



**Independent Auditor's Report to the Board of Directors of Eleven Star Securities
(Private) Limited on the Statement of Liquid Capital as at June 30, 2017**

We have audited the accompanying Statement of Liquid Capital of **Eleven Star Securities (Private) Limited**, as at **June 30, 2017** and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Management's Responsibility for the Statement

Management is responsible for the preparation of the statement in accordance with the requirements of the Regulations 6(4) and Schedule III of the Securities Brokers (Licensing and Operations) Regulations, 2016 (hereinafter, collectively referred to as 'the Requirements'), 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error, in making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the statement 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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A member firm of



Opinion

In our opinion, the financial information provided in the Statement of Liquid Capital of **Eleven Star Securities (Private) Limited** as at **June 30, 2017** is prepared, in all material respects, in accordance with the Requirements.

Basis of Accounting and Restriction on Distribution

The statement is prepared to assist the Company to meet the Requirements; as a result, the statement may not be suitable for another purpose. Our report is intended solely for the Company, Pakistan Stock Exchange Limited, National Clearing Company of Pakistan Limited and the Securities and Exchange and Commission of Pakistan, and should not be distributed to other parties.

Thursday, August 17, 2017
Karachi



Nasir Jayaid Maqsood Imran
Chartered Accountants

Eleven Star Securities (Private) Limited
Statement of Liquid Capital
As on June 30, 2017

| S. No. | Head of Account | Value in Pak Rupees | Hair Cut / Adjustments | Net Adjusted Value |
|------------------|---|---------------------|------------------------|--------------------|
| 1. Assets | | | | |
| 1.1 | Property & Equipment | 50,772 | (50,772) | - |
| 1.2 | Intangible Assets | 5,000,000 | (5,000,000) | - |
| 1.3 | Investment in Govt. Securities (150,000*99) | - | - | - |
| | 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. | - | - | - |
| 1.4 | 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. | - | - | - |
| | Investment in Equity Securities | | | |
| 1.5 | i. If listed 15% or VaR of each securities on the cut-off date as computed by the Securities Exchange for respective securities whichever is higher. | 501,056,000 | (77,370,720) | 423,685,280 |
| | ii. If unlisted, 100% of carrying value. | | | |
| | 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. | | | |
| 1.6 | Investment in subsidiaries | | | |
| | 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. | | | |
| 1.8 | Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity. | 1,005,109 | (1,005,109) | - |
| 1.9 | Margin deposits with exchange and clearing house. | 7,628,620 | - | 7,628,620 |
| 1.10 | Deposit with authorized intermediary against borrowed securities under SLB. | | | - |
| 1.11 | Other deposits and prepayments | 47,862,070 | (47,862,070) | - |
| 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 | | | |
| 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 | | | |
| | Receivables from clearing house or securities exchange(s) | | | |
| 1.16 | 100% value of claims other than those on account of settlements against trading of securities in all markets including MtM gains. | | | |
| | claims on account of settlements against trading of securities in all markets including MtM gains. | | | |
| | Receivables from customers | | | |
| | 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 | | | |
| | ii. In case receivables are against margin trading, 5% of the net balance sheet value. | | | |
| | ii. Net amount after deducting haircut | | | |
| | 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 | | | |
| | 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 | | | |
| | vi. 100% haircut in the case of amount receivable from related parties. | | | |
| | Cash and Bank balances | | | |
| 1.18 | i. Bank Balance-proprietary accounts | 24,361,979 | - | 24,361,979 |
| | ii. Bank balance-customer accounts | 1,000 | - | 1,000 |



| | | | | |
|--|--|--------------------|---|--------------------|
| | iii. Cash in hand | 102,000 | - | 102,000 |
| | Total cash and bank balances | 24,464,979 | | 24,464,979 |
| 1 | Total Assets | 587,067,550 | | 455,778,879 |
| 2. Liabilities | | | | |
| | Trade Payables | | | |
| 2.1 | i. Payable to exchanges and clearing house | | | |
| | ii. Payable against leveraged market products | | | |
| | iii. Payable to customers | - | - | - |
| | Current Liabilities | | | |
| | i. Statutory and regulatory dues | | | |
| | ii. Accruals and other payables | 607,040 | - | 607,040 |
| | iii. Short-term borrowings | | | |
| | iv. Current portion of subordinated loans | | | |
| 2.2 | v. Current portion of long term liabilities | | | |
| | vi. Deferred Liabilities | | | |
| | vii. Provision for bad debts | | | |
| | viii. Provision for taxation | 7,289,027 | - | 7,289,027 |
| | ix. Other liabilities as per accounting principles and included in the financial statements | | | |
| | 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 | | | |
| | b. Other long-term financing | | | |
| | ii. Share redemption 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 | | | |
| | Subordinated Loans | | | |
| 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 | Total Liabilities | 7,896,067 | | 7,896,067 |
| 3. Ranking Liabilities Relating to: | | | | |
| | Concentration in Margin Financing | | | |
| 3.1 | 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. | | | |
| | Concentration in securities lending and borrowing | | | |
| | The amount by which the aggregate of: | | | |
| 3.2 | (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 | | | |
| | Net underwriting Commitments | | | |
| 3.3 | (a) in the case of right issue: 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 | | | |
| | Negative equity of subsidiary | | | |



| | | | | |
|---|---|-------------|---|-------------|
| 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 | | | |
| Foreign exchange agreements and foreign currency positions | | | | |
| 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 | | | |
| Repo adjustment | | | | |
| 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 donee/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. | | | |
| Concentrated proprietary positions | | | | |
| 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 | 54,980,200 | | 54,980,200 |
| Opening Positions in futures and options | | | | |
| 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 | | | |
| Short sell positions | | | | |
| 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 | Total Ranking Liabilities | 54,980,200 | - | 54,980,200 |
| | Liquid Capital | 524,191,283 | - | 392,902,612 |


 CHIEF EXECUTIVE OFFICER / DIRECTOR

