KASB SECURITIES

Annual Report

For the year ended December 31, 2010

Annual Report

For the year ended December 31, 2010

CONTENTS

Vision

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

Mission

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

Vision	Customer Oriented, Innovative
Attitude	Proactive, Based on Commitment & Respect
Leadership	Based on integrity, Trust & Teamwork
Upright	Credible & Reliable
Excellence	In Customer Services with Quality
Synergy	In Team Result

COMPANY INFORMATION

Board of Directors:	Syed Asghar Ali Shah - Chairman Bilal Mustafa Siddiqui Malik Munir Ahmed Saleem Nadim D. Khan Saeed Yousuf Chinoy Sheikh Muhammad Moeen Nadir Rahman - Chief Executive Officer
Audit Committee:	Saeed Yousuf Chinoy - Chairman Sheikh Muhammad Moeen Syed Asghar Ali Shah Zia-ul-Haq - Secretary
CFO & Company Secretary:	Saeed Jamal Tariq
Auditors:	Ernst & Young Ford Rhodes Sidat Hyder (Chartered Accountants) Progressive Plaza, Beaumont Road Karachi, Pakistan
Internal Auditor:	Zia-ul-Haq
Bankers:	Allied Bank Limited Askari Bank Limited Bank Al-Habib 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 404, 4th Floor, Beaumont Plaza, 6-CL-10, Beaumont Road, Civil Lines, Karachi, Pakistan
Registered & Head Office:	5th Floor, Trade Centre, I.I. Chundrigar Road, Karachi, Pakistan Ph : (92-21) 111-222-000 Fax: (92-21) 32630202 E-mail: kasbho@kasb.com

Branches:

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

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

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

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

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

Website: www.kasb.com

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

FINANCIAL HIGHLIGHTS

	Jan - Dec 2010	Jan - Dec 2009	Jan - Dec 2008	July - Dec 2007**	July - June 2007	July - June 2006
Operating Performance						
(Rupees in '000)						
Revenue *	335,171	511,732	488,679	459,230	705,250	576,383
Operating and administrative expenses	(301,574)	(242,964)	(194,988)	(217,775)	(369,284)	(310,573)
Reversal / additional provision / impairment	102,324	(450,858)	(156,961)	(10,062)	(13,950)	1,066
Finance cost	(72,600)	(85,320)	(106,575)	(53,518)	(37,962)	(34,888)
Other income	11,710	14,117	15,045	1,647	4,401	6,707
Profit / (loss) before taxation	75,031	(253,293)	45,200	179,522	288,455	238,695
Profit / (loss) after taxation	68,872	(298,270)	4,690	151,003	226,920	187,522
Per Ordinary Share						
(Rupees)						
Earnings / (loss) per share	0.69	(2.98)	0.05	2.38	4.71	6.25
Break-up value per share	10.63	10.18	11.98	13.71	18.74	16.56
Dividends (Percentage)						
Cash	-	-	-	-	83.4%(I)	33.5%(I)
Assets and Liabilities						
(Rupees in '000)						
Total assets	2,034,327	2,305,027	2,255,343	3,368,462	2,911,785	1,461,700
Current assets	1,151,957	1,876,991	2,143,693	3,122,576	2,673,746	1,261,344
Current liabilities	804,791	785,478	556,308	1,493,612	1,842,154	956,924
Financial Position						
(Rupees in '000)						
Shareholders equity	1,063,386	1,018,202	1,198,356	1,371,103	562,158	496,908
Share capital	1,000,000	1,000,000	1,000,000	1,000,000	300,000	300,000
Reserves	63,386	18,202	198,356	371,103	262,158	196,908
Share outstanding (Number in '000)	100,000	100,000	100,000	100,000	30,000	30,000
Return on capital employed - (%)	7.06	(24.88)	3.77	13.09	51.31	48.04
Return on total assets - (%)	7.26	(7.29)	6.73	6.92	11.21	18.72
Current ratio-times	1.43	2.39	3.85	2.09	1.45	1.32
Interest cover ratio-times	2.03	(1.97)	1.42	4.35	8.60	7.84

(I) Interim
(F) Final

* Revenue is net / gross of net unrealised (loss) / gain on remeasurement of investments at fair value through profit or loss to fair value - held for trading.

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

DIRECTORS' REPORT

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 related commentary for the year ended December 31, 2010.

Economic Review

2010 was a year of two halves where resurgence in inflation due to fiscal slippages in 1H10 was followed by deterioration in macro landscape in 2H10. The government had targeted a significantly high amount of external resources to fund its fiscal deficit since entering the IMF program. However, these external resources fell short of government expectations due to delay in implementation of structural reforms whereas, on the other hand expenditure overshot its target. Further, flash floods in 2H10 caused an estimated loss of US$3-4bn in the agriculture sector and US$9-10bn in total. With approximately 14% of farm land destroyed and 20 million people displaced, government found it even more difficult to implement tax and energy sector reforms in a low growth (~2% in FY11E from 4.1% in FY10) and high inflation environment (14% on average during CY10 and 15.5% YoY in December 2010). Therefore, government reliance on borrowing remained at elevated levels, prompting the SBP to raise the discount rate by 150bp during 2010 to 14%.

The pace of macro improvements slowed down considerably in 2010, after the transition towards macro stability under the IMF program in 2009, where key fitness indicators such as inflation, FX reserves and twin deficits had shown considerable improvement.

Equity Market Review

2010 got off to a good start as the KSE posted returns of ~8% in 1Q. However following a mid-year slump led by floods and reversal of the monetary policy stance by SBP, a very strong 4Q (+20%) helped KSE round off 2010 with 28% return. Coming off a strong 60% return in CY09, the returns put KSE at par with regional peers. The returns however continued to remain lopsided with OGDC (~25% index weight) contributing the bulk of the returns.

Coming off a low base in 2009 (cash based market), volumes thinned further hitting levels last seen in early 2000s. While continued absence of leverage hampered participation, the imposition of capital gains tax effective July 1st (rules recently finalized), acted as a further dampener. While difficult to establish, an exact causal relationship between the two, low volumes also hampered international participation where although net flows increased 16x to US$520mn, gross participation was down 10% YoY to US$1.9bn.

Debt and Currency Markets Review

The money market started off the year 2011 with expectations of an increase in the benchmark interest rate. It took a long time coming but the rate was increased three times during the year by 50bps each starting in July 2010. The market was therefore on the upside for the entire year. The State Bank conducted PIB auctions six times during the year but was unable to generate the targeted amount even once.

The TFC market which was very active in the first half of the year saw a significant drop in the latter half as credit uptake declined from commercial banks and they were left with no option but to invest in TFCs to generate attractive returns. In the latter half, as the market reached a point of saturation due to high prices and limit exhaustion, the activity in this sector tapered off.

The focus was then shifted to purchasing shorter tenor T-Bills and lending in the market in Reverse REPO transactions for a maximum tenor of 1 month to cover any hike in interest rates.

Pak rupee started off 2010 on a strong note where it posted a 1% appreciation against the dollar by April-May 2010. As such, disbursement of IMF tranche and CSF flows in May-10 kept sentiments buoyed on the currency front. However subsequent to this, delay in IMF mandated reforms deemed future IMF tranches at risk which reflected in weakening of the currency in the middle of the year. Pak rupee rounded off the year 1.9% lower YoY, as some stability in the currency rate kicked in towards the end of the year where the current account deficit numbers came in stronger than initially expected.

Operating Performance

Profit after tax for 2010 amounted to PKR 68.9 mn as against after tax loss of PKR 298.3 mn in 2009. Main reason for the loss in 2009 was recording of significant provisions on trade debts and impairment on AFS investments. During 2010, the recovery of a significant overdue trade debt resulted in reversal of provision amounting to PKR 180 mn.

Brokerage and advisory income declined from PKR 347 mn in 2009 to PKR 221.5 mn in 2010 mainly the result of shrinkage in volumes on the KSE. Capital gains also declined from PKR 82.8 mn in 2009 to PKR 37.7 mn in 2010. During the year, further impairment of PKR 74.9 million was recorded on our strategic investments.

EPS for 2010 was PKR 0.69 compared to negative EPS of PKR 2.98 in 2009. Lower operating income and brokerage volumes continue to exert pressure on core profitability. The Board remains committed to take care of the shareholders concerns, however a payout is considered not advisable this year.

Corporate Governance

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

- Proper books of account of the Company have been maintained;
- The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and the changes in equity;
- Appropriate accounting policies as more fully explained in notes 4.1 to 4.17 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 3 to the financial statements, have been followed in the preparation of the financial statements;
- The system of internal control, which is sound in design has been effectively implemented and is being continuously reviewed and monitored;
- The Company is financially sound and is a going concern and 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;
- Key operating and financial data of the preceding years appear on page 5.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on December 31, 2010 except for those disclosed in the financial statements;
- The Company operates an approved contributory provident fund for its eligible employees. The value of investments as per the audited financial statements for the year ended December 31, 2010 amounts to approximately PKR 38.8 mn.
- No material changes and commitments affecting the financial position of the Company have occurred between the balance sheet date and the date of the Directors Report

The Board

The Board comprised of six non-executive directors and one executive director. The positions of the Chairman and the Chief Executive Officer are kept separate in line with the best governance practices. The Board has established an Audit Committee to assist in the performance of its functions. The names of the members of this Committee are stated on the Company information pages.

Seven meetings of the Board of Directors were held during the year. The attendance of Directors at the Board meetings was as follows:

Name of Director	Meetings held after appointment	Meetings attended
Syed Asghar Ali Shah	Seven	Seven
Mr. Saeed Yousuf Chinoy	Seven	Five
Mr. Farid Arshad Masood	Six	Five
Mr. Farrukh Hamid Sabzwari	One	One
Sheikh Muhammad Moeen	Seven	Six
Syed Tariq Hussain Gilani	Seven	Seven
Malik Munir Ahmed Saleem	Seven	Six
Mr. Bilal Mustafa Siddiqui	Three	One
Syed Majeedullah Huseini	Three	Two

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

- Syed Majeedullah Huseini, appointed on November 12, 2009 resigned from the position of Director on June 25, 2010 and in his place Mr. Bilal Mustafa Siddiqui was appointed as the new Director on July 13, 2010.

- Mr. Farid Arshad Masood, appointed on March 01, 2010 resigned from the positions of Director and Chief Executive Officer on January 01, 2011 and in his place Mr. Nadir Rahman was appointed as the Chief Executive Officer and further co-opted as a director in his place, on the same date.

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

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 after 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 2011. Approval to this effect will be sought from the shareholders at the forthcoming annual general meeting.

Shareholding

The pattern of shareholding as on December 31, 2010 appears on page 79. Transactions in the Company's shares, as reported by the Directors, Chief Executive Officer, Chief Financial Officer and Company Secretary on their own account and on account of their spouse and minor children are also reported therein.

Credit Rating

The Pakistan Credit Rating Agency (PACRA) has assigned the Company's long term rating at "A" (Single A) and short term rating at A1 (A One). The rating of the secured TFC issue of PKR 500 million is "A+" (Single A plus). These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

Future Outlook

Looking ahead, while growth should recover from a low base, reforms continue to remain critical for external flows to materialize as most donors have pegged further disbursements to the IMF program. Commodity prices however remain a key risk where continued increase in international commodities especially oil prices would hurt Pakistan macros and over-ride any benefits from strong cotton prices.

Having said that, the Company continues with new initiatives to diversify revenue streams and to include value added services with a view to broaden it's client base, and to also offer more innovative solutions to its existing clients.

Subsequent to the balance sheet date, New Horizon, our oil and gas strategic investment has shown encouraging prospects of natural gas in one of its exploratory wells. Currently, efforts are underway to assess the commerciality of the find.

Also, subsequent to the balance sheet date, KASB Funds, our sister concern, is in the process of acquiring another AMC with a view to increase its fund size and through operational efficiency add further value to our investment.

Acknowledgement

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

On behalf of the Board of Directors

Syed Asghar Ali Shah
Chairman

Karachi: March 24, 2011

PROFILE OF DIRECTORS

Syed Asghar Ali Shah – Chairman

Syed Asghar Ali Shah is a seasoned and experienced technology expert having worked with a number of banks and institutions in Pakistan and abroad. He is a German national of Pakistani origin.

Mr. Shah has worked in senior positions with a number of organizations during the period since 1971, such as the Frankfurt Stock Exchange, American Express, Frankfurt, University Info Systems Hannover, Abbott Europe, H. Q. Wiesbaden in Germany, BCCI London, Asia Pacific Hong Kong and Abu Dhabi. He was the CEO of Mustekham Steel, Rawalpindi, Education Tech-Knowledge, Lahore and Amtex Europe, Loerrach, Germany. Presently, he is a Director in Hi-Tech Engineering Works, Karachi and has also been appointed as Director on the Board of Privatization Commission by the Government of Pakistan. He has been appointed on the Board of Directors of KASB Securities Limited as an independent non-executive Director.

Mr. Shah has travelled the world over and has accumulated vast business and management experience. In addition to Urdu and English, he also possesses full command of the German language.

Mr. Shah received his education in Pakistan and graduated from the University of Punjab in 1969. He has a Diploma in Data Processing from Frankfurt CDI, Germany and has done numerous other professional courses from UK, USA and Germany.

Nadir Rahman – Chief Executive Officer

Mr. Nadir Rahman has over 20 years of international and Pakistan specific experience in corporate and investment banking, primary capital markets, sales and trading, principal investments and real estate. He has worked for leading global financial services companies including Citigroup, ABN AMRO Rothschild and Standard Chartered.

Mr. Rahman has previously served as CEO of three securities firms (including KASB during the years 2000 to 2003) and an asset management company. He has also served as director on the boards of leading listed companies in Pakistan and as a member of the Central Board of Directors of Fauji Foundation.

Mr. Rahman is widely traveled and has done business in over 25 countries. He holds degrees from the Wharton School and the College of Arts and Sciences of the University of Pennsylvania.

Bilal Mustafa Siddiqui – Director

Mr. Siddiqui possesses over 35 years of diversified professional experience in the banking industry. He has worked at various senior management positions with some of the largest local banks ie Allied Bank, HBL and The Bank of Khyber providing him with a rich mix of experience in the fields of banking operations, field work, internal audit, human resource management and corporate affairs. During this time, he served in the positions of Chief of Audit and Inspection, Group Chief Human Resources, SEVP & Group Head Corporate Affairs and various other Executive positions.

Presently, Mr. Siddiqui is the Managing Director of the Bank of Khyber. He has been appointed on the Board of Directors of KASB Securities Limited as an independent non-executive Director.

Mr. Siddiqui holds a Masters Degree in Economics. He is also an Associate of the Institute of Bankers of Pakistan.

Malik Munir Ahmed Saleem – Director

Mr. Saleem has over 35 years of rich experience of the banking industry. He is currently KASB Bank's Group Executive, Commercial Banking responsible for looking after the Bank's 100 branches spread all over Pakistan. His present assignment entails leading the Bank's middle market/SME, Agricultural banking and leasing segments. His long association with the banking industry has enabled him to develop specialization in various aspects of commercial banking, consumer finance, process re-engineering, setting up of strategic business units and business integration. Prior to joining KASB Bank, he was SEVP/Group Head at MCB Bank and managed 980 branches across the country. He was also a permanent member of the Bank's Management Committee, delegated with authority to approve credit facilities to customers.

Mr. Saleem holds a Bachelors degree in Law and Arts from the University of Punjab. He is also an Associate of the Institute of Bankers of Pakistan.

Nadim D. Khan - Director

Mr. Khan has over 25 years of experience in Banking, Stock Brokerage and Mutual Fund Industry. He has held senior management positions with Standard Chartered Bank (SCB), ING Barings Securities (Nominee in KSE), Elixir Securities Pakistan and AMZ Asset Management. At SCB corporate banking department he managed a diverse portfolio of MNC's with a focus on structuring local and foreign currency finance facilities to meet their requirements. As Head of Custodial Services, Equitor Group, SCB had custody of over USD 500 million assets under management.

Mr. Khan holds a BBA degree from Grand Valley State University, Michigan, USA and an MBA from San Francisco State University, California, USA. He is also an Associate of Institute of Bankers of Pakistan.

Saeed Yousuf Chinoy – Director

Mr. Chinoy is a business and management consultant with over forty years global experience in corporate consultancy and project development. He is currently the President of the Oxford & Cambridge Society, an educational charity raising money to fund university education of the financially disadvantaged.

Mr. Chinoy has served on the Boards of various other companies in Pakistan including Singer Pakistan Limited, Premier Sugar and Distillery Company Limited, Phipson & Company Limited, Pakistan Agencies Limited, and Continental Furnishing Company Limited, as well as companies in Saudi Arabia and Dubai. He remains engaged in international financial services and equity markets and also holds investments in Pakistan Real Estate and Capital Markets. He has been appointed on the Board of Directors of KASB Securities Limited as an independent non-executive Director.

He holds a Bachelors as well as a Masters degree from Cambridge University, United Kingdom.

Sheikh Muhammad Moeen– Director

Mr. Moeen has been associated with the KASB Group since 2004. He joined KASB Securities in 2004 as it's Company Secretary and head of Risk and Compliance. He became the Chief Financial Officer of the company in 2005. He left KASB Securities and joined KASB Capital (an investment bank) in 2007 where he remained engaged in group corporate restructurings playing a key role in formation of various entities within the Group. These included, KASB Securities, KASB Funds, KASB Modaraba, KASB Finance and some other ventures. Prior to joining KASB, he was associated with a local credit rating company from 2002 to 2004 and A.F. Ferguson & Co. Chartered Accountants, Karachi (member firm of Price Waterhouse Coopers) during 1997 to 2002.

Mr Moeen is presently the Chief Financial Officer of KASB Bank. His role also includes monitoring business and financial performance of various group-corporations, such responsibility being discharged through representation on the board of directors and the various board committees of these corporations.

Mr. Moeen is an associate member of the Institute of Chartered Accountants of Pakistan and holds certificate level qualifications in Management Accounting and Islamic Finance.

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.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Eleventh Annual General Meeting of KASB Securities Limited (the Company) will be held at Beach Luxury Hotel, Karachi on April 23, 2011 at 10 am to transact the following business:

1. To confirm the minutes of the Extraordinary General Meeting held on January 28, 2011.
2. To receive, consider and adopt the audited standalone and consolidated financial statements of the Company for the year ended December 31, 2010 together with the Directors' and Auditors' Report thereon.
3. To appoint Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as the auditors for the year ending December 31, 2011 and fix their remuneration.
4. To transact any other business with the permission of the Chair.

By order of the Board

S.J.Tariq

Karachi
April 2, 2011

Saeed Jamal Tariq
Company Secretary

Notes:

(i) Share transfer books of the Company will remain closed from April 16, 2011 to April 23, 2011 (both days inclusive). Transfers received in order at the office of our Registrar, THK Associates (Private) Limited, Ground Floor, State Life Building No.3, Ziauddin Ahmed Road, Karachi; by the close of business on April 15, 2011 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 purposes 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

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

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

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

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2010 prepared by the Board of Directors of KASB Securities Limited (the Company) to comply with the Listing Regulations of the Karachi Stock Exchange, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control systems to enable us to express an opinion as to whether the Board's Statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular number KSE / N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended 31 December 2010.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Date: 24 March 2011

Karachi

A member firm of Ernst & Young Global Limited

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

- The Company encourages the representation of independent non-executive directors and the Board as at December 31, 2010 comprised of non-executive directors except for the Chief Executive Officer.

- The directors have confirmed that none of them is serving as a director in more than ten listed Companies including KASB Securities Limited.

- 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 Development Financial Institution or a Non-Banking Financial Institution. None of the resident Directors are members of any Stock Exchange of Pakistan

- The Company has prepared a 'Statement of Ethics and Business Practices', which is signed by all the directors and employees of the Company.

- The Board has developed the vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of significant policies along with the dates on which they were approved or amended has been maintained.

- All the powers of the Board have been duly exercised and decisions on material transactions.

- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

- Casual vacancies that occurred in the Board were filled up by the Board in accordance with the Articles of Association of the Company.

- The related party transactions have been placed before the Audit Committee and approved by the Board of Directors.

- The management of the Company has submitted a paper to the Board of Directors for the purposes of orientation of the directors and to apprise them of their duties and responsibilities.

- The appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO is approved by the Board of Directors.

- The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

- The financial statements of the Company were duly endorsed by CEO and CFO before the approval by the Board.

- The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.

- The Company has complied with all the corporate and financial reporting requirements of the Code.

- The Board has formed an audit committee. It comprises of three members, all of whom are non-executive directors including the Chairman of the Committee.

- 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 Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

- The Board has setup an internal audit function. The Staff of the Internal Audit department is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

- The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, 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 Institute of Chartered Accountants of Pakistan.

- The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regards.

We confirm that all material principles contained in the Code have been complied with.

On behalf of the Board of Directors

Syed Asghar Ali Shah
Chairman

Karachi: March 24, 2011

STANDALONE FINANCIAL STATEMENTS

ERNST & YOUNG

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan
Tel: +9221 3565 0007
Fax: +9221 3568 1965
www.ey.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of KASB Securities Limited (the Company) as at 31 December 2010 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. The financial statements of the Company for the year ended 31 December 2009 were audited by another firm of Chartered Accountants, whose audit report dated 05 April 2010 expressed an unqualified opinion on those statements. However, an emphasis of matter paragraph was included in the audit report regarding an overdue trade receivable from a customer against which adequate provision was made by the Company.

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 2010 and the profit and the total comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Date: 24 March 2011

Karachi

A member firm of Ernst & Young Global Limited

BALANCE SHEET

AS AT DECEMBER 31, 2010

	Note	2010	2009
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property and equipment	7	42,689	54,590
Intangible assets	8	15,099	14,670
Investment properties	9	9,020	10,095
Long-term Investments	10	809,319	342,955
Long-term loans and advances	11	1,021	1,222
Long-term deposits and prepayments	12	5,638	4,504
		882,786	428,036
Current assets			
Short-term Investments	13	611,920	306,588
Trade debts	14	381,342	1,054,180
Advances, deposits, prepayments and other receivables	15	61,750	227,934
Cash and bank balances	16	96,945	288,289
		1,151,957	1,876,991
TOTAL ASSETS		2,034,743	2,305,027
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued, subscribed and paid-up capital	17	1,000,000	1,000,000
General reserve		18,752	18,752
Unrealised gain on remeasurement of 'available-for-sale' investments to fair value - net		15,125	38,813
Unappropriated profit / (accumulated loss)		29,509	(39,363)
		1,063,386	1,018,202
Current liabilities			
Trade and other payables	18	465,280	747,327
Accrued mark-up	19	1,214	982
Taxation payable - net		5,497	36,891
Current maturity of liabilities against assets subject to finance lease		-	78
Current maturity of redeemable capital	20	332,800	200
		804,791	785,478
Non-current liabilities			
Redeemable capital	20	166,500	499,300
Deferred tax liability - net	21	66	2,047
		166,566	501,347
TOTAL EQUITY AND LIABILITIES		2,034,743	2,305,027
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 39 form an integral part of these financial statements.

Syed Asghar Ali Shah	Nadir Rahman	Saeed Jamal Tariq
Chairman	Chief Executive Officer	Chief Financial Officer

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010	2009
		(Rupees in '000)	
Brokerage and fee	24	**221,513**	346,999
Gain on sale of investments - net		**37,677**	82,772
Dividend income		**8,496**	42,425
Net unrealised gain on remeasurement of investments 'at fair value through profit or loss'		**10,803**	7,595
Income from continuous funding system transactions		**-**	2,525
Other operating revenue	25	**56,682**	29,416
		335,171	511,732
Operating and administrative expenses	26	**(301,574)**	(242,964)
Reversal / (provision) for doubtful debts and other receivables	27	**177,255**	(221,877)
Impairment charge against available-for-sale investments	28	**(74,931)**	(228,981)
		(199,250)	(693,822)
Operating profit / (loss)		**135,921**	(182,090)
Finance cost	29	**(72,600)**	(85,320)
		63,321	(267,410)
Other income	30	**11,710**	14,117
Profit / (loss) before taxation		**75,031**	(253,293)
Taxation	31	**(6,159)**	(44,977)
Profit / (loss) after taxation		**68,872**	(298,270)
Other comprehensive income:			
Net unrealised loss arising during the year on remeasurement of available-for-sale investments - net		**(97,279)**	(111,785)
Reclassification adjustment for net loss realised on disposal of available-for-sale investments		**(1,340)**	920
Reclassification adjustment for impairment loss on available-for-sale investments included in profit or loss	28	**74,931**	228,981
Other comprehensive (loss) / income for the year		**(23,688)**	118,116
Total comprehensive income / (loss) for the year		**45,184**	(180,154)
		(Rupees)	
Earnings / (loss) per share - basic	32	**0.69**	(2.98)

The annexed notes 1 to 39 form an integral part of these financial statements.

Syed Asghar Ali Shah	**Nadir Rahman**	**Saeed Jamal Tariq**
Chairman	Chief Executive Officer	Chief Financial Officer

CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010	2009
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		**75,031**	(253,293)
Non-cash adjustments to reconcile (profit) / loss before tax to net cash flows:			
Depreciation		**15,275**	21,191
Amortisation		**2,132**	2,004
Gain on sale of investments		**(37,677)**	(82,772)
Gain on sale of property and equipment		**(634)**	(608)
Unrealised gain on remeasurement of investments at fair value through profit or loss - net		**(10,803)**	(7,595)
Impairment loss on 'available-for-sale' investments		**74,931**	228,981
Reversal of provision against doubtful debts		**(209,432)**	(50,185)
Provision against doubtful debts		**32,852**	272,062
Reversal of provision against other receivables		**(5,147)**	-
Finance cost		**72,600**	85,320
Dividend income		**(8,496)**	(42,425)
		(74,399)	425,973
		632	172,680
Working capital adjustments:			
(Increase) / decrease in assets			
Long-term loans and advances		**201**	112
Long-term deposits and prepayments		**(1,134)**	(138)
Long-term investments		**(541,295)**	(46,047)
Trade debts		**849,418**	113,399
Advances, deposits, prepayments and other receivables		**137,756**	(32,549)
		444,946	34,777
(Decrease) / increase in current liabilities			
Trade and other payables		**(282,047)**	313,656
		163,531	521,113
Finance cost paid		**(72,365)**	(96,181)
Income tax paid		**(39,534)**	(26,972)
Net cash flows from operating activities		**51,632**	397,960
CASH FLOW FROM INVESTING ACTIVITIES			
Investments 'available-for-sale' - net		**37,639**	5,024
Investments 'at fair value through profit or loss' - net		**(318,179)**	(51,514)
Investment in property and equipment		**(7,980)**	(2,421)
Proceeds from disposal of property and equipment		**3,754**	6,429
Dividend received		**42,071**	9,001
Net cash flows used in investing activities		**(242,695)**	(33,481)
CASH FLOW FROM FINANCING ACTIVITIES			
Lease rentals paid		**(81)**	(3,789)
Repayment of redeemable capital		**(200)**	(200)
Net cash flows used in financing activities		**(281)**	(3,989)
Net (decrease) / increase in cash and cash equivalents		**(191,344)**	360,490
Cash and cash equivalents at the beginning of the year		**288,289**	(72,201)
Cash and cash equivalents at the end of the year	16	**96,945**	288,289

The annexed notes 1 to 39 form an integral part of these financial statements.

Syed Asghar Ali Shah	**Nadir Rahman**	**Saeed Jamal Tariq**
Chairman	Chief Executive Officer	Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2010

	Share capital	General reserve	Unappropriated profit / (accumulated loss)	Unrealised gain / (loss) on remeasurement of available for sale investments to fair value - net	Total
	(Rupees in '000)				
Balance as at January 01, 2009	1,000,000	18,752	258,907	(79,303)	1,198,356
Total comprehensive loss for the year	-	-	(298,270)	118,116	(180,154)
Balance as at December 31, 2009	**1,000,000**	**18,752**	**(39,363)**	**38,813**	**1,018,202**
Total comprehensive income for the year	-	-	68,872	(23,688)	45,184
Balance as at December 31, 2010	**1,000,000**	**18,752**	**29,509**	**15,125**	**1,063,386**

The annexed notes 1 to 39 form an integral part of these financial statements.

Syed Asghar Ali Shah Chairman	**Nadir Rahman** Chief Executive Officer	**Saeed Jamal Tariq** Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

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 1, 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. The registered office of the Company is situated at 5th Floor, Trade Centre, I.I. Chundrigar Road, Karachi.

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

1.3 The Company has corporate membership of the Karachi Stock Exchange (Guarantee) 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.

1.4 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 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 follows:

The Company has adopted the following new and amended IFRS and related interpretations and improvements which became effective during the year:

IFRS 2 - Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions

IFRS 3 - Business Combinations (Revised)

IAS 27 - Consolidated and Separate Financial Statements (Amendment)

IAS 39 - Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendment)

IFRIC 17 - Distributions of Non-cash Assets to owners

In May 2008 and April 2009, the IASB issued amendments to various standards primarily with a view to removing inconsistencies and clarifying their wording. These improvements are listed below:

Issued in May 2008

IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations

Issued in April 2009

IFRS 2 - Share-based Payments
IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations
IFRS 8 - Operating Segments
IAS 1 - Presentation of Financial Statements
IAS 7 - Statement of Cash Flows
IAS 17 - Leases
IAS 36 - Impairment of Assets
IAS 38 - Intangible Assets
IFRIC 9 - Reassessment of Embedded Derivatives
IFRIC 16 - Hedges of a Net Investment in a Foreign Operations

The adoption of the above standards, amendments / improvements and interpretations 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.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount. Depreciation is charged from the day of purchase and no depreciation is charged from the day of disposal.

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

The 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 instead they are systematically tested for impairment at each balance sheet date. Intangible assets includes KSE membership card and rooms and booths at KSE, the carrying amounts of which are reviewed at each balance sheet date to assess whether these are in excess of their recoverable amounts, and where the carrying amount exceeds the estimated recoverable amount, the carrying amount is written down to the estimated recoverable amount.

Cost associated with maintaining assets are recognized as an expense in the period in which it is incurred.

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

4.5 Investment property

Investment properties are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Subsequent expenditure, depreciation and gains or losses on disposals are accounted for in the same manner as property and equipment.

4.6 Investments

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.

Investment 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 including that which had been previously recognised directly in the statement of comprehensive income, is included in the profit and loss account for the year.

The fair value of 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Company as fair value through profit or loss or available for sale. 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 they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. 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 offset and the net amount is reported in the balance sheet if the company 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 offset.

4.9 Revenue recognition

- Brokerage income is recognised as and when such services are rendered.
- Financial advisory fees and other income is recognised on an accrual basis.
- Underwriting commission is recognised when the agreement is executed.
- Capital gains and losses on sale of securities is 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.

4.10 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 (s) 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 Dividends distributions and appropriations

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

4.12 Staff retirement benefits

Defined contribution plan

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

Employee compensated absences

The Company provides its management and non-management employees' the facility 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 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 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 during the year 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 which prevail on the balance sheet date. Gain 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 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.

4.15 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 receivables

Trade debts and other receivables are recognised at fair value and subsequently measured at amortised cost. A provision for impairment in trade and other receivables is made when there is objective evidence that the Company will not be able to collect all the amount due according to the original term of the receivables whereas debts deemed uncollectible are written off.

4.17 Trade and other payables

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

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the 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:

	Note
Provision for doubtful debts	4.16 & 14
Classification of investments	4.6, 10 & 13
Useful lives of assets and methods of depreciation	4.2,7, 8 & 9
Deferred taxation	4.10 & 21

6. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

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

Standard, Interpretation or amendment	Effective date (accounting periods beginning on or after)
IAS - 24 Related Party Disclosures (Revised)	January 01, 2011
IAS - 32 Financial Instruments: Presentation - Classification of Right Issues (Amendment)	February 01, 2010
IAS - 12 Income Taxes: Deferred Tax Amendment - Recognition of Underlying Assets	January 01, 2012
IFRIC - 14 IAS - 19 - The limit on a defined benefit asset, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011
IFRIC - 19 Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Company considers that the above standards and interpretations are either not relevant or will not have any material impact on its financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after January 01, 2010. The Company expects that such improvements to the standards will not have any significant effect on the Company's financial statements in the period of initial application.

7. PROPERTY AND EQUIPMENT

2010

	Office premises-lease hold	Furniture and fixtures	Computers and office equipment	Motor vehicles: Owned	Motor vehicles: Held under finance lease	Total
	Rupees in '000					
As at January 01, 2010						
Cost	23,853	24,349	114,702	9,664	1,815	174,383
Accumulated depreciation	(4,651)	(8,251)	(101,115)	(5,031)	(745)	(119,793)
Net book value	19,202	16,098	13,587	4,633	1,070	54,590
Year ended December 31, 2010						
Opening net book value	19,202	16,098	13,587	4,633	1,070	54,590
Additions	-	581	4,838	-	-	5,419
Disposals						
Cost	-	48	676	5,995	-	6,719
Depreciation	-	(28)	(515)	(3,056)	-	(3,599)
	-	20	161	2,939	-	3,120
Depreciation charge for the year	(1,193)	(2,144)	(10,100)	(726)	(37)	(14,200)
Transfers						
Cost	-	-	-	1,815	(1,815)	-
Depreciation	-	-	-	(782)	782	-
	-	-	-	1,033	(1,033)	-
Closing net book value	18,009	14,515	8,164	2,001	-	42,689
As at December 31, 2010						
Cost	23,853	24,882	118,864	5,484	-	173,083
Accumulated depreciation	(5,844)	(10,367)	(110,700)	(3,483)	-	(130,394)
Net book value	18,009	14,515	8,164	2,001	-	42,689
Depreciation rate (% per annum)	5	10	33.33	20	20	

2009

	Office premises-lease hold	Furniture and fixtures	Computers and office equipment	Motor vehicles: Owned	Motor vehicles: Held under finance lease	Total
	Rupees in '000					
As at January 01, 2009						
Cost	21,704	22,109	111,309	5,556	16,960	177,638
Accumulated depreciation	(3,559)	(6,284)	(88,518)	(2,638)	(5,719)	(106,718)
Net book value	18,145	15,825	22,791	2,918	11,241	70,920
Year ended December 31, 2009						
Opening net book value	18,145	15,825	22,791	2,918	11,241	70,920
Additions	2,149	2,274	5,184	-	-	9,607
Disposals						
Cost	-	34	1,791	11,037	-	12,862
Depreciation	-	(19)	(1,705)	(5,317)	-	(7,041)
	-	15	86	5,720	-	5,821
Depreciation charge for the year	(1,092)	(1,986)	(14,302)	(1,388)	(1,348)	(20,116)
Transfers						
Cost	-	-	-	15,145	(15,145)	-
Depreciation	-	-	-	(6,322)	6,322	-
	-	-	-	8,823	(8,823)	-
Closing net book value	19,202	16,098	13,587	4,633	1,070	54,590
As at December 31, 2009						
Cost	23,853	24,349	114,702	9,664	1,815	174,383
Accumulated depreciation	(4,651)	(8,251)	(101,115)	(5,031)	(745)	(119,793)
Net book value	19,202	16,098	13,587	4,633	1,070	54,590
Depreciation rate (% per annum)	5	10	33.33	20	20	

7.1 Disposal of property and equipment

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

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain/ (loss)	Particulars of Buyer	Mode of disposal
	Rupees in '000						
Vehicles							
Suzuki Cultus	560	302	258	282	24	Imran Hameed (employee)	Company policy
Toyota Camry	2,750	1,290	1,460	1,476	16	Farrukh Sabzwari (ex-employee)	Company policy
Honda Civic	1,336	613	723	723	-	Kamran Ansari (ex-employee)	Company policy
Toyota Corolla	879	381	498	501	3	Waqas Usmani (ex-employee)	Company policy
Suzuki Margala	470	470	-	313	313	Zahid Qadri	Negotiation
	5,995	3,056	2,939	3,295	356		
Equipment							
Laptop	129	124	5	5	-	Farrukh Sabzwari (ex-employee)	Company policy
Laptop	54	42	12	12	-	Kamran Ansari (ex-employee)	Company policy
Laptop	111	2	109	109	-	Farid A. Masood (ex-employee)	Company policy
Computer	47	47	-	1	1	Computer Ways	Negotiation
Computer	34	34	-	1	1	Computer Ways	Negotiation
Black berry	39	8	31	31	-	Farid A. Masood (ex-employee)	Company policy
Black berry	22	18	4	8	4	EFU Insurance	Insurance claim
Generator	150	150	-	270	270	Ehtisham ul Haq	Negotiation
Air-conditioners	90	90	-	9	9	Ejaz Wajid	Negotiation
	676	515	161	446	285		
Furniture	48	28	20	13	(7)	Abdul Hafeez	Negotiation
December 31, 2010	**6,719**	**3,599**	**3,120**	**3,754**	**634**		
December 31, 2009	12,862	7,041	5,821	6,429	608		

8. INTANGIBLE ASSETS

	2010				
	Computer software	Membership cards of KSE and PMEL	Rooms at KSE	Booths at KSE	Total
	(Rupees in '000)				
As at January 01, 2010					
Cost	6,014	5,445	5,804	950	18,213
Accumulated amortisation	(3,543)	-	-	-	(3,543)
Net book value	2,471	5,445	5,804	950	14,670
Year ended December 31, 2010					
Opening net book value	2,471	5,445	5,804	950	14,670
Additions (at cost)	2,561	-	-	-	2,561
Amortisation for the year	(2,132)	-	-	-	(2,132)
Closing net book value	2,900	5,445	5,804	950	15,099
As at December 31, 2010					
Cost	8,575	5,445	5,804	950	20,774
Accumulated amortisation	(5,675)	-	-	-	(5,675)
Net book value	2,900	5,445	5,804	950	15,099
Amortisation rate (% per annum)	33.33				

	2009				
	Computer software	Membership cards of KSE and PMEL	Rooms at KSE	Booths at KSE	Total
	(Rupees in '000)				
As at January 01, 2009					
Cost	6,014	5,445	5,804	950	18,213
Accumulated amortisation	(1,539)	-	-	-	(1,539)
Net book value	4,475	5,445	5,804	950	16,674
Year ended December 31, 2009					
Opening net book value	4,475	5,445	5,804	950	16,674
Amortisation for the year	(2,004)	-	-	-	(2,004)
Closing net book value	2,471	5,445	5,804	950	14,670
As at December 31, 2009					
Cost	6,014	5,445	5,804	950	18,213
Accumulated amortisation	(3,543)	-	-	-	(3,543)
Net book value	2,471	5,445	5,804	950	14,670
Amortisation rate (% per annum)	33.33	-	-	-	-

	2010	2009
9. INVESTMENT PROPERTIES	(Rupees in '000)	
Opening balances		
Cost	**20,732**	20,732
Accumulated depreciation	**(10,637)**	(9,562)
Net book value	**10,095**	11,170
Opening net book value	**10,095**	11,170
Depreciation charge for the year	**(1,075)**	(1,075)
Closing net book value	**9,020**	10,095
Cost	**20,732**	20,732
Accumulated depreciation	**(11,712)**	(10,637)
Net book value	**9,020**	10,095
Depreciation rate (% per annum)	**5**	5

9.1 Investment properties comprises 10th floor, Trade Centre, I.I. Chundrigar Road, Karachi given to KASB Bank Limited and 6th Floor, Trade Centre, I.I. Chundrigar Road, Karachi given to KASB Funds Limited and KASB Bank Limited on rental basis. The fair value of these properties amount, in aggregate, to Rs. 70.317 million (2009: Rs. 70.317 million) as per the valuation carried out by M/s Akbani & Javed Associates valuer on January 07, 2010. The rent income for the year from the aforementioned properties amounted to Rs. 7.321 million (2009: Rs. 9.780 million).

	Note	2010	2009
		(Rupees in '000)	
10. LONG-TERM INVESTMENTS			
Subsidiary company	10.1	**488,581**	-
Available-for-sale investments	10.2	**320,738**	342,955
		809,319	342,955

10.1 During the year, the Company established Structured Venture (Private) Limited as a wholly owned subsidiary for the purposes of expanding non-core revenue streams of the Company such as commodities, structured products and real estate etc. The total investment approved by the shareholders of the Company in the extra-ordinary general meeting held on June 22, 2010 was Rs. 625 million. As of the balance sheet date, the Company has invested a total sum of Rs. 488.581 million which includes Rs. 113.579 million against 11,357,870 (2009: Nil) ordinary shares of Rs. 10 each and Rs. 375.002 million (2009: Nil) as an advance paid against subscription of further shares of the subsidiary. The subsidiary has issued 37,500,250 shares of Rs. 10 each against the said advance subsequent to the year end.

The book value of each ordinary share is Rs. 9.35 based on the latest audited financial statements of the subsidiary for the period ended December 31, 2010.

10.2 Description of available-for-sale investments

Number of shares 2010	Number of shares 2009	Name of investee	2010 Cost*	2010 Carrying value	2009 Cost*	2009 Carrying value
			(Rupees in '000)			
		Quoted shares - at market value				
19,858,649	19,858,649	KASB Bank Limited (parent company) -note 10.2.1	**116,472**	**49,845**	301,048	146,755
		Unquoted shares - at cost				
3,370	3,000	Al Jomaih Power Limited	**184,197**	**184,197**	151,200	151,200
2,000,000	2,000,000	KASB Funds Limited (related party) -note 10.2.2	**20,000**	**11,696**	20,000	20,000
		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	-	- Class 'B' ordinary shares	**50,000**	**50,000**	-	-
			75,000	**75,000**	25,000	25,000
			395,669	**320,738**	497,248	342,955

(*) adjusted for impairment charge

10.2.1 These shares have been blocked by the Central Depository Company of Pakistan Limited 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 These shares have been blocked by the Central Depository Company of Pakistan Limited in compliance with Securities and Exchange Commission of Pakistan (the Commission) Circular No. NBFCD/D/Misc/271-9 dated June 15, 2006. No activity (including pledge and withdrawal) in these shares is allowed without prior written permission of the Commission.

	Note	2010	2009
11. LONG - TERM LOANS AND ADVANCES - Considered good		(Rupees in '000)	
Loans and advances to:			
- Executives		**2,269**	343
- Employees		**1,730**	2,018
	11.1	**3,999**	2,361
Current maturity shown under current assets	15	**(2,978)**	(1,139)
		1,021	1,222

11.1 This represents loans and advances provided to executives / 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 loans given for purchase of motorcycle) carry mark-up rates ranging from 6% to 10% (2009: 6% to 10%) per annum and are recovered through deduction from salaries over varying periods upto a maximum period of 120 months. The motor vehicle loans are secured by way of title of the motor vehicles being held in the name of the Company, whereas general purpose cash advances are secured against staff provident fund balances.

	Note	2010	2009
		(Rupees in '000)	
12. LONG-TERM DEPOSITS AND PREPAYMENTS			
Deposits with:			
- Karachi Stock Exchange (Guarantee) Limited (KSE)		**862**	862
- National Clearing Company of Pakistan Limited (NCCPL)		**400**	400
- Pakistan Mercantile Exchange Limited (PMEL)		**4,000**	3,000
- Others		**362**	242
		5,624	4,504
Prepayments		**14**	-
		5,638	4,504
13. SHORT - TERM INVESTMENTS			
At fair value through profit or loss - held for trading			
- Open end mutual funds units		**199,177**	-
- Listed shares		**152,813**	173,857
- Term finance certificates		**180,230**	-
	13.1	**532,220**	173,857
Available-for-sale investments			
- Open end mutual funds units		**79,700**	71,766
- Listed shares		**-**	60,965
	13.2	**79,700**	132,731
		611,920	306,588

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

Number of shares / units 2010	2009	Name of investee	Note	2010 Cost	2010 Carrying value	2009 Cost	2009 Carrying value
				(Rupees in '000)			
		OPEN END MUTUAL FUNDS					
554,735	-	MCB Cash Managment Optimizer		51,128	56,698	-	-
1,031,821	-	BMA Empress Cash Fund		10,000	10,914	-	-
1,046,203	-	KASB Cash Fund		98,486	105,674	-	-
2,584,318	-	ABL Cash Fund		25,000	25,866	-	-
246	-	UBL Saving Income Fund		-	25	-	-
				184,614	199,177	-	-
		LISTED SHARES					
		Banks					
103,313	-	Allied Bank Limited		7,283	7,247	-	-
-	200,000	BankIslami Pakistan Limited		-	-	1,450	1,174
-	450	MCB Bank Limited		-	-	82	99
50,000	203,125	United Bank Limited		3,515	3,412	10,040	11,873
		Non Life Insurance					
-	100,000	Adamjee Insurance Company Limited		-	-	12,944	12,330
		Personal Goods					
-	150,000	Azgard Nine Limited		-	-	2,033	3,119
		Construction and Materials					
189,000	-	D.G. Khan Cement Company Limited		5,942	5,702	-	-
75,000	-	Lucky Cement Limited		5,836	5,684	-	-
		Industrial Engineering					
10,000	-	Millat Tractors Limited		5,001	4,998	-	-
		General Industrials					
20,000	-	Tri Pack Films Limited		2,527	2,443	-	-
		Electricity					
1,445,690	150,000	Kot Addu Power Company Limited		58,037	58,811	7,606	6,880
-	1,500,000	Nishat Chunian Power Limited		-	-	15,000	15,450
-	750,000	The Hub Power Company Limited		-	-	22,268	23,310
		Oil and Gas					
-	120,032	Pakistan Petroleum Limited		-	-	21,379	22,757
17,000	157,000	Pakistan Oil Fields Limited		5,083	5,031	35,201	36,231
5,744	-	Oil and Gas Development Company Limited		984	981	-	-
		Chemicals					
654,000	-	Agritech Limited		19,553	15,631	-	-
200,000	105,000	Engro Corporation Limited		38,726	38,762	18,359	19,243
-	205,000	Fauji Fertilizer Company Limited		-	-	19,580	21,100
-	40,000	Descon Oxychem Limited		-	-	320	291
28,500	-	ICI Pakistan Limited		4,147	4,111	-	-
				156,634	152,813	166,262	173,857
		TERM FINANCE CERTIFICATES					
10,000	-	Pace (Pakistan) Limited		45,339	45,389	-	-
22,030	-	NIB Bank Limited		107,949	107,960	-	-
2,000	-	Soneri Bank Limited		9,952	9,952	-	-
3,400	-	United Bank Limited		16,929	16,929	-	-
			13.1.1	180,169	180,230	-	-
				521,417	532,220	166,262	173,857

13.1.1 Significant terms and conditions of Term Finance Certificates are as follows:

Name of security	Number of certificates	Face value per certificate (Amount in Rupees)	Profit rate (per annum)	Maturity	Secured / unsecured	Rating
Pace Pakistan Limited	10,000	5,000	14.81%	Feb 15 2017	Secured	A+
NIB Bank Limited	22,030	5,000	14.01%	Mar 05 2016	Unsecured	A+
Soneri Bank Limited	2,000	5,000	14.82%	May 05 2013	Unsecured	A+
United Bank Limited	3,400	5,000	15.57%	Sep 08 2014	Unsecured	AA

13.2 Available-for-sale investments

Number of shares / units 2010	2009	Name of investee	2010 Cost	2010 Carrying value	2009 Cost	2009 Carrying value
			(Rupees in '000)			
		OPEN END MUTUAL FUNDS				
2,680,789	1,822,389	KASB Stock Market Fund	**64,575**	**79,700**	66,951	71,766
		LISTED SHARES				
		Construction & Materials				
-	85,937	Maple Leaf Cement Factory Limited	-	-	1,828	323
		Automobile & Parts				
-	389,000	Pak Suzuki Motor Company Limited	-	-	40,119	34,606
		Travel & Leisure				
-	4,960,500	Pakistan International Airlines Corporation	-	-	42,172	12,947
		Chemicals				
-	1,800,403	Descon Oxychem Limited	-	-	17,536	13,089
			-	-	101,655	60,965
			64,675	**79,700**	168,606	132,731

14. TRADE DEBTS - considered good

	Note	2010	2009
		(Rupees in '000)	
Receivable against purchase of marketable securities	14.1 & 14.2	**372,474**	1,050,586
Inter-bank brokerage		**6,227**	3,322
Fees		**2,641**	272
		381,342	1,054,180

14.1 Considered good

	Note	2010	2009
Secured		**370,214**	813,684
Unsecured		**1,130**	224
		371,344	813,908
Considered doubtful		**130,947**	653,095
		502,291	1,467,003
Provision for doubtful debts	14.4	**(129,817)**	(416,417)
		372,474	1,050,586

14.2 This includes receivables from KSE and NCCPL amounting to Rs. 17.444 million (2009: Rs. 1.380 million) and Rs. 20.845 million (2009: Rs. Nil) respectively in respect of trading in securities settled subsequent to the year end.

		Note	2010	2009
			(Rupees in '000)	
14.3	**Amount due from related parties at the year end are as under:**			
	KASB Funds Limited		**2**	-
	KASB Income Opportunity Fund		**-**	13
	KASB Stock Market Fund		**86**	9
	KASB Balanced Fund		**154**	11
	KASB Cash Fund		**14**	18
	KASB Modaraba		**2**	1
	KASB Bank Limited		**32**	-
	Directors		**18**	8
	Mr. Arif Ali Shah Bukhari	14.4.2 & 34.1	**-**	384,701
	Others		**62**	396
			370	385,157
14.4	**Reconciliation of provision against trade debts**			
	Opening balance		**416,417**	194,540
	Written off during the year	14.4.2	**(110,020)**	-
	Provision for the year		**32,852**	272,062
	Reversal of Provision during the year	14.4.2	**(209,432)**	(50,185)
			(176,580)	221,877
	Closing balance		**129,817**	416,417

14.4.1 Provision against doubtful debts has been made after considering the market value of listed shares amounting to Rs. 36.513 million (2009: Rs. 533.06 million) held in custody by the Company against respective customer accounts.

14.4.2 An aggregate amount of Rs. 384.731 million was due from Mr. Arif Ali Shah Bukhari (the customer) against which a provision of Rs. 289.726 million was held by the Company. During the year, the Company has entered into a settlement agreement with the customer, whereby the Company has agreed to reduce the customer's liability to the extent of Rs. 110 million comprising commission and a portion of losses on securities transactions. Accordingly, the customer has paid the remaining balance of Rs. 274.731 million to the Company as a full and final settlement of its outstanding liability.

In view of the above settlement, the Company has written off Rs. 110 million against the provision held in respect of the customer's balance. The remaining balance of the provision held against the said customer of Rs. 179.726 million has, therefore, been reversed during the year and included in the total reversal of provision as shown under note 14.4 above.

15. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2010	2009
Advances to:			
- Employees and executives	15.1	**344**	1
- Suppliers		**300**	1,370
		644	1,371
Long term loans and advances to employees / executives (current portion)	11	**2,978**	1,139
Deposits:			
Exposure deposit with KSE	15.2	**24,500**	181,700
Others		**2,128**	2,146
		26,628	183,846
Prepayments:			
- Rent		**1,146**	771
- Insurance		**349**	82
- Software development and maintenance		**3,666**	-
- Others		**3,660**	941
		8,821	1,794
Other receivables:			
- Dividends receivable		**38**	33,613
- Profit on bank deposits		**340**	264
- Profit on exposure deposit with KSE		**350**	301
- Profit receivable on term finance certificates		**8,807**	-
- Receivable from related parties	15.3	**7,325**	2
- Receivable from PMEL		**5,376**	-
- Others		**443**	10,751
		22,679	44,931
Provision for doubtful receivables		**-**	(5,147)
		61,750	227,934

15.1 These are unadjusted advances provided to directors and employees to meet business expenses.

15.2 This represents amount of deposit held at the year end against exposure arising out of trading in securities in accordance with the regulations of the KSE. In addition, shares amounting to Rs. 177.702 million (at the rates quoted on the KSE) (2009: Rs.156.462 million) have been pledged with KSE against exposure margin.

	Note	2010	2009
15.3 Receivable from related parties comprises of amounts due from:		(Rupees in '000)	
KASB Funds Limited	15.3.1	**7,143**	2
KASB Bank Limited (the Parent company)		**47**	-
KASB Finance (Private) Limited		**135**	-
		7,325	2

15.3.1 This represents receivable against reimbursement of costs by KASB Funds Limited and includes office rent and maintenance, security, human resource management and IT services etc., in accordance with the agreed terms and conditions of the service agreement entered into between the Company and KASB Funds Limited during the year.

16. CASH AND BANK BALANCES

	Note	2010	2009
Cash at bank in:			
- Current accounts		**3,820**	7,836
- Saving accounts	16.1	**34,805**	280,384
- Certificate of deposit	16.2	**58,279**	-
		96,904	288,220
Cash in hand		**33**	56
Stamps in hand		**8**	13
		96,945	288,289

16.1 These carry profit at rates ranging from 1% to 11.25% (2009:1% to 12%).

16.2 This carries profit at the rate of 16.28% (2009: Nil) and is due to mature in June 2011.

17. SHARE CAPITAL

17.1 Authorised Capital

2010	2009		2010	2009
Number of shares			(Rupees in '000)	
200,000,000	200,000,000	Ordinary shares of Rs. 10 each	**2,000,000**	2,000,000

17.2 Issued, subscribed and paid-up share capital

2010	2009		2010	2009
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
100,000,000	100,000,000		**1,000,000**	1,000,000

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

	2010		2009	
	Shares held	Percentage	Shares held	Percentage
KASB Bank Limited (the Parent company)	**77,117,000**	**77.117%**	77,117,000	77.117%
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 Limited - Employees Provident Fund Trust	**13,000**	**0.013%**	3,000	0.003%
Key Management Personnel	**204,400**	**0.204%**	4,400	0.004%

		Note	2010	2009
18.	**TRADE AND OTHER PAYABLES**		**(Rupees in '000)**	
	Trade creditors	18.1&18.2	**451,936**	733,641
	Accrued expenses		**8,713**	9,923
	Withholding tax		**2,028**	2,665
	Unclaimed dividends		**609**	609
	Others		**1,994**	489
			465,280	747,327

18.1 This includes payable to NCCPL amounting to Rs. Nil (2009: Rs. 296.782 million) in respect of trading in securities settled subsequent to year end.

18.2 This includes payables to related parties amounting to Rs. 4.173 million (2009: Rs. 3.575 million).

		Note	2010	2009
19.	**ACCRUED MARK-UP**		**(Rupees in '000)**	
	Mark-up accrued on:			
	- Short-term running finances facilities	19.1	**153**	-
	- Redeemable capital	19.2	**1,061**	982
			1,214	982

19.1 This represents mark-up payable to the parent company.

19.2 This includes Rs. Nil (2009: Rs. 0.049 million) due to KASB Liquid Fund, related party

20. REDEEMABLE CAPITAL - secured

This represents term finance certificates issued by the Company by way of private placement to various institutional and other investors. The repayments in respect of these term finance certificates are secured by first charge by way of hypothecation over all present and future current and fixed assets (excluding movable properties). Significant terms and conditions of these term finance certificates are:

Face value per certificate (Rupees)	Issue date	Maturity date	Mark-up rate	Frequency of payment of mark-up and principal redemption
5,000	June 2007	June 2012	Average Ask side Six month KIBOR+1.90%	Semi annual

20.1 As at December 31, 2010, KASB Liquid Fund, a related party held Nil term finance certificates (2009: 5,000 term finance certificates) amounting to Rs. Nil (2009: Rs. 24.975 million).

		2010	2009
21.	**DEFERRED TAX LIABILITY**	**(Rupees in '000)**	
	Taxable temporary differences arising in respect of:		
	Accelerated tax depreciation	**66**	1,779
	Liabilities against assets subject to finance lease	**-**	268
		66	2,047

21.1 The Company has not recognised deferred tax assets against provisions for doubtful debts amounting to Rs. 32.852 million (tax effect of which is Rs. 11.49 million) in view of uncertainly involved regarding the allowability of the provisions.

22. CONTINGENCIES AND COMMITMENTS

Contingencies
There were no contingencies as at the year end.

Commitments
Following commitments are outstanding as at the year end:

	2010	2009
- Outstanding purchases against commodities future	**3,084**	-
- Outstanding sales against commodities future	**25,077**	-

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

The facilities for short-term running finances available from various banks amounted to Rs. 1,775 million (2009: Rs. 2,025 million). These facilities carry mark-up at rates ranging from 14.21% to 17.39% (2009: 14.26% to 16.80%) per annum and are repayable on various dates during the year ended December 31, 2011. The arrangements are secured by way of pledge of shares of listed companies and ranking charge over company's present and future current assets. There are no short term running finance facilities outstanding as at the year end.

24. BROKERAGE AND FEE

	Note	2010	2009
		(Rupees in '000)	
Brokerage		**218,445**	346,999
Financial advisory fee		**2,404**	-
Other fee and commission		**664**	-
		221,513	346,999

25. OTHER OPERATING REVENUE

		2010	2009
Custody services		**4,691**	3,997
Subscription research income		**2,406**	1,597
Profit on bank deposits		**29,153**	23,806
Profit on term finance certificates		**20,432**	-
Profit on units of mutual funds		**-**	16
		56,682	29,416

26. OPERATING AND ADMINISTRATIVE EXPENSES

	Note	2010	2009
Salaries, allowances and other benefits	26.1	**183,673**	125,201
Staff training and development		**447**	120
Rent, rates and taxes		**6,829**	6,580
Insurance charges		**353**	798
Depreciation	26.2	**15,275**	21,191
Amortisation	8	**2,132**	2,004
Repairs and maintenance		**8,383**	12,444
Power and utilities		**4,880**	3,811
Communication		**14,060**	12,524
Fees and subscription		**35,692**	27,664
Printing and stationery		**4,288**	3,304
Papers and periodicals		**390**	231
Advertisement and business promotion		**5,611**	7,691
Travelling and conveyance		**8,988**	3,957
Entertainment		**1,172**	922
Legal and professional charges		**212**	5,139
Auditors' remuneration	26.3	**845**	540
Stamp charges		**16**	22
Donations	26.4	**1,261**	1,400
Workers' welfare fund		**1,361**	2,382
Service level agreement	26.5	**5,517**	4,353
Others		**189**	686
		301,574	242,964

26.1 Salaries, allowances and benefits include company's contribution to provident fund amounting to Rs. 4.759 million (2009: Rs. 3.751 million).

26.2 Depreciation

	Note	2010	2009
		(Rupees in '000)	
Property and equipment	7	**14,200**	20,116
Investment property	9	**1,075**	1,075
		15,275	21,191

26.3 Auditors' remuneration

	2010	2009
Ernst & Young Ford Rhodes Sidat Hyder		
Statutory audit fee	**360**	-
Half yearly review fee and other certifications	**340**	-
Out of pocket expenses	**26**	-
	726	-
A.F. Fergusons & Co.		
Statutory audit fee	**-**	320
Half yearly review fee and other certifications	**75**	165
Out of pocket expenses	**44**	55
	119	540
	845	540

26.4 Donation was not made to any donee in which any director of the Company or his spouse had any interest.

26.5 This represents 'Group Executive Services' such as financial control, financial reporting, corporate affairs, legal and corporate communication functions provided by a related party in accordance with the terms and conditions of the agreement entered into between the Company and the related party.

	Note	2010	2009
		(Rupees in '000)	
27. REVERSAL / (PROVISION) FOR DOUBTFUL DEBTS AND OTHER RECEIVABLES			
Reversal of provision/ (provision) against trade debts	14.4	**176,580**	(221,877)
Reversal of provision against other receivables		**675**	-
		177,255	(221,877)
28. IMPAIRMENT CHARGE AGAINST AVAILABLE-FOR-SALE INVESTMENTS			
Long-term investments			
- KASB Bank Limited (related party)		**66,627**	184,576
- KASB Funds Limited (related party)		**8,304**	-
		74,931	184,576
Short-term investments			
- Pakistan International Airlines Corporation		**-**	29,225
- Pak Suzuki Motor Company Limited		**-**	5,513
- Other quoted equities		**-**	9,667
		-	44,405
		74,931	228,981
29. FINANCE COST			
Mark-up on:			
- Short term running finances facilities		**289**	4,046
- Redeemable capital		**71,550**	80,303
Bank charges		**758**	635
Finance leases charges		**3**	336
		72,600	85,320
30. OTHER INCOME			
Gain on disposal of property and equipment		**634**	608
Rental income		**10,462**	12,910
Others		**614**	599
		11,710	14,117
31. TAXATION			
Current			
- for the year		**8,140**	48,952
- for prior year		**-**	(5,232)
Deferred		**(1,981)**	1,257
		6,159	44,977

31.1 The numerical reconciliation between tax expense and accounting profit has not been presented as provision for current year income tax has been made on the basis of minimum taxation under section 113 of the Income Tax Ordinance, 2001.

	2010	2009
32. EARNINGS / (LOSS) PER SHARE	(Rupees in '000)	
Profit / (loss) after taxation attributable to ordinary shareholders	**68,872**	(298,270)
	(Number of shares)	
Weighted average number of ordinary shares	**100,000,000**	100,000,000
	(Rupees)	
Earnings / (loss) per share - basic	**0.69**	(2.98)

Diluted earnings per share has not been presented as the Company did not have any convertible instruments in issue as at December 31, 2010 and December 31, 2009 which would have any effect on the earnings / (loss) 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:

	2010			2009		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees in '000)					
Managerial remuneration	**19,966**	**-**	**101,500**	8,143	6,722	55,308
Fee (note 33.2)	**-**	**1,620**	**-**	-	840	-
Reimbursable expenses	**39**	**94**	**1,162**	174	166	1,043
Contribution to provident fund	**469**	**-**	**2,823**	333	259	1,746
	20,474*	**1,714**	**105,485**	8,650	7,987	58,097
Number of persons	**2**	**5**	**39**	1	4	27

*This includes remuneration of the Chief Executive resigned during the year.

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

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

34. RELATED PARTY TRANSACTIONS

34.1 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. During the year, the Board of Directors of the Company reassessed the Company's relationship with Mr. Arif Ali Shah Bukhari, who was earlier classified as a related party to the Company. The Board considers that Mr. Arif Ali Shah Bukhari does not meet the criteria under the applicable accounting standards for such classification as he is an individual independent to the Company. Also, the Company has obtained a legal opinion on this matter which supports the Board's view and hence, effective from the current year Mr. Arif Ali Shah Bukhari is not reported as a related party in these financial statements.

The balances with related parties as at December 31, 2010 and transactions with related parties during the year ended December 31, 2010, other than those disclosed elsewhere in the consolidated financial statements are summarized as follows:

	2010				
	Parent Company	Subsidiary / associates	Key management personnel	Others	Total
	(Rupees in '000)				
BALANCES					
Long-term investments	**49,845**	**574,861**	**-**	**-**	**624,706**
Long-term deposits	**-**	**142**	**-**	**-**	**142**
Short-term investments	**-**	**-**	**-**	**185,374**	**185,374**
Trade receivables	**32**	**4**	**80**	**254**	**370**
Advances	**-**	**-**	**1,600**	**-**	**1,600**
Prepaid service level agreement charges	**-**	**2,327**	**-**	**-**	**2,327**
Prepaid rent	**258**	**-**	**-**	**-**	**258**
Profit receivable on bank deposit	**161**	**-**	**-**	**-**	**161**
Receivable against expenses	**21**	**6,891**	**-**	**-**	**6,912**
Rent receivable	**26**	**387**	**-**	**-**	**413**
Bank balances	**34,443**	**-**	**-**	**-**	**34,443**
Trade payables	**24**	**-**	**2,962**	**-**	**2,986**
Payable against expenses	**22**	**392**	**-**	**-**	**414**
Accrued mark-up	**153**	**-**	**-**	**-**	**153**
Advance rent payable	**773**	**-**	**-**	**-**	**773**

	2009				
	Parent Company	Subsidiary / associates	Key management personnel	Others	Total
	(Rupees in '000)				
BALANCES					
Long-term investments	146,755	45,000	-	-	191,755
Long-term deposits	-	142	-	-	142
Short-term investments	-	-	-	71,766	71,766
Trade receivables	-	1	404	384,752	385,157
Prepaid communication charges	-	170	-	-	170
Bank balances	279,461	-	-	-	279,461
Trade payables	-	-	1,301	2,274	3,575
Accrued mark-up	-	-	-	49	49
Redeemable capital	-	-	-	24,975	24,975
Provision for doubtful trade debts	-	-	-	289,726	289,726
Other receivables	-	2	-	-	2

	2010				
	Parent Company	Subsidiary / associates	Key management personnel	Others	Total
	(Rupees in '000)				
TRANSACTIONS					
Brokerage income earned	**1,360**	**9**	**129**	**791**	**2,289**
Bonus units issued	**-**	**-**	**-**	**960**	**960**
Bank charges	**406**	**-**	**-**	**-**	**406**
Custody services	**10**	**7**	**108**	**1**	**126**
Communication expenses	**-**	**7,945**	**-**	**-**	**7,945**
Charge in respect of contributory plan	**-**	**-**	**-**	**4,759**	**4,759**
Donation	**-**	**-**	**-**	**1,200**	**1,200**
Property and equipment disposed off	**-**	**-**	**2,216**	**-**	**2,216**
Loans disbursed	**-**	**-**	**5,270**	**-**	**5,270**
Loans repayment	**-**	**-**	**3,670**	**-**	**3,670**
Mark-up expense	**269**	**-**	**-**	**-**	**269**
Profit on bank deposits	**17,833**	**-**	**-**	**-**	**17,833**
Purchase of property and equipment	**111**	**347**	**-**	**-**	**458**
Remuneration to management personnel	**-**	**-**	**74,836**	**-**	**74,836**
Reimbursement of rent	**2,163**	**-**	**-**	**-**	**2,163**
Rent expense	**279**	**347**	**-**	**-**	**626**
Rent income	**8,311**	**2,150**	**-**	**-**	**10,461**
Salary expense reimbursed	**-**	**10**	**-**	**-**	**10**
Service level agreement	**-**	**5,517**	**-**	**-**	**5,517**
Software maintenance expenses	**-**	**170**	**-**	**-**	**170**

	2009				
	Parent Company	Subsidiary / associates	Key management personnel	Others	Total
	(Rupees in '000)				
TRANSACTIONS					
Brokerage income earned	1,577	38	231	1,575	3,421
Bonus units issued	-	-	-	561	561
Bank charges	418	-	-	-	418
Custody services	148	7	175	-	330
Communication expenses	-	5,831	-	-	5,831
Charge in respect of contributory plan	-	-	-	3,751	3,751
Donation	-	-	-	1,100	1,100
Finance lease charges	-	-	-	49	49
Investment made in shares of the Parent company	41,047	-	-	-	41,047
Loans disbursed	-	-	818	-	818
Loans repayment	-	-	818	-	818
Mark-up expense	2,564	-	-	6,145	8,709
Profit on bank deposits	8,467	-	-	-	8,467
Property and equipment disposed off	-	-	2,128	-	2,128
Provision for doubtful trade debts	-	-	-	248,384	248,384
Purchase of property and equipment	-	94	-	-	94
Payment received against reimbursable expenses	-	273	-	-	273
Repayment of redeemable capital	-	-	-	15	15
Remuneration to management personnel	-	-	52,305	-	52,305
Rent expense	53	269	-	-	322
Rent income	10,155	2,755	-	-	12,910
Salary expense reimbursed	-	234	-	-	234
Service level agreement	-	4,353	-	-	4,353
Software maintenance expenses	-	718	-	-	718

35. FINANCIAL INSTRUMENTS

35.1 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.3.961 million and a 1% decrease would result in decrease in the Company's total comprehensive income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

(ii) Foreign currency risk

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

(iii) Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The Company is exposed to price risk because of investments held by the Company and classified on the balance sheet as investments at fair value through profit or loss and available-for-sale investments. The management believes that 10% increase or decrease in the value of investments 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. 15.281 million and 10% of such increase or decrease would result in increase or decrease of unrealized gain on revaluation of available-for-sale investments by Rs. 4.985 million.

35.2 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 group executive committee such as monitoring maturities of financial assets and financial liabilities and investing in liquid financial assets.

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

	2010				
	On Demand	Upto three months	More than three months and upto one year	More than one year	Total
	(Rupees in '000)				
Trade and other payables	**462,643**	**-**	**-**	**-**	**462,643**
Accrued mark-up	**1,214**	**-**	**-**	**-**	**1,214**
Redeemable capital	**-**	**-**	**332,800**	**166,500**	**499,300**
	463,857	**-**	**332,800**	**166,500**	**963,157**

	2009				
	On Demand	Upto three months	More than three months and upto one year	More than one year	Total
	(Rupees in '000)				
Trade and other payables	744,053	-	-	-	744,053
Accrued mark-up	982	-	-	-	982
Current maturity of liabilities against assets subject to finance lease	-	78	-	-	78
Redeemable capital	-	-	200	499,300	499,500
	745,035	78	200	499,300	1,244,613

35.3 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 credit risk exposure of the Company as of December 31, 2010 in respect of trade debts amounts to Rs. 381.342 million (2009: Rs. 1,054.180 million) and in respect of bank balances amounts to Rs. 96.904 million (2009: Rs. 288.220 million). As at December 31, 2010, 21.84% and 15.61% (collectively 37.45%) of the Company's revenue (2009: 28% and 12%, collectively 40%) was derived from two customers (2009: two customers).

35.3.1 The analysis below summarises the credit quality of the Company's bank balances:

	2010	2009
	(Rupees in '000)	
Rating of Banks*		
A1	**58,400**	279,666
A1+	**4,060**	8,554
A2	**34,444**	-
	96,904	288,220

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

35.3.2 The table below shows analysis of the trade debts that are past due or impaired:

	2010	2009
	(Rupees in '000)	
Debts neither impaired nor past due	**119,696**	241,426
Debts past due but not impaired	**261,646**	812,754
Debts impaired	**129,817**	416,417
	511,159	1,470,597

36. 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.

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.

The gearing ratio of the Company as at December 31, 2010 and December 31, 2009 are as follows:

	2010	2009
	(Rupees in '000)	
Redeemable capital (long-term)	**166,500**	499,300
Issued, subscribed and paid-up capital	**1,000,000**	1,000,000
General reserve	**18,752**	18,752
Unappropriated profit / (accumulated loss)	**29,509**	(39,363)
Unrealized gain on remeasurement of available-for-sale' investments to fair value - net	**15,125**	38,813
	1,063,386	1,018,202
Gearing ratio	**13.54%**	32.90%

The decrease in the gearing ratio as compared to last year resulted mainly from reduction in redeemable capital and due to accumulated profit for the year ended December 31, 2010.

37. FAIR VALUE OF FINANCIAL INSTRUMENT

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.

37.1 Financial Assets Fair Value Hierarchy

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

Level 1 - Quoted market prices
Level 2 - Valuation techniques (market observable)
Level 3 - Valuation techniques (non-market observable)

As at December 31, 2010 the Company held the following financial instruments measured at fair value:

	2010			
	Total	Level 1	Level 2	Level 3
	(Rupees in '000)			
Available-for-sale investments	129,545	129,545	-	-
Investment at fair value through profit and loss - held for trading	532,220	532,220	-	-
	661,765	661,765	-	-

	2009			
	Total	Level 1	Level 2	Level 3
	(Rupees in '000)			
Available-for-sale investments	279,486	279,486	-	-
Investment in at fair value through profit and loss - held for trading	173,857	173,857	-	-
	453,343	453,343	-	-

38. DATE OF AUTHORISATION

These financial statements have been authorised for issue by the Board of Directors of the Company on March 24, 2011.

39. GENERAL

39.1 CORRESPONDING FIGURES

Corresponding figures have been rearranged and re-classified, wherever necessary, for the purpose of comparison. Major reclassifications are as follows:

Statement	Reclassification from	Reclassification to	(Rupees in '000)
Balance sheet	Investments (Current assets)	Long-term investments (Non-current assets)	342,955
Balance sheet	Long-term loans and advances	Long-term deposit and prepayments	2,500
Profit and loss accounts	Other income	Other operating income	23,822
Profit and loss accounts	Operating and administrative expenses	Reversal / (provision) for doubtful debts	(221,877)
Profit and loss accounts	Other operating revenue	Dividend income	42,425

39.2 Figures have been rounded off to the nearest thousands.

Syed Asghar Ali Shah	Nadir Rahman	Saeed Jamal Tariq
Chairman	Chief Executive Officer	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, 2010.

The consolidated financials of the group for the year ended December 31, 2010 under review are summarized as follows:

	2010	2009
	(Rupees in '000)	
Profit / (loss) before taxation	67,609	(253,293
Taxation	(6,163	(44,977
Profit / (loss) after taxation	61,446	(298,270
Un-appropriated profit / (loss) brought forward	(39,363	258,907
Profit available for appropriation	22,083	(39,363
Earning / (loss) per share – basic	0.61	(2.98

Pattern of Shareholding

The pattern of shareholding as at December 31, 2010 along with disclosure required under the Code of Corporate Governance is annexed to the Report.

On behalf of the Board of Directors

Syed Asghar Ali Shah
Chairman

Karachi: March 24, 2011

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan
Tel: +9221 3565 0007
Fax: +9221 3568 1965
www.ey.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed 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 2010, 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. The financial statements of the Holding company for the year ended 31 December 2009 were audited by another firm of Chartered Accountants, whose audit report dated 05 April 2010 expressed an unqualified opinion on those statements. However, an emphasis of matter paragraph was included in the audit report regarding an overdue trade receivable from a customer against which adequate provision was made by the Holding company.

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

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Date: 24 March 2011

Karachi

A member firm of Ernst & Young Global Limited

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2010

	Note	2010	2009
		(Rupees in '000)	
ASSETS			
Non-current assets			
Property and equipment	7	**42,689**	54,590
Intangible assets	8	**15,099**	14,670
Investment properties	9	**475,380**	10,095
Long-term Investments	10	**320,738**	342,955
Long-term loans and advances	11	**1,021**	1,222
Long-term deposits and prepayments	12	**5,638**	4,504
		860,565	428,036
Current assets			
Short-term investments	13	**611,920**	306,588
Trade debts	14	**381,342**	1,054,180
Advances, deposits, prepayments and other receivables	15	**67,752**	227,934
Cash and bank balances	16	**105,829**	288,289
		1,166,843	1,876,991
TOTAL ASSETS		**2,027,408**	2,305,027
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued, subscribed and paid-up capital	17	**1,000,000**	1,000,000
General reserve		**18,752**	18,752
Unrealized gain on remeasurement of 'available-for-sale' investments to fair value - net		**15,125**	38,813
Unappropriated profit / (accumulated loss)		**22,083**	(39,363)
		1,055,960	1,018,202
Current liabilities			
Trade and other payables	18	**465,405**	747,327
Accrued mark-up	19	**1,214**	982
Taxation payable - net		**5,463**	36,891
Current maturity of liabilities against assets subject to finance lease		**-**	78
Current maturity of redeemable capital	20	**332,800**	200
		804,882	785,478
Non-current liabilities			
Redeemable capital	20	**166,500**	499,300
Deferred tax liability - net	21	**66**	2,047
		166,566	501,347
TOTAL EQUITY AND LIABILITIES		**2,027,408**	2,305,027
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 39 form an integral part of these consolidated financial statements.

Syed Asghar Ali Shah	**Nadir Rahman**	**Saeed Jamal Tariq**
Chairman	Chief Executive Officer	Chief Financial Officer

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010	2009
		(Rupees in '000)	
Brokerage and fee	24	**221,513**	346,999
Gain on sale of investments - net		**37,677**	82,772
Dividend income		**8,496**	42,425
Net unrealised gain on remeasurement of investments 'at fair value through profit or loss'		**10,803**	7,595
Income from continuous funding system transactions		**-**	2,525
Other operating revenue	25	**57,063**	29,416
		335,552	511,732
Operating and administrative expenses	26	**(309,375)**	(242,964)
Reversal / (provision) for doubtful debts and other receivables	27	**177,255**	(221,877)
Impairment charge against available-for-sale investments	28	**(74,931)**	(228,981)
		(207,051)	(693,822)
Operating profit / (loss)		**128,501**	(182,090)
Finance cost	29	**(72,602)**	(85,320)
		55,899	(267,410)
Other income	30	**11,710**	14,117
Profit / (loss) before taxation		**67,609**	(253,293)
Taxation	31	**(6,163)**	(44,977)
Profit / (loss) after taxation		**61,446**	(298,270)
Other comprehensive income:			
Net unrealised loss arising during the year on remeasurement of available-for-sale investments - net		**(97,279)**	(111,785)
Reclassification adjustment for net loss realised on disposal of available-for-sale investments		**(1,340)**	920
Reclassification adjustment for impairment loss on available-for-sale investments included in profit or loss	28	**74,931**	228,981
Other comprehensive (loss) / income for the year		**(23,688)**	118,116
Total comprehensive income / (loss) for the year		**37,758**	(180,154)
		(Rupees)	
Earnings / (loss) per share - basic	32	**0.61**	(2.98)

The annexed notes 1 to 39 form an integral part of these consolidated financial statements.

Syed Asghar Ali Shah	**Nadir Rahman**	**Saeed Jamal Tariq**
Chairman	Chief Executive Officer	Chief Financial Officer

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010	2009
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		67,609	(253,293)
Non-cash adjustments to reconcile (profit) / loss before tax to net cash flows:			
Depreciation		15,275	21,191
Amortisation		2,132	2,004
Gain on sale of investments		(37,677)	(82,772)
Gain on sale of property and equipment		(634)	(608)
Unrealised gain on remeasurement of investments at fair value through profit or loss - net		(10,803)	(7,595)
Impairment loss on 'available-for-sale' investments		74,931	228,981
Reversal of provision against doubtful debts		(209,432)	(50,185)
Provision against doubtful debts		32,852	272,062
Reversal of provision against other receivables		(5,147)	-
Finance cost		72,602	85,320
Dividend income		(8,496)	(42,425)
		(74,397)	425,973
		(6,788)	172,680
Working capital adjustments:			
(Increase) / decrease in assets			
Long-term loans and advances		201	112
Long-term deposits and prepayments		(1,134)	(138)
Long-term investments		(52,714)	(46,047)
Trade debts		849,418	113,399
Advances, deposits, prepayments and other receivables		131,754	(32,549)
		927,525	34,777
(Decrease) / increase in current liabilities			
Trade and other payables		(281,922)	313,656
		638,815	521,113
Finance cost paid		(72,367)	(96,181)
Income tax paid		(39,572)	(26,972)
Net cash flows from operating activities		526,876	397,960
CASH FLOW FROM INVESTING ACTIVITIES			
Investments 'available-for-sale' - net		37,639	5,024
Investments 'at fair value through profit or loss' - net		(318,179)	(51,514)
Investment in property and equipment		(7,980)	(2,421)
Advance paid for purchase of properties		(466,360)	-
Proceeds from disposal of property and equipment		3,754	6,429
Dividend received		42,071	9,001
Net cash flows used in investing activities		(709,055)	(33,481)
CASH FLOW FROM FINANCING ACTIVITIES			
Lease rentals paid		(81)	(3,789)
Repayment of redeemable capital		(200)	(200)
Net cash flows used in financing activities		(281)	(3,989)
Net (decrease) / increase in cash and cash equivalents		(182,460)	360,490
Cash and cash equivalents at the beginning of the year		288,289	(72,201)
Cash and cash equivalents at the end of the year	16	105,829	288,289

The annexed notes 1 to 39 form an integral part of these consolidated financial statements.

Syed Asghar Ali Shah	Nadir Rahman	Saeed Jamal Tariq
Chairman	Chief Executive Officer	Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2010

	Share capital	General reserve	Unappropriated profit / (accumulated loss)	Unrealised gain / (loss) on remeasurement of available for sale investments to fair value - net	Total
	(Rupees in '000)				
Balance as at January 01, 2009	1,000,000	18,752	258,907	(79,303)	1,198,356
Total comprehensive loss for the year	-	-	(298,270)	118,116	(180,154)
Balance as at December 31, 2009	**1,000,000**	**18,752**	**(39,363)**	**38,813**	**1,018,202**
Total comprehensive income for the year	-	-	61,446	(23,688)	37,758
Balance as at December 31, 2010	**1,000,000**	**18,752**	**22,083**	**15,125**	**1,055,960**

The annexed notes 1 to 39 form an integral part of these consolidated financial statements.

Syed Asghar Ali Shah	**Nadir Rahman**	**Saeed Jamal Tariq**
Chairman	Chief Executive Officer	Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

STATUS AND NATURE OF BUSINESS

The Group comprises of:

Holding company
- KASB Securities Limited

Subsidiary company
- Structured Venture (Private) Limited

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 Group are listed on the Karachi Stock Exchange. The registered office of the Group is situated at 5th Floor, Trade Centre, I.I. Chundrigar Road, Karachi.

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

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

The subsidiary is wholly owned by KASB Securities Limited.

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

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared under the historical cost convention except for investments which are carried at fair value as referred to in note 4.7 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 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 Group has adopted the following new and amended IFRS and related interpretations and improvements which became effective during the year:

IFRS 2 – Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions
IFRS 3 – Business Combinations (Revised)
IAS 27 – Consolidated and Separate Financial Statements (Amendment)
IAS 39 – Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendment)
IFRIC 17 – Distributions of Non-cash Assets to owners

In May 2008 and April 2009, the IASB issued amendments to various standards primarily with a view to removing inconsistencies and clarifying their wording. These improvements are listed below:

Issued in May 2008
IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations

Issued in April 2009
IFRS 2 - Share-based Payments
IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations
IFRS 8 - Operating Segments
IAS 1 - Presentation of Financial Statements
IAS 7 - Statement of Cash Flows
IAS 17 - Leases
IAS 36 - Impairment of Assets
IAS 38 - Intangible Assets
IFRIC 9 - Reassessment of Embedded Derivatives
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

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

4.2 Basis of consolidation

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

4.3 Property and equipment

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

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount. Depreciation is charged from the day of purchase and no depreciation is charged from the day of disposal.

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

The 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. Instead they are systematically tested for impairment at each balance sheet date. Intangible assets include KSE membership card and rooms and booths at KSE, the carrying amounts of which are reviewed at each balance sheet date to assess whether these are in excess of their recoverable amounts, and where the carrying amount exceeds the estimated recoverable amount, the carrying amount is written down to the estimated recoverable amount.

Cost 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 property

Investment properties are carried at cost less accumulated depreciation (excluding land which is not depreciated) and accumulated impairment losses, if any. Subsequent expenditure, depreciation and gains or losses on disposals are accounted for in the same manner as property and equipment.

Capital work in progress is stated at cost less impairment, if any.

4.7 Investments

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 the statement of comprehensive income is included in income. Upon impairment, gain / loss including that which had been previously recognised directly in the statement of comprehensive income, is included in the profit and loss account for the year.

The fair value of 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Group as fair value through profit or loss or available for sale. 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 expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

4.9 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the 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 offset.

4.10 Revenue recognition

- Brokerage income is recognised as and when such services are rendered.
- Financial advisory fees and other income is recognised on an accrual basis.
- Underwriting commission is recognised when the agreement is executed.
- Capital gains and losses on sale of securities is 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(s) 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 consolidated 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 Dividends distributions and appropriations

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

4.13 Staff retirement benefits

Defined contribution plan

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

Employee compensated absences

The Group provides its management and non-management employees' the facility 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 during the year are 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 which prevail on the balance sheet date. Gain 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 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 receivables

Trade debts and other receivables are recognised at fair value and subsequently measured at amortised cost. A provision for impairment in trade and other receivables is made when there is objective evidence that the Group will not be able to collect all the amount due according to the original term of the receivables whereas debts deemed uncollectible are written off.

4.18 Trade and other payables

Trade and other payables are recognised 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 the 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:

	Note
Provision for doubtful debts	4.17 & 14
Classification of investments	4.7, 10 & 13
Useful lives of assets and methods of depreciation	4.3.7, 8 & 9
Deferred taxation	4.11 & 21

6. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

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

Standard, Interpretation or amendment	Effective date (accounting periods beginning on or after)
IAS - 24 Related Party Disclosures (Revised)	January 01, 2011
IAS - 32 Financial Instruments: Presentation - Classification of Right Issues (Amendment)	February 01, 2010
IAS - 12 Income Taxes: Deferred Tax Amendment - Recognition of Underlying Assets	January 01, 2012
IFRIC - 14 IAS - 19 - The limit on a defined benefit asset, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011
IFRIC - 19 Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Group considers that the above standards and interpretations are either not relevant or will not have any material impact on its consolidated financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after January 01, 2010. The Group expects that such improvements to the standards will not have any significant effect on the consolidated financial statements in the period of initial application.

7. PROPERTY AND EQUIPMENT

	2010					
	Office premises- lease hold	Furniture and fixtures	Computers and office equipment	Motor vehicles		Total
				Owned	Held under finance lease	
	Rupees in '000					
As at January 01, 2010						
Cost	23,853	24,349	114,702	9,664	1,815	174,383
Accumulated depreciation	(4,651)	(8,251)	(101,115)	(5,031)	(745)	(119,793)
Net book value	19,202	16,098	13,587	4,633	1,070	54,590
Year ended December 31, 2010						
Opening net book value	19,202	16,098	13,587	4,633	1,070	54,590
Additions	-	581	4,838	-	-	5,419
Disposals						
Cost	-	48	676	5,995	-	6,719
Depreciation	-	(28)	(515)	(3,056)	-	(3,599)
	-	20	161	2,939	-	3,120
Depreciation charge for the year	(1,193)	(2,144)	(10,100)	(726)	(37)	(14,200)
Transfers						
Cost	-	-	-	1,815	(1,815)	-
Depreciation	-	-	-	(782)	782	-
	-	-	-	1,033	(1,033)	-
Closing net book value	18,009	14,515	8,164	2,001	-	42,689
As at December 31, 2010						
Cost	23,853	24,882	118,864	5,484	-	173,083
Accumulated depreciation	(5,844)	(10,367)	(110,700)	(3,483)	-	(130,394)
Net book value	18,009	14,515	8,164	2,001	-	42,689
Depreciation rate (% per annum)	5	10	33.33	20	20	

	2009					
	Office premises- lease hold	Furniture and fixtures	Computers and office equipment	Motor vehicles		Total
				Owned	Held under finance lease	
	Rupees in '000					
As at January 01, 2009						
Cost	21,704	22,109	111,309	5,556	16,960	177,638
Accumulated depreciation	(3,559)	(6,284)	(88,518)	(2,638)	(5,719)	(106,718)
Net book value	18,145	15,825	22,791	2,918	11,241	70,920
Year ended December 31, 2009						
Opening net book value	18,145	15,825	22,791	2,918	11,241	70,920
Additions	2,149	2,274	5,184	-	-	9,607
Disposals						
Cost	-	34	1,791	11,037	-	12,862
Depreciation	-	(19)	(1,705)	(5,317)	-	(7,041)
	-	15	86	5,720	-	5,821
Depreciation charge for the year	(1,092)	(1,986)	(14,302)	(1,388)	(1,348)	(20,116)
Transfers						
Cost	-	-	-	15,145	(15,145)	-
Depreciation	-	-	-	(6,322)	6,322	-
	-	-	-	8,823	(8,823)	-
Closing net book value	19,202	16,098	13,587	4,633	1,070	54,590
As at December 31, 2009						
Cost	23,853	24,349	114,702	9,664	1,815	174,383
Accumulated depreciation	(4,651)	(8,251)	(101,115)	(5,031)	(745)	(119,793)
Net book value	19,202	16,098	13,587	4,633	1,070	54,590
Depreciation rate (% per annum)	5	10	33.33	20	20	

7.1 Disposal of property and equipment

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

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain/ (loss)	Particulars of Buyer	Mode of disposal
	Rupees in '000						
Vehicles							
Suzuki Cultus	560	302	258	282	24	Imran Hameed (employee)	Group policy
Toyota Camry	2,750	1,290	1,460	1,476	16	Farrukh Sabzwari (ex-employee)	Group policy
Honda Civic	1,336	613	723	723	-	Kamran Ansari (ex-employee)	Group policy
Toyota Corolla	879	381	498	501	3	Waqas Usmani (ex-employee)	Group policy
Suzuki Margala	470	470	-	313	313	Zahid Qadri	Negotiation
	5,995	3,056	2,939	3,295	356		
Equipment							
Laptop	129	124	5	5	-	Farrukh Sabzwari (ex-employee)	Group policy
Laptop	54	42	12	12	-	Kamran Ansari (ex-employee)	Group policy
Laptop	111	2	109	109	-	Farid A. Masood (ex-employee)	Group policy
Generator	150	150	-	270	270	Ehtisham ul Haq	Negotiation
Computer	47	47	-	1	1	Computer Ways	Negotiation
Computer	34	34	-	1	1	Computer Ways	Negotiation
Blackberry	39	8	31	31	-	Farid A. Masood (ex-employee)	Group policy
Blackberry	22	18	4	8	4	EFU Insurance	Insurance claim
Air-conditioners	90	90	-	9	9	Ejaz Wajid	Negotiation
	676	515	161	446	285		
Furniture	48	28	20	13	(7)	Abdul Hafeez	Negotiation
December 31, 2010	**6,719**	**3,599**	**3,120**	**3,754**	**634**		
December 31, 2009	12,862	7,041	5,821	6,429	608		

8. INTANGIBLE ASSETS

	2010				
	Computer software	Membership cards of KSE and PMEL	Rooms at KSE	Booths at KSE	Total
	(Rupees in '000)				
As at January 01, 2010					
Cost	6,014	5,445	5,804	950	18,213
Accumulated amortisation	(3,543)	-	-	-	(3,543)
Net book value	2,471	5,445	5,804	950	14,670
Year ended December 31, 2010					
Opening net book value	2,471	5,445	5,804	950	14,670
Additions (at cost)	2,561	-	-	-	2,561
Amortisation for the year	(2,132)	-	-	-	(2,132)
Closing net book value	2,900	5,445	5,804	950	15,099
As at December 31, 2010					
Cost	8,575	5,445	5,804	950	20,774
Accumulated amortisation	(5,675)	-	-	-	(5,675)
Net book value	2,900	5,445	5,804	950	15,099
Amortisation rate (% per annum)	33.33	-	-	-	

	2009				
	Computer software	Membership cards of KSE and PMEL	Rooms at KSE	Booths at KSE	Total
	(Rupees in '000)				
As at January 01, 2009					
Cost	6,014	5,445	5,804	950	18,213
Accumulated amortisation	(1,539)	-	-	-	(1,539)
Net book value	4,475	5,445	5,804	950	16,674
Year ended December 31, 2009					
Opening net book value	4,475	5,445	5,804	950	16,674
Amortisation for the year	(2,004)	-	-	-	(2,004)
Closing net book value	2,471	5,445	5,804	950	14,670
As at December 31, 2009					
Cost	6,014	5,445	5,804	950	18,213
Accumulated amortisation	(3,543)	-	-	-	(3,543)
Net book value	2,471	5,445	5,804	950	14,670
Amortisation rate (% per annum)	33.33	-	-	-	

	Note	2010	2009
		(Rupees in '000)	
9. INVESTMENT PROPERTIES			
Investment Properties	9.1	**9,020**	10,095
Advance paid for purchase of land	9.2	**466,360**	-
		475,380	10,095

9.1 Investment Properties

	Note	2010	2009
Opening balances			
Cost		**20,732**	20,732
Accumulated depreciation		**(10,637)**	(9,562)
Net book value		**10,095**	11,170
Opening net book value		**10,095**	11,170
Depreciation charge for the year		**(1,075)**	(1,075)
Closing net book value		**9,020**	10,095
Cost		**20,732**	20,732
Accumulated depreciation		**(11,712)**	(10,637)
Net book value	9.1.1	**9,020**	10,095
Depreciation rate (% per annum)		**5**	5

9.1.1 Investment properties comprises 10th floor, Trade Centre, I.I. Chundrigar Road, Karachi given to KASB Bank Limited and 6th Floor, Trade Centre, I.I. Chundrigar Road, Karachi given to KASB Funds Limited and KASB Bank Limited on rental basis. The fair value of these properties amount, in aggregate, to Rs. 70.317 million (2009: Rs. 70.317 million) as per the valuation carried out by M/s Akbani & Javed Associates valuer on January 07, 2010. The rent income for the year from the aforementioned properties amounted to Rs. 7.321 million (2009: Rs. 9.780 million).

9.2 During the year, the group has acquired approved housing scheme land consisting 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.

In addition, the Group has also purchased 26 residential plots from a related party through a separate agreement entered into between the Group and the related party. In this respect the Group has paid Rs. 91 million to acquire such plots.

The Group is in the process of completing the legal formalities for the transfer of ownership title of these properties in its name.

The above properties are held mainly for capital appreciation and sale in due course of business and accordingly have been recorded as an investment property.

The market value of the above stated properties as per the valuation of independent professional valuer amounted to Rs. 498.600 million at the time of the acquisition of plots.

	Note	2010	2009
		(Rupees in '000)	
10. LONG-TERM INVESTMENTS			
Available-for-sale investments	10.1	**320,738**	342,955
		320,738	342,955

10.1 Description of available-for-sale investments

Number of shares 2010	Number of shares 2009	Name of investee	2010 Cost*	2010 Carrying value	2009 Cost*	2009 Carrying value
			(Rupees in '000)			
		Quoted shares - at market value				
19,858,649	19,858,649	KASB Bank Limited (parent company) -note 10.1.1	**116,472**	**49,845**	301,048	146,755
		Unquoted shares - at cost				
3,370	3,000	Al Jomaih Power Limited	**184,197**	**184,197**	151,200	151,200
2,000,000	2,000,000	KASB Funds Limited (related party) -note 10.1.2	**20,000**	**11,696**	20,000	20,000
		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	-	- Class 'B' ordinary shares	**50,000**	**50,000**	-	-
			75,000	**75,000**	25,000	25,000
			395,669	**320,738**	497,248	342,955

(*) adjusted for impairment charge

10.1.1 These shares have been blocked by the Central Depository Company of Pakistan Limited 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 These shares have been blocked by the Central Depository Company of Pakistan Limited in compliance with Securities and Exchange Commission of Pakistan (the Commission) Circular No. NBFCD/D/Misc/271-9 dated June 15, 2006. No activity (including pledge and withdrawal) in these shares is allowed without prior written permission of the Commission.

11. LONG - TERM LOANS AND ADVANCES - Considered good

	Note	2010	2009
		(Rupees in '000)	
Loans and advances to:			
- Executives		**2,269**	343
- Employees		**1,730**	2,018
	11.1	**3,999**	2,361
Current maturity shown under current assets	15	**(2,978)**	(1,139)
		1,021	1,222

11.1 This represents loans and advances provided to executives / 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 loans given for purchase of motorcycle) carry mark-up rates ranging from 6% to 10% (2009: 6% to 10%) per annum and are recovered through deduction from salaries over varying periods upto a maximum period of 120 months. The motor vehicle loans are secured by way of title of the motor vehicles being held in the name of the Group, whereas general purpose cash advances are secured against staff provident fund balances.

12. LONG-TERM DEPOSITS AND PREPAYMENTS

	Note	2010	2009
		(Rupees in '000)	
Deposits with:			
- Karachi Stock Exchange (Guarantee) Limited (KSE)		**862**	862
- National Clearing Company of Pakistan Limited (NCCPL)		**400**	400
- Pakistan Mercantile Exchange Limited (PMEL)		**4,000**	3,000
- Others		**362**	242
		5,624	4,504
Prepayments	12.1	**14**	-
		5,638	4,504

	Note	2010	2009
		(Rupees in '000)	
13. SHORT-TERM INVESTMENTS			
At fair value through profit or loss - held for trading			
- Open end mutual funds units		199,177	-
- Listed shares		152,813	173,857
- Term finance certificates		180,230	-
	13.1	532,220	173,857
Available-for-sale investments			
- Open end mutual funds units		79,700	71,766
- Listed shares		-	60,965
	13.2	79,700	132,731
		611,920	306,588

13.1 At fair value through profit or loss

Number of shares / units 2010	Number of shares / units 2009	Name of investee	Note	2010 Cost	2010 Carrying value	2009 Cost	2009 Carrying value
				(Rupees in '000)			
		OPEN END MUTUAL FUNDS					
554,735	-	MCB Cash Managment Optimizer		51,128	56,698	-	-
1,031,821	-	BMA Empress Cash Fund		10,000	10,914	-	-
1,046,203	-	KASB Cash Fund		98,486	105,674	-	-
2,584,318	-	ABL Cash Fund		25,000	25,866	-	-
246	-	UBL Saving Income Fund		-	25	-	-
				184,614	199,177	-	-
		LISTED SHARES					
		Banks					
103,313	-	Allied Bank Limited		7,283	7,247	-	-
-	200,000	BankIslami Pakistan Limited		-	-	1,450	1,174
-	450	MCB Bank Limited		-	-	82	99
50,000	203,125	United Bank Limited		3,515	3,412	10,040	11,873
		Non Life Insurance					
-	100,000	Adamjee Insurance Company Limited		-	-	12,944	12,330
		Personal Goods					
-	150,000	Azgard Nine Limited		-	-	2,033	3,119
		Construction and Materials					
189,000	-	D.G. Khan Cement Company Limited		5,942	5,702	-	-
75,000	-	Lucky Cement Limited		5,836	5,684	-	-
		Industrial Engineering					
10,000	-	Millat Tractors Limited		5,001	4,998	-	-
		General Industrial					
20,000	-	Tri Pack Films Limited		2,527	2,443	-	-
		Electricity					
1,445,690	150,000	Kot Addu Power Company Limited		58,037	58,811	7,606	6,880
-	1,500,000	Nishat Chunian Power Limited		-	-	15,000	15,450
-	750,000	The Hub Power Company Limited		-	-	22,268	23,310
		Oil and Gas					
-	120,032	Pakistan Petroleum Limited		-	-	21,379	22,757
17,000	157,000	Pakistan Oil Fields Limited		5,083	5,031	35,201	36,231
5,744	-	Oil and Gas Development Company Ltd.		984	981	-	-
		Chemicals					
654,000	-	Agritech Limited		19,553	15,631	-	-
200,000	105,000	Engro Corporation Limited		38,726	38,762	18,359	19,243
-	205,000	Fauji Fertilizer Company Limited		-	-	19,580	21,100
-	40,000	Descon Oxychem Limited		-	-	320	291
28,500	-	ICI Pakistan Limited		4,147	4,111	-	-
				156,634	152,813	166,262	173,857

Number of shares / units 2010	2009	Name of investee	Note	2010 Cost	2010 Market value	2009 Cost	2009 Market value
				(Rupees in '000)			
		TERM FINANCE CERTIFICATES					
10,000	-	Pace (Pakistan) Limited		**45,339**	**45,389**	-	-
22,030	-	NIB Bank Limited		**107,949**	**107,960**	-	-
2,000	-	Soneri Bank Limited		**9,952**	**9,952**	-	-
3,400	-	United Bank Limited		**16,929**	**16,929**	-	-
			13.1.1	**180,169**	**180,230**	-	-
				521,417	**532,220**	166,262	173,857

13.1.1 Significant terms and conditions of Term Finance Certificates are as follows:

Name of security	Number of certificates	Face value per certificate (Amount in Rupees)	Profit rate (per annum)	Maturity	Secured / unsecured	Rating
Pace Pakistan Limited	10,000	5,000	14.81%	Feb 15, 2017	Secured	A+
NIB Bank Limited	22,030	5,000	14.01%	Mar 05, 2016	Unsecured	A+
Soneri Bank Limited	2,000	5,000	14.82%	May 05, 2013	Unsecured	A+
United Bank Limited	3,400	5,000	15.57%	Sep 08, 2014	Unsecured	AA

13.2 Available-for-sale investments

Number of shares / units 2010	2009	Name of investee	2010 Cost	2010 Carrying value	2009 Cost	2009 Carrying value
			(Rupees in '000)			
		OPEN END MUTUAL FUNDS				
2,680,789	1,822,389	KASB Stock Market Fund	**64,575**	**79,700**	66,951	71,766
		LISTED SHARES				
		Construction and Materials				
-	85,937	Maple Leaf Cement Factory Limited	-	-	1,828	323
		Automobile and Parts				
-	389,000	Pak Suzuki Motor Company Limited	-	-	40,119	34,606
		Travel and Leisure				
-	4,960,500	Pakistan International Airlines Corporation	-	-	42,172	12,947
		Chemicals				
-	1,800,403	Descon Oxychem Limited	-	-	17,536	13,089
			-	-	101,655	60,965
			64,675	**79,700**	168,606	132,731

	Note	2010	2009
14. TRADE DEBTS		(Rupees in '000)	
Receivable against purchase of marketable securities	14.1 & 14.2	**372,474**	1,050,586
Inter-bank brokerage		**6,227**	3,322
Fees		**2,641**	272
		381,342	1,054,180

	Note	2010	2009
14.1 Considered good			
Secured		**370,214**	813,684
Unsecured		**1,130**	224
		371,344	813,908
Considered doubtful		**130,947**	653,095
		502,291	1,467,003
Provision for doubtful debts	14.4	**(129,817)**	(416,417)
		372,474	1,050,586

14.2 This includes receivables from KSE and NCCPL amounting to Rs. 17.444 million (2009: Rs. 1.380 million) and Rs. 20.845 million (2009: Rs. Nil) respectively in respect of trading in securities settled subsequent to the year end.

	Note	2010	2009
		(Rupees in '000)	
14.3 Amount due from related parties at the year end are as under:			
KASB Funds Limited		**2**	-
KASB Income Opportunity Fund		**-**	13
KASB Stock Market Fund		**86**	9
KASB Balanced Fund		**154**	11
KASB Cash Fund		**14**	18
KASB Modaraba		**2**	1
KASB Bank Limited		**32**	-
Directors		**18**	8
Mr. Arif Ali Shah Bukhari	14.4.2 & 34.1	**-**	384,701
Others		**62**	396
		370	385,157

	Note	2010	2009
14.4 Reconciliation of provision against trade debts			
Opening balance		**416,417**	194,540
Written off during the year	14.4.2	**(110,020)**	-
Provision for the year		**32,852**	272,062
Reversal of Provision during the year	14.4.2	**(209,432)**	(50,185)
		(176,580)	221,877
Closing balance		**129,817**	416,417

14.4.1 Provision against doubtful debts has been made after considering the market value of listed shares amounting to Rs. 36.513 million (2009: Rs. 533.06 million) held in custody by the Group against respective customer accounts.

14.4.2 An aggregate amount of Rs. 384.731 million was due from Mr. Arif Ali Shah Bukhari (the customer) against which a provision of Rs. 289.726 million was held by the Group. During the year, the Group has entered into a settlement agreement with the customer, whereby the Group has agreed to reduce the customer's liability to the extent of Rs. 110 million comprising commission and a portion of losses on securities transactions. Accordingly, the customer has paid the remaining balance of Rs. 274.731 million to the Group as a full and final settlement of its outstanding liability.

In view of the above settlement, the Group has written off Rs. 110 million against the provision held in respect of the customer's balance. The remaining balance of the provision held against the said customer of Rs. 179.726 million has, therefore, been reversed during the year and included in the total reversal of provision as shown under note 14.4 above.

15. ADVANCES, DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES

	Note	2010	2009
		(Rupees in '000)	
Advances to:			
- Employees and executives	15.1	**344**	1
- Suppliers		**300**	1,370
		644	1,371
Long term loans and advances to employees / executives (current portion)	11	**2,978**	1,139
Deposits:			
Exposure deposit with KSE	15.2	**24,500**	181,700
Other deposits		**2,128**	2,146
		26,628	183,846
Prepayments:			
- Rent		**1,146**	771
- Insurance		**349**	82
- Software development and maintenance		**3,666**	-
- Consultancy charges	15.3	**6,002**	-
- Others		**3,660**	941
		14,823	1,794
Other receivables:			
- Dividends receivable		**38**	33,613
- Profit on bank deposits		**340**	264
- Profit on exposure deposit with KSE		**350**	301
- Profit receivable on term finance certificates		**8,807**	-
- Receivable from related parties	15.4	**7,325**	2
- Receivable from PMEL		**5,376**	-
- Others		**443**	10,751
		22,679	44,931
		-	(5,147)
Provision for doubtful receivables		**67,752**	227,934

15.1 These are unadjusted advances provided to directors and employees to meet business expense.

15.2 This represents amount of deposit held at the year end against exposure arising out of trading in securities in accordance with regulations of the KSE. In addition, shares amounting to Rs. 177.702 million (at the rates quoted on the KSE) (2009: Rs.156.462 million) have been pledged with KSE against exposure margin.

15.3 This represents prepaid portion of total fee of Rs 10.088 million paid under a 'technical services agreement' to KASB International Limited (a related party incorporated under the laws of Mauritius). Under the agreement the related party will assist the Group in identification of investment opportunities, development of structured products and training etc.

15.4 Receivable from related parties comprises of amounts due from:

	Note	2010	2009
		(Rupees in '000)	
KASB Funds Limited	15.3.1	**7,143**	2
KASB Bank Limited (the Parent company)		**47**	-
KASB Finance (Private) Limited		**135**	-
		7,325	2

15.4.1 This represents receivable against reimbursement of costs by KASB Funds Limited and includes office rent and maintenance, security, human resource management and IT services etc., in accordance with the agreed terms and conditions of the service agreement entered into between the Group and KASB Funds Limited during the year.

16. CASH AND BANK BALANCES

	Note	2010	2009
Cash at bank in:			
- Current accounts		**3,820**	7,836
- Saving accounts	16.1	**43,689**	280,384
- Certificate of deposits	16.2	**58,279**	-
		105,788	288,220
Cash in hand		**33**	56
Stamps in hand		**8**	13
		105,829	288,289

16.1 These carry profit at rates ranging from 1% to 11.25% (2009:1% to 12%).

16.2 This carries profit at the rate of 16.28% (2009: Nil) and is due to mature in June 2011.

17. SHARE CAPITAL

17.1 Authorised Capital

2010	2009		2010	2009
Number of shares			(Rupees in '000)	
200,000,000	200,000,000	Ordinary shares of Rs. 10 each	**2,000,000**	2,000,000

17.2 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
100,000,000	100,000,000		**1,000,000**	1,000,000

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

	2010		2009	
	Shares held	Percentage	Shares held	Percentage
KASB Bank Limited (the Parent company)	**77,117,000**	**77.117%**	77,117,000	77.117%
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 Limited - Employees Provident Fund Trust	**13,000**	**0.013%**	3,000	0.003%
Key Management Personnel	**204,400**	**0.204%**	4,400	0.004%

18. TRADE AND OTHER PAYABLES

	Note	2010	2009
		(Rupees in '000)	
Trade creditors	18.1&18.2	**451,936**	733,641
Accrued expenses		**8,838**	9,923
Withholding tax		**2,028**	2,665
Unclaimed dividends		**609**	609
Others		**1,994**	489
		465,405	747,327

18.1 This includes payable to NCCPL amounting to Rs. Nil (2009: Rs. 296.782 million) in respect of trading in securities settled subsequent to year end.

18.2 This includes payables to related parties amounting to Rs. 4.173 million (2009: Rs. 3.575 million).

19. ACCRUED MARK-UP

	Note	2010	2009
		(Rupees in '000)	
Mark-up accrued on:			
- Short-term running finances facilities	19.1	**153**	-
- Redeemable capital	19.2	**1,061**	982
		1,214	982

19.1 This represents mark-up payable to the Parent company.

19.2 This includes Rs. Nil (2009: Rs. 0.049 million) due to KASB Liquid Fund, a related party

20. REDEEMABLE CAPITAL - secured

This represents term finance certificates issued by the Group by way of private placement to various institutional and other investors. The repayments in respect of these term finance certificates are secured by first charge by way of hypothecation over all present and future current and fixed assets (excluding movable properties). Significant terms and conditions in respect of these term finance certificates are:

Face value per certificate (Rupees)	Issue date	Maturity date	Mark-up rate	Frequency of payment of mark-up and principal redemption
5,000	June 2007	June 2012	Average Ask side Six month KIBOR+1.90%	Semi annual

20.1 As at December 31, 2010, KASB Liquid Fund, a related party held Nil term finance certificates (2009: 5,000 term finance certificates) amounting to Rs. Nil (2009: Rs. 24.975 million).

21 DEFERRED TAX LIABILITY

	2010	2009
	(Rupees in '000)	
Taxable temporary differences arising in respect of:		
Accelerated tax depreciation	**66**	1,779
Liabilities against assets subject to finance lease	**-**	268
	66	2,047

21.1 The Group has not recognised deferred tax assets against provisions for doubtful debts amounting to Rs. 32.852 million (tax effect of which is Rs. 11.49 million) in view of uncertainly involved regarding the allowability of the provisions.

22. CONTINGENCIES AND COMMITMENTS

Contingencies
There were no contingencies as at the year end.

Commitments
Following commitments are outstanding as at the year end:

	2010	2009
- Outstanding purchases against commodities futures	**3,084**	-
- Outstanding sales against commodities futures	**25,077**	-

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

The facilities for short-term running finances available from various banks amounted to Rs. 1,775 million (2009: Rs. 2,025 million). These facilities carry mark-up at rates ranging from 14.21% to 17.39% (2009: 14.26% to 16.80%) per annum and are repayable on various dates during the year ended 31 December 2011. The arrangements are secured by way of pledge of shares of listed companies and ranking charge over company's present and future current assets. There are no short term running finance facilities outstanding as at the year end.

24. BROKERAGE AND FEE

	2010	2009
	(Rupees in '000)	
Brokerage	**218,445**	346,999
Financial advisory fee	**2,404**	-
Other fee and commission	**664**	-
	221,513	346,999

25. OTHER OPERATING REVENUE

	2010	2009
Custody services	**4,691**	3,997
Subscription research income	**2,406**	1,597
Profit on bank deposits	**29,534**	23,806
Profit on term finance certificates	**20,432**	-
Profit on units of mutual funds	**-**	16
	57,063	29,416

26. OPERATING AND ADMINISTRATIVE EXPENSES

	Note	2010	2009
		(Rupees in '000)	
Salaries, allowances and other benefits	26.1	**183,673**	125,201
Staff training and development		**447**	120
Rent, rates and taxes		**6,829**	6,580
Insurance charges		**353**	798
Depreciation	26.2	**15,275**	21,191
Amortisation	8	**2,132**	2,004
Repairs and maintenance		**8,383**	12,444
Power and utilities		**4,880**	3,811
Registration fee		**3,279**	-
Advisory fee		**276**	-
Consultancy charges		**4,086**	-
Communication		**14,060**	12,524
Fees and subscription		**35,692**	27,664
Printing and stationery		**4,288**	3,304
Papers and periodicals		**390**	231
Advertisement and business promotion		**5,611**	7,691
Travelling and conveyance		**8,988**	3,957
Entertainment		**1,172**	922
Legal and professional charges		**212**	5,139
Auditors' remuneration	26.3	**970**	540
Stamp charges		**16**	22
Donations	26.4	**1,261**	1,400
Workers' welfare fund		**1,361**	2,382
Service level agreement	26.5	**5,517**	4,353
Others		**224**	686
		309,375	242,964

26.1 Salaries, allowances and benefits include group's contribution to provident fund amounting to Rs. 4.759 million (2009: Rs. 3.751 million).

26.2 Depreciation

	Note	2010	2009
		(Rupees in '000)	
Property and equipment	7	**14,200**	20,116
Investment property	9	**1,075**	1,075
		15,275	21,191

26.3 Auditors' remuneration

	2010	2009
Ernst & Young Ford Rhodes Sidat Hyder		
Statutory audit fee	**485**	-
Half yearly review fee and other certifications	**340**	-
Out of pocket expenses	**26**	-
	851	-
A.F. Fergusons & Co.		
Statutory audit fee	**-**	320
Half yearly review fee and other certifications	**75**	165
Out of pocket expenses	**44**	55
	119	540
	970	540

26.4 Donation were not made to any donee in which any director of the Company or his spouse had any interest.

26.5 This represents 'Group Executive Services' such as financial control, financial reporting, corporate affairs, legal and corporate communication functions provided by a related party in accordance with the terms and conditions of the agreement entered into between the Group and the related party.

27. REVERSAL / (PROVISION) FOR DOUBTFUL DEBTS AND OTHER RECEIVABLES

	Note	2010	2009
		(Rupees in '000)	
Reversal of provision/ (provision) against trade debts	14.4	**176,580**	(221,877)
Reversal of provision against other receivables		**675**	-
		177,255	(221,877)

	2010	2009
	------ (Rupees in '000) ------	

28. IMPAIRMENT CHARGE AGAINST AVAILABLE-FOR-SALE INVESTMENTS

	2010	2009
Long-term investments		
- KASB Bank Limited (related party)	**66,627**	184,576
- KASB Funds Limited (related party)	**8,304**	-
	74,931	184,576
Short-term investments		
- Pakistan International Airlines Corporation	**-**	29,225
- Pak Suzuki Motor Company Limited	**-**	5,513
- Other quoted equities	**-**	9,667
	-	44,405
	74,931	228,981

29. FINANCE COST

	2010	2009
Mark-up on:		
- Short term running finance facilities	**289**	4,046
- Redeemable capital	**71,550**	80,303
Bank charges	**760**	635
Finance lease charges	**3**	336
	72,602	85,320

30. OTHER INCOME

	2010	2009
Gain on disposal of property and equipment	**634**	608
Rental income	**10,462**	12,910
Others	**614**	599
	11,710	14,117

31. TAXATION

	2010	2009
Current		
- for the year	**8,144**	48,952
- for prior year	**-**	(5,232)
Deferred	**(1,981)**	1,257
	6,163	44,977

31.1 The numerical reconciliation between tax expense and accounting profit has not been presented as provision for current year income tax has been made on the basis of minimum taxation under section 113 of the Income Tax Ordinance, 2001.

32. EARNINGS / (LOSS) PER SHARE

	2010	2009
	------ (Rupees in '000) ------	
Profit / (loss) after taxation attributable to ordinary shareholders	**61,446**	(298,270)
	----- (Number of shares) -----	
Weighted average number of ordinary shares	**100,000**	100,000
	---------- (Rupees) ----------	
Earnings / (loss) per share - basic	**0.61**	(2.98)

Diluted earnings per share has not been presented as the Group did not have any convertible instruments in issue as at December 31, 2010 and December 31, 2009 which would have any effect on the earnings / (loss) 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:

	2010			2009		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees in '000)					
Managerial remuneration	**19,966**	**-**	**101,500**	8,143	6,722	55,308
Fee (note 33.2)	**-**	**1,620**	**-**	-	840	-
Reimbursable expenses	**39**	**94**	**1,162**	174	166	1,043
Contribution to provident fund	**469**	**-**	**2,823**	333	259	1,746
	20,474 *	**1,714**	**105,485**	8,650	7,987	58,097
Number of persons	**2**	**5**	**39**	1	4	27

*This includes remuneration of the Chief Executive resigned during the year.

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

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

34. RELATED PARTY TRANSACTIONS

34.1 The related parties of the Group comprise of KASB Bank Limited (Ultimate Parent company), associated undertakings (including companies under common directorship), employee benefit plans and its key management personnel. During the year, the Board of Directors of the Group reassessed the Group's relationship with Mr. Arif Ali Shah Bukhari, who was earlier classified as a related party to the Group. The Board considers that Mr. Arif Ali Shah Bukhari does not meet the criteria under the applicable accounting standards for such classification as he is an individual independent to the Group. Also, the Group has obtained a legal opinion on this matter which supports the Board's view and hence, effective from the current year Mr. Arif Ali Shah Bukhari is not reported as a related party in these consolidated financial statements.

The balances with related parties as at December 31, 2010 and transactions with related parties during the year ended December 31, 2010, other than those disclosed elsewhere in the consolidated financial statements are summarized as follows:

	2010				
	Parent Company	Subsidiary / associates	Key management personnel	Others	Total
	(Rupees in '000)				
BALANCES					
Long-term investments	49,845	574,861	-	-	624,706
Long-term deposits	-	142	-	-	142
Short-term investments	-	-	-	185,374	185,374
Trade receivables	32	4	80	254	370
Advances	-	-	1,600	-	1,600
Prepaid service level agreement charges	-	2,327	-	-	2,327
Prepaid rent	258	-	-	-	258
Profit receivable on bank deposit	161	-	-	-	161
Receivable against expenses	21	6,891	-	-	6,912
Rent receivable	26	387	-	-	413
Bank balances	34,443	-	-	-	34,443
Trade payables	24	-	2,962	-	2,986
Payable against expenses	22	392	-	-	414
Accrued mark-up	153	-	-	-	153
Advance rent payable	773	-	-	-	773

	2009				
	Parent Company	Subsidiary / associates	Key management personnel	Others	Total
	(Rupees in '000)				
BALANCES					
Long-term investments	146,755	45,000	-	-	191,755
Long-term deposits	-	142	-	-	142
Short-term investments	-	-	-	71,766	71,766
Trade receivables	-	1	404	384,752	385,157
Prepaid communication charges	-	170	-	-	170
Bank balances	279,461	-	-	-	279,461
Trade payables	-	-	1,301	2,274	3,575
Accrued mark-up	-	-	-	49	49
Redeemable capital	-	-	-	24,975	24,975
Provision for doubtful trade debts	-	-	-	289,726	289,726
Other receivables	-	2	-	-	2

	2010				
	Parent Company	Subsidiary / associates	Key management personnel	Others	Total
TRANSACTIONS	(Rupees in '000)				
Brokerage income earned	**1,360**	**9**	**129**	**791**	**2,289**
Bonus units issued	**-**	**-**	**-**	**960**	**960**
Bank charges	**406**	**-**	**-**	**-**	**406**
Custody services	**10**	**7**	**108**	**1**	**126**
Communication expenses	**-**	**7,945**	**-**	**-**	**7,945**
Charge in respect of contributory plan	**-**	**-**	**-**	**4,759**	**4,759**
Donation	**-**	**-**	**-**	**1,200**	**1,200**
Property and equipment disposed off	**-**	**-**	**2,216**	**-**	**2,216**
Loans disbursed	**-**	**-**	**5,270**	**-**	**5,270**
Loans repayment	**-**	**-**	**3,670**	**-**	**3,670**
Mark-up expense	**269**	**-**	**-**	**-**	**269**
Profit on bank deposits	**17,833**	**-**	**-**	**-**	**17,833**
Purchase of property and equipment	**111**	**347**	**-**	**-**	**458**
Purchase of land	**-**	**-**	**-**	**91,000**	**91,000**
Remuneration to management personnel	**-**	**-**	**74,836**	**-**	**74,836**
Reimbursement of rent	**2,163**	**-**	**-**	**-**	**2,163**
Rent expense	**279**	**347**	**-**	**-**	**626**
Rent income	**8,311**	**2,150**	**-**	**-**	**10,461**
Salary expense reimbursed	**-**	**10**	**-**	**-**	**10**
Service level agreement	**-**	**5,517**	**-**	**-**	**5,517**
Software maintenance expenses	**-**	**170**	**-**	**-**	**170**

	2009				
	Parent Company	Subsidiary / associates	Key management personnel	Others	Total
	(Rupees in '000)				
TRANSACTIONS					
Brokerage income earned	1,577	38	231	1,575	3,421
Bonus units issued	-	-	-	561	561
Bank charges	418	-	-	-	418
Custody services	148	7	175	-	330
Communication expenses	-	5,831	-	-	5,831
Charge in respect of contributory plan	-	-	-	3,751	3,751
Donation	-	-	-	1,100	1,100
Finance lease charges	-	-	-	49	49
Investment made in shares of the Parent company	41,047	-	-	-	41,047
Loans disbursed	-	-	818	-	818
Loans repayment	-	-	818	-	818
Mark-up expense	2,564	-	-	6,145	8,709
Profit on bank deposits	8,467	-	-	-	8,467
Property and equipment disposed off	-	-	2,128	-	2,128
Provision for doubtful trade debts	-	-	-	248,384	248,384
Purchase of property and equipment	-	94	-	-	94
Payment received against reimbursable expenses	-	273	-	-	273
Repayment of redeemable capital	-	-	-	15	15
Remuneration to management personnel	-	-	52,305	-	52,305
Rent expense	53	269	-	-	322
Rent income	10,155	2,755	-	-	12,910
Salary expense reimbursed	-	234	-	-	234
Service level agreement	-	4,353	-	-	4,353
Software maintenance expenses	-	718	-	-	718

35. FINANCIAL INSTRUMENTS

35.1 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 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. 3.961 million and a 1% decrease would result in decrease in the Group's total comprehensive income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

(ii) Foreign currency risk

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

(iii) Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The Group is exposed to price risk because of investments held by the Group and classified on the balance sheet as investments at fair value through profit or loss and available-for-sale investments. The management believes that 10% increase or decrease in the value of investments 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. 15.281 million and 10% of such increase or decrease would result in increase or decrease of unrealized gain on revaluation of available-for sale investments by Rs. 4.985 million.

35.2 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:

	2010				
	On Demand	Upto three months	More than three months and upto one year	More than one year	Total
	(Rupees in '000)				
Trade and other payables	**462,643**	**-**	**-**	**-**	**462,643**
Accrued mark-up	**1,214**	**-**	**-**	**-**	**1,214**
Redeemable capital	**-**	**-**	**332,800**	**166,500**	**499,300**
	463,857	**-**	**332,800**	**166,500**	**963,157**

	2009				
	On Demand	Upto three months	More than three months and upto one year	More than one year	Total
	(Rupees in '000)				
Trade and other payables	744,053	-	-	-	744,053
Accrued mark-up	982	-	-	-	982
Current maturity of liabilities against assets subject to finance lease	-	78	-	-	78
Redeemable capital	-	-	200	499,300	499,500
	745,035	78	200	499,300	1,244,613

35.3 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 credit risk exposure of the Group as of December 31, 2010 in respect of trade debts amounts to Rs. 381.342 million (2009: Rs. 1,054.180 million) and in respect of bank balances amounts to Rs. 96.904 million (2009: Rs. 288.220 million). As at December 31, 2010, 21.84% and 15.61% (collectively 37.45%) of the Group's revenue (2009: 28% and 12%, collectively 40%) was derived from two customers (2009: two customers).

35.3.1 The analysis below summarises the credit quality of the Group's bank balances:

	2010	2009
	(Rupees in '000)	
Rating of Banks*		
A1	**58,400**	279,666
A1+	**4,060**	8,554
A2	**34,444**	-
	96,904	288,220

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

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

	2010	2009
	(Rupees in '000)	
Debts neither impaired nor past due	**119,696**	241,426
Debts past due but not impaired	**261,646**	812,754
Debts impaired	**129,817**	416,417
	511,159	1,470,597

36. 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 the 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.

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.

The gearing ratio of the Group as at December 31, 2010 and December 31, 2009 are as follows:

	2010	2009
	(Rupees in '000)	
Redeemable capital (long-term)	**166,500**	499,300
Issued, subscribed and paid-up capital	**1,000,000**	1,000,000
General reserve	**18,752**	18,752
Unappropriated profit / (accumulated loss)	**22,083**	(39,363)
Unrealized gain on remeasurement of available-for-sale' investments to fair value - net	**15,125**	38,813
	1,055,960	1,018,202
Gearing ratio	**13.62%**	32.90%

The decrease in the gearing ratio as compared to last year resulted mainly from reduction in redeemable capital and due to accumulated profit for the year ended December 31, 2010.

37. FAIR VALUE OF FINANCIAL INSTRUMENT

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.

37.1 Financial Assets Fair Value Hierarchy

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

Level 1 - Quoted market prices
Level 2 - Valuation techniques (market observable)
Level 3 - Valuation techniques (non-market observable)

As at December 31, 2010 the Group held the following financial instruments measured at fair value:

	December 31, 2010			
	Total	Level 1	Level 2	Level 3
	(Rupees in '000)			
Available-for-sale investments	**129,545**	**129,545**	**-**	**-**
Investment in at fair value through profit and loss - held for trading	**532,220**	**532,220**	**-**	**-**
	661,765	**661,765**	**-**	**-**

	December 31, 2009			
	Total	Level 1	Level 2	Level 3
	(Rupees in '000)			
Available-for-sale investments	279,486	279,486	-	-
Investment in at fair value through profit and loss - held for trading	173,857	173,857	-	-
	453,343	453,343	-	-

38. DATE OF AUTHORISATION

These consolidated financial statements have been authorised for issue by the Board of Directors of the Group on March 24, 2011.

39. GENERAL

39.1 CORRESPONDING FIGURES

Corresponding figures have been rearranged and re-classified, wherever necessary, for the purpose of comparison. Major reclassifications are as follows:

Statement	Reclassification from	Reclassification to	(Rupees in '000)
Balance sheet	Investments (Current assets)	Long-term investments (Non-current assets)	342,955
Balance sheet	Long-term loans and advances	Long-term deposits and prepayments	2,500
Profit and loss accounts	Other income	Other operating income	23,822
Profit and loss accounts	Operating and administrative expenses	Reversal / (provision) for doubtful debts	(221,877)
Profit and loss accounts	Other operating revenue	Dividend income	42,425

39.2 Figures have been rounded off to the nearest thousands.

Syed Asghar Ali Shah	Nadir Rahman	Saeed Jamal Tariq
Chairman	Chief Executive Officer	Chief Financial Officer

PATTERN OF SHAREHOLDINGS

Number of Shareholders	Shareholding From	Shareholding To	Total number of Shares held
410	1	100	8,694
4,549	101	500	1,025,500
474	501	1,000	381,128
430	1,001	5,000	1,138,556
115	5,001	10,000	908,114
46	10,001	15,000	596,661
26	15,001	20,000	480,890
10	20,001	25,000	243,800
9	25,001	30,000	249,747
4	30,001	35,000	133,000
5	35,001	40,000	186,238
3	40,001	45,000	126,725
10	45,001	50,000	491,114
4	50,001	55,000	206,212
6	55,001	60,000	354,182
5	60,001	65,000	308,747
6	65,001	70,000	404,438
5	70,001	75,000	364,581
4	75,001	80,000	308,218
2	80,001	85,000	162,691
1	85,001	90,000	90,000
1	90,001	95,000	91,000
10	95,001	100,000	996,435
1	115,001	120,000	117,500
1	135,001	140,000	136,471
3	150,001	155,000	456,330
1	165,001	170,000	166,100
1	195,001	200,000	200,000
1	210,001	215,000	213,565
1	385,001	390,000	388,718
2	395,001	400,000	800,000
1	1,120,001	1,125,000	1,121,500
1	2,340,001	2,345,000	2,342,117
1	2,665,001	2,670,000	2,667,640
1	2,920,001	2,925,000	2,921,617
1	3,215,001	3,220,000	3,215,771
1	75,995,001	76,000,000	75,996,000
6,152			100,000,000

Shareholders' Category	Number of Shareholders	Number of Shares held	Percentage %
Directors, CEO & Children	7	104,000	0.1040%
Associated Companies	6	77,562,500	77.5625%
Banks, DFIs & NBFCs	5	11,535,863	11.5359%
Individuals	6,094	9,361,127	9.3611%
Others	40	1,436,510	1.4365%
	6,152	100,000,000	100%

* Includes 3,029 CDC Beneficial owners as per list appearing on CDS.

Pattern of Shareholding Additional Information

Serial No	Description	No of Shareholders	No of Shares held
1	Associated Companies and Related Parties		
	KASB Bank Limited	2	77,117,500
	Trustee - KASB Bank Limited - Employees Provident Fund	1	400,000
	Trustee - KASB Securities Limited - Employees Provident Fund	1	32,000
	KASB Funds PS Limited - Employees Provident Fund	1	3,000
	Trustee - KASB Funds Limited - Employees Provident Fund	1	10,000
		6	77,562,500
2	Directors:		
	Syed Asghar Ali Shah	1	625
	Farid Arshad Masood	1	100,625
	Bilal Mustafa Siddiqui	1	625
	Malik Munir Ahmed Saleem	1	500
	Saeed Yousuf Chinoy	1	625
	Sheikh Muhammad Moeen	1	500
	Syed Tariq Hussain Gillani	1	500
		7	104,000
3	Banks, DFIs & NBFCs	5	11,535,863
	Individuals	6,094	9,361,127
	Others	40	1,436,510

FORM OF PROXY
ELEVENTH 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 Eleventh Annual General Meeting of the Company to be held at Beach Luxury Hotel, Karachi on Saturday, April 23, 2011 at 10:00 am and / or any adjournment thereof.

As witness my / our hand / seal this ______________________ day of ______________ 2011.

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

NOTES:

1. The Member is requested:
   (a) to affix Revenue Stamp of Rs. 5 at the place indicated above;
   (b) to sign accross the Revenue Stamp in the same Style of Signature as is registered with the Company; and
   (c) to write down his folio number.

2. This proxy form, duly completed and signed, must be received at the Registered Office of the Company, 5th Floor, Trade Centre, I.I. Chundrigar Road, Karachi, Pakistan at least 48 hours before the time fixed for the meeting.

3. No person shall act as a proxy unless he himself 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

Labyrinth

BOOK POST

if undelivered, please return to the address mentioned below

KASB SECURITIES

5th Floor, Trade Centre,
I.I. Chundrigar Road, Karachi, Pakistan
Ph: (92-21) 111-222-000 & 32635501-10
Fax: (92-21) 32630202
E-mail: kasbho@kasb.com