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**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 June 30, 2017 (together 'the statement').

In our opinion, the financial information in the statement of the Securities Broker as at June 30, 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.

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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.



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.



Engagement Partner: Mehmood A. Razzak

Karachi.

Date: 14 SEP 2017

EXPLANATORY NOTES OF NET CAPITAL BALANCE
IQBAL USMAN KODVAVI SECURITIES (PRIVATE) LIMITED
AS AT JUNE 30, 2017

1. BASIS OF PREPARATION

The financial information has been prepared in conformity with the accounting policies of Iqbal Usman Kodvavi Securities (Private) Limited, provisions of Securities and Exchange Rules, 1971, Broker and Licensing Regulations' 2016 and the guidelines issued by the Securities and Exchange Commission of Pakistan.

	<u>RUPEES</u>
2. CASH DEPOSITED AS MARGINS WITH STOCK EXCHANGES AND NATIONAL CLEARING COMPANY OF PAKISTAN LIMITED.	
Future Exposure Deposit	5,000,000
Future Held Profit	906,295
	<u><u>5,906,295</u></u>
3. ACCRUED AND OTHER LIABILITIES	
Accrued expenses	181,369
CDC payables	81,149
Tax payables	12,247
CVT payables	4,011
Workers' welfare fund	79,110
Other payables	1,914
	<u><u>359,800</u></u>

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Chief Executive Officer


Director

**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 JUNE 30, 2017**

	Note	<u>RUPEES</u>	<u>RUPEES</u>
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	5,906,295
1.2	Clients' Bank Account Balance		
a)	Bank balance(s) pertaining to brokerage house	53,416,950	
b)	Bank balance(s) pertaining to clients	113,538,660	
c)	Total bank balances		166,955,610
1.3	Cash in hand		189,637
2. TRADE RECEIVABLES			
2.1	Aging and break up of Trade Receivables		
a)	Aging of trade receivables		
i)	Total receivables	7,607,556	
ii)	Outstanding for more than 14 days	(3,181,226)	
iii)	Balance generated within 14 days and/or not year due		4,426,330
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	28,595,568 (4,289,335)	24,306,233
4. SECURITIES PURCHASED FOR CLIENT			
			2,910,165
5. PIBS			
			-
TOTAL ASSETS			<u>204,694,270</u>
CURRENT LIABILITIES			
6. TRADE PAYABLES			
6.1	Trade payables within 30 days		83,328,953
7. OTHER PAYABLES			
7.1	Accrued and other liabilities	3	359,800
7.2	Trade payables more than 30 days		30,209,707
			30,569,507
TOTAL LIAIBILITIES			<u>113,898,460</u>
NET CAPITAL BALANCE			<u>90,795,810</u>


Chief Executive Officer


Director

