

Directors Report to the Shareholders
For the year ended December 31, 2018

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, 2018 along with the Auditor's Report thereon.

Economic Review:

In FY18 the Pakistan economy continued on a robust path with Gross Value Added (GVA) growth reaching 5.22%, reflecting the early stages of a country wide slowdown – GVA in the previous year grew 5.38%. The State Bank of Pakistan began a cycle of monetary tightening 2HFY18, wherein they raised the policy rate by 75 bps, having held it at 6.25% for the previous 20 months. The Agriculture sector witnessed 3.7% growth; Cotton Ginning grew 8.8% in this period, a positive signal for the country's most promising export. The Secondary and Tertiary sectors grew 5.01% and 5.78% respectively. Starting in Dec '17, the Rupee devalued 12.85%, bringing the average USDPKR parity for the fiscal year to 109.84 vs 104.70, the average in FY17. CPI for the period averaged 3.93%, peaking in Jun '18, at 5.83% as a consequence of devaluation.

The Country's Current Account Deficit totaled 6.1% of GDP in FY18, on the back of Sovereign Debt Repayments in the year and a Trade Deficit of USD 31bn. The Fiscal Deficit, too, soared to 6.6% of GDP, as devaluation increased the burden of debt repayments.

Equity Market Review

Last year was the second consecutive year of negative returns after about two decades of most positive performance, benchmark KSE100 Index declined by 8.4% in the year ended. Negative returns were magnified in USD terms due to PKR devaluation against dollar (~15.7% on average basis). Political uncertainty and economic concerns remained the major dampeners. On the economic front, major concerns were rising fiscal and external account deficits coupled with sharply falling foreign exchange reserves. Equity market also couldn't bear the brunt of massive foreign selling. During CY18, local bourse witnessed its highest ever foreign outflows to the tune of USD 537mn. In the outgoing year, average traded volumes also declined considerably by 21.8% to 185mn shares. However, the Company has been able to substantially increase its market share to 4.90% in FY2018 from 2.97% last year, under extremely adverse brokerage industry conditions.

Future Outlook:

The year has been tumultuous, with market sentiment negative for most of the year, in response to the deteriorating economic fortunes of the country. We are however, very positive on stock market prospects going forward. While aggregate corporate earnings growth on the back of higher interest rates and rising input costs, will be muted, we can expect earnings surprises in several sectors. Drivers of the market are expected to be the large capitalization corporate leaders in the Oil Exploration and Production, Banking and export-led industries going forward. The Government's thrust of industrial policy is self-reliance, export-led growth and to ease business processes. We are convinced it is only a matter of time before positive results from the present Government's timely corrective measures become apparent.

Pakistan equity valuations have fallen to or below their longer-term averages as measured by the headline Price-Earnings ratio -2019 forecast is 7.4x and offers substantial value. With weaker global equity performance expected, we are seeing foreign fund flows - USD 40m YTD, into the market, on the back of superior returns, looking ahead. We are confident that this trend will continue. Additionally, market impetus is anticipated from the steadily improving economic environment, ongoing structural and institutional reforms that will start showing results in 2H2019.

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/Financial Control is adequate, 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 Board has complied with the relevant principles of Corporate Governance.
- The appointment of Chairman and other members of the Board and the terms of their appointment along with the remuneration policy adopted are in the best interest of the Public Sector Company as well as in line with the best practices.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- The decline in profitability is directly attributable to the significant lower volumes at the bourse during the period. Going forward, as the volumes at the bourse improves; the Company is poised to capitalize on the back of its growing market share. Moreover, the Company is focused on maintaining its growth momentum in the long run. Management is acutely monitoring its resources to reap the maximum benefits.

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/Re-appointment	No. of Meetings Attended
1	Mr. Risha Ameen Mohyeddin	April 27, 2016	02
2	Mr. Muhammad Ismail Usuf	December 23, 2018	03
3	Mr. Muhammed Farhan Malik	December 23, 2018	03
4	Mr. Ali Abbas Sikander	December 23, 2018	04
5	Mr. Faisal Khan	April 26, 2017	02
6	Mr. Muhammad Atif Hanif	December 23, 2018	04
7	Sheikh Aftab Ahmad	December 23, 2015	04
8	Syed Zain Hussain	December 23, 2018	04

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

The Board of Directors has 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, 2018 are as follows;

	---- (Rupees) ----
Gratuity Fund	18,651,517/-
Provident Fund	8,727,978/-

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 20, 2018.

Financial Highlights of the Company

	December-31		Amount in Rupees	
	2018	2017	Variance	
			Amount	%
Brokerage Income	96,756,445	93,407,168	3,349,277	4
Mark-up income	12,788,318	4,508,294	8,280,024	184
Capital Gain on PSX Shares	-	60,281,796	(60,281,796)	#DIV/0!
Capital Gain on Shares (Arbitrage)	13,344,542	13,680,194	(335,652)	(2)
Other Income	296,069	816,209	(520,140)	(64)
	123,185,374	172,693,661	(49,508,287)	(29)
Operating and Administrative Expenses	(124,227,070)	(118,822,338)	(5,404,732)	5
<i>Financial Charges</i>	(3,429,928)	(2,589,939)	(839,989)	32
Profit / (loss) before Taxation	(4,471,624)	51,281,384	(55,753,008)	(109)
Taxation	(11,222,394)	(13,007,831)	1,785,437	(14)
Profit after Taxation	(15,694,018)	38,273,553	(53,967,571)	(141)
Accumulated profit brought forward	182,154,335	160,045,953		
Remeasurement of defined benefit asset/ (liability)-net of tax	4,495,143	(2,662,865)		
Dividend	(13,502,306)	(13,502,306)		
Accumulated profit carried forward	157,453,154	182,154,335		
Earning per Share	(1.16)	2.83		

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 2018	December 2017	December 2016	December 2015	December 2014	December 2013
Paid-up Capital	135,023	135,023	135,023	135,023	135,023	135,023
Accumulated Profit/ (Loss)	174,960	213,848	160,332	161,878	164,332	173,979
Liability	442,704	902,355	873,908	158,935	121,425	536,533
Total Equity & Liability	752,687	1,251,226	1,169,263	455,836	420,780	845,535
Fixed Assets	9,961	10,309	14,376	13,261	13,038	17,322
Other Assets	742,726	1,240,917	1,154,887	442,575	407,742	828,213
Total Assets	752,687	1,251,226	1,169,263	455,836	420,780	845,535
Total Income	123,185	172,694	114,195	122,728	112,170	119,519
Operating Expenses	124,227	118,822	110,234	97,873	91,478	81,921
Financial Charges	3,430	2,590	1,774	1,006	1,468	1,557
Taxation	11,222	13,008	3,035	4,895	3,301	9,707
Net Profit / (Loss)	(15,694)	38,274	(848)	18,954	15,923	26,334

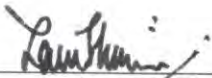
Auditors

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



Muhammad Ismail Usuf
Chairman of the Board