



Taurus Securities Limited

Financial Statements
For the year ended December 31,
2012



KPMG Taseer Hadi & Co.
Chartered Accountants
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Auditors' Report to the Members

We have audited the annexed Balance Sheet of **Taurus Securities Limited** ("the Company") as at December 31, 2012 and the related profit and loss account, statement of comprehensive income, 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 the 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;
- 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, statement of comprehensive income, 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, 2012 and of the profit, its cash flows and changes in equity for the year then ended; and



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

Date: 27 March 2013

Karachi

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

Taurus Securities Limited

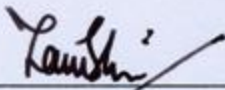
Balance Sheet

As at December 31, 2012

	Note	2012 ----- (Rupees) -----	2011 -----
ASSETS			
Non-Current Assets			
Property and equipment	4	17,219,974	8,570,465
Intangible assets	5	57,007	11,150,564
Investment in shares of Karachi Stock Exchange Limited	6	11,000,000	-
Long term loans	7	23,383	20,183
Long term deposits	8	1,073,408	1,193,585
Deferred tax asset - net	9	1,568,878	2,135,834
		<u>30,942,650</u>	<u>23,070,631</u>
Current Assets			
Trade debts	10	109,912,186	23,168,193
Loans and advances	11	1,163,626	1,038,416
Deposits, prepayments and other receivables	12	37,469,490	12,621,482
Accrued interest income	13	2,417,096	4,195,542
Investments	14	135,733,606	97,295,168
Receivable against margin trading		8,352,187	46,424,464
Taxation - net	15	2,381,671	3,942,672
Cash and bank balances	16	81,073,036	98,840,442
		<u>378,502,898</u>	<u>287,526,379</u>
		<u>409,445,548</u>	<u>310,597,010</u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Share capital	18	135,023,060	135,023,060
Reserves		153,576,048	142,610,511
		<u>288,599,108</u>	<u>277,633,571</u>
Unrealised gain on re-measurement of available-for-sale investments		105,478	-
		<u>288,704,586</u>	<u>277,633,571</u>
Current Liabilities			
Trade and other payables	19	120,740,962	32,963,439
		<u>409,445,548</u>	<u>310,597,010</u>
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 34 form an integral part of these financial statements.

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CHIEF EXECUTIVE


DIRECTOR

Taurus Securities Limited
Profit and Loss Account
For the year ended December 31, 2012

	2012	2011
Note	----- (Rupees) -----	-----
INCOME		
Brokerage and commission	70,945,560	38,889,510
Other operating income	27,564,096	27,343,030
	<u>98,509,656</u>	<u>66,232,540</u>
EXPENSES		
Administrative	(63,800,672)	(56,719,207)
Other operating	(661,755)	(177,316)
Reversal of impairment / (impairment) in value of investments	27,562	(91,833)
Finance cost	(987,031)	(555,710)
	<u>(65,421,896)</u>	<u>(57,544,066)</u>
PROFIT BEFORE TAXATION	<u>33,087,760</u>	<u>8,688,474</u>
Taxation	(9,970,148)	(2,380,984)
PROFIT FOR THE YEAR	<u><u>23,117,612</u></u>	<u><u>6,307,490</u></u>
Earnings per share - basic and diluted	<u><u>1.71</u></u>	<u><u>0.47</u></u>

The annexed notes 1 to 34 form an integral part of these financial statements.

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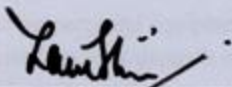
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DIRECTOR

Taurus Securities Limited
Statement of Comprehensive Income
For the year ended December 31, 2012

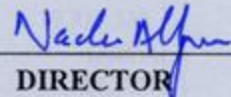
	2012	2011
	----- (Rupees) -----	
Profit for the year	23,117,612	6,307,490
<i>Other comprehensive income</i>		
Unrealised gain on re-measurement of available-for-sale investments	162,274	-
Deferred tax on re-measurement of available-for-sale investments	(56,796)	-
	105,478	-
Total comprehensive income for the year	23,223,090	6,307,490

The annexed notes 1 to 34 form an integral part of these financial statements.

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DIRECTOR

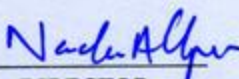
Taurus Securities Limited
Statement of Cash Flows
For the year ended December 31, 2012

	2012	2011
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	33,087,760	8,688,474
Adjustments for:		
Depreciation	3,475,491	2,894,134
Amortisation	93,557	120,199
(Gain) / loss on disposal of fixed assets	(24,200)	60,512
Finance cost	987,031	555,710
Profit on bank deposits and term deposit receipts	(16,136,892)	(22,098,368)
Unrealized (gain) / loss on investment at fair value through profit and loss	(455,848)	2,531,873
(Reversal) of impairment / impairment in value of investments	(27,562)	91,833
	<u>(12,088,423)</u>	<u>(15,844,107)</u>
Operating profit before working capital changes	20,999,337	(7,155,633)
(Increase) / decrease in operating assets :		
Trade debts	(86,743,993)	22,863,338
Loan and advances	(125,210)	33,338
Deposits, prepayments and other receivables	(24,848,008)	(10,609,055)
Receivable against margin trading	38,072,277	(46,424,464)
	<u>(73,644,934)</u>	<u>(34,136,843)</u>
	(52,645,597)	(41,292,476)
Increase / (decrease) in operating liabilities :		
Trade and other payables	87,777,523	(47,665,895)
Net Cash flows from operations	<u>35,131,926</u>	<u>(88,958,371)</u>
Tax paid	(7,898,987)	(5,437,989)
Financial charges paid	(987,031)	(555,710)
	<u>(8,886,018)</u>	<u>(5,993,699)</u>
Net cash flows from operating activities	26,245,908	(94,952,070)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments	(37,792,754)	(24,709,758)
Addition to property and equipment	(12,685,189)	(1,969,309)
Profit received on bank deposits and term deposit receipts	17,915,338	20,141,994
Long term loans to employees	(3,200)	49,532
Long term deposits received	120,177	724,983
Sale proceeds from disposal of property and equipment	584,389	772,230
Net cash used in investing activities	<u>(31,861,239)</u>	<u>(4,990,328)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(12,152,075)	-
Net decrease in cash and cash equivalents	(17,767,406)	(99,942,398)
Cash and cash equivalents at beginning of the year	98,840,442	198,782,840
Cash and cash equivalents at end of the year	<u>81,073,036</u>	<u>98,840,442</u>

The annexed notes 1 to 34 form an integral part of these financial statements.

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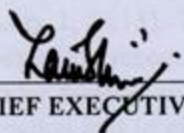

DIRECTOR

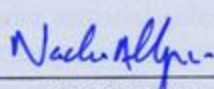
Taurus Securities Limited
Statement of Changes in Equity
For the year ended December 31, 2012

	Issued, subscribed and paid-up capital	Reserves	Unrealised gain on re-measurement of available-for-sale investments	Total
----- (Rupees) -----				
Balance as at January 1, 2011	135,023,060	136,303,021	-	271,326,081
Total comprehensive income for the year				
Profit for the year ended December 31, 2011	-	6,307,490	-	6,307,490
Balance as at December 31, 2011	135,023,060	142,610,511	-	277,633,571
Total comprehensive income for the year				
Profit for the year ended December 31, 2012	-	23,117,612	-	23,117,612
Unrealized gain on re-measurement of available-for-sale investments - net of tax	-	-	105,478	105,478
	-	23,117,612	105,478	23,223,090
Dividend @ Rs. 0.9 per share	-	(12,152,075)	-	(12,152,075)
Balance as at December 31, 2012	135,023,060	153,576,048	105,478	288,704,586

The annexed notes 1 to 34 form an integral part of these financial statements.

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DIRECTOR

Taurus Securities Limited
Notes to the Financial Statements
For the year ended December 31, 2012

1 LEGAL STATUS AND NATURE OF BUSINESS

Taurus Securities Limited (the Company) is a public unquoted company, incorporated in Pakistan on June 27, 1993 under the Companies Ordinance, 1984. The registered office of the Company is situated at 6th Floor, Progressive Plaza, Beaumont Road, Civil Lines, Karachi. The Company is a subsidiary of National Bank of Pakistan, which holds 58.32% (2011: 58.32%) of the shareholding of the Company. The Company is engaged in the business of stock brokerage, investment counseling and fund placements. The Company holds a Trading Rights Entitlement (TRE) Certificate from Karachi Stock Exchange Limited (KSEL).

2 BASIS OF PREPARATION

2.1 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 and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever the requirements of Companies Ordinance, 1984 or directives issued there under differ with the requirements of IFRS and IFAS, the requirements of the Companies Ordinance, 1984 and said directives shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for available-for-sale investments, investments at fair value through profit and loss and commitments in respect of derivative financial instruments that are carried at fair value.

2.3 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 1, 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 1, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. During the year, the Company has recognised actuarial gain of Rs. 78,231 in the profit and loss account and its net unrecognised actuarial gain at December 31, 2012 amounted to Rs. 174,724. Following the change all actuarial gains and losses will be recorded immediately in other comprehensive income.

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Taurus Securities Limited
Notes to the Financial Statements
For the year ended December 31, 2012

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 1, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments would result in increased disclosures in the financial statements of the Company.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective January 1, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 1, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 1, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement. The amendments have no impact on financial statements of the Company.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 1, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after January 1, 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.
 - IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.

Taurus Securities Limited
Notes to the Financial Statements
For the year ended December 31, 2012

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on financial statements of the Company.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendments have no impact on financial statements of the Company.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 1, 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The interpretation have no impact on financial statements of the Company.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, 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 results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards as applicable in Pakistan that have significant effect on the financial statements and estimates with a significant risk of material adjustment relate to property and equipment (note 4), intangible assets (note 5), classification and valuation of investments and impairment there against, if any (note 14), defined benefit scheme (note 17) and taxation (note 27).

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Taurus Securities Limited
Notes to the Financial Statements
For the year ended December 31, 2012

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment, if any.

Depreciation is charged applying the straight line method at the rates specified in Note 4 to these financial statements, which are considered appropriate to write off the cost of the assets over their useful economic lives.

Proportionate depreciation is charged in respect of additions and disposals made during the year. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Maintenance and normal repairs are charged to profit and loss account. Major renewals and improvements are capitalized.

Gains and losses on disposal of assets, if any, are determined by comparing the sale proceeds with the carrying values and are charged to profit and loss account.

3.2 Intangible assets

These represent computer software, website developed and Trading Rights Entitlement (TRE) Certificate.

Computer software and website developed are recognized in the financial statements, if and only if, it is probable that the future economic benefits that are attributable to the assets will flow to the Company; and the cost of the assets can be measured reliably. These are carried at cost less accumulated amortization and impairment, if any. Amortization of computer software and website developed is charged to profit and loss account for the year on a straight line basis at the rates specified in note 5. The amortization period and the amortization method for intangible assets with finite useful are reviewed, and adjusted if appropriate, at each balance sheet date.

TRE Certificate is recorded at nil value as explained in note 6.

3.3 Ijarah

The Company accounts for assets under ijarah arrangements in accordance with IFAS-2 "Ijarah" whereby periodic ijarah payments for such assets are recognized as an expense in profit and loss account on straight line basis over the ijarah term.

3.4 Taxation

Current

The charge for taxation is based on taxable income at current rates of taxation after taking into account tax credits and tax rebates available, if any.

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Taurus Securities Limited
Notes to the Financial Statements
For the year ended December 31, 2012

Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the tax base. This is recognized on the basis of expected manner of the realization and the settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized to the extent that future taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

3.5 Trade debts and other receivables

Debts originated by the Company are recognized and carried at original invoice amount (which generally equals the fair value) less any amount written off or provision made for debts considered doubtful.

3.6 Investments

Investments in securities are initially recognized at cost, being the fair value of the consideration given, including the transaction costs associated with the investment, except in case of investments at fair value through profit and loss, in which case these transaction costs are charged to the profit and loss account. All regular way purchases and sales of investments are recognized / derecognized on the trade date. These are classified and measured as follows:

Investments at fair value through profit or loss

Investments which are acquired principally for the purposes of generating profit from short term fluctuations in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified under this category. After initial recognition, these are re-measured at fair value. Gains or losses on re-measurement of these investments are recognized in the profit and loss account currently.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity which the Company has the positive intent and ability to hold to maturity. After initial recognition, these are measured at amortized cost less any provision for impairment.

Available-for-sale

Investments which are not classified in any of the preceding categories are classified as available-for-sale investments. After initial recognition, these investments are re-measured at fair value. Surplus / deficit arising from re-measurement are taken to other comprehensive income until the investments are sold / disposed-off or until the investments are determined to be impaired, at which time, cumulative gain or loss previously reported in the other comprehensive income is included in the current year's profit and loss account.

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Taurus Securities Limited
Notes to the Financial Statements
For the year ended December 31, 2012

3.6.1 Impairment of financial assets

Equity Securities

The Company assesses at each reporting date whether there is objective evidence that the financial asset is impaired. In case of equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the security is impaired. If any such evidence exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss account is reclassified from other comprehensive income to profit and loss account.

Debt Securities

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated recoverable amount. The recoverable amount represents present value of future cash flows discounted at original rate of return. An impairment is recognised in profit and loss account whenever the carrying value of asset exceeds its recoverable amount.

Non-Financial assets

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

3.7 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the dates on which the derivative contracts are entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative instruments is taken to the profit and loss account.

3.8 Securities under repurchase / reverse repurchase agreements

Transactions of repurchase / reverse repurchase of securities are entered into at contracted rates for specified periods of time. These are considered to be financing transaction instead of real sale and purchase of securities and are accounted for as follows:

Repurchase agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for

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Taurus Securities Limited
Notes to the Financial Statements
For the year ended December 31, 2012

investments. The counterparty liability for amounts received under these agreements is included in funds under repurchase agreements. The difference between sale and repurchase price is treated as mark-up on repo transactions of quoted investments and accrued over the life of the repo agreement.

Reverse repurchase agreements

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the balance sheet as investments. Amounts paid under these agreements are recorded as 'Financing under reverse repo'. The difference between purchase and resale price is treated as mark-up on reverse repurchase transactions, as the case may be, and accrued over the life of the reverse repo agreement.

3.9 Securities under margin trading

Securities purchased under margin financing are included as 'receivable against margin trading' at the fair value of the consideration given. All margin trading transactions are accounted for on the settlement date. Income on margin trading is calculated on outstanding balance at agreed rates and recorded in profit and loss account.

3.10 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.

3.11 Revenue recognition

Brokerage and other income is accrued as and when earned.

Gain or loss on disposal of securities is taken to income in the period in which it arises.

Dividend income is recorded when the Company's right to receive payment is established.

Mark-up / interest from margin trading, reverse repurchase transactions and term deposit receipts is recognised on a time proportionate basis.

Other revenues are recognised on accrual basis.

3.12 Provision

A provision is recognised when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation of which reliable estimate can be made.

3.13 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Company and accordingly are not included in these financial statements.

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Taurus Securities Limited
Notes to the Financial Statements
For the year ended December 31, 2012

3.14 Staff retirement benefits

Gratuity scheme

The Company operates an approved and funded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service of 5 years. The contributions to the scheme are made in accordance with actuarial valuation using Projected Unit Credit method.

Actuarial gains / losses exceeding, the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets are recognized as income or expense in the profit and loss account over the estimated working lives of the employees. Where the fair value of plan assets, exceeds the present value of defined benefit obligation together with unrecognized actuarial gains or losses and unrecognized past service cost, the Company reduces the resulting asset to an amount equal to the total of present value of any economic benefit in the form of reduction in future contributions to the plan and unrecognized actuarial losses and past service costs.

Provident fund

The Company operates an approved funded provident fund scheme covering all its employees. Equal monthly contributions @ 10% of the basic salary are made by the Company and employees to the fund in accordance with the fund rules.

3.15 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred, except to the extent that they are directly attributable to the acquisition or construction of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) in which case these are capitalised as part of the cost of that asset.

3.16 Financial instruments

All financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instruments. Financial assets are derecognised when the Company loses control of the contractual rights that comprise the financial assets or portion of financial assets, while a financial liability or part of financial liability is derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expire. Any gain or loss on recognition of the financial assets and liabilities is taken to income currently.

3.17 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.18 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

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Taurus Securities Limited
Notes to the Financial Statements
For the year ended December 31, 2012

4 PROPERTY AND EQUIPMENT

	Vehicles	* Building	Furniture and fixtures	Office equipment	Computer equipment	Library books	Total
	(Rupees)						
Net carrying value basis year ended December 31, 2012							
Opening net book value	5,326,265	1,431,900	1,150,422	445,975	215,903	-	8,570,465
Additions / Transfer in	11,752,873	-	85,000	225,447	621,869	-	12,685,189
Disposals / write-off							
Cost	4,116,195	-	-	-	-	-	4,116,195
Accumulated depreciation	(3,556,006)	-	-	-	-	-	(3,556,006)
	560,189	-	-	-	-	-	560,189
Depreciation charge	(2,697,300)	(79,768)	(285,939)	(263,950)	(148,534)	-	(3,475,491)
Closing net book value	13,821,649	1,352,132	949,483	407,472	689,238	-	17,219,974
Gross carrying value basis as at December 31, 2012							
Cost	20,469,982	1,591,000	5,051,462	5,000,424	8,950,678	156,612	41,220,158
Accumulated Depreciation	(6,648,333)	(238,868)	(4,101,979)	(4,592,952)	(8,261,440)	(156,612)	(24,000,184)
Net Book Value	13,821,649	1,352,132	949,483	407,472	689,238	-	17,219,974
Rate of depreciation (%)	20	5	10	20	33	20	

Taurus Securities Limited
Notes to the Financial Statements
For the year ended December 31, 2012

	Vehicles	*Building	Furniture and fixtures	Office equipment	Computer equipment	Library books	Total
(Rupees)							
Net carrying value basis year ended December 31, 2011							
Opening net book value	6,073,285	1,511,450	1,825,424	765,413	152,460	-	10,328,032
Additions / Transfer in	1,439,940	-	177,825	111,060	240,484	-	1,969,309
Disposals / write-off							
Cost	1,889,590	-	1,720,419	3,520,298	4,801,236	-	11,931,543
Accumulated depreciation	(1,682,560)	-	(1,211,614)	(3,403,391)	(4,801,236)	-	(11,098,801)
	207,030	-	508,805	116,907	-	-	832,742
Depreciation charge	(1,979,930)	(79,550)	(344,022)	(313,591)	(177,041)	-	(2,894,134)
Closing net book amount	5,326,265	1,431,900	1,150,422	445,975	215,903	-	8,570,465
Gross carrying value basis as at December 31, 2011							
Cost	12,833,304	1,591,000	4,966,462	4,774,977	8,328,809	156,612	32,651,164
Accumulated Depreciation	(7,507,039)	(159,100)	(3,816,040)	(4,329,002)	(8,112,906)	(156,612)	(24,080,699)
Net Book Value	5,326,265	1,431,900	1,150,422	445,975	215,903	-	8,570,465
Rate of depreciation (%)	20	5	10	20	33	20	

*** Building**

The rights to occupy room no. 618 at Karachi Stock Exchange building were acquired through Leave and License agreement for the purpose of the Company's business. The Karachi Stock Exchange Limited as the lessee of the building has sub-leased the said room in favour of the Company.

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Taurus Securities Limited
Notes to the Financial Statements
For the year ended December 31, 2012

4.1 Detail of disposal of property and equipment having net book value in excess of Rs. 50,000 each.

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Particulars of buyer	Mode of disposal
Vehicles						
Mitsubishi Lancer	1,059,000	917,413	141,587	141,587	Mr. Tauseef Raza	Company policy
Toyota Corolla	1,014,000	828,054	185,946	185,946	Mr. Aftab Alam	Company policy
Mitsubishi Lancer	1,399,000	1,166,344	232,656	232,656	Mr. Feroz Ahmed	Company policy

5 INTANGIBLE ASSETS

	Note	Stock Exchange Membership Card / Trading Rights Entitlement (TRE) Certificate	Computer Software	Website	Total
		(Rupees)			
Net carrying value basis year ended December 31, 2012					
Opening net book value		11,000,000	150,564	-	11,150,564
Converted into shares of KSEL	6	(11,000,000)	-	-	(11,000,000)
Amortisation for the year		-	(93,557)	-	(93,557)
Closing net book value		-	57,007	-	57,007
Gross carrying value basis as at December 31, 2012					
Cost		11,000,000	4,423,457	1,041,000	16,464,457
Accumulated amortisation		(11,000,000)	(4,366,450)	(1,041,000)	(16,407,450)
Net Book Value		-	57,007	-	57,007
Rate of amortization (%)			33%	33%	
Net carrying value basis year ended December 31, 2011					
Opening net book value		11,000,000	270,763	-	11,270,763
Disposals / write-off		-	-	-	-
- Cost		-	(413,000)	-	(413,000)
- Accumulated amortisation		-	413,000	-	413,000
Amortisation for the year		-	(120,199)	-	(120,199)
Closing net book value		11,000,000	150,564	-	11,150,564
Gross carrying value basis as at December 31, 2011					
Cost		11,000,000	4,423,457	1,041,000	16,464,457
Accumulated amortisation		-	(4,272,893)	(1,041,000)	(5,313,893)
Net Book Value		11,000,000	150,564	-	11,150,564
Rate of amortisation (%)			33%	33%	

The TRE Certificate acquired on surrender of Stock Exchange Membership Card is stated at Nil value. For details please refer to Note 6.

According to the Stock Exchanges (Corporatisation, Demutualization and Integration) Act 2012, the TRE Certificate may only be transferred once to a company intending to carry out shares brokerage business in the manner to be prescribed. Upto December 31, 2019, a Stock Exchange shall offer for issuance of 15 TRE Certificate each year in the manner prescribed. After 2019, no restriction shall be placed on issuance of TRE Certificate.

Taurus Securities Limited
Notes to the Financial Statements
For the year ended December 31, 2012

6 INVESTMENT IN SHARES OF KARACHI STOCK EXCHANGE LIMITED - Available-for-sale	Note	2012 ----- (Rupees) -----	2011 -----
Investment in shares of Karachi Stock Exchange Limited	6.1	<u>11,000,000</u>	<u>-</u>

6.1 This represents shares of Karachi Stock Exchange Limited (KSEL) acquired in pursuance of corporatization and demutualization of KSEL as a public company limited by shares. As per the arrangements the authorized and paid-up capital of KSEL is Rs. 10,000,000,000 and Rs. 8,014,766,000 respectively with a par value of Rs. 10 each. The paid-up capital of KSEL is equally distributed among 200 members (termed as "initial shareholders" of the exchange after corporatization) of KSEL by issuance of 4,007,383 shares to each initial shareholder in the following manner:

1. 40% of the total shares allotted (i.e. 1,602,953 shares) are transferred in the House Account - CDC of each initial shareholder;
2. 60% of the total shares (i.e. 2,404,430 shares) have been deposited in a sub-account in Company's name under KSEL's participant ID with CDC which will remain blocked until they are divested to strategic investor(s), general public and financial institutions.

Right to receive distributions and sale proceed against 60% shares in the blocked account shall vest in the initial shareholder, provided that bonus and right shares (if any) shall be transferred to blocked account and disposed off with the blocked shares.

Right to vote against blocked shares shall be suspended till the time of sale.

The shares of KSEL shall be listed within such time as the SECP may prescribe in consultation with the Board of Directors of KSEL.

The above shares and TRE Certificate were received against surrender of Stock Exchange Membership Card. As the fair value of both the asset transferred and asset obtained can not be determined with reasonable accuracy and the value of TRE Certificate is estimated to be not material in view of the conditions described in Note 5, the entire carrying value of Stock Exchange Membership Card in Company's books has been allocated to shares of KSEL. No gain or loss has been recorded on the exchange.

7 LONG TERM LOANS	Note	2012 ----- (Rupees) -----	2011 -----
Secured - considered good			
Employees (other than executives)	7.1	53,383	32,463
Current portion	11	<u>(30,000)</u>	<u>(12,280)</u>
		<u>23,383</u>	<u>20,183</u>

7.1 This represents interest-free loans provided to employees who have completed at least one year service with the Company. The facility is granted for purchase of motor cycle and is repayable in 60 monthly instalments deducted from the salary. These loans are secured against registration of motor cycle in the Company's name.

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Taurus Securities Limited
Notes to the Financial Statements
For the year ended December 31, 2012

8 LONG TERM DEPOSITS

	Note	2012 ————— (Rupees) —————	2011 ————— (Rupees) —————
Security deposits against rental property Karachi Stock Exchange Limited (KSEL) / National Clearing Company of Pakistan Limited (NCCPL)	8.1	400,000	400,000
Security deposits against asset acquired under Ijarah agreement	22	270,000	270,000
Other deposits		102,810	102,810
		<u>1,073,408</u>	<u>1,193,585</u>

8.1 This represent deposit with KSEL / NCCPL for trading in ready and future market.

9 DEFERRED TAX ASSET - net

Deferred tax assets arising in respect of			
Provision for doubtful debts		1,147,941	1,147,941
Accelerated tax depreciation allowance		240,823	810,862
Provision for impairment in value of investments		244,448	254,095
		<u>1,633,212</u>	<u>2,212,898</u>
Deferred tax liabilities arising in respect of			
Revaluation of			
- investment at fair value through profit and loss		(7,538)	(77,064)
- available-for-sale investments		(56,796)	-
		<u>1,568,878</u>	<u>2,135,834</u>

9.1 Movement in temporary differences during the year

	At January 1, 2011	Recognized in Profit and Loss Account	Recognized in other comprehensive income	At December 31, 2011	Recognized in Profit and Loss Account	Recognized in other comprehensive income	At December 31, 2012
Deferred tax assets arising in respect of:							
Provision for doubtful debts	1,149,440	(1,499)	-	1,147,941	-	-	1,147,941
Accelerated tax depreciation allowance	961,901	(151,039)	-	810,862	(570,039)	-	240,823
Provision for impairment in value of investments	221,954	32,141	-	254,095	(9,647)	-	244,448
	<u>2,333,295</u>	<u>(120,397)</u>	<u>-</u>	<u>2,212,898</u>	<u>(579,686)</u>	<u>-</u>	<u>1,633,212</u>
Less: Deferred tax liabilities arising in respect of							
Surplus receipt	(91,182)	91,182	-	-	-	-	-
Revaluation of							
- investment at fair value through profit and loss	-	(77,064)	-	(77,064)	69,526	-	(7,538)
- available-for-sale investments	-	-	-	-	-	(56,796)	(56,796)
	<u>(91,182)</u>	<u>14,118</u>	<u>-</u>	<u>(77,064)</u>	<u>69,526</u>	<u>(56,796)</u>	<u>(64,334)</u>
Net deferred tax assets	<u>2,242,113</u>	<u>(106,279)</u>	<u>-</u>	<u>2,135,834</u>	<u>(510,160)</u>	<u>(56,796)</u>	<u>1,568,878</u>

Taurus Securities Limited
Notes to the Financial Statements
For the year ended December 31, 2012

10	TRADE DEBTS	Note	2012 ----- (Rupees) -----	2011 -----
	Secured - considered good			
	Due from clients against trading of securities		104,945,278	8,044,120
	Due from National Clearing Company of Pakistan Limited		-	14,122,327
	Due from associated companies / persons against trading of securities		4,966,908	1,001,746
			<u>109,912,186</u>	<u>23,168,193</u>
	Unsecured - considered doubtful	10.1	3,279,831	3,279,831
			<u>113,192,017</u>	<u>26,448,024</u>
	Provision for doubtful debts		(3,279,831)	(3,279,831)
			<u>109,912,186</u>	<u>23,168,193</u>
10.1	Provision for doubtful debts			
	Opening		3,279,831	3,284,113
	Reversal		-	(4,282)
	Closing		<u>3,279,831</u>	<u>3,279,831</u>
11	LOANS AND ADVANCES			
	Secured - considered good			
	Executives	11.1	385,748	316,166
	Employees (other than executives)	11.1	747,878	709,970
	Current portion of long term loans	7	30,000	12,280
			<u>1,163,626</u>	<u>1,038,416</u>

11.1 This represents interest-free loans to executives and employees whose recovery is made in 12 equal monthly instalments. The facility is secured against retirement benefits of the respective executives and employees.

11.1

Taurus Securities Limited
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12 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	2012	2011
		(Rupees)	
Prepayments		3,327,737	1,896,508
Deposit - Karachi Stock Exchange Limited (KSEL) / National Clearing Company of Pakistan Limited (NCCPL)	12.1	34,126,603	7,744,146
Unrealized gain on futures contract		-	2,752,055
Receivable from provident fund scheme		15,150	36,794
Receivable from gratuity fund scheme		-	188,346
Others		-	3,633
		<u>37,469,490</u>	<u>12,621,482</u>

12.1 This represents deposits maintained with KSEL and NCCPL in respect of future, ready and margin trading transactions.

13 ACCRUED INTEREST INCOME

On term deposit receipts	2,294,246	3,754,315
On savings accounts	79,175	47,693
On cash margin with Karachi Stock Exchange Limited	-	116,447
On margin trading	43,675	277,087
	<u>2,417,096</u>	<u>4,195,542</u>

14 INVESTMENTS

Held-to-maturity	14.1	50,000,000	75,000,000
Available-for-sale	14.2	216,276	117,283
Fair value through profit and loss	14.3	85,517,330	22,177,885
		<u>135,733,606</u>	<u>97,295,168</u>

14.1 Held-to-maturity

This represents PLS Term Deposit Receipts (TDRs) with MCB Bank Limited for a period of six months amounting to Rs. 50 million carrying mark-up at 10.60% per annum (2011: Rs. 50 million & Rs. 25 million carrying mark-up at 12.10% per annum). These TDRs will mature on January 27, 2013 (2011: February 03, 2012).

14.2 Available-for-sale

This represents shares acquired from National Clearing Company of Pakistan Limited (NCCPL), under the CFS MK II square up scheme (the scheme) signed up by the Company with NCCPL, on December 28, 2008. Under the provisions of the scheme, the Company as Financier had purchased 30% of the shares financed under CFS MK II, and the remaining 70% had been received in cash from NCCPL after completion of the squaring up process, as full and final settlement of all amounts receivable to the Company, as Financier, against open CFS II release transaction.

Number of Shares		Name of investee	Cost	Market Value	Market Value
December 31, 2012	2011		December 31, 2012	December 31, 2011	December 31, 2011
			(Rupees)		
INVESTMENT COMPANY					
13,400	13,400	Jahangir Siddiqui & Company Limited	752,426	216,276	54,002
COMMERCIAL BANKS					
-	5,625	Bank Al Falah Limited	-	-	63,281
			<u>752,426</u>	<u>216,276</u>	<u>117,283</u>
Provision for impairment in value of investments			(698,424)		
Unrealized gain on re-measurement of investment			162,274		
Carrying value			<u>162,274</u>		
			<u>216,276</u>		

Taurus Securities Limited
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14.3 Fair value through profit and loss

Number of Shares		Name of investee	Cost	Market Value	Market Value
December 31, 2012	2011				
(Rupees)					
OIL AND GAS					
-	10,500	Attock Refinery Limited	-	-	1,130,325
-	9,000	Pakistan State Oil Company Limited	-	-	2,044,890
CHEMICALS					
662,500	59,000	Engro Corporation Limited	60,612,474	60,976,500	5,469,300
209,500	90,500	Fauji Fertilizer Company Limited	24,449,008	24,540,830	13,533,370
			<u>85,061,482</u>	<u>85,517,330</u>	<u>22,177,885</u>
		Unrealised gain on re-measurement to fair value	<u>455,848</u>		
		Carrying value	<u>85,517,330</u>		

14.3.1 These shares have been sold under futures contracts. The total value of the contract and corresponding unrealized loss is mentioned in note 21 and 22 respectively.

14.4 The following shares are appearing in Company's House Account No. 39 which were purchased by the Company on behalf of the customers under Group Account. The owners of such shares are untraceable and these shares are unclaimed and remained parked in the House Account of the Company. The matter has been referred to Central Depository Company of Pakistan Limited and on resolution the shares shall be transferred to the appropriate account.

Name of Investee	Number of shares	Market value as at December 31, 2012
		(Rupees)
Bawany Sugar Mills Limited	500	Not available
Ideal Spinning Mills Limited	1,000	16,990
Innovative Investment Bank Limited	15	Not available
National Bank of Pakistan	9,917	489,800
Sui Northern Gas Pipelines Limited	67	1,558

15 TAXATION - net

	Note	2012	2011
		(Rupees)	
Opening balance		3,942,672	977,205
Provision for taxation	27	(9,459,988)	(2,274,705)
Advance tax		8,076,303	5,437,989
Adjustment against WWF payable		(177,316)	(197,817)
		<u>2,381,671</u>	<u>3,942,672</u>

16 CASH AND BANK BALANCES

		2012	2011
Savings accounts	16.1	78,069,667	93,195,843
Current accounts		2,989,740	5,635,409
Cash in hand		13,629	9,190
		<u>81,073,036</u>	<u>98,840,442</u>

16.1 These carry profit rates ranging between 5% to 10.10% per annum (2011: 5% to 9.5% per annum).

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Taurus Securities Limited
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16.2 Balances held with associated undertakings in current and savings accounts amount to Rs. 1,697,580 (December 2011: Rs. 2,928,067) and Rs. 15,513 (December 2011: Rs. 3,015,958) respectively.

17 EMPLOYEE BENEFITS

17.1 The Company operates an approved funded gratuity scheme for all its permanent employees who have completed the qualifying period. Actuarial valuation of the fund was carried out as at December 31, 2012.

17.2 The fair value of scheme's assets and the present value of obligation under the scheme at the balance sheet date were as follows:

	2012	2011
	----- (Rupees) -----	
Present value of defined benefit obligation	(7,092,907)	(4,972,776)
Fair value of plan assets	<u>6,918,183</u>	<u>7,359,325</u>
	(174,724)	2,386,549
Unrecognized actuarial loss / (gain)	<u>174,724</u>	<u>(2,198,203)</u>
(Liability) / asset to be recognised as at December 31,	<u><u>-</u></u>	<u><u>188,346</u></u>

17.3 Liability / (asset) recognised:

Net balance as at January 1,	(188,346)	(33,447)
Cost recognized during the year	836,433	1,064,989
Contributions made during the year	<u>(648,087)</u>	<u>(1,219,888)</u>
Net balance as at December 31,	<u><u>-</u></u>	<u><u>(188,346)</u></u>

17.4 Present value of defined benefit obligation:

Present value of obligation as at January 1,	4,972,776	5,543,615
Current service cost	587,433	571,409
Interest cost	726,165	900,398
Benefits paid	<u>(1,483,191)</u>	<u>(1,070,505)</u>
Actuarial loss / (gain) on obligation	<u>2,289,724</u>	<u>(972,141)</u>
Present value of obligation as at December 31,	<u><u>7,092,907</u></u>	<u><u>4,972,776</u></u>

17.5 Fair value of plan assets:

Fair value of plan assets as at January 1,	7,359,325	6,820,031
Expected return on plan assets	398,934	375,244
Contributions from company	648,087	1,219,888
Benefits paid	<u>(1,483,191)</u>	<u>(1,070,505)</u>
Actuarial (loss) / gain on assets	<u>(4,972)</u>	<u>14,667</u>
Fair value of plan assets as at December 31,	<u><u>6,918,183</u></u>	<u><u>7,359,325</u></u>

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Taurus Securities Limited
Notes to the Financial Statements
For the year ended December 31, 2012

17.6 The following amounts have been charged to the profit and loss account during the current year in respect of the scheme:

	2012	2011
	----- (Rupees) -----	
Current service cost	587,433	571,409
Interest cost	726,165	900,398
Expected return on plan assets	(398,934)	(375,244)
Actuarial gain recognized	(78,231)	(31,574)
	<u>836,433</u>	<u>1,064,989</u>

17.7 Projected unit credit method using the following significant assumptions was used for valuation of the scheme:

Expected rate of increase in salary	8% p.a.	8% p.a.
Valuation discount rate	12.1% p.a.	13% p.a.
Rate of return on plan assets	5.5% p.a.	5% p.a.

17.8 Actual return on plan assets during the year was Rs. 393,962 (2011: Rs. 331,927).

18 SHARE CAPITAL

18.1 Authorised Share capital

2012	2011		2012	2011
(Number of shares)			----- (Rupees) -----	
<u>40,000,000</u>	<u>40,000,000</u>	Ordinary shares of Rs. 10 each	<u>400,000,000</u>	<u>400,000,000</u>

18.2 Issued, subscribed and paid-up capital

<u>13,502,306</u>	<u>13,502,306</u>	Ordinary shares of Rs. 10 each fully paid in cash	<u>135,023,060</u>	<u>135,023,060</u>
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18.3 Pattern of shareholding of the Company is as follows:

	Number of shares	% holding
National Bank of Pakistan (Holding Company)	7,875,002	58.32
The Bank of Khyber (Associated Company)	4,050,374	30.00
Saudi Pak Industrial and Agricultural Investment Company Limited	1,125,001	8.33
The Bank of Khyber - Employee Gratuity Fund	449,627	3.33
Other Individual Shareholders	2,302	0.02
<i>Klu</i>	<u>13,502,306</u>	<u>100</u>

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19 TRADE AND OTHER PAYABLES

2012	2011
----- (Rupees) -----	
Due to clients against trading of securities	31,154,140
Due to National Clearing Company of Pakistan Limited	-
Accrued and other liabilities	1,629,800
Unrealized loss on futures contract	-
Payable to Workers Welfare Fund	179,499
120,740,962	32,963,439

20 SHORT TERM RUNNING FINANCE FACILITY

20.1 Running finance facility of Rs. 240 million (2011: Rs. 240 million) has been obtained by the Company from National Bank of Pakistan (Holding Company) which is secured against hypothecation of amounts due from customers. The mark-up is payable quarterly. During the year, mark-up structure of the facility was on floating rate which is KIBOR plus 250 basis points (based on timely payment rebate ranges from 50 to 10 basis points) per annum. Moreover, there is no outstanding balance as at December 31, 2012.

21 CONTINGENCIES AND COMMITMENTS

2012	2011
----- (Rupees) -----	

21.1 Commitments

For sale of quoted securities under future contracts against counter commitments	85,790,415	24,953,205
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22 IJARAH AGREEMENT

The Company has obtained vehicle under Ijarah agreement from Invest Capital Investment Bank (formerly known as Al Zamin Leasing Modaraba) for a period of four years for fixed rental per month.

2012	2011
----- (Rupees) -----	

The total Ijarah payments under ijarah are as follows:

Not later than one year	55,855	670,260
Later than one year and not later than five years	-	55,855
<i>K146</i>	55,855	726,115

Taurus Securities Limited
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23 OTHER OPERATING INCOME

	Note	2012 ----- (Rupees) -----	2011 -----
Mark-up income on bank PLS deposits		10,953,672	13,365,903
Mark-up on receivable against margin trading		4,381,685	1,708,548
Profit on term deposit receipts		5,183,220	8,732,465
Unrealized (loss) / gain on futures contracts		(434,310)	2,752,055
Unrealized gain / (loss) on securities under fair value through profit and loss		455,848	(2,531,873)
Capital gain on sale of securities		6,183,803	2,640,037
Profit on cash margin with Karachi Stock Exchange Limited / National Clearing Company of Pakistan Limited		795,004	353,912
Bad debts recovered		-	4,282
Gain on disposal of fixed assets		24,200	-
Miscellaneous income		20,974	317,701
		<u>27,564,096</u>	<u>27,343,030</u>

24 ADMINISTRATIVE EXPENSES

Salaries, benefits and allowances		34,661,284	30,534,595
Staff retirement benefits	24.1	2,808,927	3,051,122
Rent		2,980,625	3,023,295
Telephone and fax		1,689,112	1,867,477
Karachi Stock Exchange Limited service charges		3,135,834	1,607,675
Depreciation	4	3,475,491	2,894,134
Electricity and utilities		1,817,846	2,056,533
Vehicle running expenses		2,528,529	2,146,409
Insurance		1,559,983	1,500,899
Legal and professional		1,499,044	1,128,660
Central Depository Company charges		1,037,828	458,005
Repairs and maintenance		1,385,838	1,427,044
Amortisation	5	93,557	120,199
Printing and stationery		479,089	669,285
Entertainment		762,982	685,261
Postage / courier		447,280	300,063
Umrah facility to employees		495,093	513,234
Subscriptions		286,265	234,977
SECP transactions fees		436,543	276,587
Office supplies		426,264	323,935
Auditor's remuneration	24.2	270,000	316,030
Ijarah charges		670,260	670,260
Loss on disposal of fixed assets		-	60,512
Computer expenses		61,247	163,619
Travelling and conveyance		370,619	343,516
Professional tax		205,903	217,489
Advertising and business promotion		122,610	79,546
Library and periodicals		30,569	48,846
Seminar and training		62,050	-
		<u>63,800,672</u>	<u>56,719,207</u>

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Taurus Securities Limited
Notes to the Financial Statements
For the year ended December 31, 2012

24.1 Includes contribution to staff gratuity fund Rs. 836,433 (2011: Rs. 1,064,989) as referred to in note 17, contribution to staff provident fund amounting to Rs. 1,564,054 (2011: Rs. 1,545,473) and contribution to E.O.B.I. and S.E.S.S.I amounting to Rs. 408,440 (2011: Rs. 440,660).

24.2 Auditor's remuneration	2012	2011
	----- (Rupees) -----	
Audit fee	250,000	250,000
Out-of-pocket expenses	20,000	66,030
	<u>270,000</u>	<u>316,030</u>

25 OTHER OPERATING EXPENSES

Workers Welfare Fund	661,755	177,316
	<u>661,755</u>	<u>177,316</u>

26 FINANCE COST

Mark-up on short term running finances		522,557	42,526
Bank charges		164,474	213,184
Guarantee commission charges	26.1	300,000	300,000
		<u>987,031</u>	<u>555,710</u>

26.1 Guarantee of Rs. 50 million (2011: Rs. 50 million) has been obtained by the Company from MCB Bank Limited in favour of Karachi Stock Exchange Limited which is secured against the pledge of term deposit receipts of Rs. 50 million. The term of the facility is one year which shall remain valid till October 1, 2013. The rate of guarantee commission was fixed at 0.15% (2011: 0.15%) per quarter.

27 TAXATION

	Note	2012	2011
		----- (Rupees) -----	
Current tax expense		9,459,988	2,274,705
Deferred	9.1	510,160	106,279
		<u>9,970,148</u>	<u>2,380,984</u>

27.1 Relationship between income tax expense and accounting profit

Profit before taxation	<u>33,087,760</u>	<u>8,688,474</u>
Tax at the applicable tax rate of 35% (2011: 35%)	11,580,716	3,040,966
Tax effect of lower tax rate on capital gain	(1,600,996)	(659,982)
Adjustment of opening written down value of property and equipment	(9,572)	-
	<u>9,970,148</u>	<u>2,380,984</u>

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Notes to the Financial Statements
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27.2 Status of tax assessments

The income tax assessments upto assessment year 2002 - 2003 corresponding to the accounting year June 30, 2002 have been finalized.

The return for the tax years 2003 - 2012 were filed under section 120 of the Income Tax Ordinance, 2001 according to which the return filed is deemed assessment order.

28 EARNINGS PER SHARE - BASIC AND DILUTED

	2012	2011
	----- (Rupees) -----	
Profit for the year	<u>23,117,612</u>	<u>6,307,490</u>
	(Number of shares)	
Weighted average number of ordinary shares outstanding during the year	<u>13,502,306</u>	<u>13,502,306</u>
	----- (Rupees) -----	
Earnings per share - Basic and diluted	<u>1.71</u>	<u>0.47</u>

29 REMUNERATION OF CHIEF EXECUTIVE / DIRECTORS AND EXECUTIVES

	Chief Executive		Chairman / Directors		Executives		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	----- (Rupees) -----							
Managerial remuneration	3,621,333	3,600,000	600,000	600,000	7,915,500	9,468,000	12,136,833	13,668,000
Bonus	473,062	388,430	-	-	713,061	534,793	1,186,123	923,223
Other benefits	430,695	698,424	95,000	100,000	258,150	516,300	783,845	1,314,724
Retirement benefits	219,475	218,182	-	-	479,727	573,818	699,202	792,000
Commission	-	-	-	-	607,671	-	607,671	-
	<u>4,744,565</u>	<u>4,905,036</u>	<u>695,000</u>	<u>700,000</u>	<u>9,974,109</u>	<u>11,092,911</u>	<u>15,413,674</u>	<u>16,697,947</u>
Number of persons	<u>1</u>	<u>1</u>	<u>7</u>	<u>7</u>	<u>6</u>	<u>7</u>	<u>14</u>	<u>15</u>

29.1 The chief executive and certain executives are provided with free use of the Company's maintained cars / cash in lieu of cars and mobile phones (subject to limits authorized by the Company) in accordance with the terms of employment.

29.2 The bonus to the Chief executive and other executives is recorded as an expense in the period in which it is paid.

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Notes to the Financial Statements
For the year ended December 31, 2012

30 TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise parent company, its subsidiaries and associated companies, directors and their related concerns and key management personnel. All transactions involving related parties arising in the normal course of business are conducted at commercial terms and conditions. Transactions with the key management personnel are made under the terms of employment / entitlements. Contributions to the employee retirement benefits are made in accordance with the terms of employee retirement benefit schemes and actuarial advice. Details of transactions and balances with related parties during the period, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2012	2011
	----- (Rupees) -----	
Holding Company -		
National Bank of Pakistan		
Brokerage earned	5,124,875	4,135,072
Borrowings	900,000,000	100,000,000
Repayment of borrowings	900,000,000	100,000,000
Financial charges on running finance	522,557	42,526
Trade debts	1,376,851	875,561
Associated Companies -		
The Bank of Khyber, First Credit Investment Bank Limited and		
First National Bank Modaraba, NAFA Funds		
Brokerage earned	2,460,779	1,302,350
Bank charges	8,819	11,010
Trade debts	195,849	126,185
Trade payable	3,104,365	12,150
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	2012	2011
	----- (Rupees) -----	
Chairman / Directors and Chief Executive		
Brokerage earned	62,050	54,050
Trade debts	3,298,380	-
Trade payable	838,750	292,932
Funds		
Provident Fund - employer's contribution	1,564,054	1,545,473
Gratuity Fund contribution	648,087	1,219,888

31 FINANCIAL RISK MANAGEMENT

The Management of the Company has an overall responsibility for the establishment and oversight of the Company's risk management framework. Management is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

32 Risk Management Framework

The Company is exposed to the following risks in respect of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

32.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. The risk is generally limited to principal amounts and accrued interest thereon, if any. The Company's policy is to enter into financial contracts in accordance with the risk management framework. Out of total assets of Rs. 409 million (2011: Rs. 311 million) the financial assets which are subject to credit risk amounted to Rs. 288 million (2011: Rs. 260 million). The carrying amount of these financial assets represents the maximum credit exposure at the reporting date.

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	2012	2011
	----- (Rupees) -----	
Long term loans	23,383	20,183
Long term deposits	1,073,408	1,193,585
* Trade debts	109,912,186	23,168,193
Loans and advances	1,163,626	1,038,416
Deposits, prepayments and other receivables	34,141,753	10,724,974
Accrued interest income	2,417,096	4,195,542
Investments	50,000,000	75,000,000
Receivable against margin trading	8,352,187	46,424,464
Cash and bank balances	81,059,407	98,831,252
	<u>288,143,046</u>	<u>260,596,609</u>

32.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities:

	2012		
	Carrying Amount	Contractual cash flows	Maturity upto three months
	----- (Rupees) -----		
Trade and other payables	120,740,962	120,740,962	120,740,962
	<u>120,740,962</u>	<u>120,740,962</u>	<u>120,740,962</u>
	2011		
	Carrying Amount	Contractual cash flows	Maturity upto three months
	----- (Rupees) -----		
Trade and other payables	32,963,439	32,963,439	32,963,439
	<u>32,963,439</u>	<u>32,963,439</u>	<u>32,963,439</u>

32.3 Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and equity prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimising the return. Market risk comprises of three types of risk: foreign exchange or currency risk, interest / mark up rate risk and price risk. The market risks associated with the Company's business activities are discussed as under:

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Notes to the Financial Statements
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32.3.1 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market yield. At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2012				Total
	Effective yield / interest rate percent	Interest / mark-up bearing		Non interest / mark-up bearing	
		Upto three months	Between three months to one year		
On Balance Sheet Assets					(Rupees)
Financial Assets					
Long term loans	-	-	-	23,383	23,383
Long term deposits	-	-	-	1,073,408	1,073,408
Trade debts	-	-	-	109,912,186	109,912,186
Loans and advances	-	-	-	1,163,626	1,163,626
Deposits, prepayments and other receivables	-	-	-	34,141,753	34,141,753
Accrued interest income	-	-	-	2,417,096	2,417,096
Investments	10.60%	50,000,000	-	85,733,606	135,733,606
Receivable against margin trading	15%	8,352,187	-	-	8,352,187
Cash and bank balances	5%-10.10%	78,069,667	-	3,003,369	81,073,036
		<u>136,421,854</u>	-	<u>237,468,427</u>	<u>373,890,281</u>
Financial Liabilities					
Trade and other payables	-	-	-	120,740,962	120,740,962
On Balance Sheet Gap		<u>136,421,854</u>	-	<u>116,727,465</u>	<u>253,149,319</u>
Non financial net assets					<u>35,449,789</u>
Total net assets					<u><u>288,599,108</u></u>

	2011				Total
	Effective yield / interest rate percent	Interest / mark-up bearing		Non interest / mark- up bearing	
		Upto three months	Between three months to one year		
On Balance Sheet Assets					(Rupees)
Financial Assets					
Long term loans	-	-	-	20,183	20,183
Long term deposits	-	-	-	1,193,585	1,193,585
Trade debts	-	-	-	23,168,193	23,168,193
Loans and advances	-	-	-	1,038,416	1,038,416
Deposits, prepayments and other receivables	-	-	-	7,972,919	7,972,919
Accrued interest income	-	-	-	4,195,542	4,195,542
Investments	12.10%-12.20%	75,000,000	-	22,295,168	97,295,168
Receivable against margin trading	15%	46,424,464	-	-	46,424,464
Cash and bank balances	5%-9.5%	93,195,843	-	5,644,599	98,840,442
		<u>214,620,307</u>	-	<u>65,528,605</u>	<u>280,148,912</u>
Financial Liabilities					
Trade and other payables	-	-	-	32,963,439	32,963,439
On Balance Sheet Gap		<u>214,620,307</u>	-	<u>32,565,166</u>	<u>247,185,473</u>
Non financial net assets					<u>30,448,098</u>
Total net assets					<u><u>277,633,571</u></u>

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32.3.2 Price risk

Equity price risk is the risk of unfavourable changes in the fair value of equity securities as a result of changes in the levels of KSE-Index and the value of individual shares. The equity price risk exposure arises from the Company's investments in equity securities for which prices in the future are uncertain. The Company's policy is to manage price risk through selection of blue chip securities.

Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 85.734 million (2011: Rs 22.295 million) at the balance sheet date. The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the balance sheet date. Market prices are subject to fluctuation. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions.

In case of available-for-sale investments, a 10% increase / decrease in share prices at year end would have increased / decreased the other comprehensive income of the Company by increasing / decreasing surplus on revaluation of such investment by the amounts given below. Investments at fair value through profit and loss are currently not exposed to any price risk since the Company has entered into future sale contract in respect of these securities.

	2012	2011
	----- (Rupees) -----	
Effect on profit or loss (impairment loss)	-	11,728
Effect on other comprehensive income	<u>21,628</u>	<u>-</u>
Effect on investments	<u>21,628</u>	<u>11,728</u>

32.3.3 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

32.4 Fair value of financial assets and liabilities

Fair value is an amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in arm's length transaction. The table below analysis financial instruments carried at fair value, by valuation method. The different levels (methods) have been defined as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Fair value of the financial assets that are traded in active markets are based on quoted market prices. Since investment in Karachi Stock Exchange Limited (KSEL) is not listed on any stock exchange, a quoted market price is not available and the fair value of such investment can not be determined with reasonable accuracy. The fair value of investments, other than investment in KSEL are as follows:

	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
- Available-for-sale	<u>216,276</u>	<u>-</u>	<u>-</u>	<u>216,276</u>
- Fair value through profit and loss	<u>85,517,330</u>	<u>-</u>	<u>-</u>	<u>85,517,330</u>

32.5 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios and optimal capital structure in order to ensure ample availability of finance for its existing operations, for maximizing shareholder's value, for tapping potential investment opportunities and to reduce cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. Furthermore, the Company finances its operations through equity and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk.

33 NUMBER OF EMPLOYEES

The number of employees at the balance sheet date is 55 (2011: 54).

34 DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 27 MAR 2013.

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 CHIEF EXECUTIVE


 DIRECTOR