

**INDEPENDENT AUDITOR'S REPORT TO THE CHIEF EXECUTIVE OFFICER OF IGI FINEX SECURITIES LIMITED ON STATEMENT OF LIQUID CAPITAL AS AT JUNE 30, 2018****Opinion**

We have audited the Statement of Liquid Capital of IGI Finex Securities Limited (the Securities Broker) and notes to the Statement of Liquid Capital as at June 30, 2018 (together 'the Statement').

In our opinion, the financial information in the Statement of the Securities Broker as at June 30, 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 and Exchange Commission of Pakistan (SECP).

**Basis of 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 IGI Finex Securities Limited to meet the requirements of 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 IGI Finex Securities Limited, SECP, PSX and NCCPL and should not be distributed to parties other than the Securities Broker, the SECP, PSX or NCCPL. Our opinion is not modified in respect of this matter.

We draw attention to Note 2 to the Statement, which highlights the fact that the short term liabilities of the Securities Broker exceeded 5 times of its Liquid Capital, which is in contravention of the ratio prescribed by SECP through its circular dated April 27, 2017 No. SMD/SE/2(20(2016)). 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 are 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 as applicable in Pakistan 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.



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As part of an audit in accordance with ISAs as applicable in Pakistan, 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 **Mr. Noman Abbas Sheikh**.

Date: September 14, 2018

Karachi

IGI FINEX SECURITIES LIMITED  
STATEMENT OF LIQUID CAPITAL  
FOR THE PURPOSE OF THIRD SCHEDULE OF  
THE SECURITIES BROKERS (LICENSING AND OPERATIONS) REGULATIONS, 2016  
AS AT JUNE 30, 2018

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
<b>1. Assets</b>				
1.1	Property & Equipment	23,138,862	100%	-
1.2	Intangible Assets	11,422,645	100%	-
1.3	Investment in Govt. Securities			
	Investment in Debt Securities			
	If listed than:			
	i. 5% of the balance sheet value in the case of tenure upto 1 year.	-	5%	-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	8%	-
	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	10%	-
	If unlisted than:			
	i. 10% of the balance sheet value in the case of tenure upto 1 year.	-	10%	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	13%	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	-	15%	-
1.4	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.	-	-	-
	ii. If unlisted, 100% of carrying value.		100%	
	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.			
1.5	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)	31,658,322	100%	-
1.6	Investment in subsidiaries	-	100%	-
	Investment in associated companies/undertaking			
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%	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	3,983,287	100%	
1.9	Margin deposits with exchange and clearing house.	194,950,690	-	194,950,690
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	3,822,581	100%	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc. (Nil)	9,201,488	-	9,201,488
	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties	-	100%	-
1.13	Dividends receivables.	-	-	-
	Amounts receivable against Repo financing.			
1.14	Amount paid as purchaser under the REPO agreement. (Securities purchased under repo arrangement shall not be included in the Investments.)	-		
1.15	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months	-	-	-
	ii. Receivables other than trade receivables	55,915,624	100%	-
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.	-	-	-
	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. Lower of net balance sheet value or value determined through adjustments.			
	ii. In case receivables are against margin trading, 5% of the net balance sheet value. ii. Net amount after deducting haircut	-	5%	-
	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, iii. Net amount after deducting haircut	-	-	-
1.17	iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. iv. Balance sheet value	51,839,110	-	51,839,110
	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. v. Lower of net balance sheet value or value determined through adjustments	5,502,560	1,019,037,798	5,502,560





IGI FINEX SECURITIES LIMITED  
STATEMENT OF LIQUID CAPITAL  
FOR THE PURPOSE OF THIRD SCHEDULE OF  
THE SECURITIES BROKERS (LICENSING AND OPERATIONS) REGULATIONS, 2016  
AS AT JUNE 30, 2018

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	<b>vi. 100% haircut in the case of amount receivable from related parties.</b>	549,891	100%	-
	<b>Cash and Bank balances</b>			
1.18	i. Bank Balance-proprietary accounts	13,409,742	-	13,409,742
	ii. Bank balance-customer accounts	201,301,568	-	201,301,568
	iii. Cash in hand	54,748	-	54,748
1.19	<b>Total Assets</b>	606,751,118		476,259,907
<b>2. Liabilities</b>				
	<b>Trade Payables</b>			
2.1	i. Payable to exchanges and clearing house	22,396,296	-	22,396,296
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	342,578,376	-	342,578,376
	<b>Current Liabilities</b>			
	i. Statutory and regulatory dues	-	-	-
	ii. Accruals and other payables	43,519,477	-	43,519,477
	iii. Short-term borrowings	-	-	-
2.2	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>			
	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	-	-	-
	b. Other long-term financing	-	-	-
	ii. Staff retirement benefits	-	-	-
2.3	iii. Advance against shares for increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if: a. The existing authorized share capital allows the proposed enhanced share capital b. Board of Directors of the company has approved the increase in capital c. Relevant Regulatory approvals have been obtained 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. e. Auditor is satisfied that such advance is against the increase of capital.	-	-	-
	iv. Other liabilities as per accounting principles and included in the financial statements	-	-	-
	<b>Subordinated Loans</b>			
2.4	i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted: 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: a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period b. No haircut will be allowed against short term portion which is repayable within next 12 months. 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.	-	-	-
	ii. Subordinated loans which do not fulfill the conditions specified by SECP	-	-	-
2.5	<b>Total Liabilities</b>	408,494,149		408,494,149
<b>3. Ranking Liabilities Relating to:</b>				
3.1	<b>Concentration in Margin Financing</b> 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 finances.	-	-	-
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 issues:</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 issues 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	-	-	-



**IGI FINEX SECURITIES LIMITED**  
**STATEMENT OF LIQUID CAPITAL**  
**FOR THE PURPOSE OF THIRD SCHEDULE OF**  
**THE SECURITIES BROKERS (LICENSING AND OPERATIONS) REGULATIONS, 2016**  
**AS AT JUNE 30, 2018**

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
	<b>Negative equity of subsidiary</b>			
3.4	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>			
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	<b>Amount Payable under REPO</b>	-	-	-
	<b>Repo adjustment</b>			
3.7	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 finance/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.	-	-	-
	<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	-	-	-
	<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.	-	-	-
3.11	<b>Total Ranking Liabilities</b>	-	-	-
		<b>198,256,969</b>	<b>Liquid Capital</b>	<b>67,765,758</b>

**NOTES TO THE STATEMENT OF LIQUID CAPITAL**

**1 Basis of Preparation**

This statement is prepared in accordance with the requirement of the Third Schedule of the Securities Broker (Licensing and Operations) Regulations, 2016 and guidelines / clarifications issued by the Securities and Exchange Commission of Pakistan. The Accounting policies adapted in the preparation of this statement are consistent with basis used in annual financial statements of the Company

**2 Minimum Amount of Liquid Capital**

As per SECP circular No. SMD/SE/2(20(2016)) dated April 27, 2017, the short term liabilities of the Company shall not increase 5 times of Liquid Capital. As at June 30, 2018, the short term liabilities of the Company exceed the required limit by Rs 69.665 million, in contravention of the ratio prescribed by the SECP.

  
**CHIEF EXECUTIVE OFFICER**





**INDEPENDENT AUDITOR'S REPORT TO THE CHIEF EXECUTIVE OFFICER OF IGI FINEX SECURITIES LIMITED ON STATEMENT OF NET CAPITAL BALANCE AS AT JUNE 30, 2018**

**Opinion**

We have audited the Statement of Net Capital Balance of IGI Finex Securities Limited (the Securities Broker) and notes to the Statement of Net Capital Balance as at June 30, 2018 (together 'the Statement').

In our opinion, the financial information in the Statement of the Securities Broker as at June 30, 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 and Exchange (SEC) Rules, 1971 (SEC Rules 1971) issued by the Securities & Exchange Commission of Pakistan (SECP).

**Basis of 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 IGI Finex Securities Limited to meet the requirements of 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 IGI Finex Securities Limited, the SECP, PSX and NCCPL and should not be distributed to parties other than 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 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 are 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 as applicable in Pakistan 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 as applicable in Pakistan, 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 **Mr. Noman Abbas Sheikh**.

A handwritten signature in blue ink, appearing to read 'A. Ferguson'.

Karachi

Date: September 14, 2018

**IGI FINEX SECURITIES LIMITED**  
**STATEMENT OF NET CAPITAL BALANCE**  
**FOR THE PURPOSE OF SECOND SCHEDULE OF THE SECURITIES BROKERS (LICENSING AND OPERATIONS) REGULATIONS, 2016**  
**READ WITH RULE 2(D) OF THE SECURITIES AND EXCHANGE RULES, 1971**

**AS AT JUNE 30, 2018**

**A- Current Assets**

	Note	Rupees	Rupees
1. Cash in hand			54,748
2. Cash deposit as margin with Karachi Stock Exchange	2		194,950,690
3. Cash at bank	3		
Bank balance pertaining to brokerage house		13,409,742	
Bank balance pertaining to clients		201,301,568	
Total bank balances			214,711,310
4. Trade receivables	4		
Total receivables		73,109,350	
Outstanding for more than fourteen days		(18,953,979)	
Balance generated within fourteen days and not yet due			54,155,371
5. Investments in listed securities in the name of broker (Securities on the exposure list marked to market less 15% discount)			-
6. Securities purchased for client			-
7. Listed TFCs / Corporate Bonds (Marked to market less 10% discount)			-
8. FIBs (Marked to market less 10% discount)			-
9. Treasury Bill (At market value)			-
			463,872,119

**B- Current Liabilities**

1. Trade payables			
Book value		342,578,376	
Less: overdue for more than 30 days		(206,925,380)	
			135,652,996
2. Other liabilities (including trade payables overdue for more than 30 days)			
			272,841,153
			408,494,149
<b>NET CAPITAL BALANCE (A-B)</b>			<b>55,377,970</b>

The annexed notes 1 to 5 form an integral part of this statement.

  
**CHIEF EXECUTIVE OFFICER**





AS AT JUNE 30, 2018

**1 Basis of preparation**

This statement is prepared in accordance with the requirement of the second schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 read with Rule 2(d) of the Securities and Exchange Rules, 1971, The Securities Brokers (Licensing And Operations) Regulations, 2016 and guidelines / clarifications issued by the Securities and Exchange Commission of Pakistan. The accounting policies adopted in preparation of this Statement are consistent with the basis used in annual audited financial statements of the Company.

**2 Cash deposit as margin with Pakistan Stock Exchange (PSX)**

Note Amount in Rupees

Deposit with PSX - Ready Exposure	168,400,000
Deposit with PSX - Future Exposure	25,600,000
Deposit with PSX - MTS Exposure	950,690
	<u>194,950,690</u>

**3 Cash at bank**

**Bank balances pertaining to brokerage house**

- current accounts - non interest bearing
- savings accounts

8,179,953
5,229,789
<u>13,409,742</u>

**Bank balances pertaining to clients**

- current accounts - non interest bearing
- savings accounts

49,249,122
152,052,446
<u>201,301,568</u>

**Total bank balances**

<u>214,711,310</u>
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**4 Trade Receivables**

**Considered good**

Receivable from clients against purchase of marketable securities

58,401,724

**Considered doubtful**

Receivable from clients against purchase of marketable securities

593,149,881
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Provision for doubtful receivables

4.1 (578,442,255)
14,707,626

73,109,350

- 4.1 Provision against doubtful receivables has been made after considering the market value of listed equity securities held in custody by the Company against respective customers accounts.

**5 Trade and other payables**

Amount in Rupees

**Other liabilities**

Trade payables over due for more than 30 days

Others - note 5.1

206,925,380
5.1 65,915,773

Trade Payables over due within 30 days

**Total Trade and other payables**

272,841,153
135,652,996
<u>408,494,149</u>

- 5.1 Others essentially include payable against profit on unutilised funds, accrued expenses, withholding tax payable, provision for leave encashment and other payables.

CHIEF EXECUTIVE OFFICER

