

Directors' Report to the Shareholders
For the year ended December 31, 2013

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, 2013 along with the auditors report thereon.

The year 2013 was a year of upward momentum for the capital market and brokerage industry as a whole with a substantial increase in volumes which averaged 223 million shares a day. The biggest catalyst for market in the year under discussion was smooth Political, Military and Judicial transition that kept the active participation of the investors and the key reason for the index making a new high. The review of monthly variances in index digits shows that the index closed positive eight times during the year, with the highest monthly index change of +2.8k witnessed in the election month of May. After two consecutive declined in Aug & Sep, the market rebounded sharply in the last quarter.

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. In terms of value traded, TSL managed to maintain its market share as compared to the corresponding period thereby enabling it to close the year with a gross revenue of Rs.118 million and a net profit after tax of Rs.26 million as compared to the previous years gross revenue of Rs.98 million and profit after tax of Rs.23 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.
- Revision in IAS 19, has been properly reflected in the accounting policy / financial statements.
- 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 are become 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). As the rules are stringent and their compliance is cumbersome and not practicable for a small company like TSL, therefore, legal opinion was sought from M/s Haider Mota & Company. The legal council was of the opinion that although company fallen within the definition of Public Sector Company but keeping in view the legislative intent behind the enactment of the rules, which is to primarily increase transparency and accountability within the public sector companies so as to protect public interest, it can be contended with force that the same were not intended to cover companies like TSL. In this respect Company approached SECP for the exemption from the rules. The SECP vide their letter No. SMD/ SE/2(20)2012 dated September 19, 2013 has concurred with the contention and advised to apply for exemption from specific provision of the rules which are impracticable for the companies to comply with.

Meanwhile, NBP has decided to apply for exemption from the rules for all of its subsidiaries. The application has been filed with the SECP and response is awaited.

In lieu of the above, the statement of compliance with the rules has been prepared by the company.

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	4
2	Mr. Muhammad Nusrat Vohra*	1
3	Mr. Muzaffar S. Khan	4
4	Mr. Akhtar Ali Shah	4
5	Mr. Imran Samad	1
6	Sheikh Aftab Ahmad	4
7	Mr. Muhammad Ismail Usuf*	2
8	Syed Zain Hussain	4

*During the year, Mr. Muhammad Ismail Usuf was nominated by the NBP in place of Mr. Muhammad Nusrat Vohra.

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

During the year three 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 Nusrat Vohra*	1
2	Mr. Akhtar Ali Shah	3
3	Sheikh Aftab Ahmad	3
4	Mr. Muhammad Ismail Usuf*	2

*During the year, Mr. Muhammad Ismail Usuf was nominated by the NBP in place of Mr. Muhammad Nusrat Vohra.

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 – 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, 2013 are as follows:

	Rupees
Gratuity Fund	8,033,356
Provident Fund	4,200,755

Market Review

The year 2013 witnessed the KSE-100 Index maintaining its upward momentum; the market continued its winning streak to again give another handsome 50% YoY return in 2013, to close at 25,284 points. Market volume during the current period has improved by 29 % as compared to the corresponding period. The average daily turnover during the period was 223 million shares as compared to 173 million shares in the previous period. Smooth Political (the biggest catalyst of CY13), Military and Judicial transition is the key reason for the index making a new high. Taking a look at monthly index change shows that the index closed positive eight times during CY13, with the highest monthly index change of +2.8k witnessed in the election month of May. After two consecutive decline in Aug & Sep, the market rebounded sharply in 4QCY13

In the current year, the KSE is amongst the top performing markets in the world. Sector wise comparison shows that Cement and Textile sector again remained the biggest out performer (similar to CY12) as per market capitalization change. Chemical sector remained the biggest underperformer in CY13 on account of inability to raise local prices due to falling international Urea and DAP prices and gas price uncertainty.

An overview of market participant's activity during the period shows that foreigners remained on the forefront in terms of buying, while Mutual funds & Companies were the largest sellers.

Financial Highlight of the Company

	December-31		Amount in Rs	
	2013	2012	Variance	
			Amount	%
Brokerage Income	92,432,807	70,945,560	21,487,247	30
Mark-up income	14,425,678	21,313,581	(6,887,903)	(32)
Capital gain	10,568,989	6,183,803	4,385,186	71
Other Income	971,680	66,712	904,968	1,357
	118,399,154	98,509,656	19,889,498	20
Operating and Administrative Expenses	(80,801,509)	(63,874,801)	(16,926,708)	26
Financial Charges	(1,556,717)	(987,031)	(569,686)	58
Profit before Taxation	36,040,928	33,647,824	2,393,104	7
Taxation	(9,706,598)	(10,166,170)	459,572	(5)
Profit after Taxation	26,334,330	23,481,654	2,852,676	12
Accumulated profit/ (loss) brought forward	153,462,479	144,039,343	9,423,136	
Remeasurement of defined benefit asset/ (liability)-net of tax	687,494	(1,906,443)		
Dividend	(6,751,153)	(12,152,075)	(12,152,075)	
Accumulated profit carried forward	173,733,150	153,462,479	20,270,671	
Earning per Share	1.95	1.74		

Dividend

The Board of Directors has recommended 12 % cash payout as final dividend for the year ended December 2013.

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

The overall macro situation has started to improve with 1QFY14, GDP growth clocking in at 5%, while LSM is also up by 5.3% in the 5MFY14. The much touted circular debt has been reduced to a large extent and politically painful decision of 50% electricity tariff hike was finally taken. IMF's nod was critical for reviving the assistance from multilateral agencies, which is now visible and project based lending from World Bank, IDB. IFC and ADB are expected to be ramped up from CY14 onwards. The good thing is that bulk of repayments to IMF from the previous SBA loan has been made, and in 2014, receipts from current EFF loan will more than cover the projected repayments of SBA.

Privatization/Restructuring and receipt of external flows shall remain the key catalysts for determining the market direction in 2014.

Key Financial and Operating Data of six years

(Rupees in thousand)

	December 2013	December 2012	December 2011	December 2010	December 2009	December 2008
Paid-up Capital	135,023	135,023	135,023	135,023	135,023	135,023
Accumulated Profit/ (Loss)	173,979	153,567	142,611	136,303	131,124	119,519
Liability	536,533	120,916	32,963	80,827	109,873	124,152
Total Equity & Liability	845,535	409,506	310,597	352,153	376,020	378,694
Fixed Assets	17,322	17,277	19,720	21,599	22,646	26,620
Other Assets	828,213	392,229	290,877	330,554	353,374	352,074
Total Assets	845,535	409,506	310,597	352,153	376,020	378,694
Operating Income	118,399	98,510	66,232	70,002	78,015	85,697
Operating Expenses	80,801	63,875	56,988	61,506	62,468	71,587
Financial Charges	1,557	987	556	444	582	1,342
Taxation	9,707	10,166	2381	2,873	5,706	5,643
Net profit	26,334	23,482	6,307	5,179	9,259	7,125

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 Board of Directors has 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



Nadeem A. Ilyas
Chairman