

**Directors' Report to the Shareholders**  
**For the year ended December 31, 2014**

On behalf of the Board of Directors, I am pleased to present the Audited Annual Financial Statements of the company for the year ended December 31, 2014 along with the auditors report thereon.

The Karachi Stock Exchange (KSE) depicted resilience in CY14 as the benchmark KSE-100 depicted a return of 27% (33% in USD) despite uncertain environment. According to Bloomberg, Pakistan ranked third in CY14 and was amongst top 10 markets in the world for the third consecutive year. Moreover, in Asian frontier markets (as categorized by MSCI), Pakistan ranked No 1 outpacing Sri Lanka, Vietnam and Bangladesh. Main trigger for the market remain Govt. economic initiatives, which include tax reforms, launch of the privatization process and successful transactions of United Bank, Allied Bank and Pakistan Petroleum. Pakistan also re-entered in the global bond market after a break of 7 years with a successful Eurobond issue worth USD2.0bn in Apr'14 and a latter USD1.0bn global Sukuk issue in Nov'14. SBP reserves consequently increased to USD10.4bn by end Dec'14 compared to just USD3.5bn at the beginning of the year.

Despite volatile law order situation, Net FIPI in the market remained on track clocking in at USD382.5mn compared to USD398.1mn last year, down 4%YoY. Average daily volumes declined slightly to 208.7mn shares during CY14 as compared to 222.5mn shares in CY13. However, rising valuations and large offerings resulted in 24% higher average daily traded value to PKR9.4bn (USD92.1mn) in CY14 as against PKR7.6bn (USD74.6mn) in CY13.

TSL has continued its aggressive sales strategy that succeeded in capitalization of opportunities at both end i.e to maintain the existing local market share as well as increasing the company's foreign share of business. However, during the year, HSBC discontinued its business relationship with TSL due to NBP's shareholding in the Company. The Company has started an online trading facility and is focusing on tapping local institutions and HNWI. The market share of TSL declined marginally as compared to the corresponding year. Thereby, TSL enabled to close the year with gross revenue of Rs.112 million and a net profit after tax of Rs.16 million as compared to the previous year's gross revenue of Rs.120 million and net profit after tax of Rs.26 million respectively.

The directors are pleased to confirm that:

- The financial statements prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flow and changes in equity;
- Proper books of account of the company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and there has been no departure from them.
- The system of internal control is sound and has been effectively implemented and monitored.

The Public Sector Companies (Corporate Governance) Rules, 2013 became effective from August 2013. These rules are applicable on the company due to the indirect control of the Government (through the ownership of the sponsors). Some clauses of the rules are stringent and their compliance is cumbersome and not practicable for a small company like TSL, therefore, the Company approached to the SECP for exemption from the relevant clauses. The SECP has concurred with the contention of TSL and granted the exemptions from majority of the clauses which were sought and the Company would be compliant with the remaining clauses in due course of time.

The statement of compliance with the rules has been prepared by the company and the auditors have issued a clean review report thereon.

During the year four meetings of the Board of Directors were held. Attendance by each director was as follows:

S.No.	Name of Director	No. of Meetings attended
1	Mr. Nadeem A. Ilyas	3
2	Mr. Muhammad Ismail Usuf	4
3	Mr. Muzaffar S. Khan	3
4	Mr. Imran Samad	3
5	Syed Akhtar Ali Shah	4
6	Sheikh Aftab Ahmad	4
7	Syed Zain Hussain	4

Leaves of absence were granted to the directors who could not attend the Board Meeting.

During the year four meetings of the Audit Committee were held. Attendance by each director was as follows:

S.No.	Name of Member	No. of Meetings attended
1	Mr. Muhammad Ismail Usuf	4
2	Mr. Akhtar Ali Shah	4
3	Sheikh Aftab Ahmad	4

The pattern of shareholdings is properly disclosed in the Note-18 of the annexed financial statements.

Remuneration of the Chief Executive/Directors and Executives is properly disclosed in the Note-29 of the annexed financial statements.

The company operates approved funded gratuity and provident fund schemes for all eligible employees. The value of investments of these funds as per latest audited financial statements for the year ended June 30, 2014 are as follows:

	----- (Rupees) -----
Gratuity Fund	8,955,427
Provident Fund	4,563,500

**Financial Highlights of the Company**

	December-31		Amount in Rs	
	2014	2013	Variance	
			Amount	%
Brokerage Income	82,929,424	92,432,807	(9,503,383)	(10)
Mark-up income	14,962,759	14,425,678	537,081	4
Capital gain	12,971,849	10,568,989	2,402,860	23
Other Income	1,306,235	2,091,520	(785,285)	(38)
	112,170,267	119,518,994	(7,348,727)	(6)
<b>Operating and Administrative Expenses</b>	(91,477,883)	(81,921,349)	(9,556,534)	12
<b>Financial Charges</b>	(1,467,857)	(1,556,717)	88,860	(6)
Profit before Taxation	19,224,527	36,040,928	(16,816,401)	(47)
Taxation	(3,301,799)	(9,706,598)	6,404,799	(66)
Profit after Taxation	15,922,728	26,334,330	(10,411,602)	(40)
Accumulated profit/ (loss) brought forward	173,733,150	153,462,479		
Remeasurement of defined benefit asset/ (liability)-net of tax	(2,461,289)	687,494		
Dividend	(22,953,920)	(6,751,153)		
Accumulated profit carried forward	164,240,669	173,733,150		
<b>Earning per Share</b>	1.18	1.95		

**Credit Rating**

JCR-VIS has reaffirmed the company's long term rating to A (single A) and short term rating to A-2 (A two) with an outlook as 'Stable'.

**Future Outlook**

We remain optimistic on the macro picture in CY15 and feel that government's ability to implement its economic agenda which includes deficit reduction and offloading of stakes in state owned enterprises hold the key. The fall in oil prices have been a blessing for the economy resulting in lower current account deficit, inflation and likely reduction in interest rates. The only hurdle was lower tax collection on petroleum products, which the government has addressed by a hike in GST rate on petroleum products. This provides an ideal opportunity to reduce the subsidy given to the power sector and resolving the circular debt which has plagued the energy sector (Oil & Gas and Electricity sector have a combined weight of 25% in KSE).

**Key Financial and Operating Data of six years**

*(Rupees in thousand)*

	<b>December 2014</b>	<b>December 2013</b>	<b>December 2012</b>	<b>December 2011</b>	<b>December 2010</b>	<b>December 2009</b>
Paid-up Capital	135,023	135,023	135,023	135,023	135,023	135,023
Accumulated Profit/ (Loss)	164,332	173,979	153,567	142,611	136,303	131,124
Liability	121,425	536,533	120,916	32,963	80,827	109,873
<b>Total Equity &amp; Liability</b>	<b>420,780</b>	<b>845,535</b>	<b>409,506</b>	<b>310,597</b>	<b>352,153</b>	<b>376,020</b>
Fixed Assets	13,038	17,322	17,277	19,720	21,599	22,646
Other Assets	407,742	828,213	392,229	290,877	330,554	353,374
<b>Total Assets</b>	<b>420,780</b>	<b>845,535</b>	<b>409,506</b>	<b>310,597</b>	<b>352,153</b>	<b>376,020</b>
Operating Income	112,170	119,519	98,510	66,232	70,002	78,015
Operating Expenses	91,478	81,921	63,875	56,988	61,506	62,468
Financial Charges	1,468	1,557	987	556	444	582
Taxation	3,301	9,707	10,166	2381	2,873	5,706
<b>Net profit</b>	<b>15,923</b>	<b>26,334</b>	<b>23,482</b>	<b>6,307</b>	<b>5,179</b>	<b>9,259</b>

**Auditors**

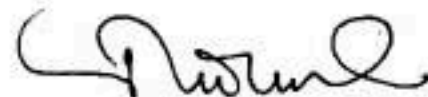
The present auditors, M/s. KPMG Taseer Hadi & Co. Chartered Accountants retire and being eligible, offer themselves for reappointment at upcoming Annual General Meeting. The Audit Committee and Board of Directors have recommended the appointment of M/s. KPMG Taseer Hadi & Co. Chartered Accountants as auditors of the company for the ensuing year.

**Acknowledgement**

I wish to place on record my gratitude to the valued clients, regulatory authorities, banks and financial institutions for their continued support and confidence.

I would also like to record my appreciation to the dedication shown by the management and the staff for enabling the company to maintain effective controls over its operations/risk and implementation of Company policies.

For and on behalf of the  
Board of Directors



**Chairman**



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
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## **REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) prepared by the Board of Directors of Taurus Securities Limited ('the Company') for the year ended December 31, 2014.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Rules as applicable to the Company for the year ended December 31, 2014.

**Date: 27 March 2015**

**Karachi**

*KPMG Taseer Hadi & Co.*

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**