

Directors' Report to the Shareholders
For the year ended December 31, 2015

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, 2015 along with the auditors report thereon.

After three years of excellent performance, KSE100 index has posted meager 2% return in CY15 primarily because of continuous foreign selling, in addition to lack of triggers over the domestic side, fears of tough political environment and some regulatory measures. During CY15, average daily traded volumes increased by 17% to 242mn shares and by 22% to PKR 11.4bn.

In CY15, mutual funds and NBFCs remained the major net buyers in the market with net buying amounting to PKR17.2bn and PKR10.7bn, respectively. In contrast, foreigners, banks and companies offloaded shares worth PKR32.0bn, PKR5.8bn and PKR2.4bn, respectively.

Foreign investments have remained the major index driver over last 2-3 years. However, adversity in global dynamics, redemptions from foreign funds and fears of sharp PKR depreciation resulted in USD315mn selling by foreign investors in CY15.

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 five 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. Muhammad Ismail Usuf	5
2	Mr. Muzaffar S. Khan	4
3	Mr. Eraj Hashmi	4
4	Mr. Imran Samad	3
5	Syed Akhtar Ali Shah	4
6	Sheikh Aftab Ahmad	5
7	Syed Zain Hussain	5

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	1
2	Syed Akhtar Ali Shah	3
3	Sheikh Aftab Ahmad	4
4	Mr. Eraj Hashmi	2

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, 2015 are as follows;

----- (Rupees) -----

Gratuity Fund	9,752,989
Provident Fund	5,026,752

Financial Highlights of the Company

	December-31		Amount in Rs	
	2015	2014	Variance Amount	%
Brokerage Income	97,455,097	82,929,424	14,525,673	18
Mark-up income	5,565,528	14,962,759	(9,397,231)	(63)
Capital gain	17,016,806	12,971,849	4,044,957	31
Other Income	2,690,984	1,306,235	1,384,749	106
	122,728,415	112,170,267	10,558,148	9
Operating and Administrative Expenses	(97,873,178)	(91,477,883)	(6,395,295)	7
Financial Charges	(1,006,449)	(1,467,857)	461,408	(31)
Profit before Taxation	23,848,788	19,224,527	4,624,261	24
Taxation	(4,894,881)	(3,301,799)	(1,593,082)	48
Profit after Taxation	18,953,907	15,922,728	3,031,179	19
Accumulated profit/ (loss) brought forward	164,240,669	173,733,150		
Remeasurement of defined benefit asset/ (liability)-net of tax	(1,289,470)	(2,461,289)		
Dividend	(20,253,459)	(22,953,920)		
Accumulated profit carried forward	161,651,647	164,240,669		
Earning per Share	1.40	1.18		

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

Seeing the global economic slowdown, lengthened commodity rout and rising interest rates in United States, trading activity of foreign investors is likely to remain muted for at least 1-2 quarters. However, bottomed out energy and banking sectors, growing profitability of manufacturing sectors, potential reclassification of EM is likely to lure back foreign investments in later half of CY16.

We feel that the recent slowdown in investors trading activity and resultant under performance of KSE100 index is of short term nature while attractive valuations would push back the investments in the upcoming years.

Key Financial and Operating Data of Six Years

(Rupees in thousands)

	December 2015	December 2014	December 2013	December 2012	December 2011	December 2010
Paid-up Capital	135,023	135,023	135,023	135,023	135,023	135,023
Accumulated Profit/ (Loss)	161,878	164,332	173,979	153,567	142,611	136,303
Liability	158,935	121,425	536,533	120,916	32,963	80,827
Total Equity & Liability	455,836	420,780	845,535	409,506	310,597	352,153
Fixed Assets	13,261	13,038	17,322	17,277	19,720	21,599
Other Assets	442,575	407,742	828,213	392,229	290,877	330,554
Total Assets	455,836	420,780	845,535	409,506	310,597	352,153
Operating Income	122,728	112,170	119,519	98,510	66,232	70,002
Operating Expenses	97,873	91,478	81,921	63,875	56,988	61,506
Financial Charges	1,006	1,468	1,557	987	556	444
Taxation	4,895	3,301	9,707	10,166	2381	2,873
Net profit	18,954	15,923	26,334	23,482	6,307	5,179

Auditors

The present auditors, M/S. KPMG Taseer Hadi & Co. Chartered Accounts would be retired at the upcoming Annual General Meeting. The National Bank of Pakistan would not reappoint the aforesaid auditors as they have completed the term of five years. According to the SBP regulation, the external auditors of the subsidiaries should be the same as the auditors of the holding company. As the NBP has not yet finalized the name of the incoming auditors. Therefore, the Board may recommend the appointment of the same auditors as per NBP's awaited recommendation for approval in the upcoming Annual General Meeting.

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