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Reanda Haroon Zakaria & Company
Chartered Accountants



REVIEW REPORT ON STATEMENT OF LIQUID CAPITAL TO THE CHIEF EXECUTIVE OFFICER OF M/S. TRUST SECURITIES AND BROKERAGE LIMITED

Introduction

We have reviewed the accompanying Statement of Liquid Capital **M/s. Trust Securities and Brokerage Limited** as at June 30, 2021 and notes to the Statement of Liquid Capital. Management is responsible for the preparation of the statement 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). Our responsibility is to express a conclusion on the statement based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial information Performed by the Independent Auditor of the Entity' which applies to review of historical financial information performed by the independent auditor of the Securities Broker. A review of historical financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying statement is not prepared, in all material respects, in accordance with the requirements of Third Schedule of the Regulations.

Other Matter - Restriction on Distribution and Use

Our report is intended solely for **M/s. Trust Securities and Brokerage Limited**, SECP, Pakistan Stock Exchange and National Clearing Company of Pakistan Limited and should not be distributed to any other parties. Our conclusion is not modified in respect of this matter.



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

Engagement Partner:
Muhammad Yameen

Place: Karachi

Dated: September 17, 2021

TRUST SECURITIES AND BROKERAGE LIMITED
CALCULATION OF LIQUID CAPITAL BALANCE
AS AT ENDED JUNE 30, 2021

S/No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1. Assets				
1.1	Property & Equipment and Right of Use Asset	29,870,987	29,870,987	-
1.2	Intangible Assets and Deferred Tax	15,547,997	15,547,997	-
1.3	Investment in Govt. Securities			
1.4	Investment in Debt. Securities			
	If listed than:			
	i. 5% of the balance sheet value in the case of tenure upto 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.			
	If unlisted than:			
	i. 10% of the balance sheet value in the case of tenure upto 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	Investment in Equity Securities			
	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.	20,565,180	5,116,895	15,448,286
	ii. If unlisted, 100% of carrying value.	12,714,944	12,714,944	-
	iii. Subscription money against Investment in IPO / offer for Sale: Amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker.			
	iv. 100% Haircut shall be applied to Value of Investment in any asset including shares of listed securities that are in Block, Freeze or Pledge status as on reporting date. (July 19, 2017) Provided that 100% haircut shall not be applied in case of investment in those securities which are Pledged in favor of Stock Exchange / Clearing House against Margin Financing requirements or pledged in favor of Banks against Short Term financing arrangements. In such cases, the haircut as provided in schedule III of the Regulations in respect of investment in securities shall be applicable (August 25, 2017)			
1.6	Investment in subsidiaries	-		-



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<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>
1.7	Investment in associated companies/undertaking			
	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.	2,000,000	2,000,000	-
1.9	Margin deposits with exchange and clearing house.	267,154,476	-	267,154,476
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	2,321,090	2,321,090	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.(Nil) 100% in respect of markup accrued on loans to directors, subsidiaries and other related parties.	3,137,249	-	3,137,249
1.13	Dividends receivables.			
1.14	Amounts receivable against Repo financing. Amount paid as purchaser under the REPO agreement. <i>(Securities purchased under repo arrangement shall not be included in the investments.)</i>			
1.15	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months	3,340,055	-	3,340,055
	ii. Receivables other than trade receivables	25,000	25,000	-
1.16	Receivables from clearing house or securities exchange(s)			
	100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.			
	Claims on account of entitlements against trading of securities in all markets including MtM gains.	4,530,514	-	4,530,514
1.17	Receivables from customers			
	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 finance (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>	78,091,508	80,063,786	78,091,508
	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>			



<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>
	iv. Incase of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. <i>iv. Balance sheet value</i>	55,929,625	-	55,929,625
	v. Incase 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>	21,112,609	11,768,350	11,768,350
	<i>vi. 100% haircut in the case of amount receivable form related parties.</i>	6,970,280	6,970,280	-
1.18	Cash and Bank balances			
	i. Bank Balance-proprietary accounts	1,065,138	-	1,065,138
	ii. Bank balance-customer accounts	97,758,000	-	97,758,000
	iii. Cash in hand	473,187	-	473,187
1.19	Total Assets	622,607,839	166,399,329	538,696,388

2. Liabilities

2.1	Trade Payables			
	i. Payable to exchanges and clearing house			
	ii. Payable against leveraged market products			
	iii. Payable to customers	153,066,515	-	153,066,515
2.2	Current Liabilities			
	i. Statutory and regulatory dues	40,860,152	-	40,860,152
	ii. Accruals and other payables	50,431,089	-	50,431,089
	iii. Short-term borrowings	37,110,437	-	37,110,437
	iv. Current portion of subordinated loans			-
	v. Current portion of long term liabilities	6,318,650	-	6,318,650
	vi. Deferred Liabilities			-
	vii. Provision for bad debts	9,119,762	9,119,762	-
	viii. Provision for taxation	11,537,330	-	11,537,330
	ix. Other liabilities as per accounting principles and included in the financial statements	-	-	-
2.3	Non-Current Liabilities			
	i. Long-Term financing			
	a. Long-Term financing obtained from financial institution: Long term portion of financing obtained from a financial institution including amount due against finance lease	11,040,435	4,423,059	6,617,376
	b. Other long-term financing			
	ii. Staff retirement benefits			



<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>
	<p>iii. Advance against shares for Increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if:</p> <p>a. The existing authorized share capital allows the proposed enhanced share capital</p> <p>b. Board of Directors of the company has approved the increase in capital</p> <p>c. Relevant Regulatory approvals have been obtained</p> <p>d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed.</p> <p>e. Auditor is satisfied that such advance is against the increase of capital.</p>			
	iv. Other liabilities as per accounting principles and included in the financial statements	-	-	-
2.4	Subordinated Loans			
	<p>i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted:</p> <p>The Schedule III provides that 100% haircut will be allowed against subordinated Loans which fulfill the conditions specified by SECP. In this regard, following conditions are specified:</p> <p>a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period.</p> <p>b. No haircut will be allowed against short term portion which is repayable within next 12 months.</p> <p>c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange.</p>	-	-	-
	ii. Subordinated loans which do not fulfill the conditions specified by SECP			
2.5	Total Liabilities	319,484,370	13,542,821	305,941,549

3. Ranking Liabilities Relating to :

3.1	Concentration in Margin Financing			
	The amount calculated client-to- client basis by which any amount receivable from any of the finances exceed 10% of the aggregate of amounts receivable from total financees.	78,091,508	78,091,508	-
3.2	Concentration in securities lending and borrowing			
	The amount by which the aggregate of:			



S/No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
3.3	Net underwriting Commitments			
	(a) in the case of right issues : 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) in any other case : 12.5% of the net underwriting commitments			
3.4	Negative equity of subsidiary			
	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary.			
3.5	Foreign exchange agreements and foreign currency positions			
	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			
3.7	Repo adjustment			
	In the case of financier / purchaser the total amount receivable under Repo less the 110% of the market value of underlying securities.			
	In the case of financee/seller 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.			
3.8	Concentrated proprietary positions			
	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.	-	1,451,430	1,451,430
3.9	Opening Positions in futures and options			
	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.	-	19,111,882	19,111,882
	ii. In case of proprietary positions, the total margin requirements in respect of open positions to the extent not already met.			



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<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>
3.10	Short sell positions			
	i. Incase 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. Incase 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.			
3.11	Total Ranking Liabilities	-	-	-
		78,091,508	98,654,820	20,563,312

Calculations Summary of Liquid Capital

(i) Adjusted value of Assets (serial number 1.19)	538,696,388
(ii) Less: Adjusted value of liabilities (serial number 2.5)	(305,941,549)
(iii) Less: Total ranking liabilities (series number 3.11)	(20,563,312)
	<u>212,191,527</u>



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Chief Executive Officer

TRUST SECURITIES & BROKERAGE LIMITED
NOTES TO THE STATEMENT OF LIQUID CAPITAL
AS AT ENDED JUNE 30, 2021

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 September 17, 2021.

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A handwritten signature in black ink, appearing to be "A. H. Z.", written over a horizontal line.

Chief Executive Officer