

ARIF LATIF SECURITIES
(PRIVATE) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Ilyas Saeed & Co
Chartered Accountants

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Arif Latif Securities (Pvt.) Ltd.

Corporate TREC Holder Pakistan Stock Exchange Ltd. TREC # 232

DIRECTORS' REPORT

The Board of Directors is pleased to present the Annual Report along with Company's audited accounts for the financial year ended June 30, 2020 and Auditors' Report thereon.

The company is only providing brokerage services for sale and purchase of shares traded through Pakistan Stock Exchange Ltd. This company has also made some investment of its funds in listed securities, associated undertaking and investment in LSE Financial Services Ltd. (formerly LSE).

Brokerage Income during the year is arrived at Rs. 3,901,509/= only whereas Company's financials are supported by profit on fair valuation of the securities, capital gains and dividend income on short term investments. Company has posted profits after tax at Rs. 2,417,846/= (without incorporating fair value gain on revolution) after all adjustments as compared to profit of Rs. 2,341,888/= in the financial year, 2020.

Chief Executive

Lahore.

Date: October 01, 2020



Director

Room No. 414, 415, 4th Floor, Stock Exchange Building, Khayaban-e-Awain-e-Iqbal, Lahore.
Ph: +92-42-36311611-14, Fax: +92-42-36360613, Email: ariflatifsecurities@gmail.com

INDEPENDENT AUDITOR'S REPORT

To the members of Arif Latif Securities (Private) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Arif Latif Securities (Private) Limited**, (the Company), which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss and 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, 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, 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises;

- the Director's report under section 226 of the Companies Act, 2017,
but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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, 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.

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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.

Report on Other Legal and Regulatory Requirements

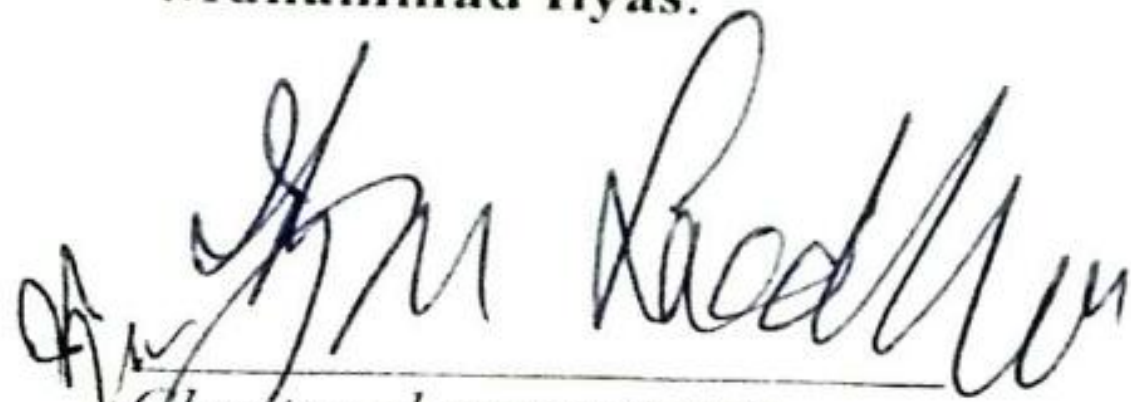
Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the 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 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;

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- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Muhammad Ilyas**.



Chartered accountants

LAHORE

Date: 01 OCT 2020

In case of any discrepancy on the Company's website and the published material, the auditors shall only be responsible in respect of the information contained in the hard copies of the audited financial statements available at the Company's registered office.

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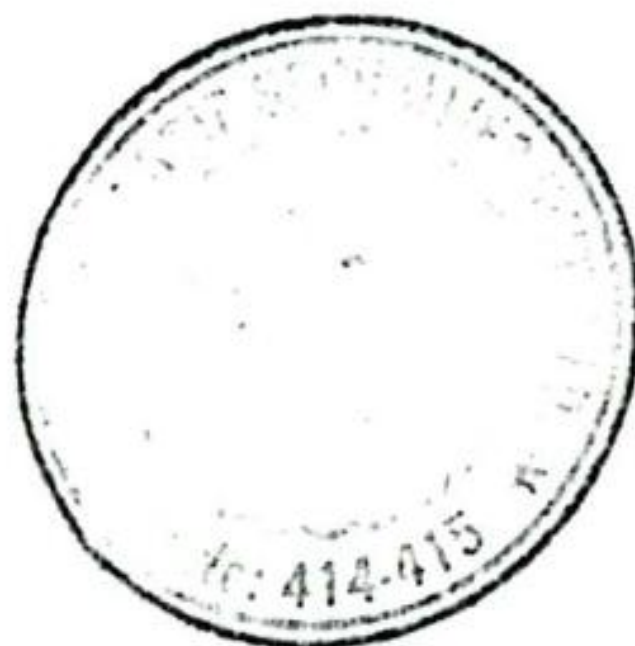
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ARIF LATIF SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

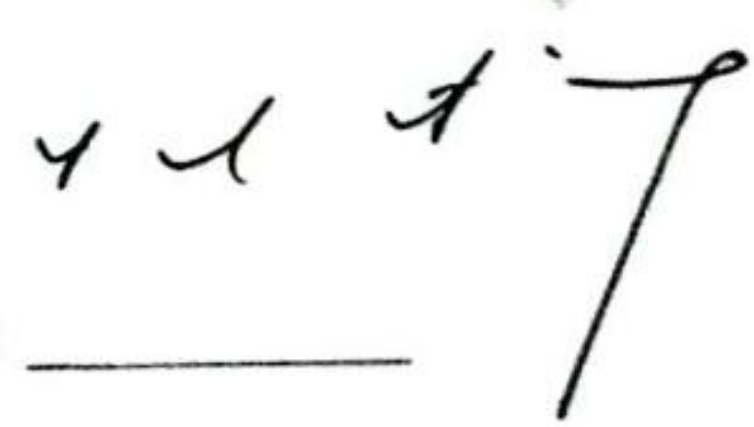
	NOTE	2020 RUPEES	2019 RUPEES
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	429,940	286,370
Intangible	6	3,000,000	3,000,000
Long-term investments	7	19,082,275	19,158,233
Long-term deposits and prepayments	8	1,500,000	1,500,000
Deferred taxation	16	41,325	22,610
		<u>24,053,540</u>	<u>23,967,213</u>
CURRENT ASSETS			
Trade debts - considered good	9	1,291,687	727,390
Short term deposits	10	4,000,000	2,000,000
Short term investments	11	19,247,120	17,874,200
Taxation-net	18	1,542,856	-
Cash and bank balances	12	106,656,901	56,264,153
		<u>132,738,564</u>	<u>76,865,743</u>
TOTAL ASSETS		<u><u>156,792,104</u></u>	<u><u>100,832,956</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	13	35,000,000	35,000,000
Unappropriated profit		8,787,847	6,370,001
		<u>43,787,847</u>	<u>41,370,001</u>
Revaluation reserves	14	19,082,664	19,158,622
Directors' loan	15	4,461,699	4,461,699
NON-CURRENT LIABILITIES			
Deferred taxation	16	-	-
CURRENT LIABILITIES			
Trade and other payables	17	89,459,894	35,661,923
Taxation	18	-	180,711
CONTINGENCIES AND COMMITMENTS			
	19	-	-
TOTAL EQUITY AND LIABILITIES		<u><u>156,792,104</u></u>	<u><u>100,832,956</u></u>

The annexed notes 1 to 35 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR



ARIF LATIF SECURITIES (PRIVATE) LIMITED
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED JUNE 30, 2020

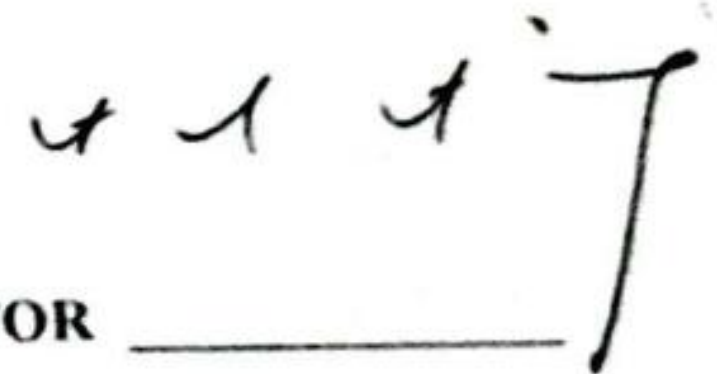
	NOTE	2020 RUPEES	2019 RUPEES
REVENUE	20	4,712,939	4,245,820
EXPENSES			
Administrative and general expenses	21	(11,141,832)	(8,004,237)
Profit / (loss) on sale of investment		(11,414)	703,678
Operating loss		<u>(6,440,307)</u>	<u>(3,054,739)</u>
Financial charges	22	(30,108)	(5,997)
Other income	23	8,219,630	5,654,424
Profit before taxation		<u>1,749,216</u>	<u>2,593,688</u>
Provision for taxation	24	668,630	(2,940,281)
(Loss) / profit after taxation		<u>2,417,846</u>	<u>(346,594)</u>
Other comprehensive income			
Items that may be reclassified to profit and loss account subsequently			
Fair value gain / loss on remeasurement of short term investment	14	-	(165,316)
Fair value gain / loss on remeasurement of long term investment	14	(75,958)	3,899,165
Items that may not be reclassified to profit and loss account subsequently			
Total comprehensive income for the year		<u>2,341,888</u>	<u>3,387,255</u>
Earning per share - basic	25	<u>0.69</u>	<u>(0.11)</u>

The annexed notes 1 to 35 form an integral part of these financial statements.

CHIEF EXECUTIVE




DIRECTOR



ARIF LATIF SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
AS AT JUNE 30, 2020

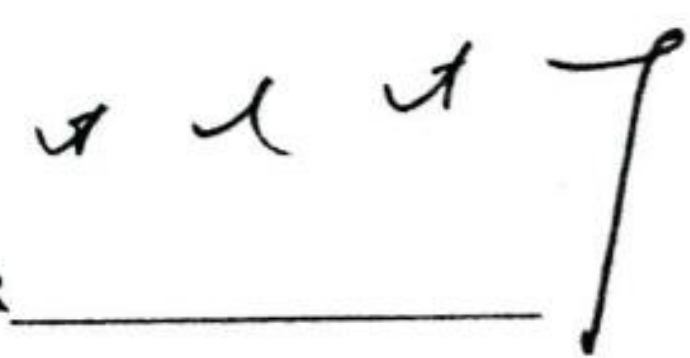
	2020 RUPEES	2019 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	1,749,216	2,593,688
<i>Adjustment for non cash items:</i>		
Dividend income	(811,430)	(982,488)
Financial charges	30,108	5,997
Depreciation for the year	73,930	54,983
	(707,392)	(921,507)
Changes in working capital		
<i>(Increase)/ decrease in current assets</i>		
Trade debts - considered good	(564,297)	6,545,436
Short term deposits	(2,000,000)	1,600,000
Short term investments	(1,372,920)	(9,534,146)
	(3,937,217)	(1,388,710)
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	53,797,971	(20,227,171)
	53,797,971	(20,227,171)
Net cash inflow / (outflow) from operations	50,902,578	(19,943,701)
Income tax paid	(1,073,652)	(1,462,135)
Finance charges paid	(30,108)	(5,997)
	(1,103,760)	(1,468,132)
Net cash inflow / (outflow) from operating activities	49,798,818	(21,411,833)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(217,500)	(57,850)
Long term deposit	-	100,000
Dividend income	811,430	982,488
Net cash (outflow) / inflow from investing activities	593,930	1,024,638
CASH FLOWS FROM FINANCING ACTIVITIES		
Directors' Loan	-	(8,800,000)
Issuance of shares	-	10,000,000
Net cash flow from financing activities	-	1,200,000
Net increase / (decrease) in cash and cash equivalents	50,392,748	(19,187,195)
Cash and cash equivalents at beginning of the year	56,264,153	75,451,348
Cash and cash equivalents at end of the year	106,656,901	56,264,153

The annexed notes 1 to 35 form an integral part of these financial statements.

CHIEF EXECUTIVE




DIRECTOR



ARIF LATIF SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
AS AT JUNE 30, 2020

Particulars	Share capital	Unappropriated profit	Revaluation reserves	Directors' loan	Total
	-----RUPEES-----				
Balance as at June 30, 2018	25,000,000	6,716,594	15,424,773	13,261,699	60,403,065
Total comprehensive loss for the year	-	(346,594)	-	-	(346,594)
Issue of share capital	10,000,000	-	-	-	10,000,000
Repayment of loan	-	-	-	(8,800,000)	(8,800,000)
Revaluation (deficit)/Surplus	-	-	3,733,849	-	3,733,849
Balance as at June 30, 2019	35,000,000	6,370,001	19,158,622	4,461,699	64,990,321
Total comprehensive income for the year	-	2,417,846	-	-	2,417,846
Revaluation (deficit)/Surplus	-	-	(75,958)	-	(75,958)
Balance as at June 30, 2020	35,000,000	8,787,847	19,082,664	4,461,699	67,332,210

The annexed notes 1 to 35 form an integral part of these financial statements.

Arif Latif

CHIEF EXECUTIVE



DIRECTOR

ARIF LATIF SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. CORPORATE AND GENERAL INFORMATION

1.1 LEGAL STATUS AND OPERATIONS

Arif Latif Securities (Private) Limited was incorporated as private limited company on January 28, 2010 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) via incorporation no. 0071461.

The Company is a Trading Rights Entitlement Certificate (TREC) holder of the Pakistan Stock Exchange Limited. The Company is engaged in the business of share brokerage and investment in securities.

The registered and principal office of the company is situated at 4th Floor, Room No. 414 and 415, 19- Khayaban-e-Aiwan-e-Iqbal, Lahore.

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 for Public Interest Company (PIC).

Provisions of and directives issued under the Companies Act, 2017.

Where Provisions of and directives issued under the Companies Act, 2017 differ from International Financial Reporting Standards for Public Interest Company (PIC), the Provisions of and directives issued under the Companies Act, 2017 have been followed. During the year, the Company has opted for the presentation of combined 'Statement of Profit or Loss and other Comprehensive Income' instead of presenting separate 'Statement of Profit and Loss' and 'Statement of Comprehensive Income' as allowed in the Companies Act, 2017 in accordance with IAS-8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

2.2 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for certain items as disclosed in the accounting policies below.



2.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pakistan Rupee (Rs. / Rupees) which is the Company's functional currency. Amounts presented in the financial statements have been rounded off to the nearest of Rs. / Rupees, unless otherwise stated.

3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

3.1 The Company has adopted the following amendments in accounting standard and interpretation of IFRSs which became effective for the current year:

IAS 12	-	Income Taxes – Annual Improvements 2015–2017 Cycle (Amendments).
IAS 19	-	Employee Benefits – Plan amendments, curtailments or settlements. (Amendments).
IAS 23	-	Borrowing Costs – Annual Improvements 2015–2017 Cycle (borrowing costs eligible for capitalisation) (Amendments).
IAS 28	-	Investments in Associates and Joint Ventures – Long-term interests in associates and joint ventures (Amendments).
IAS 39	-	Financial Instruments – Pre-replacement issues in the context of the IBOR reform (Amendment)
IFRS 3	-	Business Combinations – Annual Improvements to IFRS Standards 2015–2017 Cycle
IFRS 9	-	Financial Instruments – Prepayment Features with Negative Compensation (Amendments to IFRS 9)
IFRS11	-	Joint Arrangements – Annual Improvements to IFRS Standards 2015–2017 Cycle
IFRS 14	-	Regulatory Deferral Accounts
IFRS 16	-	Leases
IFRIC 23	-	Uncertainty over Income Tax Treatments.

The adoption of the above standards, amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

Impact of IFRS 9

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual period ending on or after June 30, 2019 bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

The application of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.



The management reviewed and assessed the Company's existing financial assets for impairment in accordance with the guidance included in IFRS 9, to determine the credit risk associated with the respective financial assets and concluded that there is no material impact on the Company's financial assets with regards to impairment requirements of IFRS 9.

Impact of IFRS 15

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures. The management reviewed and assessed the Company's existing contracts with the customers in accordance with the guidance included in IFRS 15 and concluded that there is no material impact on the revenue recognition of the Company.

The adoption of the above standards, amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

Impact of Amendment in Fifth Schedule

SECP brought certain alterations in Fifth Schedule of the Act with regard to preparation and presentation of financial statements. These alterations resulted in modifications of disclosures in these financial statements of the Company as at June 30, 2020.

The adoption of the above standards, amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

3.2 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

3.2.1 The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation		Effective Date
		<i>(Annual periods beginning on or after)</i>
IAS 1	– Presentation of Financial Statements – definition of 'material' and classification of liabilities (Amendments)	01 January 2023
IAS 8	– Accounting Policies, Changes in Accounting	01 January 2020



IAS 16	-	Estimates and Errors – definition of 'material' (Amendments)	01 January 2022
	-	Property, Plant and Equipment – Prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. (Amendments).	
IAS 37	-	Provisions, Contingent Liabilities and Contingent Assets – costs to include when assessing whether a contract is onerous (Amendments)	01 January 2022
IAS 41	-	Agriculture – Annual Improvements to IFRS Standards 2018–2020 (taxation in fair value measurements).	01 January 2020
IFRS 1	-	First-time Adoption of International Financial Reporting Standards – Annual Improvements to IFRS Standards 2018–2020).	01 January 2022
IFRS 3	-	Business Combination – Amendments to clarify the definition of a business	01 January 2020
IFRS 3	-	Business Combination – Amendments to clarify reference to the Conceptual Framework	01 January 2022
IFRS 4	-	Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9 (Amended)	01 January 2023
IFRS 7	-	Financial Instrument (Disclosure) – Pre-replacement issues in the context of the IBOR reform (Amendment)	01 January 2020
IFRS 9	-	Financial Instrument – Pre-replacement issues in the context of the IBOR reform (Amendment)	01 January 2020
IFRS 9	-	Financial Instruments – Annual Improvements to IFRS Standards 2018–2020 (Amended)	01 January 2022
IFRS 16	-	Leases – Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.	01 January 2020
IFRS 17	-	Insurance Contracts.	01 January 2023

Conceptual Framework for Financial Reporting

IFRS - 1	-	First - Adoption of International Financial Reporting Standards	01 January 2020
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In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard <i>(Annual periods beginning on or after)</i>	IASB effective date
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IFRS - 17	Insurance Contracts	'01 January 2023
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The Company expects that the adoption of the above standards will have no material effect on the Company's financial statements, in the period of initial application.

4. KEY JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimate are significant to the financial statements, are documented in the following accounting policies and notes and relate primarily to:

- Useful lives, residual values and amortization method of intangible assets - Note 5.3
- Fair value adjustment of financial assets other than inventories - Note 5.8
- Current income tax expense, provision for current tax - Note 5.12

The revision to accounting estimates (if any) are recognized in the period in which the estimates is revised if the revision affects only that period of the revision and future periods if the revision affects both current and future periods.

5. SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Property, plant and equipment

Owned

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

Depreciation is provided on reducing balance basis so as to write off the cost of an asset over its estimated useful life without taking into account any residual value.

Depreciation on all additions / deletions is being charged on monthly basis. Full month's depreciation is charged on normal additions, while no depreciation is charged on items deleted during the month.

The assets' residual values and useful lives are reviewed at each financial year end and adjusted if impact on depreciation is significant. Normal repairs and maintenance are charged to income statement, while major renewals and improvements are capitalized.

Gain and loss on disposal of fixed assets are included in other income.

5.2 Impairment of Assets



An assessment is made at each balance sheet date to determine whether there is any indication of impairment or reversal of previous impairment, including items of property, plant and equipment, intangible assets and long-term investments. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognized in the statement of comprehensive income.

The previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of amortization or depreciation), had no impairment losses been recognized for the asset in prior years. Reversal of impairment loss is restricted to the original cost of the asset.

5.3 Intangible assets

An intangible asset is recognized as an asset if it is probable that the economic benefits attributable to the assets will flow to the company and cost of the asset can be measured reliably.

This is stated at cost less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount. Where the carrying amount exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

5.4 Trading rights entitlement certificates (TREC) and right to use room

TREC is stated at the notional value determined by Pakistan Stock Exchange Limited at the time of issue. The carrying amount is reviewed at each balance sheet date to assess whether this is recorded in excess of their recoverable amounts, and where carrying values exceeds estimated recoverable amounts, these are written down to their estimated recoverable amount. Right to use room is a leasehold right to use room given by Pakistan stock exchange for indefinite useful life. This is considered to be indefinite as there is no foreseeable limit on the period during which an entity expects to consume the future economic benefits. Both TREC and right to use room are treated as intangibles.

5.5 Investments

Investments in listed equity and other securities, which are intended to be held for an indefinite period of time and may be sold in response to need for liquidity or significant changes in equity prices are classified as 'available for sale financial assets'. On initial recognition these are measured at cost, being their fair value on date of acquisition, plus attributable transaction costs. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized as other comprehensive income until the investment is derecognized or impaired. Gains and losses on de-recognition and impairment losses are recognized in profit or loss.

5.5.1 Long term investment available for sale

These represents shares in Lahore Stock Exchange Limited, a public unlisted company, therefore they have been stated at cost. Cost is determined as the value of membership card



with which it has been exchanged. For this purpose, the cost of the membership card has first been allocated to the shares allocated to the shares of LSE @ Rs. 10/- being the par value and remaining cost has been allocated to the TREC.

5.5.2 At fair value through profit and loss

Investments which are 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 investment at fair value through profit and loss. These are stated at fair values with any resulting gain or loss recognized directly in profit and loss account. The fair value of such investments representing listed equity securities is determined on the basis of prevailing market prices.

5.6 Trade and other receivables

Trade and other receivables are initially recognized at original invoice amount which is the fair value of consideration to be received in future and subsequently measured at cost as reduced by appropriate provision for trade debts and other receivables considered to be doubtful. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is charged to profit and loss. Trade and other receivables considered irrecoverable are written off.

5.7 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, balances with banks, highly liquid short term investments that are convertible to known amounts of cash and are subject to insignificant risk of change in value, and short term running finance under mark-up arrangements.

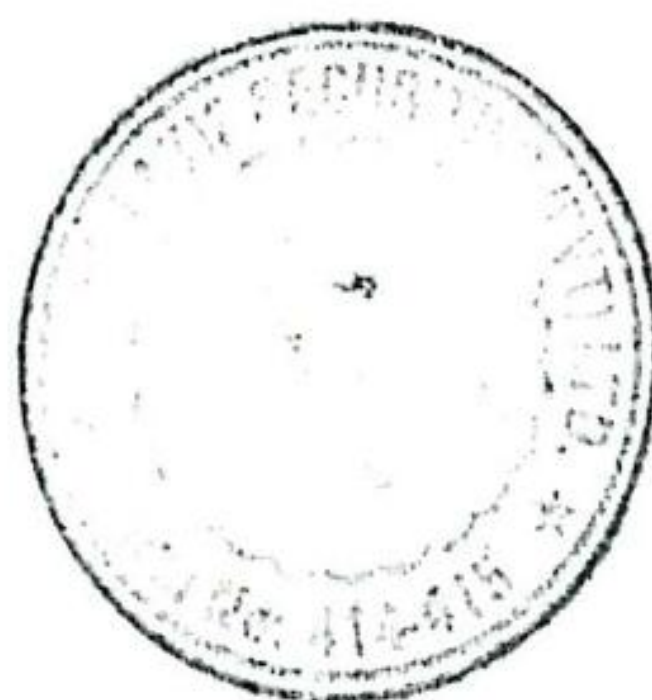
5.8 Financial instruments

5.8.1 Financial assets

a) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at fair value through Profit or loss and other comprehensive income. The classification of financial asset at initial recognition depends on the financial assets contractual cash flows characteristics and the company's business model for managing them. With the exception of trade receivables that do not contain a significant financial component or for which the company has applied the practical expedient, the company initially measures financial asset at its fair value plus, in case of financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI. It needs to give rise to cash flows that are 'solely payments of principal and



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interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at it an instrument level. The company's business model for managing financial asset refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets or both. Purchases or sales of the financial assets that require delivery of assets within a time frame established by regulation or convention in a market place (regular way trades) are recognized on the trade date, i.e. the date that the company commits to purchase or sell the assets.

b) Subsequent measurement

For purposes of subsequent measurement financial assets are classified in two categories:

- i) Financial assets at amortized cost (debt instruments).
- ii) Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

The financial asset is held within a business model with The objective to held financial assets in order to collect contractual cash flows; 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 financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes trade and other receivables.

c) De Recognition

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from The asset or has assumed an obligation to pay The received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - a) the Company has transferred substantially all the risks and rewards of the asset, or
 - b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset,



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the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

5.8.2 Financial liabilities

a) Initial recognition and measurement

Financial Liabilities are classifying, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

b) Subsequent measurement

Financial Liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial Liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classifies as held for trading unless they are designated as effective hedge instruments.

Gains or losses on liabilities held for trading are recognized in statement of profit or loss. Financial Liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition and only if the criteria in IFRS 9 are satisfied. The company has not designated any financial liability as at fair value through profit or loss.

c) De recognition

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

5.8.3 Off Setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statement when there is a legally enforceable right to set off and the company



intends either to settle On a net basis or to realize the assets and to settle the liabilities simultaneously.

5.9 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimates.

5.10 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

5.11 Revenue recognition

- The company recognizes revenue from contract with customer based on a five step model as set out in IFRS 15.
- Revenue represents the fair value of the consideration received or receivable for services rendered net of discounts. Revenue is recognized when it is probable that the economic benefit associated with the transaction will flow to the Company and the amount of revenue, and the associated loss incurred, or to be incurred, can be measured reliably.
-
- **Brokerage/commission:** At the provision of services i.e. execution of client order.
- **Capital gain/loss:** At the disposal of the assets.
- **Dividend:** When the right to receive the dividend is established.
- **Bank profit and others:** On accrual basis.

5.12 Taxation

Provision for current taxation is based on the taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or minimum tax on turnover or alternative corporate tax, whichever is higher.

Deferred tax is accounted for using the liability method in respect of all taxable 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 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 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 or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in case of items credited or charged to other comprehensive income in which case it is included in other comprehensive income.



5.13 Off Setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

5.14 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include holding company, associated companies with or without common directors, directors and major shareholders and their close family members, key management personnel and staff and retirement benefit funds.

All transactions with related parties are made at arm's length prices determined in accordance with comparable uncontrolled price method.

5.15 Staff retirement benefits

The company is required to maintain unfunded gratuity as retirement benefit plan for its employees, eligible for gratuity under The West Pakistan Industrial and Commercial Employment (Standing Orders) Ordinance, 1968, Schedule of Standing Orders, who have completed the qualifying period as defined under the standing order.

The amount of liability of each employee is computed by number of years completed multiplied by the last drawn monthly gross salary. The difference between the current and the previous liability is charged to profit and loss account as expense for the year under the head salaries and benefits.

However, according to the Section 1 of the Ordinance; pertaining to minimum number of employees, the Company is not liable to create any provision for gratuity during the year as its employees are less than minimum required limit as given in aforesaid section.

No other funded /unfunded scheme is in operation.

5.16 Borrowing costs

Borrowing cost directly attributable to the acquisition, construction or production of qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, unit such time as the assets are substantially ready for their intended use or sale. All other borrowing cost are charged to profit and loss account, whenever incurred. Finance cost is accounted for on accrual basis.

5.17 Contingencies and Commitments

Contingencies and commitments are accounted for when these become due.

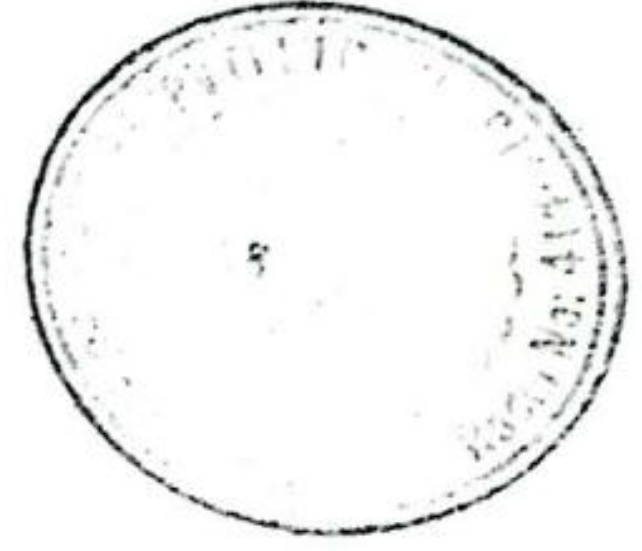


ARIF LATIF SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

5 PROPERTY, PLANT AND EQUIPMENT

Particulars	2020						WDV As at 30-Jun-20
	Cost			Depreciation			
	As at 1-Jul-19	Additions/ (deletions)	As at 30-Jun-20	Rate %	As at 1-Jul-19	For the year 30-Jun-20	
Furniture and fittings	53,479	-	53,479	10	25,561	2,792	28,353
Computer equipment	278,347	59,500	337,847	30	145,697	42,758	188,455
Office equipment	194,936	158,000	352,936	10	69,134	28,380	97,514
Total	526,762	217,500	744,262		240,392	73,930	314,322

Particulars	2019						WDV As at 30-Jun-19
	Cost			Depreciation			
	As at 1-Jul-18	Additions/ (deletions)	As at 30-Jun-19	Rate %	As at 1-Jul-18	For the year 30-Jun-19	
Furniture and fittings	53,479	-	53,479	10	22,459	3,102	25,561
Computer equipment	220,497	57,850	278,347	30	107,794	37,903	145,697
Office equipment	194,936	-	194,936	10	55,156	13,978	69,134
Total	468,912	57,850	526,762		185,409	54,983	240,392



ARIF LATIF SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	NOTE	2020 RUPEES	2019 RUPEES
6 INTANGIBLE			
Trading Right Entitlement Certificate (TREC)	6.1	2,500,000	2,500,000
Rights to use room	6.2	500,000	500,000
		<u>3,000,000</u>	<u>3,000,000</u>
6.1 Opening value	6.1.1	2,500,000	2,500,000
Fair value adjustment		-	-
		<u>2,500,000</u>	<u>2,500,000</u>

6.1.1 This represent Trading Right Entitlement Certificate (TREC) received from Pakistan Stock Exchange Limited after the merger of all the three exchanges of Pakistan in accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (The Act) The Company has also received shares of LSE Financial Services Ltd (formerly LSE) after completion of the demutualization process

The notional value of TREC was Rs 2,500,000 as per notice of PSX/N-7178 dated November 10, 2017

6.2 This represent cost of leasehold right to use room given by Pakistan Stock Exchange for indefinite useful life as per notice of LSE no. LSE-4757 dated November 12, 2009 This is considered to be indefinite as there is no foreseeable limit on the period during which an entity expects to consume the future economic benefits

7 LONG-TERM INVESTMENTS - AVAILABLE FOR SALE

LSE Financial Services Ltd. (formerly LSE) 843,975 (2018: 843,975) shares	7.1	<u>19,082,275</u>	<u>19,158,233</u>
7.1 Opening		19,158,233	15,259,068
Fair value adjustment		(75,958)	3,899,165
		<u>19,082,275</u>	<u>19,158,233</u>

7.1.1 Pursuant to the promulgation of the Stock Exchanges (Corporation, Demutualization and Integration) Act, 2012 (The Act), the ownership in a Stock Exchange had been segregated from the right to trade on the Exchange. Accordingly, the Company had received equity shares of LSE and a Trading Right Entitlement Certificate (TREC) in lieu of its membership card of LSE. The company's entitlement in respect of LSE's share is determined on the basis of valuation of assets and liabilities of LSE as approved by the SECP and the company had been allotted 843,975 shares of the face value of Rs. 10 each out of which 506,385 shares in the name of Chief Executive of the company are kept in blocked account and the divestment of the same will be made in accordance with the requirements of the Act within two years from the date of Demutualization.

The Company has pledged / hypothecated 337,490 shares of Lahore Stock Exchange Limited and Trading Right Entitlement Certificate as referred to note no. 6 to the financial statements.

8 LONG-TERM DEPOSITS AND PREPAYMENTS

Central Depository Company of Pakistan (CDC)	100,000	100,000
National Clearing Company of Pakistan (NCCPL)	1,400,000	1,400,000
	<u>1,500,000</u>	<u>1,500,000</u>

8.1 These are non-interest bearing deposits under statutory obligations.

9 TRADE DEBTS - Considered Good

Trade receivable	<u>1,291,687</u>	<u>727,390</u>
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9.1 This includes trading account due from related party amounting to Rs. 25,255 (2019: Rs. 20,968)

9.2 The management believes that no impairment / provision is necessary in respect of trade debts as there are reasonable grounds to believe that amount will be recovered in the future.



ARIF LATIF SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	NOTE	2020 RUPEES	2019 RUPEES
10 SHORT TERM DEPOSITS			
Pakistan Stock Exchange Limited (PSX)		4,000,000	2,000,000
		<u>4,000,000</u>	<u>2,000,000</u>
11 SHORT TERM INVESTMENTS			
Held to Sale	11.1	-	17,874,200
Held to maturity	11.2	19,247,120	-
		<u>19,247,120</u>	<u>17,874,200</u>
11.1 HELD TO SALE			
NIL (2019: 75,000) shares of Engro Fertilizers Limited		-	4,862,116
NIL (2019: 400,000) Lotte Chemical Pakistan Limited		-	6,507,000
NIL (2019: 20,000) Nishat Chunian		-	675,800
NIL (2019: 40,000) National Refinery Limited		-	4,304,600
NIL (2019: 25,000) Sui Northern Gas Pipelines Limited		-	1,690,000
		-	18,039,516
Fair value adjustment		-	(165,316)
Investment in listed securities		<u>-</u>	<u>17,874,200</u>
11.1.1 These represent investments in listed securities and have been classified as available for sale financial assets.			
11.2 HELD TO MATURITY			
Treasury Bill		<u>19,247,120</u>	<u>-</u>
11.2.1 The company has invested in Government of Pakistan Market Treasury Bills (T.B.) for face value of Rs. 20,000,000 from MCB Bank Limited. The issuing and maturity date is May 07, 2020 and November 05, 2020 respectively.			
12 CASH AND BANK BALANCES			
Cash in hand		70,212	70,212
Cash at bank:			
Broker's account - saving account	12.1	11,606,743	14,432,727
Client's account - saving account		94,979,946	41,761,214
		106,586,689	56,193,941
		<u>106,656,901</u>	<u>56,264,153</u>
12.1 The saving accounts carries markup ranging from 8% to 5.5% (2019: 3% to 3.5%) per annum.			
13 SHARE CAPITAL			
<i>Authorized share capital</i>			
3,500,000 (2019 : 3,500,000/-) ordinary shares of Rs 10/- each fully paid in cash		<u>35,000,000</u>	<u>35,000,000</u>
<i>Issued, subscribed and paid-up capital</i>			
3,500,000 (2019 : 3,500,000/-) ordinary shares of Rs 10/- each fully paid in cash		<u>35,000,000</u>	<u>35,000,000</u>



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ARIF LATIF SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

13.1 Pattern of share holding	NOTE	2020 RUPEES	2019 RUPEES
Name			
	Share holders	Number of shares held	Percentage
Arif Latif	Director	3,150,000	90.00%
Atif Latif	Director	175,000	5.00%
Adeel Arif	Director	175,000	5.00%
Total number of shares		<u>3,500,000</u>	<u>100%</u>
14 REVALUATION RESERVES			
Opening balance		19,158,622	15,424,773
LSE Financial Services Limited (formerly LSE)	14.1	(75,958)	3,899,165
Revaluation profit / (loss) on short term investments	11	-	(165,316)
		<u>19,082,664</u>	<u>19,158,622</u>
14.1 The Pakistan Stock Exchange has revised the breakup value per share of LSE shares to Rs 22.61/(2019: 22.70) share as per notice LSEFSL/7799 of LSE Financial Services Limited dated March 02, 2020 which has resulted in fair value adjustment at year end of Rs. (75,958)/-			
15 DIRECTORS' LOAN			
		<u>4,461,699</u>	<u>4,461,699</u>
This represents unsecured contractual loan injected by the Directors of the company at NIL mark up basis and is repayable upon the financial ease of the Company. The TR 32 specifies that the directors' loan which is interest free and repayable at the discretion of the entity does not pass the test of liability and thus, is to be recorded as equity at face value.			
16 DEFERRED TAX			
<i>Deferred credits/ (debits) arising due to:</i>			
Accelerated tax depreciation and revaluation of investment	16.1	<u>41,325</u>	<u>22,610</u>
16.1 Opening balance		(22,610)	(29,998)
Movement during the year		(18,715)	7,388
Closing balance		<u>(41,325)</u>	<u>(22,610)</u>
17 TRADE AND OTHER PAYABLES			
Trade payables	17.1	87,699,583	34,499,171
Accrued liabilities	17.2	760,311	1,162,752
NCCPL Future Deposit Dfc Exposure		1,000,000	-
		<u>89,459,894</u>	<u>35,661,923</u>
17.1 This includes trading account due to related parties amounting to Rs. 82,131,673/- (2019: 24,418,060)			
17.2 ACCRUED LIABILITIES			
Audit fee payable		110,000	100,000
Expenses payable		650,311	1,062,752
		<u>760,311</u>	<u>1,162,752</u>
18 TAXATION-NET			
Opening (receivable) / payable		180,711	(1,290,047)
Add: Tax paid / deducted during the year		(1,073,652)	(1,462,135)
		(892,941)	(2,752,182)
Less: Provision for tax		436,673	1,165,246
Current		(1,086,588)	1,767,647
Prior year		(649,915)	2,932,893
Closing (receivable) / payable		<u>(1,542,856)</u>	<u>180,711</u>



ARIF LATIF SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	NOTE	2020 RUPEES	2019 RUPEES
18.1 Numerical reconciliation between average effective tax rate and the applicable tax rate			
Applicable tax rate		% 29.00	% 25.00
Effect of prior year taxation		-62.12%	68.15%
Effect of admissible / (Inadmissible) and FTR		24.96%	44.93%
Effective tax rate		<u>-37.15%</u>	<u>113.08%</u>
18.2 The provision for current year tax represent tax on taxable income at the rate of 29%. According to management, the tax provision made in the financial statements is sufficient.			
19 CONTINGENCIES AND COMMITMENTS			
CONTINGENCIES: There are no contingencies as at June 30, 2020 (2019: nil).			
COMMITMENTS: The company has lien the TRE certificate's Pakistan Stock Exchange and 337,590 number of shares with Pakistan Stock Exchange in compliance with Base Minimum Capital (BMC) requirement under the regulations governing risk management of PSX.			
20 REVENUE			
Gross commission		4,525,750	3,785,465
Sales tax on services		(624,241)	(522,133)
Net commission		<u>3,901,509</u>	<u>3,263,332</u>
Dividend income		811,430	982,488
		<u>4,712,939</u>	<u>4,245,820</u>
21 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries, wages and benefits		7,589,600	5,174,100
Legal and professional charges	21.1	376,310	505,200
Auditors' remuneration		110,000	110,000
Fee and subscription		851,798	423,814
Electricity		211,947	217,108
Rent, rates and taxes		809,489	328,673
Insurance		4,221	5,130
Communication expense		69,313	89,235
Entertainment expense		93,463	61,826
Postage		16,202	25,838
Travelling and conveyance		502,879	394,243
Depreciation	5	73,930	54,983
Audit oversight board		35,000	-
Miscellaneous		397,680	614,087
		<u>11,141,832</u>	<u>8,004,237</u>
21.1 AUDITORS' REMUNERATION			
Audit fee		82,500	82,500
Certification charges		27,500	27,500
		<u>110,000</u>	<u>110,000</u>
22 FINANCIAL CHARGES			
Bank charges		<u>30,108</u>	<u>5,997</u>



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ARIF LATIF SECURITIES (PRIVATE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	NOTE	2020 RUPEES	2019 RUPEES
23 OTHER INCOME			
Bank profit		7,919,489	4,601,283
Service income		300,141	1,753,141
		<u>8,219,630</u>	<u>6,354,424</u>
24 PROVISION FOR TAXATION			
Current		436,673	1,165,246
Prior year		(1,086,588)	1,767,647
Deferred		(18,715)	3,388
		<u>(668,630)</u>	<u>2,940,281</u>
25 EARNING PER SHARE - BASIC			
Weighted average number of ordinary shares outstanding during the year		<u>3,500,000</u>	<u>3,166,666</u>
Profit after taxation		<u>2,417,846</u>	<u>1,546,794</u>
Earning per share - basic		<u>0.69</u>	<u>0.71</u>

25.1 Diluted earnings per share

No figure for diluted earning per share has been presented as the company has not issued any instrument carrying options which would have an impact on earning per share when exercised

26 RELATED PARTIES TRANSACTIONS

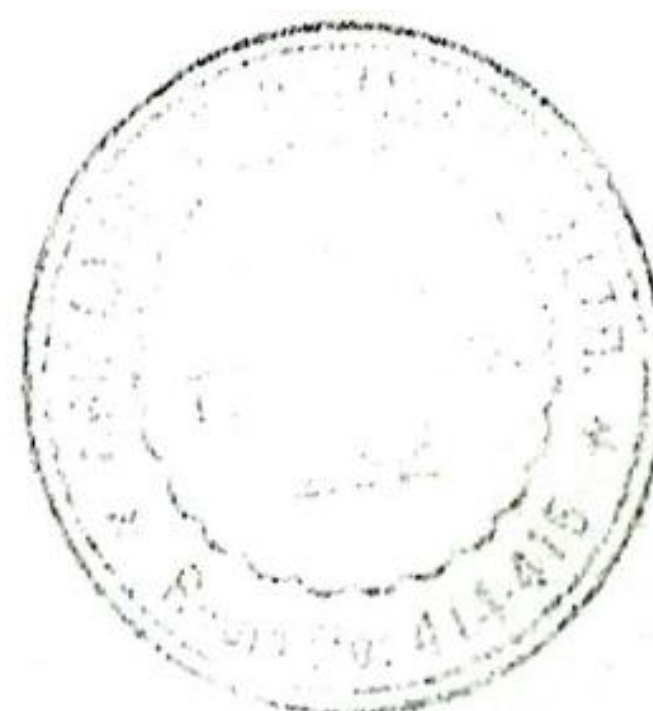
Amounts due from and to related parties are shown under respective notes to the financial statements. Remuneration of directors and key management personnel is disclosed in Note 30. Other significant transactions with related parties are as follows:

Name and basis of relationship	Nature of transaction	Percentage of shareholding	2020	2019
i) Mr. Arif Latif - CEO / Director	Director's loan		-	-
	Trade debts	90.00%	-	-
	Trade payables		47,082,175	1,468,362
ii) Mrs. Seemil Arif Latif - Director's spouse	Trade payables	Nil	35,985,146	22,850,799
iii) Mr. Adeel Arif - Director	Trade payables	5%	10,610	-
iv) Mr. Atif Arif - Director	Trade receivable	5%	25,255	44,619
v) Mrs. Sobia Atif - Director's spouse	Trade payables	Nil	53,741	53,741

27 NUMBER OF EMPLOYEES

Number of employees as at year end	<u>5</u>	<u>5</u>
Average number of employees during the year	<u>5</u>	<u>5</u>

27.1 Average and number of employees during the year in factory not applicable to the company



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ARIF LATIF SECURITIES (PRIVATE) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

28

FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

	Interest bearing		Non-interest bearing		Total	
	Maturity within one year	Maturity after one year	Maturity within one year	Maturity after one year	2020	2019
Financial assets:						
Long term investment	-	-	-	19,082,275	19,082,275	19,158,233
Long term deposits	-	-	-	1,500,000	1,500,000	1,500,000
Short term deposits	-	-	4,000,000	-	4,000,000	2,000,000
Trade debts - considered good	-	-	1,291,687	-	1,291,687	727,390
Short term investments	-	-	19,247,120	-	19,247,120	17,874,200
Cash and bank balances	-	106,586,689	70,212	-	106,656,901	56,264,153
	-	106,586,689	24,609,019	20,582,275	151,777,983	97,523,976
Financial liabilities:						
Trade and other payables	-	-	89,459,894	-	89,459,894	35,661,923
Loan from directors	-	-	-	4,461,699	4,461,699	4,461,699
	-	-	89,459,894	4,461,699	93,921,593	40,123,622

28.1 Financial instruments and financial risk management

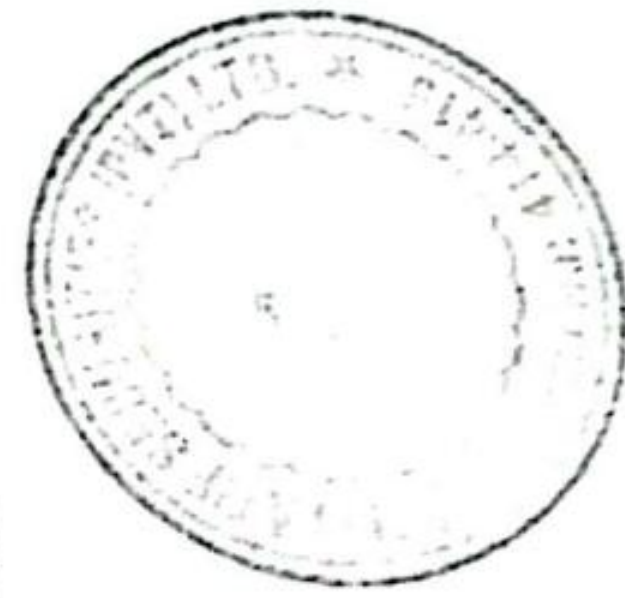
The company's activities are exposed to a variety of financial risks namely credit risk, interest rate risk, foreign exchange risk and liquidity risk. Overall, risks arising from the Company's financial instruments are limited. The Company manages its exposure to financial risk in the following manner

28.2 Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. However, this risk is mitigated by applying individual credit limits to high credit rating parties and constant monitoring of credit.

28.3 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will effect the value of financial instruments



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ARIF LATIF SECURITIES (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

28.4 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and bank balances and availability of funding through an adequate amount of committed credit facilities. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

Financial liabilities in accordance with their contractual maturities are presented below:

	2020	2019
	<u>Carrying</u>	<u>Carrying</u>
Trade and other payables	89,459,894	35,661,923

28.5 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried in Pak Rupees.

28.5 Capital risk management

The company's prime objectives when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to shareholders, issue new shares or sell assets to reduce debts. Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debts. The gearing ratio as at period ended June 30, 2020 and June 30, 2019 are as follows:-

	2020	2019
Total borrowing	RUPEES 4,461,699	RUPEES 4,461,699
Cash and bank balances	106,656,901	56,264,153
Net debt	(102,195,202)	(51,802,454)
Total equity	67,332,210	64,990,322
Total capital	<u>(34,862,992)</u>	<u>13,187,868</u>
Gearing ratio	2.93	(3.93)



The carrying amounts of financial assets and financial liabilities approximate their fair values.

28.6 Fair value of financial instruments

The carrying amounts of financial assets and financial liabilities approximate their fair values.

Arif Latif

ARIF LATIF SECURITIES (PRIVATE) LIMITED
 Notes to the Financial Statements for the Period Ended June 30, 2020

	NOTE	2020 RUPEES	2019 RUPEES
29 CAPITAL ADEQUACY LEVEL			
Total Assets		156,792,104	100,832,956
Less: Total liabilities		(89,459,894)	(35,842,634)
Less: Revaluation Reserves (Created upon revaluation of fixed assets)		(19,082,664)	(19,158,622)
Capital Adequacy Level		<u>48,249,546</u>	<u>45,831,700</u>

29.1 While determining the value of the total assets of the TREC Holder, Notional value of the TRE certificate held by M/s Arif Latif Securities (Pvt) Limited as at year ended June 30, 2020 as determined by Pakistan Stock Exchange has been considered.

30 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2020	2019	2020	2019	2020	2019
	-----Rupees-----					
Remuneration	1,775,500	761,500	2,629,102	1,794,000	-	-
Medical	-	-	-	-	-	-
Reimbursement expenses	-	-	-	-	-	-
LFA/ Bonus	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
	<u>1,775,500</u>	<u>-</u>	<u>2,629,102</u>	<u>-</u>	<u>-</u>	<u>-</u>
Number of person	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>0</u>	<u>0</u>

31 NET CAPITAL BALANCE

Net capital requirements of the Company are set and regulated by Pakistan Stock Exchange Limited. These requirements are put in place to ensure sufficient solvency margins and are based on excess of current assets over current liabilities. The Net Capital Balance as required under Third Schedule of Securities and Exchange Rules, 1971 read with the SECP guidelines is calculated as per attached in annexure "A".

32 LIQUID CAPITAL

As per attached in annexure "B".

33 IMPACT OF COVID-19 ON OPERATIONS

The company followed the development of Covid-19 corona virus and evaluated the extent to which this affected the operations in short and long term. The company has concluded that there are no significant implications of pandemic over the operations of the entity.

34 DATE OF AUTHORIZATION FOR ISSUE

01 OCT 2020

These financial statements were authorized for issue on _____ by the Board of Directors.

35 GENERAL

- Figures have been rounded off to the nearest rupee, unless otherwise stated.
- Corresponding figures, where necessary, have been rearranged for the purpose of comparison.

CHIEF EXECUTIVE OFFICER

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DIRECTOR

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ARIF LATIF SECURITIES (PRIVATE) LIMITED
 Notes to the Financial Statements for the Period Ended June 30, 2020

31 NET CAPITAL BALANCE

Annexure "A"

DESCRIPTION	VALUATION BASIS	NOTE	RUPEES
<u>CURRENT ASSETS</u>			
Cash and bank balances	As per Book value	31.1 (i)	106,656,901
Trade receivables	Book Value Less overdue for more than 14 days	31.1 (ii)	74,940
Investment in Listed Securities in the name of broker	Securities marked to market less 15% discount		-
Securities purchased for client	Securities purchased for client & held by broker where payment is not received in 14		-
Listed TFCs/Corporate Bonds of not less than BBB grade assigned by a credit rating company in Pakistan FIBs	Marked to market less 5%		-
Treasury Bill	At market value	31.1 (iii)	19,247,120
TOTAL CURRENT ASSETS			<u>125,978,961</u>
<u>CURRENT LIABILITIES</u>			
Trade payables	Book value less overdue for more than 30 days	31.1 (iv)	14,400,254
Other liabilities	As per Book values	31.1 (v)	73,299,329
Accrued expenses		31.1 (vi)	760,311
TOTAL CURRENT LIABILITIES			<u>88,459,894</u>
NET CAPITAL BALANCE AS AT JUNE 30, 2020			<u>37,519,067</u>

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ARIF LATIF SECURITIES (PRIVATE) LIMITED
Notes to the Financial Statements for the Period Ended June 30, 2020

31.1 Notes to the Net Capital Balance

(i) CASH IN HAND OR IN BANK

Cash in hand	70,212
Cash at bank	
- Broker's account	11,606,743
- Client's account	94,979,946
	106,656,901

(ii) TRADE RECEIVABLES

Book value	1,291,687
Less: Overdue for more than 14 days	(1,216,747)
	74,940

(iii) TREASURY BILL

Market Value	19,247,120
	19,247,120

(iv) TRADE PAYBALES

As per book values	87,699,583
Less: Overdue for more than 30 days	(73,299,329)
	14,400,254

(v) OTHER LIABILITIES

Trade creditors (More than 30 days)	73,299,329
	73,299,329

(vi) ACCRUED EXPENSES

Director Salary	600,000
Auditors Fee	110,000
CDC	15,161
FED	35,150
	760,311

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ARIF LATIF SECURITIES (PRIVATE) LIMITED
Notes to the Financial Statements for the Period Ended June 30, 2020

32 LIQUID CAPITAL

Annexure "B"

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
I. Assets				
1.1	Property & Equipment (LSE ROOM 309)	503,870	100.00%	-
1.2	Intangible Assets (TREC)	3,000,000	100.00%	-
1.3	Investment in Govt. Securities (150,000*99)			
	Investment in Debt. Securities			
	If listed than:			
	i. 5% of the balance sheet value in the case of tenure upto 1 year		5.00%	-
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years		7.50%	-
1.4	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years		10.00%	-
	If unlisted than:			
	i. 10% of the balance sheet value in the case of tenure upto 1 year		10.00%	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years		12.50%	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.		15.00%	-
	Investment in Equity Securities			
	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher		-	-
	ii. If unlisted, 100% of carrying value. (LSE FINANCIAL SERVICES LTD.)	19,158,233	100.00%	-
	iii. Subscription money against investment in IPO/offer for Sale: Amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker.			-
1.5	iv. 100% haircut shall be applied to value of investment in any asset including shares of listed securities that are in Block, freeze or Pledge status as on reporting date. (July 19, 2017). Provided that 100% haircut shall not be applied in case of investment in those securities which are pledged in favour of stock Exchange / Clearing House against Margin Financing requirements or pledged in favor of Banks against Short Term financing arrangements. In such cases, the haircut as provided in schedule III of the Regulations in respect of investment in securities shall be applicable (August 25, 2017).			-
			100.00%	-
1.6	Investment in subsidiaries			
	Investment in associated companies/undertaking			
1.7	i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher.		100.00%	-
	ii. If unlisted, 100% of net value.			
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	1,500,000	100.00%	-
1.9	Margin deposits with exchange and clearing house.	4,000,000	-	4,000,000
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	100.00%	-
1.11	Other deposits and prepayments			
	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc. (Nil)	-	-	-
1.12	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties	-	100.00%	-
1.13	Dividends receivables.			
1.14	Amounts receivable against Repo financing. Amount paid as purchaser under the REPO agreement. (Securities purchased under repo arrangement shall not be included in the investments.)	-	-	-

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1.15	i. Short Term Loan to Employees: Loans are secured and due for repayment within 12			
	ii. Receivables other than trade receivables			
	Receivables from clearing house or securities exchange(s)		100.00%	
1.16	i. 100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.	-	-	-
	ii. Receivable on entitlements against trading of securities in all markets including MtM	-	-	-
	Receivables from customers			
	i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut.	-	-	-
	i. Lower of net balance sheet value or value determined through adjustments.			
	ii. In case receivables are against margin trading, 5% of the net balance sheet value.	-	5.00%	-
	ii. Net amount after deducting haircut			
1.17	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract,	-	-	-
	iii. Net amount after deducting haircut			
	iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value.	-	-	-
	iv. Balance sheet value			
	v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts.	1,263,589	-	1,263,589
	vi. 100% haircut in the case of amount receivable from related parties.	25,255	100.00%	-
1.18	Cash and Bank balances	11,606,744	-	11,606,744
	i. Bank Balance-proprietary accounts	94,979,944	-	94,979,944
	ii. Bank balance-customer accounts	19,317,332	-	19,317,332
	iii. Cash in hand	155,354,967	-	131,167,609
1.19	Total Assets			

2. Liabilities				
2.1	Trade Payables	1,308,266	-	1,308,266
	i. Payable to exchanges and clearing house		-	-
	ii. Payable against leveraged market products	86,391,316	-	86,391,316
	iii. Payable to customers			
2.2	Current Liabilities	50,311	-	50,311
	i. Statutory and regulatory dues	710,000	-	710,000
	ii. Accruals and other payables	-	-	-
	iii. Short-term borrowings	-	-	-
	iv. Current portion of subordinated loans	-	-	-
	v. Current portion of long term liabilities	-	-	-
	vi. Deferred Liabilities	-	-	-
	vii. Provision for bad debts	-	-	-
	viii. Provision for taxation	-	-	-
	ix. Other liabilities as per accounting principles and included in the financial statements	-	-	-
	Non-Current Liabilities	-	-	-
	i. Long-Term financing			
	a. Long term financing obtained from financial institution: Long term portion of financing obtained from a financial institution including amount due against finance lease.			
	b. Other long-term financing	-	-	-
	ii. Staff retirement benefits			

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2.3	iii. Advance against shares for increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if: a. The existing authorized share capital allows the proposed enhanced share capital b. Board of Directors of the company has approved the increase in capital. c. Relevant Regulatory approvals have been obtained. d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed. e. Auditor is satisfied that such advance is against the increase of capital. iv. Other liabilities as per accounting principles and included in the financial statements	-	-	-
	Subordinated Loans	4,461,699	-	4,461,699
2.4	i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted: The Schedule III provides that 100% haircut will be allowed against subordinated Loans which fulfill the conditions specified by SECP. In this regard, following conditions are specified: a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period b. No haircut will be allowed against short term portion which is repayable within next 12 c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange. ii. Subordinated loans which do not fulfill the conditions specified by SECP	-	-	-
2.5	Total Liabilities	92,921,592		92,921,592

3. Ranking Liabilities Relating to :

3.1	Concentration in Margin Financing The amount calculated client-to-client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees.	-	-	-
3.2	Concentration in securities lending and borrowing The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed	-	-	-
3.3	Net underwriting Commitments (a) in the case of right issue : if the market value of securities is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issue where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting (b) in any other case : 12.5% of the net underwriting commitments	-	-	-
3.4	Negative equity of subsidiary The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-	-	-
3.5	Foreign exchange agreements and foreign currency positions 5% of the net position in foreign currency. Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency	-	-	-
3.6	Amount Payable under REPO	-	-	-
3.7	Repo adjustment In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securities. In the case of financee/seller the market value of underlying securities after applying haircut less the total amount received, less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-	-	-

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3.8	Concentrated proprietary positions If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security .If the market of a security exceeds 51% of the proprietary position, then 10% of the value of such security	-	-	-
3.9	Opening Positions in futures and options			
	i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/ pledged with securities exchange after applying VaR haircuts	-	-	-
	ii. In case of proprietary positions, the total margin requirements in respect of open positions to the extent not already met	-	-	-
3.10	Short sell positions			
	i. In case of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts	-	-	-
	ii. In case of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.	-	-	-
3.11	Total Ranking Liabilities	-	-	-
3.12	Liquid Capital	62,433,375	-	38,246,017

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