

**INDEPENDENT AUDITORS REPORT ON
STATEMENT OF NET CAPITAL BALANCE**

To the Chief Executive Officer of Trust Securities and Brokerage Limited

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Opinion

We have audited the Statement of Net Capital Balance of Trust Securities and Brokerage Limited and notes to the Statement of Net Capital Balance as at December 31, 2018 (together 'the statement').

In our opinion, the financial information in the statement of the Securities Broker as at December 31, 2018 is prepared, in all material respects, in accordance with the requirements of the Second Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) read with Rule 2(d) of the Securities Exchange Commission (SEC) Rules 1971 (SEC Rules 1971) 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 or 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 the SEC Rules 1971, 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 & Company
Reanda Haroon Zakaria & Company
Chartered Accountants

Place: Karachi
Dated: 08 MAR 2019

TRUST SECURITIES & BROKERAGE LIMITED
CALCULATION OF NET CAPITAL BALANCE
AS AT DECEMBER 31, 2018

| | <i>Note</i> | <i>Rupees</i> |
|--|-------------|---------------|
| <u>CURRENT ASSETS</u> | | |
| Cash in hand | | 1,136,041 |
| Cash at bank | | 3,026,529 |
| Balance pertaining to brokerage house | | 11,548,330 |
| Balance pertaining to clients | | 14,574,859 |
| | | 15,710,900 |
| Margin deposited with NCCPL | 2 | 78,794,419 |
| Trade Receivables | 3 | 176,795,131 |
| Book value | | (58,573,458) |
| Less: Overdue for more than 14 days | | 118,221,673 |
| Investment in listed securities | | 2,956,240 |
| Securities on the exposure list marked to market | | (443,436) |
| Less: 15% discount | | 2,512,804 |
| Securities purchased for client where payment has not been received in 14 days | 4 | 4,487,825 |
| | A | 219,727,621 |
| Total Current Assets | | |
| <u>CURRENT LIABILITIES</u> | | |
| Trade Payables | 5 | 22,135,907 |
| Book value | | (6,981,663) |
| Less: Overdue for more than 30 days | | 15,154,244 |
| Other liabilities | 6 | 51,609,002 |
| | B | 66,763,246 |
| Total Current Liabilities | | |
| NET CAPITAL BALANCE | A minus B | 152,964,375 |



 Chief Executive Officer



TRUST SECURITIES & BROKERAGE LTD
NOTES TO THE NET CAPITAL BALANCE
AS AT DECEMBER 31, 2018

1 BASIS OF ACCOUNTING

This net capital balance have been prepared under the historical cost convention. Further, accrual basis of accounting is followed except for investments which are carried at fair value.

This represents margin deposits with NCCPL.

TRADE RECEIVABLES

| | <i>Note</i> | <i>Rupees</i> |
|--|-------------|--------------------|
| Trade receivable | 3.1 | 114,110,071 |
| Receivable from NCCPL against margin trading | | 2,639,897 |
| Receivable against margin financing | 3.2 | 58,400,042 |
| Markup receivable against leverage products | | 1,645,121 |
| | | <u>176,795,131</u> |

3.1 This represents receivable from clients against trade in market

3.2 This amount is given as a Margin Financing (MF) to our clients through National Clearing Company of Pakistan Limited. This amount is secured against securities of clients held in house account.

4 This represents securities held on behalf of client where payments is overdue for more than 14 days.

5 This represents payable to clients against trades executed in the market.

6 OTHER LIABILITIES INCLUDES

| | |
|---|-------------------|
| Retirement benefits | 1,816,473 |
| Subordinated loans | 8,900,000 |
| Accrued and other liabilities | 33,910,866 |
| Trade payables which are over due for more than 30 days | 6,981,663 |
| | <u>51,609,002</u> |

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Chief Executive Officer

