

INDEPENDENT AUDITORS REPORT ON STATEMENT OF NET CAPITAL BALANCE

To the Chief Executive Officer of M/s. Dawood Equities Limited

Opinion

We have audited the Statement of Net Capital Balance of M/s. Dawood Equities Limited 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 M/s. Dawood Equities Limited 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 M/s. Dawood Equities Limited, SECP, PSX and NCCPL and should not be distributed to parties other than M/s. Dawood Equities Limited 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.

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.

The engagement partner on the audit resulting in this independent auditor's report is Farhan Ahmed Memon.



Reanda Baroon Zakaria & Company
Chartered Accountants

Place: Karachi

Dated: March 14, 2018

DAWOOD EQUITIES LIMITED
CALCULATION OF NET CAPITAL BALANCE
AS AT DECEMBER 31, 2017

	Note	Rupees
<u>CURRENT ASSETS</u>		
Cash in hand		16,931
Cash at bank		
- Pertaining to brokerage house		4,030,637
- Pertaining to clients		21,787,179
Total bank balances		25,817,816
Cash and bank balance	1	25,834,747
Margin Deposit		
- with NCCPL	2	11,964,972
Trade Receivables		
Book value	3	218,799,153
Less: Outstanding for more than 14 days		(191,557,427)
		27,241,726
Investment in listed securities in the name of brokerage house		25,297,353
Less: 15% discount		(3,794,603)
	4	21,502,750
Securities purchased for client where payment has not been received in 14 days	5	27,448,517
Total Current Assets	A	113,992,712
<u>CURRENT LIABILITIES</u>		
Trade Payables		
Book value		24,836,241
Less: Overdue for more than 30 days		(6,576,557)
	6	18,259,684
Other liabilities	7	34,764,662
Total Current Liabilities	B	53,024,346
NET CAPITAL BALANCE	A minus B	60,968,366



Chief Executive



Director

DAWOOD EQUITIES LIMITED
NOTES TO NET CAPITAL BALANCE CERTIFICATE
AS AT DECEMBER 31, 2017

	<i>Note</i>	<i>Rupees</i>
1 CASH AT BANK		
Cash in hand		16,931
- Pertaining to brokerage house		
Current Accounts		<u>4,030,637</u>
- Pertaining to clients		
Saving Accounts		<u>21,787,179</u>
2 MARGIN DEPOSIT		
MTS exposure		831,490
Exposure deposit (Future Market)		<u>11,133,482</u>
		<u>11,964,972</u>
3 TRADE RECEIVABLES		
Aging of trade receivables		213,992,361
Receivables under MF		<u>4,806,792</u>
		<u>218,799,153</u>

This amount is based on 14 days Net capital aging of trade receivables

4 INVESTMENT IN LISTED SECURITIES

In related parties through profit & loss	4.1	1,292,873
Available for sale	4.2	14,179,492
Others - ordinary shares	4.3	<u>9,824,988</u>
		25,297,353
Less: 15% discount		<u>(3,794,603)</u>
		<u>21,502,750</u>

	<i>Quantity</i>	<i>Rate</i>	<i>Amount</i>
4.1 Particulars			
Investment 786 Formally DCM	567,613	2.15	1,220,368
B.R.R. Guardian Modaraba	8,951	8.10	<u>72,504</u>
			<u>1,292,873</u>
4.2 Particulars			
Investment in shares of The Bank of Punjab	1,720,808	8.24	<u>14,179,492</u>

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Quantity Rate Amount

4.3 Particulars

Attock Petroleum Limited	300	523.08	156,924
Byco Petroleum Pakistan Limited	10,000	12.8	128,000
Cherat Cement Company Limited (CHCC)	2,000	110.91	221,820
Crescent standard modarba	62,500	2.79	174,375
Dost Steels Limited (DSL)	40,000	10.06	402,400
Fauji Fertilizer Bin Qasim Limited	17,000	35.54	604,180
Fauji Fertilizer Company Limited	7,500	79.11	593,325
Gul Ahmed Textile Mills Limited	500	37.08	18,540
ICI Pakistan Limited	100	767.95	76,795
Ittehad Chemicals Limited LOR	500	26.08	13,040
K-Electric Limited	300,000	6.31	1,893,000
Kohinoor Textile Mills Limited (KTML)	300	66.25	19,875
Kot Addu Power Company Limited	1,500	53.9	80,850
Maple Leaf Cement Factory Limited	12,000	68.44	821,280
Mughal Iron & Steel Limited	17,500	58.1	1,016,750
Oil & Gas Development Company	5,000	162.79	813,950
Otsuka Pakistan Limited	1,095	298.95	327,351
Pak Electorn Limited (Pael)	5000	47.49	237,450
Power Cement Limited	367	8.74	3,208
Sui Northern Gas Pipelines Ltd (Sngpl)	5000	94.61	473,050
The Hub Power Company Limited	12500	91	1,137,500
Treet Corporation Limited	16500	37.05	611,325
			<u>9,824,988</u>

5 SECURITIES HELD ON BEHALF OF CLIENT WHERE PAYMENT HAS NOT BEEN RECEIVED IN 14 DAYS

The amount represents lower of securities held and receivable above 14 days from clients.

6 TRADE PAYABLE

This amount is based on 30 days Net capital aging of trade payables

Rupees

7 OTHER LIABILITIES

Trade payable over due for more than 30 days	6,576,557
Due to dealer	1,763,062
Payable to BRRFS	24,000,000
Accrued expenses	1,834,028
Withholding tax payable	591,015
	<u>34,764,662</u>



Chief Executive



Director

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