

# **KHAWAJA SECURITIES (PRIVATE) LIMITED**

## **AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

### **MUSHTAQ & CO.**

CHARTERED ACCOUNTANTS

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### *Independent auditor's report to the members of Khawaja Securities (Private) Limited*

### *Report on the Audit of the Financial Statements*

#### *Qualified Opinion*

We have audited the annexed financial statements of **Khawaja Securities (Private) Limited (the Company)**, which comprise the statement of financial position as at June 30, 2023, and the statement of profit or loss, statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the matters described in Basis for Qualified Opinion section of our report, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2023 and of the loss and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

#### *Basis for Qualified Opinion*

- a) Khawaja Securities has received Rs. 841,673,600 from OZKARTALLAR CAMPAK JOINT VENTURE (not having CDC account in Khawaja Securities) in the financial year June 30, 2023 in Client's Banks of Khawaja Securities. Out of total Rs. 841,673,600 amount of Rs. 766,673,600 has been transferred in the Bank account of Mr. Khawaja Usman Arif (Chief Executive) during the year. Balance amount of Rs. 75,000,000 as shown in Cash at Bank and payable to Mr. Khawaja Usman Arif as per note 5 of the financial statements.

The amount should be transferred back in the Bank account of OZKARTALLAR CAMPAK JOINT VENTURE instead of CEO's account as it is violation of 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licencing and Operations) Regulations, 2016.

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 Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Responsibilities of Management and Board of Directors for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act,



# MUSHTAQ & CO.

## CHARTERED ACCOUNTANTS

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2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 as applicable in Pakistan 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 these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors 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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### *Report on Other Legal and Regulatory Requirements*

Based on our audit, we further report that in our opinion except for the matters described in Basis for Qualified Opinion section of our report:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).
- The Company was in compliance with the requirement of section 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licencing and Operations) Regulations, 2016 as at the date on which the Financial Statements were prepared.

### *Other Matter Paragraph*

The financial statements of the company for the year ended June 30, 2022 were audited by another auditor who expressed an un-modified opinion on those statements as on November 23, 2022.

The engagement partner on the audit resulting in this independent auditor's report is **Nouman Arshad, ACA**.

*Mushtaq & Co.*  
**MUSHTAQ & CO.**  
Chartered Accountants



Lahore.

Dated: 15-DEC-2023

UDIN: AR202310724WGVmvLdJi



|                                  | 2022   | 2023   |
|----------------------------------|--------|--------|
| 1. <b>Revenue</b>                | 100.00 | 100.00 |
| 2. <b>Operating Expenses</b>     | 75.00  | 75.00  |
| 3. <b>Operating Income</b>       | 25.00  | 25.00  |
| 4. <b>Non-Operating Expenses</b> | 10.00  | 10.00  |
| 5. <b>Non-Operating Income</b>   | 15.00  | 15.00  |
| 6. <b>Net Income</b>             | 15.00  | 15.00  |
| 7. <b>Retained Earnings</b>      | 10.00  | 10.00  |
| 8. <b>Dividends</b>              | 5.00   | 5.00   |
| 9. <b>Shareholders' Equity</b>   | 20.00  | 20.00  |
| 10. <b>Debt</b>                  | 80.00  | 80.00  |
| 11. <b>Assets</b>                | 100.00 | 100.00 |
| 12. <b>Liabilities</b>           | 80.00  | 80.00  |
| 13. <b>Equity</b>                | 20.00  | 20.00  |

*The annexed notes form an integral part of these financial statements.*

~~CHIEF EXECUTIVE~~

**DIRECTOR**

**KHAWAJA SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

|   | Note | 2023<br>----- Rupees ----- | 2022                |
|---|------|----------------------------|---------------------|
| Operating revenue   | 18   | 4,180,975                  | 6,030,834           |
| Gain / (Loss) on sale of short term investments - net                         |      | (4,775)                    | (2,990,107)         |
| Fair value gain/(loss) on remeasurement of investments through profit or loss |      | (369)                      | -                   |
| Operating and administrative expenses   | 19   | (5,735,933)                | (14,253,546)        |
| Other Income  | 20   | 261,203                    | 1,049,281           |
| <b>Operating income / (loss)</b>  |      | <b>(1,298,899)</b>         | <b>(10,163,538)</b> |
| Finance cost  |      | (16,076)                   | (15,638)            |
| <b>Profit / (Loss) before taxation</b>  |      | <b>(1,314,975)</b>         | <b>(10,179,176)</b> |
| Taxation  | 22   | (126,546)                  | (279,978)           |
| <b>Profit / (Loss) after taxation</b>   |      | <b>(1,441,521)</b>         | <b>(10,459,155)</b> |
| <b>Earnings / (Loss) per share - Basic and diluted</b>                        | 26   | <b>(0.17)</b>              | <b>(1.37)</b>       |

*The annexed notes form an integral part of these financial statements.*

  
**CHIEF EXECUTIVE**



  
**DIRECTOR**

**KHAWAJA SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2023**

|   | 2023               | 2022                |
|---|--------------------|---------------------|
| Note  | ----- Rupees ----- |                     |
| Profit / (Loss) after taxation  | (1,441,521)        | (10,459,155)        |
| <b>Other comprehensive income:</b>  | -                  | -                   |
| <b>Items that will never be reclassified subsequently to profit or loss</b> |                    |                     |
| Investments at fair value through other comprehensive income                |                    |                     |
| Fair value Gain/(Loss) arised during the period                             | (7,400,061)        | (4,127,038)         |
| Impact of deferred tax  | -                  | -                   |
|   | (7,400,061)        | (4,127,038)         |
| <b>Total comprehensive income for the year</b>                              | <u>(8,841,582)</u> | <u>(14,586,193)</u> |

*The annexed notes form an integral part of these financial statements.*

  
**CHIEF EXECUTIVE**



  
**DIRECTOR**

**KHAWAJA SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

|   | 2023               | 2022         |
|---|--------------------|--------------|
| Note  | ----- Rupees ----- |              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                    |              |
| Profit / (Loss) before taxation                                 | (1,314,975)        | (10,179,176) |
| <b>Adjustments for non-cash charges and other items:</b>        |                    |              |
| Depreciation  | 19,691             | 22,606       |
| Dividend income   | (421,988)          | (1,392,559)  |
| Provision for doubtful debts                                    | -                  | 6,956,340    |
| (Gain) / Loss on sale on investment                             | 4,775              | 2,990,107    |
| Unrealized loss on remeasurement of investment                  | 369                | -            |
| Finance cost  | 16,076             | -            |
|   | (381,077)          | 8,576,494    |
| <b>Profit / (loss) before working capital changes</b>           | (1,696,052)        | (1,602,682)  |
| <b>Effect on cash flow due to working capital changes</b>       |                    |              |
| <b>Decrease / (increase) in current assets:</b>                 |                    |              |
| Trade debts   | 10,387,828         | (6,511,849)  |
| Advances, deposits and other receivables                        | (2,566,506)        | 1,960,250    |
| <b>(Decrease) / increase in current liabilities:</b>            |                    |              |
| Trade and other payables  | 61,045,285         | (4,423,599)  |
|   | 68,866,607         | (8,975,198)  |
| <b>Cash (used in) / generated from operations</b>               | 67,170,555         | (10,577,880) |
| Income tax paid   | (85,054)           | (308,879)    |
| Finance cost paid   | (16,076)           | -            |
| <b>Net cash (used in) / generated from operating activities</b> | 67,069,425         | (10,886,759) |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                    |              |
| Investments- net  | (4,776)            | 6,337,538    |
| Payment for acquisition of fixed assets                         | -                  | (4,232,466)  |
| Dividend received   | 421,988            | 1,392,559    |
| <b>Net cash generated from investing activities</b>             | 572,048            | 3,497,631    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |                    |              |
| Return from issue of shares, net of share deposit money         | 1,500,000          | -            |
| Issue of new shares   | -                  | 6,000,000    |
| Repayment of short term borrowing                               | -                  | (175,000)    |
| <b>Net cash generated from / (used in) financing activities</b> | 1,500,000          | 5,825,000    |
| <b>Net (decrease) / increase in cash and cash equivalents</b>   | 69,141,473         | (1,564,127)  |
| <b>Cash and cash equivalents at the beginning of the year</b>   | 6,962,259          | 8,526,387    |
| <b>Cash and cash equivalents at the end of the year</b>         | 17 76,103,732      | 6,962,259    |

*The annexed notes form an integral part of these financial statements.*

**CHIEF EXECUTIVE**

**DIRECTOR**





**KHAWAJA SECURITIES (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2023**

| PARTICULARS                                     | SHARE<br>CAPITAL  | Rupees                       |                         |                  |                   | TOTAL |
|---|-------------------|------------------------------|-------------------------|------------------|-------------------|-------|
|   |                   | REVENUE RESERVE              | GAIN/(LOSS) ON          | LOAN FROM        |                   |       |
|   |                   | ACCUMULATED<br>PROFIT/(LOSS) | INVESTMENTS AT<br>FVOCI | DIRECTOR         |                   |       |
| Balance as at June 30, 2021                     | 76,301,850        | (21,544,040)                 | 10,980,115              | -                | 65,737,926        |       |
| Profit/ (loss) for the year                     | -                 | (10,459,155)                 | -                       | -                | (10,459,155)      |       |
| Loan from director                              | -                 | -                            | -                       | 2,300,000        | 2,300,000         |       |
| Issuance of shares                              | 6,000,000         | -                            | -                       | -                | 6,000,000         |       |
| Other comprehensive income/ (loss) for the year | -                 | -                            | (4,127,038)             | -                | (4,127,038)       |       |
| <b>Balance as at June 30, 2022</b>              | <b>82,301,850</b> | <b>(32,003,194)</b>          | <b>6,853,077</b>        | <b>2,300,000</b> | <b>59,451,733</b> |       |
| Profit/ (loss) for the year                     | -                 | (1,441,521)                  | -                       | -                | (1,441,521)       |       |
| Other comprehensive income/ (loss) for the year | -                 | -                            | (7,400,061)             | -                | (7,400,061)       |       |
| Issuance of shares                              | 1,500,000         | -                            | -                       | -                | -                 |       |
| <b>Balance as at June 30, 2023</b>              | <b>83,801,850</b> | <b>(33,444,715)</b>          | <b>(546,984)</b>        | <b>2,300,000</b> | <b>52,110,151</b> |       |

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

  
**CHIEF EXECUTIVE**



  
**DIRECTOR**

**KHAWAJA SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**1. THE COMPANY AND ITS OPERATIONS**

Khawaja Securities (Private) Limited (the Company) was incorporated as a private limited company (limited by shares) in Pakistan under the Companies Ordinance, 1984 (now the Companies Act, 2017) on December 27, 2006. The Company is a corporate member of the Pakistan Stock Exchange Limited and Pakistan Mercantile Exchange. The Company is primarily engaged in brokerage of shares, stocks, purchase and sale of securities, financial consultancy, underwriting, portfolio management, commodity future trading and securities research. The registered office of the Company is located at G-3, Ground Floor, Lahore Stock Exchange Building, 19-Khayaban-e-Aiwan-e-Iqbal, Lahore. During the year ended June 30, 2023, the company was converted to "Trading Only" category of securities broker as specified in the Securities Brokers (Licensing and Operations) Regulations, 2016.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017
- Provisions of and directives issued under the Securities Brokers (Licensing and Operations) Regulations, 2016

Where provisions of and directives issued under the Companies Act, 2017 and Securities Brokers (Licensing and Operations) Regulations, 2016, differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 and Securities Brokers (Licensing and Operations) Regulations, 2016, have been followed.

**2.3 Basis of measurement**

These financial statements have been prepared under the historical cost convention without any adjustment for the fact of inflation or current values except investments and shares that have been measured at fair values.

**2.4 Functional and presentation currency**

These financial statements are presented in Pakistani rupees which is also the company's functional currency and presentation currency of the company and rounded off to the nearest rupee.

**2.5 Standards, interpretations and amendments to published approved accounting standards**

- 2.5.1** Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the company:

|         |   | Effective date<br>(annual reporting)<br>periods beginning<br>on or after |
|---------|---|--|
| IAS 1   | Presentation of financial statements (Amendments)                               | January 1, 2023<br>&<br>January 1, 2024                                  |
| IAS 7   | Statement of Cash Flows (Amendments)  | January 1, 2024  |
| IAS 8   | Accounting Policies, Changes in Accounting Estimates<br>and Errors (Amendments) | January 1, 2023  |
| IAS 12  | Income Taxes (Amendments)   | January 1, 2023  |
| IFRS 4  | Insurance Contracts (Amendments)  | January 1, 2023  |
| IFRS 9  | Financial Instruments: Disclosures (Amendments)                                 | January 1, 2024  |
| IFRS 16 | Leases (Amendments)   | January 1, 2024  |



**KHAWAJA SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

The management anticipates that adoption of above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation / disclosures.

- 2.5.2** Further, the following new standards and interpretations 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 their applicability in Pakistan:

|          |  |
|----------|--|
| IFRS 1   | First-time Adoption of International Financial Reporting Standards |
| IFRS 17  | Insurance contracts  |
| IFRIC 12 | Service concession arrangements                                    |

**2.6 Key judgements and estimates**

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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:

- Estimate of useful lives and residual values of depreciable assets and provision for impairment there against;
- Classification and valuation of investments; and
- Provision for taxation.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Operating fixed assets**

These are stated at cost less accumulated depreciation and impairment loss if any. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the year in which they are incurred.

**Depreciation**

Depreciation on property, plant and equipment is charged to statement of profit or loss by applying the reducing balance method so as to write off the cost/depreciable amount of the assets over their estimated useful lives. The company charges the depreciation on addition from the date when the asset is available for use and on deletion from the date when asset is derecognized. The residual values and useful lives are reviewed by management, at each reporting date and adjusted if impact on depreciation is significant.

**Disposal**

The gain or loss arising on disposal of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the assets and is recognized in the statement of profit or loss.

**3.2 Intangible Assets**

Intangible with finite useful lives are stated at cost less amortization and impairment, if any. Subsequently expenditure is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.



**KHAWAJA SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**3.3 Leasehold**

Room leasehold rights are stated at cost less impairments if any. The carrying amount is reviewed at each reporting date to assess whether these are recorded in excess of their recoverable amounts, and where carrying value is in excess of recoverable amounts, these are written down to their estimated recoverable amount.

**3.4 Trade and other receivables**

The receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing component in which case such are recognized at fair value. The Company holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortized cost using the effective interest rate method.

**3.5 Cash and cash equivalents**

Cash and cash equivalents are carried at cost in statement of financial position. For the purpose of statement of cash flows, cash and cash equivalents are comprised of cash in hand, bank balances and short term borrowings.

**3.6 Trade and other payables**

Trade payables are obligations under normal short-term credit terms. These are measured at the undiscounted amount of cash to be paid.

**3.7 Provisions**

Provisions are recognized when, the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

**3.8 Impairment**

**Financial Assets**

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets. The Company applies the simplified approach to recognize lifetime expected credit losses for trade debts, due from customers and contract assets. The Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**KHAWAJA SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**Non-Financial Assets**

The carrying amounts of non-financial assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognized as an expense in the profit or loss. The recoverable amount is the higher of an asset's fair value less cost of disposal and value-in-use. Value-in-use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is reversed if there is 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.

**Off setting financial assets and financial liabilities**

Financial assets and financial liabilities are set off and only the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amount and the company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

**3.9 Earning per share**

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shares of the company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

**3.10 Financial Assets and Liabilities**

**Financial Assets**

The Company classifies its financial assets at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

**a) Amortized Cost**

Assets that are held for collection of contractual cash flows where those cash flow represents solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognized directly in profit or loss.

**b) Fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**c) Fair value through profit or loss**

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income or assets that are designated at fair value through profit or loss using fair value option, are measured at fair value through profit or loss. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognized in profit or loss in the period in which it arises.

Equity instrument financial assets are measured at fair value and subsequent to initial recognition changes in fair value of these financial assets are normally recognized in profit or loss. Dividends from such investments continue to be recognized in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.



**KHAWAJA SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit or loss for the period in which it arises.

**Derecognition**

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

**Financial Liabilities**

Financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortized cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed to profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortized cost using the effective yield method.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in profit or loss.

**3.11 Revenue recognition**

Revenue is recognized when individual performance obligation is fulfilled. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- brokerage income is recognized as and when such services are rendered.
- capital gains and losses on sale of investments are recorded on trade date basis.
- dividend income is accounted for when the right of receipt is established.

**3.12 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.

**3.13 Taxation**

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

A deferred tax liability is recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable profit in the future, and the carry forward of unused tax losses. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted at the reporting date.

**3.14 Foreign currency translation**

Foreign currency transactions are translated into Pak Rupee at the exchange rate prevailing on the date of transaction. Exchange gain and losses are included in the income currently.



**KHAWAJA SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**4. Loan from director**

During the year ended June 30, 2022 Company entered into an agreement with its director and pursuant to the agreement Company received a subordinated loan of Rs. 2,300,000 from the director. This loan is unsecured, interest free and only payable at the discretion of the company. As per agreement the loan shall be utilized towards meeting running expenses of the company. The loan is presented under equity as per Technical Release-32 of The Institute of Chartered Accountants of Pakistan.

|   | Note   | 2023<br>----- Rupees ----- | 2022             |
|---|--|----------------------------|------------------|
| <b>5. Trade &amp; other payables</b>    |  |                            |                  |
| Trade creditors                         |  | 67,856,819                 | 4,426,658        |
| Accrued expenses                        |  | 304,910                    | 170,258          |
| Worker welfare fund -Punjab             |  | 42,471                     | 42,471           |
| NCCPL Payables                          |  | -                          | 2,219,528        |
| Short term Loan                         |  | 19,000                     | 319,000          |
|   |  | <u>68,223,200</u>          | <u>7,177,915</u> |
| <b>5.1.</b>                             | This includes Rs. 63,719,583 (2022: Rs. Nil) due to related parties. |                            |                  |
| <b>6. Provision for taxation</b>        |  |                            |                  |
| Opening balance                         |  | -                          | -                |
| Provision made during the year          |  | 126,546                    | 279,978          |
|   |  | <u>126,546</u>             | <u>279,978</u>   |
| Tax paid / adjusted during the year     |  | (126,546)                  | (279,978)        |
| Closing balance                         |  | <u>-</u>                   | <u>-</u>         |
| <b>7. Contingencies and commitments</b> |  |                            |                  |

There were no known contingencies or commitments of the Company as at June 30, 2023 and June 30, 2022.

**KHAWAJA SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023.**

## 8. Operating fixed assets

| Year Ended 30 June, 2023 |               |                         |                          |               |                          |              |                              |            |
|--------------------------|---------------|-------------------------|--------------------------|---------------|--------------------------|--------------|------------------------------|------------|
| Particulars              | Cost          |                         | Accumulated Depreciation |               |                          |              | Net Book Value as at June 30 | Rate %     |
|                          | As at July 01 | Additions / (Disposals) | As at June 30            | As at July 01 | Disposal during the year | For the year |                              |            |
| ----- Rupees -----       |               |                         |                          |               |                          |              |                              |            |
| Vehicles                 | 54,000        | -                       | 54,000                   | 44,777        | -                        | 922          | 45,699                       | 8,301 10   |
| Office equipment         | 624,715       | -                       | 624,715                  | 478,632       | -                        | 14,608       | 493,240                      | 131,475 10 |
| Computer equipment       | 97,285        | -                       | 97,285                   | 94,496        | -                        | 837          | 95,333                       | 1,952 30   |
| Furniture and fixtures   | 425,431       | -                       | 425,431                  | 408,813       | -                        | 3,324        | 412,137                      | 13,294 20  |
| 2023                     | 1,201,431     | -                       | 1,201,431                | 1,026,718     | -                        | 19,691       | 1,046,409                    | 155,022    |

| Year Ended 30 June, 2022 |               |                         |                          |               |                          |              |                              |            |
|--------------------------|---------------|-------------------------|--------------------------|---------------|--------------------------|--------------|------------------------------|------------|
| Particulars              | Cost          |                         | Accumulated Depreciation |               |                          |              | Net Book Value as at June 30 | Rate %     |
|                          | As at July 01 | Additions / (Disposals) | As at June 30            | As at July 01 | Disposal during the year | For the year |                              |            |
| ----- Rupees -----       |               |                         |                          |               |                          |              |                              |            |
| Vehicles                 | 54,000        | -                       | 54,000                   | 43,752        | -                        | 1,025        | 44,777                       | 9,223 10   |
| Office equipment         | 624,715       | -                       | 624,715                  | 462,401       | -                        | 16,231       | 478,632                      | 146,083 10 |
| Computer equipment       | 97,285        | -                       | 97,285                   | 93,301        | -                        | 1,195        | 94,496                       | 2,789 30   |
| Furniture and fixtures   | 425,431       | -                       | 425,431                  | 404,659       | -                        | 4,154        | 408,813                      | 16,618 20  |
| 2022                     | 1,201,431     | -                       | 1,201,431                | 1,004,113     | -                        | 22,605       | 1,026,718                    | 174,713    |

**KHAWAJA SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

| 9. Intangible assets                         |      | 2023               | 2022              |
|--|------|--------------------|-------------------|
|  | Note | ----- Rupees ----- |                   |
| Trading Right Entitlement Certificate (TREC) | 9.1  | 2,500,000          | 2,500,000         |
| PMEX Trading Certificate                     |      | 2,700,000          | 2,700,000         |
| Offices LSE                                  |      | 15,918,980         | 15,918,980        |
|  |      | <u>21,118,980</u>  | <u>21,118,980</u> |
| Impairment                                   |      | -                  | -                 |
|  |      | <u>21,118,980</u>  | <u>21,118,980</u> |

**9.1 Trading Right Entitlement Certificate (TREC)**

In accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012, the Company received TREC of Pakistan Stock Exchange with indefinite useful life and equity shares of LSE Financial Services Ltd. (LSEFL) in lieu of its membership card of Lahore Stock Exchange Ltd.

The TREC has been recorded as an intangible asset with indefinite useful life pursuant to the provisions and requirements of IAS-38. As TREC is not a commonly tradable instrument, it was initially recognized at the value approved by Board of Directors of PSX post demutualization. In the notice dated November 10, 2017, Ref no. PSX/N-7178, of Pakistan Stock Exchange, the notional value of the TRE certificate was revised from Rs. 5 million to Rs. 2.5 million for the purpose of Base Minimum Capital Requirement. Since then there has been no change in the notional value of TREC until June 30, 2023

The TREC is pledged with PSX for the purpose of Base Minimum Capital Requirement (BMC) and is assessed for impairment on an annual basis in accordance with 'IAS-36 Impairment of Assets'.

- 9.2. This represents cost of offices given by LSE Financial Services Ltd. with indefinite useful life. These are considered to be indefinite as there is no foreseeable limit on the period over which the entity expects to consume future economic benefits.

| 10. Long term investment   |      | 2023               | 2022              |
|--|------|--------------------|-------------------|
| Investment at F.V through OCI  | Note | ----- Rupees ----- |                   |
| LSE Financial Services Ltd. (LSE)  | 10.1 |                    |                   |
| Cost (843,975 ordinary shares of Rs.10 each)                                       |      | -                  | 20,533,912        |
| Fair value adjustment  |      | -                  | (4,127,038)       |
|  |      | -                  | 16,406,874        |
| LSE Ventures Limited value at date of Swap (842,810 ordinary shares of Rs.10 each) |      | 7,073,458          | -                 |
| LSE PropTech Limited value at date of Swap (295,535 ordinary shares of Rs.10 each) |      | 2,480,339          | -                 |
|  |      | 9,553,797          | -                 |
| Fair Value Adjustment  |      | (546,984)          | -                 |
|  |      | <u>9,006,813</u>   | <u>16,406,874</u> |



**KHAWAJA SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

- 10.1** These represent shares of Rs.10/- each of LSE Financial Services Limited received on Corporatization, demutualization and integration of LSE. These shares were not quoted on any stock exchange. In 2023, the demerger and reverse merger scheme of LSE FSL was approved by the honorable Lahore High Court. As a result, LSE Ventures Limited, became the new parent company of LSE holding all investments and assets, whereas the real assets of the company were placed into another company named as LSE PropTech Limited. LSE FSL continued its existence but it became the wholly owned subsidiary of LSE Ventures Limited. Under the reverse merger part of the Scheme, LSE Ventures Limited (PSX Ticker: LSEVL) and LSE PropTech Limited (PSX Ticker: LSEPL) became listed companies. As part of the scheme, shareholders of the LSE FSL were allotted shares in LSE Ventures Limited and LSE PropTech Limited against their shareholding in LSE FSL as per the swap ratio of 99.862% and 69.81% respectively. Consequently, Khawaja Securities (Private) Limited was allotted 842,810 shares of LSE Ventures Limited and 295,535 shares of LSE PropTech Limited against its shareholding of 843,975 shares of LSE FSL.

Out of these shares 505,686 shares of LSE Ventures Limited and 177,321 shares of LSE PropTech Limited are kept in blocked account for the purpose of Base Minimum Capital (BMC) requirement. All remaining available shares are pledged with Pakistan Stock Exchange for the purpose of Base Minimum Capital (BMC) requirement. Fair value of the shares blocked and pledged as at 30th June, 2023 is 9,006,813.

Cost of LSE FSL shares held before the scheme is allocated to the shares of LSE Ventures Limited and LSE PropTech Limited on the basis of number of shares allotted.

| <b>11. Long term deposits</b>    | <b>Note</b> | <b>2023</b>               | <b>2022</b>             |
|----------------------------------|-------------|---------------------------|-------------------------|
|                                  |             | <b>----- Rupees -----</b> |                         |
| PMEX clearing deposit and margin |             | <b>845,164</b>            | 1,000,000               |
| NCCPL security and basic deposit |             | <b>400,000</b>            | 400,000                 |
|                                  |             | <b><u>1,245,164</u></b>   | <b><u>1,400,000</u></b> |

| <b>12. Deferred Taxation</b>   | <b>Note</b> | <b>2023</b>               | <b>2022</b>     |
|--|-------------|---------------------------|-----------------|
|  |             | <b>----- Rupees -----</b> |                 |
| Opening balance  |             | -                         | -               |
| Add / (less): Provided /(reversed) during the year in profit or loss account |             | -                         | -               |
| Less: Charged through other comprehensive income due to remeasurements       |             | -                         | -               |
|  |             | <b><u>-</u></b>           | <b><u>-</u></b> |

Deferred tax assets/ (liabilities) arising due to deductible/ (taxable) temporary differences are as follows:

|  | <b>Note</b> | <b>2023</b>               | <b>2022</b>              |
|--|-------------|---------------------------|--------------------------|
|  |             | <b>----- Rupees -----</b> |                          |
| - Deferred tax asset is not recognized on the following: |             |                           |                          |
| Short term Investment                                    |             | <b>55</b>                 | -                        |
| Accelerated tax depreciation                             |             | <b>(16,505)</b>           | (17,002)                 |
| ECL on trade debts                                       |             | <b>15,400,775</b>         | 15,400,775               |
| Turnover tax carried forward                             |             | <b>118,081</b>            | 71,094                   |
| Brought forward tax losses                               |             | <b>4,418,037</b>          | 3,806,601                |
|  |             | <b><u>19,920,443</u></b>  | <b><u>19,261,468</u></b> |

**KHAWAJA SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

During the year deferred tax asset amounting to Rs. 19,920,443 (June 2022: Rs. 19,261,468) has arisen. No deferred tax asset has been recognized as the company does not foresee reasonable profits in future.

|   | Note | 2023<br>----- Rupees ----- | 2022                |
|---|------|----------------------------|---------------------|
| <b>13. Trade debts</b>                        |      |                            |                     |
| Trade Debts-Considered good                   |      | 9,320,384                  | 19,708,212          |
| Trade Debts-Considered doubtful               |      | <u>53,106,121</u>          | <u>53,106,121</u>   |
|   |      | <b>62,426,505</b>          | <b>72,814,333</b>   |
| Less: Allowance for ECL on trade debts        | 13.1 | <u>(53,106,121)</u>        | <u>(53,106,121)</u> |
|   |      | <b>9,320,384</b>           | <b>19,708,212</b>   |
| <b>13.1. Allowance for ECL on trade debts</b> |      |                            |                     |
| Opening balance                               |      | 53,106,121                 | 46,149,781          |
| Allowance for ECL during the year             |      | -                          | 6,956,340           |
| Allowance no longer required/recovered        |      | -                          | -                   |
| Closing balance                               |      | <u>53,106,121</u>          | <u>53,106,121</u>   |

**13.2.** Trade debts include Rs. 8,456,405 (2022: Rs. 23,956,509) receivable from related parties.

|  | Note | 2023<br>----- Rupees ----- | 2022  |
|--|------|----------------------------|-------|
| <b>14. Short term investments - at fair value through profit or loss</b> |      |                            |       |
| Investments in listed securities   |      | 1,909                      | 2,277 |

**Investment in Listed Securities**

|                                    | No. of<br>Securities | Fair value<br>2023 | No. of<br>Securities | Fair value<br>2022 |
|------------------------------------|----------------------|--------------------|----------------------|--------------------|
| Askari Bank Limited                | 147                  | 1,905              | 147                  | 2,271              |
| Innovative Investment Bank Limited | 188                  | -                  | 188                  | -                  |
| Mcb Pakistan Stock Market Fund     | 4                    | -                  | 4                    | -                  |
| Zeal Pak Cement                    | 200                  | -                  | 200                  | -                  |
| Beema Pakistan Co. Ltd.            | 7,500                | -                  | 7,500                | -                  |
| Jove                               | 16                   | -                  | 16                   | -                  |
| K Electric                         | 2                    | 3                  | 2                    | 6                  |
|                                    | <b>8,057</b>         | <b>1,909</b>       | <b>8,057</b>         | <b>2,277</b>       |

**14.1.** Fair value of the securities pledged with NCCPL for the purpose of exposure requirement under Risk Management System of PSX is Nil (2022: Rs. Nil).

|   | Note | 2023<br>----- Rupees ----- | 2022             |
|---|------|----------------------------|------------------|
| <b>15. Advance income tax</b>           |      |                            |                  |
| Opening balance                         |      | 814,583                    | 785,682          |
| Add: Payment during the year            |      | <u>68,794</u>              | <u>308,879</u>   |
|   |      | <b>883,377</b>             | <b>1,094,561</b> |
| Adjusted against provision for the year |      | <u>(110,286)</u>           | <u>(279,978)</u> |
| Closing balance                         |      | <b>773,091</b>             | <b>814,583</b>   |



**KHAWAJA SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

|  |  | 2023               | 2022              |
|--|--|--------------------|-------------------|
|  | Note   | ----- Rupees ----- |                   |
| <b>16. Advances, deposits and other receivables</b>        |  |                    |                   |
| Exposure margin with NCCPL                                 |  | -                  | 29,000            |
| Staff advances - unsecured, considered good                |  | 750                | 12,750            |
| EcLEAR receivable  |  | 2,607,506          | -                 |
|  |  | <u>2,608,256</u>   | <u>41,750</u>     |
| <b>17. Cash and bank balances</b>                          |  |                    |                   |
|  | Note   | 2023               | 2022              |
|  |  | ----- Rupees ----- |                   |
| Cash in hand   |  | 64,066             | 67,266            |
| Cash at bank   |  |                    |                   |
| -Client accounts   |  |                    |                   |
| Current  | 17.1   | 76,009,212         | 6,854,118         |
| Saving   |  | 1,745              | 792               |
| -Propriety accounts  |  |                    |                   |
| Current  |  | 1,710              | 1,710             |
| Saving   |  | 26,999             | 38,373            |
|  |  | <u>76,103,732</u>  | <u>6,962,259</u>  |
| <b>17.1.</b>   | Cash at bank include customers' assets in the amount of Rs. 76,010,957 (2022: Rs. 6,854,910 ). |                    |                   |
| <b>17.2.</b>   | Saving account carries markup which ranges from 12.5% to 20.55% (2022: 6.5% to 10.75%).        |                    |                   |
| <b>18. Operating revenue</b>                               |  |                    |                   |
| Brokerage income   |  | 10,637,808         | 15,053,475        |
| Less: Reimbursement  |  | (6,878,821)        | (10,415,200)      |
|  |  | <u>3,758,987</u>   | <u>4,638,275</u>  |
| Dividend income  |  | 421,988            | 1,392,559         |
|  |  | <u>4,180,975</u>   | <u>6,030,834</u>  |
| <b>19. Operating and administrative expenses</b>           |  |                    |                   |
|  | Note   | 2023               | 2022              |
|  |  | ----- Rupees ----- |                   |
| Staff salaries, allowances and other benefits              | 21   | 3,727,440          | 4,996,998         |
| Office Electricity, Water, Gas                             |  | 340,981            | 369,878           |
| Telephone and internet charges                             |  | 63,591             | 128,613           |
| Rent, rates & taxes  |  | 40,309             | 108,774           |
| Repair and maintenance                                     |  | 348,316            | 378,741           |
| Insurance  |  | -                  | 12,564            |
| PSX charges  |  | 168,568            | 252,852           |
| CDC & NCCPL Charges  |  | 112,282            | 326,033           |
| Fee & subscription   |  | 264,365            | 347,850           |
| Unconfirmed deposits written off                           |  | 154,836            | -                 |
| Charge for / (reversal of) provision for doubtful accounts |  | -                  | 6,956,338         |
| Auditors' remuneration                                     |  |                    |                   |
| - Statutory audit  |  | 320,258            | 312,194           |
| - Certification charges                                    |  | 126,250            | -                 |
|  |  | <u>446,508</u>     | <u>312,194</u>    |
| Depreciation   | 8  | 19,691             | 22,606            |
| Miscellaneous expenses                                     |  | 49,046             | 40,103            |
|  |  | <u>5,735,933</u>   | <u>14,253,546</u> |



**KHAWAJA SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

|                                   |      | 2023               | 2022             |
|-----------------------------------|------|--------------------|------------------|
|                                   | Note | ----- Rupees ----- |                  |
| <b>20. Other Income</b>           |      |                    |                  |
| Profit on PLS saving accounts     |      | 20,787             | -                |
| Profit on Eclear Exposure deposit |      | 860                | -                |
| Other income                      |      | 239,556            | 1,049,281        |
|                                   |      | <u>261,203</u>     | <u>1,049,281</u> |

**21. Remuneration of Chief Executive and a Director**

| Particulars         | 2023                    |          |                  | 2022                               |          |                  |
|---------------------|-------------------------|----------|------------------|------------------------------------|----------|------------------|
|                     | Chief Executive Officer | Director | Total            | Chief Executive Officer & Director | Director | Total            |
| No. of persons      | 1                       | -        | 1                | 1                                  | -        | 1                |
|                     | ----- Rupees -----      |          |                  |                                    |          |                  |
| Managerial services | 2,961,815               | -        | 2,961,815        | 4,180,895                          | -        | 4,180,895        |
| Bonus               | -                       | -        | -                | -                                  | -        | -                |
| <b>Total</b>        | <u>2,961,815</u>        | <u>-</u> | <u>2,961,815</u> | <u>4,180,895</u>                   | <u>-</u> | <u>4,180,895</u> |

21.1 There are Nil (2022: Nil) employees that fall in the category of executives.

|                      |      | 2023               | 2022           |
|----------------------|------|--------------------|----------------|
|                      | Note | ----- Rupees ----- |                |
| <b>22. Taxation</b>  |      |                    |                |
| Current-current year | 22.1 | 110,286            | 279,978        |
| Current-Prior year   |      | 16,260             | -              |
| Deferred             |      | -                  | -              |
|                      |      | <u>126,546</u>     | <u>279,978</u> |

22.1 Provision for current year includes mainly tax on dividend income and commission income under section 150 and 113 respectively of the Income Tax Ordinance, 2001.

22.2 Reconciliation of applicable rate and effective rate of tax has not been made due to the application of minimum tax u/s 113 in current year.

**23. Capital adequacy level**

|                         |      |                   |                   |
|-------------------------|------|-------------------|-------------------|
| Total assets            | 23.1 | 120,333,351       | 69,129,648        |
| Less: Total liabilities |      | (68,223,200)      | (7,177,915)       |
|                         |      | <u>52,110,151</u> | <u>61,951,733</u> |

23.1 While determining the value of the total assets of the TREC Holder, Notional value of the TRE certificate held by the Khawaja Securities (Private) Limited as at year ended June 30, 2023, as determined by Pakistan Stock Exchange has been considered.

*7/11/23*

**KHAWAJA SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**24. Financial instruments and related disclosures**

**Financial risk management**

The Company's activities expose to a variety of financial risks from use of financial instruments including:

- Credit risk
- Liquidity risk
- Market risk

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

**Company's risk management objective and policies**

The Company's risk management policies are established to identify and analysis the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and system are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through it's training and management standards and procedures, aims to develop discipline and constructive control environment in which all employees understand their roles and obligations.

The Company's management oversees how management monitors and compliance with company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the Company.

**24.1 Credit risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter party fail completely to perform as contracted and arise principally from trade receivables, loans and advances and trade deposits.

To manage exposure to credit risk in respect of trade receivables. Management maintains procedures covering the application for credit approvals, granting and renewal of counter parties limit taking into account the customer's financial position, past track record, credit rating and factors. As a part of these processes, exposures of credit risk are regularly monitored, assessed and customers are persuaded for prompt recovery. In addition to this the company has established an allowance for impairment that is estimate of expected losses in respect of trade debts. This allowance is based on management assessment of specific loss component that relate to significant exposures. Sales and purchase transactions are also excluded against advance payments to further prudently manage the credit risk.

The Company limits its exposure to credit risk by following the policies and procedures of approval and continuous monitoring of loans and advances extended to management / staff and supplier and maintain bank account only with counterparty that have high degree of credit rating. Advance tax is adjustable or recoverable from FBR which is a State authority and high credit rating. Given these high credit ratings, management do not expect that any of these counterparty fail to meet its obligations.

**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date was:

|  | Note | 2023               | 2022              |
|--|------|--------------------|-------------------|
|  |      | ----- Rupees ----- |                   |
| Long term investments                    |      | 9,006,813          | 16,406,874        |
| Long term deposits                       |      | 1,245,164          | 1,400,000         |
| Advances, deposits and other receivables |      | 750                | 12,750            |
| Trade debts                              |      | 9,320,384          | 19,708,212        |
| Short term investments                   |      | 1,909              | 2,277             |
|  |      | <u>19,575,020</u>  | <u>37,530,113</u> |



**KHAWAJA SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**24.1.1 Aging and movement in Impairment losses**

|  | Note | 2023                | 2022                |
|--|------|---------------------|---------------------|
|  |      | ----- Rupees -----  |                     |
| The aging of receivables as at the reporting date is as follows: |      |                     |                     |
| Not past due   |      | -                   | -                   |
| Past due 0 - 30 days   |      | 8,456,406           | 8,881,642           |
| Past due 31 - 90 days  |      | -                   | 10,548,923          |
| Past due 91 - 1 year   |      | 10,064,018          | 12,786,555          |
| Past due more than 1 year  |      | 43,906,081          | 40,597,213          |
|  |      | <u>62,426,505</u>   | <u>72,814,333</u>   |
| Impairment   |      | <u>(53,106,121)</u> | <u>(53,106,121)</u> |
|  |      | <u>9,320,384</u>    | <u>19,708,212</u>   |

**Concentration of credit risk**

Concentration of credit risk arises when a number of counter parties engage in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similar affected by the changes in economic, political or other conditions. The company believes that it is not exposed to major concentration of credit risk.

The allowance accounts in respect of trade receivables, loans and advances are used to record impairment losses unless the company is satisfied that no recovery of the amount owing is possible, at that point the amount considered irrecoverable is written off against the financial asset directly.

**24.2 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 funding to an adequate amount of committed credit facilities and the ability to close out market position due to dynamic nature of the business. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the company's reputation.

Following are the contractual maturities of financial liabilities as at June 30, 2023 and June 30, 2022:

| Financial liabilities | Carrying amount | Contractual cash flows | Less than one year |
|-----------------------|-----------------|------------------------|--------------------|
|                       |                 |                        | ----- Rupees ----- |

**Trade and other payables - unsecured**

|                       |                   |                   |                   |
|-----------------------|-------------------|-------------------|-------------------|
| - As at June 30, 2023 | <u>68,223,200</u> | <u>68,223,200</u> | <u>68,223,200</u> |
| - As at June 30, 2022 | <u>7,177,915</u>  | <u>7,177,915</u>  | <u>7,177,915</u>  |

The company is not materially exposed to liquidity risk as substantially all obligations, commitments of the company are of short term and routine in nature (accrued expense) and are restricted to the extent of available liquidity except the long term unsecured interest free loan obtained from the directors redeemable at the option of the company. As a part of liquidity risk management policy company follows effective cash flow, planning, controlling and management procedures to ensure availability of funds through effective working capital management and to appropriate measures for new requirements.

**24.3 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will effect company's income or the value of its holding of financial instruments. The objective of the market risk management is to manage and control market exposures within acceptable parameters, while optimising the return on risk.

**KHAWAJA SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**Foreign currency risk management**

Foreign currency risk arises mainly where receivables and payables exists due to the transactions with foreign undertakings. Financial assets and financial liabilities of the company are not exposed to currency risk as a company has not entered into any transaction with any foreign undertakings.

**Interest rate risk management**

The company's income and operating cash flows are substantially independent of changes in market interest rates. The company has no significant long term interest bearing financial assets and liabilities whose fair value or cash flows will fluctuate because of the changes in market interest rates. As there is no interest bearing financial assets and liabilities, therefore disclosure requirement of effective rate of interest is not attractive.

**Capital risk management**

The Company's objectives when managing capital are to ensure the Company's ability not only to continue as a going concern but also to meet its requirements for expansion and enhancement of its business, maximize return of shareholders and optimize benefits for other stakeholders to maintain an optimal capital structure and to reduce the cost of capital. In order to achieve the above objectives, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares through bonus or right issue or sell assets to reduce debts or raise debts, if required.

**24.4 Other price risk**

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The company is not exposed to any price risk as there are no financial instrument at the reporting date that are sensitive to price



**KHAWAJA SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**25 Fair value of financial assets and liabilities**

The following table shows the carrying amounts and fair values of financial assets and liabilities. The fair value of financial assets measured at fair value is shown below. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value.

|  | Carrying amount   |                                   |   | Carrying amount   |                                   |   |
|--|-------------------|-----------------------------------|---|-------------------|-----------------------------------|---|
|  | 2023              |                                   |   | 2022              |                                   |   |
|  | At amortized cost | Fair value through profit or loss | Fair value through other comprehensive income | At amortized cost | Fair value through profit or loss | Fair value through other comprehensive income |
| -----Rupees-----                         |                   |                                   |   |                   |                                   |   |
| <b>Assets</b>                            |                   |                                   |   |                   |                                   |   |
| Long Term Investment                     | -                 | -                                 | 9,006,813                                     | -                 | -                                 | 16,406,874                                    |
| Long Term Deposits                       | 1,245,164         | -                                 | -   | 1,400,000         | -                                 | -   |
| Trade Debts                              | 9,320,384         | -                                 | -   | 19,708,212        | -                                 | -   |
| Short Term Investment                    | -                 | 1,909                             | -   | -                 | 2,277                             | -   |
| Advances, Deposits and Other receivables | 2,608,256         | -                                 | -   | 41,750            | -                                 | -   |
| Cash and Bank Balances                   | 76,103,732        | -                                 | -   | 6,962,259         | -                                 | -   |
|  | <u>89,277,536</u> | <u>1,909</u>                      | <u>9,006,813</u>                              | <u>28,112,221</u> | <u>2,277</u>                      | <u>16,406,874</u>                             |
| <b>Liabilities</b>                       |                   |                                   |   |                   |                                   |   |
| Trade and other payables                 | 68,223,200        | -                                 | -   | 7,177,915         | -                                 | -   |
|  | <u>68,223,200</u> | <u>-</u>                          | <u>-</u>                                      | <u>7,177,915</u>  | <u>-</u>                          | <u>-</u>                                      |

The basis for determining fair values is as follows:

**Interest rates used for determining fair value**

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. Since the majority of the financial assets are fixed rate instruments, there is no significant difference in market rate and the rate of instrument, fair value significantly approximates to carrying value.

**Fair value hierarchy**

The table below analyses financial assets that are measured at fair value, by valuation method. The different levels have been defined as follows

- Level 1 : Quoted prices in active markets for identical assets and liabilities;
- Level 2 : Observable inputs; and
- Level 3 : Unobservable inputs.

The Company held the following financial assets at fair value:

|   | Level 1      | Level 2    | Level 3  | Total        |
|---|--------------|------------|----------|--------------|
| -----Rupees-----  |              |            |          |              |
| <b>30-Jun-23</b>  |              |            |          |              |
| <b>At fair value through other comprehensive income</b> |              |            |          |              |
| Long Term Investment                                    | 9,006,813    | -          | -        | 9,006,813    |
| <b>At fair value through profit or loss</b>             |              |            |          |              |
| Short Term Investment                                   | <u>1,909</u> | <u>-</u>   | <u>-</u> | <u>1,909</u> |
| <b>30-Jun-22</b>  |              |            |          |              |
| <b>At fair value through other comprehensive income</b> |              |            |          |              |
| Long Term Investment                                    | -            | 16,406,874 | -        | 16,406,874   |
| <b>At fair value through profit or loss</b>             |              |            |          |              |
| Short Term Investment                                   | <u>2,277</u> | <u>-</u>   | <u>-</u> | <u>2,277</u> |

**Determination of fair values**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

**Long Term Investment**

These shares are neither listed on any exchange nor are they actively traded. As a result, fair value has been estimated by reference to the latest break-up value according to the audited financial statements.

**Short Term Investment**

The fair value of held for trading investment is determined by reference to their quoted closing value at the reporting date.

**KHAWAJA SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

|  | 2023               | 2022                |
|--|--------------------|---------------------|
| <b>26. Earning per share - Basic and diluted</b>                   |                    |                     |
| Net (loss) / profit for the year (Rupees)                          | <u>(1,441,521)</u> | <u>(10,459,155)</u> |
| Weighted average number of shares outstanding during the period    | <u>8,373,199</u>   | <u>7,630,185</u>    |
| (Loss) / earnings per share - basic and diluted (Rupees per share) | <u>(0.17)</u>      | <u>(1.37)</u>       |

**27. Transactions with related parties**

The related parties comprise Directors of the company and key management personnel. Following is the detail of transactions other than remuneration of Directors and key management personnel as disclosed in note 21 to these financial statements.

|  | 2023                         |                          |             |
|--|------------------------------|--------------------------|-------------|
|  | Chief Executive/<br>Director | Other related<br>parties | Total       |
|  | Rupees                       |                          |             |
| Purchase of marketable securities for and on behalf of | 5,998,158                    | -                        | 5,998,158   |
| Sale of marketable securities for and on behalf of     | 14,285,337                   | -                        | 14,285,337  |
| Brokerage income                                       | 3,043                        | -                        | 3,043       |
| Receipts during the year                               | 782,098,964                  | -                        | 782,098,964 |
| Payments during the year                               | 711,112,417                  | -                        | 711,112,417 |

|  | 2022                         |                          |             |
|--|------------------------------|--------------------------|-------------|
|  | Chief Executive/<br>Director | Other related<br>parties | Total       |
|  | Rupees                       |                          |             |
| Purchase of marketable securities for and on behalf of | 289,893,823                  | -                        | 289,893,823 |
| Sale of marketable securities for and on behalf of     | 296,078,765                  | -                        | 296,078,765 |
| Brokerage income                                       | 87,896                       | -                        | 87,896      |
| Receipts during the year                               | 32,962,464                   | -                        | 32,962,464  |
| Payments during the year                               | 48,826,351                   | -                        | 48,826,351  |

**28. Pattern of shareholding**

As at June 30, 2023, Mr. Khawaja Muhammad Arif (Director) held more than 5% of the issued, subscribed and paid-up capital of the Company.

| Shareholders          | Number of Shares |           | Percentage |      |
|-----------------------|------------------|-----------|------------|------|
|                       | 2023             | 2022      | 2023       | 2022 |
| Khawaja Muhammad Arif | 8,077,583        | 8,077,583 | 96%        | 98%  |



**KHAWAJA SECURITIES (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

28.1. There is no change in shareholding above 5% during the year ended June 30, 2023.

| 29. Number of employees                              | 2023     | 2022     |
|--|----------|----------|
| Total number of employees as at June 30,             | <u>4</u> | <u>4</u> |
| Average number of employees during the year June 30, | <u>4</u> | <u>4</u> |

30. Date of authorization for issue

These financial statements have been authorized for issue on 15 DEC 2023 by the Board of Directors of the Company.

31. Corresponding figures

Corresponding figures have been rearranged and reclassified, wherever considered necessary, to facilitate comparison. Following major classifications have been made during the year:

| Description        | Reclassified from     | Reclassified to | Note |
|--------------------|-----------------------|-----------------|------|
| Loan from director | Long term liabilities | Equity          | 4    |

  
**CHIEF EXECUTIVE**



  
**DIRECTOR**