

**RAFI SECURITIES (PRIVATE) LIMITED
HALF YEAR FINANCIAL STATEMENTS
FOR THE PERIOD ENDED Dec 31, 2023 (Unaudited)**

RAFI SECURITIES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DEC 31, 2023 (Unaudited)

	Note	Rupees Dec 31 2023
ASSETS		
NON-CURRENT ASSETS		
Property & equipment		498,334
Intangible assets	5	2,804,878
Deferred tax asset		-
Long term advances & deposits	6	5,250,000
		8,553,212
CURRENT ASSETS		
Trade receivables	7	135,369,977
Advances, deposits, pre-payments & other receivables	8	28,783,108
Short term investment	9	192,570,696
Bank balances	10	15,897,008
		372,620,789
TOTAL ASSETS		<u><u>381,174,001</u></u>
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Authorized Capital		
10,000,000 (2023: 10,000,000) ordinary shares of Rs. 10/- each		<u>100,000,000</u>
Issued, subscribed and paid-up capital	11	100,000,000
Revenue reserves		105,361,166
		205,361,166
LIABILITIES		
CURRENT LIABILITIES		
Short term borrowings - secured	12	112,742,442
Trade payables		15,584,290
Accrued expenses & other liabilities	13	47,486,103
		175,812,835
CONTINGENCIES AND COMMITMENTS		-
TOTAL EQUITY AND LIABILITIES		<u><u>381,174,001</u></u>



Chief Executive



Director



RAFI SECURITIES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED DEC 31, 2023 (Unaudited)

	Note	Rupees Dec 31 2023
REVENUE		
Operating revenue	15	36,305,638
Capital Gain on disposal of securities		8,189,103
Unrealised Gain on remeasurement of investment at fair value - through profit or loss		16,357,910
		<u>60,852,651</u>
Administrative and operating expenses	16	(21,885,304)
Finance cost	18	(14,036,734)
		<u>(35,922,038)</u>
Operating Profit		<u>24,930,612</u>
Other income	19	<u>10,846,740</u>
Profit before taxation		35,777,353
Taxation		-
Profit after taxation		<u>35,777,353</u>
Earning per share - basic and deluted Rs.		<u>3.58</u>


Chief Executive


Director



RAFI SECURITIES (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED DEC 31, 2023 (Unaudited)

	Note	Rupees Dec 31 2023
Profit after taxation		35,777,353
Other comprehensive income for the year		-
Total comprehensive Profit for the year		<u><u>35,777,353</u></u>


Chief Executive


Director



RAFI SECURITIES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DEC 31, 2023 (Unaudited)

Note	Rupees Dec 31 2023
CASH FLOWS FROM OPERATING ACTIVITIES	35,777,353
Profit before taxation	
Add / (less) : Items not involved in movement of fund:	
Depreciation	-
Capital Gain on sale of securities	8,189,103
Unrealised Gain on remeasurement of investment at fair value - through profit or loss	-
Gain on disposal of vehicle	-
Finance costs	14,036,734
	<u>22,225,837</u>
Net cash generated from operating activities before working capital changes	58,003,190
Net change in working capital	(a) 13,682,488
Finance costs paid	<u>71,685,678</u>
Income tax refund received - net of taxes paid	(14,036,734)
Income tax paid	-
Net cash generated / (used in) from operating activities	57,648,944
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of property and equipment	-
Long term advances and deposits	-
Proceeds from disposal of vehicle	-
Net cash (used in) / generated from investing activities	57,648,944
Net (decrease) / increase in cash and cash equivalents	(50,668,240)
Cash and cash equivalent at beginning of the year	<u>6,980,704</u>
Cash and cash equivalent at end of the year	6,980,704
(a) Statement of change in working capital	
Decrease / (increase) in current assets	
Trade receivables	7,196,930
Advances, deposits, pre-payments & other receivables	(9,807,424)
Short term investments	(34,008,716)
	<u>(36,619,210)</u>
Increase / (decrease) in current liabilities	
Short term borrowing under Murabaha arrangement	10,330,867
Trade payables	3,630,410
Accrued expenses & other liabilities	36,340,421
	<u>50,301,699</u>
Net change in working capital	13,682,488


Chief Executive


Director



RAFI SECURITIES (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED DEC 31, 2023 (Unaudited)

	<i>Revenue Reserves</i>			Total
	Issued, subscribed & paid up capital	Unappropriated profit	Sub Total	
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	
Balance as at June 30, 2022	100,000,000	123,626,572	123,626,572	223,626,572
Loss for the year	-	(54,042,759)	(54,042,759)	(54,042,759)
Balance as at June 30, 2023	100,000,000	69,583,813	69,583,813	169,583,813
Profit for the Half year	-	35,777,353	35,777,353	35,777,353
Balance as at Dec 31, 2023	100,000,000	105,361,166	105,361,166	205,361,166


Chief Executive


Director



RAFI SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS (Unaudited)

1 CORPORATE AND GENERAL INFORMATION

1.1 Legal status and operations

Rafi Securities (Private) Limited ('the Company') was incorporated in Pakistan as a private company on May 31, 2001 under the Companies Ordinance, 1984 (which has now been repealed by the enactment of the Companies Act, 2017 in May 2017). The company is a Trading Right Entitlement Certificate Holder of the Pakistan Stock Exchange Limited. The registered office of the company is situated at Room no. 1004, 10th Floor, Al Rahim Tower, I.I. Chundrigar Road, Karachi. The principal activities of the Company are investments, share brokerage, inter-bank brokerage, Initial Public Offer (IPO) underwriting, advisory and consultancy services. The branch office of the company is situated at:

- Room No. 518, 5th floor, Pakistan Stock Exchange Building, Karachi.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) issued by IASB and provisions of and directives issued under the Companies Act 2017. In case requirements differ, the provision or directives of the Companies Act, 2017 shall prevail..

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for derivatives and investments. Statement of cash flow has been presented on cash basis.

2.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistani Rupee, which is the Company's functional and presentation currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved financial reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

RAFI SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS (Unaudited)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any. Cost include expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the carrying amount as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of profit or loss during the year in which they are incurred.

Depreciation is charged to statement of profit or loss applying the reducing balance method at the rates specified in note 4. Depreciation is charged when the asset is available for use till the asset is disposed off.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year in which the asset is derecognized.

Disposal of an item of property, plant and equipment is recognized when significant risks and rewards incidental to ownership have been transferred. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized within 'Other operating expenses/income in the profit and loss account.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

3.2 Intangible assets

Intangible assets having definite useful life are stated at cost less accumulated amortization and impairment losses, if any however, Intangible assets having indefinite life are stated at cost less impairment losses, if any.

Subsequent cost 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.

Amortization is charged to the statement of profit or loss using reducing balance method over the estimated useful lives of intangible assets unless such lives are indefinite. Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged in the month in which the asset is disposed off.

All intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Where the carrying amount of an asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount. The carrying amount of other intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist than the assets recoverable amount is estimated. The recoverable amount is the greater of its value and fair value less

RAFI SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS (Unaudited)

3.2.1 Trading Right Entitlement Certificate

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, and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

3.2.2 Pakistan Mercantile Exchange - Membership card

Membership card represents corporate membership of Pakistan Mercantile Exchange with indefinite useful life. This is stated at cost less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether this is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, this is written down to its estimated recoverable amount.

3.2.3 Computer software

Expenditure incurred to acquire identifiable computer software and having probable economic benefits exceeding the cost beyond one year, is recognized as an intangible asset. Such expenditure includes the purchase cost of software (license fee) and related overhead cost.

Costs associated with maintaining computer software programs are recognized as an expense when incurred.

Computer software and license costs are stated at cost less accumulated amortization and any identified impairment loss and amortized through reducing balance method.

3.3 Investment property

Investment property is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises expenditure that is directly attributable to the acquisition of the asset including transaction costs.

Depreciation on investment property is charged using reducing balance method. The useful life and depreciation method are reviewed and adjusted, if appropriate, at each statement of financial position date.

3.4 Financial instruments

3.4.1 Initial recognition, classification and measurement

The Company recognizes a financial asset when and only when it becomes a party to the contractual provisions of the instrument evidencing investment.

Regular way purchase of investments are recognized using settlement date accounting i.e. on the date on which settlement of the purchase transaction takes place.

The Company classifies its financial assets into either of following three categories:

- (a) financial assets measured at amortized cost;
- (b) financial assets measured at fair value through other comprehensive income (FVOCI); and
- (c) financial assets measured at fair value through profit or loss (FVTPL).

RAFI SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS (Unaudited)

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it is held within business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

(b) Financial assets at FVOCI

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

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

(c) Financial assets at FVTPL

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, as aforesaid. However, for an investment in equity instrument which is not held for trading, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the investment.

Such financial assets are initially measured at fair value.

3.4.2 Subsequent measurement

(a) Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost (determined using the effective interest method) less accumulated impairment losses.

Interest / markup income, foreign exchange gains and losses and impairment losses arising from such financial assets are recognized in the statement of profit and loss.

(b) Financial assets at FVOCI

These are subsequently measured at fair value less accumulated impairment losses.

A gain or loss on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Interest is calculated using the effective interest method and is recognised in profit or loss.

RAFI SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS (Unaudited)

(c) Financial assets at FVTPL

These assets are subsequently measured at fair value.

Net gains or losses arising from remeasurement of such financial assets as well as any interest income accruing thereon are recognized in the statement of profit or loss. However, for an investment in equity instrument which is not held for trading and for which the Company has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of the investment, such gains or losses are recognized in other comprehensive income. Further, when such investment is disposed off, the cumulative gain or loss previously recognised in other comprehensive income is not reclassified from equity to profit or loss.

3.4.2 Financial liabilities

Financial liabilities are classified as measured at amortized cost or 'At Fair Value - Through Profit or Loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss.

3.5 Impairment

3.5.1 Financial assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balance for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

RAFI SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS (Unaudited)

The Company assumes that the credit risk on a financial assets has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3.5.2 Impairment of non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any objective evidence that an assets or group of assets may be impaired. If any such evidence exists, the asset's or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of value in use and fair value less cost to sell. Impairment losses are recognized to the statement of profit or loss.

3.6 Derecognition

3.6.1 Financial assets

The Company derecognises financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfer the financial assets and substantially all the associated risks and reward of ownership to another entity. On derecognition of financial assets measured at amortized cost, the difference between the assets carrying value and the sum of the consideration received and receivable recognised in statement of profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve reclassified to statement of profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to statement of profit or loss, but is transferred to statement of changes in

3.6.2 Financial liabilities

The Company derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in statement of profit or loss.

RAFI SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS (Unaudited)

3.9 Off-setting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements if, and only if, there is a legally enforceable right to offset the recognized amounts and there is an intention either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.7 Investments

Investment in shares of listed companies are classified as "At Fair Value - Through Profit or Loss" and is initially measured at cost and subsequently is measured at fair value determined using the market value at each reporting date. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Net gains and losses are recognized in statement profit

3.8 Settlement date accounting

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognized at the settlement date. Trade date is the date on which the Company commits to purchase or sale an asset.

3.10 Trade debts and other receivables

Trade debts and other receivables are recognized at fair value and subsequently measured at amortized cost. A provision for impairment in trade debts and other receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivables. Trade debts and other receivables considered irrecoverable are written off. Actual credit loss experience over past years is used to base the calculation of expected credit loss (ECL) Trade Receivables in respect of securities sold on behalf of client are recorded at settlement date of transaction.

3.11 Fiduciary assets

Assets held in trust or in a fiduciary capacity by the company are not treated as assets of the Company and accordingly are not included in these financial statements.

3.12 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows includes cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts / short term borrowings. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3.13 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.14 Proposed dividend and transfer between reserves

Dividends declared and transfers between reserves, except appropriations which are required by law, made subsequent to the reporting date are considered as non-adjusting events and are recognized in the financial statements in the period in which such dividends and transfers are approved.

RAFI SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS (Unaudited)

3.15 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost using the effective interest method. Trade payables in respect of securities purchased are recorded at settlement date of transaction.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.16 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of profit or loss, except to the extent that it relates to items recognised directly in equity or in statement of comprehensive income, in which case it is recognised in equity or in statement of comprehensive income respectively.

i) Current

The current income tax charge is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

ii) Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 enacted or substantively enacted rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

3.17 Provisions

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

3.18 Foreign currency transactions and translation

Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into functional currency using the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

RAFI SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS (Unaudited)

3.19 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any direct expenses. Revenue is recognized on the following basis:

- Brokerage, consultancy, advisory fee and commission etc. are recognized as and when such services are provided.
- Income from bank deposits, reverse repo and margin deposits is recognized at effective yield on time proportion basis.
- Dividend income is recorded when the right to receive the dividend is established.
- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.
- Unrealized capital gains / (losses) arising from mark to market of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in profit and loss account for the period in which they arise.
- Rental income from investment properties is recognized on accrual basis.
- Other/miscellaneous income is recognized on receipt basis.
- Income on financial assets (including margin financing) is recognised on time proportionate basis taking into account effective / agreed rate of the instrument.
- Unrealised gains / (losses) arising from mark to market of investments classified as 'available for sale' are taken directly to other comprehensive income.
- Gains / (losses) arising on revaluation of derivatives to fair value are taken to profit and loss account under other income / other expenses.

3.20 Operating and administrative expenses

These expenses are recognized in statement of profit or loss upon utilization of the services or as incurred except for specifically stated in the financial statements.

3.21 Mark-up bearing borrowings and borrowing costs

Mark-up bearing borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

Borrowing costs are recognised as an expense in the period in which these are incurred, except to the extent that they are directly attributable to the acquisition or construction of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) in which case these are capitalised as part of cost of that asset.

RAFI SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS (Unaudited)

		Rupees
Notes		Dec 31 2023
5	<u>INTANGIBLE ASSETS</u>	
	Trading Right Entitlement Certificate - Pakistan Stock Exchange Limited	5.1 2,500,000
	Membership card - Pakistan Mercantile Exchange Limited	250,000
	Computer software	54,878
		<u>2,804,878</u>
5.1	This represents Trading Right Entitlement Certificate (TREC) received from Pakistan Stock Exchange Limited (PSX) in accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012. TREC has been recognized at cost less accumulated impairment losses.	
6	<u>LONG-TERM ADVANCES AND DEPOSITS</u>	
	National Clearing Company of Pakistan Limited	1,400,000
	Central Depository Company Limited	100,000
	Pakistan Mercantile Exchange Limited	2,500,000
	Advance against office of Pakistan Mercantile Exchange Limited	1,250,000
		<u>5,250,000</u>
7	<u>TRADE RECEIVABLES</u>	
	Considered good	143,817,399
	Considered doubtful	9,918,633
		<u>153,736,032</u>
	Allowance for expected credit loss	(18,366,055)
		<u>135,369,977</u>
	Receivable from clearing house	-
		<u>135,369,977</u>

RAFI SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS (Unaudited)

8 ADVANCES, DEPOSITS, PRE-PAYMENTS & OTHER RECEIVABLES

Security deposits		41,740
Loan to staff		1,744,529
Exposure deposit	8.1	14,654,454
Income tax refundable		11,942,386
Deposit to Pakistan Merchantile Exchange Limited		400,000
		<u>28,783,108</u>

- 8.1 This represents deposit with National Clearing Company of Pakistan Limited against the exposure margin in respect of trade in future and ready market.

RAFI SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS (Unaudited)

Notes	Rupees Dec 31 2023
-------	-----------------------

9 SHORT TERM INVESTMENT

Investments at fair values through profit & loss

Listed equity securities
Unrealised loss on remeasurement of investment at fair value
Market value

176,212,786
16,357,910
192,570,696

9.1 Shares having market value of Rs. 145,121,242/- (2023: 151,235,277/-) are pledged as security with commercial banks, PSX and NCCPL for the purpose of borrowings, base minimum capital and exposure requirements.

10 BANK BALANCES

Cash at bank
 - in savings accounts
 - in current accounts

10.1	15,160,162
	736,845
10.2	15,897,008

10.1 The return on these balances is 5.5% to 20.5% (2023: 5.5% to 18.5%) per annum on daily product basis.

10.2 *Bank balance pertains to:*

Brokerage house
Clients

312,717
15,584,290
15,897,008

11 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Number of shares

2023	2022		
8,000,000	8,000,000	Ordinary shares of Rs. 10 each fully paid in cash	80,000,000
2,000,000	2,000,000	Ordinary shares of Rs. 10 each issued for consideration other than cash.	20,000,000
10,000,000	10,000,000		100,000,000

RAFI SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS (Unaudited)

Notes	Rupees Dec 31 2023
-------	-----------------------

12 SHORT TERM BORROWINGS - secured

Short term running finance	12.1	23,260,574
Short term borrowing under Murabaha arrangement	12.2	89,481,868
		112,742,442

12.1 The Company has obtained short term running finance facilities from commercial bank, to meet exposure and working capital requirements, amounting to Rs 75 million (2023: 75 Million). These facilities are secured by way of pledge of marketable securities as per financiers approved list of shares and personal guarantees of Chief Executive and Director. These facilities carry mark up ranging from 3 months KIBOR plus 2.5 % (2023: 3 months KIBOR plus 2.5 %) payable quarterly.

12.2 This represents the outstanding balance availed from shares Murabaha Financing facility amounting to Rs 120 million (2023 : Rs 120 million) from Islamic banks. This facility is secured by way of equitable mortgage on office building and Plot of land, pledge of regularly traded shariah compliant shares of listed companies in CDC account of the company and personal guarantees of directors of the company. This facility carries markup @ of 3 months of KIBOR plus 2 to 2.25 % (2023: 3 months KIBOR plus 2 to 2.25 %) payable contract to contract basis.

13 ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses		10,858
Markup payable		-
SST payable		1,104,377
Dealer payable		245,965
Exposure demand		24,470,131
Clearing house payable		21,485,095
Other liabilities		169,677
		47,486,103

14 CONTINGENCIES AND COMMITMENTS

Contingencies

In the year 2008, Soneri Bank Limited (SBL) imposed certain excess charges to the Company without any agreement or intimation to the Company. Moreover, SBL did not give credit to the Company on account of certain genuine receipts. As a result, the Company filed a suit against SBL in the Banking Court vide suit no. 1163 of 2009 for recovery of Rs. 19,445,368. SBL also filed a suit in the Banking Court against the Company for recovery of Rs. 35,817,464 (i.e. principal balance of credit facility availed by the Company along with cost of funds). In the year 2019, the Banking Court issued an order in favour of the Company regarding the aforementioned disputed case. SBL filed an appeal before Honourable High Court of Sindh under section 22 of Financial Institutions' (Recovery of Finances) Ordinance, 2001 and the proceedings thereof are pending till date. Based on the opinion of the legal advisor, the management of the Company is confident that the eventual outcome of the matter will be decided in favour of the Company, therefore, no provision has been made in this

RAFI SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS (Unaudited)

Notes	Rupees Dec 31 2023
Commitments	
Guarantee given by Dubai Islamic Bank Limited to National Clearing Company of Pakistan Limited on behalf of the Company.	<u>20,000,000</u>
15 OPERATING REVENUE	
Brokerage commission including sales tax on services	15.1 39,250,577
Less: Sales tax on services	(5,102,575)
Net brokerage commission excluding sales tax on services	<u>34,148,002</u>
Dividend income	<u>2,157,636</u>
	<u><u>36,305,638</u></u>
15.1 Brokerage Income - net of sales tax	
Equity brokerage	4,883,746
- Institutional customers	29,264,256
- Retail clients	<u>34,148,002</u>
16 ADMINISTRATIVE AND OPERATING EXPENSES	
Directors' remuneration	16.1 1,282,500
Staff salaries & other benefits	9,501,710
Rent, rates and taxes	264,188
Service & transaction charges	3,622,464
Repair and maintenance	190,275
Utilities	1,002,235
Telephone and communication	450,806
Travelling & conveyance	33,220
Printing and stationery	126,030
Computer & software expenses	668,109
Fees and subscription	14,025
Postage & courier	41,005
Entertainment	177,256
Consultancy charges	32,664
Commission Expense	3,884,778
Legal & professional	289,807
Donations	30,000
Other expenses	274,232
	<u>21,885,304</u>

RAFI SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS (Unaudited)

16.1 Remuneration of Chief Executive and Director

	Dec 31 2023		
	Chief Executive	Directors	Executive
Managerial remuneration	900,000	600,000	2,400,000
Company's contribution to the Provident Fund			
Fees			
Bonus	-		
Housing and utilities			
	900,000	600,000	2,400,000
Number of persons (including those who worked part of the year)	1	2	4

17 Auditors' remuneration

Audit services
Annual audit fee
Certifications

Notes	Rupees Dec 31 2023
-------	-----------------------

-
-

18 FINANCE COSTS

Bank charges
Markup on short term borrowings from banking companies

18.1

189,491
13,847,243
14,036,734

18.1 This represents mark-up payable on short term borrowing.

19 OTHER INCOME

From financial assets

IPO commission
Income from Pakistan Merchantile Exchange Limited
Profit on exposure deposit
Profit on deposit with banks
Gain on disposal of vehicle

2,480
1,513,610
339,207
2,121,738
-
3,977,035

From non-financial assets

Charges Recovered from Clients
Reversal of expected credit loss

6,869,705
-
6,869,705

10,846,740

RAFI SECURITIES (PRIVATE) LIMITED
NOTES TO THE ACCOUNTS (Unaudited)

Notes	Rupees Dec 31 2023
-------	-----------------------

CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting year as shown in the cash flow statement are reconciled to the related items in the balance sheet as follows:

Short term running finance
Cash & bank balances

(23,260,574)
15,897,008
<u>(7,363,567)</u>

20 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

20 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (interest rate risk and price 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 Company consistently manages its exposure to financial risk without any material change from previous periods in the manner described in notes below.