00 am and / or any adjournment thereof.

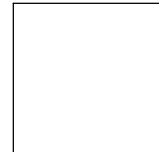
As witness my / our hand / seal this _____ day of _____ 2014.

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 | |

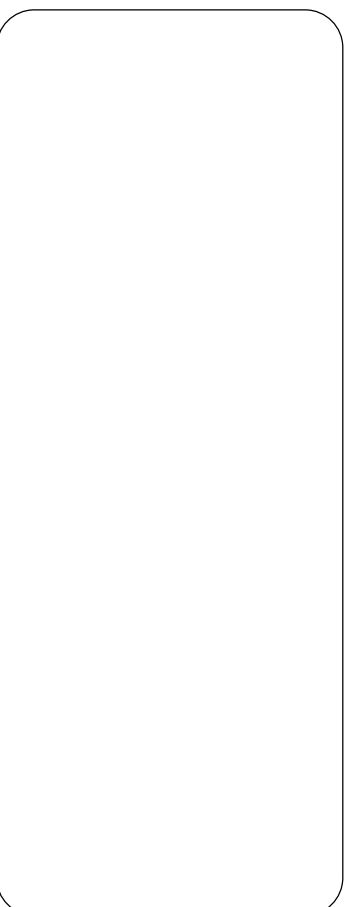
It is stated that the above-mentioned information is correct, that I will intimate the changes in the above mentioned information to the Company and the concerned Share Registrar as soon as these occur.

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