KPMG

Taurus Securities Limited

Financial Statements
For the year ended 31 December 2013

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Auditors' Report to the Members

We have audited the annexed Balance Sheet of **Taurus Securities Limited** ("the Company") as at December 31, 2013 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 except for the change referred in the note 2.6 of these financial statements with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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, 2013 and of the profit, its cash flows and changes in equity for the year then ended; and

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

KPMG Taseer Hadi & Co

Date: 19 March 2014

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

Taurus Securities Limited
Balance Sheet
As at December 31, 2013

	Note	December 31, 2013	December 31, 2012 *Restated*	January 01, 2012 *Restated*
		(Rupees)		
ASSETS				
Non-Current Assets				
Property and equipment	4	**17,233,445**	17,219,974	8,570,465
Intangible assets	5	**88,803**	57,007	11,150,564
Investment in shares of Karachi Stock Exchange Limited	6	**11,000,000**	11,000,000	-
Long term loans	7	**2,183**	23,383	20,183
Long term deposits	8	**1,308,608**	1,073,408	1,193,585
Deferred tax asset - net	9	**1,773,229**	1,568,878	2,135,834
		31,406,268	30,942,650	23,070,631
Current Assets				
Trade debts	10	**477,603,827**	109,912,186	23,168,193
Loans and advances	11	**1,741,644**	1,163,626	1,038,416
Deposits, prepayments and other receivables	12	**70,408,401**	37,469,491	14,819,685
Accrued interest income	13	**1,633,632**	2,417,096	4,195,542
Investments	14	**178,613,509**	135,733,606	97,295,168
Receivable against margin trading		**3,177,294**	8,352,187	46,424,464
Taxation - net	15	**1,134,638**	2,442,825	3,173,301
Cash and bank balances	16	**79,815,878**	81,073,036	98,840,442
		814,128,823	378,564,053	288,955,211
		845,535,091	409,506,703	312,025,842
EQUITY AND LIABILITIES				
Share Capital and Reserves				
Share capital	18	**135,023,060**	135,023,060	135,023,060
Reserves		**173,733,150**	153,462,479	144,039,343
Unrealised gain on re-measurement of available-for-sale investments		**246,416**	105,478	-
		309,002,626	288,591,017	279,062,403
Non-current Liabilities				
Liabilities against assets subject to finance lease	19	**1,046,926**	-	-
Current Liabilities				
Trade and other payables	20	**505,415,443**	120,915,686	32,963,439
Short term running finance	21	**29,802,181**	-	-
Current portion of liabilities against assets subject to finance lease	19	**267,915**	-	-
		535,485,539	120,915,686	32,963,439
		845,535,091	409,506,703	312,025,842
CONTINGENCIES AND COMMITMENTS	22			

The annexed notes 1 to 35 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

Taurus Securities Limited
Profit and Loss Account
For the year ended December 31, 2013

	Note	2013	2012 Restated
		------------- (Rupees) -------------	
INCOME			
Brokerage and commission		**92,432,807**	70,945,560
Other operating income	24	**25,966,347**	27,564,096
		118,399,154	98,509,656
EXPENSES			
Administrative	25	**(80,080,690)**	(63,240,608)
Other operating	26	**(720,819)**	(661,755)
Reversal of impairment / (impairment) in value of investments		**-**	27,562
Finance cost	27	**(1,556,717)**	(987,031)
		(82,358,226)	(64,861,832)
PROFIT BEFORE TAXATION		**36,040,928**	33,647,824
Taxation	28	**(9,706,598)**	(10,166,170)
PROFIT FOR THE YEAR		**26,334,330**	23,481,654
Earnings per share - basic and diluted	29	**1.95**	1.74

The annexed notes 1 to 35 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

Taurus Securities Limited
Statement of Comprehensive Income
For the year ended December 31, 2013

	2013	2012 *Restated*
	(Rupees)	
Profit for the year	**26,334,330**	23,481,654
Other comprehensive income		
Items to be reclassified to profit or loss in subsequent periods:		
Unrealised gain on re-measurement of available-for-sale investments	**211,083**	162,274
Deferred tax on re-measurement of available-for-sale investments	**(70,145)**	(56,796)
Items that will never be reclassified to profit or loss		
Remeasurements of defined benefit asset / (liability)	**1,041,658**	(2,932,990)
Current tax charge	**(354,164)**	1,026,547
	828,432	(1,800,965)
Total comprehensive income for the year	**27,162,762**	21,680,689

The annexed notes 1 to 35 form an integral part of these financial statements.

K(KAK

CHIEF EXECUTIVE

DIRECTOR

Taurus Securities Limited

Statement of Cash Flows

For the year ended December 31, 2013

	Note	2013	2012 *Restated*
		------------- (Rupees) -------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		36,040,928	33,647,824
Adjustments for:			
Depreciation		4,867,082	3,475,491
Actuarial gain / (loss) recognized in other comprehensive income		1,041,658	(2,932,990)
Amortisation		68,204	93,557
Gain on disposal of fixed assets		(600,914)	(24,200)
Finance cost		1,556,717	987,031
Profit on bank deposits and term deposit receipts		(12,444,278)	(16,136,892)
Unrealized loss / (gain) on investments at fair value through profit and loss		1,119,840	(455,848)
Impairment in value of investments / (reversal) of impairment		-	(27,562)
		(4,391,691)	(15,021,413)
Operating profit before working capital changes		31,649,237	18,626,411
(Increase) / decrease in operating assets			
Trade debts		(367,691,641)	(86,743,993)
Loan and advances		(578,018)	(125,210)
Deposits, prepayments and other receivables		(32,938,910)	(22,649,806)
Receivable against margin trading		5,174,893	38,072,277
		(396,033,676)	(71,446,732)
		(364,384,439)	(52,820,321)
Increase / (decrease) in operating liabilities			
Trade and other payables		384,499,757	87,952,247
Net cash flows from operations		20,115,318	35,131,926
Tax paid		(9,027,071)	(7,898,987)
Financial charges paid		(1,556,717)	(987,031)
		(10,583,788)	(8,886,018)
Net cash flows from operating activities		9,531,530	26,245,908
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments		(43,788,660)	(37,792,754)
Addition to property and equipment		(5,270,354)	(12,685,189)
Profit received on bank deposits and term deposit receipts		13,227,742	17,915,338
Long term loans to employees		21,200	(3,200)
Long term deposits received		(235,200)	120,177
Sale proceeds from disposal of property and equipment		2,397,715	584,389
Net cash used in investing activities		(33,647,557)	(31,861,239)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease rentals paid		(192,159)	-
Dividends paid		(6,751,153)	(12,152,075)
		(6,943,312)	(12,152,075)
Net decrease in cash and cash equivalents		(31,059,339)	(17,767,406)
Cash and cash equivalents at beginning of the year		81,073,036	98,840,442
Cash and cash equivalents at end of the year		50,013,697	81,073,036
Cash and cash equivalents comprise			
Cash and bank balances	16	79,815,878	81,073,036
Short term running finance	21	(29,802,181)	-
		50,013,697	81,073,036

The annexed notes 1 to 35 form an integral part of these financial statements.

KPMG TR

CHIEF EXECUTIVE

DIRECTOR

Taurus Securities Limited
Statement of Changes in Equity
For the year ended December 31, 2013

	Issued, subscribed and paid-up capital	Reserves	Unrealised gain on re-measurement of available-for-sale investments	Total
	---------- (Rupees) ----------			
Balance as at January 01, 2012 - as previously reported	135,023,060	142,610,511	-	277,633,571
Effect of retrospective change in accounting policy with respect to accounting for actuarial gains and losses referred to in note 2.6	-	1,428,832	-	1,428,832
Balance as at January 01, 2012 - (restated)	135,023,060	144,039,343	-	279,062,403
Total comprehensive income for the year				
Profit for the year ended December 31, 2012 - (restated)	-	23,481,654	-	23,481,654
Other comprehensive income				
Unrealized gain on re-measurement of available-for-sale investments - net of tax	-	-	105,478	105,478
Remeasurements of defined benefit asset / (liability) - net of tax	-	(1,906,443)	-	(1,906,443)
	-	21,575,211	105,478	21,680,689
Dividend @ Rs. 0.9 per share	-	(12,152,075)	-	(12,152,075)
Balance as at December 31, 2012 - (restated)	135,023,060	153,462,479	105,478	288,591,017
Total comprehensive income for the year				
Profit for the year ended December 31, 2013	-	26,334,330	-	26,334,330
Other comprehensive income				
Unrealized gain on re-measurement of available-for-sale investments - net of tax	-	-	140,938	140,938
Remeasurements of defined benefit asset / (liability) - net of tax	-	687,494	-	687,494
	-	27,021,824	140,938	27,162,762
Dividend @ Rs. 0.50 per share	-	(6,751,153)	-	(6,751,153)
Balance as at December 31, 2013	135,023,060	173,733,150	246,416	309,002,626

The annexed notes 1 to 35 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

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 counselling 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 Standards, interpretations and amendments which became effective during the year

Amendments to IAS 1 - 'Presentation of Financial Statements'. The impact of this change has been disclosed in note 2.6.1 'Presentation of Financial Statements'.

Revised IAS 19 - 'Employee Benefits' (effective January 1, 2013). The impact of this change has been disclosed in note 2.6.2 'Employee Benefits'.

Certain amendments were also introduced in the Fourth Schedule to the Companies Ordinance, 1984 resulting in additional disclosures relating to provident fund's details and number of employees of the Company.

There are certain other new and amended standards that have been published and are mandatory for accounting periods beginning on or after January 1, 2013 but did not have any impact on the Company's financial statements.

2.4 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, 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after January 1, 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- 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.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 1, 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the

KPMG

disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novations (effective for annual periods beginning on or after January 1, 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after July 1, 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

- Amendments to IAS 27 "Consolidated and Separate Financial Statements" – consolidation relief for investments funds (effective for annual periods beginning on or after January 1, 2014). A qualifying investment entity is required to account for investments in controlled entities - as well as investments in associates and joint ventures - at fair value through profit or loss (FVTPL); the only exception would be subsidiaries that are considered an extension of the investment entity's investing activities. The consolidation exception is mandatory - not optional.

- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after July 1, 2014). The new cycle of improvements contain amendments to the following standards:

  - IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

  - IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

  - IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

  - Amendments to IAS 16'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

  - IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

  - IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

The above interpretation and amendments would have no impact on the financial statements of the Company.

2.5 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 3.1), classification and valuation of investments and impairment their against, if any (note 3.6), defined benefit scheme (note 17) and taxation (note 3.4).

2.6 Change in accounting policy

2.6.1 Presentation of items of other comprehensive income

As a result of amendments to IAS 1 - 'Presentation of Financial Statements', the Company has modified the presentation of items of other comprehensive income in its statement of comprehensive income, to present separately items that would be reclassified to profit or loss in future from those that would never be. The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Company.

2.6.2 Employee Benefits

With effect from January 1, 2013, the revised IAS 19 'Employee Benefits' became effective. The revised IAS 19 requires actuarial gains and losses to be recognized immediately in other comprehensive income. Previously, actuarial gains and losses over and above the corridor limit were amortized over the expected average remaining working lives of employees as allowed under the relevant provision of previous IAS 19. Further, any past service cost is now recognized immediately in the profit and loss as soon as the change in the benefit plans are made. Previously, only vested past service cost was recognized immediately in profit and loss account and non-vested cost was amortised to profit and loss account over the vesting period.

The effects of the above changes in accounting policies and revisions in actuarial valuations on these financial statements are as follows:

	December 31, 2012			December 31, 2011		
	As previously reported	Impact due to change in	As Restated	As previously reported	Impact due to change in	As Restated
	(Rupees)					
Impact on Balance Sheet						
Defined benefit (liability) / asset	-	(174,724)	(174,724)	188,346	2,198,203	2,386,549
Taxation - net	2,381,671	61,154	2,442,825	3,942,672	(769,371)	3,173,301
Unappropriated profit	153,576,048	(113,569)	153,462,479	142,610,511	1,428,832	144,039,343

Impact on Profit and Loss Account	2013	2012
	(Rupees)	
Decrease in profit before tax due to reclassification of actuarial gains and losses to other comprehensive income	-	(78,231)
Increase in profit before tax due to change in method of calculation of expected return on plan assets	-	638,295
	-	560,064
Related tax charge	-	(196,022)
	-	364,042
Impact on Other Comprehensive Income		
Recognition of actuarial gain / (loss)	1,041,658	(2,932,990)
Related tax charge	(354,164)	1,026,547
	687,494	(1,906,443)
Impact on total comprehensive income	687,494	(113,569)

The effect on earning per share related to the restatement is as follows:

	2013	2012
Basic and diluted earnings per share (Rupees)	-	0.0270

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment

3.1.1 Owned Assets

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.

3.1.2 Assets subject to finance lease

Assets subject to finance lease are stated at lower of present value of minimum lease payments under the lease agreement and the fair value of leased assets. The related obligations under the lease are accounted for as liabilities. Depreciation is charged by applying the straight line method at the rate given in respective note to the financial statements. The finance charge is calculated at the rate implicit in the lease.

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 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 life are reviewed, and adjusted if appropriate, at each balance sheet date.

TRE Certificate is recorded at nil value as explained in note 5.

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.

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.

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 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, bank balances and short term running finance.

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.

3.14 Staff retirement benefits

Revised accounting policy of defined benefit plans is as follows:

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 liability / asset recognized in the balance sheet is the present value of defined benefit obligation at the balance sheet date less fair value of plan assets. The defined benefit obligtion is calculated annualy using Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses and the return on plan assets (excluding interest) are recognized immediately in other comprehensive income.

The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments. Net interest expense and current service cost are recognized in profit and loss account.

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.

Taurus Securities Limited
Notes to the Financial Statements
For the year ended December 31, 2013

4. PROPERTY AND EQUIPMENT

	Vehicles	Leased Vehicles	*Building	Furniture and fixtures	Office equipment	Computer equipment	Library books	Total
	(Rupees)							
Net carrying value basis year ended December 31, 2013								
Opening net book value	13,821,649	-	1,352,132	949,483	407,472	689,238	-	17,219,974
Additions / Transfer in	3,649,929	1,507,000	-	-	1,072,825	447,600	-	6,677,354
Disposals / write-off	(5,000,940)	-	-	(96,300)	(135,250)	(9,000)	-	(5,241,490)
Cost	3,238,517	-	-	63,300	133,872	9,000	-	3,444,689
Accumulated depreciation	(1,762,423)	-	-	(33,000)	(1,378)	-	-	(1,796,801)
Depreciation charge	(3,753,880)	(190,749)	(79,550)	(268,636)	(203,776)	(370,491)	-	(4,867,082)
Closing net book value	11,955,275	1,316,251	1,272,582	647,847	1,275,143	766,347	-	17,233,445
Gross carrying value basis as at December 31, 2013								
Cost	19,118,971	1,507,000	1,591,000	4,955,162	5,937,999	9,389,278	156,612	42,656,022
Accumulated Depreciation	(7,163,696)	(190,749)	(318,418)	(4,307,315)	(4,662,856)	(8,622,931)	(156,612)	(25,422,577)
Net Book Value	11,955,275	1,316,251	1,272,582	647,847	1,275,143	766,347	-	17,233,445
Rate of depreciation (%)	20	20	5	10	20	33	20	

	Vehicles	Leased 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 amount	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	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.

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
	(Rupees)					
Vehicles						
Honda Vti	1,889,000	1,512,235	376,765	376,765	Mr. Asif Jan	Company policy
Toyota Corolla Xli	1,439,940	324,282	1,115,658	1,350,000	Adamjee Insurance	Insurance Claim
Honda Accord	270,000	-	270,000	270,000	Mr. Aftab Afroz	Company policy

Honda Accord was acquired under Ijarah, therefore cost only represents security deposit.

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, 2013					
Opening net book value		-	57,007	-	57,007
Addition		-	100,000	-	100,000
Amortisation for the year		-	(68,204)	-	(68,204)
Closing net book value		-	88,803	-	88,803
Gross carrying value basis as at December 31, 2013					
Cost		-	4,423,457	-	4,423,457
Addition			100,000		100,000
Accumulated amortisation		-	(4,434,654)	-	(4,434,654)
Net Book Value		-	88,803	-	88,803
Rate of amortization (%)			33%	33%	
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		-	4,423,457	1,041,000	5,464,457
Accumulated amortisation		-	(4,366,450)	(1,041,000)	(5,407,450)
Net Book Value		-	57,007	-	57,007
Rate of amortisation (%)			33%	33%	

5.1 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. The company has marked lien on TRE certificate in favour of the KSEL to fulfil the requirement of base minimum capital. For detail please refer Note 33.5.1.

6. INVESTMENT IN SHARES OF KARACHI STOCK EXCHANGE LIMITED - Available-for-sale

	Note	2013	2012
		(Rupees)	
Investment in shares of Karachi Stock Exchange Limited	*6.1*	**11,000,000**	11,000,000

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. The company has pledged the shares with KSEL to fulfil the requirement of Base Minimum Capital. For detail please refer note 33.5.1.

7. LONG TERM LOANS

	Note	2013	2012
		(Rupees)	
Secured - considered good			
Employees (other than executives)	*7.1*	**11,183**	53,383
Current portion	*11*	**(9,000)**	(30,000)
		2,183	23,383

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.

8. LONG TERM DEPOSITS

	Note	2013	2012
		------------ (Rupees) ------------	
Security deposits against rental property		300,598	300,598
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 / finance lease		505,200	270,000
Other deposits		102,810	102,810
		1,308,608	1,073,408

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

9. DEFERRED TAX ASSET - net

	2013	2012 *Restated*
	------------ (Rupees) ------------	
Deferred tax assets arising in respect of		
Provision for doubtful debts	1,115,143	1,147,941
Accelerated tax depreciation allowance	494,891	240,823
Provision for impairment in value of investments	237,464	244,448
	1,847,498	1,633,212
Deferred tax liabilities arising in respect of		
Revaluation of		
- investment at fair value through profit and loss	53,151	(7,538)
- available-for-sale investments	(126,941)	(56,796)
Excess of accounting book value of lease liabilities over leased assets	(479)	-
	1,773,229	1,568,878

9.1 Movement in temporary differences during the year

	At January 01, 2012	Recognized in Profit and Loss Account	Recognized in other comprehensive income	At December 31, 2012	Recognized in Profit and Loss Account	Recognized in other comprehensive income	At December 31, 2013
Deferred tax assets arising in respect of:							
Provision for doubtful debts	1,147,941	-	-	1,147,941	(32,798)	-	1,115,143
Accelerated tax depreciation allowance	810,862	(570,039)	-	240,823	254,068	-	494,891
Provision for impairment in value of investments	254,095	(9,647)	-	244,448	(6,984)	-	237,464
	2,212,898	(579,686)	-	1,633,212	214,286	-	1,847,498
Less: Deferred tax liabilities arising in respect of							
Excess of accounting book value of lease liabilities over leased assets	-	-	-	-	(479)	-	(479)
Surplus receipt	-						
Revaluation of							
- investment at fair value through profit and loss	(77,064)	69,526	-	(7,538)	60,689	-	53,151
- available-for-sale investments					-	(103,432)	(103,432)
mutual funds	-	-	-	-		33,287	(23,509)
shares	-	-	(56,796)	(56,796)	-		
	(77,064)	69,526	(56,796)	(64,334)	60,210	(70,145)	(74,269)
Net deferred tax assets	2,135,834	(510,160)	(56,796)	1,568,878	274,496	(70,145)	1,773,229

10. TRADE DEBTS

	Note	2013	2012
		(Rupees)	
Secured - considered good			
Due from clients against trading of securities		**50,985,462**	104,945,278
Due from National Clearing Company of Pakistan Limited		**426,055,531**	-
Due from associated companies / persons against trading of securities		**562,834**	4,966,908
		477,603,827	109,912,186
Unsecured - considered doubtful		**3,279,831**	3,279,831
		480,883,658	113,192,017
Provision for doubtful debts		**(3,279,831)**	(3,279,831)
		477,603,827	109,912,186

11. LOANS AND ADVANCES

	Note	2013	2012
Secured - considered good			
Executives	*11.1*	**888,500**	385,748
Employees (other than executives)	*11.1*	**844,144**	747,878
Current portion of long term loans	7	**9,000**	30,000
		1,741,644	1,163,626

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.

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	December 31, 2013	December 31, 2012 *Restated*	January 01, 2012 *Restated*
		(Rupees)		
Prepayments		3,362,879	3,327,738	1,896,508
Deposit - Karachi Stock Exchange Limited (KSEL) / National Clearing Company of Pakistan Limited (NCCPL)	12.1	64,510,158	34,126,603	7,744,146
Unrealized gain on futures contract		963,515	-	2,752,055
Receivable from gratuity scheme		1,494,208	-	2,386,549
Receivable from provident fund scheme		-	15,150	36,794
Others		77,641	-	3,633
		70,408,401	37,469,491	14,819,685

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

13. ACCRUED INTEREST INCOME

	Note	2013	2012
		(Rupees)	
On term deposit receipts		1,624,383	2,294,246
On savings accounts		-	79,175
On margin trading		9,249	43,675
		1,633,632	2,417,096

14. INVESTMENTS

	Note	2013	2012
Held-to-maturity	14.1	50,000,000	50,000,000
Available for sale - in shares	14.2.1	123,146	216,276
- in mutual funds	14.2.2	20,304,213	-
Fair value through profit and loss - in shares	14.3	108,186,150	85,517,330
		178,613,509	135,733,606

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 7.70% per annum (2012: Rs. 50 million carrying mark-up at 10.60% per annum). These TDRs will mature on January 31, 2014 (2013: January 27, 2013) and have been pledged against guarantee facilities as referred to in note 27.1.

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 by the Company with NCCPL, on December 28, 2008. Under the provisions of the scheme, the Company as Financer 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.

14.2.1 Detail of investment in listed shares

Number of Shares December 31, 2013	2012	Name of investee	December 31, 2013 Cost	December 31, 2013 Market Value	Market Value December 31, 2012
			(Rupees)		
		INVESTMENT COMPANY			
13,400	13,400	Jahangir Siddiqui & Company Limited	752,426	123,146	216,276
			752,426	123,146	216,276
		Provision for impairment in value of investments	(698,424)		
		Unrealized gain on re-measurement of investment	69,144		
		Carrying value	123,146		

14.2.2 Detail of investment in mutual funds

Number of Units December 31, 2013	2012	Name of investee	December 31, 2013 Cost	December 31, 2013 Market Value	Market Value December 31, 2012
			(Rupees)		
202,938	-	MCB Cash Management Optimizer	20,000,000	20,304,213	-
			20,000,000	20,304,213	-

K.[illegible]

14.3 Fair value through profit and loss

Number of Shares December 31, 2013	2012	Name of investee	December 31, 2013 Cost	Market Value	Market Value December 31, 2012
			----------------- (Rupees) -----------------		
		OIL AND GAS			
161,000	-	Pakistan Petroleum Limited	34,800,840	34,447,560	-
134,000	-	Pakistan State Oil Company Limited	44,495,046	44,517,480	-
		CHEMICALS			
184,500	662,500	Engro Corporation Limited	30,010,104	29,221,110	60,976,500
-	209,500	Fauji Fertilizer Company Limited	-	-	24,540,830
			109,305,990	108,186,150	85,517,330
		Unrealised gain / (loss) on re-measurement to fair value	(1,119,840)		
		Carrying value	108,186,150		

14.3.1 These shares have been sold under futures contracts. The total value of the contract and corresponding unrealized gain is mentioned in note 22 and 24 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, 2013
Bawany Sugar Mills Limited	500	Not available
Ideal Spinning Mills Limited	1,000	20,500
Innovative Investment Bank Limited	15	Not available
National Bank of Pakistan	11,404	662,116
Sui Northern Gas Pipelines Limited	73	1,555

15. TAXATION - net

	Note	December 31, 2013	December 31, 2012 *Restated*	January 01, 2012 *Restated*
		------------ (Rupees) ------------		
Opening balance		2,442,825	3,173,301	977,205
Provision for taxation	28	(10,335,258)	(8,629,463)	(3,044,076)
Advance tax		9,688,826	8,076,303	5,437,989
Adjustment against WWF payable		(661,755)	(177,316)	(197,817)
		1,134,638	2,442,825	3,173,301

16. CASH AND BANK BALANCES

	Note	2013	2012
		------ (Rupees) ------	
Savings accounts	16.1	77,699,667	78,069,667
Current accounts		2,102,404	2,989,740
Cash in hand		13,807	13,629
		79,815,878	81,073,036

16.1 These carry profit rates ranging between 6% to 8.50% per annum (2012: 5% to 10.10% per annum).

16.2 Balances held with associated undertakings in current and savings accounts amount to Rs. 626,443 (December 2012: Rs. 1,697,580) and Rs. 16,494 (December 2012: Rs. 15,513) respectively.

17. EMPLOYEE BENEFITS

17.1 Gratuity fund

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, 2013.

17.1.1 Actuarial assumptions	**December 31, 2013**	December 31, 2012	January 01, 2012
	(Per cent per annum)		
Financial Assumptions			
Discount rate	**13.24**	12.10	13.00
Expected rate of increase in salaries			
- First year following valuation	**8.00**	8.00	8.00
- Second year following valuation	**8.00**	8.00	8.00
- Third year following valuation	**8.00**	8.00	8.00
- thereafter	**8.00**	8.00	8.00
Demographic Assumptions			
Mortality Rates (for death in service)	LIC 94-96, Rated down 3 years for females	LIC 94-96, Rated down 3 years for females	LIC 94-96, Rated down 3 years for females
Rates of employee turnover	2%pa upto age 40, Nil	2%pa upto age 40, Nil	2%pa upto age 40, Nil

	December 31, 2013	December 31, 2012 *Restated*	January 01, 2012 *Restated*
	(Rupees)		
17.1.2 Reconciliation of (receivable) / payable to defined benefit plan			
Present value of defined benefit obligation	**7,192,720**	7,092,906	4,972,776
Fair value of plan assets	**(8,686,928)**	(6,918,182)	(7,359,325)
Net obligation / (asset)	**(1,494,208)**	174,724	(2,386,549)
17.1.3 Movement in present value of Defined Benefit Obligation			
Opening net liability	**7,092,906**	4,972,776	5,543,615
Expense	**1,799,686**	1,313,598	1,471,807
Contribution / benefits paid during the year	**-**	(1,483,191)	(1,070,505)
Other comprehensive income (OCI)	**(1,699,872)**	2,289,723	(972,141)
At end of the year	**7,192,720**	7,092,906	4,972,776
17.1.4 Movement in fair value of plan assets			
Fair value of plan assets at beginning of the year	**6,918,182**	7,359,325	6,820,031
Interest income on plan assets	**1,030,359**	1,037,229	1,069,445
Actual contribution by employer	**1,396,601**	648,086	1,219,888
Actual benefits paid during the year	**-**	(1,483,191)	(1,070,505)
Re-measurements: Return on plan assets over interest income gain / (loss)	**(658,214)**	(643,267)	(679,534)
Fair value of plan assets at end of the year	**8,686,928**	6,918,182	7,359,325

Kinu

		December 31, 2013	December 31, 2012 *Restated*	January 01, 2012 *Restated*
		---------- (Rupees) ----------		
17.1.5	**Movement in Net defined benefit liability / (asset)**			
	Balance Sheet (prepaid) / accrued on 1 January	**174,724**	(2,386,549)	(1,276,416)
	Net periodic benefit cost / (income) for the year ended	**769,327**	276,369	402,362
	Employer's contribution during the year	**(1,396,601)**	(648,086)	(1,219,888)
	Remeasurement recognised in other comprehensive income	**(1,041,658)**	2,932,990	(292,607)
	Balance Sheet (prepaid) / accrued as at the end of the year	**(1,494,208)**	174,724	(2,386,549)
17.1.6	**Defined Benefit Cost for the year**			
	Cost recognised in profit and loss for the year			
	Current service cost	**838,165**	587,433	571,409
	Interest cost on defined benefit obligation	**961,521**	726,165	900,398
	Interest income on plan assets	**(1,030,359)**	(1,037,229)	(1,069,445)
	Net interest cost	**(68,838)**	(311,064)	(169,047)
	Cost recognised in profit and loss account	**769,327**	276,369	402,362
	Remeasurements recognised in other comprehensive income during the year			
	Actuarial (gain) / loss on obligation	**(1,699,872)**	2,289,723	(972,141)
	Return on plan assets over interest income	**658,214**	643,267	679,534
	Total remeasurements recognised in other comprehensive income	**(1,041,658)**	2,932,990	(292,607)
	Total defined benefit cost for the year	**(272,331)**	3,209,359	109,755
17.1.7	**Remeasurements recognised in other comprehensive income during the year**			
	Re-measurements: Actuarial gain / (loss) on obligation:			
	Gain / (loss) due to change in financial assumptions	**1,176,498**	(832,528)	621,663
	Gain / (loss) due to change in experience adjustments	**523,374**	(1,457,195)	350,478
		1,699,872	(2,289,723)	972,141
	Re-measurements: Net return on plan assets over interest income:			
	Actual return on plan assets	**(372,145)**	(393,962)	(389,911)
	Interest income on plan assets	**1,030,359**	1,037,229	1,069,445
	Net return on plan assets over interest income	**(658,214)**	(643,267)	(679,534)
	Net remeasurements recognised in OCI during the year	**1,041,658**	(2,932,990)	292,607
17.1.8	**Composition of fair value of plan assets**			
	Cash and cash equivalents			
	- Not quoted	**7,673,437**	5,895,793	7,359,325
	Debt instruments			
	- Not quoted	**1,013,491**	1,022,389	-
	Total fair value of plan assets	**8,686,928**	6,918,182	7,359,325

		December 31, 2013	December 31, 2012 *Restated*	January 01, 2012 *Restated*
17.1.9	**Maturity Profile of the defined benefit obligation**			
	Weighted average duration of the defined benefit obligation	**15.68**	16.70	17.52
	Distribution of timing of benefit payments (in years)			
	1	**4.3%**	4.2%	1.5%
	2	**1.3%**	1.1%	4.9%
	3	**1.3%**	1.1%	1.2%
	4	**1.2%**	1.2%	1.2%
	5	**1.2%**	1.0%	1.2%
	6-10	**6.9%**	5.2%	5.1%
	11-15	**22.3%**	22.2%	18.4%
	16-20	**47.1%**	42.0%	48.2%
	20+	**14.3%**	22.0%	18.3%
17.1.10	**Sensitivity Analysis on significant actuarial assumptions: Actuarial Liability**			
	Discount Rate +0.5%	**-6.3%**	-6.7%	-6.8%
	Discount Rate -0.5%	**6.8%**	7.4%	7.4%
	Long Term Salary Increases +0.5%	**7.1%**	7.6%	7.7%
	Long Term Salary Increases -0.5%	**-6.5%**	-7.0%	-7.1%
	Withdrawal Rates: Light	**-1.6%**	-1.3%	-1.7%
	Withdrawal Rates: Heavy	**4.1%**	3.3%	4.4%

		December 31, 2013 (Unaudited) (Rupees)	June 30, 2013 (Audited) (Rupees)
17.2	**Provident fund**		
	Net assets of the fund	**4,088,117**	4,294,291
	Cost of investments made (actual investment made)	**3,989,013**	4,200,755
	Cost of investment / net assets of the fund	**97.58%**	97.82%
	Fair value of investments	**3,989,013**	4,200,755

Break-up of Investments of provident fund	**December 31, 2013 (Unaudited) (Rupees)**	June 30, 2013 (Audited) (Rupees)
Musharaka Certificate - held to maturity investment	**500,000**	500,000
Cash at Bank	**3,489,013**	3,700,755
	3,989,013	4,200,755

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

KPMG ~~

18. SHARE CAPITAL

18.1 Authorised Share capital

2013	2012		2013	2012
(Number of shares)			(Rupees)	
40,000,000	40,000,000	Ordinary shares of Rs. 10 each	400,000,000	400,000,000

18.2 Issued, subscribed and paid-up capital

13,502,306	13,502,306	Ordinary shares of Rs. 10 each fully paid in cash	135,023,060	135,023,060

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
	13,502,306	100.00

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Period	2013 Minimum Lease	2013 Present Value
	(Rupees)	
Upto one year	383,892	267,915
One year to three years	1,165,157	1,046,926
	1,549,049	1,314,841
Finance charges allocated to future periods	(234,208)	
Present value of minimum lease payments	1,314,841	1,314,841
Current maturity shown under current liabilities	-	(267,915)
	1,314,841	1,046,926

The company has entered into lease agreement with NBP Leasing limited for leased vehicle. Lease rentals are payable in monthly instalments. Financial charges included in lease rentals are determined on the basis of discount factor applied at the rate of six months KIBOR+3.5% per anum. At the end of the lease, the ownership of the assets shall be transferred to the company on payment of residual value (to be settled against lease key money paid to leasing company) amounting to Rs. 301,400.

Kum

20. TRADE AND OTHER PAYABLES

	2013	2012
	----------- (Rupees) -----------	
Due to clients against trading of securities	**497,456,469**	65,818,633
Due to National Clearing Company of Pakistan Limited	**-**	49,866,289
Accrued and other liabilities	**6,341,754**	3,957,792
Unrealized loss on futures contract	**-**	434,310
Payable to Workers Welfare Fund	**723,002**	663,938
Payable to gratuity scheme	**-**	174,724
Due from associated companies / persons against trading of securities	**894,218**	-
	505,415,443	120,915,686

21. SHORT TERM RUNNING FINANCE FACILITY

Running finance facility of Rs. 240 million (2012: 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.

22. CONTINGENCIES AND COMMITMENTS

22.1 Commitments

	2013	2012
	----------- (Rupees) -----------	
For sale of quoted securities under future contracts against counter commitments	**110,161,555**	85,790,415

23. IJARAH AGREEMENT

The Company has obtained vehicle under Ijarah agreement from Standard Chartered Modaraba for a period of four years. Financial charges included in rentals are determined on the basis of discount factor applied at the rate of six months KIBOR+3.25% per annum.

The total Ijarah payments under Ijarah are as follows:

	2013	2012
	----------- (Rupees) -----------	
Not later than one year	**259,632**	55,855
Later than one year and not later than five years	**692,352**	-
	951,984	55,855

KIMAL

24. OTHER OPERATING INCOME

	Note	2013	2012
		(Rupees)	
Mark-up income on bank PLS deposits		9,434,141	10,953,672
Mark-up on receivable against margin trading		1,431,856	4,381,685
Profit on term deposit receipts		3,010,137	5,183,220
Unrealized gain / (loss) on futures contracts		963,515	(434,310)
Unrealized (loss) / gain on securities under fair value through profit and loss		(1,119,840)	455,848
Capital gain on sale of securities		9,560,501	6,183,803
Capital gain on mutual funds		1,008,488	-
Profit on cash margin with Karachi Stock Exchange Limited / National Clearing Company of Pakistan Limited		549,544	795,004
Dividend income		510,973	-
Gain on disposal of fixed assets		600,914	24,200
Miscellaneous income		16,118	20,974
		25,966,347	27,564,096

25. ADMINISTRATIVE EXPENSES

	Note	2013	2012
Salaries, benefits and allowances		43,240,997	34,661,284
Staff retirement benefits	25.1	3,205,334	2,248,863
Rent		3,114,331	2,980,625
Telephone and fax		1,695,902	1,689,112
Karachi Stock Exchange Limited service charges		4,195,474	3,135,834
Depreciation	4	4,867,082	3,475,491
Electricity and utilities		1,952,831	1,817,846
Vehicle running expenses		3,067,876	2,528,529
Insurance		1,809,611	1,559,983
Legal and professional		2,059,215	1,499,044
Central Depository Company charges		1,566,956	1,037,828
Repairs and maintenance		1,565,661	1,385,838
Amortisation	5	68,204	93,557
Printing and stationery		607,284	479,089
Entertainment		806,474	762,982
Postage / courier		595,260	447,280
Umrah facility to employees		556,580	495,093
Subscriptions		2,639,090	286,265
SECP transactions fees		714,061	436,543
Office supplies		543,911	426,264
Auditor's remuneration	25.2	320,801	270,000
Ijarah charges		142,399	670,260
Computer expenses		120,117	61,247
Travelling and conveyance		336,898	370,619
Professional tax		211,696	205,903
Advertising and business promotion		-	122,610
Library and periodicals		38,245	30,569
Seminar and training		38,400	62,050
		80,080,690	63,240,608

KPMG

25.1 This includes charge for defined benefit plan Rs. 769,327 (2012: Rs. 276,369) as referred to in note 17, contribution to staff provident fund amounting to Rs. 1,965,193 (2012: Rs. 1,564,054) and contribution to E.O.B.I. and S.E.S.S.I amounting to Rs. 470,814 (2012: Rs. 408,440).

25.2 Auditor's remuneration

	Note	**2013**	2012
		(Rupees)	
Audit fee		**300,000**	250,000
Out-of-pocket expenses		**20,801**	20,000
		320,801	270,000

26. OTHER OPERATING EXPENSES

Workers Welfare Fund		**720,819**	661,755

27. FINANCE COST

Mark-up on short term running finances		**864,707**	522,557
Finance lease charges		**96,066**	-
Bank charges		**295,944**	164,474
Guarantee commission charges	*27.1*	**300,000**	300,000
		1,556,717	987,031

27.1 Guarantee of Rs. 50 million (2012: 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, 2014. The rate of guarantee commission was fixed at 0.15% (2012: 0.15%) per quarter.

28. TAXATION

	Note	**2013**	2012 *Restated*
		(Rupees)	
Current tax expense		**9,981,094**	9,656,010
Deferred	*9.1*	**(274,496)**	510,160
		9,706,598	10,166,170

28.1 Relationship between income tax expense and accounting profit

Profit before taxation		**36,040,928**	33,647,824
Tax at the applicable tax rate of 34% (2012: 35%)		**12,253,916**	11,776,738
Tax effect of lower tax rate on capital gain		**(2,664,360)**	(1,600,996)
Tax effect of reduction in tax rate		**46,448**	-
Tax effect of permanent differences		**70,594**	-
Adjustment of opening written down value of property and equipment		**-**	(9,572)
		9,706,598	10,166,170

KHKH

28.2 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 - 2013 were filed under section 120 of the Income Tax Ordinance, 2001 according to which the return filed is deemed assessment order.

29. EARNINGS PER SHARE - BASIC AND DILUTED

	2013	2012 *Restated*
	(Rupees)	
Profit for the year	26,334,330	23,481,654
	(Number of shares)	
Weighted average number of ordinary shares outstanding during the year	13,502,306	13,502,306
	(Rupees)	
Earnings per share - Basic and diluted	1.95	1.74

30. REMUNERATION OF CHIEF EXECUTIVE / DIRECTORS AND EXECUTIVES

	Chief Executive		Chairman / Directors		Executives		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	(Rupees)							
Managerial remuneration	4,560,000	3,621,333	600,000	600,000	15,715,200	7,915,500	20,875,200	12,136,833
Bonus	1,500,000	473,062	-	-	1,709,091	713,061	3,209,091	1,186,123
Other benefits	-	430,695	125,000	95,000	1,119,007	258,150	1,244,007	783,845
Retirement benefits	276,364	219,475	-	-	952,436	479,727	1,228,800	699,202
Commission	-	-	-	-	2,017,834	607,671	2,017,834	607,671
	6,336,364	4,744,565	725,000	695,000	21,513,568	9,974,109	28,574,932	15,413,674
Number of persons	1	1	7	7	12	6	20	14

30.1 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.

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

31. 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:

	2013	2012
	(Rupees)	
Holding Company -		
National Bank of Pakistan		
Transactions		
Brokerage earned	4,376,922	5,124,875
Borrowings	1,260,000,000	900,000,000
Repayment of borrowings	1,230,000,000	900,000,000
Financial charges on running finance	864,707	522,557
Balances		
Trade debts	163,445	1,376,851
Associated Companies -		
The Bank of Khyber, First Credit Investment Bank Limited and First National Bank Modaraba, NAFA Funds		
Transactions		
Brokerage earned	2,527,554	2,460,779
Bank charges	9,777	8,819
Balances		
Trade debts	399,389	195,849
Trade payable	894,218	3,104,365
Chairman / Directors and Chief Executive		
Transactions		
Brokerage earned	98,086	62,050
Balances		
Trade debts	298	3,298,380
Trade payable	2,472	838,750

32. 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.

33. Risk Management Framework

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

- Credit risk
- Liquidity risk
- Market risk

33.1 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. 846 million (2012: Rs. 410 million) the financial assets which are subject to credit risk amounted to Rs. 703 million (2012: Rs. 288 million). The carrying amount of these financial assets represents the maximum credit exposure at the reporting date.

	2013	2012 *Restated*
	----------- (Rupees) -----------	
Long term loans	**2,183**	23,383
Long term deposits	**1,308,608**	1,073,408
Trade debts	**477,603,827**	109,912,186
Loans and advances	**1,741,644**	1,163,626
Deposits and other receivables	**67,045,522**	34,141,753
Accrued interest income	**1,633,632**	2,417,096
Investments	**70,304,213**	50,000,000
Receivable against margin trading	**3,177,294**	8,352,187
Cash and bank balances	**79,802,071**	81,059,407
KPMG	**702,618,994**	288,143,046

33.2 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:

2013	Carrying Amount	Contractual cash flows	Maturity not later than one month	Maturity later than one month and not later than three months	Maturity later than three months and not later than one year	Maturity later than one year and not later than five years
	(Rupees)					
Trade and other payables	504,692,441	504,692,441	504,692,441	-	-	-
Short term running finance	29,802,181	29,802,181	29,802,181	-	-	-
Liabilities against assets subject to finance lease	1,046,926	1,046,926	-	-	-	1,046,926
Current portion of liabilities against assets subject to finance lease	267,915	267,915	21,029	42,743	204,143	-
	535,809,463	535,809,463	534,515,651	42,743	204,143	1,046,926

2012	Carrying Amount	Contractual cash flows	Maturity upto one month	Maturity later than one month and not later than three months	Maturity later than three months and not later than one year	Maturity later than one year and not later than five years
	(Rupees)					
Trade and other payables	120,251,748	120,251,748	120,251,748	-	-	-
	120,251,748	120,251,748	120,251,748	-	-	-

33.3 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:

33.3.1 *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:

	2013						
	Effective yield / interest rate percent	Interest / mark-up bearing				Non interest / mark-up bearing	Total
		Maturity not later than one month	Maturity later than one month and not later than three months	Maturity later than three months and not later than one year	Maturity later than one year and not later than five years		
On Balance Sheet Assets		(Rupees)					
Financial Assets							
Long term loans	-	-	-	-	-	2,183	2,183
Long term deposits	-	-	-	-	-	1,308,608	1,308,608
Trade debts	-	-	-	-	-	477,603,827	477,603,827
Loans and advances	-	-	-	-	-	1,741,644	1,741,644
Deposits and other receivables	-	-	-	-	-	67,045,522	67,045,522
Accrued interest income	-	-	-	-	-	1,633,632	1,633,632
Investments	7.70%	-	50,000,000	-	-	128,613,509	178,613,509
Receivable against margin trading	10%-16%	-	3,177,294	-	-	-	3,177,294
Cash and bank balances	6%-7.75%	77,699,667	-	-	-	2,116,211	79,815,878
		77,699,667	53,177,294	-	-	680,065,136	810,942,097
Financial Liabilities							
Trade and other payables	-	-	-	-	-	505,415,443	505,415,443
Short term running finance	11.44%	29,802,181	-	-	-	-	29,802,181
Liabilities against assets subject to finance lease	12.98%	-	-	-	1,046,926	-	1,046,926
Current portion of liabilities against assets subject to finance lease	12.98%	21,029	42,743	204,143	-	-	267,915
On Balance Sheet Gap		47,876,457	53,134,551	(204,143)	(1,046,926)	174,649,693	274,409,632
Non financial net assets							34,592,994
Total net assets							309,002,626

Khan

	2012						
	Effective yield / interest rate percent	Interest / mark-up bearing				Non interest / mark-up bearing	Total
		Maturity not later than one month	Maturity later than one month and not later than three months	Maturity later than three months and not later than one year	Maturity later than one year and not later than five years		
		Restated					
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 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
		78,069,667	58,352,187	-	-	237,468,427	373,890,281
Financial Liabilities							
Trade and other payables	-	-	-	-	-	120,915,686	120,915,686
On Balance Sheet Gap		78,069,667	58,352,187	-	-	116,552,741	252,974,595
Non financial net assets							35,616,422
Total net assets							288,591,017

33.3.2 *Price risk*

Price risk is the risk of unfavourable changes in the fair value of securities as a result of changes in the value of individual shares / net asset value of units. The price risk exposure arises from the Company's investments in equity securities and units of mutual funds 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 price risk since it has investments in quoted equity securities and units of mutual funds amounting to Rs. 128.614 million (2012: Rs 85.734 million) at the balance sheet date. The carrying value of investments subject to 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 and net asset value 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.

	2013	2012
	----------- (Rupees) -----------	
Effect on profit or loss (impairment loss)	-	-
Effect on other comprehensive income	2,042,736	21,628
Effect on investments	2,042,736	21,628

33.3.3 *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.

33.4 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).

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	123,146	20,304,213	-	**20,427,359**
- Fair value through profit and loss	108,186,150	-	-	**108,186,150**

33.5 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.

33.5.1 Base Minimum Capital

In compliance with the sub-regulation 2.1 of the Regulation Governing Risk Management (Regulations) of the Karachi Stock Exchange Limited (KSEL), every TREC holder registered as a broker under Brokers and Agents Registration Rules, 2001, is required to maintain a Base Minimum Capital (BMC) in the amount and form as prescribed in the Regulations.

The KSEL vide notice No. KSE/N – 2863 dated May 03, 2013 notified the TREC holders that in accordance with the Regulations, the BMC is comprised of the sum of notional value of the TREC and the break up value of 40% of the KSEL shares (i.e. 1,602,953) allotted to the initial share holders.

The notional value of the TREC and the break up value of the shares for the purpose of BMC is determined by the KSEL as under:

	(Rupees)
TREC	15,000,000
Break up value of KSEL shares (Rs. 9.954 per share)	15,955,796
	30,955,796

KPMG

The KSEL once in every six months reviews the notional value of the TREC and the break up value of the shares. As per notice No. KSE/N – 6955 dated December 18, 2013, the KSEL has maintained the notional value of TREC as Rs. 15 million whereas break up value of the shares has been revised to Rs. 10.079 per share (book value as on June 30, 2013). Accordingly, latest BMC has been revised to Rs.31,156,163.

The TREC holders can fulfil the requirement of the BMC through either of the following options:

Option A
Mark lien on TREC with irrevocable authority and pledge of 40% shares of the KSEL initially allotted to the TREC holder in favour of the KSEL.

Option B
Cash and / or Bank guarantee of an equivalent amount to be deposited with the KSEL.

The company has adopted option A to fulfil the requirement of BMC.

34. NUMBER OF EMPLOYEES

The details of number of employees are as follows:	**2013**	2012
Average number of employees during the year	**56**	55
Number of employees at year end	**56**	55

35. DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 19 MAR 2014.

CHIEF EXECUTIVE

DIRECTOR