

## INDEPENDENT AUDITORS REPORT ON STATEMENT OF LIQUID CAPITAL

*To the Chief Executive Officer of Trust Securities and Brokerage Limited*

### **Opinion**

We have audited the Statement of Liquid Capital of Trust Securities and Brokerage Limited and notes to the Statement of Liquid Capital as at March 26, 2018 (together 'the statement').

In our opinion, the financial information in the statement of the Securities Broker as at March 26, 2018 is prepared, in all material respects, in accordance with the requirements of the Third Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) issued by the Securities & Exchange Commission of Pakistan (SECP).

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the statement* section of our report. We are independent of the Securities Broker in accordance with the ethical requirements that are relevant to our audit of the statement in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter - Basis of Accounting and Restriction on Distribution**

We draw attention to Note 1 to the statement, which describes the basis of accounting. The statement is prepared to assist the Trust Securities and Brokerage Limited to meet the requirements of the SECP, Pakistan Stock Exchange (PSX) and National Clearing Company of Pakistan Limited (NCCPL). As a result, the statement may not be suitable for another purpose. Our report is intended solely for Trust Securities and Brokerage Limited, SECP, PSX and NCCPL and should not be distributed to parties other than Trust Securities and Brokerage Limited, the SECP, PSX or NCCPL. Our opinion is not modified in respect of this matter.

### **Responsibilities of Management and Those Charged with Governance for the statement**

Management is responsible for the preparation of the statement in accordance with the Regulations, and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

Those charged with governance is responsible for overseeing the Securities Broker's financial reporting process.

***Auditor's Responsibilities for the Audit of the statement***

Our objectives are to obtain reasonable assurance about whether the statement is free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this statement.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Securities Broker's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Yameen.



*Reanda Haroon Zakaria & Co.*  
Reanda Haroon Zakaria & Company  
Chartered Accountants

Place: Karachi  
Dated: March 29, 2018



**TRUST SECURITIES & BROKERAGE LIMITED**  
**COMPUTATION OF LIQUID CAPITAL**  
**AS AT MARCH 26, 2018**

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
<b>1 ASSETS</b>				
1.1	Property & Equipment	1,059,203	1,059,203	-
1.2	Intangible Assets	1,542,600	1,542,600	-
1.3	Investment in Government Securities	-	-	-
1.4	<b>Investment in Debt. Securities</b>			
	<b>If listed than:</b>			
	i. 5% of the balance sheet value in the case of tenure up to 1 year.	-	-	-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	-	-
	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	-	-
	<b>If unlisted than:</b>			
	i. 10% of the balance sheet value in the case of tenure up to 1 year.	-	-	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	-	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	-	-	-
	1.5	<b>Investment in Equity Securities</b>		
i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.		285,840	42,876	242,964
ii. If freezed / blocked / pledged including shares of listed companies, 100% of carrying value.		2,720,000	2,720,000	-
iii. If unlisted, 100% of carrying value.		30,000	30,000	-
1.6	Investment in subsidiaries	-	-	-
1.7	<b>Investment in associated companies/undertaking</b>	-	-	-
	i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of net value.	-	-	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	450,000	450,000	-
1.9	Margin deposits with exchange and clearing house.	2,500,000	-	2,500,000
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	335,957	335,957	-
	Short Term Loans to Employees: Loans are Secured and Due for Re-payment within 12 months	82,000	-	82,000
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.(Nil)	-	-	-
1.13	Dividends receivables.	-	-	-
1.14	Amounts receivable against Repo financing.	-	-	-
1.15	Advances and receivables other than trade receivables	1,771,836	1,771,836	-



<i>S. No.</i>	<i>Head of Account</i>	<i>Value in Pak Rupees</i>	<i>Hair Cut / Adjustments</i>	<i>Net Adjusted Value</i>
1.16	<b>Receivables from clearing house or securities exchange</b>			
	100% value of claims other than those on account of entitlements against trading of securities in all markets including MT gains.	-	-	-
1.17	<b>Receivables from customers net of provisions</b>			
	i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut. <i>i. Lower of net balance sheet value or value determined through adjustments.</i>	-	-	-
	ii. In case receivables are against margin trading, 5% of the net balance sheet value. <i>ii. Net amount after deducting haircut</i>	-	-	-
	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, <i>iii. Net amount after deducting haircut</i>	-	-	-
	iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. <i>iv. Balance sheet value</i>	-	-	-
	v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts. <i>v. Lower of net balance sheet value or value determined through adjustments</i>	955,987	52,458	903,529
	<i>vi. 100% haircut in the case of amount receivable form related parties.</i>	-	-	-
1.18	<b>Cash and Bank balances</b>			
	i. Bank Balance-proprietary accounts	206,472,873	-	206,472,873
	ii. Bank balance-customer accounts	11,248,971	-	11,248,971
	iii. Cash in hand	10,975	-	10,975
1.19	Subscription money against investment in IPO/ offer for sale (asset)	-	-	-

1.20 Total Assets

229,466,242

229,466,242

## 2 LIABILITIES

2.1	<b>Trade Payables</b>			
	i. Payable to exchanges and clearing house	-	-	-
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	13,748,971	-	13,748,971





S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
2.2	<b>Current Liabilities</b>			
	i. Statutory and regulatory dues	-	-	-
	ii. Accruals and other payables	985,571	-	985,571
	iii. Short-term borrowings	-	-	-
	iv. Current portion of subordinated loans	-	-	-
	v. Current portion of long term liabilities	-	-	-
	vi. Deferred Liabilities	-	-	-
	vii. Provision for taxation	-	-	-
2.3	<b>Non-Current Liabilities</b>			
	i. Long-Term financing			-
	ii. Staff retirement benefits	1,816,473	-	1,816,473
2.4	iii. Other liabilities as per accounting principles and included in the financial statements	-	-	-
	<b>Subordinated Loans</b>	-	-	-
2.4	100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted	7,875,199	7,875,199	-
2.5	Advance against shares for increase in capital of securities broker.	-	-	-

2.6 Total Liabilities

24,426,214

16,551,015

### 3 RANKING LIABILITIES RELATING TO:

3.1	<b>Concentration in Margin Financing</b>			
	The amount calculated client - to - client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees.	-	-	-
3.2	<b>Concentration in securities lending and borrowing</b>			
	The amount by which the aggregate of:			
	(i) Amount deposited by the borrower with NCCPL (ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed	-	-	-
3.3	<b>Net underwriting Commitments</b>			
	<b>(a) in the case of right issue :</b> if the market value of securities is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issue where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting	-	-	-
	<b>(b) in any other case :</b> 12.5% of the net underwriting commitments	-	-	-
3.4	<b>Negative equity of subsidiary</b>			
	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-	-	-
	<b>Foreign exchange agreements and foreign currency positions</b>			





<i>S. No.</i>	<i>Head of Account</i>	<i>Value in Pak Rupees</i>	<i>Hair Cut / Adjustments</i>	<i>Net Adjusted Value</i>
3.5	5% of the net position in foreign currency. Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency	-	-	-
3.6	Amount Payable under REPO	-	-	-
<b>Repo adjustment</b>				
3.7	<b>In the case of financier/purchaser</b> the total amount receivable under Repo less the 110% of the market value of underlying securities. <b>In the case of financee/seller</b> the market value of underlying securities after applying haircut less the total amount received, less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-	-	-
<b>Concentrated proprietary positions</b>				
3.8	If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security. If the market of a security exceeds 51% of the proprietary position, then 10% of the value of such security	285,840	257,256	28,584
<b>Opening Positions in futures and options</b>				
3.9	i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/ pledged with securities exchange after applying VaR haircuts	-	-	-
	ii. In case of proprietary positions, the total margin requirements in respect of open positions to the extent not already met	-	-	-
<b>Short sell positions</b>				
3.10	i. In case of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts	-	-	-
	ii. In case of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.	-	-	-
<b>3.11</b>	<b>Total Ranking Liabilities</b>	<b>285,840</b>	<b>257,256</b>	<b>28,584</b>

**Calculation Summary of Liquid Capital:**

1	Adjusted value of Assets (serial number 1.19)	221,461,312
2	Less: Adjusted value of liabilities (serial number 2.5)	(16,551,015)
3	Less: Total ranking liabilities (series number 3.11)	(28,584)
		<u>204,881,713</u>



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*Chief Executive*

**TRUST SECURITIES & BROKERAGE LIMITED**  
**EXPLANATORY NOTES TO THE STATEMENT OF LIQUID CAPITAL**  
**AS AT MARCH 26, 2018**

**1 BASIS OF ACCOUNTING**

This Liquid capital have been prepared under the historical cost convention except for investments that are valued at market value. Further, accrual basis of accounting is followed.

**2 DATE OF ISSUANCE**

This statement was authorized for issue on 29 MAR 2018.



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*Chief Executive*