

 | **KASB** SECURITIES



Annual Report **2015**



## Winning is a Habit!

Awarded the “**Best Brokerage House in Pakistan for the period 1990-2013**” in the 25th Anniversary Poll of Polls conducted by **Asiamoney**.

Awarded the “**Best Brokerage House of the year 2014**”, for the 7th consecutive year by **CFA Society Pakistan**.

Ranked as the **#1 Broker for 2012, 2013 and 2014** by the **Pakistan Mercantile Exchange**.

Our success is a direct result of the trust, faith and support of our clients. We will continue to live up to your expectations in delivering unparalleled service.



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## Vision

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

## Mission

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



**V**ision ————— Customer Oriented, Innovative

**A**ttitude ————— Proactive, Based on Commitment & Respect

**L**eadership ————— Based on Integrity, Trust & Teamwork

**U**pright ————— Credible & Reliable

**E**xcellence ————— In Customer Services with Quality

**S**ynergy ————— In Team Results

## COMPANY INFORMATION

### Board of Directors:

Mansur-ur-Rehman Khan - Chairman  
Shahid Ali - Chief Executive Officer  
Saeed Yousuf Chinoy  
Irfan Nadeem  
Saad Ahmed Madani  
Khawaja Ehrar ul Hassan  
Fahad Asad Khan  
Ms. Natasha Matin

### Audit Committee:

Saeed Yousuf Chinoy - Chairman  
Saad Ahmed Madani  
Khawaja Ehrar ul Hassan  
Ilyas Ahmed -Secretary

### HR & R Committee:

Irfan Nadeem - Chairman  
Ms. Natasha Matin  
Fahad Asad Khan  
Najmus Saqib - Secretary

### Company Secretary and Acting CFO:

Ilyas Ahmed

### Auditors:

Avais Hyder Liaquat Nauman  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
Karachi, Pakistan

### Bankers:

Allied Bank Limited  
Bank Al-Habib Limited  
Bank Al-Falah Limited  
BankIslami Pakistan Limited  
Deutsche Bank AG  
Faysal Bank Limited  
Habib Metropolitan Bank Limited  
JS Bank Limited  
MCB Bank Limited  
Meezan Bank Limited

### Legal Advisor:

Bawaney & Partners  
Advocates and Investment & Corporate Adviser  
3rd & 4th Floors, 68-C, Lane 13,  
Bokhari Commercial Area, Phase -VI,  
DHA, Karachi, Pakistan  
Ph : (92-21) 35156191-4, Fax 35156195  
E-mail: bawaney@cyber.net.pk

### Registered and 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@kasbsec.com

### Branches:

#### Gujranwala

81, Ground Floor  
Gujranwala Development Authority Trust Plaza,  
Ph : (92-55) 3822501-4  
Fax: (92-55) 3822505  
E-mail: kasbgrv@kasbsec.com

#### Gulshan-e-Iqbal - Karachi

Friends Paradise, 1st floor, SB-36, Block No. 13-B  
KDA Scheme # 24, Main University Road,  
Ph : (92-21) 34980763-4 & 66  
Fax: (92-21) 34980761  
E-mail: kasbgul@kasbsec.com

#### Islamabad

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

#### Lahore

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

#### Multan

Ground Floor, State Life Building,  
Abdaali Road,  
Ph : (92-61) 4500273-6  
Fax: (92-61) 4500272  
E-mail: kasbmul@kasbsec.com

#### Peshawar Cantt

1st Floor, State life Building,  
34- The Mall,  
Ph: (92-91) 5276025-8  
Fax: (92-91) 5273683  
E-mail: kasbpsh@kasbsec.com

#### Rahim Yar Khan

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Near Town, Hall Road,  
Ph: (92-68) 5873252-4  
Fax: (92-68) 5873251  
E-mail: kasbryk@kasbsec.com

#### Rawalpindi

3rd Floor, East Wing,  
Ferozsons Chamber, Saddar Road,  
Ph: (92-51) 5701520-4  
Fax: (92-51) 5701525  
E-mail: kasbrwp@kasbsec.com

#### Sialkot

Ground Floor, City Tower  
Shahab Pura Road,  
Ph: (92-52) 3256035-7  
Fax: (92-52) 3256038  
E-mail: kasbskt@kasbsec.com

#### Website:

www.kasbsec.com

#### Share Registrar:

THK Associates (Private) Limited  
2nd Floor, State Life Building No. 3,  
Dr. Ziauddin Ahmed Road, Karachi, Pakistan.  
Ph: (92-21) 111-000-322  
Fax: (92-21) 35655595

## **CODE OF CONDUCT**

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

### **Conflict of Interest**

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

### **Gifts or entertainment**

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

### **Bribery**

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

### **Accounting Standards**

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

### **Human Resources**

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

### **Compliance with Regulatory Requirements**

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

### **Confidentiality**

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

### **Community Responsibility**

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

### **Environmental Responsibility**

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



## BOARD OF DIRECTORS

### Shahid Ali – Chief Executive Officer

Mr. Shahid Ali did Bachelors in Commerce from University of Karachi. He is an Associate member of The Institute of Cost and Management Accountants of Pakistan (ACMA). He has rich experience comprising of twenty four years of Capital Markets including Finance, Treasury, Risk Management and Corporate Planning. Mr. Ali started his career from Khadim Ali Shah Bukhari & Co. Ltd., (KASB & Co.) in 1991 and later served different Foreign and Local Brokerage houses at key positions, he has been associated with W.I Carr Securities, J. P Morgan, Orix Investment Bank Equity Brokerage, Al-Hoqani Securities and Habib Metropolitan Financial Service Limited, where he played an instrumental role in establishing and growth of above companies. Mr. Ali joined KASB Securities Limited as Chief Executive Officer with effect from June 8, 2015.

### Mansur-ur-Rehman Khan – Chairman

Mr. Mansur-ur-Rehman Khan is a Central Banker with over 44 years of experience in different positions including 5 years as Deputy Governor and three years as Banking Mohtasib. He has served on the boards of House Building Finance Corporation, Small Business Finance Corporation, Pak-Kuwait Investment Company, Trade Development Authority as also on the Policy Board of Securities and Exchange Commission of Pakistan (SECP). He has also been actively associated as Chairman/Deputy Chairman of various working group of Islamic Financial services Board during his association as member of its Technical Committee. He is MA (Mathematics), LLB, and DAIBP. He has attended a number of seminars workshop, conferences, and courses related to Banking, Finance, Trade, and Public Administration within the country and abroad.

### Saeed Yousuf Chinoy – Director

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

### Irfan Nadeem – Director

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

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

### **Saad Ahmed Madani – Director**

Saad Ahmed Madani is the Regional General Manager for Corporate South for BankIslami Pakistan Limited and has been associated with them since 2007. A Chartered Accountant by qualification he has 15 years post-qualification experience in the fields of corporate banking, investment banking and credit analysis.

### **Fahad Asad Khan – Director**

Mr. Fahad Asad Khan is a Chartered Accountant (Institute of Chartered Accountants of Pakistan) with more than 10 years of post-qualification experience with prominent institutions in Pakistan and internationally. He is currently working with BankIslami Pakistan Limited as Financial Controller in the finance department. He also holds CIMA Certificate in Islamic Finance from Chartered Institute of Management Accountants (CIMA), United Kingdom.

He was previously associated with Bank Alfalah Limited as Head of Financial and regulatory reporting. He has also worked in a senior finance position in the Ireland office of State Street, one of the world's leading providers of financial services to institutional investors (Head Quarters in Boston, USA). He has also served in the financial services audit department of KPMG in Dublin, Ireland. He completed his articleship with A.F.Ferguson & Co., Chartered Accountants (member firm of Pricewaterhouse Coopers – PwC) in their Karachi office.

### **Khawaja Ehrar ul Hassan – Director**

Khawaja Ehrar ul Hassan is currently working as Head of Compliance and legal in BankIslami Pakistan Limited (BIPL). He has also worked as Acting Chief Financial Officer, Company Secretary and Head of Fraud Control in BIPL. Prior to this, he was associated with two leading banks of Pakistan i.e. Allied Bank Limited and United Bank Limited. He has more than thirteen years diversified experience in regulatory compliance, legal, internal control, accounts, finance, corporate matters, fraud investigation, corporate governance and internal audit in Pakistan and middle east. He is voluntarily working as Board of Governor of two reputed professional accounting bodies of Pakistan i.e. Institute of Cost and Management Accountants of Pakistan (ICMAP) and Pakistan Institute of Public Finance and Accountants (PIPFA).

He has various academic and professional qualifications as mentioned below:

1. Fellow Cost and Management Accountants of Pakistan
2. Advance Diploma in Management Accounting from CIMA, UK.
3. Certified Internal Auditor (CIA) from the Institute of Internal Auditors (IIA), Florida, USA.
4. Qualified Corporate Secretary from the Institute of Corporate Secretaries of Pakistan (ICSP).
5. Diplomaed Associate of the Institute of Bankers (DAIBP).
6. Masters in Economics from the Karachi University

### **Natasha Matin – Director**

Natasha Matin is an MBA having over 16 years of diversified banking experience in corporate finance, investment banking and risk management. She has been working with BankIslami since 2007 and is presently heading the consumer and corporate credit division of the bank. Prior to her current assignment she worked with Pak Oman Investment Co. as Vice president / Team leader credit & marketing where she was instrumental in forming the advances portfolio comprising of blue chip corporates. She started off her career at ORIX Group in 1999 where she was part of credit & marketing team there.



## DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors of KASB Securities Limited, I am pleased to present the audited financial statements of the Company, and commentary for the year ended December 31, 2015.

### Economic Review

The economic progress achieved since last couple of years continued to advance in 2015, with external position strengthening further, thanks to several factors. Key global driver is the slump in oil prices, which has softened inflation and external sector outlook. In addition, the government has managed to achieve smooth headway with the IMF under the Extended Fund Facility. The period marked some important milestones including US\$ 46 bn worth development projects signed under China Pakistan Economic Corridor which is instrumental for economic turnaround in next three years. The government also successfully tapped the capital markets, completing its largest ever transaction (US\$ 1.2 bn HBL offering) along with entering debt market for the third time in two years as a result of which US\$ 500 mn Eurobond was floated in September. On the back of continued build-up in FX reserves by US\$ 5.5 bn to exceed US\$ 20 bn, and Moody's credit rating upgrade to B3 from Caa1 earlier this year, the exchange rate has remained relatively firm, weakening by only 4% in 2015, with major movement seen only in the month of August in concurrence with global rout.

Thanks to lower oil prices, CPI recorded its 11-year low reading of 1.3% in Sep-15, averaging at 2.4% in 2015, compared to 7.2% last year. This prompted the State Bank of Pakistan to cut the policy rate by cumulative 350 bps to 6%. Fiscal progress is also notable, where the government has achieved fiscal deficit of 1.7% in 1HFY16 vs. target of 2%, on the back of addressing shortfall in revenue in 1Q as well as cuts in public sector development spending. Benefit of lower oil price should continue to benefit through moderate inflation, lower oil import bill and reduced subsidy burden on the government.

### Equity Market Review

The equity market went through a fairly turbulent period this year, marking great volatility due to overhang from global market fears, lower oil prices weighing down big-weighted E&P stocks, investigations against brokers, and outflows from foreign investors' portfolio investment. The period can be divided into four parts, where 7% negative return in 1Q was followed by 14% gain in the second quarter. In addition, 3Q and 4Q also showed 2% return respectively. Despite weak cumulative return (+2%), PSX 100 index recorded an all-time high of 36,228 points, propelled by improving macro fundamentals and potential re-classification of Pakistan index to Emerging Markets from Frontier Markets where Pakistan is up for review in May 2016. While low oil prices and upgrade in credit rating by Moody's served to reduce exchange rate risk, progress on CPEC projects and decline in interest rate have realigned growth prospects. Despite clear positives, global turmoil weakened overall sentiments where foreign investors' pulled out net US\$ 315 mn from the equity market in 2015, compared to net inflow of US\$ 333 mn in 2014. In terms of activity, average daily volumes jumped 18% to 247 mn shares per day while the average value traded improved 21% YoY to US\$ 110 mn per day.

### Debt and Currency Market Review

For the money market, reduction in policy rate by 350 bps and establishment of target rate 50 bps below the discount rate has led to contained money market rate volatility. Liquidity conditions, though manageable, were on the tighter end as deposit growth slowed down in second half of the year driven by introduction of transaction tax in July. SBP had to conduct open market operations to inject liquidity to the tune of PKR 1.3 trn every week as banks continued to invest heavily in risk-free debt securities.

SBP conducted fortnightly T-bill auctions worth PKR 4.1 trn, monthly PIB auctions cumulatively worth PKR 573 bn and only one Ijarah Sukuk auction worth PKR 273 bn during the year.

The exchange rate demonstrated its fundamental strength almost throughout the year, where PKR/USD remained firm at PKR 102 in first half. Following a brief hiccup in August, where PKR weakened by 2.4% driven by disturbance in the global currency market, the currency remained relatively stable during the rest of the year, closing at PKR 104.8.

## Key Regulatory Developments

The Federal Government, on the application of the State Bank of Pakistan (SBP), and in exercise of the powers conferred upon it under Section 47 of the Banking Companies Ordinance, 1962, imposed a 6 months moratorium on KASB Bank Limited (KBL), the then majority shareholder of KSL, on November 14, 2014 and also suspended payment of debts and obligations from KBL, allowing a maximum withdrawal of up to PKR 300,000/- for all deposit account holders of KBL with balance of more than PKR 300,000/-.

For majority of its banking arrangements, including daily clearing for all transactions executed on the PSX through KSL, the moratorium on KBL temporarily affected KSL's liquidity position in view of KSL's stuck funds at KBL. As a result, on November 17, 2014, the Securities & Exchange Commission of Pakistan (SECP) temporarily restricted KSL's trading facilities on the PSX and the Pakistan Mercantile Exchange (PMEX). KSL was therefore not suspended; instead all new investments for KSL's clients were temporarily put on hold, due to the quantum of money stuck in KSL's deposit accounts with KBL, a result of the moratorium placed by SBP, which applied equally to all deposit account holders of KBL.

The Company remained in close dialogue with the SECP, and the concerned stakeholders, i.e. PSX, PMEX, CDC, and NCCPL for restoration of trade facilities and reinstatement of the position to pre November 17, 2014. However, during the restriction period, all requests for transfer of shares and payments by the Company's clients were honored successfully.

KSL's trading rights on the PSX were subsequently restored by the SECP in a controlled environment effective December 02, 2014, whereas the SECP granted further relaxations to KSL on its trading rights on February 03, 2015 and March 25, 2015. The SECP also restored KSL's trading rights on PMEX effective January 23, 2015.

The Company's trading rights at the PSX were fully restored by the SECP on May 12, 2015 following the amalgamation of KBL with and into BankIslami Pakistan Limited (BIPL) on May 07, 2015 and the resultant removal of the moratorium.

Subsequent to the amalgamation of KBL with and into BIPL, the Company has now become a 77% owned subsidiary of BIPL.

## Operating and Financial Performance

Loss after tax for CY15 amounted to PKR 580.8 million as compared to a profit after tax of PKR 108.7 million for CY14. The Company focused on rebuilding its market share across its key business functions following suspension and restricted re-opening of its trading rights at the PSX in 4Q 2014.

While operations have since been fully restored, the temporary suspension (a consequence of a regulatory action on KBL, the Company's then majority shareholder, and not on the Company itself), has contributed significantly in the Company's business losses in 2015.

Further, during the period, the Company re-evaluated all of its long term investments and concluded that the recoverability of some of its investments is doubtful. Consequently, the Company has impaired these investments during the year, which also has a significant impact on the profitability for the year.

Monetary impact of key P&L items on the Company's bottom-line are highlighted as under:

Operating revenue decreased 52.2% from PKR 514.8 million in CY14 to PKR 246.0 million in CY15, reflecting the decrease in brokerage fees / income due to suspension of trading rights and reduction in number of clients during the year;

Operating and administrative costs decreased by 15.3% from PKR 466.3 million in CY14 to PKR 394.8 million in CY15;

The Company posted an operating loss before impairment of PKR. 7.6 million in CY15, as against an operating profit of PKR 144.1 million in CY14;

The Company posted an operating loss after impairment of PKR. 547.6 million in CY 2015, as against an operating profit of PKR 144.1 million in CY 14;

The Company posted loss before tax of PKR 559.0 million in CY15 as against a profit before tax of PKR 129.7 million in CY14;

After necessary taxation adjustments, the Company's loss after tax was PKR 580.8 million (Loss per share of PKR 5.81 in CY15 as compared to profit after tax of PKR 108.7 million (EPS of 1.09) in CY14;

Going forward, the Company expects to make profit during CY 2016 subject to conducive market conditions. However, at present the trading activity is on the lower side which is not supportive of profitable operations. At present there are selling sentiments on foreign investor front which primarily drives the market. If PSX is moved from Frontier to Emerging Markets on the MSCI index, the market is expected to get the much needed boost.

## Corporate Governance

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

Proper books of account of the Company have been maintained;

The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and the changes in equity;

Appropriate accounting policies, as more fully explained in note 4 of the financial statements have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment;

Approved Accounting Standards, as applicable in Pakistan under the Companies Ordinance, 1984 and the directives issued by the Commission as also stated in note 4 to the financial statements, have been followed in the preparation of the financial statements;

The system of internal control, which is sound in design has been effectively implemented and is being continuously reviewed and monitored;

The Company is financially sound and is a going concern and that there are no doubts about its ability to continue as a going concern;

There has not been any material departure from the best practices of Corporate Governance, as detailed in the PSX Rules Book other than those specifically mentioned in Statement of Compliance with Code of Corporate Governance;

The Company maintains a balance of executive and non-executive directors on the Board of Directors, with at least one director classified as Independent Director under the criteria laid out in PSX Rules Book. Executive Directors are not more than one third of the elected directors. Details of the composition of the Board of Directors are disclosed on page 5.

The Board of Directors has ensured that all regulations concerning responsibilities, powers and functions of the Directors have been carefully considered and acted upon. In addition, the appointment of Company Secretary, CFO and Head of Internal Audit meet the requirements laid out in the Code;

Key operating and financial data of the preceding years has been disclosed on page 12;

There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on December 31, 2015 except for those disclosed in the financial statements;

Related-party transactions have been placed before the Audit Committee for review. Any recommendations by the Committee has been placed before the Board;

The Company operates an approved contributory provident fund for its eligible employees. The value of investments as per the un-audited financial statements of the Provident Fund for the year ended December 31, 2015 amounts to approximately PKR 71 million;

No material changes and commitments affecting the financial position of your Company have occurred between the balance sheet date and the date of the Directors' Report.

## Corporate Social Responsibility

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

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

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

Summary of CSR activities during 2015 are as follows:

**Adherence to regulatory requirements:** The Company and its employees contributed an amount of PKR 54.8 million to the national exchequer in the form of taxes.

Donations were made to Shaukat Khanam Memorial Cancer Hospital & Research Centre and Dar us Shifa Foundation aggregating to Rs. 56,000.

**People/Human Resources:** The Company follows a policy of contributing to employees' professional development and promoting physical, mental and emotional health. To this end employees are reimbursed examination fees for pursuing higher education.

### The Board

The Board comprised of one independent director, 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 and the Chairman has been elected from among the Non-Executive Directors. The Board has established a separate Audit Committee and an HR & Remuneration Committee to assist the Board in the performance of its functions. Further, none of the Directors is elected or nominated in more than seven listed companies, including unlisted subsidiaries of listed Companies.

Ten meetings of the Board of Directors were held during the year 2015, out of which 6 were emergent meetings. As per the requirements of the Code of Corporate Governance, written notice were circulated at least 7 days in advance except for emergent meetings and significant issues as detailed in the Code were placed for the information, consideration and decision of the Board and the Audit Committee. Minutes were appropriately recorded.

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

Name of Director	Meetings held during 2015	Meetings attended during 2015*
SaeedYousufChinoy	10	6
Irfan Nadeem Sayeed	10	10
Shahid Ali	3	3
Salman Naqvi	7	6
Fahad Asad Khan	5	5
Saad Ahmed Madani	5	5
Mansur Ur Rehman Khan	3	3
KhawajaEhrarUI Hassan	3	3
Natasha Matin	0	0
Mahmood Ali Shah Bukhari	5	2
Mohammad Muzaffar Khan	7	7
Nadir Rahman	1	1
Asad Mustafa Shafqat	5	5
Tahir Iqbal	7	6

\*Leave of absence was duly granted by the Board.

The directors wish to report the following changes during 2015 in the composition of the Board of Directors:

Irfan Nadeem Sayeed was appointed as CEO on 16-1-2015 in place of Nadir Rahman and Shahid Ali was appointed as CEO on 8-6-2015 in place of Irfan Nadeem Sayeed.

Muhammad Fahad Asad Khan and Saad Ahmed Madani were appointed on 15-5-2015, in place of Syed Asad Mustafa Shafqat and Mahmood Ali Shah Bukhari being nominee of BankIslami Pakistan Limited.

Mansur ur Rehman Khan was appointed on 5-6-2015 in place of Tahir Iqbal being nominee of BankIslami Pakistan Limited.

Khawaja Ehrar Ul Hassan was appointed on 6-7-2015 in place of M. Muzaffar Khan being nominee of BankIslami Pakistan Limited.

Natasha Matin was appointed on 17-11-2015 in place of Salman Naqvi being nominee of BankIslami Pakistan Limited.

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

### Audit Committee

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

Name of Director	Meetings held during 2015	Meetings attended during 2015*
Mohammad Muzaffar Khan	2	2
Saeed Yousuf Chinoy	5	2
Saad Ahmed Madani	3	3
Khawaja Ehrar Ul Hassan	3	3
Mahmood Ali Shah Bukhari	2	1

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

### Human Resource & Remuneration Committee

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

Name of Director	Meetings held during 2015	Meetings attended during 2015*
Irfan Nadeem Sayeed	2	2
Salman Naqvi	2	2
Saad Ahmed Madani	2	2
Fahad Asad Khan	3	3
Saeed Yousuf Chinoy	2	1
Mahmood Ali Shah Bukhari	1	1

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

### Financial Responsibility

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

The Audit Committee assists the Board in monitoring and managing risks associated with the business and recommends internal controls to mitigate the risks. The Committee operates in accordance with the requirements laid down in the Code of Corporate Governance. The Committee comprises of three Non-Executive Directors and has held five meetings during the year.

The Human Resource & Remuneration committee assists the Board in the Human Resources management including selection, evaluation and compensation of key management personnel.

## Appointment of External Auditors

Based on the consent received from the Company's existing auditors M/s Avais Hyder Liaquat Nauman, Chartered Accountants, to continue to act as auditors of the Company, if so appointed, the Audit Committee has suggested their name to be appointed as external auditors of the Company for the next year. The external auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, and that the firm and all their partners are compliant with the International Federation of Accountants' (IFAC) Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan, and meet the requirements for appointment under all applicable laws. The external auditor's re-appointment shall be subject to approval in the forthcoming Annual General Meeting.

## Shareholding

The pattern of shareholding as on December 31, 2015 appears on page 77. Transactions in the shares of the Company as reported by the Directors, Chief Executive Officer, Chief Financial Officer and Company Secretary of the Company on their own account and on account of their spouses and minor children are also reported therein.

## Dividends

In order to accumulate liquidity for expansion and growth prospects, the Board has decided to retain the profits. No dividend has been paid due to losses incurred during the year.

## Future Outlook

The volatility in the international markets led by slowdown in Chinese economy, as well as slide in commodity prices has trickled down to the PSX performance as well of late. This has emanated in the decline in trading volumes whereby average daily traded volume have shrunk 42% to 146 mn in the first two months of 2016 compared to 246 mn in 2015. While macro fundamentals and regulatory environment of the equity market has improved, equity returns in 2016 are likely to be a function of global backdrop, foreign portfolio investment and few important triggers ahead. We expect a key trigger for fresh foreign investment in the form of upgrade of status of Pakistan equity index in the widely followed index benchmark, MSCI Emerging Markets from current MSCI Frontier Market. The development is expected to materialize in May 2016 and bring a much-needed respite to current lean patch on volumes. Realization of planned strategic sale of government entities would also be a key headway to structural reform and will likely create opportunities for investment advisory for our valued clients. Another important development is the renewed focus of the frontline and apex regulator for the launch of new derivative products which will likely create more business opportunities for the firm.

## 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

----- Sd -----

Chairman

Karachi: April 06, 2016



## FINANCIAL HIGHLIGHTS

	Year Ended December 31,					
	2015	2014	2013	2012	2011	2010
<b>Operating Performance</b>						
<b>(Rupees in '000)</b>						
Revenue	386,073	609,305	517,717	385,856	267,937	335,171
Operating and administrative expenses	(394,783)	(466,292)	(400,656)	(323,617)	(281,319)	(301,574)
Reversal of provision / (provision) / impairment	538,903	1,070	9,695	33,454	(61,523)	102,324
Finance cost	(16,266)	(21,040)	(8,942)	(18,439)	(69,774)	(72,600)
Other income	4,847	6,669	7,263	8,770	10,813	11,710
Profit / (loss) before taxation	(559,032)	129,712	125,077	86,024	(133,864)	75,031
Profit / (loss) after taxation	(580,781)	108,658	81,454	131,396	(146,226)	68,872
<b>Per Ordinary Share</b>						
<b>(Rupees)</b>						
(Loss) / earning per share	(5.81)	1.09	0.81	1.31	(1.46)	0.69
Break-up value per share	9.37	12.57	12.18	11.74	9.90	10.63
<b>Dividends (Percentage)</b>						
Cash						
	-	-	5%	5%	-	-
<b>Assets and Liabilities</b>						
<b>(Rupees in '000)</b>						
Total assets	1,628,703	1,986,947	2,257,847	2,007,012	1,665,708	2,034,743
Current assets	933,409	1,014,969	1,272,453	1,002,555	747,216	1,151,957
Current liabilities	541,700	571,991	939,432	833,337	675,444	804,791
<b>Financial Position</b>						
<b>(Rupees in '000)</b>						
Shareholders equity	937,003	1,256,956	1,218,415	1,173,552	990,264	1,063,386
Share capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Reserves	(62,997)	256,956	218,415	173,552	(9,736)	63,386
Share outstanding (Number in '000)	100,000	100,000	100,000	100,000	100,000	100,000
Return on capital employed - (%)	(59.66)	10.32	10.27	7.33	(13.52)	7.06
Return on total assets - (%)	(33.33)	7.59	5.94	5.20	(3.85)	7.26
Current ratio-times	1.72	1.75	1.35	1.20	1.11	1.43
Interest cover ratio-times	(33.37)	7.17	14.99	5.67	(0.92)	2.03



**NOTICE OF ANNUAL GENERAL MEETING**

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Sixteenth Annual General Meeting (AGM) of the members of KASB Securities Limited (the "Company") will be held on Saturday, April 30, 2016 at 11:30 a.m. at Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue Clifton, Karachi to transact the following businesses:

### Ordinary Business:

- I. To confirm the minutes of Annual General Meeting held on April 28, 2015.
- II. To receive, consider and adopt the audited financial statements of the Company for the year ended December 31, 2015 together with the Directors' Report and Auditors' Report thereon.
- III. To appoint RSM Avais Hyder Liaquat Noman Chartered Accountants as the Auditors of the Company and fix their remuneration for the year ending December 31 2016.

### Other Business:

- IV. Any other business with the permission of the Chair.

By Order of the Board

----- Sd-----

Company Secretary

Karachi: April 8, 2016

### **NOTES:**

- (i) The Share Transfer Books of KASB Securities Limited shall remain closed from April 23, 2016 to April 30, 2016 (both days inclusive) for determining the entitlement of the shareholders for attending the Annual General Meeting.
- (ii) Physical transfers and deposit requests under the Central Depository System received by the KASB Securities Limited's Independent Share Registrar THK Associates (Private) Limited, 2nd Floor, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi 75530, Pakistan by the close of business on April 22, 2016 will be treated in time.
- (iii) A member of the company entitled to attend and vote at the meeting may appoint another member as his / her proxy to attend and vote for him / her.
- (iv) Proxies must be received at the Registered Office of the Company not less than 48 hours before the time of the meeting.
- (v) Beneficial owners of physical shares and the shares registered in the name of Central Depository Company of Pakistan Limited (CDC) and/or their proxies are required to produce their original Computerized National Identity Cards (CNICs) or Passports for identification purpose at the time of attending the meeting. The Proxy Form(s) must be submitted with the Company within the time stipulated in para (iv) above, duly signed and witnessed by two persons whose names, addresses and CNIC numbers must be mentioned on the Proxy Form(s), along with attested copy(ies) of the CNICs or the Passport(s) of the beneficial owners and the proxy(ies). In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier) along with the Proxy(ies) Form(s) to the Company.
- (vi) Shareholders are requested to notify any changes in their registered address immediately to the Company's Share Registrar, THK Associates (Pvt.) Limited.
- (vii) Notice to Shareholders who have not provided CNIC: In terms of the directives of the Securities and Exchange Commission of Pakistan (SECP) the Computerized National Identity Card Numbers (CNIC) of the registered shareholders or the authorized person (except in the case of minor(s) and corporate shareholders) are required to be mentioned on the dividend warrants and in the annual return required to be filed by the Company with the SECP. Therefore, the shareholders who have not yet provided copies of their CNICs are advised to provide at earliest the attested copies of their CNICs (if not already provided) directly to our Independent Share Registrar at the address given herein above.
- (viii) Electronic Transmission of Financial Statements and Notices: Pursuant to Notification vide SRO 787 (1)/2014 dated September 08, 2014; the Securities and Exchange Commission of Pakistan (SECP) has directed all companies to facilitate their members receiving Annual Financial Statements and Notice of Annual General Meeting (Notice) through electronic mail system (e-mail). The Company is pleased to offer this facility to our valued members who desire to receive Annual Financial Statements and Notices through email in future. In this regard, those members who wish to avail this facility are hereby requested to convey their consent via email on a standard request form which is available at the Company website i.e. at <http://www.kasbsec.com>. Please ensure that your email account has sufficient rights and space available to receive such email which may be greater than 1 MB in size. Further, it is the responsibility of the member(s) to timely update the Share Registrar of any change in his (her/its/their) registered email address at the address of Company's Share Registrar mentioned above.
- (ix) Placement of Financial Statements: The Company has placed the Audited Financial Statements for the year ended December 31, 2015 along with Auditors and Directors Reports thereon on its website: [www.kasbsec.com](http://www.kasbsec.com)



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

We have reviewed the enclosed statement of compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **KASB Securities Limited** (the Company) for the year ended December 31, 2015 to comply with the requirements of listing regulation No. 35(Chapter XI) of the Pakistan Stock Exchange Limited where the Company is listed.


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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, which the best practices contained in the Code as applicable to the Company, for the year ended December 31, 2015.

Further, we highlight non-compliances with the requirements of the Code in respect of the orientation courses for the directors, annual evaluation of the Board's performance, terms of reference of the Audit Committee, position of Chairman of the Audit Committee and the identification and redress of grievances arising from unethical practices as referred to in paragraph 24 of the Statement.

  
Chartered Accountants  
Karachi.  
Dated: 06 APR 2016

Engagement Partner: Adnan Zaman

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RSM Avais Hyder Liaquat Nauman is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent and non-executive directors on its Board. Chairman of the Board has held the position of chairman of the Audit Committee during the year which is in contradiction with the Code.

The Board includes:

Category	Names
Independent Director	<ul style="list-style-type: none"> <li>Mansur urRehman Khan</li> </ul>
Non-Executive Directors	<ul style="list-style-type: none"> <li>SaeedYousufChinoy</li> <li>M. Fahad Asad Khan</li> <li>Saad Ahmed Madani</li> <li>KhawajaEhrarul Hassan</li> <li>Natasha Matin</li> <li>Irfan NadeemSayeed</li> </ul>
Executive-Director (Chief Executive Officer)	<ul style="list-style-type: none"> <li>Shahid Ali</li> </ul>

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Multiple vacancies occurred on the board during the period ended December 31, 2015, was filled up by new directors within 90 days.

S. No.	Outgoing Directors / CEO	Date	Incoming Director	Date
01	Nadir Rahman (CEO)	15-1-2015	Irfan Nadeem Sayeed (as CEO)	16-1-2015
02	Irfan Nadeem Sayeed (as CEO)	5-6-2015	Shahid Ali (CEO)	8-6-2015
03	Syed Asad Mustafa Shafqat	13-5-2015	Muhammad Fahad Asad Khan	15-5-2015
04	Mahmood Ali Shah Bukhari	13-5-2015	Saad Ahmed Madani	15-5-2015
05	Salman Naqvi	19-8-2015	Natasha Matin	17-11-2015
06	Muhammad Muzaffar Khan	6-7-2015	Khawaja Ehrar ul Hassan	6-7-2015
07	Tahir Iqbal	5-6-2015	Mansur ur Rehman Khan	5-6-2015

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/ mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms & conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the board were presided over by the Chairman and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meeting except the emergent meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board is well aware of the training requirements of the directors under the code. During the 2014 and 2015 no director got the certification. The Company is planning to arrange training programs for directors in the near future.
10. Nadir Rahman resigned from the post of CEO on 15-1-2015 and Irfan Nadeem Sayeed was appointed CEO on 16-1-2015, Irfan Nadeem Sayeed resigned from the post of CEO on 5-6-2015 and Shahid Ali was appointed CEO on 8-6-2015. Zia ulHaq resigned from the post of Company Secretary on 23-6-2015 and Mr. Ilyas Ahmed was appointed on 23-6-2015.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
  12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the board.
  13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
  14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
  15. The board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors and the chairman of the committee is non-executive director.
  16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the CCG. The terms of reference of the committee has not been formed and will be advised to the committee for compliance in upcoming meeting.
  17. The Board has formed a Human Resources & Remuneration Committee. It comprises three members, all of whom are non-executive directors and the chairman of the committee is non-executive director.
  18. Four meetings of the HR & Rcommittee were held during the year.
  19. The Board has set up an internal audit function. The Head of internal audit is suitably qualified and experienced for the purpose and is fully conversant with the policies and procedures of the Company. Head of Internal Audit resigned during the year and new head of Internal Audit was appointed after 2015.
  20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
  21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulation and the auditors have confirmed that they have observed IFAC guidelines in this regard.
  22. The 'closed period', prior to the announcement of interim/ final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and the stock exchange.
  23. Material/ price sensitive information has been disseminated among all market participants at once through stock exchange.
  24. We confirm that all other material principles enshrined in the CCG have been complied with. Except for the following:
    - Orientation courses for the directors to acquaint them with the Code of Corporate Governance, applicable laws, their duties & responsibilities were not conducted during the year. However, the new Board members shall discuss in their upcoming meeting about schedule of training for each director to comply with this provision.
    - No adequate systems and controls are in place for identification and redress of grievances arising from unethical practices. Subsequent to year end, the management has formed the said policy and the policy shall be placed before the Board for approval.
    - No mechanism is in place for annual evaluation of the Board's performance. Subsequent to year end the management has formulated evaluation form and mechanism which will require approval of Board to be adopted as policy.
    - Terms of reference of the Audit Committee is not determined by the Board of Directors of the Company. The TORs have been submitted for Board approval.
    - During the period up to July 06, 2015 Mr. Muhammad Muzaffar Khan, Director held the post of Chairman Audit Committee. Subsequently Mr. Saeed Yousuf Chinoy was entrusted the position of Chairman of Audit Committee in addition to Chairman of the Board.
- The Composition of the Board has been changed subsequently to comply with the provisions of Code of Corporate Governance.
- The revamped Board had few months to look into various issues relating to change in management but was fully cognizant of its duties and responsibilities. All of above changes in composition of Board and policies are expected to be approved shortly.

On behalf of Board of Directors

----- Sd -----

Chairman

**Karachi:** April 06, 2016





**STANDALONE FINANCIAL STATEMENTS**



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## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of KASB Securities Limited as at December 31, 2015 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (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;

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RSM Avais Hyder Liaquat Nauman is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.



- (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 December 31, 2015 and of the loss, total comprehensive loss, 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.

The financial statements of the company for the year ended December 31, 2014 were audited by another firm of chartered accountants who expressed unmodified opinion on the financial statements of the company for the year ended December 31, 2014 vide their audit report dated March 19, 2015.

*RSM Faris Kayodee*  
Chartered Accountants

Karachi.  
Dated: 06 APR 2016

Engagement partner: Adnan Zaman

## BALANCE SHEET

AS AT DECEMBER 31, 2015

	Note	2015	2014
----- (Rupees in '000) -----			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	7	37,217	52,005
Intangible assets	8	4,077	8,854
Investment properties	9	5,646	-
Long-term investments	10	584,107	863,259
Long-term loans and advances	11	448	4,239
Long-term deposits and prepayments	12	12,668	6,443
Deferred tax asset - net	13	51,131	37,178
		<b>695,294</b>	<b>971,978</b>
<b>Current assets</b>			
Short-term investments	14	28,531	18,647
Trade debts	15	121,800	68,017
Advances, deposits, prepayments and other receivables	16	199,331	234,350
Taxation - net		36,573	41,375
Cash and bank balances	17	547,174	652,580
		<b>933,409</b>	<b>1,014,969</b>
<b>TOTAL ASSETS</b>		<b>1,628,703</b>	<b>1,986,947</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Issued, subscribed and paid-up capital	18	1,000,000	1,000,000
General reserve		18,752	18,752
Unrealized gain on re-measurement of 'available-for-sale' investments to fair value - net		394,241	133,413
Unappropriated (loss) / profit		(475,990)	104,791
		<b>937,003</b>	<b>1,256,956</b>
<b>Non-current liabilities</b>			
Long-term loan	19	150,000	150,000
<b>Current liabilities</b>			
Trade and other payables	20	541,663	579,939
Accrued mark-up	21	37	52
		<b>541,700</b>	<b>579,991</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,628,703</b>	<b>1,986,947</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	22		

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

----- Sd -----  
Chairman

----- Sd -----  
Chief Executive Officer

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015	2014
		----- (Rupees in '000) -----	
Operating revenue	23	246,041	514,849
<b>Net gain / (loss) on investments 'at fair value through profit or loss'</b>			
Gain on sale of investments - net	24	46,226	49,796
Impairment on 'held for trading' investments	14.2	(7,491)	(5,059)
Unrealised loss on re-measurement of investments 'at fair value through profit or loss' - net	14.3	(464)	(3,085)
		38,271	41,652
Dividend income		41,858	1,137
Mark-up / profit on bank deposits, investments and other receivables	25	59,903	51,667
		386,073	609,305
Operating and administrative expenses	26	(394,783)	(466,292)
Impairment on long-term investment - Subsidiary	10.1	(486,507)	-
Impairment on 'available for sale' investments	27	(53,473)	-
Reversal of provision against doubtful debts-net	15.3	1,077	1,070
		(933,686)	(465,222)
<b>Operating (loss) / profit</b>		<b>(547,613)</b>	<b>144,083</b>
Finance cost	28	(16,266)	(21,040)
		(563,879)	123,043
Other income	29	4,847	6,669
<b>(Loss) / profit before taxation</b>		<b>(559,032)</b>	<b>129,712</b>
Taxation	30	(21,749)	(21,054)
<b>(Loss) / profit after taxation</b>		<b>(580,781)</b>	<b>108,658</b>
<b>Other comprehensive income / (loss) for the year:</b>			
Net unrealised gain / (loss) arising during the year on re-measurement of 'available-for-sale' investments - net	10.2.5	260,828	(20,117)
<b>Total comprehensive (loss) / income for the year</b>		<b>(319,953)</b>	<b>88,541</b>
		----- (Rupees) -----	
<b>(Loss) / earnings per share - basic and diluted</b>	31	<b>(5.81)</b>	<b>1.09</b>

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

----- Sd -----  
 \_\_\_\_\_  
 Chairman

----- Sd -----  
 \_\_\_\_\_  
 Chief Executive Officer

## CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
	----- (Rupees in '000) -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	(559,032)	129,712
<b>Non-cash adjustments to reconcile (loss) / profit before tax to net cash flows:</b>		
Depreciation	16,415	14,897
Amortisation	260	-
Gain on sale of investments - net	(46,226)	(49,796)
Loss / (gain) on sale of property and equipment	135	(995)
Unrealised loss on re-measurement of investments 'at fair value through profit or loss' - net	464	3,085
Impairment on 'held for trading' investments	7,491	5,059
Impairment on long-term investment - Subsidiary	486,507	-
Impairment on 'available for sale' investments	53,473	-
Reversal of provision against doubtful debts	(1,077)	(1,070)
Finance cost	16,266	21,040
Dividend income	(41,858)	(1,137)
	491,850	(8,917)
	(67,182)	120,795
<b>Working capital adjustments:</b>		
<b>(Increase) / decrease in assets</b>		
Trade debts	(52,706)	315,757
Advances, deposits, prepayments and other receivables	35,013	23,844
	(17,693)	339,601
<b>Decrease in current liabilities</b>		
Trade and other payables	(38,271)	(359,532)
	(123,146)	100,864
Finance cost paid	(16,281)	(21,021)
Income tax paid	(30,900)	(33,673)
<b>Net cash flows (used in) / generated from operating activities</b>	(170,327)	46,170
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments 'at fair value through profit or loss' - net	28,387	290,635
Purchase of property and equipment	(3,559)	(24,011)
Proceeds from disposal of property and equipment	668	4,941
Dividend received	41,864	1,131
<b>Net cash flows generated from investing activities</b>	67,360	272,696
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long-term loans and advances	3,791	(3,741)
Long-term deposits and prepayments	(6,225)	(14)
Long-term loan	-	50,000
Dividend paid	(5)	(49,928)
<b>Net cash flows used in financing activities</b>	(2,439)	(3,683)
<b>Net (decrease) / increase in cash and cash equivalents</b>	(105,406)	315,183
Cash and cash equivalents at the beginning of the year	652,580	337,397
<b>Cash and cash equivalents at the end of the year</b>	547,174	652,580

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

----- Sd -----

Chairman

----- Sd -----

Chief Executive Officer



## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2015

	Share capital	General reserve	Unappropriated profit / (loss)	Unrealised gain on re-measurement of 'available-for-sale' investments to fair value - net	Total
----- (Rupees in '000) -----					
<b>Balance as at January 01, 2014</b>	1,000,000	18,752	46,133	153,530	1,218,415
Total comprehensive income for the year	-	-	108,658	(20,117)	88,541
Dividend paid during the year	-	-	(50,000)	-	(50,000)
<b>Balance as at December 31, 2014</b>	<b>1,000,000</b>	<b>18,752</b>	<b>104,791</b>	<b>133,413</b>	<b>1,256,956</b>
Total comprehensive loss for the year	-	-	(580,781)	260,828	(319,953)
<b>Balance as at December 31, 2015</b>	<b>1,000,000</b>	<b>18,752</b>	<b>(475,990)</b>	<b>394,241</b>	<b>937,003</b>

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

----- Sd -----

Chairman

----- Sd -----

Chief Executive Officer

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 1. STATUS AND NATURE OF BUSINESS

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

The Company is a subsidiary of BankIslami Pakistan Limited (the Parent Company) which holds 77.12% of the shares of the Company.

The Company is a TREC holder of the Pakistan Stock Exchange Limited (PSX) and Corporate member of 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 listed and unlisted equity and debt securities, economic research and advisory services.

- 1.2 On November 14, 2014, the Federal Government, on the application of State Bank of Pakistan (SBP), and in exercise of the powers conferred upon it under the Section 47 of the Banking Companies Ordinance, 1962, imposed a 6 months moratorium on KASB Bank Limited (KBL), which affected all deposit account holders of KBL, including the Company. As the Company was using KBL for majority of its banking arrangements, including daily clearing for all transactions executed on the PSX through the Company, the moratorium on KBL temporarily affected / constrained the Company's liquidity position in view of the Company's stuck funds at KBL. Subsequent to the imposition of said moratorium, the Securities and Exchange Commission of Pakistan (SECP) issued directives on November 17, 2014 pursuant to which the Company's trading activities in the PSX and the PMEL were suspended with effect from November 18, 2014.
- 1.3 Subsequent to the aforementioned suspension of trading operations of the Company, the SECP vide its directive dated December 02, 2014 issued to the PSX, allowed the PSX to reinstate the trading facilities of the Company subject to certain restrictions. The SECP further issued a directive to the PSX on February 02, 2015 and March 25, 2015, allowing PSX to grant certain relaxations to the Company from the restrictions imposed earlier by the SECP. Further, PMEL vide its letter dated January 23, 2015 also allowed the Company to resume its trading activities subject to certain conditions which mainly relates to initial increase in auto liquidation threshold and deposit margin requirements with gradual reduction within a period of 4 weeks and after February 23, 2015 onward back to normal margin.
- 1.4 On May 07, 2015, the Federal Government sanctioned the Scheme of Amalgamation, under section 47 of the Banking Companies Ordinance 1962, of KBL with and into BIPL on the advice of the SBP. As a result of the said amalgamation, the Company became a majority owned subsidiary of BIPL.
- 1.5 Subsequent to the aforementioned amalgamation of KBL with and into BIPL, the SECP vide its directive dated May 12, 2015 removed all remaining restrictions imposed on KASB Securities Limited on both PSX and PMEL.

### 2. BASIS OF PREPARATION

- 2.1 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 4.5.
- 2.2 These are separate financial statements of the Company in which investment in subsidiary is reported on the basis of direct equity interest and is not consolidated.

### 3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### **New and amended standards and interpretations**

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

IFRS 10 – Consolidated Financial Statements (Amendment)

IAS 19 – Employee Benefits (Amendment) - Defined Benefit Plans: Employee Contributions

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

## 4.2 Property and equipment

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

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

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

The assets' residual value, useful life and method are reviewed and adjusted, if appropriate at each financial year end.

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

## 4.3 Intangible assets

These are stated at cost less accumulated amortization and impairment, if any. Amortization 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 amortized. These are annually tested for impairment to assess whether these are in excess of their recoverable amounts, and where the carrying amounts exceeds the estimated recoverable amounts, the carrying amounts are written down to the estimated recoverable amounts.

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

## 4.4 Investment properties

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

## 4.5 Financial assets

### 4.5.1 Investments

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

When investments are recognized 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 recognized 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 timeframe 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 recognized in the profit and loss account.

#### **Investments 'available-for-sale'**

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

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

#### 4.5.2 Loans and receivables

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

#### 4.6 Impairment

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognized in the profit and loss account.

#### 4.7 Financial instruments

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

#### 4.8 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realize 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 recognized as and when such services are rendered.
- Financial advisory fees and other income are recognized on accrual basis.
- Underwriting commission is recognized on accrual basis in accordance with the terms of the agreement.
- Capital gains and losses on sale of securities are recognized when realized.
- Mark-up income, return on bank deposits and balances are recognized on accrual basis.
- Dividend income is recorded when the right to receive the dividend is established.

#### 4.10 Taxation

##### **Current**

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

##### **Deferred**

Deferred tax is recognized using the balance sheet liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. A deferred tax asset is recognized 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 recognized as an adjustment to surplus / deficit arising on revaluation.

#### 4.11 Dividend distributions and appropriations

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

#### 4.12 Employees' benefits

##### Defined contribution plan

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

##### Employee compensated absences

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

#### 4.13 Cash and cash equivalents

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

#### 4.14 Foreign currency transactions

##### Functional and presentation currency

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

##### Foreign currency translations

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

#### 4.15 Provisions

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

#### 4.16 Trade and other payables

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

### 5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

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

	<b>Note</b>
Useful lives of assets and methods of depreciation and impairment	4.2 to 4.4, 7, 8 & 9
Classification of investments	4.5.1, 10 & 14
Provision for doubtful debts	4.15 & 15
Deferred taxation and taxation	4.10, 13 & 30

### 6. STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

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

<b>Standard, Interpretation or amendment</b>	<b>Effective date (annual periods Beginning on or after)</b>
IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IFRS 7 – Financial Instruments: Disclosures - (Amendments)	January 01, 2016
IFRS 10 – Consolidated Financial Statements (application of the consolidation exception)	January 01, 2016
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2016
IFRS 11 – Joint Arrangements - (Amendments)	January 01, 2016
IAS 1 – Presentation of Financial Statements - (Amendments)	January 01, 2016
IAS 7 – Statement of Cash Flows - (Amendments)	January 01, 2016
IAS 12 – Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealized losses	January 01, 2017
IAS 16 – Property, Plant and Equipment - (Amendments)	January 01, 2016
IAS 19 – Employee Benefits - (Amendments)	January 01, 2016
IAS 27 – Separate Financial Statements Amendments reinstating the equity method as an accounting	January 01, 2016
IAS 28 – Investments in Associates and Joint Ventures - (Amendments)	January 01, 2016
IAS 34 – Interim Financial Reporting - (Amendments)	January 01, 2016
IAS 38 – Intangible Assets - (Amendments)	January 01, 2016

### Improvements to IFRS

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

<b>Standard</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 15 – Revenue from Contracts with Customers	January 01, 2018
IFRS 16 – Leases	January 01, 2019

## 7. PROPERTY AND EQUIPMENT

	2015				
	Office premises-lease hold	Furniture and fixtures	Computers and office equipment	Motor vehicles	Total
----- (Rupees in '000) -----					
Cost	39,780	24,155	84,515	5,299	153,749
Accumulated depreciation	(22,405)	(16,115)	(60,891)	(2,333)	(101,744)
<b>Net book value at the beginning of the year</b>	<b>17,375</b>	<b>8,040</b>	<b>23,624</b>	<b>2,966</b>	<b>52,005</b>
<b>Changes during the year</b>					
Additions during the year	-	-	2,272	-	2,272
Disposals during the year					
- Cost	-	(313)	(2,157)	-	(2,470)
- Depreciation	-	64	1,603	-	1,667
	-	(249)	(554)	-	(803)
Depreciation charge for the year	(1,570)	(2,110)	(11,919)	(658)	(16,257)
	(1,570)	(2,359)	(10,201)	(658)	(14,788)
<b>Net book value at the end of the year</b>	<b>15,805</b>	<b>5,681</b>	<b>13,423</b>	<b>2,308</b>	<b>37,217</b>
<b>Analysis of Net Book Value</b>					
Cost	39,780	23,842	84,630	5,299	153,551
Accumulated depreciation	(23,975)	(18,161)	(71,207)	(2,991)	(116,334)
<b>Net book value as at December 31, 2015</b>	<b>15,805</b>	<b>5,681</b>	<b>13,423</b>	<b>2,308</b>	<b>37,217</b>
Depreciation rate (% per annum)	5	10	33.33	20	
	2014				
	Office premises-lease hold	Furniture and fixtures	Computers and office equipment	Motor vehicles	Total
----- (Rupees in '000) -----					
Cost	39,780	23,490	68,724	6,642	138,636
Accumulated depreciation	(20,794)	(14,126)	(55,026)	(1,853)	(91,799)
<b>Net book value at the beginning of the year</b>	<b>18,986</b>	<b>9,364</b>	<b>13,698</b>	<b>4,789</b>	<b>46,837</b>
<b>Changes during the year</b>					
Additions during the year	-	830	20,013	3,190	24,033
Disposals during the year					
- Cost	-	(165)	(4,200)	(4,533)	(8,898)
- Depreciation	-	133	4,034	785	4,952
	-	(32)	(166)	(3,748)	(3,946)
Adjustment during the year					
- Cost	-	-	(22)	-	(22)
- Depreciation	-	-	-	-	-
	-	-	(22)	-	(22)
Depreciation charge for the year	(1,611)	(2,122)	(9,899)	(1,265)	(14,897)
	(1,611)	(1,324)	9,926	(1,823)	5,168
<b>Net book value at the end of the year</b>	<b>17,375</b>	<b>8,040</b>	<b>23,624</b>	<b>2,966</b>	<b>52,005</b>
<b>Analysis of Net Book Value</b>					
Cost	39,780	24,155	84,515	5,299	153,749
Accumulated depreciation	(22,405)	(16,115)	(60,891)	(2,333)	(101,744)
<b>Net book value as at December 31, 2014</b>	<b>17,375</b>	<b>8,040</b>	<b>23,624</b>	<b>2,966</b>	<b>52,005</b>
Depreciation rate (% per annum)	5	10	33.33	20	



## 7.1 Disposal of property and equipment

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

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss)	Particular of buyers	Mode of disposal
----- (Rupees in '000) -----							
<b>Office Equipment</b>							
Generator	297	135	162	60	(102)	JS Global Capital Limited	Negotiation
Airconditioner	63	13	50	49	(1)	Shahid Rana (Ex-employee)	Negotiation
	<b>360</b>	<b>148</b>	<b>212</b>	<b>109</b>	<b>(103)</b>		
<b>The aggregate amount of property and equipment disposed off during the year having book value less than Rs. 50,000:</b>							
Computer and office equipment	1,797	1,455	342	384	42	Various	Negotiation
Furniture and fixtures	313	64	249	175	(74)	Various	Negotiation
<b>2015</b>	<b>2,470</b>	<b>1,667</b>	<b>803</b>	<b>668</b>	<b>(135)</b>		
<b>2014</b>	<b>8,898</b>	<b>4,952</b>	<b>3,946</b>	<b>4,941</b>	<b>995</b>		

## 8. INTANGIBLE ASSETS

2015

	Computer software	Membership of PMEL	Rooms at PSX (Note 8.1)	Booths at PSX	Membership of PSX (Note 8.2)	Total
----- (Rupees in '000) -----						
Cost	8,575	750	5,804	950	1,350	17,429
Accumulated amortization	(8,575)	-	-	-	-	(8,575)
<b>Net book value at the beginning of the year</b>	<b>-</b>	<b>750</b>	<b>5,804</b>	<b>950</b>	<b>1,350</b>	<b>8,854</b>
Addition during the year	1,287	-	-	-	-	1,287
Amortization for the year	(260)	-	-	-	-	(260)
Transfer during the year	-	-	(5,804)	-	-	(5,804)
<b>Net book value at the end of the year</b>	<b>1,027</b>	<b>750</b>	<b>-</b>	<b>950</b>	<b>1,350</b>	<b>4,077</b>
<b>Analysis of Net Book Value</b>						
Cost	9,862	750	-	950	1,350	12,912
Accumulated amortization	(8,835)	-	-	-	-	(8,835)
<b>Net book value as at December 31, 2015</b>	<b>1,027</b>	<b>750</b>	<b>-</b>	<b>950</b>	<b>1,350</b>	<b>4,077</b>
Amortization rate (% per annum)	33.33	-	-	-	-	-

**8.1** During the year, the Company has transferred its own operating properties, comprising room 93, 94 & 95 at Stock Exchange building to investment properties, commencing from June 16, 2015.

**8.2** Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act), the ownership in a stock exchange has been segregated from right to trade on the Exchange. Accordingly, the Company has received equity shares of PSX and a Trading Right Entitlement Certificates (TREC) in lieu of its membership card of PSX. The Company's entitlement in respect of PSX's shares is determined on the basis of valuation of assets and liabilities of PSX as approved by the SECP and the Company has been allotted 4,007,383 shares of the face value of Rs 10/- each, out of which 2,404,430 shares are kept in the blocked account and the divestment of the same will be made in accordance with the requirements of the Act within two years from the date of Demutualization.

The cost / book value of the PSX membership card amounts to Rs. 4.95 million as at December 31, 2012. In absence of an active market of the shares of PSX and TREC, the allocation of the carrying value of the membership card between the shares (financial asset) and TREC (an intangible asset) has been made by the Company on the basis of the face value of ordinary shares and the TREC value assigned by the PSX for minimum capital requirement purpose applicable to the Stock Exchange brokers currently.

2014

	Computer software	Membership of PMEL	Rooms at PSX	Booths at PSX	Membership of PSX	Total
----- (Rupees in '000) -----						
Cost	8,575	750	5,804	950	1,350	17,429
Accumulated amortization	(8,575)	-	-	-	-	(8,575)
<b>Net book value at the beginning of the year</b>	<b>-</b>	<b>750</b>	<b>5,804</b>	<b>950</b>	<b>1,350</b>	<b>8,854</b>
<b>Net book value at the end of the year</b>	<b>-</b>	<b>750</b>	<b>5,804</b>	<b>950</b>	<b>1,350</b>	<b>8,854</b>
<b>Analysis of Net Book Value</b>						
Cost	8,575	750	5,804	950	1,350	17,429
Accumulated amortization	(8,575)	-	-	-	-	(8,575)
<b>Net book value as at December 31, 2014</b>	<b>-</b>	<b>750</b>	<b>5,804</b>	<b>950</b>	<b>1,350</b>	<b>8,854</b>
Amortization rate (% per annum)	33.33	-	-	-	-	-

9. INVESTMENT PROPERTIES	Note	2015	2014
		----- (Rupees in '000) -----	
<b>Net book value as at the beginning of the year</b>		-	-
Additions (at cost)		-	-
Transfer during the year		<b>5,804</b>	-
		<b>5,804</b>	-
Depreciation charge for the year		<b>(158)</b>	-
		-	-
<b>Net book value at the end of the year</b>	9.1	<b>5,646</b>	-
<b>Analysis of Net Book Value</b>			
Cost		<b>5,804</b>	-
Accumulated depreciation		<b>(158)</b>	-
<b>Net book value at the end of the year</b>		<b>5,646</b>	-
Depreciation rate (% per annum)		<b>5</b>	-

**9.1** Investment properties comprise of Room No. 93, 94 and 95, First Floor, Pakistan Stock Exchange Building, off I.I. Chundrigar Road, Karachi. The said property was rented out to Bankislami Pakistan Limited (the Parent Company) till August 2015 and subsequently rented out to a third party under operating lease. The fair value of these properties in aggregate amounts to Rs. 24 million (2014: Rs. 27 million) as at year end on the basis of valuation carried out by M/s. Akbani and Javed Associates on October 15, 2015. The rent income received from Parent Company and Third party amounted to Rs. 3.8 million and Rs. 0.51 million respectively. Under the rent agreement, the maintenance and other running expenses are to be paid by lessee.

#### 10. LONG TERM INVESTMENTS

Subsidiary company (48,858,120 shares of Rs. 10 each)	10.1	<b>2,074</b>	488,581
'Available-for-sale' investments	10.2	<b>582,033</b>	374,678
		<b>584,107</b>	863,259

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

#### Subsidiary Company

Cost		<b>488,581</b>	488,581
Less: Provision for impairment		<b>(486,507)</b>	-
		<b>2,074</b>	488,581

The net assets of the subsidiary Company have reduced due to full impairment of investment of Rs. 81.567 million in an associated company and provision against advance for purchase of land of Rs. 375 million.

SVPL had given advance against purchase of property amounting to Rs. 375 million which was being developed as a Housing Scheme (the 'Project') by M/s. Noor Developer (Pvt.) Limited (the 'Developer'), the majority shareholder of which is Mr. Arif Ali Shah Bukhari. This amount includes development charges of Rs. 75 million paid to the Developer. The Developer had communicated in the previous years that the Project was pending final approval from the Cantonment Board Korangi Creek (CBKC) for last few years due to modification and revision required by the CBKC in the Project.

During the year 2015, the Developer cancelled provisional booking vide its letter dated June 15, 2015 and in response, SVPL has filed legal suit for specific performance, declaration, injunction, partition and damages in the Sindh High Court.

In addition to the above, as per CBKC letter to Military Lands & Cantonments dated July 04, 2011, the land on which provisional booking was made is not eligible for the type of allotment made to SVPL as per Sale Agreement dated November 10, 2010 between SVPL and the Developer. Further, the development work on the Project, as communicated by the Developer vide their letter dated December 28, 2013, has also not been undertaken.

Moreover, verification from the Registrar of Housing Society has revealed that no record exists for the said Project, namely Noor Town, situated at survey number 288, 289 and 290 at Deh Korangi Township Karachi. Prima facie a fraud was committed with SVPL, for which pending completion of investigation, criminal action may be initiated apart from civil proceedings which have already been initiated by SVPL. The Board of SVPL, in its meeting held on March 25, 2016 decided to file a criminal complaint against Noor Developers (Pvt.) Limited to the concerned department.

Considering the facts stated above, the history of this transaction and legal implications, SVPL as a matter of prudence, has decided to fully provide this amount. Hence, the Company's investment in SVPL stands impaired.

## 10.2 Description of 'available-for-sale' investments

2015		2014		2015		2014	
Number of shares	Name of the Investee Company	Note	Cost	Carrying value	Cost	Carrying value	
<b>Quoted shares</b>				----- (Rupees in '000) -----			
-	19,858,649	KASB Bank Limited	10.2.1 & 10.2.5	-	-	21,844	39,519
<b>Unquoted shares</b>							
4,007,383	4,007,383	Pakistan Stock Exchange Limited	10.2.2	3,595	3,595	3,595	3,595
3,370	3,370	Al Jomaih Power Limited	10.2.3 & 10.2.5	184,197	578,438	184,197	299,935
		New Horizon Exploration and Production Limited (Related Party)	10.2.4				
14,760,000	14,760,000	- Class 'A' ordinary shares		31,629	-	31,629	31,629
				<u>219,421</u>	<u>582,033</u>	<u>241,265</u>	<u>374,678</u>

- 10.2.1** The Federal Government, in terms of the provisions of Section 47 of the Banking Companies Ordinance, 1962 had sanctioned a Scheme of Amalgamation of KASB Bank Limited with and into BankIslami Pakistan Limited with effect from May 07, 2015. In terms of the said Scheme of Amalgamation, the Company's shares in KASB Bank Limited stand cancelled and retired. Further, in terms of the said Scheme of Amalgamation, the shareholders of the KASB Bank Limited, shall receive a compensation / consideration of Rs. 1,000/- for the entire shareholding of the KASB Bank Limited in proportion to their shareholding. The Company has recorded full impairment against its investment in the KASB Bank Limited as at December 31, 2015.
- 10.2.2** The Company's entitlement in respect of PSX's shares is determined on the basis of valuation of assets and liabilities of PSX as approved by the SECP and the Company has been allotted 4,007,383 shares of the face value of Rs 10/- each, out of which 2,404,430 shares are kept in the blocked account and the divestment of the same will be made in accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 [the Act] within two years from the date of promulgation of the Act.
- 10.2.3** The Company's investment in unquoted shares of Al Jomaih Power Limited are valued at its fair value as at year end based on the net assets value of the investee Company as at December 31, 2015.
- 10.2.4** During the year, the management has carried out impairment testing of its investment in New Horizon Exploration and Production Limited (NHEPL), as required by IAS 36 - "Impairment of Assets". The recoverable amount of investment has been estimated using "Value in use" approach. In considering the impairment, various business assumptions for estimating cash flows have been used, which includes but are not limited to, historical performance of the investment, development and production activity in NHEPL's working interests, recoverability of future cash flows from the investment etc. Based on such analysis, the Company has fully impaired its investment in NHEPL and an impairment loss of Rs. 31.629 million has been recognized in these financial statements.

	Note	2015	2014
----- (Rupees in '000) -----			
<b>10.2.5 Unrealized gain / (loss) on re-measurement of 'available-for-sale' investments - net</b>			
KASB Bank Limited	10.2.1	(17,675)	1,390
Al Jomaih Power Limited	10.2.3	278,503	(21,507)
		<u>260,828</u>	<u>(20,117)</u>

## 11. LONG-TERM LOANS AND ADVANCES - Considered good

### Loans and advances to:

Employees		923	2,786
Executives		880	6,370
	11.1	1,803	9,156
Current maturity shown in current assets	16	(1,355)	(4,917)
		<u>448</u>	<u>4,239</u>

- 11.1 This represents loans and advances given to executives and employees for general purpose cash advance in accordance with their terms of employment. These loans and advances carry mark-up at the rate of 12% (2014: 12%) per annum and are recovered through deduction from salaries over period varying upto a maximum period of 120 months. The loans and advances are secured against staff provident fund balance.

	Note	2015	2014
----- (Rupees in '000) -----			
<b>12. LONG-TERM DEPOSITS AND PREPAYMENTS</b>			
<b>Deposits with:</b>			
- Pakistan Stock Exchange Limited		7,060	262
- National Clearing Company of Pakistan Limited		300	350
- Pakistan Mercantile Exchange Limited		2,500	2,500
- Central Depository Company of Pakistan Limited		200	200
- Rent deposits		1,025	1,485
- Others		1,562	1,632
		<b>12,647</b>	<b>6,429</b>
<b>Prepayments</b>			
		21	14
		<b>12,668</b>	<b>6,443</b>

<b>13. DEFERRED TAX ASSET - NET</b>			
- Deferred tax asset at the beginning of the year		37,178	39,182
- Reversal / (charge) for the year		13,953	(2,004)
		<b>51,131</b>	<b>37,178</b>

<b>14. SHORT-TERM INVESTMENTS</b>			
<b>'At fair value through profit or loss' - held for trading</b>			
Listed shares	14.1	28,531	11,156
Term finance certificates	14.2	-	7,491
		<b>28,531</b>	<b>18,647</b>

14.1 LISTED SHARES		2015		2014		
2015	2014	2015	2014	2015	2014	
Number of shares	Name of Investee Company	Note	Cost	Carrying value	Cost	Carrying value
----- (Rupees in '000) -----						
10,000	-		619	601	-	-
20,000	-		1,600	1,804	-	-
7,200	-		992	1,063	-	-
10,800	-		921	908	-	-
7,900	-		2,122	2,207	-	-
1,000	-		1,013	1,012	-	-
5,100	-		993	1,228	-	-
500	-		4	4	-	-
4,900	-		2,433	2,426	-	-
10,200	-		5,819	7,111	-	-
10,000	-		771	697	-	-
4,000	-		902	892	-	-
-	2,500		-	-	582	515
21,500	-		1,458	1,345	-	-
18,900	19,300		6,941	5,065	9,701	7,322
17,800	13,800		2,407	2,168	3,003	2,436
-	5,000		-	-	955	883
		14.1.1	<b>28,995</b>	<b>28,531</b>	<b>14,241</b>	<b>11,156</b>

- 14.1.1 This includes shares with carrying value of Rs. 26 million (2014: Rs. 11.16 million) which has been pledged with PSX against exposure margin.

## 14.2 Term Finance Certificates

2015		2014		2015		2014	
Number of certificates	Name of investee Company	Note	Cost	Carrying value	Cost	Carrying value	
----- (Rupees in '000) -----							
10,000	Pace Pakistan Limited (Face value of Rs. 5,000 each)	14.2.1	45,369	-	45,369	7,491	

14.2.1 The above TFCs are secured and carry mark-up at the rate of 6 months KIBOR +2% and will mature on February 15, 2017. These TFCs are currently rated as 'non-performing' by the Mutual Funds Association of Pakistan. The purchase cost of the TFCs amount to Rs. 45.37 million the Company on the basis of prudence, has fully impaired the investment of Rs. 45.37 million (2014: Rs. 37.88) million as at December 31, 2015.

	Note	2015	2014
----- (Rupees in '000) -----			
<b>14.3 Unrealized loss on re-measurement of investments - net</b>			
Listed shares	14.1	(464)	(3,085)
<b>15. TRADE DEBTS</b>			
Receivable against purchase of marketable securities - net of provisions	15.1 & 15.2	116,257	63,321
Inter-bank brokerage		4,938	4,324
Fees		605	372
		<b>121,800</b>	<b>68,017</b>
<b>15.1 Considered good</b>			
Secured		93,403	27,878
Unsecured		2,404	3,173
		<b>95,807</b>	<b>31,051</b>
<b>Considered doubtful</b>			
Less: Provision for doubtful debts	15.3	138,491	151,388
		<b>(118,041)</b>	<b>(119,118)</b>
		<b>116,257</b>	<b>63,321</b>

15.2 This includes receivable from NCCPL amounting to Rs. 10.29 million (2014: Rs. 16.27 million) in respect of trading in securities settled subsequent to the year end.

## 15.3 Reconciliation of provisions against trade debts

Opening balance	119,118	120,188
Reversal of provision during the year	(1,077)	(1,070)
	<b>118,041</b>	<b>119,118</b>

15.3.1 Provision against doubtful debts has been made after considering the market value of listed shares amounting to Rs. 20.45 million (2014: Rs. 32.27 million) held in custody by the Company against respective customer accounts.

	Note	2015	2014
<b>16. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		----- (Rupees in '000) -----	
<b>Advances to:</b>			
– Suppliers		3,143	2,491
– Current portion of long-term loans and advances to employees and executives		1,355	4,917
		<b>4,498</b>	7,408
<b>Deposits:</b>			
– Exposure deposit with - PSX		121,555	212,815
– Exposure deposit with - NCCPL		796	-
– Exposure deposit with - PMEL		832	941
		<b>123,183</b>	213,756
<b>Prepayments:</b>			
– Rent		2,929	3,087
– Insurance		984	299
– Software development and maintenance		639	376
– Others		1,719	3,048
		<b>6,271</b>	6,810
<b>Other receivables:</b>			
– Dividends		-	6
– Profit on bank deposits		3,805	945
– Profit on exposure deposit with - PSX		483	2,069
– Receivable against margin finance		60,882	-
– Receivable from related parties	16.1	-	2,190
– Others		209	1,166
		<b>65,379</b>	6,376
		<b>199,331</b>	234,350
<b>16.1 Receivables from related parties comprises of:</b>			
KASB Funds Limited		-	166
BankIslami Pakistan Limited -(the Parent Company)		-	2,024
		-	2,190
<b>17. CASH AND BANK BALANCES</b>			
<b>Cash at bank in:</b>			
– Current accounts		4,277	128,544
– Current accounts - Client		10	146,054
– Saving accounts - Client	17.1	379,984	367,985
– Saving accounts	17.1	162,896	9,984
	17.2	<b>547,167</b>	652,567
Cash in hand		-	7
Stamps in hand		7	6
		<b>547,174</b>	652,580

17.1 These carry profit at rates ranging from 2.5% to 8.75% (2014: 1.25% to 9.25%) per annum.

17.2 This includes Rs. 392.49 million (2014: Rs. 371.05 million) with BankIslami Pakistan Limited (the Parent Company).

## 18. SHARE CAPITAL

### 18.1 Authorised Capital

2015	2014		2015	2014
----- (Number of shares) -----				
<u>200,000,000</u>	<u>200,000,000</u>	Ordinary shares of Rs. 10 each	<u>2,000,000</u>	<u>2,000,000</u>



## 18.2 Issued, subscribed and paid-up share capital

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

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

	2015		2014	
	Share held	Percentage	Share held	Percentage
BankIslami Pakistan Limited	77,117,500	77.118%	77,117,500	77.118%
BankIslami Pakistan Limited - Employees Provident Fund Trust	400,000	0.400%	400,000	0.400%
KASB Securities Limited - Employees Provident Fund Trust	32,000	0.032%	32,000	0.032%
KASB Funds PS Limited - Employees Provident Fund Trust	3,000	0.003%	3,000	0.003%
KASB Corporation Limited	-	0.000%	700,000	0.700%
Key Management Personnel	3,500	0.004%	3,700	0.004%
	<b><u>77,556,000</u></b>	<b><u>77.557%</u></b>	<b><u>78,256,200</u></b>	<b><u>78.257%</u></b>

## 19. LONG-TERM LOAN

Long-term loan from BankIslami Pakistan Limited (the Parent Company)	19.1	<b><u>150,000</u></b>	<u>150,000</u>
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**19.1** This represents long-term loan obtained from the Parent Company (BIPL). The loan carried mark-up at the rate of 3 months KIBOR + 2.5% per annum and payable on quarterly basis from September 2013 to December 2016. The loan was secured by way of first pari passu hypothecation charge over all present and future current assets of the Company.

On December 31, 2015 the loan facility was restructured into Islamic financing. As per the new agreement the loan is secured by way of First Exclusive Charge over all commercial properties of the Company (musharika assets). The loan is payable as a bullet payment in December 2020. BIPL is entitled to rental payments for use of musharika assets. Rental payments are calculated to provide return equal to 3 months KIBOR + 3% per annum payable on quarterly basis from March 2016 to December 2020.

	Note	2015	2014
		----- (Rupees in '000) -----	
<b>20. TRADE AND OTHER PAYABLES</b>			
Trade creditors	20.1	<b>443,525</b>	455,170
Accrued expenses	20.2	<b>73,361</b>	95,588
Withholding tax		<b>21,948</b>	26,384
Unclaimed dividends		<b>609</b>	609
Dividend payable		<b>793</b>	798
Others		<b>1,427</b>	1,390
		<b><u>541,663</u></b>	<u>579,939</u>

**20.1** This includes payable to NCCPL amounting to Rs. 0.36 million (2014: Nil) in respect of trading in securities settled subsequent to the year end.

**20.2** This includes accrued expenses relating to various services provided by related parties amounting to Rs. 2.77 million (2014: Rs. 3.45 million).

## 21. ACCRUED MARK-UP

Mark-up accrued on:		<b><u>37</u></b>	<u>52</u>
– BankIslami Pakistan Limited (the Parent Company)			

## 22. CONTINGENCIES AND COMMITMENTS

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

	Note	2015	2014
----- (Rupees in '000) -----			
<b>23. OPERATING REVENUE</b>			
Brokerage		242,165	505,794
Subscription research income		1,079	1,858
Financial advisory fee		-	2,045
Custody services		2,797	5,152
		<u>246,041</u>	<u>514,849</u>
<b>24. NET GAIN / (LOSS) ON SALE OF INVESTMENTS 'AT FAIR VALUE THROUGH PROFIT OR LOSS'</b>			
Listed shares		4,788	(6,726)
Debt securities		41,214	36,315
Open ended mutual funds		224	27,971
Commodities		-	(7,764)
		<u>46,226</u>	<u>49,796</u>
<b>25. MARK-UP / PROFIT ON BANK DEPOSITS, INVESTMENTS AND OTHER RECEIVABLES</b>			
Profit on bank deposits		57,822	47,643
Profit on Term Finance Certificates		-	686
Profit on long-term receivable		-	3,338
Marging finance income		2,081	-
		<u>59,903</u>	<u>51,667</u>
<b>26. OPERATING AND ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and other benefits	26.1	207,476	266,527
Staff training and development		22	564
Rent, rates and taxes		11,430	36,929
Insurance charges		387	475
Depreciation	26.2	16,415	14,897
Amortization intangible assets	8	260	-
Repairs and maintenance		7,683	13,039
Power and utilities		13,736	14,855
Communication		14,409	13,694
Trading costs		13,405	22,275
Information technology related cost		10,329	14,786
Fees and subscription		6,776	5,285
Director fee		3,120	1,740
Printing and stationery		2,846	3,032
Papers and periodicals		99	166
Advertisement and business promotion		279	689
Sales and marketing		4,634	5,609
Travelling and conveyance		2,103	4,693
Entertainment		850	1,017
Brokerage expense		53,834	29,834
Legal and professional charges		2,854	8,402
Auditor's remuneration	26.3	942	1,076
Stamp charges		14	3
Donations	26.4	100	1,850
Workers' welfare fund		-	2,647
Kitchen expenses		1,727	2,027
Profit - paid to clients	26.5	18,429	-
Others		624	181
		<u>394,783</u>	<u>466,292</u>
<b>26.1 Salaries, allowances and benefits include Company's contribution to provident fund amount to Rs. 6.45 million (2014: Rs. 6.97 million).</b>			
<b>26.2 Depreciation</b>			
Property and equipment	7	16,257	14,897
Investment properties	9	158	-
		<u>16,415</u>	<u>14,897</u>

	Note	2015	2014
----- (Rupees in '000) -----			
<b>26.3 Auditor's Remuneration</b>			
Statutory audit fee		488	541
Half-yearly review fee and other certifications		354	438
Out of pocket expenses		100	97
		<u>942</u>	<u>1,076</u>
<b>26.4</b> Donation were not made to any donee fund in which any director of the Company or his spouse had any interest.			
<b>26.5</b> These expenses relate to share of client in mark-up income earned against their unutilized fund balances in PLS bank accounts of KASB Securities Limited - Client account as per the notice no. PSX/N - 1479 dated March 17, 2015 of Pakistan Stock Exchange Limited. the gross mark-up earned is recorded as profit on bank deposits and client share is charged as an expense.			
<b>27. IMPAIRMENT ON 'AVAILABLE FOR SALE' INVESTMENTS</b>			
KASB Bank Limited	10.2.1	21,844	-
New Horizon Exploration and Production Limited (Related Party)	10.2.4	31,629	-
		<u>53,473</u>	<u>-</u>
<b>28. FINANCE COST</b>			
Mark-up on:			
- Short term borrowing (the Related Party)		493	-
- Short-term running finance		-	1,654
- Long-term loan (the Parent Company)		15,446	16,197
- Repurchase transaction		-	607
Bank charges		327	2,582
		<u>16,266</u>	<u>21,040</u>
<b>29. OTHER INCOME</b>			
(Loss) / gain on disposal of properties and equipment		(135)	995
Rental income		4,310	4,560
Others		672	1,114
		<u>4,847</u>	<u>6,669</u>
<b>30. TAXATION</b>			
Current			
- for the year		(26,465)	(39,481)
- for prior year		(9,237)	20,431
Deferred		13,953	(2,004)
		<u>(21,749)</u>	<u>(21,054)</u>
<b>30.1 Relationship between tax expense and accounting (loss) /profit</b>			
In the view of tax loss for the year, provision for minimum tax has been made in accordance with Section 113 of Income Tax Ordinance, 2001. Therefore, relationship between tax expense and accounting profit has not been presented for the current year.			
<b>31. (LOSS) / EARNINGS PER SHARE</b>			
(Loss) / profit after taxation attributable to ordinary shareholders		<u>(580,781)</u>	<u>108,658</u>
		---- (Number of shares) ----	
Weighted average number of ordinary shares		<u>100,000,000</u>	<u>100,000,000</u>
		----- (Rupees) -----	
<b>(Loss) / earnings per share - basic and diluted</b>		<u>(5.81)</u>	<u>1.09</u>

## 32. 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:

	2015			2014		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	----- (Rupees in '000) -----					
Managerial remuneration	10,352	5,687	127,319	19,796	14,436	89,798
Performance incentive	-	8,500	-	-	-	-
Fee (note # 33.2)	-	3,120	-	-	1,740	-
Reimbursable expenses	34	-	-	27	151	-
Contribution to provident fund	223	271	3,742	806	623	3,276
	<u>10,609</u>	<u>17,578</u>	<u>131,061</u>	<u>20,629</u>	<u>16,950</u>	<u>93,074</u>
Number of persons	<u>3</u>	<u>11</u>	<u>53</u>	<u>1</u>	<u>6</u>	<u>53</u>

- 32.1** The Chief Executive and certain executives of the Company are provided with free use of Company owned and maintained cellular phones.
- 32.2** The fee was paid to the Directors for attending the Board of Directors meeting, Audit Committee and HR & R committee meetings of the Company.
- 32.3** As per the requirement of Research Analyst Regulations, following are the details of Research Analyst employed by the Company;

	2015	2014
	----- (Rupees in '000) -----	
Managerial remuneration	<u>6,942</u>	<u>3,604</u>

The Research Analyst reports directly to the Chief Executive Officer. However his remuneration is ascertained by Human Resource and Remuneration Committee.

- 32.4** The changes in CEO and Directors' offices during the year have been disclosed in the Statement of Compliance with the Code of Corporate Governance.

### 33. RELATED PARTY TRANSACTIONS

The related parties of the Company comprise of BankIslami Pakistan Limited (the Parent company), associated undertakings including companies under common directorship, employee benefit plans and its key management personnel. The balances with related parties as at December 31, 2015 and December 31, 2014 and transactions with related parties during the year ended December 31, 2015 and December 31, 2014 are as follows:

	2015				
	Parent Company	Subsidiary / associates	Key management personnel	Others	Total
	----- (Rupees in '000) -----				
<b>BALANCES</b>					
Long-term deposits	-	142	-	-	142
Trade debts	16	10	18	9	53
Profit receivable on bank deposit	2,124	-	-	-	2,124
Bank balances	392,494	-	-	-	392,494
Trade payables	-	-	2,169	4	2,173
Long-term loan	150,000	-	-	-	150,000
Payable against expenses	2,763	9	-	-	2,772
Prepaid rent	80	-	-	-	80
Accrued mark-up	37	-	-	-	37
	2014				
	Parent Company	Subsidiary / associates	Key management personnel	Others	Total
	----- (Rupees in '000) -----				
<b>BALANCES</b>					
Long-term deposits	-	142	-	-	142
Trade debts	10	33	50	61	154
Profit receivable on bank deposit	90	-	-	-	90
Receivable against expenses	2,024	166	-	7	2,197
Bank balances	371,050	-	-	-	371,050
Trade payables	-	-	2,098	-	2,098
Long-term loan	150,000	-	-	-	150,000
Payable against expenses	294	3,157	-	-	3,451
Prepaid Rent	533	-	-	-	533
Accrued mark-up	52	-	-	-	52

	2015				Total
	Parent Company	Subsidiary / associates	Key management personnel	Others	
----- (Rupees in '000) -----					
<b>TRANSACTIONS</b>					
<b>Income</b>					
Brokerage income earned	-	-	616	120	736
Custody services	6	54	60	-	120
Profit on bank deposits	26,354	-	-	-	26,354
Rental income	3,800	-	-	-	3,800
<b>Expenses</b>					
Bank charges	134	-	-	-	134
Charge in respect of contributory plan	-	-	-	6,450	6,450
Communication expenses	1,108	5,802	-	-	6,910
Locker rent	4	-	-	-	4
Mark-up expense	15,446	-	-	493	15,939
Reimbursement of expenses	372	1,278	389	-	2,039
Rent expense	933	-	-	-	933
<b>Other transactions</b>					
Loans disbursed	-	-	345	-	345
Loans repayment	-	-	3,508	-	3,508
Short-term borrowing	-	-	-	50,000	50,000
Short-term borrowing repaid	-	-	-	50,000	50,000

\*Related party transaction include transactions upto May 07,2015 in respect of parties no longer a related party by virtue of change in Parent Company.

	2014				Total
	Parent Company	Subsidiary / associates	Key management personnel	Others	
----- (Rupees in '000) -----					
<b>TRANSACTIONS</b>					
<b>Income</b>					
Brokerage income earned	309	2	600	283	1,194
Custody services	5	125	412	-	542
Profit on bank deposits	36,824	-	-	-	36,824
Rental income	4,560	-	-	-	4,560
Others	488	-	-	-	488
<b>Expenses</b>					
Bank charges	527	-	-	-	527
Charge in respect of contributory plan	-	-	-	6,969	6,969
Communication expenses	-	7,050	-	-	7,050
Donation	-	-	-	1,700	1,700
Locker rent	4	-	-	-	4
Mark-up expense	16,640	-	-	691	17,331
Reimbursement of expenses	1,631	4,376	1,358	47	7,412
Rent expense	1,462	-	-	-	1,462
<b>Other transactions</b>					
Loans disbursed	-	-	5,175	-	5,175
Loans repayment	-	-	2,417	-	2,417
Mutual Funds bonus units issued	-	-	-	8,719	8,719
Mutual Funds units purchased	-	-	-	125,000	125,000
Mutual Funds units redeemed	-	-	-	243,089	243,089
Short-term borrowing	-	-	-	100,000	100,000
Short-term borrowing repaid	-	-	-	100,000	100,000

Particulars relating to remuneration of Chief Executive Officer, Directors and Executives who are key management personnel are disclosed in note 32.

### 34. PROVIDENT FUND RELATED DISCLOSURE

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

	Note	2015 ----- (Rupees in '000) -----	2014
Size of the fund -Total assets		<u>77,851</u>	<u>78,284</u>
Cost of investments made		<u>63,661</u>	<u>46,856</u>
Percentage of investments made		<u>91%</u>	<u>67%</u>
Fair value of investments	34.1	<u>70,714</u>	<u>52,748</u>

#### 34.1 Fair value of investments is:

	2015		2014	
	(Rs. in '000)	%	(Rs. in '000)	%
Government securities	<u>51,281</u>	<u>72.52%</u>	49,862	94.53%
Term deposits	<u>19,203</u>	<u>27.16%</u>	2,521	4.78%
Listed shares	<u>230</u>	<u>0.32%</u>	365	0.69%
	<u>70,714</u>	<u>100.00%</u>	<u>52,748</u>	<u>100.00%</u>

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

### 35. NUMBER OF EMPLOYEES

The average and total number of employees during the year and as at December 31, 2015 and December 31, 2014 respectively are as follows:

	2015	2014
	---- Number of employees ----	
Average number of employees during the year	<u>158</u>	<u>161</u>
Total number of employees as at year end	<u>142</u>	<u>159</u>

### 36. FINANCIAL INSTRUMENTS

#### 36.1 Market risk

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

##### (i) Interest rate risk

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

Management of the Company estimates that 1% increase in the market interest rate, with all other factors remaining constant, would increase the Company's total comprehensive income by Rs. 5.21 million (2014: Rs. 3.31 million) and a 1% decrease would result in decrease in the Company's total comprehensive income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

##### (ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of change in foreign exchange rates relates only to the investment in Al Jomaih Power Limited maintained in US dollars amounting to Rs. 578.44 million (2014: Rs. 299.94 million) [US dollars 5.53 million (2014: US dollars 2.99 million)].

Management of the Company estimates that 10% increase in the exchange rate between US dollars and Pak Rupees will increase the comprehensive income of the Company by Rs. 57.84 million (2014: Rs. 29.99 million) and 10% decrease in the exchange rate would result in decrease in comprehensive income of the Company by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.



### (iii) Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The Company is exposed to price risk because of investments held by the Company and classified on the balance sheet as investments at fair value through profit or loss and 'available-for-sale' investments. The management believes that 10% increase or decrease in the value of investments 'at fair value through profit or loss', with all other factors remaining constant would result in increase or decrease of the Company's profit by Rs. 2.86 (2014: Rs. 1.12 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. Nil (2014: 3.95 million).

### 36.2 Liquidity risk

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

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

	2015				Total
	On Demand	Upto three months	More than three months and upto one year	More than one year	
	(Rupees in '000)				
Long-term loan	-	-	-	150,000	150,000
Trade and other payables	518,313	-	-	-	518,313
Accrued mark-up	37	-	-	-	37
	<u>518,350</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>668,350</u>
	2014				
	On Demand	Upto three months	More than three months and upto one year	More than one year	Total
	(Rupees in '000)				
Long-term loan	-	-	-	150,000	150,000
Trade and other payables	552,148	-	-	-	552,148
Accrued mark-up	52	-	-	-	52
	<u>552,200</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>702,200</u>

### 36.3 Credit risk

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

	2015	2014
	(Rupees in '000)	
Trade debts	234,298	182,439
Bank balances (see note 36.3.2)	547,167	652,567
Long-term loans and advances	1,803	9,156
Long-term deposits and prepayments	12,668	6,443
Advances, deposits, prepayments and other receivables	197,976	229,433
	<u>993,912</u>	<u>1,080,038</u>

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

	2015	2014
	----- (Rupees in '000) -----	
Debts past due but not impaired	101,350	35,747
Debts impaired - net of provision	20,450	32,270
	<u>121,800</u>	<u>68,017</u>

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

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

A1	392,494	249,512
A1+	154,622	31,895
A-1+	-	60
P-1	-	50
P-2	51	-
C	-	371,050
	<u>547,167</u>	<u>652,567</u>

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

### 37. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital include :

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

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

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

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

### 38. FAIR VALUE OF FINANCIAL 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.

### 38.1 Financial Assets Fair Value Hierarchy

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

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

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

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

As at December 31, 2015 the Company held the following financial instruments measured at fair value:

	2015			
	Total	Level 1	Level 2	Level 3 (note: 38.1.1)
	----- (Rupees in '000) -----			
Investments 'available-for-sale'	578,438	-	-	578,438
Investment 'at fair value through profit or loss' - held for trading	28,531	28,531	-	-
	<u>606,969</u>	<u>28,531</u>	<u>-</u>	<u>578,438</u>
	2014			
	Total	Level 1	Level 2	Level 3 (note: 38.1.1)
	----- (Rupees in '000) -----			
Investments 'available-for-sale'	339,454	39,519	-	299,935
Investment 'at fair value through profit or loss' - held for trading	18,647	11,156	-	7,491
	<u>358,101</u>	<u>50,675</u>	<u>-</u>	<u>307,426</u>

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

	2015	2014
	----- (Rupees in '000) -----	
Opening balance	307,426	333,992
Additions during the year	278,503	-
Provision for impairment	(7,491)	(5,059)
Investment disposed during the year	-	(21,507)
Closing balance	<u>578,438</u>	<u>307,426</u>

### 39. DATE OF AUTHORISATION

These financial statements have been authorized for issue by the Board of Directors of the Company on April 06, 2016.

### 40. GENERAL

40.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparisons. However, there is no material reclassification to report.

40.2 Figures have been rounded off to the nearest thousand rupee.

----- Sd -----

Chairman

----- Sd -----

Chief Executive Officer



**CONSOLIDATED FINANCIAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2015**

## 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, 2015.

The consolidated financial results of the Group for the year ended December 31, 2015, under review, are summarized as follows:

	2015	2014
	----- (Rupees in '000) -----	
(Loss) / profit before taxation	(491,170)	129,714
Taxation	(21,749)	(21,038)
(Loss) / profit after taxation	(512,919)	108,676
Dividend paid during the year	-	(50,000)
Un-appropriated (loss) / profit brought forward	36,929	(21,747)
(Loss) / profit available for appropriation	<u>(475,990)</u>	<u>36,929</u>
	----- (Rupees) -----	
(Loss) / earning per share - basic and diluted	<u>(5.13)</u>	<u>1.09</u>

### Summary of changes in equity

The Group's loss after tax was PKR 512.92 million (loss per share of PKR 5.73) in CY15 as compare to profit PKR 108.68 million (EPS 1.09) in CY14.

### Summary of changes in the nature of group business interests

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

### Pattern of Shareholding

The pattern of shareholding as at December 31, 2015 along with disclosure required under the Code of Corporate Governance and Section 236 of the Companies Ordinance, 1984 is annexed to the report.

On behalf of the Board of Directors

----- Sd -----

Chairman

Karachi: April 06, 2016



RSM Avais Hyder Liaquat Nauman  
Chartered Accountants

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## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising the 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 **December 31, 2015** and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity, together with the notes forming part thereof, (here-in after referred to as the 'financial statements') for the year then ended. We have also expressed separate opinion on the financial statements of the Holding company and its Subsidiary company. These financial statements are the responsibility of the Holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of **KASB Securities Limited** and its subsidiary company as at **December 31, 2015** and the results of their operations for the year then ended.

The consolidated financial statements of the Holding company for the year ended **December 31, 2014** were audited by another firm of chartered accountants who expressed unmodified opinion on the financial statements of the company for the year ended **December 31, 2014** vide their audit report dated **March 19, 2015**.

  
Chartered Accountants

Karachi

Dated: 06 APR 2016

Engagement Partner: Adnan Zaman

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RSM Avais Hyder Liaquat Nauman is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

## CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2015

	Note	2015	2014
----- (Rupees in '000) -----			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	7	37,217	52,005
Intangible assets	8	4,077	8,854
Investment properties	9	5,646	-
Advance against purchase of property	10	-	375,000
Long-term investments	11	582,033	418,049
Long-term loans and advances	12	448	4,239
Long-term deposits and prepayments	13	12,668	6,443
Deferred tax asset - net	14	51,131	37,178
		<b>693,220</b>	<b>901,768</b>
<b>Current assets</b>			
Short-term investments	15	28,531	18,647
Trade debts	16	121,800	68,017
Advances, deposits, prepayments and other receivables	17	199,336	234,350
Taxation - net		36,776	41,565
Cash and bank balances	18	549,181	656,000
		<b>935,624</b>	<b>1,018,579</b>
<b>TOTAL ASSETS</b>		<b>1,628,844</b>	<b>1,920,347</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Issued, subscribed and paid-up capital	19	1,000,000	1,000,000
General reserve		18,752	18,752
Unrealized gain on re-measurement of 'available-for-sale' investments to fair value - net		394,241	133,413
Unappropriated (loss) /profit		(475,990)	36,929
		<b>937,003</b>	<b>1,189,094</b>
<b>Non-current liabilities</b>			
Long-term loan	20	150,000	150,000
<b>Current liabilities</b>			
Trade and other payables	21	541,804	581,201
Accrued mark-up	22	37	52
		<b>541,841</b>	<b>581,253</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,628,844</b>	<b>1,920,347</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	23		

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

----- Sd -----

Chairman

----- Sd -----

Chief Executive Officer



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015	2014
		----- (Rupees in '000) -----	
Operating revenue	24	246,041	514,849
<b>Net gain / (loss) on investments 'at fair value through profit or loss'</b>			
Gain on sale of investments - net	25	46,226	49,796
Impairment on 'held for trading' investments	15.2	(7,491)	(5,059)
Unrealized loss on re-measurement of investments -net	15.3	(464)	(3,085)
		38,271	41,652
Dividend Income		41,858	1,137
Mark-up / profit on bank deposits, investments and other receivables	26	60,043	51,932
		386,213	609,570
Operating and administrative expenses	27	(395,197)	(466,555)
Provision for advance against purchase of property	10	(375,000)	-
Impairment on 'available for sale' investments	28	(96,844)	-
Reversal of provision against doubtful debts-net	16.3	1,077	1,070
		(865,964)	(465,485)
<b>Operating (loss) / profit</b>		(479,751)	144,085
Finance cost	29	(16,266)	(21,040)
		(496,017)	123,045
<b>Other income</b>	30	4,847	6,669
<b>(Loss) / profit before taxation</b>		(491,170)	129,714
Taxation	31	(21,749)	(21,038)
<b>(Loss) / profit after taxation</b>		(512,919)	108,676
<b>Other comprehensive income / (loss) for the year:</b>			
Net unrealized gain / (loss) arising during the year on re-measurement of 'available-for-sale' investments - net	11.1.5	260,828	(20,117)
<b>Total comprehensive (loss) / income for the year</b>		(252,091)	88,559
		----- (Rupees) -----	
<b>(Loss) / earnings per share - basic and diluted</b>	32	(5.13)	1.09

----- Sd -----

Chairman

----- Sd -----

Chief Executive Officer

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
	----- (Rupees in '000) -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	(491,170)	129,714
<b>Non-cash adjustments to reconcile (loss) / profit before tax to net cash flows:</b>		
Depreciation	16,415	14,897
Amortisation	260	-
Gain on sale of investments - net	(46,226)	(49,796)
Loss / (gain) on sale of property and equipment	135	(995)
Unrealised loss on re-measurement of investments 'at fair value through profit or loss' - net	464	3,085
Impairment on 'held for trading' investments	7,491	5,059
Provision for advance against purchase of property	375,000	-
Impairment on 'available for sale' investments	96,844	-
Reversal of provision against doubtful debts	(1,077)	(1,070)
Finance cost	16,266	21,040
Dividend income	(41,858)	(1,137)
	423,714	(8,917)
	(67,456)	120,797
<b>Working capital adjustments:</b>		
<b>(Increase) / decrease in assets</b>		
Trade debts	(52,706)	315,757
Advances, deposits, prepayments and other receivables	35,008	23,844
	(17,698)	339,601
<b>Decrease in current liabilities</b>		
Trade and other payables	(39,392)	(359,495)
	(124,546)	100,903
Finance cost paid	(16,281)	(21,021)
Income tax paid	(30,913)	(33,700)
<b>Net cash flows (used in)/ generated from operating activities</b>	(171,740)	46,182
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments 'at fair value through profit or loss' - net	28,387	290,635
Purchase of property and equipment	(3,559)	(24,011)
Proceeds from disposal of property and equipment	668	4,941
Dividend received	41,864	1,131
<b>Net cash flows generated from investing activities</b>	67,360	272,696
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long-term loans and advances	3,791	(3,741)
Long-term deposits and prepayments	(6,225)	(14)
Long-term loan	-	50,000
Dividend paid	(5)	(49,928)
<b>Net cash flows used in financing activities</b>	(2,439)	(3,683)
<b>Net (decrease) / increase in cash and cash equivalents</b>	(106,819)	315,195
Cash and cash equivalents at the beginning of the year	656,000	340,805
<b>Cash and cash equivalents at the end of the year</b>	549,181	656,000

----- Sd -----

Chairman

----- Sd -----

Chief Executive Officer

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2015

	Share capital	General reserve	Unappropriated (loss) / profit	Unrealized gain on re-measurement of 'available-for-sale' investments to fair value - net	Total
----- (Rupees in '000) -----					
<b>Balance as at January 01, 2014</b>	1,000,000	18,752	(21,747)	153,530	1,150,535
Total comprehensive income for the year	-	-	108,676	(20,117)	88,559
Dividend paid during the year	-	-	(50,000)	-	(50,000)
<b>Balance as at December 31, 2014</b>	<b>1,000,000</b>	<b>18,752</b>	<b>36,929</b>	<b>133,413</b>	<b>1,189,094</b>
Total comprehensive loss for the year	-	-	(512,919)	260,828	(252,091)
<b>Balance as at December 31, 2015</b>	<b>1,000,000</b>	<b>18,752</b>	<b>(475,990)</b>	<b>394,241</b>	<b>937,003</b>

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

----- Sd -----

Chairman

----- Sd -----

Chief Executive Officer

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

### 1. STATUS AND NATURE OF BUSINESS

1.1 The comprises of:

#### **Holding Company**

– KASB Securities Limited

#### **Subsidiary Company**

– Structured Venture (Private) Limited (SVPL)

KASB Securities Limited (the Group) 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 Pakistan Stock Exchange Limited (PSX). The registered office of the Group is situated at 5th Floor, Trade Centre, I.I. Chundrigar Road, Karachi.

The Group is a subsidiary of BankIslami Pakistan Limited (the Parent Company) which holds 77.12% of the shares of the Group.

The Group is a TREC holder of the Pakistan Stock Exchange Limited (PSX) and Corporate member of 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 listed and unlisted equity and debt securities, economic research and advisory services.

Structured Venture (Private) Limited (the Company) 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 Group can, subject to regulatory approvals, invest / participate in selected local and foreign business ventures.

1.2 On November 14, 2014, the Federal Government, on the application of State Bank of Pakistan (SBP), and in exercise of the powers conferred upon it under the Section 47 of the Banking Companies Ordinance, 1962, imposed a 6 months moratorium on KASB Bank Limited (KBL), which affected all deposit account holders of KBL, including the Holding Company. As the Holding Company was using KBL for majority of its banking arrangements, including daily clearing for all transactions executed on the PSX through the Holding Company, the moratorium on KBL temporarily affected / constrained the Holding Company's liquidity position in view of the Holding Company's stuck funds at KBL. Subsequent to the imposition of said moratorium, the Securities and Exchange Commission of Pakistan (SECP) issued directives on November 17, 2014 pursuant to which the Holding Company's trading activities in the PSX and the PMEL were suspended with effect from November 18, 2014.

1.3 Subsequent to the aforementioned suspension of trading operations of the Holding Company, the SECP vide its directive dated December 02, 2014 issued to the PSX, allowed the PSX to reinstate the trading facilities of the Holding Company subject to certain restrictions. The SECP further issued a directive to the PSX on February 02, 2015 and March 25, 2015, allowing PSX to grant certain relaxations to the Holding Company from the restrictions imposed earlier by the SECP. Further, PMEL vide its letter dated January 23, 2015 also allowed the Holding Company to resume its trading activities subject to certain conditions which mainly relates to initial increase in auto liquidation threshold and deposit margin requirements with gradual reduction within a period of 4 weeks and after February 23, 2015 onward back to normal margin.

1.4 On May 07, 2015, the Federal Government sanctioned a Scheme of Amalgamation, under section 47 of the Banking Companies Ordinance 1962, of KBL with and into BIPL on the advice of the SBP. As a result of the said amalgamation, the Group became a majority owned subsidiary of BIPL.

1.5 Subsequent to the aforementioned amalgamation of KBL with and into BIPL, the SECP vide its directive dated May 12, 2015 removed all remaining restrictions imposed on KASB Securities Limited on both PSX and PMEL.

## 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 4.6.

## 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 accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

### **New and amended standards and interpretations**

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

IFRS 10 – Consolidated Financial Statements (Amendment)

IAS 19 – Employee Benefits – (Amendment) – Defined Benefit Plans: Employee Contributions

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

### 4.2 Basis of consolidation

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

### 4.3 Property and equipment

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

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

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

The assets' residual value, useful life and method are reviewed and adjusted, if appropriate at each financial year end.

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

### 4.4 Intangible assets

These are stated at cost less accumulated amortization and impairment, if any. Amortization 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 amortized. These are annually tested for impairment to assess whether these are in excess of their recoverable amounts, and where the carrying amounts exceeds the estimated recoverable amounts, the carrying amounts are written down to the estimated recoverable amounts.

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

### 4.5 Investment properties

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

## 4.6 Financial assets

### 4.6.1 Investments

Investments are classified as investments 'at fair value through profit or loss', 'held-to-maturity' investments or 'available-for-sale' investments, as appropriate.

When investments are recognized 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 recognized 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 timeframe 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 recognized in the profit and loss account.

#### **Investments 'available-for-sale'**

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

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

### 4.6.2 Loans and receivables

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

### 4.7 Impairment

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognized in the profit and loss account.

### 4.8 Financial instruments

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

### 4.9 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Group has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realize 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 recognized as and when such services are rendered.
- Financial advisory fees and other income is recognized on accrual basis.
- Underwriting commission is recognized on accrual basis in accordance with the terms of the agreement.
- Capital gains and losses on sale of securities are recognized when realized.
- Mark-up income, return on bank deposits and balances are recognized on accrual basis.
- Dividend income is recorded when the right to receive the dividend is established.

### 4.11 Taxation

#### **Current**

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

## **Deferred**

Deferred tax is recognized using the balance sheet liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts appearing in the consolidated financial statements. A deferred tax asset is recognized 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 recognized as an adjustment to surplus / deficit arising on revaluation.

### **4.12 Dividend distributions and appropriations**

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

### **4.13 Employees' benefits**

#### **Defined contribution plan**

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

#### **Employee compensated absences**

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

### **4.14 Cash and cash equivalents**

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

### **4.15 Foreign currency transactions**

#### **Functional and presentation currency**

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

#### **Foreign currency translations**

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

### **4.16 Provisions**

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

### **4.17 Trade and other payables**

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

## **5. ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.



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

	<u>Note</u>
Useful lives of assets and methods of depreciation and impairment	4.3 to 4.5, 7, 8 & 9
Classification of investments	4.6.1, 11 & 15
Provision for doubtful debts	4.16 & 16
Deferred taxation and taxation	4.11, 14 & 31

## 6. STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

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

<b>Standard, Interpretation or amendment</b>	<b>Effective date (annual periods Beginning on or after)</b>
IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IFRS 7 – Financial Instruments: Disclosures - (Amendments)	January 01, 2016
IFRS 10 – Consolidated Financial Statements (application of the consolidation exception)	January 01, 2016
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2016
IFRS 11 – Joint Arrangements - (Amendments)	January 01, 2016
IAS 1 – Presentation of Financial Statements - (Amendments)	January 01, 2016
IAS 7 – Statement of Cash Flows - (Amendments)	January 01, 2016
IAS 12 – Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealized losses	January 01, 2017
IAS 16 – Property, Plant and Equipment - (Amendments)	January 01, 2016
IAS 19 – Employee Benefits - (Amendments)	January 01, 2016
IAS 27 – Separate Financial Statements Amendments reinstating the equity method as an accounting	January 01, 2016
IAS 28 – Investments in Associates and Joint Ventures - (Amendments)	January 01, 2016
IAS 34 – Interim Financial Reporting - (Amendments)	January 01, 2016
IAS 38 – Intangible Assets - (Amendments)	January 01, 2016

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

### Improvements to IFRS

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2016. The Group expects that such improvements to the standards will not have any material impact on the Group's consolidated financial statements in the period of initial application.

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

<b>Standard</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 15 – Revenue from Contracts with Customers	January 01, 2016
IFRS 16 – Leases	January 01, 2017

**7. PROPERTY AND EQUIPMENT**

	2015				
	Office premises- lease hold	Furniture and fixtures	Computers and office equipment	Motor vehicles	Total
----- (Rupees in '000) -----					
Cost	39,780	24,155	84,515	5,299	153,749
Accumulated depreciation	<u>(22,405)</u>	<u>(16,115)</u>	<u>(60,891)</u>	<u>(2,333)</u>	<u>(101,744)</u>
<b>Net book value at the beginning of the year</b>	<b>17,375</b>	<b>8,040</b>	<b>23,624</b>	<b>2,966</b>	<b>52,005</b>
<b>Changes during the year</b>					
Additions during the year	-	-	2,272	-	2,272
Disposals during the year					
– Cost	-	(313)	(2,157)	-	(2,470)
– Depreciation	-	64	1,603	-	1,667
	-	(249)	(554)	-	(803)
Depreciation charge for the year	<u>(1,570)</u>	<u>(2,110)</u>	<u>(11,919)</u>	<u>(658)</u>	<u>(16,257)</u>
	<u>(1,570)</u>	<u>(2,359)</u>	<u>(10,201)</u>	<u>(658)</u>	<u>(14,788)</u>
<b>Net book value at the end of the year</b>	<b>15,805</b>	<b>5,681</b>	<b>13,423</b>	<b>2,308</b>	<b>37,217</b>
<b>Analysis of net book value</b>					
Cost	39,780	23,842	84,630	5,299	153,551
Accumulated depreciation	<u>(23,975)</u>	<u>(18,161)</u>	<u>(71,207)</u>	<u>(2,991)</u>	<u>(116,334)</u>
<b>Net book value as at December 31, 2015</b>	<b>15,805</b>	<b>5,681</b>	<b>13,423</b>	<b>2,308</b>	<b>37,217</b>
Depreciation rate (% per annum)	5	10	33.33	20	
	2014				
	Office premises- lease hold	Furniture and fixtures	Computers and office equipment	Motor vehicles	Total
----- (Rupees in '000) -----					
Cost	39,780	23,490	68,724	6,642	138,636
Accumulated depreciation	<u>(20,794)</u>	<u>(14,126)</u>	<u>(55,026)</u>	<u>(1,853)</u>	<u>(91,799)</u>
<b>Net book value at the beginning of the year</b>	<b>18,986</b>	<b>9,364</b>	<b>13,698</b>	<b>4,789</b>	<b>46,837</b>
<b>Changes during the year</b>					
Additions during the year	-	830	20,013	3,190	24,033
Disposals during the year					
– Cost	-	(165)	(4,200)	(4,533)	(8,898)
– Depreciation	-	133	4,034	785	4,952
	-	(32)	(166)	(3,748)	(3,946)
Adjustment during the year					
– Cost	-	-	(22)	-	(22)
– Depreciation	-	-	-	-	-
	-	-	(22)	-	(22)
Depreciation charge for the year	<u>(1,611)</u>	<u>(2,122)</u>	<u>(9,899)</u>	<u>(1,265)</u>	<u>(14,897)</u>
	<u>(1,611)</u>	<u>(1,324)</u>	<u>9,926</u>	<u>(1,823)</u>	<u>5,168</u>
<b>Net book value at the end of the year</b>	<b>17,375</b>	<b>8,040</b>	<b>23,624</b>	<b>2,966</b>	<b>52,005</b>
<b>Analysis of net book value</b>					
Cost	39,780	24,155	84,515	5,299	153,749
Accumulated depreciation	<u>(22,405)</u>	<u>(16,115)</u>	<u>(60,891)</u>	<u>(2,333)</u>	<u>(101,744)</u>
<b>Net book value as at December 31, 2014</b>	<b>17,375</b>	<b>8,040</b>	<b>23,624</b>	<b>2,966</b>	<b>52,005</b>
Depreciation rate (% per annum)	5	10	33.33	20	

## 7.1 Disposal of property and equipment

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

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss)	Particular of buyers	Mode of disposal
----- (Rupees in '000) -----							
<b>Office Equipment</b>							
Generator	297	135	161	60	(101)	JS Global Capital Limited	Negotiation
Air Conditioner	63	12	51	49	(2)	Shahid Rana (Ex-employee)	Negotiation
	<b>360</b>	<b>147</b>	<b>212</b>	<b>109</b>	<b>(103)</b>		
<b>The aggregate amount of property and equipment disposed off during the year having book value less than Rs. 50,000:</b>							
Computer and office equipment	1,797	1,455	342	384	42	Various	Negotiation
Furniture and fixtures	313	64	249	175	(74)	Various	Negotiation
<b>2015</b>	<b>2,470</b>	<b>1,667</b>	<b>803</b>	<b>668</b>	<b>(135)</b>		
<b>2014</b>	<b>8,898</b>	<b>4,952</b>	<b>3,946</b>	<b>4,941</b>	<b>995</b>		

## 8. INTANGIBLE ASSETS

2015

	Computer software	Membership of PMEL	Rooms at PSX (Note 8.1)	Booths at PSX	Membership of PSX (Note 8.2)	Total
----- (Rupees in '000) -----						
Cost	8,575	750	5,804	950	1,350	17,429
Accumulated amortization	(8,575)	-	-	-	-	(8,575)
<b>Net book value at the beginning of the year</b>	<b>-</b>	<b>750</b>	<b>5,804</b>	<b>950</b>	<b>1,350</b>	<b>8,854</b>
Addition during the year	1,287	-	-	-	-	1,287
Amortization for the year	(260)	-	-	-	-	(260)
Transfer during the year	-	-	(5,804)	-	-	(5,804)
<b>Net book value at the end of the year</b>	<b>1,027</b>	<b>750</b>	<b>-</b>	<b>950</b>	<b>1,350</b>	<b>4,077</b>
<b>Analysis of Net Book Value</b>						
Cost	9,862	750	-	950	1,350	12,912
Accumulated amortization	(8,835)	-	-	-	-	(8,835)
<b>Net book value as at December 31, 2015</b>	<b>1,027</b>	<b>750</b>	<b>-</b>	<b>950</b>	<b>1,350</b>	<b>4,077</b>
Amortization rate (% per annum)	33.33	-	-	-	-	-

**8.1** During the year, the Group has transferred its own operating properties, comprising room 93, 94 & 95 at Stock Exchange Building to Investment Properties, commencing from June 16, 2015.

**8.2** Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act), the ownership in a stock exchange has been segregated from right to trade on the Exchange. Accordingly, the Group has received equity shares of PSX and a Trading Right Entitlement Certificate (TREC) in lieu of its membership card of PSX. The Group's entitlement in respect of PSX's shares is determined on the basis of valuation of assets and liabilities of PSX as approved by the SECP and the Group has been allotted 4,007,383 shares of the face value of Rs 10/- each, out of which 2,404,430 shares are kept in the blocked account and the divestment of the same will be made in accordance with the requirements of the Act within two years from the date of Demutualization.

The cost / book value of the PSX membership card amounts to Rs. 4.95 million as at December 31, 2012. In absence of an active market of the shares of PSX and TREC, the allocation of the carrying value of the membership card between the shares (financial asset) and TREC (an intangible asset) has been made by the Group on the basis of the face value of ordinary shares and the TREC value assigned by the PSX for minimum capital requirement purpose applicable to the Stock Exchange brokers currently.

2014

	Computer software	Membership of PMEL	Rooms at PSX	Booths at KSE	Membership of PSX	Total
----- (Rupees in '000) -----						
Cost	8,575	750	5,804	950	1,350	17,429
Accumulated amortization	(8,575)	-	-	-	-	(8,575)
<b>Net book value at the beginning of the year</b>	<b>-</b>	<b>750</b>	<b>5,804</b>	<b>950</b>	<b>1,350</b>	<b>8,854</b>
<b>Net book value at the end of the year</b>	<b>-</b>	<b>750</b>	<b>5,804</b>	<b>950</b>	<b>1,350</b>	<b>8,854</b>
<b>Analysis of Net Book Value</b>						
Cost	8,575	750	5,804	950	1,350	17,429
Accumulated amortization	(8,575)	-	-	-	-	(8,575)
<b>Net book value as at December 31, 2014</b>	<b>-</b>	<b>750</b>	<b>5,804</b>	<b>950</b>	<b>1,350</b>	<b>8,854</b>
Amortization rate (% per annum)	33.33	-	-	-	-	-

	Note	2015	2014
----- (Rupees in '000) -----			
<b>9. INVESTMENT PROPERTIES</b>			
<b>Net book value as at the beginning of the year</b>		-	-
Additions (at cost)		-	-
Transfer during the year	9.1	5,804	-
		5,804	-
Depreciation charge for the year		(158)	-
<b>Net book value at the end of the year</b>		5,646	-
<b>Analysis of Net Book Value</b>			
Cost		5,804	-
Accumulated depreciation		(158)	-
<b>Net book value at the end of the year</b>		5,646	-
Depreciation rate (% per annum)		5	5
<b>9.1</b>	Investment properties comprise of Room No. 93, 94 and 95, first floor, Pakistan Stock Exchange Building, off I.I. Chundrigar Road, Karachi. The said property was rented out to a BankIslami Pakistan Limited (the Parent Company) till September 2015 and subsequently rented out to a third party under operating lease. The fair value of these properties in aggregate amounts to Rs. 24 million (2014: Rs. 27 million) as at year end on the basis of valuation carried out by M/s. Akbani and Javed Associates on October 15, 2015. The rental income received from Parent Company and Third party amounted to Rs. 3.8 million and Rs. 0.51 million respectively.		
<b>10. ADVANCE AGAINST PURCHASE OF PROPERTY</b>			
Advance paid for purchase of land -at Korangi Housing Scheme		375,000	375,000
Less: provision		(375,000)	-
	10.1	-	375,000
<b>10.1</b>	The Group had given advance against purchase of property of Rs. 375 million through Structured Venture (Pvt.) Limited (SVPL) (which was being developed as a Housing Scheme (the 'Project') by Noor Developer (Private) Limited (the 'Developer'), the majority shareholder of which is Mr. Arif Ali Shah Bukhari. This amount includes development charges of Rs. 75 million paid to the Developer. The Developer had communicated in the previous years that the Project was pending final approval from the Cantonment Board Korangi Creek (CBKC) for last few years due to modification and revision required by the CBKC in the Project.  During the year 2015, the Developer canceled provisional booking vide its letter dated June 15, 2015 and in response, the Group has filed legal suit for specific performance, declaration, injunction, partition and damages in the Sindh High Court.  In addition to the above, as per CBKC letter to Military Lands & Cantonments dated July 04, 2011, the land on which provisional booking was made is not eligible for the type of allotment made to the Group as per Sale Agreement dated November 10, 2010 between the Group and the Developer. Further, the development work on the Project, as communicated by the Developer vide their letter dated December 28, 2013, has also not been undertaken.  Moreover, verification from the Registrar of Housing Society has revealed that no record exists for the said Project, namely Noor Town, situated at survey number 288, 289 and 290 at Deh Korangi Township Karachi. Prima facie a fraud was committed with SVPL, for which pending completion of investigation, criminal action may be initiated apart from civil proceedings which have already been initiated by SVPL. The Board of SVPL, in its meeting held on March 25, 2016 decided to file a criminal complaint against Noor Developers (Private) Limited to the concerned department.  Considering the facts stated above, the history of this transaction and legal implications, the Group as a matter of prudence, has decided to fully provide this amount.		
<b>11. LONG TERM INVESTMENTS</b>			
'Available-for-sale' investments	11.1	582,033	418,049

**11.1 Description of 'available-for-sale' investments**

2015		2014		2015		2014	
Number of shares	Name of the Investee Company	Note	Cost	Carrying value	Cost	Carrying value	
<b>Quoted shares</b>							
-	19,858,649	KASB Bank Limited	11.1.1 & 11.1.5	-	-	21,844	39,519
<b>Unquoted shares</b>							
4,007,383	4,007,383	Pakistan Stock Exchange Limited	11.1.2	3,595	3,595	3,595	3,595
3,370	3,370	Al Jomaih Power Limited	11.1.3 & 11.1.5	184,197	578,438	184,197	299,935
		New Horizon Exploration and Production Limited (related party)	11.1.4				
25,000,000	25,000,000	Class 'A' ordinary shares		25,000	-	25,000	25,000
10,000,000	10,000,000	Class 'B' ordinary shares		50,000	-	50,000	50,000
				75,000	-	75,000	75,000
				<b>262,792</b>	<b>582,033</b>	<b>284,636</b>	<b>418,049</b>

11.1.1 The Federal Government, in terms of the provisions of Section 47 of the Banking Companies Ordinance, 1962 had sanctioned a Scheme of Amalgamation of KASB Bank Limited with and into BankIslami Pakistan Limited with effect from May 07, 2015. In terms of the said Scheme of Amalgamation, the Group's shares in KASB Bank Limited stand cancelled and retired. Further, in terms of the said Scheme of Amalgamation, the shareholders of the KASB Bank Limited, shall receive a compensation / consideration of Rs. 1,000/- for the entire shareholding of the KASB Bank Limited in proportion to their shareholding. The Group has recorded full impairment against its investment in the KASB Bank Limited as at December 31, 2015.

11.1.2 The Group's entitlement in respect of PSX's shares is determined on the basis of valuation of assets and liabilities of PSX as approved by the SECP and the Group has been allotted 4,007,383 shares of the face value of Rs. 10/- each, out of which 2,404,430 shares are kept in the blocked account and the divestment of the same will be made in accordance with the requirements of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 [the Act] within two years from the date of promulgation of the Act.

11.1.3 The Group's investment in unquoted shares of Al Jomaih Power Limited are valued at its fair value as at year end base on the net assets value of the investee Company as at December 31, 2015.

11.1.4 During the year, the management has carried out impairment testing of its investment in New Horizon Exploration and Production Limited (NHEPL), as required by IAS 36 - "Impairment of Assets". The recoverable amount of investment has been estimated using "Value in use" approach. In considering the impairment, various business assumptions for estimating cash flows have been used, which includes but are not limited to, historical performance of the investment, development and production activity in NHEPL's working interests, recoverability of future cash flows from the investment etc. Based on such analysis, the Group has fully impaired its investment in NHEPL and an impairment loss of Rs. 75 million has been recognised in these financial statements."

	Note	2015	2014
<b>11.1.5 Unrealized gain/ (loss) on re-measurement of 'available-for-sale' investments - net</b>			
----- (Rupees in '000) -----			
KASB Bank Limited	11.1.1	(17,675)	1,390
Al Jomaih Power Limited	11.1.3	278,503	(21,507)
		<b>260,828</b>	<b>(20,117)</b>

**12. LONG-TERM LOANS AND ADVANCES - Considered good**
**Loans and advances to:**

Employees		923	2,786
Executives		880	6,370
		<b>1,803</b>	<b>9,156</b>
Current maturity shown in current assets	12.1	(1,355)	(4,917)
	17	<b>448</b>	<b>4,239</b>

12.1 This represents loans and advances given to executives and employees for general purpose cash advance in accordance with their terms of employment. These loan and advances carry mark-up at the rate of 12% (2014: 12%) per annum and are recovered through deduction from salaries over varying periods upto a maximum period of 120 months. The general purpose loans and advances are secured against staff provident fund balance.

	Note	2015	2014
----- (Rupees in '000) -----			
<b>13. LONG-TERM DEPOSITS AND PREPAYMENTS</b>			
<b>Deposits with:</b>			
- Pakistan Stock Exchange Limited		7,060	262
- National Clearing Company of Pakistan Limited		300	350
- Pakistan Mercantile Exchange Limited		2,500	2,500
- Central Depository Company of Pakistan Limited		200	200
- Rent deposits		1,025	1,485
- Others		1,562	1,632
		12,647	6,429
<b>Prepayments</b>		21	14
		<b>12,668</b>	<b>6,443</b>

<b>14. DEFERRED TAX ASSET - NET</b>			
Deferred tax asset at the beginning of the year		37,178	39,182
Reversal / (charge) for the year		13,593	(2,004)
		<b>51,131</b>	<b>37,178</b>

<b>15. SHORT-TERM INVESTMENTS</b>			
<b>'At fair value through profit or loss' - held for trading</b>			
- Listed shares	15.1	28,531	11,156
- Term finance certificates	15.2	-	7,491
		<b>28,531</b>	<b>18,647</b>

15.1 LISTED SHARES								
2015	2014	2015			2014			
Number of shares	Name of Investee Company	Note	Cost	Carrying value	Cost	Carrying value		
----- (Rupees in '000) -----								
10,000	-		619	601	-	-		
20,000	-		1,600	1,804	-	-		
7,200	-		992	1,063	-	-		
10,800	-		921	908	-	-		
7,900	-		2,122	2,207	-	-		
1,000	-		1,013	1,012	-	-		
5,100	-		993	1,228	-	-		
500	-		4	4	-	-		
4,900	-		2,433	2,426	-	-		
10,200	-		5,819	7,111	-	-		
10,000	-		771	697	-	-		
4,000	-		902	892	-	-		
-	2,500		-	-	582	515		
21,500	-		1,458	1,345	-	-		
18,900	19,300		6,941	5,065	9,701	7,322		
17,800	13,800		2,407	2,168	3,003	2,436		
-	5,000		-	-	955	883		
		15.1.1	<b>28,995</b>	<b>28,531</b>	<b>14,241</b>	<b>11,156</b>		

15.1.1 This includes shares with carrying value of Rs. 26 million (2014: Rs. 11.16 million) which has been pledged with PSX against exposure margin.

#### 15.2 Term Finance Certificates

2015	2014	2015			2014	
Number of certificates	Name of investee Company	Note	Cost	Carrying value	Cost	Carrying value
----- (Rupees in '000) -----						
10,000	10,000	Pace Pakistan Limited	15.2.1	45,369	-	45,369
		(Face value of Rs. 5,000 each)				7,491



**15.2.1** The above TFCs are secured and carry mark-up at the rate of 6 months KIBOR +2% and will mature on February 15, 2017. These TFCs are currently rated as 'non-performing' by the Mutual Funds Association of Pakistan. The purchase cost of the TFCs amounts to Rs. 45.37 million and the Group on the basis of prudence, has fully impaired the investment of Rs. 45.37 million (2014: Rs. 37.88) million we improved as at December 31, 2015.

	Note	2015	2014
----- (Rupees in '000) -----			

**15.3 Unrealised loss on re-measurement of investments - net**

Listed shares	15.1	<u>(464)</u>	<u>(3,085)</u>
---------------	------	--------------	----------------

**16. TRADE DEBTS**

Receivable against purchase of marketable securities - net of provision	16.1 & 16.2	<u>116,257</u>	63,321
Inter-bank brokerage		<u>4,938</u>	4,324
Fees		<u>605</u>	372
		<u>121,800</u>	<u>68,017</u>

**16.1 Considered good**

Secured		<u>93,403</u>	27,878
Unsecured		<u>2,404</u>	3,173
		<u>95,807</u>	31,051

**Considered doubtful**

Less: Provision for doubtful debts	16.3	<u>138,491</u>	151,388
		<u>(118,041)</u>	(119,118)
		<u>116,257</u>	<u>63,321</u>

**16.2** This includes receivable from NCCPL amounting to Rs. 10.29 million (2014: Rs. 16.27 million) in respect of trading in securities settled subsequent to the year end.

**16.3 Reconciliation of provisions against trade debts**

Opening balance		<u>119,118</u>	120,188
Reversal of provision during the year		<u>(1,077)</u>	(1,070)
		<u>118,041</u>	<u>119,118</u>

**16.3.1** Provisions against doubtful debts has been made after considering the market value of listed shares amounting to Rs. 20.45 million (2014: Rs. 32.27 million) held in custody by the Group against respective customer accounts.

**17. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

**Advances to:**

– Suppliers		<u>3,143</u>	2,491
– Current portion of long-term loans and advances to employees and executives		<u>1,355</u>	4,917
		<u>4,498</u>	7,408

	Note	2015	2014
----- (Rupees in '000) -----			
<b>Deposits:</b>			
– Exposure deposit with - PSX		121,555	212,815
– Exposure deposit with - NCCPL		796	-
– Exposure deposit with - PMEL		832	941
		<b>123,183</b>	<b>213,756</b>
<b>Prepayments:</b>			
– Rent		2,929	3,087
– Insurance		984	299
– Software development and maintenance		639	376
– Others		1,719	3,048
		<b>6,271</b>	<b>6,810</b>
<b>Other receivables:</b>			
– Dividends		-	6
– Profit on bank deposits		3,810	945
– Profit on exposure deposit with - PSX		483	2,069
– Receivable against margin finance		60,882	-
– Receivable from related parties	17.1	-	2,190
– Others		209	1,166
		<b>65,384</b>	<b>6,376</b>
		<b>199,336</b>	<b>234,350</b>
<b>17.1 Receivables from related parties comprises of:</b>			
KASB Funds Limited		-	166
BankIslami Pakistan Limited - (the Parent Company)		-	2,024
		-	2,190
<b>18. CASH AND BANK BALANCES</b>			
<b>Cash at bank in:</b>			
– Current accounts		4,277	128,544
– Current accounts - Client		10	146,054
– Saving accounts - Client	18.1	379,984	367,985
– Saving accounts	18.1	164,903	13,404
	18.2	<b>549,174</b>	<b>655,987</b>
Cash in hand		-	7
Stamps in hand		7	6
		<b>549,181</b>	<b>656,000</b>

**18.1** These carry profit at rates ranging from 2.5% to 8.75% (2014: 1.25% to 9.25%) per annum.

**18.2** This includes Rs. 394.50 million (2014: Rs. 374.47 million) with BankIslami Pakistan Limited (the Parent Company).

## 19. SHARE CAPITAL

### 19.1 Authorised Capital

2015	2014		2015	2014
----- (Number of shares) -----				
<u>200,000,000</u>	<u>200,000,000</u>	Ordinary shares of Rs. 10 each	<u>2,000,000</u>	<u>2,000,000</u>

		Note	2015	2014
			----- (Rupees in '000) -----	
<b>19.2 Issued, subscribed and paid-up share capital</b>				
<b>89,867,900</b>	89,867,900	Ordinary shares of Rs. 10 each fully paid-up in cash	<b>898,679</b>	898,679
<b>10,132,100</b>	10,132,100	Ordinary shares of Rs. 10 each fully paid-up as part of the Scheme of Arrangement	<b>101,321</b>	101,321
<b><u>100,000,000</u></b>	<u>100,000,000</u>		<b><u>1,000,000</u></b>	<u>1,000,000</u>

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

	2015		2014	
	Share held	Percentage	Share held	Percentage
BankIslami Pakistan Limited	<b>77,117,500</b>	<b>77.118%</b>	77,117,500	77.118%
BankIslami Pakistan Limited - Employees Provident Fund Trust	<b>400,000</b>	<b>0.400%</b>	400,000	0.400%
KASB Securities Limited - Employees Provident Fund Trust	<b>32,000</b>	<b>0.032%</b>	32,000	0.032%
KASB Funds PS Limited - Employees Provident Fund Trust	<b>3,000</b>	<b>0.003%</b>	3,000	0.003%
KASB Corporation Limited	-	<b>0.000%</b>	700,000	0.700%
Key Management Personnel	<b>3,500</b>	<b>0.004%</b>	3,700	0.004%
	<b><u>77,556,000</u></b>	<b><u>77.557%</u></b>	<u>78,256,200</u>	<u>78.257%</u>

**20. LONG-TERM LOAN**

Long-term loan from BankIslami Pakistan Limited (the Parent Company)	20.1	<b><u>150,000</u></b>	<u>150,000</u>
----------------------------------------------------------------------	------	-----------------------	----------------

**20.1** This represents long-term loan obtained from the Parent Company (BIPL). The loan carried mark-up at the rate of 3 months KIBOR + 2.5% per annum and payable on quarterly basis from September 2013 to December 2016. The loan was secured by way of first pari passu hypothecation charge over all present and future current assets of the Group.

On Decemeber 31, 2015 the loan facility was restructured into islamic financing. As per the new agreement the loan is secured by way of First Exclusive Charge over all commerical properties of the Company (musharika assets). The loan is payable as a bullet payment in December 2020. BIPL is entitled to rental payments for use of musharika assets. Rental payments are calculated to provide return equal to 3 months KIBOR + 3% per annum payable on quarterly basis from March 2016 to December 2020.

**21. TRADE AND OTHER PAYABLES**

Trade creditors	21.1	<b>443,525</b>	455,170
Accrued expenses	21.2	<b>73,502</b>	96,850
Withholding tax		<b>21,948</b>	26,384
Unclaimed dividends		<b>609</b>	609
Dividend payable		<b>793</b>	798
Others		<b>1,427</b>	1,390
		<b><u>541,804</u></b>	<u>581,201</u>

**21.1** This includes payable to NCCPL amounting to Rs. 0.36 million (2014: Nil) in respect of trading in securities settled subsequent to the year end.

**21.2** This includes payable to related parties amounting to Rs. 2.77 million (2014: Rs. 3.45 million).

**22. ACCRUED MARK-UP**

Mark-up accrued on:			
- BankIslami Pakistan Limited (the Parent Company)		<b><u>37</u></b>	<u>52</u>

### 23. CONTINGENCIES AND COMMITMENTS

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

	Note	2015	2014
----- (Rupees in '000) -----			
<b>24. OPERATING REVENUE</b>			
Brokerage		242,165	505,794
Subscription research income		1,079	1,858
Financial advisory fee		-	2,045
Custody services		2,797	5,152
		<u>246,041</u>	<u>514,849</u>
<b>25. NET GAIN ON SALE OF INVESTMENTS 'AT FAIR VALUE THROUGH PROFIT OR LOSS'</b>			
Listed shares		4,788	(6,726)
Debt securities		41,214	36,315
Open ended mutual funds		224	27,971
Commodities		-	(7,764)
		<u>46,226</u>	<u>49,796</u>
<b>26. MARK-UP / PROFIT ON BANK DEPOSITS, INVESTMENTS AND OTHER RECEIVABLES</b>			
Profit on bank deposits		57,962	47,908
Profit on Term Finance Certificates		-	686
Profit on long-term receivable		-	3,338
Margin Finance Income		2,081	-
		<u>60,043</u>	<u>51,932</u>
<b>27. OPERATING AND ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and other benefits	27.1	207,476	266,527
Staff training and development		22	564
Rent, rates and taxes		11,430	36,929
Insurance charges		387	475
Depreciation	27.2	16,415	14,897
Amortization- Intangible Assets	8	260	-
Repairs and maintenance		7,683	13,039
Power and utilities		13,736	14,855
Communication		14,409	13,694
Trading Costs		13,405	22,275
Information technology Related cost		10,329	14,786
Fees and subscription		6,795	5,295
Director fee		3,120	1,740
Printing and stationery		2,846	3,032
Papers and periodicals		99	166
Advertisement and business promotion		279	689
Sales and marketing		4,634	5,609
Travelling and conveyance		2,103	4,693
Entertainment		850	1,017
Brokerage expense		53,834	29,834
Legal and professional charges		3,045	8,473
Auditor's remuneration	27.3	1,131	1,252
Stamp charges		14	3
Donations	27.4	100	1,850
Workers' welfare Fund		-	2,647
Kitchen expenses		1,727	2,027
Profit - paid to Clients	27.5	18,429	-
Others		639	187
		<u>395,197</u>	<u>466,555</u>

27.1 Salaries, allowances and benefits include Group's contribution to provident fund amount to Rs. 6.45 million (2014: Rs. 6.97 million).

	Note	2015	2014
----- (Rupees in '000) -----			
<b>27.2 Depreciation</b>			
Property and equipment	7	16,257	14,897
Investment properties	9	158	-
		<u>16,415</u>	<u>14,897</u>
<b>27.3 Auditor's Remuneration</b>			
Statutory audit fee		630	699
Half-yearly review fee and other certifications		383	438
Out of pocket expenses		118	115
		<u>1,131</u>	<u>1,252</u>

27.4 Donation were not made to any donee fund in which any director of the Group or his spouse had any interest.

## 28. IMPAIRMENT ON 'AVAILABLE FOR SALE' INVESTMENTS

KASB Bank Limited	11.1.1	21,844	-
New Horizon Exploration and Production Ltd. (Related Party)	11.1.4	75,000	-
		<u>96,844</u>	<u>-</u>

## 29. FINANCE COST

Mark-up on:			
- Short-term borrowing (the related party)		493	-
- Short term running finance		-	1,654
- Long-term loan (the Parent Company)		15,446	16,197
- Repurchase transaction		-	607
Bank charges		327	2,582
		<u>16,266</u>	<u>21,040</u>

## 30. OTHER INCOME

(Loss) / gain on disposal of properties and equipments		(135)	995
Rental income		4,310	4,560
Others		672	1,114
		<u>4,847</u>	<u>6,669</u>

## 31. TAXATION

Current			
- for the year		(26,465)	(39,482)
- for prior year		(9,237)	20,448
Deferred		13,953	(2,004)
		<u>21,749</u>	<u>(21,038)</u>

### 31.1 Relationship between tax expense and accounting (loss) / profit

In the view of tax loss for the year, provision for minimum tax has been made in accordance with Section 113 of Income Tax Ordinance, 2001. Therefore, relationship between tax expense and accounting profit has not been presented for the current year.

## 32. (LOSS) / EARNINGS PER SHARE

(Loss) / profit after taxation attributable to ordinary shareholders		<u>(512,919)</u>	<u>108,676</u>
		----	----
		(Number of shares)	
Weighted average number of ordinary shares		<u>100,000,000</u>	<u>100,000,000</u>
		-----	-----
		(Rupees)	
<b>(Loss) / earnings per share - basic and diluted</b>		<u>(5.13)</u>	<u>1.09</u>

Diluted earnings per share has not been presented as the Company did not have any convertible instruments in issue as at December 31, 2015 and December 31, 2014 which could have any effect on the earnings per share.

### 33. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Group are as follows:

	2015			2014		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	----- (Rupees in '000) -----					
Managerial remuneration	10,352	5,687	127,319	19,796	14,436	89,798
Performance incentive	-	8,500	-	-	-	-
Fee (note 33.2)	-	3,120	-	-	1,740	-
Reimbursable expenses	34	-	-	27	151	-
Contribution to provident fund	223	271	3,742	806	623	3,276
	<u>10,609</u>	<u>17,578</u>	<u>131,061</u>	<u>20,629</u>	<u>16,950</u>	<u>93,074</u>
Number of persons	<u>3</u>	<u>11</u>	<u>53</u>	<u>1</u>	<u>6</u>	<u>53</u>

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

33.2 The fee was paid to the Directors for attending the Board of Directors meeting, Audit Committee and HR & R committee meetings of the Group.

33.3 As per the requirement of Research Analyst Regulations, following are the details of Research Analyst employed by the Group;

	2015	2014
	----- (Rupees in '000) -----	
Managerial remuneration	<u>6,942</u>	<u>3,604</u>

The Research Analyst reports directly to the Chief Executive Officer. However his remuneration is ascertained by Human Resource and Remuneration Committee.

33.4 The changes in CEO and Directors' offices during the year have been disclosed in the Statement of Compliance with the Code of Corporate Governance.

### 34. RELATED PARTY TRANSACTIONS

The related parties of the Group comprise of BankIslami Pakistan Limited (the Parent company), associated undertakings including companies under common directorship), employee benefit plans and its key management personnel. The balances with related parties as at December 31, 2015 and December 31, 2014 and transactions with related parties during the year ended December 31, 2015 and December 31, 2014 are as follows:

	2015				
	Parent Company	Subsidiary / associates	Key management personnel	Others	Total
----- (Rupees in '000) -----					
<b>BALANCES</b>					
Long-term deposits	-	142	-	-	142
Trade debts	16	10	18	9	53
Profit receivable on bank deposit	2,124	-	-	-	2,124
Bank balances	392,494	-	-	-	392,494
Trade payables	-	-	2,169	4	2,173
Long-term loan	150,000	-	-	-	150,000
Payable against expenses	2,763	9	-	-	2,772
Prepaid Rent	80	-	-	-	80
Accrued mark-up	37	-	-	-	37

	2014				
	Parent Company	Subsidiary / associates	Key management personnel	Others	Total
----- (Rupees in '000) -----					
<b>BALANCES</b>					
Long-term deposits	-	142	-	-	142
Trade debts	10	33	50	61	154
Profit receivable on bank deposit	90	-	-	-	90
Receivable against expenses	2,024	166	-	7	2,197
Bank balances	374,470	-	-	-	374,470
Trade payables	-	-	2,098	-	2,098
Long-term loan	150,000	-	-	-	150,000
Payable against expenses	294	3,157	-	-	3,451
Prepaid Rent	533	-	-	-	533
Accrued mark-up	52	-	-	-	52



	2015				
	Parent Company	Subsidiary / associates	Key management personnel	Others	Total
----- (Rupees in '000) -----					
<b>TRANSACTIONS</b>					
<b>Income</b>					
Brokerage income earned	-	-	616	120	736
Custody services	6	54	60	-	120
Profit on bank deposits	26,354	-	-	-	26,354
Rental income	3,800	-	-	-	3,800
<b>Expenses</b>					
Bank charges	134	-	-	-	134
Charge in respect of contributory plan	-	-	-	6,450	6,450
Communication expenses	1,108	5,802	-	-	6,910
Locker rent	4	-	-	-	4
Mark-up expense	15,446	-	-	493	15,939
Reimbursement of expenses	372	1,278	389	-	2,039
Rent expense	933	-	-	-	933
<b>Other transactions</b>					
Loans disbursed	-	-	345	-	345
Loans repayment	-	-	3,508	-	3,508
Short-term borrowing	-	-	-	50,000	50,000
Short-term borrowing repaid	-	-	-	50,000	50,000
-----					
	2014				
	Parent Company	Subsidiary / associates	Key management personnel	Others	Total
----- (Rupees in '000) -----					
<b>TRANSACTIONS</b>					
<b>Income</b>					
Brokerage income earned	309	2	600	283	1,194
Custody services	5	125	412	-	542
Profit on bank deposits	37,089	-	-	-	37,089
Rental income	4,560	-	-	-	4,560
Others	488	-	-	-	488
<b>Expenses</b>					
Bank charges	527	-	-	-	527
Charge in respect of contributory plan	-	-	-	6,969	6,969
Communication expenses	-	7,050	-	-	7,050
Donation	-	-	-	1,700	1,700
Locker rent	4	-	-	-	4
Mark-up expense	16,640	-	-	691	17,331
Reimbursement of expenses	1,631	4,376	1,358	47	7,412
Rent expense	1,462	-	-	-	1,462
<b>Other transactions</b>					
Loans disbursed	-	-	5,175	-	5,175
Loans repayment	-	-	2,417	-	2,417
Mutual Funds bonus units issued	-	-	-	8,719	8,719
Mutual Funds units purchased	-	-	-	125,000	125,000
Mutual Funds units redeemed	-	-	-	243,089	243,089
Short-term borrowing	-	-	-	100,000	100,000
Short-term borrowing repaid	-	-	-	100,000	100,000

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

### 35. PROVIDENT FUND RELATED DISCLOSURE

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

	Note	2015 ----- (Rupees in '000) -----	2014
Size of the fund - Total assets		<u>77,851</u>	<u>78,284</u>
Cost of investments made		<u>63,661</u>	<u>46,856</u>
Percentage of investments made		<u>91%</u>	<u>67%</u>
Fair value of investments	35.1	<u>70,714</u>	<u>52,748</u>

#### 35.1 Break-up value of fair value of investments is:

	2015		2014	
	(Rs. in '000)	%	(Rs. in '000)	%
Government securities	<u>51,281</u>	<u>72.52%</u>	49,862	94.53%
Term deposits	<u>19,203</u>	<u>27.16%</u>	2,521	4.78%
Listed shares	<u>230</u>	<u>0.32%</u>	365	0.69%
	<u>70,714</u>	<u>100.00%</u>	<u>52,748</u>	<u>100.00%</u>

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

### 36. NUMBER OF EMPLOYEES

The average and total number of employees during the year and as at December 31, 2015 and December 31, 2014 respectively are as follows:

	2015	2014
	---Number of employees---	
Average number of employees during the year	<u>158</u>	<u>161</u>
Total number of employees as at year end	<u>142</u>	<u>159</u>

### 37. FINANCIAL INSTRUMENTS

#### 37.1 Market risk

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

##### (i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. As of the balance sheet date, the Group is exposed to such risk mainly in respect of bank balances. 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. 5.25 million (2014: Rs. 3.34 million) and a 1% decrease would result in decrease in the Group's total comprehensive income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

##### (ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of change in foreign exchange rates relates only to the investment in Al Jomaih Power Limited maintained in US dollars amounting to Rs. 578.44 million (2014: Rs. 299.94 million) [US dollars 5.53 million (2014: US dollars 2.99 million)].

Management of the Group estimates that 10% increase in the exchange rate between US dollars and Pak Rupees will increase the comprehensive income of the Group by Rs. 57.84 million (2014: Rs. 29.99 million) and 10% decrease in the exchange rate would result in decrease in comprehensive income of the Group by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

### (iii) Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The Group is exposed to price risk because of investments held by the Group and classified on the balance sheet as investments at fair value through profit or loss and available-for-sale investments. The management believes that 10% increase or decrease in the value of investments '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. 2.86 (2014: Rs. 1.12 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. Nil (2014: 3.95 million).

### 37.2 Liquidity risk

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

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

	2015				Total
	On Demand	Upto three months	More than three months and upto one year	More than one year	
	(Rupees in '000)				
Long-term loan	-	-	-	150,000	150,000
Trade and other payables	518,454	-	-	-	518,454
Accrued mark-up	37	-	-	-	37
	<u>518,491</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>668,491</u>
	2014				
	On Demand	Upto three months	More than three months and upto one year	More than one year	Total
	(Rupees in '000)				
Long-term loan	-	-	-	150,000	150,000
Trade and other payables	553,410	-	-	-	553,410
Accrued mark-up	52	-	-	-	52
	<u>553,462</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>703,462</u>

### 37.3 Credit risk

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

	2015	2014
	(Rupees in '000)	
Trade debts	234,298	182,439
Bank balances (see note 37.3.2)	549,174	655,987
Long-term loans and advances	1,803	9,156
Long-term deposits and prepayments	12,668	6,443
Advances, deposits, prepayments and other receivables	197,981	229,433
	<u>995,924</u>	<u>1,083,458</u>

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

	2015	2014
	----- (Rupees in '000) -----	
Debts past due but not impaired	101,350	35,747
Debts impaired - net of provision	20,450	32,270
	<u>121,800</u>	<u>68,017</u>

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

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

A1	392,494	294,512
A1+	156,629	31,895
A-1+	-	60
P-1	-	50
P-2	51	-
C	-	374,470
	<u>549,174</u>	<u>655,987</u>

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

**38. CAPITAL RISK MANAGEMENT**

The Group's objectives when managing capital include :

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

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

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

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

**39. FAIR VALUE OF FINANCIAL 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.

### 39.1 Financial Assets Fair Value Hierarchy

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

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

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

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

As at December 31, 2015 the Group held the following financial instruments measured at fair value:

	2015			
	Total	Level 1	Level 2	Level 3 (note 39.1.1)
	----- (Rupees in '000) -----			
Investments 'available-for-sale'	578,438	-	-	578,438
Investment 'at fair value through profit or loss' - held for trading	28,531	28,531	-	-
	<u>606,969</u>	<u>28,531</u>	<u>-</u>	<u>578,438</u>

	2014			
	Total	Level 1	Level 2	Level 3 (note 39.1.1)
	----- (Rupees in '000) -----			
Investments 'available-for-sale'	339,454	39,519	-	299,935
Investment 'at fair value through profit and loss' - held for trading	18,647	11,156	-	7,491
	<u>358,101</u>	<u>50,675</u>	<u>-</u>	<u>307,426</u>

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

	2015	2014
	----- (Rupees in '000) -----	
Opening balance	307,426	333,992
Additions during the year	278,503	-
Provision for impairment	(7,491)	(5,059)
Investment disposed of during the year	-	(21,507)
Closing balance	<u>578,438</u>	<u>307,426</u>

### 40. DATE OF AUTHORISATION

These financial statements have been authorised for issue by the Board of Directors of the Group on April 06, 2016.

### 41. GENERAL

41.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparisons. The major reclassification is as follows;

Reclassified from	Reclassified to	Rupees in '000
Investment property	Advance against purchase of property	375,000

41.2 Figures have been rounded off to the nearest thousand rupee.

----- Sd -----

Chairman

----- Sd -----

Chief Executive Officer

## PATTERN OF SHAREHOLDINGS

Number of Shareholders	Shareholding From	To	Total number of Shares held	Percentage %
749	1	100	9,881	0.0099%
3,735	101	500	826,568	0.8266%
274	501	1,000	216,406	0.2164%
193	1,001	5,000	445,403	0.4454%
45	5,001	10,000	353,886	0.3539%
12	10,001	15,000	147,698	0.1477%
6	15,001	20,000	107,900	0.1079%
3	20,001	25,000	74,000	0.0740%
2	30,001	35,000	65,000	0.0650%
1	40,001	45,000	42,300	0.0423%
2	45,001	50,000	100,000	0.1000%
3	50,001	55,000	160,025	0.1600%
1	60,001	65,000	62,521	0.0625%
1	65,001	70,000	65,232	0.0652%
2	70,001	75,000	147,553	0.1476%
1	75,001	80,000	75,918	0.0759%
1	105,001	110,000	110,000	0.1100%
1	115,001	120,000	117,609	0.1176%
1	130,001	135,000	131,000	0.1310%
1	160,001	165,000	164,500	0.1645%
1	165,001	170,000	166,100	0.1661%
1	220,001	225,000	224,500	0.2245%
1	395,001	400,000	400,000	0.4000%
1	495,001	500,000	500,000	0.5000%
1	695,001	700,000	700,000	0.7000%
1	805,001	810,000	808,000	0.8080%
1	995,001	1,000,000	1,000,000	1.0000%
1	1,120,001	1,125,000	1,121,500	1.1215%
1	2,660,001	2,665,000	2,660,500	2.6605%
2	6,495,001	6,500,000	13,000,000	13.0000%
1	75,995,001	76,000,000	75,996,000	75.9960%
<u>5,046</u>			<u>100,000,000</u>	<u>100%</u>

Shareholders' Category	Number of Shareholders	Number of Shares held	Percentage %
Directors, CEO & Children	7	4,750	0.0048%
Associated Companies	3	435,000	0.4350%
Banks, DFI & NBFII	2	77,117,500	77.1175%
Individual	5,023	21,562,149	21.5621%
Others	11	880,601	0.8806%
	<u>5,046</u>	<u>100,000,000</u>	<u>100%</u>

Includes 2,241 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.	<b>Associated Companies and Related Parties</b>		
	Bankislami Pakistan Limited	2	77,117,500
	Bankislami Pakistan Limited - Employees Provident Fund Trust	1	400,000
	KASB Funds Ps Limited - Employees Provident Fund Trust	1	3,000
	KASB Securities Limited - Employees Provident Fund Trust	1	32,000
		<u>5</u>	<u>77,552,500</u>
2.	<b>Directors:</b>		
	Mansur-ur-Rehman Khan		
	Saeed Yousuf Chinoy	1	1,125
	Irfan Nadeem	1	1,000
	Saad Ahmed Madani	1	500
	Khawaja Ehrar ul Hassan	1	500
	Fahad Asad Khan	1	625
	Ms. Natasha Matin	1	500
		<u>7</u>	<u>4,750</u>
	Individual	5,023	21,562,149
	Others	<u>11</u>	<u>880,601</u>



## FORM OF PROXY SIXTEENTH 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 Sixteenth Annual General Meeting of the Company to be held

at Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue Clifton, Karachi on Saturday, April 30, 2016 at 11:30 am and / or any adjournment thereof.

As witness my / our hand / seal this \_\_\_\_\_ day of \_\_\_\_\_ 2016.

**Witnesses**

1. \_\_\_\_\_
2. \_\_\_\_\_

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

Signature on  
Five Rupees  
Revenue Stamp



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

**NOTES:**

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

AFFIX  
CORRECT  
POSTAGE

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

Dear Shareholder,

**Subject: DIVIDEND MANDATE FORM**

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

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

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

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

YES

NO

If yes than please provide the following information:

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

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

\_\_\_\_\_  
Signature of the member/shareholder

\*please attach attested copy

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



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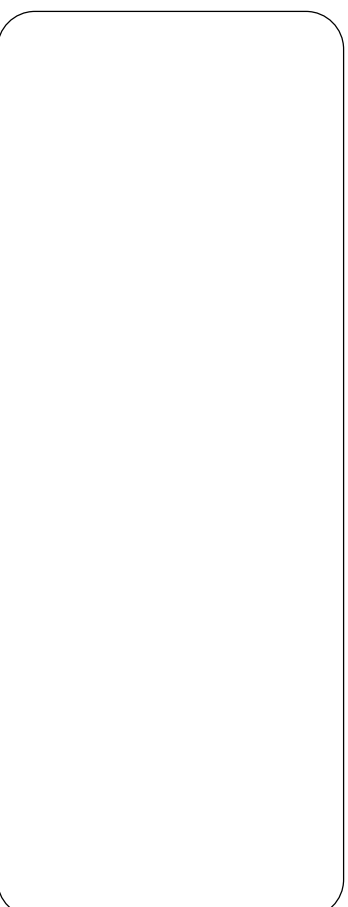
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