



BAKER TILLY
MEHMOOD IDREES
QAMAR

CHARTERED ACCOUNTANTS

Islamabad Office:

1st Floor, Boquival Tower,
Street 27A, Crimson Road, Sector H,
DHA Phase 2, Islamabad.
Tel: +92 (051) 2101060, +92 (051) 5418644
E-mail: infoisb@bakertillymiq.com

INDEPENDENT AUDITORS REPORT ON STATEMENT OF NET CAPITAL BALANCE

To the Chief Executive Officer of Fair Edge Securities (Private) Limited

Opinion

We have audited the Statement of Net Capital Balance of **Fair Edge Securities (Private) Limited** and notes to the Statement of Net Capital Balance as at 30 June, 2017 (together 'the statement').

In our opinion, the financial information in the statement of the Securities Broker as at 30 June, 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 **Fair Edge Securities (Private) 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 **Fair Edge Securities (Private) Limited**, SECP, PSX and NCCPL and should not be distributed to parties other than **Fair Edge Securities (Private) 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

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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.

Baker Tilly ✓


BakerTilly Mehmoood Idrees Qamar
Chartered Accountants
Engagement Partner: Siraj Ahmad
Place: Islamabad

Dated: 13 September, 2017

FAIR EDGE SECURITIES (PRIVATE) LIMITED
CORPORATE TREASURER OF PAKISTAN STOCK EXCHANGE LIMITED
CALCULATION OF NET CAPITAL BALANCE FOR THE PURPOSES OF SCHEDULE II to
THE SECURITIES BROKERS (LICENSING AND OPERATIONS) REGULATIONS, 2016 AND
THIRD SCHEDULE UNDER RULE 2(d) OF THE SEC RULES 1971
AS AT 30 JUNE 2017

Excess of Current Assets over Current Liabilities determined in accordance with the Schedule II to the Securities Brokers (licensing and operations) Regulations, 2016 and Third Schedule under Rule 2(d) of the Securities and Exchanges Rules 1971 and the clarifications/guidelines issued by SECP dated 3 July 2013, 20 December 2013 and 24 July 2015 and Guide Book issued by Securities Market Division of SECP dated 8 September 2016.

DESCRIPTION	VALUATION BASIS	Notes	Sub Total -----Rupees-----	Total
<u>CURRENT ASSETS</u>				
Cash in hand and bank balances	As per book value	2		3,248,385
Cash deposited as margin with National Clearing Company of Pakistan	As per book value			200,000
Trade receivables	As per book value Less: Overdue for more than 14 days	3	3,956,169 (1,479,933)	2,476,236
Investment in listed securities in the name of broker	At market Value Less: Securities not in exposure list	4	2,994,032 -	2,994,032
	Less: Securities in exposure list marked to market less 15% discount		(449,105)	2,544,927
Securities purchased for clients	Lower of Amount Overdue by more than 14 days or value of securities in the sub account of clients			891,336
Total Current Assets				9,360,884
<u>CURRENT LIABILITIES</u>				
Trade payables	As per book value Less: Overdue for more than 30 days	5	2,319,002 (576,326)	1,742,676
Other payables	As per book value	6		723,927
Total Current Liabilities				2,466,603
Net Capital Balance as at 30 June 2017				6,894,281

The annexed notes 1 to 7 form an integral part of the statement.



Notes to the Statement of Net Capital Balance
For the year ended 30 June 2017

1 STATEMENT OF COMPLIANCE AND BASIS OF ACCOUNTING

The amounts and figures reported in the statement of net capital balance ("the statement") are based on the complete set of financial statements prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as were notified under the repealed Companies Ordinance, 1984, provisions of or directives issued under the repealed Companies Ordinance, 1984. The statement has been prepared in accordance with Second Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the Regulations) read with Third Schedule under Rule 2(d) of the Securities Exchange Commission (SEC) Rules 1971 (SEC Rules 1971) and relevant clarifications/ guidelines issued by the Securities & Exchange Commission of Pakistan (SECP).

2 CASH IN HAND AND BANK BALANCES

30 June 2017
(Rupees)

Cash in hand	44,455
Bank balances pertaining to:	
Broker	106,805
Clients	3,097,125
	<u>3,248,385</u>

3 TRADE RECEIVABLES

These are valued at cost less bad and doubtful trade receivables (if any) and trade receivables outstanding for more than 14 days

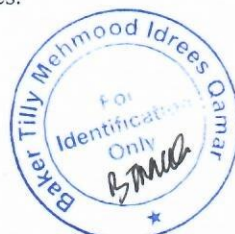
Total receivable	3,956,169
Less: Outstanding for more than 14 days	(1,479,933)
Balance generated within 14 days and/or not yet due	<u>2,476,236</u>

4 INVESTMENT IN LISTED SECURITIES IN THE NAME OF BROKER

These represent investments in listed equity securities which are not on the default counter of the Stock Exchange and these are valued at market rates prevailing as on 30 June 2017 less 15% discount as prescribed in Third Schedule under Rule 2(d) to the Securities and Exchange Rules, 1971 and Schedule II to the Securities Brokers Regulations 2016. Securities on the default counter have been excluded from the calculations.

5 TRADE PAYABLES

These represent balances payable against trading of shares less trade payable balance overdue for more than 30 days which have been included in other liabilities.



Notes to the Statement of Net Capital Balance
For the year ended 30 June 2017

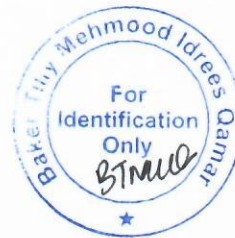
6 OTHER LIABILITIES

The break up is as follows:

Overdue trade payables	576,326
Other liabilities	147,601
	<u>723,927</u>

7 DATE OF ISSUANCE

This statement was authorized for issue on _____.



Chief Financial Officer



Chief Executive Officer