

Directors Report to the Shareholders
For the year ended December 31, 2016

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, 2016 along with the auditor's report thereon.

Capital Market Review

With a meager return of only 2% in the preceding year, CY16 turned out to be an encouraging one as the KSE100 index posted a 46% return and closed at an all-time high of 47,807 points. The MSCI Emerging Market inclusion, CPEC and improved domestic liquidity all played a significant role in providing the market with triggers. The average daily traded volume rose to 276mn, up by 13% YoY (244mn in CY15) along with average daily traded value that also surged to USD 109mn, higher by 2% YoY (USD 107mn in CY15).

Future Outlook

In the coming year the outlook for the capital markets looks promising as the inclusion of Pakistan in MSCI Emerging Market index from MSCI Frontier Market Index (expected in May'17) is expected provide an impetus to the local equity market. More importantly the increase in liquidity for the mutual fund industry and successful divestment of 40% PSX shares are expected to result in higher volumes in the local market. The Chinese Investors at the PSX are anticipated to introduce greater transparency, enforcement of regulations and new products (derivatives/options).

Taurus Securities Limited is well poised to capture this growth due to its strong brand and presence in the local equity market. The Company has made a start by adding more than 400 new clients to its retail desk during CY16. The company's online clients increased to above 1300 accounts and contributed 12% to the total brokerage income.

In the current year, the Company earned profit before tax but after tax incurred a marginal loss. The loss incurred during the first quarter of the year was due to high legal costs incurred, a client claim which was settled and a drastic slump in volumes during the first quarter. The company has been able to capitalize on the increase in volumes witnessed during the start of 2017 and has remained profitable though there remains space for growth in the retail segment.

The management is also taking steps to provide high quality research and value-added services to the company's clients in order to improve the company's business standards and offerings.

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 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 six 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. Risha Ameen Mohyeddin	03
2	Mr. Muhammed Farhan Malik	03
3	Mr. Muhammad Ismail Usuf	03
4	Mr. Eraj Hashmi	06
5	Mr. Shahzad Abdullah	02
6	Syed Akhtar Ali Shah	04
7	Mr. Imran Samad	01
8	Sheikh Aftab Ahmad	05
9	Syed Zain Hussain	06

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

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. Muhammed Farhan Malik	2
2	Mr. Eraj Hashmi	4
3	Syed Akhtar Ali Shah	2
4	Sheikh Aftab Ahmad	4

The pattern of shareholdings is properly disclosed in the Note-17 of the annexed financial statements.

Remuneration of the Chief Executive/Directors and Executives is properly disclosed in the Note-30 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, 2016 are as follows;

	---- (Rupees) ----
Gratuity Fund	11,202,903/-
Provident Fund	6,810,699/-

Financial Highlights of the Company

	December-31		Amount in Rupees	
	2016	2015	Variance	
			Amount	%
Brokerage Income	98,293,866	97,455,097	838,769	1
Mark-up income	3,538,161	5,837,304	(2,299,143)	(39)
Capital gain	11,572,268	17,016,806	(5,444,538)	(32)
Other Income	790,285	2,419,208	(1,628,923)	(67)
	114,194,580	122,728,415	(8,533,835)	(7)
Operating and Administrative Expenses	(110,233,956)	(97,873,178)	(12,360,778)	13
Financial Charges	(1,774,445)	(1,006,449)	(767,996)	76
Profit before Taxation	2,186,179	23,848,788	(21,662,609)	(91)
Taxation	(3,034,656)	(4,894,881)	1,860,225	(38)
Profit after Taxation	(848,477)	18,953,907	(19,802,384)	(104)
Accumulated profit/ (loss) brought forward	161,651,647	164,240,669		
Remeasurement of defined benefit asset/ (liability)-net of tax	(757,217)	(1,289,470)		
Dividend	-	(20,253,459)		
Accumulated profit carried forward	160,045,953	161,651,647		
Earning per Share	(0.06)	1.40		

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 2016	December 2015	December 2014	December 2013	December 2012	December 2011
Paid-up Capital	135,023	135,023	135,023	135,023	135,023	135,023
Accumulated Profit/ (Loss)	160,332	161,878	164,332	173,979	153,567	142,611
Liability	873,908	158,935	121,425	536,533	120,916	32,963
Total Equity & Liability	1,169,263	455,836	420,780	845,535	409,506	310,597
Fixed Assets	14,376	13,261	13,038	17,322	17,277	19,720
Other Assets	1,154,887	442,575	407,742	828,213	392,229	290,877
Total Assets	1,169,263	455,836	420,780	845,535	409,506	310,597
Operating Income	114,195	122,728	112,170	119,519	98,510	66,232
Operating Expenses	110,234	97,873	91,478	81,921	63,875	56,988
Financial Charges	1,774	1,006	1,468	1,557	987	556
Taxation	3,035	4,895	3,301	9,707	10,166	2381
Net profit / (loss)	(848)	18,954	15,923	26,334	23,482	6,307

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

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