

Directors Report to the Shareholders
For the year ended December 31, 2017

The Directors of your Company are pleased to present the Annual Report with the Audited Financial Statements of the Company for the year ended December 31, 2017 along with the Auditor's Report thereon.

Economic Review:

In FY17, the Pakistan economy continued on a robust path with GDP growth reaching 5.28%, the highest in the last 10 years as a result of encouraging economic policies of low interest rates 5.75%, an improved law and order situation, improvement in energy supplies, coupled with on-going CPEC related activities. The Agriculture sector nearly met its target of 3.50% by witnessing growth of 3.46% from favorable government policies, majority being the subsidy schemes for fertilizers and reduction in customs duty on tractors. The Services and Industrials sector witnessed strong growth of 6% and 5% respectively. CPI for the period averaged at 4.16% vs. 2.86% in the corresponding period last year mainly driven by the increase in average international oil prices (+15%YoY) and higher domestic demand, however, remaining below the target of 6%. Higher development activities and lower tax collection PKR 3.33trn against target of PKR 3.62trn led to an increase in the fiscal deficit, which remained at 5.8% against targeted 3.8%.

There remained major concerns with the 38% rise in the trade deficit to USD 26.57bn, on the back of a marginal 0.2% YoY growth in exports and import growth at 18%YoY. Foreign Exchange Reserves of the country declined to USD 17.55bn vs. USD 19.45bn in FY16. The import cover consequently declined to 4.34 months vs. 5.66 months. However, a sufficient level of reserves stemmed a further decline in the PKR-USD parity.

KSE Review:

In CY17, the market posted a disappointing negative return of 15% on the back of a turbulent political scenario, post Panama Leaks and the PM's disqualification. Other factors compounding negative market sentiment were i) the weakening economic outlook ii) continuous outflow in the foreign portfolio investment despite inclusion in MSCI Emerging Market Index(CY17: USD 514mn), and iii) the increase in Capital Market taxes. During the period under review, average daily traded volume declined by ~16%YoY to 237mn however average daily traded value rose marginally by ~3% to USD 115mn.

Future Outlook:

Since the start of the calendar year, both technical and fundamental factors explain the ongoing market volatility. The market's positive fundamentals of robust, strong earnings growth and low valuations continue to battle the IMF's broadly negative overview of the economy. In the first week of March, the IMF made a strong statement expressing concern over Pakistan's weakening macroeconomic situation, widening external and fiscal imbalances, reduction in foreign exchange reserves and emerging risks to its economic and financial outlook. On the technical front, market participants remain short-term in view, largely relying on market timing and flows. The market has not been able to sustain any uptick due to negative news flows on the political and macroeconomic fronts. This is expected to continue for the first half of the current year.

In addition, political events building up to the general elections coupled with multilateral organizations highlighting the country's severely ailing macroeconomics (Balance of Payments, Fiscal Deficit, dwindling reserves) are expected to keep investor sentiments dampened, and hence, participation, at minimal. A further PKR depreciation, coupled with tightened Monetary & Fiscal policies on the cards, are bound to trickle down to the bourse, keeping volumes thin.

However, strong Corporate Balance Sheet growth, expansion plans in key industries and continued Corporate Earnings Growth have maintained the KSE-100 index attractive at a PER of 8.30x, and Dividend Yield of 6.46% against a regional average of PER 15.18x. Moreover, news of GOP mulling amnesty schemes, and foreign funds entering the country are expected to provide the much needed liquidity in the market, later this year.

The successful completion of the 2018 General Election is expected to pave way for formation of a new government, which is anticipated to boost investor confidence going forward. Volumes are expected to remain subdued during the first half of the financial year till political uncertainties settles, thereby enhancing clients' confidence/interest.

The Company plans on sustaining through this challenging period with a focus on enhancing market share, especially from its Retail and HNW segments, coupled with maintaining a low cost base as this remains imperative in such a volatile market. The Company has already expanded its retail base through the online platform by 46% by way of New Accounts during 2017, banking on its innovative trading platform and its newly added Taurus Analytics.

The Company has also been able to substantially increase its market share in the current year from the previous 2.97% to 4.23% percent to date.

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 Accounts 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 principal risks and associated uncertainties have been managed by the Company. The market volumes are beyond the control of the Company and the business model of the Company is based on a minimum average market daily traded value of fifteen billion rupees.

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 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.

The Statement of Compliance with the rules has been prepared by the Company and the Auditors have issued a 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	Date of Appointment	No. of Meetings Attended
1	Mr. Risha Ameen Mohyeddin	April 27, 2016	04
2	Mr. Muhammed Farhan Malik	May 9, 2016	03
3	Mr. Eraj Hashmi	December 23, 2015	03
4	Mr. Ali Abbas Sikander	February 9, 2017	04
5	Mr. Faisal Khan	April 26, 2017	02

6	Mr. Muhammad Atif Hanif	November 18, 2016	02
7	Sheikh Aftab Ahmad	December 23, 2015	03
8	Syed Zain Hussain	December 23, 2015	04

Leaves of absence were granted to the Directors who could not attend the Board Meetings.

The Board of Directors have constituted the following Committees in compliance of the applicable rules;

- Audit Committee
- Risk Management Committee
- Human Resource Committee
- Investigating Committee

The Pattern of Shareholdings of the Company is hereunder;

S. No	Name of Member	No. of Shares Held	% of Shareholding
1	National Bank of Pakistan	7,875,002	58.32
2	The Bank of Khyber	4,050,374	30.00
3	The Bank of Khyber-Employees Gratuity Fund	449,627	3.33
4	Saudi Pak Industrial & Agricultural Investment Company Ltd.	1,125,001	8.33
5	Individuals	2,302	0.02
Total		13,502,306	100.00

Remuneration of the Chief Executive/Directors and Executives is properly disclosed in the Note-29 of the Annexed Financial Statements and no remuneration is being paid to the Directors including the Chairman.

The Company operates Approved Funded Gratuity and Provident Fund schemes for all Eligible Employees. The value of Investments as per latest Audited Financial Statements of these funds for the year ended June 30, 2017 are as follows;

	---- (Rupees) ----
Gratuity Fund	13,478,122/-
Provident Fund	8,067,772/-

The Company has paid 10% Interim Dividend of Rs.1 per share amounting to Rs.13,502,306/- to members appearing on the Register at the close of business on April 19, 2017. The Board of Directors has recommended a Final Dividend for the Financial Year ended December 31, 2017 @ 10% i.e. Rs.1 per share.

Financial Highlights of the Company

	December-31		Amount in Rupees	
	2017	2016	Variance	
			Amount	%
Brokerage Income	93,407,168	98,293,866	(4,886,698)	(5)
Mark-up income	4,508,294	3,538,161	970,133	27
Capital Gain on PSX Shares	60,281,796	-	60,281,796	100
Capital Gain on Shares (Arbitrage)	13,680,194	11,572,268	2,107,926	18
Other Income	816,209	790,285	25,924	3
	<u>172,693,661</u>	<u>114,194,580</u>	<u>58,499,081</u>	<u>51</u>
Operating and Administrative Expenses	(118,822,338)	(110,233,956)	(8,588,382)	8
<i>Financial Charges</i>	<i>(2,589,939)</i>	<i>(1,774,445)</i>	<i>(815,494)</i>	<i>46</i>
Profit before Taxation	<u>51,281,384</u>	<u>2,186,179</u>	<u>49,095,205</u>	<u>2,246</u>
Taxation	<i>(13,007,831)</i>	<i>(3,034,656)</i>	<i>(9,973,175)</i>	<i>329</i>
Profit after Taxation	<u>38,273,553</u>	<u>(848,477)</u>	<u>39,122,030</u>	<u>(4,611)</u>
Accumulated profit/ (loss) brought forward	160,045,953	161,651,647		
Remeasurement of defined benefit asset/ (liability)-net of tax	(2,662,865)	(757,217)		
Dividend	(13,502,306)	-		
Accumulated profit carried forward	<u>182,154,335</u>	<u>160,045,953</u>		
Earning per Share	2.83	(0.06)		

A Capital Gain on sale of 60% PSX shares of Rs.60.28 million has been recorded by the Company of which 40% (out of 60%) shares have been sold to the Chinese Consortium and 20% (out of 60%) sold to the General Public through the process of Initial Public Offering by Divestment Committee of the PSX.

The remaining 40% PSX shares are pledged with the PSX to meet the requirements of Base Minimum Capital (BMC) which are available in the Company's CDC and are blocked by the PSX for one year.

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'.

Key Financial and Operating Data of Six Years

(Rupees in thousands)

	December 2017	December 2016	December 2015	December 2014	December 2013	December 2012
Paid-up Capital	135,023	135,023	135,023	135,023	135,023	135,023
Accumulated Profit/ (Loss)	213,848	160,332	161,878	164,332	173,979	153,567
Liability	902,355	873,908	158,935	121,425	536,533	120,916
Total Equity & Liability	1,251,226	1,169,263	455,836	420,780	845,535	409,506
Fixed Assets	10,309	14,376	13,261	13,038	17,322	17,277
Other Assets	1,240,917	1,154,887	442,575	407,742	828,213	392,229
Total Assets	1,251,226	1,169,263	455,836	420,780	845,535	409,506
Operating Income	172,694	114,195	122,728	112,170	119,519	98,510
Operating Expenses	118,822	110,234	97,873	91,478	81,921	63,875
Financial Charges	2,590	1,774	1,006	1,468	1,557	987
Taxation	13,008	3,035	4,895	3,301	9,707	10,166
Net Profit / (Loss)	38,274	(848)	18,954	15,923	26,334	23,482

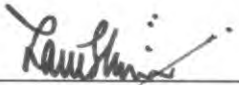
Auditors

The present Auditors, M/s. Grant Thornton Anjum Rahman & Co. Chartered Accountants shall retire and being eligible, offer themselves for reappointment at the upcoming Annual General Meeting. The Board of Directors has recommended the reappointment of M/s. Grant Thornton Anjum Rahman & Co. Chartered Accountants as Auditors of the Company for the ensuing year.

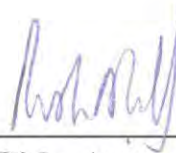
Acknowledgement

We wish to place on record our gratitude to the valued Clients, Regulatory Authorities, Banks and Financial Institutions for their continued support and confidence.

We would also like to record our 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.



Syed Zain Hussain
Chief Executive Officer



Risha Ameen Mohyeddin
Chairman of the Board