

**KHAWAJA SECURITIES
(PRIVATE) LIMITED**

Financial Statements
For the Year Ended 30 June, 2017



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

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **KHAWAJA SECURITIES (PRIVATE) LIMITED** (the Company) as at **30 June 2017** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards, the requirements of the Companies Ordinance, 1984 and the Securities Brokers (Licensing and Operations) Regulations 2016. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) In our opinion, proper books of accounts have been kept by the company as required by the Securities Brokers (Licensing and Operations) Regulations 2016 and the Companies Ordinance, 1984;
- b) in our opinion:
 - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Securities Brokers (Licensing and Operations) Regulations 2016 and the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - i. the expenditure incurred during the year was for the purpose of the Company's business; and
 - ii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984 and the Securities Brokers (Licensing and Operations) Regulations 2016, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

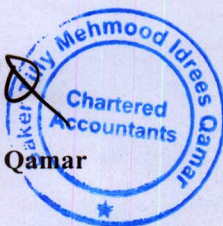


BAKER TILLY
MEHMOOD IDREES
QAMAR
CHARTERED ACCOUNTANTS

OTHER MATERS

- a) The financial statements for the year ended 30 June 2016 were audited by another firm of Chartered Accountants whose audit report dated 22 August 2016 expressed an unqualified opinion thereon.
- b) In accordance with the requirements of the Securities Brokers (Licensing and Operations) Regulations 2016, we report on the following matters:
- The Company has maintained throughout the financial year systems adequate to enable us to identify with reasonable accuracy the assets held on behalf of customers and distinguish such assets from the proprietary assets of the Company;
 - The Company was in compliance with the requirements of Section 78 of the Securities Act, 2015 and the relevant requirements of those regulations at the date on which the balance sheet is prepared;
 - Internal control system and compliance function commensurate with the size and nature of services performed by the Company was implemented during the year; and
 - The compliance officer performed its function with efficiency during the year.

Baker Tilly MID
Baker Tilly Mehmoood Idrees Qamar
Chartered Accountants



Engagement Partner: Siraj Ahmad

Date: 6 October 2017

Place: Islamabad

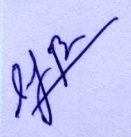
KHAWAJA SECURITIES PRIVATE LIMITED

Balance Sheet

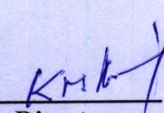
As at 30 June 2017

		2017	Restated (Note 31) 2016	Restated (Note 31) 2015
		(Rupees)		
	Note			
Non-Current Assets				
Property and equipment	6	280,392	320,049	366,499
Intangible assets	7	6,700,000	6,700,000	6,700,000
Long term investments	8	9,553,797	9,553,797	9,553,797
Long term deposits	9	9,347,600	8,947,600	8,705,200
		25,881,789	25,521,446	25,325,496
Current Assets				
Trade debts- net	10	6,120,154	74,240,449	32,132,530
Advances	11	147,000	5,252,927	203,542
Deposits and prepayments	12	6,086,902	30,000	-
Income tax- net	13	4,863,170	3,399,373	162,466
Short term investments	14	37,715,915	20,352,227	35,938,172
Cash and bank balances	15	9,248,997	37,146,620	9,742,157
		64,182,138	140,421,596	78,178,867
		90,063,927	165,943,042	103,504,363
Equity and Liabilities				
Share Capital	16	76,301,850	76,301,850	46,301,850
Unappropriated profit		(483,104)	(6,084,282)	(12,948,726)
Total Equity		75,818,746	70,217,568	33,353,124
Advance against issue of shares	17	2,301,574	30,000,000	30,000,000
		78,120,320	100,217,568	63,353,124
Non-Current Liabilities				
Long term financing - loan from directors - unsecured		-	-	30,472,829
Current Liabilities				
Trade and others payable	18	9,443,608	65,725,474	9,678,410
Short term borrowings	19	2,499,999	-	-
		11,943,607	65,725,474	9,678,410
Contingencies and commitments	20	-	-	-
		90,063,927	165,943,042	103,504,363

The annexed notes 1 to 33 form an integral part of these financial statements.


Chief Executive




Director

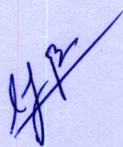
KHAWAJA SECURITIES PRIVATE LIMITED

Profit and Loss Account

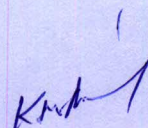
For the year ended 30 June 2017

	Note	2017 Rupees	2016 Rupees
Revenue	21	10,275,966	8,057,822
Operating and administrative expenses	22	(13,021,696)	(9,839,763)
Loss from operations		(2,745,730)	(1,781,940)
Financial charges	23	(11,727)	(8,927)
Other income	24	8,461,395	10,083,704
Profit before taxation		5,703,938	8,292,837
Taxation	25	(102,760)	(1,428,393)
Profit for the year		5,601,178	6,864,444

The annexed notes 1 to 33 form an integral part of these financial statements.



Chief Executive



Director

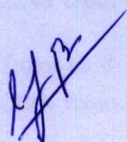
KHAWAJA SECURITIES PRIVATE LIMITED

Statement of Comprehensive Income

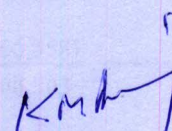
For the year ended 30 June, 2017

	2017 Rupees	2016 Rupees
Profit for the year	5,601,178	6,864,444
Items that may be reclassified subsequently to profit or loss	-	-
Items that will not be reclassified subsequently to profit or loss	-	-
Total comprehensive income for the year	<u>5,601,178</u>	<u>6,864,444</u>

The annexed notes 1 to 33 form an integral part of these financial statements.



Chief Executive



Director


KHAWAJA SECURITIES PRIVATE LIMITED

Cash Flow Statement

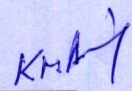
For the year ended 30 June 2017

	Note	2017 Rupees	2016 Rupees
Cash flows from operating activities			
Profit before taxation		5,703,938	8,292,837
Adjustments for non cash items:			
Depreciation		39,657	46,450
Unrealized gain on investment		(7,198,903)	-
Provision for doubtful debts		225,900	-
		<u>(6,933,346)</u>	<u>46,450</u>
Operating profit before working capital changes		(1,229,408)	8,339,287
Changes in operating assets and liabilities			
(Increase)/decrease in current assets:			
Trade debts- net		67,894,395	(42,107,919)
Advances		5,105,927	-
Deposits and prepayments		(6,056,902)	-
Others receivables		-	(6,379,104)
Shor term investments		(10,164,785)	-
Increase/ (decrease) in current liabilities			
Trade and others payable		(56,281,866)	55,784,141
Shor term borrowings		2,499,999	262,924
		<u>2,996,768</u>	<u>7,560,042</u>
Cash from operations		1,767,360	15,899,329
Taxes paid		(1,566,558)	(3,365,581)
Cash from operating activities		200,803	12,533,748
Cash flows from investing activities			
Purchase of assets		-	(142,400)
Movement in long term deposits		(400,000)	(100,000)
Investment in short term securities		-	15,585,945
Net cash (used in) /from investing activities		(400,000)	15,343,545
Cash flows from financing activities			
Capital introduced during the year			30,000,000
Advance against issue of shares		(27,698,426)	(30,472,829)
Loans from directors		-	-
Net cash (used in) / from financing activities		(27,698,426)	(472,829)
Net (decrease)/increase in cash and cash equivalents		(27,897,623)	27,404,463
Cash and cash equivalents at the beginning of the year		37,146,620	9,742,157
Cash and cash equivalents at the end of the year	15	9,248,997	37,146,620

The annexed notes 1 to 33 form an integral part of these financial statements.


Chief Executive




Director

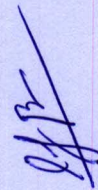
KHAWAJA SECURITIES PRIVATE LIMITED

Statement of Changes in Equity

For the year ended 30 June 2017

	Share capital Rupees	Capital Reserve Rupees	Revenue Reserve Unappropriated profit/ (Loss) Rupees	Total Rupees
Balance as at 1 July 2015	46,301,850	30,000,000	(12,948,726)	63,353,124
Reclassification to advance against issue of shares (note 31)	-	(30,000,000)	-	(30,000,000)
	46,301,850	-	(12,948,726)	33,353,124
Shares issued during the year	30,000,000	-	-	30,000,000
Total comprehensive income for the year	-	-	6,864,444	6,864,444
Balance as at 30 June 2016	76,301,850	-	(6,084,282)	70,217,568
Total comprehensive income for the year	-	-	5,601,178	5,601,178
Balance as at 30 June 2017	76,301,850	-	(483,104)	75,818,746

The annexed notes 1 to 33 form an integral part of these financial statements.



Chief Executive




Director

ALAWAJA SECURITIES PRIVATE LIMITED

Notes to the financial statements

For the year ended 30 June 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

Khawaja Securities (Private) Limited ("the Company") was incorporated on 3rd March, 2006 as a SMC private limited Company under the Companies Ordinance, 1984. The Company is mainly engaged in the business of share brokerage, portfolio management, investment advisory and consultancy services. The Company is a member of Lahore Stock Exchange (Guarantee) Limited. The registered Office of the Company is situated at Room No.M-2, Stock Exchange Building, 19- Khayabane-Aiwan-e-Iqbal, Lahore.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the 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 as are notified under the Companies Ordinance, 1984, provisions of or the directives issued under the Companies Ordinance, 1984 and the Securities Brokers (Licensing and Operations) Regulations 2016. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 and the Securities Brokers (Licensing and Operations) Regulations 2016 shall prevail.

3 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with the approved accounting standards require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods in other cases. Judgments made by management in application of the approved accounting standards that have significant on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in respective policy notes. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- (i) Estimates of useful life of property, plant and equipment (Note 6)
- (ii) Estimate of useful life intangible assets (Note 7)
- (iii) Provisions and contingencies
- (iv) Impairment of non-financial assets
- (v) Provision for taxation (Note 20)

HAWAJA SECURITIES PRIVATE LIMITED

Notes to the financial statements

For the year ended 30 June 2017

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements:

4.1 Basis of measurement

These financial statements have been prepared under the historical cost convention except for short term investments which are carried at their fair values.

4.2 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees, which is the Company's functional currency.

4.3 Taxation

Income tax expense comprises current and deferred tax.

Current tax

Provision for current taxation is based on taxable income at the applicable rates of taxation after taking into account tax credits and tax rebates, if any. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax is not recognized on temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill.

HAWAJA SECURITIES PRIVATE LIMITED

Notes to the financial statements

For the year ended 30 June 2017

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's views differ from the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

4.4 Property, plant and equipment and capital work in progress

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses, except freehold land and capital work in progress, which are stated at cost less impairment losses, if any. Cost comprises acquisition and other directly attributable costs.

Depreciation is provided on a written down value basis and charged to profit or loss to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 15. Depreciation on addition in property, plant and equipment is charged from the date when the asset becomes available for use up to the date of its disposal.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized, if any. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

The Company reviews the useful life and residual value of property, plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on depreciation charge and impairment.

HAWAJA SECURITIES PRIVATE LIMITED

Notes to the financial statements

For the year ended 30 June 2017

4.5 Impairment

Non-financial assets

The carrying amounts of non-financial assets other than deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss account.

Impairment loss recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Financial assets

Financial assets are assessed at each reporting date except trade receivables to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

MAWAJA SECURITIES PRIVATE LIMITED

Notes to the financial statements

For the year ended 30 June 2017

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss account.

Trade receivables which are overdue for more than 5 days are fully provided for to the extent of amount not covered by the collateral after applying haircuts in accordance with Second Schedule of the Securities Brokers (Licensing and Operations) Regulations, 2016

4.6 Investments

4.6.1 Available for sale investments

These are initially measured at their fair value plus directly attributable transaction cost and at subsequent reporting dates measured at fair values and gains or losses from changes in fair values other than impairment loss are recognized in other comprehensive income until disposal at which time these are recycled to profit or loss. Impairment loss on investments available for sale is recognized in the profit or loss.

4.6.2 Investments at fair value through profit or loss

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as fair value through profit or loss and designated as such upon initial recognition. These are stated at fair values with any resulting gains or losses recognized directly in profit or loss.

4.6.3 Loans and receivables

Investments are classified as loans and receivables which have fixed or determinable payments and are not quoted in an active market. These investments are initially measured at fair values plus directly attributable transaction costs. Subsequent to initial recognition, these are stated at their amortized cost using the effective interest method, less any impairment losses.

HAWAJA SECURITIES PRIVATE LIMITED

Notes to the financial statements

For the year ended 30 June 2017

4.7 Foreign currency transaction and translation

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. All monetary assets and liabilities denominated in foreign currencies at the year end are translated in Pak Rupees at exchange rates prevailing at the balance sheet date. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of transaction. Exchange differences are included in profit and loss account for the year.

4.8 Trade and settlement date accounting

All "regular way" purchases and sales of listed securities are recognized on the trade date, i.e. the date that the Company commits to purchase/sell the asset. Regular way purchase or sale of financial assets are those, the contract for which requires delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

4.9 Revenue recognition

Revenue is recognized when significant risk and rewards of ownership have been transferred to the customers, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involvement and the amount of revenue can be measured reliably.

Revenue is recognized as follows in following cases:

- (a) Brokerage and commission are accrued as and when due.
- (b) Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.
- (c) Interest income is recognized as it accrues in profit or loss, using effective interest method.
- (d) Underwriting commission is recognized when the agreement is executed. Take-up commission is recognized at the time commitment is fulfilled.

4.10 Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Borrowing cost includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs. All other borrowing costs are charged to profit and loss account.

4.11 Research and development cost

Research and development costs are charged to income as and when incurred.

HAWAJA SECURITIES PRIVATE LIMITED

Notes to the financial statements

For the year ended 30 June 2017

4.12 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre tax discount rate that reflects current market assessment of time value of money and risk specific to the liability.

Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.13 Dividend and reserve appropriation

Dividend is recognized as a liability in the period in which it is declared. Movement in reserves is recognized in the year in which it is approved.

4.14 Financial instruments

Non-derivative financial assets

These are initially recognized on the date that they are originated i.e. trade date which is the date that the Company becomes a party to the contractual provisions of the instrument.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies non-derivative financial assets as available for sale, held for trading,

Trade debts, other receivables and other financial assets

Trade debts and other receivables are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using effective interest method, less any impairment losses. Known bad debts are written off, when identified.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks on current, saving/ deposit accounts, short term running finance and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

HAWAJA SECURITIES PRIVATE LIMITED

Notes to the financial statements

For the year ended 30 June 2017

Non-derivative financial liabilities

The Company initially recognizes non derivative financial liabilities on the date that they are originated or the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Non-derivative financial liabilities comprise markup bearing borrowings including obligations under finance lease, short term borrowing and trade and other payables.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to setoff the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

HAWAJA SECURITIES PRIVATE LIMITED

Notes to the financial statements

For the year ended 30 June 2017

4.15 Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gain on disposal of available-for-sale financial assets and changes in fair value of investments held for trading.

Finance costs comprise interest expense on borrowings, changes in fair value of investment carried at fair value through profit or loss and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using effective interest method.

Foreign currency gains and losses are reported on a net basis.

5

APPLICABILITY OF STANDARDS

5.1 Changes in accounting policies and disclosures resulting from adoption of amendments and interpretations during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

Amended standards and interpretations

The Company has adopted the following accounting standards and amendment which became effective during the year:

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

Equity Method in Separate Financial Statements (Amendments to IAS 27)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

Annual Improvements 2012-2014 Cycle

Disclosure Initiative (Amendments to IAS 1)

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

The adoption of the above amendment and accounting standards did not have any effect on the financial statements.

HAWAJA SECURITIES PRIVATE LIMITED

Notes to the financial statements

For the year ended 30 June 2017

5.2 Standards, amendments to accounting standards and improvements to accounting standards that are not yet effective.

The following amendments to the approved accounting standards, as applicable in Pakistan, will be effective from the dates mentioned below against the respective standard:

Standard	Effective date (annual periods beginning on
IAS 7 - Statement of Cash Flows (Amendments) - Disclosure Initiative	1-Jan-17
IAS 12 - Income Taxes (Amendment) - Recognition of Deferred Tax Assets for unrealized	1-Jan-17
Annual Improvements to IFRS Standards 2014–2016 Cycle –	1-Jan-17
IFRS 10 - Consolidated Financial Statements and IAS 28	Not yet finalized
IFRIC 22 - Foreign Currency Transactions and Advance	1-Jan-18
IFRIC 23 - Uncertainty over Income Tax Treatments	1-Jan-19
Transfers of Investment Property (Amendments to IAS 40)	1-Jan-18

The Company expects that the adoption of the above amendments to the standards will not affect the Company's financial statements, in the period of initial application.

Further, the following new standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan:

Standard	IASB Effective date (annual periods beginning on
IFRS 1 - First-time adoption of International Financial	Jul-09
IFRS 14 - Regulatory Deferral Accounts	1-Jan-16
IFRS 9 - Financial Instruments	1-Jan-18
IFRS 15 - Revenue from Contract with Customers	1-Jan-18
IFRS 16 - Leases	1-Jan-19
IFRS 17 - Insurance Contracts	1-Jan-21

For the year ended 30 June 2017

PARTICULARS	COST			ACCUMULATED DEPRECIATION			Book value as at 30 June 2017	Depreciation rate %	
	As at 01 July 2016	Additions during the year (Rupees)	As at 30 June 2017	As at 01 July 2016	For the year	Deletions			As at 30 June 2017
Office equipments	590,150	-	590,150	357,415	23,274	-	380,688	209,462	10
Computers	85,285	-	85,285	78,720	1,970	-	80,689	4,596	30
Furniture and fixtures	425,431	-	425,431	362,039	12,678	-	374,717	50,714	20
Vehicle	54,000	-	54,000	36,644	1,736	-	38,379	15,621	10
	1,154,866	-	1,154,866	834,817	39,657	-	874,474	280,392	

PARTICULARS	COST			ACCUMULATED DEPRECIATION					Book value	Depreciation rate
	As at 01 July 2015	Additions during the year (Rupees)	As at 30 June 2016	As at 01 July 2015	For the year	Deletions	As at 30 June 2016	30 June 2016		
								Rupees	%	
Office equipments	590,150	-	590,150	331,555	25,860	-	357,415	232,736	10	
Computer accessories	85,285	-	85,285	75,906	2,814	-	78,720	6,565	30	
Furniture and fixtures	425,431	-	425,431	346,191	15,848	-	362,039	63,392	20	
Vehicle	54,000	-	54,000	34,715	1,929	-	36,644	17,357	10	
	1,154,866	-	1,154,866	788,367	46,450	-	834,817	320,049		

HAWAJA SECURITIES PRIVATE LIMITED

Notes to the financial statements
For the year ended 30 June 2017

		2017	2016
	Note	(Rupees)	
7 INTANGIBLE ASSETS			
Membership of Pakistan Mercantile Exchange		2,700,000	2,700,000
Trading Right Entitlement Certificate (TREC) - Pakistan Stock Exchange Limited	7.1	4,000,000	4,000,000
		<u>6,700,000</u>	<u>6,700,000</u>

- 7.1 Pursuant to the Stock Exchange (Corporatization, Demutualization and Integration) Act, 2012, stock exchanges operating as guarantee limited companies were converted to public limited companies (referred to as "corporatization") along with separation of ownership rights from members' trading rights (referred to as "demutualization"). As a result of demutualization, membership cards were replaced by shares in LSE Financial Services Limited being financial asset classified under "long term investment" and trading rights entitlement certificates (TREC) representing rights to trade on the Exchange being an intangible asset. The value represents cost of membership allocated to TREC based on fair value of TREC and shares in the Exchange at a split-off date and subsequent impairment loss, if any. TREC has indefinite useful life. In order to meet Base Minimum Capital (BMC), TREC has been pledged with Pakistan Stock Exchange Limited (PSX), which came into existence as a result of integration of stock exchanges on 11 January, 2016. Notional value of TREC notified by PSX amounts to Rs. 5 million, hence no impairment has been recognized in the books of accounts.

8 LONG TERM INVESTMENTS

		(Rupees)	
		2017	2016
Investment available for sale			
Investment in LSE Financial Services Limited (unquoted) - at cost	8.1	<u>9,553,797</u>	<u>9,553,797</u>

- 8.1 This represents 843,975 shares of Rs. 10 (valued at Rs. 11.32 (2016: Rs. 11.32)) each which were allotted to the Company subsequent to demutualization of stock exchanges as referred in Note 7.1 to the financial statements. The Company received 337,590 shares being 40% of total shares allotted to the Company. Remaining 60% of the shares are transferred to CDC sub-account in the Company's name under ISE's participant IDs with the CDC which will remain blocked until these are sold to strategic investors, general public and financial institutions. TRE Certificate of Pakistan Stock Exchange Limited (PSE) and 337,590 ordinary shares of LSEFSL shares are pledged with PSX to meet BMC requirements.
- 8.2 These shares do not have a quoted market price in an active market and fair value cannot be estimated reliably, therefore, these are carried at cost. Further, these have been classified in Level 3 category as per IFRS 13. The break-value of these shares as notified by PSX amounts to Rs. 18.29 per share, hence no impairment has been recognized in the books of accounts for these shares.

KHAWAJA SECURITIES PRIVATE LIMITED

Notes to the financial statements

For the year ended 30 June 2017

	Note	2017	2016
		Rupees	
9 LONG TERM DEPOSITS			
Deposit with NCCPL for future trading		500,000	100,000
Deposit with PSX		430,000	430,000
Refundable deposit for rooms in LSE			
Financial Services Limited		8,417,600	8,417,600
		<u>9,347,600</u>	<u>8,947,600</u>
10 TRADE DEBTS- NET			
Considered good- secured		5,630,342	74,240,449
Considered doubtful		46,728,642	46,012,930
		<u>52,358,984</u>	<u>120,253,379</u>
Provision for doubtful debts		(46,238,830)	(46,012,930)
		<u>6,120,154</u>	<u>74,240,449</u>
10.1	Market value of securities held in CDC sub-accounts against these trade debts amount to Rs. 43,046,555.		
10.2	The movement in provision for doubtful debts can be analyzed as under:		
Opening balance as at 1 July		(46,012,930)	(46,012,930)
Charge to profit and loss		225,900	-
		<u>(45,787,030)</u>	<u>(46,012,930)</u>
Amounts written-off during the year		-	-
Closing balance as at 30 June		<u>(46,238,830)</u>	<u>(46,012,930)</u>
11 ADVANCES			
Staff advances- unsecured		<u>147,000</u>	<u>5,252,927</u>
12 DEPOSITS AND PREPAYMENTS			
NCCPL exposure margin (Margin Trading, Regular and Future)		4,371,500	-
NCCPL deposit for Margin Trading		1,365,071	-
NCCPL deposit for future trading		320,330	-
Prepaid rent		30,000	30,000
		<u>6,086,902</u>	<u>30,000</u>
13 INCOME TAX- NET			
Advanced tax		4,965,930	3,479,951
Provision for current tax		(102,760)	(80,578)
		<u>4,863,170</u>	<u>3,399,373</u>

14 SHORT TERM INVESTMENTS

Investments at fair value through profit or loss

Investment in listed securities	30,517,012	20,352,227
Unrealized gain on securities	7,198,903	-
	<u>37,715,915</u>	<u>20,352,227</u>

14.1

- 14.1 These represent investment in listed securities, held by the Company, valued based quoted prices of these securities at PSX which is the active/ principal market for these securities. These are classified in Level 1 category as per IFRS 13.

15 CASH AND BANK BALANCES

Notes

2017

2016

Rupees

Cash in hand 67,231 667,731

Cash in Bank

Deposit accounts

Current accounts

-	-
9,181,766	36,478,889
<u>9,181,766</u>	<u>36,478,889</u>
<u>9,248,997</u>	<u>37,146,620</u>

15.1

- 15.1 This includes Rs. 7,815,162 (2016: Rs. 10,146,748) amount held on account of clients.

16 SHARE CAPITAL

Authorized

8,000,000 (2016: 8,000,000) Ordinary Shares of Rs 10/- each 80,000,000 80,000,000

Issued, subscribed and paid up

7,630,185 (2016:

7,630,185) Ordinary Shares

of Rs.10/- each fully paid-

up in cash

76,301,850 76,301,850

Details of shareholders holding more than 5% shares in the Company are as follows;

Shareholding

%age

%age

Khawaja Muhammad Arif - 7,616,185 (2016: 7,616,185) shares	99.82%	99.82%
Khawaja Usman Arif - 12,000 (2016: 12,000) shares	0.16%	0.16%
Mrs. Shahnaz Butt - 2,000 (2016: 2,000) shares	0.03%	0.03%

		2017	2016
	Note	Rupees	
17 ADVANCE AGAINST ISSUE OF SHARES			
	17.1	<u>2,301,574</u>	<u>30,000,000</u>

17.1 This represents interest free loan received from the directors which is repayable at the option of the Company. Pursuant to TR-32 issued by the Institute of Chartered Accountants of Pakistan, this has been reclassified from capital reserve as a part of equity to advance against issue of shares.

18 TRADE AND OTHERS PAYABLE

Trade creditors	8,738,272	65,282,318
Accrued liabilities	390,288	91,193
Withholding taxes	315,048	351,963
	<u>9,443,608</u>	<u>65,725,474</u>

19 SHORT TERM BORROWINGS

Loan from directors - unsecured	19.1	<u>2,499,999</u>	-
---------------------------------	------	------------------	---

19.1 This represents interest free loan received director. The terms and conditions of the loans are not documented yet, therefore, loan has been treated as repayable on-demand.

20 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments of the Company as on 30 June 2017.

		2017	2016
	Note	Rupees	
21 REVENUE			
Income from brokerage		<u>10,275,966</u>	<u>8,057,822</u>

22 OPERATING AND ADMINISTRATIVE EXPENSES

Staff salaries and benefits	8,884,797	6,715,500
Utilities	285,060	245,848
Telephone and internet charges	241,090	314,643
Rent, rates & taxes	823,598	891,026
Repairs & maintenance	210,661	92,851
Provision for doubtful debts	225,900	-
Auditor's remuneration	105,000	75,000
Insurance	8,766	-
PSX expenses	416,280	-
Depreciation	39,657	46,450
Commission	7,000	-
CDC & NCCPL charges	399,910	448,828
Fees & subscriptions	487,897	269,091
Entertainment	833,866	740,525
Investor protection fund	52,215	-
	<u>13,021,696</u>	<u>9,839,763</u>

23 FINANCIAL CHARGES

Bank charges	<u>11,727</u>	<u>8,927</u>
--------------	---------------	--------------

24 OTHER INCOME

Dividend income	-	632,088
Realized gain on investments	-	8,985,438
Other income		
Unrealized gain/ (loss) on short term investments	7,198,903	(151,610)
Others	1,262,492	617,788
	<u>8,461,395</u>	<u>10,083,704</u>

25 TAXATION

Current	25.1	102,760	1,428,393
Prior		-	-
Deferred	25.2	-	-
		<u>102,760</u>	<u>1,428,393</u>

25.1 Owing to taxable loss for the current year and accumulated losses, provision for taxation has been made at the turnover tax under section 113 of the Income Tax Ordinance, 2001.

25.2 The commission income is subject to Final Tax Regime for tax year 2018 and other classes of income including dividend income also fall under Final Tax Regime therefore deferred tax on temporary differences has not been recognized.

26 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

26.1 The aggregate amount charged in these financial statements in respect of remuneration including benefits applicable to chief executive, directors and executives of the Company are given below:

	2017		2016	
	Chief Executive	Executives	Chief Executive	Executives
	-----Rupees-----			
Managerial remuneration	2,917,800	-	2,588,000	-
Number of persons	1	-	1	-

26.2 Remuneration paid to two (2016: two) directors, other than Chief Executive Officer, amount to Rs. 775,

HAWAJA SECURITIES PRIVATE LIMITED

Notes to the financial statements
For the year ended 30 June 2017

27 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

27.1 Risk management framework

The Director/ Chief Executive has overall responsibility for the establishment and oversight of the Company's risk management framework. He is also responsible for developing and monitoring the Company's risk management policies. The Director/ Chief Executive monitors frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and control, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and

27.2 Financial assets and liabilities by category and their respective maturities

	June 30, 2017		June 30, 2016	
	Maturity up to One year	Maturity after One year	Maturity up to One year	Maturity after One year
<u>Financial assets</u>				
Long term	-	9,553,797	-	9,553,797
Long term deposits	-	9,347,600	-	8,947,600
Trade debts	6,120,154	-	74,240,449	-
Advances	147,000	-	5,252,927	-
Deposits	6,086,902	-	30,000	-
Short term	37,715,915	-	20,352,227	-
Cash and bank	9,248,997	-	9,248,997	-
	59,318,968	18,901,397	109,124,600	18,501,397
<u>Financial liabilities</u>				
Long term financing	-	-	-	-
Short term	2,499,999	-	-	-
Trade and other payables	9,128,560	-	65,373,511	-
	11,628,559	-	65,373,511	-

HAWAJA SECURITIES PRIVATE LIMITED

Notes to the financial statements

For the year ended 30 June 2017

27.3 Fair values

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the year end date. The quoted market prices used for financial assets held by the Company is current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

27.4 Financial risk factors

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

27.4.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking to account of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit worth counterparties thereby mitigating any significant concentrations of credit risk.

KHAWAJA SECURITIES PRIVATE LIMITED

Notes to the financial statements

For the year ended 30 June 2017

Credit risk of the Company arises from deposits with banks and financial institutions, trade debts, short term loans and advances, short term investments and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their net worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery. The Company's management as part of risk management policies and guidelines, reviews clients' financial position, considers past experience and other factors, and obtains necessary collaterals to reduce credit risks. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies, investment and operational guidelines approved by the Director/ Chief Executive. In addition, credit risk is also minimized due to the fact that the Company invests only in high quality financial assets, majority of which have been rated by a reputable rating agency. The Company does not expect to incur material credit losses on its financial assets.

The carrying amount of financial assets represent the maximum credit exposure, as specified below:-

	2017 Rupees	2016 Rupees
Long term investments	9,553,797	9,553,797
Long term deposits	9,347,600	8,947,600
Trade debt - net	6,120,154	74,240,449
Advances	147,000	5,252,927
Deposits	6,086,902	30,000
Short term investments	37,715,915	20,352,227
Cash at bank	9,181,766	36,478,889
	78,153,134	154,855,889

KHAWAJA SECURITIES PRIVATE LIMITED

Notes to the financial statements

For the year ended 30 June 2017

27.4.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of adequate funds through committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular

The following are the contractual maturities of financial liabilities:			
Financial liabilities	As at 30 June 2017		
	Carrying amount	Within one year	More than one
Long term financing	-	-	-
Short term borrowings	2,499,999	2,499,999	-
Trade and other payables	9,128,560	9,128,560	-
Total	11,628,559	11,628,559	-
Financial liabilities	As at 30 June 2016		
	Carrying amount	Within one year	More than one
Long term financing	-	-	-
Short term borrowings	-	-	-
Trade and other payables	65,373,511	65,373,511	-
Total	65,373,511	65,373,511	-

It is not expected that the cash flow included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Market risk

Market risk means that value of a financial instrument will fluctuate because of changes in market prices such as foreign exchange rates, interest rates and equity prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk comprises of three types of risk: foreign exchange or currency risk, interest rate risk and price risk. The market risk associated with the company's business activities are discussed as under:

Foreign exchange risk management

Currency Risk is the risk that value of a financial instrument will fluctuate because of changes in foreign exchange rates. The company is not exposed to currency risk as the Company does not maintain bank accounts in foreign currencies.

Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates. The company analyzes its interest rate exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into accounts various other financing options available.

KHAWAJA SECURITIES PRIVATE LIMITED

Notes to the financial statements

For the year ended 30 June 2017

Price risk

Price risk represents the risk that fair value of financial instrument will fluctuate because of changes in the market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factor affecting all or similar financial instruments traded in the market. The company is significantly exposed to equity price risk since it carry investments in quoted securities (Note 14 to the financial statements).

28 CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safe guard its ability to continue as a going concern so that it can continue to provide returns for the shareholder and benefits for other stake holders. Further, the Company has to comply with capital requirements (paid-up capital, net worth, minimum net capital) applicable to related category of broker (trading, trading and self clearing, trading and clearing) in which the broker falls as specified under the Securities Brokers (Licensing and Operations) Regulations 2016. Net capital balance of the Company as at 30 June, 2017 amounts to Rs. 41,696,529, and liquid capital of the Company as at 30 June, 2017 amounts to Rs. 38,945,512.

KHAWAJA SECURITIES PRIVATE LIMITED

Notes to the financial statements

For the year ended 30 June 2017

29 RELATED PARTY TRANSACTIONS

The related parties of the Company comprise of shareholders/ directors, key management personnel, entities with common shareholding, entities over which the directors are able to exercise influence and entities under common directorship. Transactions with related parties and the balances outstanding at the year end are disclosed in the respective notes to the financial statements.

30 NUMBER OF EMPLOYEES

Total number of employees at the end of year were 11 (2016: 13). Average number of employees were 11 (2016: 12)

31 RECLASSIFICATION

Reclassified from	Note	Reclassified to	Amount (Rupees)
Capital reserve	17	Advance against issue of shares	30,000,000

The above amount has been reclassified from capital reserves, treated as a part of equity, to share deposit money as it represents loans from directors which are repayable at the option of the Company subject to availability of cash. Net amount of Rs. 27,698,426 has been repaid during the year. Consequent to TR-32 issued by the Institute of Chartered Accountants of Pakistan, the said amount has been reclassified as advance against issue of shares.

32 GENERAL

32.1 Figures have been rounded off to the nearest of rupee.

32.2 Corresponding figures have been rearranged, wherever necessary for the purposes of comparison. However, no significant rearrangement / reclassification have been made in these financial statements.

33 AUTHORIZATION

33.1 These financial statements were authorized for issue on 06 October, 2017 by the Board of Directors of the Company.