



BAKER TILLY
MEHMOOD IDREES
QAMAR
CHARTERED ACCOUNTANTS

4th Floor, Central Hotel Building,
Civil Lines, Mereweather Road,
Karachi - Pakistan.
Tel : +92 (021) 35644872-7
Fax : +92 (021) 35694573
Email : mim@bakertillymiq.com
: mim@mimandco.com

INDEPENDENT AUDITORS' REPORT ON STATEMENT OF NET CAPITAL BALANCE
TO THE CHIEF EXECUTIVE OFFICER OF IQBAL USMAN KODVAVI SECURITIES (PRIVATE) LIMITED

Opinion

We have audited the Statement of Net Capital Balance of **Iqbal Usman Kodvavi 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 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 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 the Securities Broker, 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.

Lahore Office : 188-D-1, Model Town, Lahore - Pakistan. Tel: +92 (042) 3584 2491, 3586 0550 Fax: +92 (042) 3584 4034
Islamabad Office : 1st Floor, Boquival Tower, Street 27A, Crimson Road, Sector-H, DHA Phase-2, Islamabad.
: Tel: +92 (051) 2101060 +92 (051) 5418644
Peshawar Office : 3rd Floor, 152, Deans Trade Center, Islamia Road, Peshawar Cantt., Tel: 091-5253354, 091-5253365
Kabul Office : House 141, Khana-e-Noor High School Street, Near Last Stop of Kabul University, Kabul, Afghanistan.

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.

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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.

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Handwritten signature: Mehmoed A. Razzak
Engagement Partner: Mehmoed A. Razzak

Karachi.

Date: 12 MAR 2018

**CALCULATION OF NET CAPITAL BALANCE
FOR PURPOSES OF RULES 2(d) OF
SECURITIES & EXCHANGE RULES, 1971 OF
IQBAL USMAN KODVAVI SECURITIES (PRIVATE) LIMITED
AS AT DECEMBER 31, 2017**

	Note	RUPEES	RUPEES
CURRENT ASSETS			
1. CASH IN HAND AND BANK BALANCES			
1.1 Cash deposited as margins with Stock Exchanges and National Clearing Company of Pakistan Limited.	2		5,903,405
1.2 Clients' Bank Account Balance			
a) Bank balance(s) pertaining to brokerage house		18,310,128	
b) Bank balance(s) pertaining to clients		90,502,684	
c) Total bank balances			108,812,812
1.3 Cash in hand			58,420
2. TRADE RECEIVABLES			
2.1 Aging and break up of Trade Receivables			
a) Aging of trade receivables			
i) Total receivables		10,775,157	
ii) Outstanding for more than 14 days		(3,100,324)	
iii) Balance generated within 14 days and/or not year due			7,674,833
3. INVESTMENT IN LISTED SECURITIES IN THE NAME OF BROKERAGE HOUSE			
3.1 Securities on exposure list (With reference to clarification no. 3.3A of SECP letter no. SMID-/SSED-C&IW-(633)/2016, dated September 08, 2016) Less: 15% Discount		29,042,175 (4,356,326)	24,685,849
4. SECURITIES PURCHASED FOR CLIENT			
			2,636,369
5. PIBS			
			-
TOTAL ASSETS			149,771,688
CURRENT LIABILITIES			
6. TRADE PAYABLES			
6.1 Trade payables within 30 days			72,492,644
7. OTHER PAYABLES			
7.1 Accrued and other liabilities	3	246,236	
7.2 Trade payables more than 30 days		18,010,040	
			18,256,276
TOTAL LIABILITIES			90,748,920
NET CAPITAL BALANCE			59,022,768


Chief Executive Officer


Director



EXPLANATORY NOTES OF NET CAPITAL BALANCE
IQBAL USMAN KODVAVI SECURITIES (PRIVATE) LIMITED
AS AT DECEMBER 31, 2017

1. BASIS OF PREPARATION

The Statement of Net Capital Balance (the Statement) of Iqbal Usman Kodvavi Securities (Private) Limited (the Company) has been prepared in conformity with the requirements of the Third Schedule read with rule 2(d) of the Securities and Exchange (SEC) Rules, 1971 and the Securities Brokers (Licensing And Operations) Regulations, 2016 (Regulations) and the guidelines issued by Securities and Exchange Commission of Pakistan (SECP) from time to time.

2. CASH DEPOSITED AS MARGINS WITH STOCK EXCHANGES AND NATIONAL CLEARING COMPANY OF PAKISTAN LIMITED.

	<u>RUPEES</u>
Future Exposure Deposit	5,000,000
Future Held Profit	903,405
	<u>5,903,405</u>

3. ACCRUED AND OTHER LIABILITIES

Accrued expenses	74,474
CDC payables	7,562
Tax payables	73,712
CVT payables	5,597
Workers' welfare fund	79,110
Other payables	5,781
	<u>246,236</u>




Chief Executive Officer


Director