

## INDEPENDENT AUDITORS REPORT ON STATEMENT OF LIQUID CAPITAL

To the Chief Executive Officer of Fair Edge Securities (Private) Limited (the Securities Broker)

### Opinion

We have audited the Statement of Liquid Capital of Fair Edge Securities (Private) Limited (the Securities Broker) and notes to the Statement of Liquid Capital as at December 31, 2017 (together 'the statement').

In our opinion, the financial information in the statement of the Securities Broker as at December 31, 2017 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 *Auditors 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 - Restriction on Distribution

The statement is prepared to assist the Fair Edge Securities (Private) Limited (the Securities Broker) 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 Fair Edge Securities (Private) Limited (the Securities Broker), SECP, PSX and NCCPL and should not be distributed to parties other than Fair Edge Securities (Private) Limited (the Securities Broker), 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.

### Auditors 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 auditors report that includes



Handwritten notes at the bottom of the page: "2018-19-2019-20" and "by M. J. D. S."

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.

ISLAMABAD

DATED: 01 MAR 2018

  
CHARTERED ACCOUNTANTS  
Engagement Partner: Abdul Qadeer





FAIR EDGE SECURITIES(PVT) LIMITED  
 Computation of Liquid Capital  
 As on December 31, 2017

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
<b>Assets</b>				
1.1	Property & Equipment	412,205	100.00%	-
1.2	Intangible Assets	4,000,000	100.00%	-
1.3	Investment in Govt. Securities (150,000*99)	-	-	-
<b>Investment in Debt. Securities</b>				
<b>If listed than:</b>				
1.4	i. 5% of the balance sheet value in the case of tenure upto 1 year.	-	5.00%	-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	7.50%	-
	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	10.00%	-
<b>If unlisted than:</b>				
1.4	i. 10% of the balance sheet value in the case of tenure upto 1 year.	-	10.00%	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	12.50%	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	-	15.00%	-
<b>Investment in Equity Securities</b>				
1.5	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.	2,298,981	15.00%	1,954,134
	ii. If unlisted, 100% of carrying value.	30,346,030	100.00%	-
1.6	Investment in subsidiaries	-	100.00%	-
<b>Investment in associated companies/undertaking</b>				
1.7	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.	-	100.00%	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	400,000	100.00%	-
1.9	Margin deposits with exchange and clearing house.	1,500,000	-	1,500,000
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	-	100.00%	-
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	-	100.00%	-
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	Receivables other than trade receivables	-	100.00%	-
<b>Receivables from clearing house or securities exchange(s)</b>				
1.16	100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.	-	100.00%	-
<b>Receivables from customers</b>				
1.17	i. In case receivables are against margin financing, the aggregate of (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. <b>i. Lower of net balance sheet value or value determined through adjustments.</b>	-	-	-
	ii. In case receivables are against margin trading, 5% of the net balance sheet value. <b>ii. Net amount after deducting haircut</b>	-	5.00%	-
	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, <b>iii. Net amount after deducting haircut</b>	-	-	-
	iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. <b>iv. Balance sheet value</b>	991,406	-	991,406
	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. <b>v. Lower of net balance sheet value or value determined through adjustments</b>	577,867	577,867	577,867
	<b>vi. 100% haircut in the case of amount receivable from related parties.</b>	-	100.00%	-
<b>Cash and Bank balances</b>				
1.18	i. Bank Balance-proprietary accounts	741,230	-	741,230
	ii. Bank balance-customer accounts	3,137,624	-	3,137,624
	iii. Cash in hand	41,210	-	41,210
1.19	<b>Total Assets</b>	<b>44,446,553</b>		<b>8,943,471</b>
<b>Liabilities</b>				
2.1	<b>Trade Payables</b>			
	i. Payable to exchanges and clearing house	1,012,269	-	1,012,269
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	992,511	-	992,511
<b>Current Liabilities</b>				
2.2	i. Statutory and regulatory dues	-	-	-
	ii. Accruals and other payables	360,421	-	360,421
	iii. Short-term borrowings	-	-	-
	iv. Current portion of subordinated loans	-	-	-
	v. Current portion of long term liabilities	-	-	-
	vi. Deferred Liabilities	-	-	-
	vii. Provision for bad debts	-	-	-
	viii. Provision for taxation	-	-	-
	ix. Other liabilities as per accounting principles and included in the financial statements	-	-	-
<b>Non-Current Liabilities</b>				
2.3	i. Long-Term financing	-	-	-
	ii. Staff retirement benefits	-	-	-
	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	-	-	-
2.5	<b>Total Liabilities</b>	<b>2,365,201</b>		<b>2,365,201</b>



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	-	-
3.5	<b>Foreign exchange agreements and foreign currency positions</b> 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	<b>Repo adjustment</b> Amount Payable under REPO	-	-
3.7	<b>Repo adjustment</b> <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.	-	-
3.8	<b>Concentrated proprietary positions</b> 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	-	-
3.9	<b>Opening Positions in futures and options</b> 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	-	-
3.10	<b>Short sell positions</b> 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.	-	-
3.11	<b>Total Ranking Liabilities</b>	-	-
		<u>42,081,352</u>	<u>6,578,270</u>

#### Calculations Summary of Liquid Capital

- (i) Adjusted value of Assets (serial number 1.19)
- (ii) Less: Adjusted value of liabilities (serial number 2.5)
- (iii) Less: Total ranking liabilities (series number 3.11)

**Note:** Commission may issue guidelines and clarifications in respect of the treatment of any component of Liquid Capital including any modification.

#### DATE OF ISSUANCE

This statement was authorized for issue on 01 MAR 2019

Chief Executive

*AAE*



Director

*[Signature]*



## INDEPENDENT AUDITORS REPORT ON STATEMENT OF NET CAPITAL BALANCE

To the Chief Executive Officer of Fair Edge Securities (Private) Limited (the Securities Broker)

### Opinion

We have audited the Statement of Net Capital Balance of Fair Edge Securities (Private) Limited (the Securities Broker) and notes to the Statement of Net Capital Balance as at December 31, 2017 (together 'the statement').

In our opinion, the financial information in the statement of the Securities Broker as at December 31, 2017 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 *Auditors 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 Fair Edge Securities (Private) Limited (the Securities Broker) 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 Fair Edge Securities (Private) Limited (the Securities Broker), SECP, PSX and NCCPL and should not be distributed to parties other than Fair Edge Securities (Private) Limited (the Securities Broker) 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.



### Auditors 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 auditors 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

ISLAMABAD

DATED: 01 MAR 2018

*Abdullah Khan E.C.*  
CHARTERED ACCOUNTANTS  
Engagement Partner: Abdul Qadeer





**FAIR EDGE SECURITIES (PRIVATE) LIMITED**  
**CORPORATE TREC HOLDER OF PAKISTAN STOCK EXCHANGE LIMITED**  
**STATEMENT OF NET CAPITAL BALANCE FOR THE PURPOSE OF SCHEDULE II TO**  
**THE SECURITIES BROKERS (LICENSING AND OPERATIONS) REGULATIONS, 2016**  
**AND THIRD SCHEDULE UNDER RULE 2(d) OF THE SECURITIES AND EXCHANGE**  
**RULES, 1971**  
**AS AT DECEMBER 31, 2017**

	Note	Amount Rupees
<b>CURRENT ASSETS</b>		
<b>Cash in hand</b>		41,210
<b>Cash at bank</b>		
Bank balance pertaining to brokerage house		741,230
Bank balance pertaining to client		3,137,624
		3,878,854
<b>Margin deposits</b>	2	1,500,000
<b>Trade receivables</b>	3	
Book value		3,147,447
Less: Overdue for more than 14 days		(2,155,506)
		991,941
<b>Investment in listed securities in the name of broker</b>	4	
Securities on the exposure list marked to market		2,298,981
Less: 15% discount		(344,847)
		1,954,134
<b>Securities purchased for clients</b>		-
<b>Listed TFC's/Corporate Bond (not less than BBB grade assigned by a credit rating company in Pakistan)</b>		
Marked to market		-
Less: 10% discount		-
		-
<b>Pakistan Investment Bond</b>		
Marked to market		-
Less: 5% discount		-
		-
<b>Treasury bills</b>		
At market value		-
		8,366,139
<b>LESS: CURRENT LIABILITIES</b>		
<b>Trade payables</b>	5	
Book value		992,511
Less: Overdue for more than 30 days		(463,644)
		528,867
<b>Other liabilities</b>	6	1,836,334
<b>Net capital</b>		6,000,938

*m*

2017 will be approved by Mem 438

**FAIR EDGE SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE STATEMENT OF NET CAPITAL BALANCE**  
**AS AT DECEMBER 31, 2017**

**1 STATEMENT OF COMPLIANCE**

The statement of net capital balance ('the Statement') of Fair Edge Securities (Private) limited ('the Company') has been prepared following accrual basis of accounting in accordance with the Rule 2(d) and Third Schedule to the Securities and Exchange Rules, 1971, the Securities Brokers (Licensing and Operations) Regulations 2016 (Regulations) and in accordance with the clarifications / guidelines issued by Securities and Exchange Commission of Pakistan (SECP).

**2 MARGIN DEPOSITS**

This represents cash deposited as security margins with National Clearing Company of Pakistan Limited against exposure for regular market trades.

**December/17**  
**(Rupees)**

**3 TRADE RECEIVABLES**

Book value	3,147,447
Overdue for more than 14 days	<u>(2,155,506)</u>
Balance generated within 14 days	<u>991,941</u>

3.1 These are valued at cost less bad and doubtful debts (if any) and debts outstanding for more than 14 days.

**4 INVESTMENT IN LISTED SECURITIES IN THE NAME OF BROKER**

This represents investment in listed securities which are not on the default counter of the stock exchange. These are valued at market rates prevailing as on December 31, 2017 less discount as prescribed in Regulation 6(4) and Schedule-II to the Securities Brokers (Licensing and Operations) Regulations, 2016. Securities on default counter and those not appearing on the exposure list of (the stock exchange where such securities are listed) have been excluded from the calculation. Further, we understand from management that no security is pledged with Pakistan Stock Exchange Limited or any bank.

**5 TRADE PAYABLES**

This represents balance payable against trading of shares less trade payable balances overdue for more than 30 days which has been included in other liabilities.

*A*



**6 OTHER LIABILITIES**

These represent current liabilities, other than trade payable which are due within 30 days. Other liabilities are stated at book value. The break up is as follows:

	<b>December/17 (Rupees)</b>
Accrued expenses	360,421
NCSS payable	1,012,269
Trade payables overdue for more than 30 days	463,644
	<u>1,836,334</u>

**7 DATE OF ISSUANCE**

This statement is being issued on 01 MAR 2018

**8 GENERAL**

Amounts have been rounded off to the nearest rupee.

*AM*



*AS*  
**CHIEF EXECUTIVE**



*[Signature]*  
**DIRECTOR**