

BUILDING ON VALUES

HALF YEARLY REPORT
DECEMBER 31, 2019

2020

60%



OGDC	0.67 ▲	0.55
ENGRO	3.41 ▲	1.27%
LUCK	9.76 ▲	2.77%
HBL	0.50 ▲	0.40%
UBL	-0.02 ▼	
HUBC		
ILP		
FFC		
PPL		
UNITY	0.72	



**ARIF HABIB
LIMITED**

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CORPORATE INFORMATION

Board of Directors

Mr. Zafar Alam	Chairman & Independent Director
Mr. Muhammad Shahid Ali Habib	Chief Executive Officer & Executive Director
Mr. Haroon Usman	Non-executive Director
Ms. Sharmin Shahid	Non-executive Director
Ms. Nida Ahsan	Non-executive Director
Dr. Muhammad Sohail Salat	Independent Director
Mr. Mohsin Madni	Non-executive Director

Audit Committee

Dr. Muhammad Sohail Salat	Chairman
Mr. Haroon Usman	Member
Ms. Nida Ahsan	Member

Human Resource & Remuneration Committee

Dr. Muhammad Sohail Salat	Chairman
Mr. Haroon Usman	Member
Mr. Muhammad Shahid Ali Habib	Member
Ms. Nida Ahsan	Member

Company Secretary

Mr. Aamir Jamal

Chief Financial Officer

Mr. Muhammad Taha Siddiqui

Auditors

M/s. Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

CORPORATE INFORMATION

Credit Rating

JCR-VIS Credit Rating Company Limited

Legal Advisors

M/s. Bawaney & Partners

Management Rating

The Pakistan Credit Rating Agency

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Bank Islami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
National Bank of Pakistan
Sindh Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
The Bank of Khyber
The Bank of Punjab
United Bank Limited

Registrar & Share Transfer Office

Share Registrar Department
Central Depository Company of Pakistan Limited
CDC House, 99-B, Block-B
S.M.C.H.S., Main Shahra-e-Faisal
Karachi-74400
Tel: Customer Support Services:
0800-CDCPL (23275)
Fax: (92-21) 34326053
Email: info@cdcpak.com
Website: www.cdcpakistan.com

Registered Office

Arif Habib Centre
23, M.T. Khan Road Karachi-74000
UAN: (92-21) 111-245-111
Fax No: (92-21) 32416072; 32429653
E-mail: info@arifhabibltd.com
Company website: www.arifhabibltd.com
Online Trade: www.ahletrade.com
Branch Reg. No. BOA-050101

Lahore Branch

16/7-B, Eden Cottages, Main Gulberg 2,
Near: MCB House, Lahore.
Tel: +92 42 3587 1732 – 34 , 042-35712861

Islamabad Branch

Office No. 506, 5th Floor, ISE Towers,
Jinnah Avenue, Islamabad.
Tel: +92 51 2894505 – 06

Peshawar Branch

Shops No. F13, F14, F15, F16, F17,
1st Floor, The Mall Tower, Peshawar Cantt.
Tel: +92 91 5253913

VISION

OUR VISION IS TO BE THE MOST PREFERRED AND RESPECTED FINANCIAL INSTITUTION, RENOWNED FOR OUR EXPERTISE IN SECURITIES BROKERAGE AND INVESTMENT BANKING SERVICES.



A stylized illustration of a person's silhouette in the foreground, looking through a magnifying glass at a city skyline. The magnifying glass is positioned over a tall building in the skyline. The background is a soft, hazy sky with a warm, orange-pink glow, suggesting a sunrise or sunset. The city skyline is composed of various buildings, with the one being magnified being particularly prominent.

MISSION

OUR MISSION IS TO CREATE VALUE FOR OUR STAKEHOLDERS BY PROVIDING OUTSTANDING SECURITIES BROKERAGE SERVICES AND INVESTMENT BANKING SOLUTIONS TO OUR CUSTOMERS. WE STRIVE TO BUILD AN ENVIRONMENT THAT ENCOURAGES TEAMWORK AT THE WORKPLACE TO DELIVER SUPERIOR PRODUCTS AND SERVICES AND TO SERVE THE DEVELOPMENT OF OUR CAPITAL MARKET.

DIRECTORS' REPORT

Dear Fellow Members of Arif Habib Limited,

On behalf of the Board of Directors, I am pleased to present the financial statements of Arif Habib Limited (AHL) for the half year and second quarter ended December 31, 2019.

Economic Review:

After entering into consolidation phase, the economy of Pakistan stabilized. On the external account front, Current Account Deficit for 1HFY20 observed a decline of 75% YoY to reach USD 2,153 million (1.5 % of GDP) compared to USD 8,614 million (5.8% of GDP) during same period of last year. Major improvement came on account of declining imports (-21%) as a result of massive PKR depreciation against green back along with other measures like additional regulatory duties, documentation drive and requirement of halal food certificate for food imports. Remittances played an important role to cushion the foreign exchange requirements of the country, registering a growth of 3% YoY to USD 11.4 billion, with USA and UK showing improvement in flows. Meanwhile, stability in currency and interest rates at 13.25% managed to attract significant hot money (investment in debt securities) of USD 1,460 million into the system coupled with surge in Foreign Direct Investment by 68% to USD 1,341 million. Resultantly, foreign inflows in the system helped reduction in swaps by USD 3,828 million along with increase in foreign exchange reserves of SBP by USD 4,217 million to USD 11,489 million as at December 2019, up by 50%. On the local front, Large Scale Manufacturing (LSM) witnessed a decrease of 5.93% YoY in 5MFY20 on the back of decline in production of automobiles, petroleum products, food products, and iron and steel products. During 1HFY20, inflation averaged at 11.11% compared to 5.96% in preceding period last year. The surge in inflation is on account of higher food, transport and housing inflation. However, the SBP adopted a status quo stance in previous two MPS primarily on the back of higher projected inflation.

Stock Market Review:

KSE-100 index has come a long way from the recent lows of 28,764 touched in 1QFY20, till today when the Index comfortably trades above 40k mark. 2QFY20 saw improvement in investor sentiment, which became evident from yield curve inversion whereby cut-off yield of 10yrs PIB (Pakistan Investment Bond) was observed -225bps below Policy rate. Reduction of Current Account Deficit by a wide margin brewed expectations of Economic stabilization and hence the need for a rate cut. Major key economic indicators showed signs of improvement for instance, rupee parity, which largely maintained a plateau in 2QFY20 averaging PKR 155.25 against USD, CAD improved further by registering a decline of 75% YoY and off-take of Cement, Fertilizer and select Autos picked pace.

The KSE-100 index posted a return of 27% over the quarter in 2QFY20 to close at 40,735 points with major contribution from Banks (+2114pts), Fertilizer (+1209pts), E&P (+1205pts), Cement (+646pts) and Power (+583pts). Consistent with 1QFY20, Individuals maintained the buying stance, followed by Corporates and Mutual Funds. Banks turned out to be major sellers in 2QFY20, followed by Foreigner Investors. 1HFY20 results were not much different from 2QFY20, whereby KSE-100 benchmark realized a growth of 20% over the 6 months, contributed by Banks (+1591pts), Fertilizer (+1572pts), E&P (+949pts), Cement (+405pts) and O&GMCs (+383pts). Individuals led the buying activity with US\$ 140mn, which was matched by Banks US\$ 91mn and Mutual Funds US\$ 53mn.

Your Company's Performance

During the period under review, your Company has posted after tax profit of PKR 317.71 million (1HFY19: PKR 71.22 million) which translates into EPS of PKR 5.31 (1HFY19: PKR 1.08).

The first half year FY20 market turnover witnessed a decline of 12.48% in market traded values compared to first half year FY19. However, the brokerage and investment banking divisions managed to perform well and posted a total brokerage & investment banking revenue of PKR 215.17 million (1HFY19: PKR 232.92 million).

The Investment property segment posted a decent performance with an unrealized gain of PKR 132.5 million and realized gains of PKR 0.75 million. Equities Portfolio Investments made a significant contribution and recorded net realized & unrealized returns of PKR 264.86 million in the first half of current financial year.

During the period, operating expenses decreased by 6% as compared to the same period last year and posted a total of PKR 157.37 million (1HFY19: PKR 167.37 million). Your Company has invested in its human resources and expanded its business and support teams, especially in the retail sector which resulted in increase in salaries and related expenses. However, some of the compensation for the brokerage and investment banking team is also linked to the revenues generated for the Company, this variable compensation has decreased in view of the decrease in related revenues. During the said period, our financing costs have increased significantly due to increase in monetary policy rates and increased utilization of borrowing lines for diversification of Company's investment in more profitable opportunities.

The equity of the Company as at the balance sheet date is PKR 3 billion (June 2019: PKR 2.92 billion), which translates into book value per share of PKR 50.58 (June 30, 2019: PKR 44.21). The equity level remained almost unchanged due to the release of PKR 231 million reserves for buy back of shares approved in the EOGM held on July 03, 2019 which was offset by the profit incurred by the company during the first half of current financial year.

DIRECTORS' REPORT

Future Prospects

The future prospects of your Company are encouraging on account of the Management's efforts in increasing the Company's market share and through wider participation in all its business segments. The Company is striving to yield better volumes by providing improved quality of services through extensive research, corporate access and advisory services. We are continuously working on expanding our online and retail client base in order to increase the market participation of investors and avail benefits from the lucrative market opportunities.

Acknowledgement

We are grateful to the Company's shareholders for their continuing confidence and patronage. We record our sincere appreciation to all Stakeholders and to our Parent Company, the State Bank of Pakistan, the Securities & Exchange Commission of Pakistan and the Management of Pakistan Stock Exchange Limited for their unwavering support and guidance.

We acknowledge and appreciate the hard work put in by the employees of the Company during the period. We also acknowledge the valuable contribution and active role of the members of the Board Committees in supporting and guiding the management on matters of great importance.

For and on behalf of the Board of Directors,



Muhammad Shahid Ali Habib
Chief Executive Officer and Director



Zafar Alam
Chairman

Karachi.

Dated: January 30, 2020

**CONDENSED INTERIM
UNCONSOLIDATED
FINANCIAL INFORMATION**

Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

Plot No. 180, Block-A, S.M.C.H.S.

Karachi-74400, PAKISTAN.

Tel. No. : (021) 34549345-9

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Website: www.rsrir.com Other Offices at
Lahore - Rawalpindi / Islamabad

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ARIF HABIB LIMITED

Report on Review of Condensed Interim Unconsolidated Financial Statements Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of **M/s. Arif Habib Limited** ("the Company") as at December 31, 2019 and the related condensed interim unconsolidated statement of profit or loss, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated statement of changes in equity, and condensed interim unconsolidated statement of cash flows and notes thereto for the six-month period then ended (here-in-after referred to as the "unconsolidated interim financial statements"). Management is responsible for the preparation and presentation of these unconsolidated interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these unconsolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing, and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As part of our engagement, we were only required to review the cumulative figures for the six-month period ended December 31, 2019. Accordingly, we have not reviewed the figures in the condensed interim unconsolidated statement of profit or loss and the condensed interim unconsolidated statement of comprehensive income for the three-month period ended December 31, 2019.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is **Mr. Muhammad Rafiq Dosani**.



RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Karachi

Date: January 30, 2020

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

		Un audited December 31, 2019	Audited June 30, 2019
ASSETS	Note	Rupees	
Non- current assets			
Property and equipment	5	35,074,605	38,761,490
Right-of-use assets	6	52,390,711	-
Intangible assets		7,160,115	6,954,089
Long term investments	7	183,086,401	216,719,058
Investment property	8	1,699,444,800	1,726,419,800
Long-term advances and deposits		5,245,407	6,488,985
		1,982,402,039	1,995,343,422
Current assets			
Short term investments	9	2,510,273,094	2,348,428,347
Trade debts	10	50,724,434	30,933,887
Receivable against margin financing		247,484,948	114,245,832
Receivable against purchase of securities- net		385,620	-
Short term loans - secured		-	50,002
Advances, deposits and prepayments	11	11,073,698	286,323,875
Loan to related party		15,000,000	15,000,000
Accrued markup		14,000,170	26,899,464
Other receivables		174,584,347	197,775,763
Cash and bank balances	12	1,202,471,697	627,456,271
		4,225,998,008	3,647,113,441
Total assets		6,208,400,047	5,642,456,863
EQUITY AND LIABILITIES			
Capital and reserves			
<i>Authorized capital</i>			
75,000,000 (June 30, 2019: 75,000,000) ordinary shares of Rs.10/- each		750,000,000	750,000,000
Issued, subscribed and paid-up capital	13	594,000,000	660,000,000
Unappropriated profits		2,400,342,225	2,242,134,654
Surplus on revaluation		15,432,500	15,432,500
		2,415,774,725	2,257,567,154
		3,009,774,725	2,917,567,154
Non-current liabilities			
Lease liability		34,994,909	-
Current liabilities			
Short term borrowings- secured	14	1,858,285,807	1,909,233,639
Trade and other payables	15	1,129,041,019	637,975,550
Current portion of lease liability		16,917,260	-
Unclaimed dividend		14,460,393	14,460,393
Payable against purchase of securities- net		-	30,970,319
Markup accrued		113,494,303	84,812,447
Taxes payable -net		31,431,631	47,437,361
		3,163,630,413	2,724,889,709
Contingencies and commitments	16		
Total equity and liabilities		6,208,400,047	5,642,456,863

The annexed notes from 1 to 26 form an integral part of the condensed interim unconsolidated financial information.



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2019 (UNAUDITED)

	Note	Six months ended		Quarter ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		Rupees			
Operating revenue	17	262,004,231	254,883,926	180,220,875	168,821,497
Capital (loss) / gain on sale of short term investments		(294,388,382)	110,881,820	(199,235,971)	22,148,446
Unrealized gain / (loss) on re-measurement of short term and long term investments		559,248,441	(314,139,218)	720,428,781	(274,607,422)
Unrealized gain on remeasurement of investment property	8	132,500,000	241,698,360	-	124,598,360
		659,364,290	293,324,888	701,413,685	40,960,881
Administrative and operating expenses		(157,373,345)	(167,373,791)	(89,579,710)	(83,293,081)
Finance costs	18	(226,195,132)	(72,736,689)	(118,793,402)	(45,314,889)
Other expense	7.1	(6,441,895)	-	(6,441,895)	-
Other operating income		77,119,614	51,254,410	33,250,222	27,474,139
Profit / (loss) before taxation		346,473,532	104,468,818	519,848,900	(60,172,950)
Taxation		(23,265,961)	(33,244,420)	(10,369,835)	(17,807,863)
Profit / (loss) after taxation		323,207,571	71,224,398	509,479,065	(77,980,813)
Earnings / (loss) per share - basic and diluted	19	5.31	1.08	8.37	(1.18)

The annexed notes from 1 to 26 form an integral part of these condensed interim unconsolidated financial statements.



Chief Executive Officer



Director




Chief Financial Officer

CONDENSED INTERIM UNCONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2019 (UNAUDITED)

	Six months ended		Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	Rupees			
Profit / (loss) after taxation	323,207,571	71,224,398	509,479,065	(77,980,813)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	323,207,571	71,224,398	509,479,065	(77,980,813)

The annexed notes from 1 to 26 form an integral part of these condensed interim unconsolidated financial statements.


Chief Executive Officer


Director


Chief Financial Officer

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2019 (UNAUDITED)

	Issued, subscribed & paid up capital	Unappropriated profits	Surplus on revaluation	Total
	Rupees			
Balance as at July 01, 2018	550,000,000	2,621,883,347	15,432,500	3,187,315,847
Effect of recognition of expected credit loss allowance on initial application of IFRS 9	-	(42,288,164)	-	(42,288,164)
Total comprehensive income for the six months ended December 31, 2018	-	-	-	-
- Profit after taxation	-	71,224,398	-	71,224,398
- Other comprehensive income	-	-	-	-
	-	71,224,398	-	71,224,398
Transactions with owners				
- Cash dividend paid @ 30% for the year ended June 30, 2018	-	(165,000,000)	-	(165,000,000)
- Bonus shares issued @ 20% for the year ended June 30, 2018	110,000,000	(110,000,000)	-	-
	110,000,000	(275,000,000)	-	(165,000,000)
Balance as at December 31, 2018	660,000,000	2,375,819,581	15,432,500	3,051,252,081
Balance as at July 01, 2019	660,000,000	2,242,134,654	15,432,500	2,917,567,154
Total comprehensive income for the six months ended December 31, 2019				
- Profit after taxation	-	323,207,571	-	323,207,571
- Other comprehensive income	-	-	-	-
	-	323,207,571	-	323,207,571
Transactions with owners				
- Buy-back of 10% shares under tender offer	(66,000,000)	(165,000,000)	-	(231,000,000)
Balance as at December 31, 2019	594,000,000	2,400,342,225	15,432,500	3,009,774,725

The annexed notes from 1 to 26 form an integral part of these condensed interim unconsolidated financial statements.



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

	Note	December 31, 2019	December 31, 2018
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		346,473,532	104,468,818
Adjustments for:			
- Depreciation on property and equipment		3,686,886	4,031,960
- Depreciation on right-of-use asset		10,071,688	-
- Amortization of intangible asset		251,907	265,290
- Gain on disposal of investment property		(775,000)	(11,315,000)
- Loss on disposal of property and equipment		-	11,885
- Capital loss / (gain) on sale of short term investments		294,388,382	(110,881,820)
- (Gain) / loss on re-measurement of short term investments		(573,415,205)	293,978,889
- Loss on re-measurement of long term investments		14,166,764	20,160,329
- Unrealized gain on re-measurement of investment property		(132,500,000)	(241,698,360)
- Finance costs		226,195,132	72,736,689
- Impairment of investment in ordinary shares of M/s. Arif Habib 1857 (Pvt.) Ltd.		6,441,895	-
		(151,487,551)	27,289,862
		194,985,981	131,758,680
Working capital changes			
<i>(Increase) / decrease in current assets</i>			
- Short-term investments - net		130,206,074	(730,196,596)
- Trade debts - considered good		(19,790,547)	(27,633,044)
- Receivable against margin financing		(133,239,116)	(66,281,222)
- Short term loans		50,002	3,150,830
- Advances, deposits and prepayments		275,250,177	(830,255,688)
- Receivable against purchase of securities- net		(385,620)	-
- Accrued markup		12,899,294	21,175,998
- Other receivables		26,961,416	5,584,122
<i>Increase / (decrease) in current liabilities</i>			
- Trade and other payables		491,065,469	457,635,280
- Payable against purchase of securities - net		(30,970,319)	7,035,837
		752,046,830	(1,159,784,483)
		947,032,811	(1,028,025,803)
Cash generated from / (used in) operations			
Taxes paid		(39,271,691)	(41,550,184)
Finance costs paid		(197,513,276)	(76,615,050)
Net cash generated from / (used in) operating activities		710,247,844	(1,146,191,037)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		-	(8,656,418)
Proceeds from disposal of property and equipment		-	562,419
Acquisition of intangible assets		(457,933)	-
Expenditure on investment property - net		-	(151,088,000)
Long term Investment		-	6,191,409
Sale proceeds on disposal of investment property		156,480,000	148,655,000
Long term deposits - net		1,243,578	(1,218,402)
Net cash generated from investing activities		157,265,645	(5,553,992)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal repayment against lease liability		(10,550,231)	(1,345,933)
Dividend paid		-	(161,804,643)
Buy-back of 10% shares under tender offer	13.1.1	(231,000,000)	-
Net cash used in financing activities		(241,550,231)	(163,150,576)
Net increase / (decrease) in cash and cash equivalents		625,963,258	(1,314,895,605)
Cash and cash equivalents at the beginning of the period		(1,281,777,368)	(785,815,814)
Cash and cash equivalents at the end of the period	25	(655,814,110)	(2,100,711,419)

The annexed notes from 1 to 26 form an integral part of these condensed interim unconsolidated financial statements.



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

1 STATUS AND NATURE OF BUSINESS

- 1.1** Arif Habib Limited ("the Company") is a public listed company incorporated in Pakistan under the Companies Act, 2017. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The Company was initially incorporated as an unquoted public limited company wholly owned by Arif Habib Corporation Limited ("the Parent Company"). Subsequently, the Parent Company offered its 25% shareholding in the Company to general public and the Company obtained listing on the Exchange on January 31, 2007. As of the reporting date, the Parent Company held 72.80% ordinary shares of the Company.
- 1.2** The Company is a holder of Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited. The principal activities of the Company are investments, share brokerage, inter-bank brokerage, Initial Public Offer (IPO) underwriting, advisory and consultancy services. The Company's registered office is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi.
- 1.3** The Company has the following wholly-owned subsidiary companies:
- Arif Habib Commodities (Private) Limited
 - Arif Habib 1857 (Private) Limited

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim unconsolidated financial statements ('the interim financial statements') have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard 34: 'Interim Financial Reporting' (IAS 34), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These interim financial statements do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2019.

2.2 Basis of measurement

These interim financial statements have been prepared under the historical cost convention, except for;

- a) Lease liability and the related right-of-use asset which are initially measured at the present value of the lease payments that are not paid at the commencement date.
- b) Long term investments in unquoted ordinary shares of M/s. ISE Tower REIT Management Limited and M/s. LSE Financial Services Limited which are carried at fair value;
- c) Investment property which is carried at fair value; and
- d) Short term investments in quoted equity securities, units of mutual funds and term finance certificates / sukuks which are carried at fair value.

2.3 Functional and presentation currency

Items included in these interim financial statements are measured using the currency of the primary economic environment in which the Company operates. These interim financial statements are presented in Pak Rupees which is the Company's functional and presentation currency, unless otherwise stated. All figures have been rounded off to the nearest rupee.

3 SIGNIFICANT ACCOUNTING POLICIES

Except for the change in accounting policy described in note 3.1 below, the significant accounting policies adopted in the preparation of these interim financial statements are the same as those applied in the preparation of the unconsolidated financial statements of the Company for the year ended June 30, 2019.

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

3.1 Change in accounting policy - Initial application of IFRS 16 'Leases'

An overview of the new lease accounting requirements for lessees

With effect from July 01, 2019, the Company has adopted the International Financial Reporting Standard (IFRS) 16 Leases which replaced the previous lease accounting requirements contained in IAS 17 Leases, IFRIC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC Interpretation 15 Operating Leases—Incentives and SIC Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single on-balance sheet lease accounting model for lessees whereby, at the date of commencement of lease, a lessee is required to recognize a right-of-use asset and a lease liability (except in case short term leases and leases of low value assets). The right-of-use asset represents the lessee's right to use an underlying asset during the lease term and the corresponding lease liability represents the lessee's obligation to make payments to the lessor for providing the right to use that asset. In the IASB's view, this new lessee accounting model reflects the economics of a lease because, at the commencement date, a lessee obtains the right to use an underlying asset for a period of time, and the lessor had delivered that right by making the asset available for use by the lessee.

The aforesaid new accounting model materially differs from the previous lease accounting requirements for lessees whereby a lessee was required to classify its leases either as finance leases or operating leases based on whether the risks and rewards incidental to ownership were substantially transferred to the lessee. Under the previous standard, at the commencement of the lease term, the lessee recognized finance leases as assets and liabilities in its statement of financial position. However, the lessee recognized the payments made under operating leases as an expense on a straight line basis over the lease term unless another systematic basis was more representative of the time pattern of the user's benefit.

Method of transition to the new lease accounting model

IFRS 16 specifies that a lessee shall apply the standard to its leases either retrospectively to each prior reporting period presented applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ('the full retrospective method') or retrospectively with the cumulative effect of initially applying the standard recognized as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application without restating comparative information ('the cumulative catch-up transition method').

The Company has applied IFRS 16 to the lease arrangements in which it is a lessee (which previously were classified as operating leases under IAS 17) by following the cumulative catch-up transition method using the following practical expedients as permitted under paragraph C10 of IFRS 16:

- (a) The Company has applied a single discount rate (i.e. its incremental borrowing rate of 15% per annum as of July 01, 2019) to its portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);
- (b) The Company has relied on its assessment of whether the aforesaid lease arrangements are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets as on June 30, 2019 as an alternative to perform an impairment review of right-of-use asset. The said assessment performed by the Company as on June 30, 2019 had not identified any onerous lease arrangements; and
- (c) The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Because, in its financial statements for the year ended June 30, 2019, the Company was not required to disclose operating lease commitments under IAS 17, no such explanation as is required under paragraph C12(b) of IFRS 16 has been disclosed in these interim financial statements.

Initial measurement of the right-of-use asset and the corresponding lease liability

As of the date of initial application (i.e. of July 01, 2019), the Company measured the right-of-use asset and the related lease liability (arising from its rights under lease arrangements existing as of that date) as follows:

- (a) As permitted under paragraph C8(b) of IFRS 16, the Company measured the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of related prepaid lease payments recognized in its statement of financial position as June 30, 2019.
- (b) The Company measured the lease liability at the present value of the remaining lease payments, discounted using its aforementioned incremental borrowing rate of 15% per annum as of July 01, 2019.

Accounting policy with respect to subsequent measurement of the right-of-use asset and the corresponding lease liability

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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Right-of-use asset

After the commencement date, the Company measures the right-of-use asset applying a cost model whereby the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability.

The right-of-use asset is depreciated on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option in which case the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset.

Lease liability

After the commencement date, the Company measures the lease liability by:

- (a) increasing the carrying amount to reflect interest on the lease liability;
- (b) reducing the carrying amount to reflect the lease payments made; and
- (c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the interim financial statements in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

In preparing the interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding published annual unconsolidated financial statements of the Company as at and for the year ended June 30, 2019.

	Unaudited December 31, 2019	Audited June 30, 2019
	Rupees	
5 PROPERTY AND EQUIPMENT		
Owned assets	35,074,605	38,761,490
5.1	During the period ended December 31, 2019, neither any additions nor any disposals were made to property and equipment.	
	Unaudited December 31, 2019	Audited June 30, 2019
	Rupees	
6 RIGHT-OF-USE ASSETS		
Cost	62,462,399	-
Depreciation charged during the period	(10,071,688)	-
Closing net book value	52,390,711	-

- 6.1** This represents the Company's right to use the office premises (Block-B, 2nd Floor of the Arif Habib Centre situated at Plot No. 23, Off. M.T. Khan Road) and five (05) shops (situated in the Mall Tower, 35 the Mall Peshawar Cantt) obtained under lease arrangements. The principal terms and conditions of these lease arrangements are as follows:

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

	Office premises	Shops
Lessor name	Rotocast Engineering Co. (Pvt.) Ltd.	Mr. Azmat Hassan Khan
Lease agreement date	July 01, 2019	March 01, 2019
Lease commencement date	July 01, 2019	February 01, 2019
Initial lease term	3 years	5 years
No. of years for which the lease extension option is available	Indefinite	5 years

- 6.2** The lease term used in the measurement of the right-of-use asset and the related lease liability has been restricted to the aforementioned initial lease term since the Company, after giving due consideration to the factors that might create an economic incentive for the Company to extend the leases, has concluded that, at the lease commencement date, it was not reasonably certain to exercise the said extension options.

	Note	Unaudited December 31, 2019	Audited June 30, 2019
		Rupees	
7 LONG TERM INVESTMENTS			
Investment in subsidiaries - at cost			
- Arif Habib Commodities (Private) Limited		38,000,000	38,000,000
- Arif Habib 1857 (Private) Limited		50,000,000	50,000,000
		88,000,000	88,000,000
Less: Accumulated impairment against investment in Arif Habib 1857 (Private) Limited	7.1	(6,441,895)	-
		81,558,105	88,000,000
Investments at fair value through profit or loss			
Investment in quoted ordinary shares of:			
- Pakistan Stock Exchange Limited	7.2	-	13,023,998
- Safemix Concrete Limited	7.3 / 21	48,505,766	62,672,530
		48,505,766	75,696,528
Investment in unquoted ordinary shares of:			
- ISE Towers REIT Management Company Limited		40,936,808	40,936,808
- LSE Financial Services Limited		12,085,722	12,085,722
		53,022,530	53,022,530
		183,086,401	216,719,058

- 7.1** As of December 31, 2019, the Company carried out an impairment review of its investment in subsidiaries. During this exercise, an impairment loss on the Company's investment in M/s. Arif Habib 1857 (Private) Limited (AHPL) was identified (which was measured equal to the amount of accumulated losses reported by AHPL in its unaudited interim financial statements for the half year ended December 31, 2019). Accordingly, the Company recognized the said impairment loss in these interim financial statements.

- 7.2** In August 2019, 1,001,846 ordinary shares of Pakistan Stock Exchange Limited (PSX) previously marked as freed by the Central Depository Company of Pakistan Limited (CDC) were un-freed and re-classified as 'available' in its Account Balance Report. Since, as of December 31, 2019, the Company intended to dispose of the investment in due course of time, it was re-classified as a short term investment.

- 7.3** As of December 31, 2019, the Company held 7,699,328 ordinary shares (June 30, 2019: 7,699,328 ordinary shares) of M/s. Safemix Concrete Limited (SCL), its associated company in terms of section 2(4) of the Companies Act, 2017. This gives the Company 30.80% (June 30, 2019: 29.94%) voting power in SCL. However, since Mr. Arif Habib and his sons, Mr. Samad Habib and Mr. Kashif Habib, by virtue of their direct investment as well as the indirect investment held through the Company are in a position to exert control over SCL and because of the fact that the Company has not appointed any person on the Board of Directors of SCL, the management is of the view that the Company is not able to exercise significant influence over SCL. Hence, SCL cannot be regarded as an 'associate' of the Company within the meaning of the term 'associate' defined in the International Accounting Standard (IAS) 28 Investments in Associates and Joint Ventures.

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

	Unaudited December 31, 2019	Audited June 30, 2019
8 INVESTMENT PROPERTY	Rupees	
Opening carrying value	1,726,419,800	1,373,500,000
Disposals during the period / year	(159,475,000)	(180,540,000)
Additions during the period / year	-	163,419,941
	1,566,944,800	1,356,379,941
Increase in fair value - net	132,500,000	370,039,859
	1,699,444,800	1,726,419,800

- 8.1** This represents investment in plots of land and residential bungalows situated at Naya Nazimabad, Deh Manghopir, Gadap Town, Karachi as well as the investment in offices located in the building complex of Pakistan Stock Exchange Limited, ISE Towers REIT Management Company Limited and LSE Financial Services Limited.

	Unaudited December 31, 2019	Audited June 30, 2019
9 SHORT TERM INVESTMENTS - at fair value through profit or loss	Rupees	
Quoted equity securities	2,204,321,156	2,026,815,150
	2,204,321,156	2,026,815,150
Term finance / sukuk certificates	305,951,938	321,613,197
	2,510,273,094	2,348,428,347
10 TRADE DEBTS		
Considered good	50,724,434	30,933,887
Considered doubtful	865,324,540	865,324,540
	916,048,974	896,258,427
Less: Provision for expected credit losses	(865,324,540)	(865,324,540)
	50,724,434	30,933,887

- 10.1** As of December 31, 2019, the Company held equity securities having fair value of Rs. 36,436 million (June 2019: Rs. 37,076 million) owned by its clients, as collaterals against trade debts.

- 10.2** The aging analysis of the Company's trade debts as at reporting date is as follows :

	Unaudited December 31, 2019		Audited June 30, 2019	
	Gross	Impairment	Gross	Impairment
	Rupees			
Not past due	17,593	-	-	-
Past due 1 day - 30 days	46,271,979	-	32,051,907	-
Past due 31 days - 180 days	12,669,618	-	11,978,370	-
Past due 181 days - 1 year	13,740,294	-	13,350,004	-
More than one year	843,349,490	865,324,540	838,878,146	865,324,540
	916,048,974	865,324,540	896,258,427	865,324,540

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

			Unaudited December 31, 2019	Audited June 30, 2019
11	ADVANCES, DEPOSITS AND PREPAYMENTS	Note	Rupees	
	<i>Advances</i>			
	Advance against expenses		148,250	184,960
	Advance to employees		268,381	-
	<i>Trade deposits</i>			
	Exposure deposit with Pakistan Stock Exchange Limited	11.1	4,656,585	38,254,620
	Exposure deposit with National Clearing Company of Pakistan Limited (NCCPL)	11.2	3,934,179	241,359,633
	<i>Prepayments</i>			
	Rent		-	5,848,357
	Insurance		1,809,998	420,000
	Others		256,305	256,305
			11,073,698	286,323,875

11.1 This represents deposits held at the reporting date against exposure arising out of the trading in securities in accordance with the regulations of Pakistan Stock Exchange Limited.

11.2 This represents deposits held at the reporting date against exposure arising out of the trading in securities in accordance with the regulations of National Clearing Company Pakistan Limited.

			Unaudited December 31, 2019	Audited June 30, 2019
12	CASH AND BANK BALANCES	Note	Rupees	
	Cash in hand		93,616	175,294
	Cash at bank			
	- in current accounts		66,693,715	194,874,279
	- in savings accounts		1,135,684,366	432,406,698
		12.1	1,202,378,081	627,280,977
			1,202,471,697	627,456,271

12.1 This includes customer's bank balances held in designated bank accounts amounting to Rs. 1,175.927 million (June 2019: Rs. 595.989 million).

December 31, 2019	June 30, 2019		Unaudited December 31, 2019	Audited June 30, 2019
No. of shares		Note	Rupees	
10,800,000	12,000,000	Ordinary shares of Rs.10/- each:	108,000,000	120,000,000
48,600,000	54,000,000	Issued for cash	486,000,000	540,000,000
59,400,000	66,000,000	Issued as bonus shares	594,000,000	660,000,000
			66,000,000	55,000,000
			-	11,000,000
		13.1.1	(6,600,000)	-
			59,400,000	66,000,000

Balance as at the beginning of the period / year

20% bonus shares issued

10% shares bought back under tender offer

Balance as at the end of the period / year

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

13.1 Following is the reconciliation of opening and closing number of outstanding ordinary shares:

		Unaudited December 31, 2019	Audited June 30, 2019
	Note	Rupees	
Balance as at the beginning of the period / year		66,000,000	55,000,000
20% bonus shares issued		-	11,000,000
10% shares bought back under tender offer	13.1.1	(6,600,000)	-
Balance as at the end of the period / year		59,400,000	66,000,000

13.1.1 In August 2019, the Company bought back 10% of its outstanding ordinary shares under tender offer to the members (at a price of Rs. 35 per share) and redeemed the shares thereafter. The buy-back exercise was carried out in compliance with the requirements of the Listed Companies (Buy-back of Shares) Regulations, 2019 after obtaining approval from the members of the Company in their Extraordinary General Meeting held on July 03, 2019.

14 SHORT TERM BORROWINGS - SECURED

Short term running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 5,150 million (June 2019: Rs. 5,190 million). These facilities have various maturity dates up to September 2021. These arrangements are secured against pledge of marketable securities. These running finance facilities carry mark-up at various rates including 1 month KIBOR + 0.5% to 1%, 3 month KIBOR +1.0% to 1.5% and 6 month KIBOR + 0.75% (June 2019: 1 month KIBOR + 0.5% to 1% , 3 month KIBOR +0.5% to 2% and 6 month KIBOR + 0.75%). The markup is calculated on a daily product basis and is payable quarterly.

14.1 Total value of securities pledged with financial institutions is as under:

	December 31, 2019		June 30, 2019	
	Number of securities	Amount (Rupees)	Number of securities	Amount (Rupees)
Client	150,300,000	3,996,477,000	155,810,000	3,941,528,500
House	92,010,995	1,946,850,188	127,500,995	1,956,264,488
Total		5,943,327,188		5,897,792,988

Unaudited
December 31,
2019

Audited
June 30,
2019

Rupees

15 TRADE AND OTHER PAYABLES

Creditors	1,108,577,199	594,518,438
Commission payable	1,620,674	10,858,152
Accrued expenses	9,356,424	17,262,865
Payable to provident fund	-	272,108
Taxes payable	8,324,989	13,916,869
Other liabilities	1,161,733	1,147,118
	1,129,041,019	637,975,550

15.1 This includes Rs. 27.15 million (June 30, 2019: Rs 26.42 million) payable to related parties of the Company.

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

16 CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

As of the reporting date, there was no change in the status of the contingency as reported in the Company's unconsolidated financial statements for the year ended June 30, 2019.

	Unaudited December 31, 2019	Audited June 30, 2019
	Rupees	
16.2 Commitments		
Following commitments were outstanding as at the reporting date:		
- Outstanding settlements against margin trading contracts	196,838,956	183,844,159
- Outstanding settlements against sale / purchase of securities in regular market.	31,172,748	67,513,807
- Financial guarantees given by commercial banks on behalf of the Company	250,000,000	250,000,000

17 OPERATING REVENUE

	Unaudited Six months ended		Unaudited Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	Rupees			
Brokerage income	156,642,176	151,335,724	108,843,420	95,574,344
Consultancy income	58,531,927	81,586,648	29,403,052	51,797,899
Dividend income	46,830,128	21,961,554	41,974,403	21,449,254
	262,004,231	254,883,926	180,220,875	168,821,497

	Unaudited December 31, 2019	Audited December 31, 2018
	Rupees	
18 FINANCE COSTS		
Finance cost on finance leases	2,339,943	12,102
Markup on short term borrowings from banking companies	218,422,263	68,791,019
Markup on MTS securities	315,753	1,181,452
Bank charges and others	5,117,173	2,752,116
	226,195,132	72,736,689

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

	Unaudited December 31, 2019	Unaudited December 31, 2018
	Rupees	
19 EARNINGS PER SHARE		
19.1 Basic earnings per share		
Profit after taxation attributable to ordinary shareholders	323,207,571	71,224,398
	Number	
Weighted average number of ordinary shares outstanding during the period	60,834,783	66,000,000
	Rupees	
Earnings per share - basic	5.31	1.08

19.2 Diluted earnings per share

There is no dilutive effect on the basic earnings per share of the Company, since there were no potential ordinary shares in issue as at December 31, 2019 and June 30, 2019.

20 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of group companies (the parent company, fellow subsidiaries and the subsidiaries), key management personnel of the Company and directors and their close family members, major shareholders of the Company and staff provident fund. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Transactions with related parties during the period other than those disclosed elsewhere in these interim financial statements are as follows:

	Six months period ended	
	December 31, 2019 (Unaudited)	December 31, 2018 (Unaudited)
	Rupees	
<u>Transactions during the period</u>		
<u>PARENT COMPANY</u>		
Arif Habib Corporation Limited		
Brokerage Commission earned during the year on sale and purchase of Securities	2,383,558	3,685,664
Dividend paid during the period	-	275,000,000
<u>SUBSIDIARY</u>		
Arif Habib Commodities (Private) Limited		
Brokerage Commission earned during the period on sale and purchase of Securities	13,877	113,769
<u>KEY MANAGEMENT PERSONNEL</u>		
Zafar Alam (Chairman)		
Meeting fee paid	50,000	50,000
Muhammad Shahid Ali (CEO)		
Brokerage Commission earned during the period on sale and purchase of securities	3,092,229	3,523,395

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

	Six months period ended	
	December 31, 2019 (Unaudited)	December 31, 2018 (Unaudited)
	Rupees	
Muhammad Haroon (Director)		
Brokerage commission earned during the period on sale and purchase of securities	97,160	76,965
Meeting fee paid	50,000	25,000
Muhammad Sohail Salat (Director)		
Meeting fee paid	50,000	50,000
Sharmin Shahid (Director)		
Brokerage Commission earned during the period on sale and purchase of Securities	301,533	400,491
Meeting fee paid	50,000	50,000
Nida Ahsan (Director)		
Brokerage commission earned during the period on sale and purchase of securities	1,340,170	3,794,815
<u>CLOSE FAMILY MEMBERS OF KEY MANAGEMENT PERSONNEL</u>		
Arif Habib		
Brokerage commission earned during the period on sale and purchase of Securities	4,607,829	3,946,103
Abdus Samad A. Habib		
Brokerage commission earned during the period on sale and purchase of securities	187,350	24,385
Muhammad Kashif A. Habib		
Brokerage commission earned during the period on sale and purchase of securities	6,363	74,765
<u>OTHER RELATED PARTIES</u>		
Javedan Corporation Limited		
Purchase of plots	-	125,000,000
Development charges paid	-	26,088,000
Arif Habib Limited - Employees' Provident Fund Trust		
Contribution paid during the period	2,919,804	3,165,867

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

<u>Balances at the end of the reporting period</u>	As on	
	December 31, 2019 (Unaudited)	June 30, 2019 (Audited)
	Rupees	
<u>PARENT COMPANY</u>		
Arif Habib Corporation Limited		
Balance Receivable at period end	32,928	40,128
<u>SUBSIDIARY</u>		
Arif Habib Commodities (Private) Limited		
Balance payable at period end	-	433,481
Other receivables	15,256,305	15,256,305
<u>KEY MANAGEMENT PERSONNEL</u>		
Zafar Alam (Chairman)		
Balance payable at period end	3,381	-
Muhammad Shahid Ali (CEO)		
Balance payable at period end	27,119,363	25,972,102
Sharmin Shahid (Director)		
Balance payable at period end	6,519	-
Nida Ahsan (Director)		
Balance receivable at period end	5,707	-
Balance payable at period end	-	12,182
Muhammad Sohail Salat (Director)		
Balance receivable at period end	1,099	-
Muhammad Haroon (Director)		
Balance payable at period end	17,745	4,239
<u>CLOSE FAMILY MEMBERS OF KEY MANAGEMENT PERSONNEL</u>		
Arif Habib		
Balance receivable at period end	45,299	-
Abdus Samad A. Habib		
Balance payable at period end	339,074	-

21 CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary for the purposes of comparison and better presentation. Following major reclassifications have been made in these interim financial statements:

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

Reclassified from component	Reclassified to component	Rupees
Advance against equity (Advances, deposits and prepayments)	Advance against equity (Long term advances and deposits)	2,000,000
Quoted equity securities (Short term investments)	Investment in quoted ordinary shares of M/s. Safemix Concrete Limited (Long term investments)	62,672,530

22 FAIR VALUE HIERARCHY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Following is the fair value hierarchy of assets and liabilities carried at fair value:

	Level 1 -----	Level 2 (Rupees)	Level 3 -----
<u>As on December 31, 2019</u>			
Long term investment in quoted shares	48,505,766	-	-
Long term investment in unquoted shares	-	53,022,530	-
Short term investment in quoted equity securities and units of mutual funds	2,204,321,156	-	-
Short term investment in term finance / sukuk certificates	-	305,951,938	-
Investment properties	-	1,699,444,800	-
<u>As on June 30, 2019</u>			
Long term investment in quoted shares	75,696,528	-	-
Long term investment in unquoted shares	-	53,022,530	-
Short term investment in quoted equity securities and units of mutual funds	2,026,815,150	-	-
Short term investment in term finance / sukuk certificates	-	321,613,197	-
Investment properties	-	1,726,419,800	-

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

23 OPERATING SEGMENT

These interim financial statements have been prepared on the basis of a single reportable segment as the Company's asset allocation decisions are based on a single and integrated business strategy.

All non current assets of the Company as at December 31, 2019 were located in Pakistan.

24 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the annual unconsolidated financial statements of the Company as at and for the year ended June 30, 2019.

25 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period as shown in the condensed interim unconsolidated statement of cash flows are reconciled to the related items in the condensed interim unconsolidated statement of financial position as follows:

	December 31, 2019	December 31, 2018
	————— Rupees —————	
Cash and bank balances	1,202,471,697	1,017,136,569
Short term borrowings	(1,858,285,807)	(3,117,847,988)
	<u>(655,814,110)</u>	<u>(2,100,711,419)</u>

26 GENERAL

These interim financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on January 30, 2020.



Chief Executive Officer



Director



Chief Financial Officer

**CONDENSED INTERIM
CONSOLIDATED
FINANCIAL INFORMATION**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

		Un audited December 31, 2019	Audited June 30, 2019
ASSETS	Note	Rupees	
Non-current assets			
Property and equipment	5	35,918,632	39,664,224
Right-of-use assets	6	52,390,711	-
Intangible assets		10,660,115	10,454,089
Long term investments	7	101,528,296	128,719,058
Investment property	8	1,699,444,800	1,726,419,800
Long-term advances and deposits		31,260,112	32,503,690
		<u>1,931,202,666</u>	<u>1,937,760,861</u>
Current assets			
Short term investments	9	2,510,273,094	2,354,373,603
Trade debts	10	50,724,434	30,933,887
Receivable against margin financing		247,484,948	114,245,832
Receivable against purchase of securities- net		385,620	-
Short term loans - secured		4,000,000	4,100,002
Advances, deposits and prepayments	11	76,857,918	346,522,172
Accrued markup		14,000,170	26,899,464
Other receivables		174,702,990	197,776,510
Cash and bank balances	12	1,238,003,181	657,572,366
		<u>4,316,432,355</u>	<u>3,732,423,836</u>
Total assets		<u><u>6,247,635,021</u></u>	<u><u>5,670,184,697</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
<i>Authorized capital</i>			
75,000,000 (June 30, 2019: 75,000,000) ordinary shares of Rs 10/- each		<u>750,000,000</u>	<u>750,000,000</u>
Issued, subscribed and paid-up capital	13	<u>594,000,000</u>	<u>660,000,000</u>
Unappropriated profits		<u>2,430,198,292</u>	<u>2,264,332,324</u>
Surplus on revaluation		<u>15,432,500</u>	<u>15,432,500</u>
		<u>2,445,630,792</u>	<u>2,279,764,824</u>
		<u>3,039,630,792</u>	<u>2,939,764,824</u>
LIABILITIES			
Non-current liabilities			
Lease liability		<u>34,994,909</u>	<u>-</u>
Current liabilities			
Short term borrowings- secured	14	<u>1,858,285,807</u>	<u>1,909,233,639</u>
Trade and other payables	15	<u>1,132,168,537</u>	<u>639,065,000</u>
Payable to provident fund		<u>100,618</u>	<u>272,108</u>
Current portion of lease liability		<u>16,917,260</u>	<u>-</u>
Payable against purchase of securities- net		<u>-</u>	<u>30,970,319</u>
Unclaimed dividend		<u>14,460,393</u>	<u>14,460,393</u>
Loan from related party		<u>3,862,500</u>	<u>3,800,000</u>
Markup accrued		<u>113,494,303</u>	<u>84,812,447</u>
Taxes payable -net		<u>33,719,902</u>	<u>47,805,967</u>
		<u>3,173,009,320</u>	<u>2,730,419,873</u>
Contingencies and commitments	16		
Total equity and liabilities		<u><u>6,247,635,021</u></u>	<u><u>5,670,184,697</u></u>

The annexed notes from 1 to 26 form an integral part of these condensed interim consolidated financial statements.



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2019 (UNAUDITED)

	Note	Six months ended		Quarter ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		Rupees			
Operating revenue	17	272,766,323	261,479,047	186,420,381	172,587,541
Capital (loss) / gain on sale of short term investments		(294,388,382)	115,511,165	(199,235,971)	23,803,721
Unrealized gain / (loss) on re-measurement of short term and long term investments		559,248,441	(314,139,218)	720,428,781	(274,607,422)
Unrealized gain on remeasurement of investment property	8	132,500,000	241,698,360	-	124,598,360
		670,126,382	304,549,354	707,613,191	46,382,200
Administrative and operating expenses		(169,737,783)	(174,900,229)	(97,291,401)	(86,273,904)
Finance costs	18	(226,203,635)	(72,758,355)	(118,797,441)	(45,325,689)
Other operating income		82,214,949	57,601,523	34,276,911	36,014,468
Profit / (loss) before taxation		356,399,913	114,492,293	532,073,162	(53,069,832)
Taxation		(25,533,945)	(36,312,301)	(12,357,557)	(18,349,520)
Profit / (loss) after taxation		330,865,968	78,179,992	519,715,605	(71,419,352)
Earning / (loss) per share - basic and diluted	19	5.44	1.18	8.54	(1.08)

The annexed notes from 1 to 26 form an integral part of these condensed interim consolidated financial statements.



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME


FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2019 (UNAUDITED)

	Six months ended		Quarters ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	-----Rupees -----			
Profit / (loss) after taxation	330,865,968	78,179,994	519,715,607	(71,419,351)
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	330,865,968	78,179,994	519,715,607	(71,419,351)

The annexed notes from 1 to 26 form an integral part of these condensed interim consolidated financial statements.


Chief Executive Officer


Director


Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2019 (UNAUDITED)

	Issued, subscribed & paid up capital	Unappropriated profits	Surplus on revaluation	Total
	Rupees			
Balance as at July 01, 2018	550,000,000	2,647,092,238	15,432,500	3,212,524,738
Effect of recognition of expected credit loss allowance on initial application of IFRS 9	-	(42,288,164)	-	(42,288,164)
Total comprehensive income for the six months ended December 31, 2018	-			
- Profit after taxation	-	78,179,994	-	78,179,994
- Other comprehensive income	-	-	-	-
	-	78,179,994	-	78,179,994
Transactions with owners				
- Cash dividend paid @ 30% for the year ended June 30, 2018	-	(165,000,000)	-	(165,000,000)
- Bonus shares issued @ 20% for the year ended June 30, 2018	110,000,000	(110,000,000)	-	-
	110,000,000	(275,000,000)	-	(165,000,000)
Balance as at December 31, 2018	660,000,000	2,407,984,068	15,432,500	3,083,416,568
Balance as at July 01, 2019	660,000,000	2,264,332,324	15,432,500	2,939,764,824
Total comprehensive income for the six months ended December 31, 2019				
- Profit after taxation	-	330,865,968	-	330,865,968
- Other comprehensive income	-	-	-	-
	-	330,865,968	-	330,865,968
Transactions with owners				
- Buy-back of 10% shares under tender offer	(66,000,000)	(165,000,000)	-	(231,000,000)
Balance as at December 31, 2019	594,000,000	2,430,198,292	15,432,500	3,039,630,792

The annexed notes from 1 to 26 form an integral part of these condensed interim consolidated financial statements.



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS AND QUARTER ENDED DECEMBER 31, 2019 (UNAUDITED)

	Note	December 31, 2019	December 31, 2018
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		356,399,913	114,492,295
Adjustments for:			
- Depreciation		13,871,830	4,157,040
- Amortization of intangible asset		251,907	265,290
- Gain on disposal of investment property		(775,000)	(11,315,000)
- Loss on disposal of property and equipment		-	11,885
- Loss / (Gain) on re-measurement of short term investments		(573,415,205)	314,139,218
- Loss on re-measurement of long term investments		14,166,764	-
- Loss / (Gain) on short term investment		294,388,382	(115,511,165)
- Unrealized gain on re-measurement of investment property		(132,500,000)	(241,698,360)
- Reversal of commission		-	-
- Dividend income		-	(21,961,554)
- Finance costs		226,203,635	72,758,355
		(157,807,687)	845,709
		198,592,226	115,338,004
Working capital changes			
(Increase)/decrease in current assets			
- Short-term investments - net		136,151,330	(723,578,662)
- Trade debts - consider good		(19,790,547)	(27,633,044)
- Receivable against margin financing		(133,239,116)	(66,281,222)
- Receivable against purchase of securities- net		(385,620)	-
- Short term loans		100,002	3,150,830
- Deposits and short-term prepayments		268,983,565	(846,727,200)
- Accrued markup		12,899,294	21,175,998
- Other receivables		26,843,521	2,933,525
Increase/(decrease) in current liabilities			
- Trade and other payables		493,103,537	460,986,935
- Unclaimed dividend		-	3,195,357
- Payable to provident fund		(171,490)	225,414
- Loan from related party		62,500	3,800,000
- Payable against purchase of securities - net		(30,970,319)	7,035,837
		753,586,657	(1,161,716,232)
		952,178,883	(1,046,378,228)
Cash generated from / (used in) operations			
Taxes paid		(39,620,010)	(49,175,792)
Finance costs paid		(197,521,779)	(76,615,051)
Net cash generated from / (used in) operating activities		715,037,094	(1,172,169,071)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(54,550)	(8,808,218)
Proceeds from disposal of property and equipment		-	562,419
Acquisition of intangible assets		(457,933)	-
Proceed from disposal of intangible assets		-	-
Expenditure on investment property - net		-	(151,088,000)
Sale proceeds on disposal of Investment property		156,480,000	148,655,000
Dividends received		-	24,006,353
Long term deposits - net		1,243,578	(1,218,402)
Net cash generated from / (used in) investing activities		157,211,095	12,109,152
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal repayment against lease liability		(9,869,542.00)	(1,345,933)
Dividend paid		-	(165,000,000)
Buy-back of 10% shares under tender offer		(231,000,000)	-
Net cash used in financing activities		(240,869,542)	(166,345,933)
Net increase / (decrease) in cash and cash equivalents		631,378,647	(1,326,405,852)
Cash and cash equivalents at the beginning of the period		(1,251,661,273)	(757,165,827)
Cash and cash equivalents at the end of the period	25	(620,282,626)	(2,083,571,679)

The annexed notes from 1 to 26 form an integral part of these condensed interim consolidated financial statements.



Chief Executive Officer



Director



Chief Financial Officer

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

1 STATUS AND NATURE OF BUSINESS

- 1.1** Arif Habib Limited ("the Parent Company") is a public listed company incorporated in Pakistan under the repealed Companies Ordinance, 1984 ('the Ordinance') which has now been replaced with Companies Act, 2017 ('the Act'). The shares of the Parent Company are listed on Pakistan Stock Exchange Limited ("the Exchange"). The Parent Company was initially incorporated as an unquoted public limited company wholly owned by Arif Habib Corporation Limited ("the Ultimate Parent Company"). Subsequently, the Ultimate Parent Company offered its 25% share holding in the Parent Company to general public and the Parent Company obtained listing on the Exchange on January 31, 2007. As of the reporting date, the Ultimate Parent Company held 72.80% shares of the Parent Company.

The Parent Company is a holder of Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited. The principal activities of the Parent Company are investments, share brokerage, inter-bank brokerage, Initial Public Offer (IPO) underwriting, advisory and consultancy services. The registered office of the Parent Company is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi.

- 1.2** These condensed interim consolidated financial statements comprise of the Parent Company and its following subsidiary companies (here-in-after referred to as "the Group"):

Name of subsidiary companies

	Effective % shareholding
- Arif Habib Commodities (Private) Limited	100.00%
- Arif Habib 1857 (Private) Limited	100.00%

- 1.3** Arif Habib Commodities (Private) Limited (AHCPL) was incorporated on April 02, 2012 as a private limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of AHCPL is located at Arif Habib Centre, 23, M.T. Khan Road, Karachi. AHCPL holds license of Pakistan Mercantile Exchange (PMEX). The principal activity of AHCPL is to effectively manage investment portfolios in commodities.

- 1.4** Arif Habib 1857 (Private) Limited (AH 1857) was incorporated on July 17, 2014 as a private limited company in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the AH 1857 is located at Arif Habib Centre, 23, M.T. Khan Road, Karachi. AH 1857 holds Trading Right Entitlement Certificate (TREC). The principal activities of AH 1857 are investments and shares brokerage.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim consolidated financial statements ('the interim financial statements') have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard 34: 'Interim Financial Reporting' (IAS 34), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These interim financial statements do not include all the information and disclosures as required in the annual consolidated financial statements and should be read in conjunction with the Group's annual financial statements for the year ended June 30, 2019.

2.2 Basis of measurement

These interim financial statements have been prepared under the historical cost convention, except for;

- a) Lease liability and the related right-of-use asset which are initially measured at the present value of the lease payments that are not paid at the commencement date.

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

- b) Long term investments in unquoted ordinary shares of M/s. ISE Tower REIT Management Limited and M/s. LSE Financial Services Limited which are carried at fair value;
- c) Investment property which is carried at fair value;
- d) Short term investments in quoted equity securities, units of mutual funds and term finance certificates / sukuks which are carried at fair value;

2.3 Functional and presentation currency

Items included in these interim financial statements are measured using the currency of the primary economic environment in which the Group operates. These interim financial statements are presented in Pak Rupees which is the Group's functional and presentation currency, unless otherwise stated. All figures have been rounded off to the nearest rupee.

3 SIGNIFICANT ACCOUNTING POLICIES

Except for the change in accounting policy described in note 3.1 below, the significant accounting policies adopted in the preparation of these interim financial statements are the same as those applied in the preparation of the consolidated financial statements of the Group for the year ended June 30, 2019.

3.1 Change in accounting policy - Initial application of IFRS 16 'Leases'

An overview of the new lease accounting requirements for lessees

With effect from July 01, 2019, the Group has adopted the International Financial Reporting Standard (IFRS) 16 Leases which replaced the previous lease accounting requirements contained in IAS 17 Leases, IFRIC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC Interpretation 15 Operating Leases—Incentives and SIC Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single on-balance sheet lease accounting model for lessees whereby, at the date of commencement of lease, a lessee is required to recognize a right-of-use asset and a lease liability (except in case short term leases and leases of low value assets). The right-of-use asset represents the lessee's right to use an underlying asset during the lease term and the corresponding lease liability represents the lessee's obligation to make payments to the lessor for providing the right to use that asset. In the IASB's view, this new lessee accounting model reflects the economics of a lease because, at the commencement date, a lessee obtains the right to use an underlying asset for a period of time, and the lessor had delivered that right by making the asset available for use by the lessee.

The aforesaid new accounting model materially differs from the previous lease accounting requirements for lessees whereby a lessee was required to classify its leases either as finance leases or operating leases based on whether the risks and rewards incidental to ownership were substantially transferred to the lessee. Under the previous standard, at the commencement of the lease term, the lessee recognized finance leases as assets and liabilities in its statement of financial position. However, the lessee recognized the payments made under operating leases as an expense on a straight line basis over the lease term unless another systematic basis was more representative of the time pattern of the user's benefit.

Method of transition to the new lease accounting model

IFRS 16 specifies that a lessee shall apply the standard to its leases either retrospectively to each prior reporting period presented applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ('the full retrospective method') or retrospectively with the cumulative effect of initially applying the standard recognized as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application without restating comparative information ('the cumulative catch-up transition method').

The Group has applied IFRS 16 to the lease arrangements in which it is a lessee (which previously were classified as operating leases under IAS 17) by following the cumulative catch-up transition method using the following practical expedients as permitted under paragraph C10 of IFRS 16:

- (a) The Group has applied a single discount rate (i.e. its incremental borrowing rate of 15% per annum as of July 01, 2019) to its portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);
- (b) The Group has relied on its assessment of whether the aforesaid lease arrangements are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets as on June 30, 2019 as an alternative to perform an impairment review of right-of-use asset. The said assessment performed by the Group as on June 30, 2019 had not identified any onerous lease arrangements; and

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

- (c) The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Because in its consolidated financial statements for the year ended June 30, 2019, the Group was not required to disclose operating lease commitments under IAS 17, no such explanation as is required under paragraph C12(b) of IFRS 16 has been disclosed in these interim financial statements.

Initial measurement of the right-of-use asset and the corresponding lease liability

As of the date of initial application (i.e. of July 01, 2019), the Group measured the right-of-use asset and the related lease liability (arising from its rights under lease arrangements existing as of that date) as follows:

- (a) As permitted under paragraph C8(b) of IFRS 16, the Group measured the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of related prepaid lease payments recognized in its consolidated statement of financial position as June 30, 2019.
- (b) The Group measured the lease liability at the present value of the remaining lease payments, discounted using its aforementioned incremental borrowing rate of 15% per annum as of July 01, 2019.

Accounting policy with respect to subsequent measurement of the right-of-use asset and the corresponding lease liability

Right-of-use asset

After the commencement date, the Group measures the right-of-use asset applying a cost model whereby the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability.

The right-of-use asset is depreciated on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option in which case the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset.

Lease liability

After the commencement date, the Group measures the lease liability by:

- (a) increasing the carrying amount to reflect interest on the lease liability;
- (b) reducing the carrying amount to reflect the lease payments made; and
- (c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the interim financial statements in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

In preparing the interim financial statements, the significant judgments made by group management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preceding published annual consolidated financial statements of the Group as at and for the year ended June 30, 2019.

5 PROPERTY AND EQUIPMENT

Unaudited December 31, 2019	Audited June 30, 2019
———— Rupees ————	

Owned assets

35,918,632

39,664,224

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

Unaudited
December 31,
2019
Rupees

Audited
June 30,
2019

6 RIGHT-OF-USE ASSETS

Cost	62,462,399	-
Depreciation charged during the period / year	(10,071,688)	-
Closing net book value	52,390,711	-

- 6.1** This represents the Group's right to use the office premises (Block-B, 2nd Floor of the Arif Habib Centre situated at Plot No. 23, Off. M.T. Khan Road) and five (05) shops (situated in the Mall Tower, 35 the Mall Peshawar Cantt) obtained under lease arrangements. The principal terms and conditions of these lease arrangements are as follows:

	Office premises	Shops
Lessor name	Rotocast Engineering Co. (Pvt.) Ltd.	Mr. Azmat Hassan Khan
Lease agreement date	July 01, 2019	March 01, 2019
Lease commencement date	July 01, 2019	February 01, 2019
Initial lease term	3 years	5 years
No. of years for which the lease extension option is available	Indefinite	5 years

- 6.2** The lease term used in the measurement of the right-of-use asset and the related lease liability has been restricted to the aforementioned initial lease term since the Group, after giving due consideration to the factors that might create an economic incentive for the Group to extend the leases, has concluded that, at the lease commencement date, it was not reasonably certain to exercise the said extension options.

Unaudited
December 31,
2019
Rupees

Audited
June 30,
2019

7 LONG TERM INVESTMENTS

Note

Investments at fair value through profit or loss

Investment in quoted ordinary shares of:

- Pakistan Stock Exchange Limited	7.1	-	13,023,998
- Safemix Concrete Limited	7.2 / 21	48,505,766	62,672,530
		48,505,766	75,696,528

Investment in unquoted ordinary shares of:

- ISE Towers REIT Management Company Limited	40,936,808	40,936,808
- LSE Financial Services Limited	12,085,722	12,085,722
	53,022,530	53,022,530
	101,528,296	128,719,058

- 7.1** In August 2019, 1,001,846 ordinary shares of Pakistan Stock Exchange Limited (PSX) previously marked as freezed by the Central Depository Company of Pakistan Limited (CDC) were un-freezed and re-classified as 'available' in its Account Balance Report. Since, as of December 31, 2019, the Group intended to dispose of the investment in due course of time, it was re-classified as a short term investment.

- 7.2** As of December 31, 2019, the Group held 7,699,328 ordinary shares (June 30, 2019: 7,699,328 ordinary shares) of M/s. Safemix Concrete Limited (SCL), an associated company of the Parent Company in terms of section 2(4) of the Companies Act, 2017. This gives the Group 30.80% (June 30, 2019: 29.94%) voting power in SCL. However, since Mr. Arif Habib and

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

his sons, Mr. Samad Habib and Mr. Kashif Habib, by virtue of their direct investment as well as the indirect investment held through the Group are in a position to exert control over SCL and because of the fact that the Parent Company has not appointed any person on the Board of Directors of SCL, the group management is of the view that the Group is not able to exercise significant influence over SCL. Hence, SCL cannot be regarded as an 'associate' of the Group within the meaning of the term 'associate' defined in the International Accounting Standard (IAS) 28 Investments in Associates and Joint Ventures.

	Unaudited December 31, 2019	Audited June 30, 2019
	Rupees	
8 INVESTMENT PROPERTY		
Opening carrying value	1,726,419,800	1,373,500,000
Disposals during the period / year	(159,475,000)	(180,540,000)
Additions during the period / year	-	163,419,941
	1,566,944,800	1,356,379,941
Increase in fair value - net	132,500,000	370,039,859
	1,699,444,800	1,726,419,800

- 8.1** This represents investment in plots of land and residential bungalows situated at Naya Nazimabad, Deh Manghopir, Gadap Town, Karachi as well as the investment in offices located in the building complex of Pakistan Stock Exchange Limited, ISE Towers REIT Management Company Limited and LSE Financial Services Limited.

	Unaudited December 31, 2019	Audited June 30, 2019
	Rupees	
9 SHORT TERM INVESTMENTS - at fair value through profit or loss		
Quoted equity securities	2,204,321,156	2,026,815,150
Investment in MTS	-	5,945,256
	2,204,321,156	2,032,760,406
Term finance / sukuk certificates	305,951,938	321,613,197
	2,510,273,094	2,354,373,603

10 TRADE DEBTS

Considered good	50,724,434	30,933,887
Considered doubtful	865,324,540	865,324,540
	916,048,974	896,258,427
Less: Provision for expected credit losses	(865,324,540)	(865,324,540)
	50,724,434	30,933,887

- 10.1** As of December 31, 2019, the Group held equity securities having fair value of Rs. 36,436 million (June 2019: Rs. 37,076 million) owned by its clients, as collaterals against trade debts.

- 10.2** The aging analysis of the trade debts as at reporting date is as follows :

	Unaudited December 31, 2019		Audited June 30, 2019	
	Gross	Impairment	Gross	Impairment
	Rupees			
Not past due	17,593	-	-	-
Past due 1 day - 30 days	46,271,979	-	32,051,907	-
Past due 31 days - 180 days	12,669,618	-	11,978,370	-
Past due 181 days - 1 year	13,740,294	-	13,350,004	-
More than one year	843,349,490	865,324,540	838,878,146	865,324,540
	916,048,974	865,324,540	896,258,427	865,324,540

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

		December 31, 2019	June 30, 2019
		Rupees	
11	ADVANCES, DEPOSITS AND PREPAYMENTS	Note	
	Advances		
	Advance against expenses	148,250	184,960
	Advance to employees	268,381	-
	Trade deposits		
	Exposure deposit with Pakistan Stock Exchange Limited	11.1	70,697,110
	Exposure deposit with National Clearing Company of Pakistan Limited (NCCPL)	11.2	3,934,179
	Prepayments		
	Rent	-	5,848,357
	Insurance	1,809,998	420,000
	Others	-	59,506
		76,857,918	346,522,172

11.1 This represents deposits held at the reporting date against exposure arising out of the trading in securities in accordance with the regulations of Pakistan Stock Exchange Limited.

11.2 This represents deposits held at the reporting date against exposure arising out of the trading in securities in accordance with the regulations of National Clearing Company Pakistan Limited.

		Unaudited December 31, 2019	Audited June 30, 2019
		Rupees	
12	CASH AND BANK BALANCES	Note	
	Cash in hand	93,616	175,294
	Cash at bank		
	- in current accounts	68,881,555	195,786,812
	- in savings accounts	1,169,028,010	461,610,260
		12.1	1,237,909,565
			657,397,072
		1,238,003,181	657,572,366

12.1 This includes customer's bank balances held in designated bank accounts amounting to Rs. 1,175.927 million (June 2019: Rs. 595.989 million).

13 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

December 31, 2019	June 30, 2019		Unaudited December 31, 2019	Audited June 30, 2019
Rupees			Rupees	
10,800,000	12,000,000	Ordinary shares of Rs.10/- each:	108,000,000	120,000,000
48,600,000	54,000,000	Issued for cash	486,000,000	540,000,000
59,400,000	66,000,000	Issued as bonus shares	594,000,000	660,000,000

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

		Unaudited December 31, 2019	Audited June 30, 2019
	Note	Rupees	
13.1	Following is the reconciliation of opening and closing number of outstanding ordinary shares:		
Balance as at the beginning of the period / year		66,000,000	55,000,000
20% bonus shares issued		-	11,000,000
10% shares bought back under tender offer	13.1.1	(6,600,000)	-
Balance as at the end of the period / year		59,400,000	66,000,000

13.1.1 In August 2019, the Parent Company bought back 10% of its outstanding ordinary shares under tender offer to the members (at a price of Rs. 35 per share) and redeemed the shares thereafter. The buy-back exercise was carried out in compliance with the requirements of the Listed Companies (Buy-back of Shares) Regulations, 2019 after obtaining approval from the members of the Parent Company in their Extraordinary General Meeting held on July 03, 2019.

14 SHORT TERM BORROWINGS - SECURED

Short term running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 5,150 million (June 2019: Rs. 5,190 million). These facilities have various maturity dates up to September 2021. These arrangements are secured against pledge of marketable securities. These running finance facilities carry mark-up at various rates including 1 month KIBOR + 0.5% to 1%, 3 month KIBOR +1.0% to 1.5% and 6 month KIBOR + 0.75% (June 2019: 1 month KIBOR + 0.5% to 1% , 3 month KIBOR +0.5% to 2% and 6 month KIBOR + 0.75%). The markup is calculated on a daily product basis and is payable quarterly.

14.1 As of the reporting date, total value of securities pledged with financial institutions was as under:

	December 31, 2019		June 30, 2019	
	Number of securities	Amount (Rupees)	Number of securities	Amount (Rupees)
Clients	150,300,000	3,996,477,000	155,810,000	3,941,528,500
House	92,010,995	1,946,850,188	127,500,995	1,956,264,488
Total		5,943,327,188		5,897,792,988

		Unaudited December 31, 2019	Audited June 30, 2019
15	TRADE AND OTHER PAYABLES	Note	Rupees
	Creditors	15.1	1,108,577,199
	Commission payable		1,620,675
	Accrued expenses		11,814,008
	Taxes payable		8,876,202
	Other liabilities		1,280,453
			1,132,168,537
			594,177,475
			10,858,152
			17,382,865
			13,916,869
			2,729,639
			639,065,000

15.1 This includes Rs. 27.15 million (June 30, 2019: Rs 26.42 million) payable to related parties of the Group.

16 CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

As of the reporting date, there was no change in the status of the contingency as reported in the Group's consolidated financial statements for the year ended June 30, 2019.

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

			Unaudited December 31, 2019	Audited June 30, 2019
			Rupees	
16.2 Commitments				
Following commitments were outstanding as at the reporting date.				
- Outstanding settlements against margin trading contracts			196,838,956	183,844,159
- Outstanding settlements against sale / purchase of in regular market.			31,172,748	67,513,807
- Financial guarantees given by commercial banks on the Parent Company			250,000,000	250,000,000
17 OPERATING REVENUE				
	Six months ended	Quarter ended		
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
			Rupees	
Brokerage income	167,404,268	157,930,845	115,042,927	99,340,388
Consultancy income	58,531,927	81,586,649	29,403,052	51,797,900
Dividend income	46,830,128	21,961,554	41,974,403	21,449,254
	272,766,323	261,479,048	186,420,382	172,587,542
18 FINANCE COSTS				
			Unaudited December 31, 2019	Unaudited December 31, 2018
			Rupees	
Finance cost on leases			2,339,943	12,102
Markup on short term borrowings from banking companies			218,422,263	68,791,019
Laga charges			315,753	1,181,452
Bank charges and others			5,125,676	2,773,782
			226,203,635	72,758,355
19 EARNINGS PER SHARE				
19.1 Basic earnings per share				
Profit after taxation attributable to ordinary shareholders of the Parent Company			330,865,968	78,179,994
			Number	
Weighted average number of ordinary shares outstanding during the period			60,834,783	66,000,000
			Rupees	
Earnings per share - basic			5.44	1.18

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

19.2 Diluted earnings per share

There is no dilutive effect on the basic earnings per share of the Group, since there were no potential ordinary shares in issue as at December 31, 2019 and June 30, 2019.

20 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of the Ultimate Parent Company, key management personnel and major shareholders of the Ultimate Parent Company, Parent Company and the Subsidiaries and their close family members, and staff provident funds. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident funds is in accordance with staff service rules. Transactions with related parties during the period other than those disclosed elsewhere in these interim financial statements are as follows.

	Six months period ended	
	Unaudited December 31, 2019	Unaudited December 31, 2018
<u>Transactions during the period</u>		
<u>ULTIMATE PARENT COMPANY</u>	----- Rupees -----	
Arif Habib Corporation Limited		
Brokerage Commission earned during the year on sale and purchase of Securities	2,383,558	3,685,664
<u>KEY MANAGEMENT PERSONNEL</u>		
Zafar Alam (Chairman of the Parent Company)		
Meeting fee paid	50,000	50,000
Muhammad Shahid Ali (CEO of the Parent Company)		
Brokerage Commission earned during the period on sale and purchase of securities	3,092,229	3,523,395
Muhammad Haroon (Director of the Parent Company)		
Brokerage commission earned during the period on sale and purchase of securities	97,160	76,965
Meeting fee paid	50,000	25,000
Muhammad Sohail Salat (Director of the Parent Company)		
Meeting fee paid	50,000	50,000
Sharmin Shahid (Director of the Parent Company)		
Brokerage Commission earned during the period on sale and purchase of Securities	301,533	400,491
Meeting fee paid	50,000	50,000
Nida Ahsan (Director of the Parent Company)		
Brokerage commission earned during the period on sale and purchase of securities	1,340,170	3,794,815
Ahsan Mehnti (Director of Subsidiary Company)		
Loan received	62,500	3,800,000
<u>CLOSE FAMILY MEMBERS OF KEY MANAGEMENT PERSONNEL</u>		
Arif Habib		
Brokerage commission earned during the period on sale and purchase of Securities	4,607,829	3,946,103

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

	Six months period ended	
	Unaudited December 31, 2019	Unaudited December 31, 2018
	Rupees	
Abdus Samad A. Habib Brokerage commission earned during the period on sale and purchase of securities	187,350	24,385
Muhammad Kashif A. Habib Brokerage commission earned during the period on sale and purchase of securities	6,363	74,765
<u>OTHER RELATED PARTIES</u>		
Javedan Corporation Limited Purchase of plots	-	125,000,000
Development charges paid	-	26,088,000
Arif Habib Limited - Employees' Provident Fund Trust Contribution paid during the period	2,919,804	3,165,867
<u>Balances at the end of the reporting period</u>		
<u>ULTIMATE PARENT COMPANY</u>		
Arif Habib Corporation Limited Balance receivable against sale and purchase of securities	32,928	40,128
<u>KEY MANAGEMENT PERSONNEL</u>		
Zafar Alam (Chairman of the Parent Company) Balance payable against sale and purchase of securities	3,381	-
Muhammad Shahid Ali (CEO of the Parent Company) Balance payable against sale and purchase of securities	27,119,363	25,972,102
Sharmin Shahid (Director of the Parent Company) Balance payable against sale and purchase of securities	6,519	-
Nida Ahsan (Director of the Parent Company) Balance receivable against sale and purchase of securities	5,707	-
Balance payable against sale and purchase of securities	-	12,182
Muhammad Sohail Salat (Director of the Parent Company) Balance receivable against sale and purchase of securities	1,099	-
Muhammad Haroon (Director of the Parent Company) Balance payable against sale and purchase of securities	17,745	4,239
Ahsan Mehnti (Director of Subsidiary Company) Loan payable	3,862,500	3,800,000
<u>CLOSE FAMILY MEMBERS OF KEY MANAGEMENT PERSONNEL</u>		
Arif Habib Balance receivable against sale and purchase of securities	45,299	-
Abdus Samad A. Habib Balance payable against sale and purchase of securities	339,074	-

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

21 CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary for the purposes of comparison and better presentation. Following major reclassification has been made in these interim financial statements:

Reclassified from component	Reclassified to component	Rupees
Quoted equity securities (Short term investments)	Investment in quoted ordinary shares of M/s. Safemix Concrete Limited (Long term investments)	62,672,530
Creditors (Trade and other payables)	Accrued expenses (Trade and other payables)	11,154,237

22 FAIR VALUE HIERARCHY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1 : Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 : Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Following is the fair value hierarchy of assets and liabilities carried at fair value:

	Level 1 -----	Level 2 (Rupees)	Level 3 -----
As on December 31, 2019			
Long term investment in quoted shares	48,505,766	-	-
Long term investment in unquoted shares	-	53,022,530	-
Short term investment in quoted equity securities and units of mutual funds	2,204,321,156	-	-
Short term investment in term finance / sukuk certificates	-	305,951,938	-
Investment properties	-	1,699,444,800	-

As on June 30, 2019

Long term investment in quoted shares	75,696,528	-	-
Long term investment in unquoted shares	-	53,022,530	-
Short term investment in quoted equity securities and units of mutual funds	2,026,815,150	-	-
Short term investment in term finance / sukuk certificates	-	321,613,197	-
Short term investment in MTS	5,945,256	-	-
Investment properties	-	1,726,419,800	-

23 OPERATING SEGMENT

These interim financial statements have been prepared on the basis of a single reportable segment as the Group's asset allocation decisions are based on a single and integrated business strategy.

All non current assets of the Group as at December 31, 2019 are located in Pakistan.

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 (UNAUDITED)

24 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements of the Group as at and for the year ended June 30, 2019.


25 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period as shown in the condensed interim consolidated statement of cash flows are reconciled to the related items in the condensed interim consolidated statement of financial position as follows:

	December 31, 2019	December 31, 2018
	Rupees	
Cash and bank balances	1,238,003,181	1,041,108,460
Short term borrowings	(1,858,285,807)	(3,124,680,139)
	(620,282,626)	(2,083,571,679)

26 GENERAL

These financial statements were authorized for issue by the Board of Directors of the Parent Company in their meeting held on January 30, 2020.


Chief Executive Officer


Director


Chief Financial Officer

PATTERN OF SHAREHOLDING

AS OF DECEMBER 31, 2019

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
MUHAMMAD HAROON	1	1,557	0.00
NIDA AHSAN	1	1,099	0.00
SHARMIN SHAHID	1	1,099	0.00
MOHSIN MADNI	1	500	0.00
MUHAMMAD SHAHID ALI	1	878	0.00
ZAFAR ALAM	1	600	0.00
MUHAMMAD SOHAIL SALAT	1	600	0.00
Associated Companies, undertakings and related parties			
M/S. ARIF HABIB CORPORATION LIMITED	2	43,245,884	72.80
ARIF HABIB	1	976,008	1.64
Public Sector Companies and Corporations	1	55,420	0.09
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	5	26,140	0.04
Mutual Funds			
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	432,000	0.73
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	1	102,500	0.17
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	1	224,500	0.38
CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	1	66,500	0.11
CDC - TRUSTEE UBL FINANCIAL SECTOR FUND	1	193,500	0.33
CDC - TRUSTEE UBL DEDICATED EQUITY FUND	1	75,000	0.13
CDC - TRUSTEE ALLIED FINERGY FUND	1	151,500	0.26
General Public			
a. Local	3173	12,717,455	21.41
b. Foreign	1	12,000	0.02
Foreign Companies	0	-	-
Others	61	1,115,260	1.88
Totals	3258	59,400,000	100.00

Share holders holding 5% or more	Shares Held	Percentage
ARIF HABIB CORPORATION LIMITED	43,245,884	72.80



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