



ARIF HABIB CENTRE

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Fax No (92-21) 32416072; 32429653
Tel (92 42) 35871730
Group Website www.arifhabib.com.pk



**ENVISIONING A
PROSPEROUS
FUTURE**

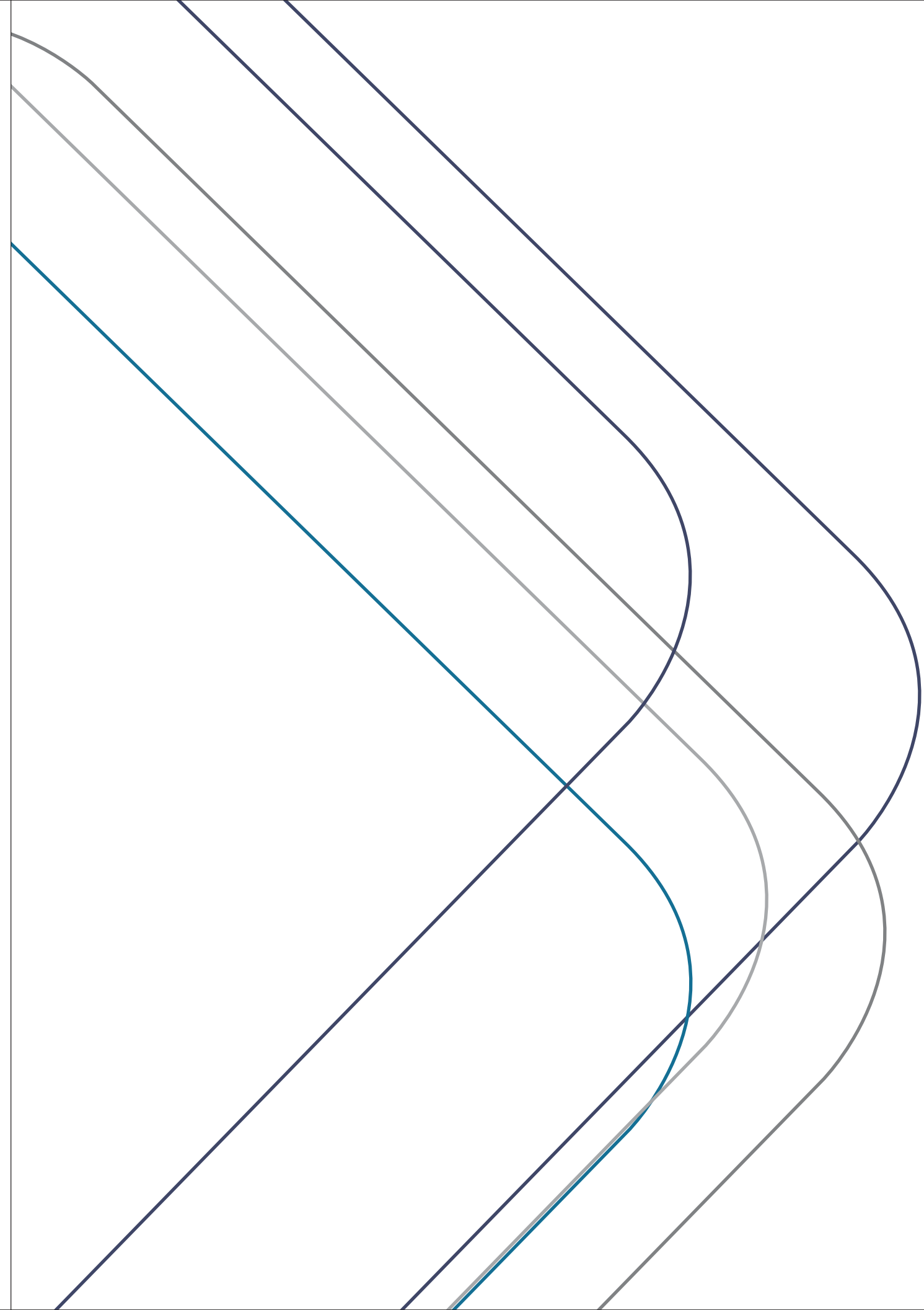




WE ARE ARIF HABIB LIMITED

Arif Habib Group has been serving the investors for over four decades. Over the years the firm has constantly evolved and adopted to changing times. As a premium brokerage and financial services firm, AHL strives to build an environment that promotes teamwork; leadership and resilience, in order to better serve the ever-growing capital market.

During testing economic conditions, AHL has always endeavored to deliver consistent results to its trusting family of investors. It is only through consistency that we are able to maintain high levels of client satisfaction and have achieved industry wide recognition for our work. Being steadfast, determined and persistent are characteristics that strongly resonate with AHL's code of conduct.



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**ENVISIONING
TRUST**



COMPANY 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
Mr. Mohsin Madni	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 & Chief Financial Officer

Mr. Muhammad Taha Siddiqui

Auditors

M/s. Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Credit Rating

JCR-VIS Credit Rating Company Limited

Legal Advisors

M/s. Bawaney & Partners

Management Rating

The Pakistan Credit Rating Agency

Legal Advisors

Muhammad Zubair
Advocate High Court

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-050/01

Lahore Branch

Office Nos. G-05 & G-06, Ground Floor, LSE Plaza
19, Khayaban-e-Aiwan-e-Iqbal, Lahore
Tel: +92 (42) 3631 3710, +92 (42) 3631 3700-1,
+92 (42) 3631 3702, +92 (42) 3631 3703

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 5253910-13



VISION

Our vision is to be the most Preferred and Respected Financial Institution, renowned for our expertise in Securities Brokerage and Investment Banking services.

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.



CODE OF CONDUCT

Arif Habib Limited strongly believes in running its business progressively without compromising on the best ethical standards as guided by the

“Code of Ethics and Business Practices”.

OUR VALUES



INTERGRITY

We conduct ourselves with uncompromising integrity and honesty as individuals, as teams, and as a Company



EFFICIENCY

We pride ourselves on our efficiency which plays a major role in identifying and capitalizing opportunities in all aspects of our businesses and operations

We strive to earn enduring credibility which we believe is essential to long-term business relationships



CREDIBILITY

We hold sound governance values and a responsible approach to social and environmental risks which begins with our people and communities



SOCIAL RESPONSIBILITY

ENVISIONING SUSTAINABILITY



CORPORATE STRATEGY

- Strive continuously to maximize value for our clients and stakeholders.
- Control credit, market and operational risks to mitigate overall risk.
- Provide proactive and effective services to our clients.
- Expand the range of our products and services.
- Continue exercising high level of ethical standards.

CORPORATE SOCIAL RESPONSIBILITY

Arif Habib Limited (AHL) is a firm believer in sustainable development. At AHL, we pride ourselves in contributing to the betterment of the lives of our communities and the people of Pakistan. Corporate philanthropy and development are means to this, which allows us to give back to the people around us.

As a responsible member of the business society, we are actively working with local bodies and authorities to find ways in which we can help with various social programs and development projects.

SOCIAL DEVELOPMENT

Million Smiles founded in early 2019 with a vision to foster the 130 Million Youth of Pakistan by equipping them with basic level of skills to maximize their success in life & encourage to develop their fullest potential in spirit, mind and body. Million Smiles aims to strengthen the social sector organizations of Pakistan by providing and disseminating specialized management trainings and effective leadership development programs.



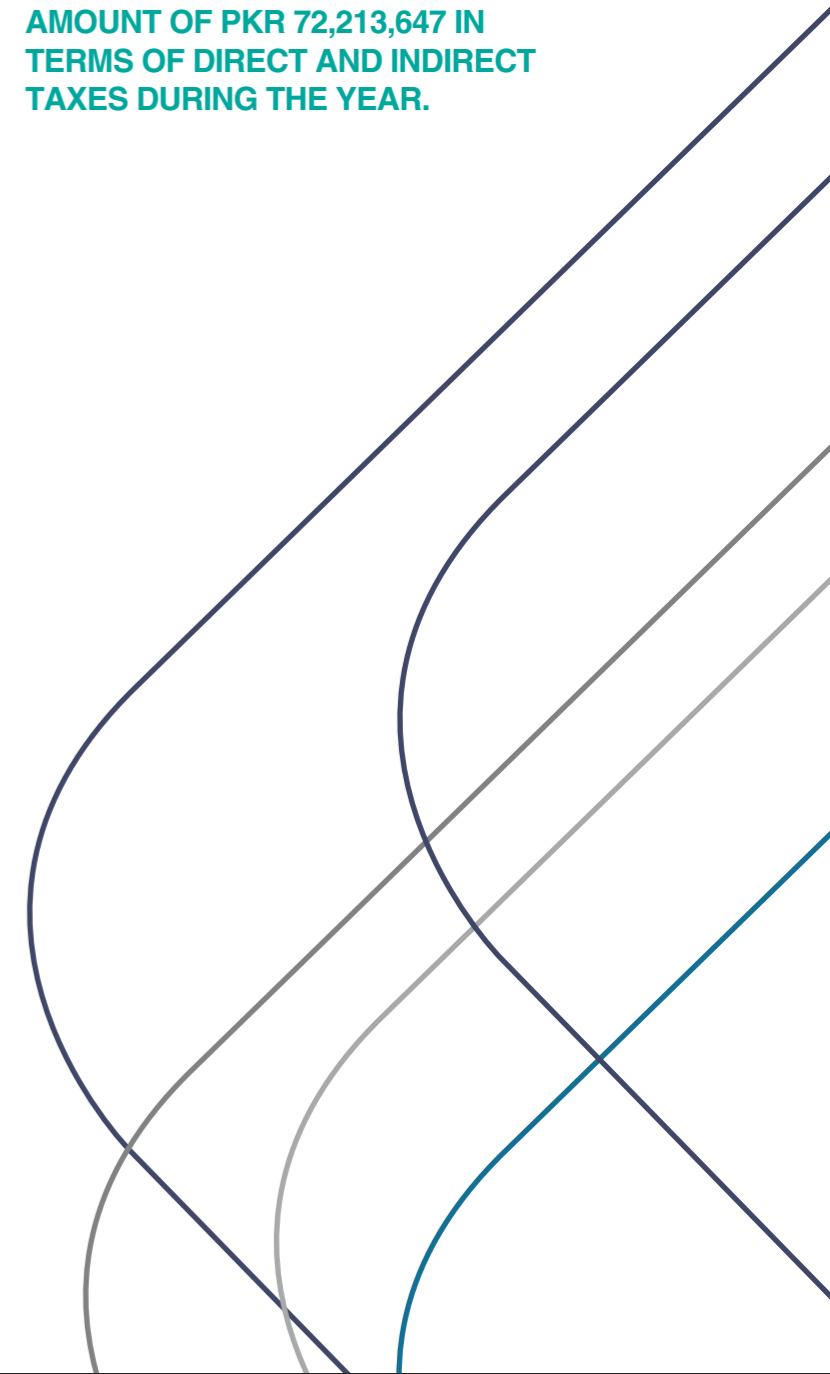
CORPORATE DEVELOPMENT

Following contributions were made by AHL during the period July 2019 – June 2020:

"PSX Stockbrokers Association" (Formerly "KSE Stockbrokers Association"): The association was incorporated on 18th February 2014. The prime objective of the Association is promotion of the Business and Protection of the interests of Stock Broking profession by representation of the Stock Broking industry on policy and issues with the Federal Government, Provincial Governments, SECP and other regulatory agencies.

16th Annual Excellence Awards Ceremony: Organized by CFA Association of Pakistan, the event recognized the excellence achieved by financial institutions and professionals in different categories.

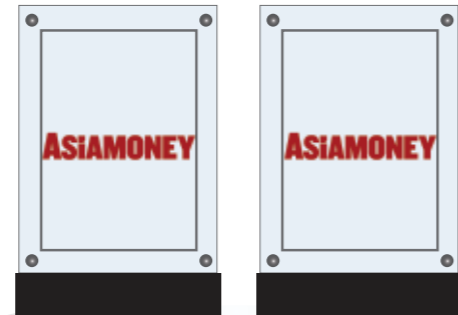
THE COMPANY HAS ALSO CONTRIBUTED TO THE EXCHEQUER BY PAYING AN AMOUNT OF PKR 72,213,647 IN TERMS OF DIRECT AND INDIRECT TAXES DURING THE YEAR.



AWARDS & RECOGNITION



AHL received the award for **Best Brokerage & Corporate Finance Services Provider** by The Middle East Markets



AHL was recognised by Asiamoney with the awards for Best **Domestic Equity House** and **Best Country Deal**



AHL was also credited with the accolades of **Best Brokerage House, Best Equity Deal** and **Best Equity advisor** for the Asia Pacific region .



AHL received the award for **Best Pakistan Deal** by Finance Asia



The only listed securities brokerage firm that found its place in the **Top 25 Listed Companies of Pakistan** by Pakistan Stock Exchange



DIRECTORS' PROFILES



ZAFAR ALAM

CHAIRMAN & INDEPENDENT DIRECTOR

MR. ZAFAR ALAM IS A MASTER'S DEGREE HOLDER IN NUCLEAR PHYSICS AND HAS OVER 35 YEARS' EXPERIENCE IN INVESTMENT BANKING ENCOMPASSING ORIENTATION, TRADING, SALES AND ASSET MANAGEMENT IN VARIOUS FINANCIAL CENTERS AROUND THE GLOBE. HE HAS BEEN A KEY MEMBER OF THE TOP EXECUTIVE GROUP-TEG AT ABN AMRO BANK AND RBS BANK.

Zafar had several leadership responsibilities including leading teams of over 300 people and managing revenues of several hundred million dollars. Zafar has a diverse experience across geographies and various aspects of finance, having worked in London, Singapore, Hong Kong and Dubai in Equities, Fixed Income and Asset Management. The last initiative being in Dubai setting up a Shariah based fund in Mauritius.

Zafar joined ABN AMRO as Investment Manager in Dubai. In 1988 he moved to Hong Kong as Head of ABN AMRO Securities & Finance Co. Focusing on fixed income trading and sales. In 1990 he started equities brokerage business and origination in Asian equities. In 1995 he moved to Singapore, as Head of Local Markets and Credit Trading, and started to build local markets business in the bank for the first time.

The bank was only active in FX sphere however his input give the direction to add Fixed Income and Derivatives as the market was set to take off in the aftermath of the Asian crisis. The activities included origination, trading and sales in thirteen Asian countries.

In 2002, he was appointed Managing Director and moved to London as Global Head of Emerging Markets responsible for origination, trading and sales in Emerging Markets, before taking on his current role in the Equities Directorate.

In 2010, he become Regional Head of Equities and Structured Retail Sales for Middle East and Africa, based in Dubai focused on building an Equities platform for the MENA region for RBS investor clients. He was also managing the Structured Equities Solution team which provided equity financing with an overlay of derivative solutions.

Prior to relocating to Dubai, Zafar was based in London as Global Head of Equity Derivatives Sales in the enlarged RBS Global Banking & Markets Group. In this role Zafar was responsible for combining the successful Private Investor Products (PIP) and Institutional/Corporate business of ABN AMRO with the growing RBS Structured Investor Products business. He was responsible for developing, manufacturing and distributing structured products consisting of multi-assets.

Prior to that in his role as Global Head of Private Investor Products, Zafar was responsible for distribution of innovative structured products to private and retails clients within RBS and ABN AMRO Bank. The team distributed structured products through all major international banks.



MUHAMMAD SHAHID ALI HABIB

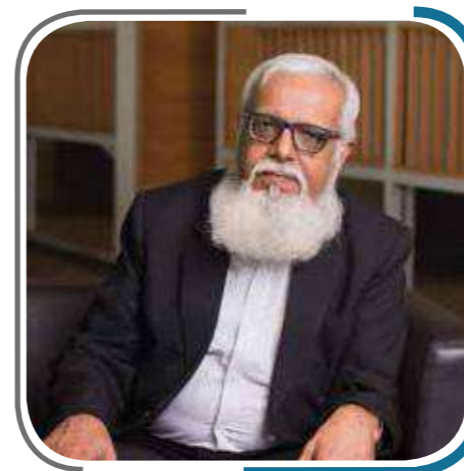
CHIEF EXECUTIVE OFFICER & EXECUTIVE DIRECTOR

MR. SHAHID ALI HABIB CARRIES A PROVEN TRACK RECORD OF ESTABLISHING SUCCESSFUL BUSINESS ORGANIZATIONS AND TURNING AROUND VENTURES INTO VIBRANT UNITS. HE HAS OVER 22 YEARS OF EXPERIENCE IN THE FIELDS OF SECURITIES BROKERAGE, BANKING, ASSET MANAGEMENT, CORPORATE FINANCE AND INVESTMENT BANKING. HE HAS SERVED IN LEADING POSITIONS AT TOP LOCAL AND INTERNATIONAL INSTITUTIONS.

Shahid has also served as Executive Director and Chairman of a few local equity brokerage and financial services institutions. He has also worked at leading banks in Saudi Arabia and Canada. Shahid also served the Karachi Stock Exchange as member of various committees including Development and Trading Affairs Committee, New Product Committee, Arbitration Committee and Companies Affairs and Corporate Governance Committee.

As AHL's Chief Executive, Shahid oversees all operation all operation of the firm including Equity Brokerage and Investment Banking. He has been involved in numerous transtions in Pakistan's equity market over the years. He was the Domestic Team Leader of Pakistan 'Largest equity market transaction of HBL Secondary offering worth \$ 1.02 bn and others significant transactions including UBL secondary offering of @ 388 mn and Engro Fertilizers offering of @ 190 mn.

He holds MBA in Finance from the Institute of Business & Administration (IBA) and has a Certification in Finance from London School of Economics (LSE) as well as a Bachelor's degree in Computer Science from FAST ICS. He has also attended various international professional development course in the fields of finance, technology and energy.



HAROON USMAN

NON - EXECUTIVE DIRECTOR

MR. HAROON USMAN IS A COMMERCE GRADUATE AND A FELLOW MEMBER OF THE INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN. HE HAS OVER 50 YEARS' EXPERIENCE IN THE FIELDS OF COMMERCE, FINANCE AND INDUSTRY.

He has served a number of local and foreign organizations of repute in different executive positions related to accounts, finance, general management and consultancy, both in Pakistan and abroad.

Haroon serves as Chairman of the Human Resource & Remuneration Committee and as a member of the Audit Committee of the Company.



SHARMIN SHAHID

NON - EXECUTIVE DIRECTOR

MS. SHARMIN SHAHID HAS OVER 20 YEARS OF EXPERIENCE IN THE FIELD OF SECURITIES BROKERAGE AND PORTFOLIO MANAGEMENT. SHE WAS AWARDED THE TOP POSITION IN HER BACHELOR'S DEGREE IN COMMERCE AND HAS ALSO PARTICIPATED IN THE DIRECTORS' TRAINING PROGRAM. SHE HAS BEEN AWARDED THE TOP 25 COMPANIES AWARD ON BEHALF OF AHL FOR SEVERAL YEARS.

Sharmin actively participates in welfare activities and remains one of the trustees of Memon Health and Education Foundation (MHEF). Under her patronage & direction AHL has continued to excel and become a leading name in the industry.



NIDA AHSAN

NON - EXECUTIVE DIRECTOR

MS. NIDA AHSAN IS A COMMERCE GRADUATE. SHE REPRESENTS THE ARIF HABIB FAMILY WHO ARE THE MAJORITY OWNERS OF THE ARIF HABIB GROUP AND HAVE MADE SIGNIFICANT CONTRIBUTIONS IN THE DEVELOPMENT OF SECURITIES MARKET IN PAKISTAN.

She has over 16 years' experience of investing in listed securities including a number of first and second tier stocks.



MUHAMMAD SOHAIL SALAT

INDEPENDENT DIRECTOR

DR. MUHAMMAD SOHAIL SALAT IS A QUALIFIED AND HIGHLY REPUTED PEDIATRICIAN AND NEONATOLOGIST WHO HAS A BACHELOR OF MEDICINE AND BACHELOR OF SURGERY FROM DOW MEDICAL COLLEGE KARACHI.

He has a certification in General Pediatrics from United States of America and Fellowship in Neonatology, holding a Foreign Medical Graduate Examination in Medicine from the US and is licensed from Pakistan Medical and Dental College. He completed his Residency in Pediatrics from Maimonides Medical Center and Interfaith Medical Center in New York and Fellowship in Neonatal Perinatal Medicine from Westchester Medical Center, New York Medical College, USA.

Sohail is associated with the Pakistan's top medical health care services provider, The Aga Khan University Hospital (AKUH) Karachi (Department of Pediatrics and Child Health) and is currently working as an Associate Professor. He hold director posts in education, clinical areas and also chaired various administration posts in AKUH. He was previously associated with Ziauddin Medical University, Karachi.

Sohail is regarded as an expert in the fields of Pediatrics, Child Health and Neonatal Perinatal Medicine and has had numerous publications on those subjects and presented his work at various leading local and international conferences. He is actively involved in Pakistan Pediatric Association (PPA) a non-political organization for the better care of Pediatric patients in Pakistan. He is currently associated with PPA including Advisor to Neonatology group of PPA and Member of Executive committee of PPA Sindh.



MOHSIN MADNI

NON - EXECUTIVE DIRECTOR

MR. MOHSIN MADNI IS THE CHIEF FINANCIAL OFFICER OF ARIF HABIB CORPORATION LIMITED. HIS ROLE ENCOMPASSES A WIDE RANGE OF MATTERS RANGING FROM FINANCE AND TAXATION.

Mr. Madni is an Associate Member of the Institute of Chartered Accountants of Pakistan (ICAP) and holds a Master's Degree in Economics & Finance. He is a member of Pakistan Institute of Public Finance Accountants (PIPFA) and Institute for Internal Controls, USA. Mr. Madni completed his Articleship from KPMG Taseer Hadi & Co., Chartered Accountants, where he gained experience of diverse sectors serving clients spanning the Financial, Manufacturing, Trading and Services industries.

ENVISIONING STRENGTH



CHAIRMAN'S REVIEW

Review Report by the Chairman on the overall performance of Board and effectiveness of the role played by the Board in achieving the Company's objectives:

The Board of Directors ("the Board") of Arif Habib Limited ("AHL") has performed their duties diligently in upholding the best interest of shareholders' of the Company and has managed the affairs of the Company in an effective and efficient manner. The Board has exercised its powers and has performed its duties as stated in the repealed Companies Act 2017 and the Code of Corporate Governance ("the Code") contained in the Rule Book of the Pakistan Stock Exchange (the Rule Book) where the Company is listed.

The Board during the year ended 30 June 2020 played an effective role in managing the affairs of the Company and achieving its objectives in the following manner;

- The Board has ensured that there is adequate representation of non-executive and independent directors on the Board and its committees as required under the Code and that members of the Board and its respective committees has adequate skill experience and knowledge to manage the affairs of the Company;
- The Board has formed an Audit and Human Resource and Remuneration Committee and has approved their respective terms of references and has assigned adequate resources so that the committees perform their responsibilities diligently;
- The Board has developed and put in place the rigorous mechanism for an annual evaluation of its own performance and that of its committees and individual directors. The findings of the annual evaluation are assessed and re-evaluated by the Board periodically;
- The Board has ensured that the directors are provided with orientation courses to enable them to perform their duties in an effective manner and that the three directors on the Board have already taken certification under the Directors Training Program (DTP), two directors will complete their DTP program during FY21 and the remaining directors meet the qualification and experience criteria of the Code;
- The Board has ensured that the meetings of the Board and that of its committee were held with the requisite quorum, all the decision making were taken through Board resolution and that the minutes of all the meetings (including committees) are appropriately recorded and maintained;
- The Board has developed a code of conduct setting forth the professional standards and corporate values adhered through the Company and has developed significant policies for smooth functioning;
- The Board has actively participated in strategic planning process enterprise risk management system, policy development, and financial structure, monitoring and approval;
- All the significant issues throughout the year were presented before the Board or its committees to strengthen and formalize the corporate decision making process and particularly all the related party transactions executed by the Company were approved by the Board on the recommendation of the Audit Committee;

- The Board has ensured that the adequate system of internal control is in place and its regular assessment through self-assessment mechanism and /or internal audit activities;
- The Board has prepared and approved the director's report and has ensured that the directors report is published with the quarterly and annual financial statement of the Company and the content of the director's report are in accordance with the requirement of applicable laws and regulation;
- The Board has ensured the hiring, evaluation and compensation of the Chief Executive and other key executives including Chief Financial Officer, Company Secretary, and Head of Internal Audit;
- The Board has ensured that adequate information is shared among its members in a timely manner and the Board members are kept abreast of developments between meetings; and
- The Board has exercised its powers in light of the power assigned to the Board in accordance with the relevant laws and regulation applicable on the Company and the Board has always prioritized the Compliance with all the applicable laws and regulation in terms of their conduct as directors and exercising their powers and decision making.

The evaluation of the Board's performance is assessed based on those key areas where the Board requires clarity in order to provide high level oversight, including the strategic process; key business drivers and performing milestones, the global economic environment and competitive context in which the Company operates; the risk faced by the Company's business; Board dynamics; capability and information flows. Based on the aforementioned, it can reasonably be stated that the Board of AHL has played a key role in ensuring that the Company objectives' are not only achieved, but exceeded expectations through a joint effort with the management team and guidance and oversight by the Board and its members.



ZAFAR ALAM
Chairman
July 30, 2020



DIRECTORS' REPORT

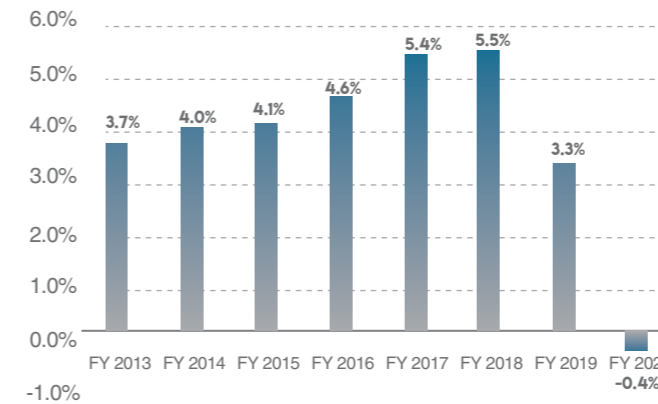
Dear Fellow shareholders of Arif Habib Limited (AHL),

On behalf of the Board of Directors of the Company, it gives me immense pleasure to present the Annual Report of the Company for the year ended June 30th, 2020 together with the audited financial statements for the year in accordance with the accounting, regulatory and legal standards and requirements.

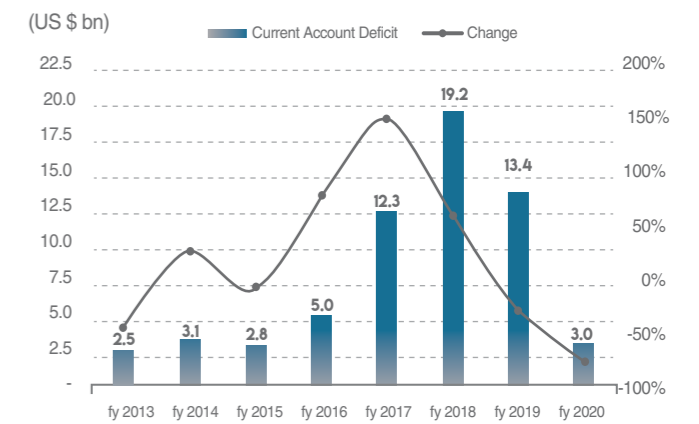
Business Environment

With the unprecedented onset of pandemic Covid-19 taking over the world in FY20, the global economy slid into recession with overall economic growth shrinking 4.9 percent this year; a sharper contraction than the 3 percent predicted earlier by IMF. Pakistan was no exception, with GDP shrinking by 0.38% as compared to 3.3% growth recorded a year earlier. Only the agriculture sector showed positive growth of 2.7% during the year while manufacturing and services sector marked a negative growth of 5.6% and 0.6%, respectively. Large scale manufacturing contracted 10.2% in FY20 largely due to significant decline in textile, food, beverages and tobacco, coke and petroleum products, pharmaceuticals, automobiles, iron and steel products and electronics.

Real GDP Growth

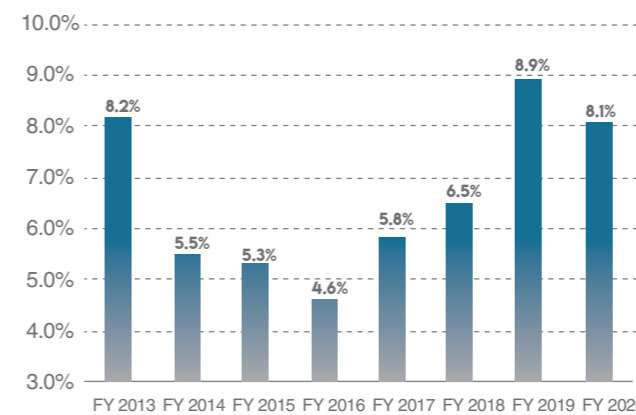


Current Account Deficit

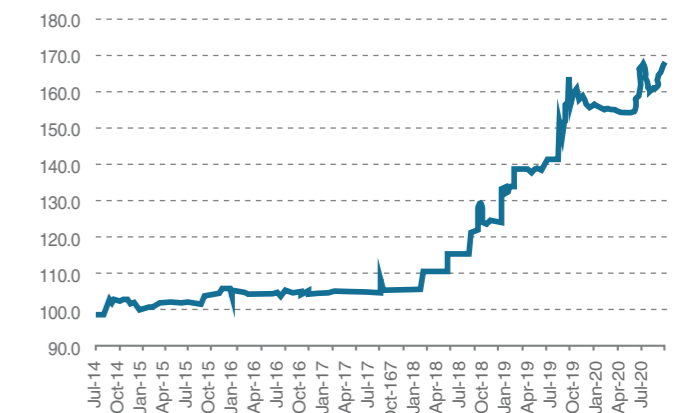


On the fiscal front, deficit clocked in at 8.1% of GDP (PKR 3.4 trillion) in FY20 compared to PKR 3.4 trillion recorded in FY19, 8.9 % of GDP. This was despite a 2.5% decline in the total expenditure (PKR 8,135 Billion) and 12.3% YoY increase in total revenue of PKR 5,504 billion in FY20.

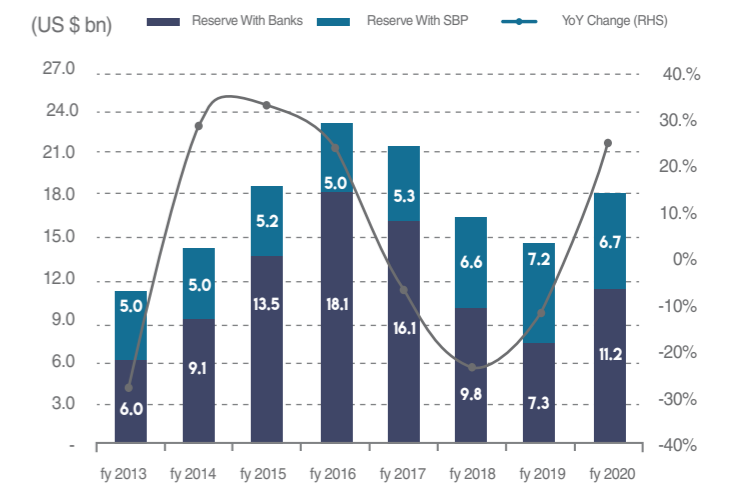
Fiscal Deficit % of GDP



PKR - US\$

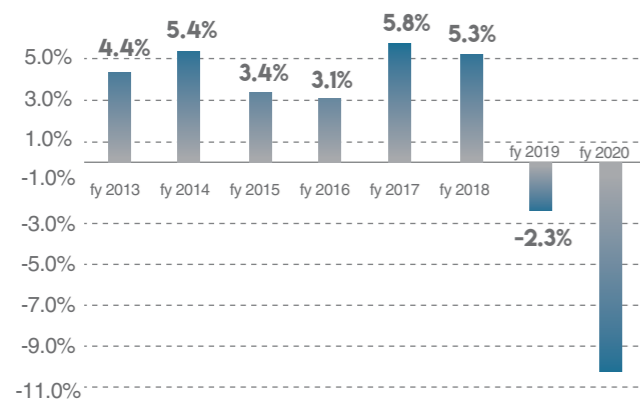


Foreign Exchange Reserves



However, on the external front, despite global trade being affected by Covid-19, Pakistan was able to bring down the Current Account Deficit to 1.1% of GDP (USD 2.97 Billion) from previous year's 4.8% (USD 13.4 Billion). This significant relief was due to measures taken by the government to restrict import of certain commodities and dip in global oil prices, resulting in a 19.3% YoY decline in overall import bill (including goods and services). Furthermore, remittances also supported the external sector, registering a growth of 6.3% YoY to USD 23.1 billion, with highest inflows coming in from KSA followed by USA.

LSM Growth



The overall reserve position of Pakistan was supported by USD 13.2 billion worth of gross loans from bilateral and multilateral lenders including the International Monetary Fund (IMF). As at June 2020, the overall reserves stood at USD 18.0 Billion, 24.1% up from USD 14.4 Billion recorded at June 2019 close. Moreover, post adoption of market determined exchange rate by the SBP, PKR witnessed a devaluation of 4.8% against the greenback, during the year FY20. The average inflation in the FY20 increased to 10.74% YoY against the target of 8.5% set by the government, primarily due to double digit food inflation and upward revision in utility prices. Despite higher inflation, SBP cut policy rates by 625bps in the latter half of the FY20 as special times (i.e. Covid-19) called for special measures in order to provide relief to the overall economy.

As economies across the globe return to normalcy, we expect a revival of economic activities in our country too. We expect Pakistan to post a growth of 2% in FY21, with significant reliance on agriculture sector of the economy. We foresee CAD to slightly go up to 1.7% of the GDP as Covid-19 continues to affect the trade across the globe along with subdued growth in the remittances. On the fiscal end, deficit is likely to remain at the same level of 7.0% of GDP as witnessed last year. Moreover, any further devaluation along with IMF conditions of utility price hikes will most likely cause inflation to post an average rise of 7.5% YoY.

Stock Market

FY20 saw double dips of KSE100 towards 28K level, first being in August 2019 and the second time near the end of March 2020. The losses sustained by the Index were a combined result of Pakistan's

macro-economic situation, which worsened gradually due to late entry in IMF Program, and also because of Covid-19 pandemic that brought World markets down. Nonetheless, the leading indicators that stand today are markedly different from where they stood at the start of the fiscal year.

KSE100 Index



Improving Balance of Payment position, low Interest rates, increasing foreign remittances and gradual recovery from Covid-19 have started turning the tide now and had helped the benchmark Index post a recovery of 7,193pts in 4Q-FY20. 4Q-FY20 saw an overall increase of 5,190pts in the Index, which was mainly contributed by E&P sector (1218pts), Fertilizer (+799pts), Cement (+729pts), O&GMCs (+374pts) and Pharmaceuticals (+336pts).

Current Account Balance showed negative monthly sum throughout the year with the exception of May 2020, when the trade balance showed a surplus. Gradual resumption of business activities following recovery from Covid-19 has helped improvement in business confidence. Similarly, State Bank of Pakistan has followed global Central Banks in cutting interest rates in the wake of declining Inflation and have brought the Policy rate from 13.25% to 7%. Following the Policy rate, 6M Kibor has also come down from 14% at the beginning of FY20 to 7.2% by end FY20. This has relieved the already stressed Corporate sector off the burdening financial charges at one hand and has also made Equities as the preferred asset class in comparison with fixed income instruments. Foreign remittances have also started improving in recent months, whereby June 2020 posted the highest ever monthly foreign remittances of US\$ 2.5mn taking the total for FY20 to US\$ 23.1mn (FY19: US\$21.7mn).

Regardless of a highly volatile trading year, where the benchmark Index went up and down since the beginning, overall FY20 could add only 520pts over FY19 to close the fiscal at 34,421pts. Sectors that contributed positively during FY20 include Fertilizer (+1075pts), Cement (+952pts), Pharmaceuticals (+397pts), Technology (+295pts) and Textile (+121pts). On the other hand, Banking sector led the lagging sectors with (-1400pts), followed by Tobacco (-365pts), E&P (-360pts), Power (-359pts) and O&GMCs (-137pts).

Volumes traded on the Exchange have also seen volatility from posting a low of 39.5mn shares in 1Q-FY20, to crossing 500mn volumes in the month of December 2019. The ADTV registered growth from PKR 6.4bn in FY19 to PKR 7.2bn in FY20. FY20 saw a couple of instances where ADTV crossed US\$100mn and seeing consistency post FY20. During FY20, foreigners maintained selling stance from yesteryears and took out US\$ 284.8mn on net basis. Besides foreign investors, Banks, Mutual Funds and Brokers remained net sellers of US\$ 55.4mn, US\$ 50.2mn and US\$ 13.3mn respectively. These outflows have largely been absorbed by Individuals by investing US\$ 213.2mn, followed by

Insurance Sector US\$ 127.6mn, Other Organizations US\$ 31.6mn, Companies US\$ 26.8mn and Non-Banking Finance Companies US\$ 4.5mn.

Financial Performance

During the year, your Company has posted after tax profit of PKR 59.86 million (FY19: Loss of PKR 62.46 million). The equity of the Company as at the balance sheet date is PKR 3.2 billion (June 2019: PKR 2.9 billion), which translates into book value per share of PKR 54.99 (June 30, 2019: PKR 44.21).

The brokerage and investment banking division performed well, and posted total revenue of PKR 478.68 million (FY19: PKR 678.84 million), despite no equity IPO this year mainly due to lower market valuations and higher volatility'

The short term investment portfolio has taken a hit due to deteriorating market, however, which was completely offset by realized and unrealized gain on our real estate investment portfolio.

The Summary of Financial Results is as follows: -

	2020	2019
Profit / (Loss) after tax	59,856,433	(62,460,529)
Un – appropriated profit brought forward	2,077,134,654	2,304,595,183
Other Comprehensive Income	520,004,560	-
Profit available for appropriation	2,656,995,647	2,242,134,654
Appropriations: *Final Cash Divided PKR 2.5 (FY19: Nil) per share i.e. 25% for the year ended June 30, 2020	(148,500,000)	-
Buy-back of 10% shares under tender offer	-	(165,000,000)
Unappropriated Profit carried forward	2,508,495,647	2,077,134,654
Earnings per share – basic & diluted	1.00	(0.94)
*subject to the approval by members in the AGM to be held on September 19th, 2020.		

Brokerage Revenue Performance

Despite a significant uncertainty amid Covid-19 pandemic during the period, your company's brokerage revenue witnessed an increase of 7% to close at PKR 323 million, maintaining our overall market share at 10%. This performance in equity brokerage has been achieved through winning large block trades on both domestic and foreign counters, growth in retail and online trades and opening a large number of new accounts across the board. Our Money Market and Forex division also performed exceptionally well, doubling the revenue numbers during the year, increasing their market share remarkably. Further, the new branches in Islamabad and Peshawar have also helped us increase our brokerage revenues. There are challenges on account of strict KYC/AML regulations that force brokers to conduct stricter due diligence of clients that affects the opening of new Accounts. We are expanding our compliance team to handle these challenges and are also engaged with SECP to rationalize KYC/AML requirements for market development.

We are very positive the coming year on account of increasing traded values and higher market volumes seen in the first month of FY21. The lower interest rates are the key reason for this positive change in investor sentiment and we hope that this will continue in FY21, Insha'Allah.

Investment Banking Revenue Performance

The Investment Banking (IB) division generated PKR 155 million in revenues, which includes advisory on listed and privately placed TFCs and Sukuks, advisory and underwriting of equity raising through Right Shares, Equity delisting transaction, Mergers & Acquisitions and Private Equity Placements. Your Company has maintained leadership in Pakistan's Investment Banking industry and has been recognised by the CFA Society Pakistan and international bodies. By the grace of Almighty Allah, Arif Habib Limited this year won the award of "Best Corporate & Investment Bank" from AsiaMoney, becoming the first institution in Pakistan, other than a commercial bank, to win this award.

The Company is engaged in a number of equity IPOs, as well as debt, capital market transactions set for the coming year, which should continue to strengthen its earnings, as well as our outreach in the market. Considering that the PSX market capitalization increases further, we are hopeful of an increasing

activity on IPOs and secondary offerings in the coming year.

Awards and Recognition

Arif Habib Limited has created history by winning CFA Society Pakistan's Award, in its 16th Excellence Award, for the "Best Corporate Finance House (Equities & Advisory)" for the 5th consecutive year (2014-2018), a feat that no one has achieved yet. Your Company also takes pride in being awarded the "Top 25 Companies Award" by the Pakistan Stock Exchange which was presented by the Prime Minister of Pakistan. AHL is the only company amongst brokerage industry to win this award. In addition, AHL has also won an award in the category of "Best Corporate & Investment Bank" from AsiaMoney, becoming the first institution in Pakistan, other than a commercial bank, to win this award.

Expenses Management Performance

During the year, we managed to realign our operating expenses and achieved a reduction of 13% as compared to the same period last year, posting a total of PKR 344 million. Your Company exercised strict cost control during the year which resulted in decrease in administrative and operating expenses. Part of the compensation for the Management team is linked to the revenues generated for the Company, this variable compensation has declined in view of the decrease in investment banking revenues. Our financing costs have increased due to higher utilization of borrowing lines and higher average policy rates for this year. However, the management has managed to reduce its financing spreads with banks due to our strong balance sheet and high credit rating. Overall, we are glad to report that this has generated positive results for the Company and its shareholders.

Credit Rating

The Company has been re-assigned entity ratings of 'AA-/A-1' (Double A Minus/A-One) by JCR-VIS Credit Rating Company Ltd. (JCR-VIS). The outlook on the assigned ratings is 'Stable'. This certification has further underscored the Management's vision for continuous growth and is expected to provide further confidence to the Company's clientele with regard to the credibility and stability of the brand "Arif Habib".

Management Rating

The Company has been assigned management rating of BMR1 by the Pakistan Credit Rating Agency Limited (PACRA). The outlook on the assigned ratings is 'Stable'. This certification has endorsed the Company's capability in upholding strong control and governance framework, continuing update of client servicing tools, and careful monitoring of risks mainly liquidity and conflict of interest emanating from investment activities.

Human Resource

The backbone of any organization is its people. AHL firmly believes in nurturing, investing in and promoting its employees with the ultimate objective of ensuring a very high level of employee satisfaction and efficiency, which in turn translates into high levels of customer satisfaction. The Management shall continue to work towards understanding and integrating employee objectives with corporate goals in a harmonious manner.

Risk Management

Risks are unavoidable in our business and include liquidity, market, credit, operational, legal, regulatory and reputational risks. AHL's risk management governance starts with our Board, which plays an integral role in reviewing and approving risk management policies and practices. Our risk management framework and systems are longstanding, standardized and robust. We believe that effective risk management is of primary importance to the success of the Company. Accordingly, we have initiated comprehensive risk management processes through which we monitor, evaluate eliminate and manage the risks we assume in conducting our activities. A rigorous framework of limits is applied to control risk across multiple transactions, products, businesses and markets in which we deal. This includes setting credit and market risk limits at a variety of levels and monitoring these limits on a regular basis.

Corporate Social Responsibility

Your Company continued its contribution to the society and business community as a socially responsible organization through a number of philanthropic activities. AHL is committed towards fulfilment of its Corporate Social Responsibility and continues its involvement in projects focusing on healthcare, education, environment and community

welfare. Our aim is to continue our involvement and contribution to such noble causes in the future as well. The details of the contribution made by the Company is presented at Page No. 15.

Code of Corporate Governance

The Board and Management of the Company are committed to ensuring that requirements of the Code of Corporate Governance are fully met. The Company has adopted strong Corporate Governance practices with an aim to enhance the accuracy, comprehensiveness and transparency of financial and non-financial information.

The Directors are pleased to report that:

- The financial statements prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity;
- Proper books of account of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts upon the Company's ability to continue as a going concern;
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
- The Company has on account of statutory payment of taxes, duties, levies and charges has no outstanding liability as at the balance sheet date;
- There are no transactions entered into by the broker during the year which are fraudulent, illegal or in violation of any securities market laws;

- j. The Company has paid amount of RS. 6,298,569 in the Provident Fund of the employees of the Company and the Company has no outstanding liability as at the year-end as the Provident Fund is managed by a separate trust.

Changes in the Board

During the year under review, there was no change in structure of the Board.

Board and Audit Committee Meetings and Attendance

During the year under review, four meetings of the Board of Directors and four meetings of the Audit Committee were held from July 01, 2019 to June 30, 2020. The attendance of the Board and Audit Committee members was as follows:

Name of Director	Board Meeting	Audit committee Meeting
Mr. Zafar Alam	4	N/ A
Ms. Sharmin Shahid	4	N/A
Ms. Nida Ahsan	-	-
Mr. Haroon Usman	4	4
Mr. Mohsin Madni	4	2
Mr. Muhammad Shahid Ali Habib	4	N/A
Mr. Muhammad Sohail Salat	4	4

Leave of absence was granted to members who did not attend the Board and Committee meetings.

Directors Remuneration Policy

Those non-executive directors including independent directors of Arif Habib Limited who do not hold a senior executive or management position or directorship in any group company may claim meeting fee for attending Board of Directors meeting or any of Boards' sub-committee meeting at the rate approved by Board of Directors from time to time. Payment of remuneration against assignment of extra services by any director shall be determined by the Board of Directors on the basis of standards in the market and scope of the work, and shall be in line as allowed by the Articles of Association of the Company. Levels of remuneration shall also be appropriate and commensurate with the level of responsibility and expertise. However, for an Independent Director, it shall not be at a level that could be perceived to compromise the independence.

Trading in Shares of the Company by Directors and Executives

During the year following trades in the shares of the Company were carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

Name	Designation	Shares Bought	Shares Sold	Remarks
Mr. Zafar Alam	Chairman	36,000	-	-
Mr. Muhammad Sohail Salat	Director	-	-	-
Mrs. Sharmin Shahid	Director	-	-	-
Mr. Mohsin Madni	Director	-	-	-
Mr. Muhammad Haroon	Director	-	-	-
Mr. Muhammad Shahid Ali	Chief Executive Officer & Director	-	-	-
Mr. Muhammad Taha Siddiqui	Chief Financial Officer & Company Secretary	-	-	-
Spouses	-	-	-	-
Minor Children	-	-	-	-

Future Prospects

The future prospects of your Company are exceedingly promising on account of the Management's efforts towards increasing the Company's market share and through wider participation in all its business segments. The Company is striving to yield better volumes from its existing clientele as well as prospective foreign and domestic clients, by expanding and growing relationships with them through the Company's premium suite of services. This includes offering novel products and services through augmenting the Company's high quality Research.

The Management also foresees increased activity on account of new equity and debt listings for which the Investment Banking Division is well equipped.

The Management is confident that the Company's equity and property investment portfolio will continue to demonstrate lucrative results, as the economy and the market continues to offer rewarding investment opportunities.

Audit Committee

The Audit Committee of the Board continued to perform its duties and responsibilities in an effective manner as per its terms of reference duly approved by the Board. The committee composition has also been attached with this report.

Corporate and Secretarial Compliance

The Company Secretary has furnished a Secretarial Compliance Certificate as part of the annual return filed with the registrar of Companies to certify that the secretarial and corporate requirements of the Companies Ordinance, 1984, Memorandum and Articles of Association of the Company and the listing regulations have been duly complied with.

Ethics and Business Practices

As per the Corporate Governance guidelines, the Company has circulated a "Code of Ethics" for compliance. It has been signed by all directors and employees of the Company acknowledging their understanding and acceptance of the Code.

Pattern of Shareholding

The detailed pattern of the shareholding and categories of shareholders of the Company as at June 30, 2020, as required under the listing regulations, have been appended to this Annual Report.

Information to Stakeholders

Key operating and financial data of previous years has been summarized and is presented on page No. 40.

Post Balance Sheet Date Event / Dividend

The Board of Directors has proposed a final cash dividend of Rs. 2.5/- per share amounting to Rs. 148.5 million at its meeting held on July 30, 2020 for the approval of the members at the annual general meeting to be held on September 19, 2020. These unconsolidated financial statements do not reflect the said appropriation.

Related party transaction

In order to comply with the requirements of listing regulations, the Company has presented all related party transactions before the Audit Committee and Board for their review and approval. These transactions have been approved by the Audit Committee and Board in their respective meetings. The details of all related party transactions have been provided in note 36 & 37 of the annexed audited financial statements.

Auditors

The retiring auditors M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, have offered themselves for reappointment. The Board recommends their reappointment and a resolution proposing the appointment of M/s. Rehman Sarfaraz Rahim Iqbal Rafiq as auditors of the Company for the financial year 2020-21 will be submitted at the forthcoming Annual General Meeting for approval.

Acknowledgement

We are grateful to the Company's shareholders for their continuing confidence and patronage. We record our sincere appreciation to all Stakeholders, 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,



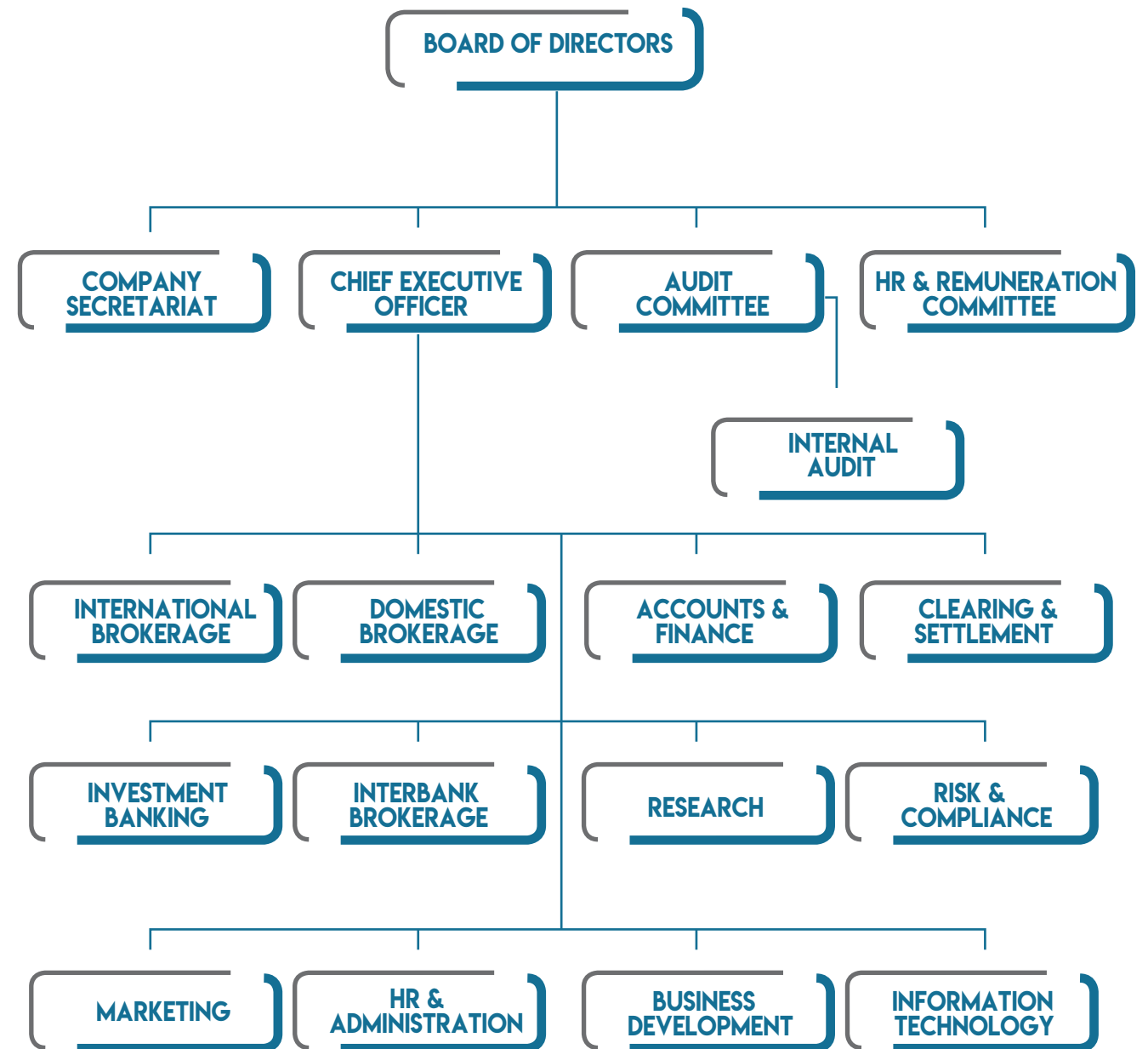
Muhammad Shahid Ali Habib
Chief Executive Officer and
Executive Director



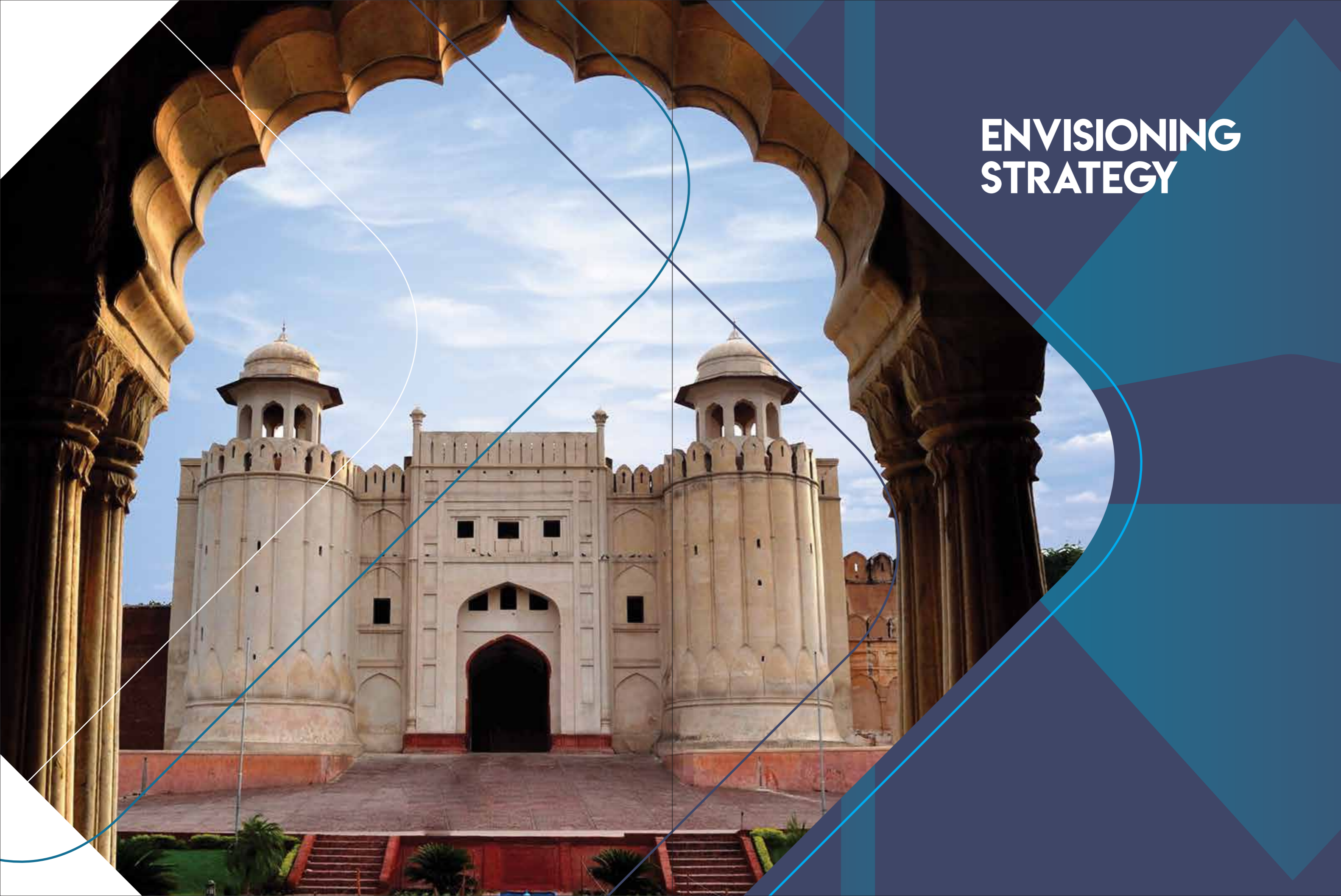
Zafar Alam
Chairman

Karachi.
Dated: July 30, 2020

ORGANIZATIONAL STRUCTURE



ENVISIONING STRATEGY



FINANCIAL & BUSINESS HIGHLIGHTS

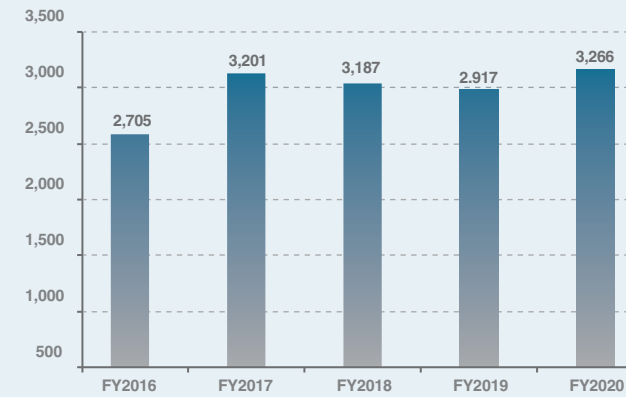
YEAR ENDED 30 JUNE

Rupees in million

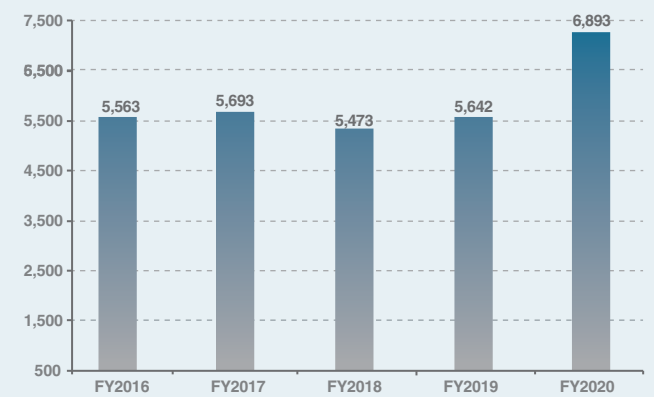
	2020	2019	2018	2017	2016		2020	2019	2018	2017	2016
Profit and Loss Account						RATIOS					
Operating Revenue	645	767	656	858	590	Performance					
Investment gains - net	(70)	(657)	10	520	162	Profit before tax (%)	15%	2%	54%	68%	51%
Other	140	154	167	262	146	Expense / income (%)	41%	63%	27%	23%	30%
Total turnover	847	634	1,219	1,672	899	Return on Equity (%)	2%	-2%	17%	30%	15%
Operating & administrative expenses	(344)	(396)	(324)	(386)	(268)	Leverage					
Finance Cost	(362)	(218)	(185)	(138)	(166)	Financial Leverage Ratio (x)	2.30	2.03	2.17	2.62	2.55
Profit / (loss) before taxation	129	12	653	1,140	456	Debt to Equity (%)	56%	65%	46%	44%	70%
Profit / (loss) after taxation	60	(62)	536	880	410	Interest cover ratio (x)	1.36	1.06	4.53	9.26	3.75
EBITDA	519	239	846	1,287	631	Liquidity					
Balance Sheet						Current ratio (x)	1.52	1.36	1.70	2.04	1.65
Share Capital	594	660	550	550	550	Quick / acid test (x)	1.47	1.13	1.48	1.67	1.48
Reserves	2,657	2,242	2,622	2,636	2,140	Valuation					
Share holders equity	3,266	2,917	3,187	3,201	2,705	EPS(PKR)	1.00	(0.95)	9.75	16.01	7.45
Long term investment	127	154	160	172	209	Price earning ratio (x)	32.60	-	6.26	5.02	6.06
Investment property	1,726	1,726	1,373	369	531	Price to book ratio (x)	0.59	-	1.05	1.38	0.92
Current assets	4,968	3,711	3,878	5,081	4,723	Dividend Yield Ratio (x)	8%	-	5%	12%	16%
Current liabilities	3,268	2,725	2,286	2,491	2,856	Dividend Payout Ratio (x)	251%	-	31%	62%	94%
Total assets	6,893	5,642	5,473	5,693	5,563	Cash dividend per share (PKR)	2.50	-	3.00	10.00	7.00
Total liability	3,626	2,725	2,286	2,492	2,856	Stock Dividend Per Share (%)	-	-	20%	-	-
						Market Value at the end of					
						Each Year (PKR)	32.53	31.63	61.00	80.41	45.12
						High (during the year) (PKR)	66.50	70.13	87.99	113.51	79.61
						Low (during the year) (PKR)	22.55	26.40	36.40	45.79	43.01

GRAPHICAL REPRESENTATION

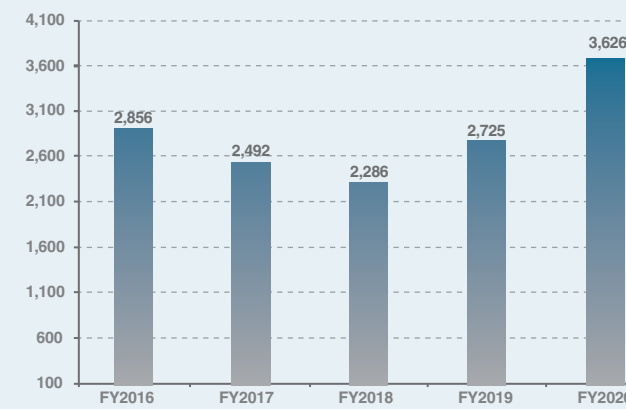
SHARE HOLDERS EQUITY RUPEES IN MILLION



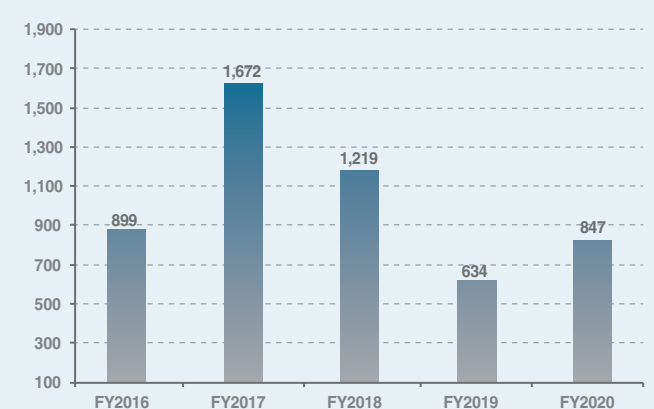
TOTAL ASSETS RUPEES IN MILLION



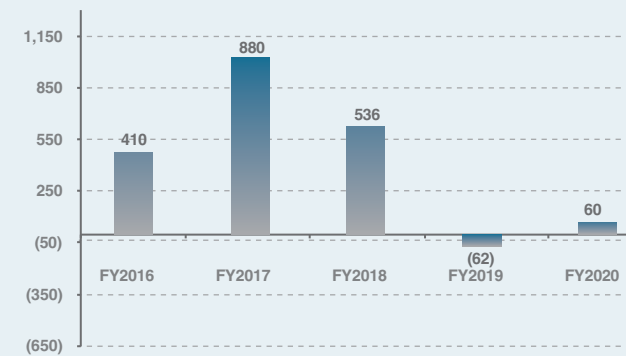
TOTAL LIABILITIES RUPEES IN MILLION



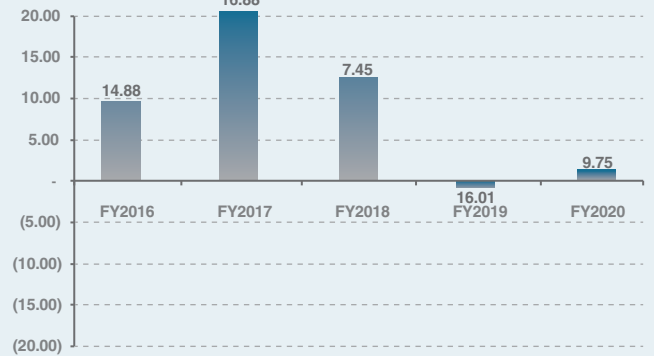
TOTAL REVENUE RUPEES IN MILLION



PROFIT AFTER TAX RUPEES IN MILLION



EARNINGS PER SHARE RUPEES IN MILLION



HORIZONTAL ANALYSIS OF FINANCIAL STATEMENTS

	2020		2019		2018	
	Rupees in million	%	Rupees in million	%	Rupees in million	%
Balance Sheet						
Total equity and minority interest	3,266	12	2,917	(8)	3,187	(0)
Total non-current liabilities	359	-	-	-	-	-
Total current liabilities	3,268	20	2,725	19	2,286	(8)
Total equity and liabilities	<u>6,893</u>	<u>16</u>	<u>5,642</u>	<u>3</u>	<u>5,473</u>	<u>(4)</u>
Total non-current assets	1,925	2	1,891	19	1,595	161
Total current assets	4,968	32	3,751	(3)	3,878	(24)
Total assets	<u>6,893</u>	<u>22</u>	<u>5,642</u>	<u>3</u>	<u>5,473</u>	<u>(4)</u>
Profit and Loss Accounts						
Net operating revenue	847	34	634	(48)	1,219	(27)
Operating and administrative expenses	(344)	(13)	(396)	22	(324)	(16)
Operating profit / (loss)	503	111	238	(73)	895	(30)
Other income / (charges) - net	(12)	82	(7)	(88)	(57)	613
	491	112	231	(72)	838	(34)
Finance cost	(362)	66	(218)	18	(185)	34
Profit / (loss) before tax	129	178	13	(55)	653	(0)
Taxation	(69)	(8)	(74)	(36)	(117)	(55)
Profit / (loss) after tax	<u>60</u>	<u>198</u>	<u>(62)</u>	<u>(111)</u>	<u>536</u>	<u>(39)</u>

	2017		2016		2015	
	Rupees in million	%	Rupees in million	%	Rupees in million	%
Balance Sheet						
Total equity and minority interest	3,201	18	2,705	1	2,681	33
Total non-current liabilities	-	(74)	2	(10)	2	(26)
Total current liabilities	2,491	(13)	2,856	111	1,351	(51)
Total equity and liabilities	<u>5,692</u>	<u>2</u>	<u>5,563</u>	<u>38</u>	<u>4,034</u>	<u>(15)</u>
Total non-current assets	611	(27)	840	2	822	32
Total current assets	5,081	8	4,723	47	3,212	(23)
Total assets	<u>5,692</u>	<u>2</u>	<u>5,563</u>	<u>38</u>	<u>4,034</u>	<u>(15)</u>
Profit and Loss Accounts						
Net operating revenue	1,672	86	899	(48)	1,717	38
Operating and administrative expenses	(386)	44	(268)	(11)	(300)	38
Operating profit / (loss)	1,286	104	631	(55)	1,417	39
Other income / (charges) - net	(8)	(11)	(9)	(76)	(38)	(120)
	1,278	105	622	(55)	1,379	14
Finance cost	(138)	(17)	(166)	(29)	(234)	(35)
Profit / (loss) before tax	1,140	89	456	(84)	1,145	(21)
Taxation	(260)	459	(47)	(78)	(216)	577
Profit / (loss) after tax	<u>880</u>	<u>115</u>	<u>410</u>	<u>(56)</u>	<u>929</u>	<u>13</u>

VERTICAL ANALYSIS OF FINANCIAL STATEMENTS

	2020		2019		2018	
	Rupees in million	%	Rupees in million	%	Rupees in million	%
Balance Sheet						
Total equity and minority interest	3,266	47	2,917	52	3,187	58
Total non-current liabilities	359	6	-	-	-	-
Total current liabilities	3,268	49	2,725	48	2,286	42
Total equity and liabilities	<u>6,893</u>	<u>100</u>	<u>5,642</u>	<u>100</u>	<u>5,473</u>	<u>100</u>
Total non-current assets	1,925	22	1,891	34	1,595	29
Total current assets	4,968	72	3,751	66	3,878	71
Total assets	<u>6,893</u>	<u>100</u>	<u>5,642</u>	<u>100</u>	<u>5,473</u>	<u>100</u>
Profit and Loss Accounts						
Net operating revenue	847	100	634	100	1,219	100
Operating and administrative expenses	(344)	(41)	(396)	(62)	(324)	(27)
Operating profit / (loss)	503	59	238	38	895	73
Other income / (charges) - net	(12)	(1)	(7)	(1)	(57)	(5)
	491	58	231	36	838	69
Finance cost	(362)	(43)	(218)	(34)	(185)	(15)
Profit / (loss) before tax	129	15	13	2	653	54
Taxation	(69)	(8)	(74)	(12)	(117)	(10)
(Loss) / profit after tax	<u>60</u>	<u>7</u>	<u>(62)</u>	<u>(10)</u>	<u>536</u>	<u>44</u>

	2017		2016		2015	
	Rupees in million	%	Rupees in million	%	Rupees in million	%
Balance Sheet						
Total equity and minority interest	3,201	56	2,705	49	2,681	66
Total non-current liabilities	-	-	2	-	2	-
Total current liabilities	2,491	44	2,856	51	1,351	33
Total equity and liabilities	<u>5,692</u>	<u>100</u>	<u>5,563</u>	<u>100</u>	<u>4,034</u>	<u>100</u>
Total non-current assets	611	11	840	15	822	20
Total current assets	5,081	89	4,723	85	3,212	80
Total assets	<u>5,692</u>	<u>100</u>	<u>5,563</u>	<u>100</u>	<u>4,034</u>	<u>100</u>
Profit and Loss Accounts						
Net operating revenue	1,672	100	899	100	1,717	100
Operating and administrative expenses	(386)	(23)	(268)	(30)	(300)	(17)
Operating profit / (loss)	1,286	77	631	70	1,417	83
Other income / (charges) - net	(8)	(0)	(9)	(1)	(38)	(2)
	1,278	76	622	69	1,379	80
Finance cost	(138)	(8)	(166)	(18)	(234)	(14)
Profit / (loss) before tax	1,140	68	456	51	1,145	67
Taxation	(260)	(16)	(47)	(5)	(216)	(13)
(Loss) / profit after tax	<u>880</u>	<u>53</u>	<u>410</u>	<u>46</u>	<u>929</u>	<u>54</u>

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

M/S Arif Habib Limited ('the company') has complied with the requirements of listed Companies (Code of Corporate Governance) Regulations, 2019 ('the Regulations') in the following manner:

1. The total number of directors are 7 as per the following:
 - a. Male: 5 members
 - b. Female: 2 members
2. The composition of the Board of Directors ('the Board') board is as follows

Category	Names
Independent Directors:	Mr. Zafar Alam Dr. Muhammad Sohail Salat
Non-Executive Directors:	Mr. Muhammad Haroon Mr. Mohsin Madni Ms. Nida Ahsan Ms. Sharmin Shahid
Executive Director:	Mr. Muhammad Shahid Ali Habib

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company,
4. The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures,
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The board has ensured that a complete record of particulars of the significant policies along with the date of approval or updating is maintained by the Company,
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 ('the Act') and the Regulations,
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board,
8. The Board have a formal policy and transparent procedure for remuneration of directors in accordance with the Act and the Regulations,
9. Company stands complied with the requirement of having half of the directors of the board Director's Training Program (DTP) certified as prescribed under the sub clause 1(i) of regulation no. 19 of the Regulations as out of total seven (7) directors, the total number of certified directors of the Company stands three (3) and one (1) of the director meets the exemption requirement of the DTP. The remaining three (3) director shall obtain certification under the DTP in due course of time. The board has approved appointment of the Chief Financial officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations,
10. The Chief Financial officer and Chief Executive officer duly endorsed the financial statements before approval of the Board,

11. The Board has formed committees comprising of members given below:

a) Audit Committee

Dr. Muhammad Sohail Salat	Chairman
Mr. Muhammad Haroon	Member
Mr. Mohsin Madni	Member

b) HR and Remuneration Committee

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

During the year Company/Board of Directors had reconstituted the Audit Committee to comply with the requirements of the Regulations.

12. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance,
13. The frequency of meetings of the committees were as follows:
14. a) Audit Committee
Four quarterly meetings were held during the financial year ended June 30, 2020.
- b) HR and Remuneration Committee
Two meetings were held during the financial year ended June 30, 2020.
15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company,
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountancy of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of the Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; Explanation as required under the regulations is mentioned below;

Company, currently has two elected independent directors out of total seven directors on the Board. Both the independent directors have requisite competencies, skills, knowledge and experience to discharge and execute their duties competently as per laws and regulations under which hereby fulfill the necessary requirements; therefore, not warrant the appointment of a third independent director.
19. We confirm that all other requirements of the Regulations have been complied with except for the requirement that the position of Chief Financial officer and Company Secretary has been held by the same person, as the Listed Companies (Code of Corporate Governance) Regulations, 2019 ('Regulations') allowed the Companies to either comply or explain the reason otherwise. Therefore, the Company has adopted explanation approach as the management is of the view, that the current CFO and Company Secretary is suitably qualified and professionally capable to act and fulfill the duties and responsibilities of both the roles. In addition, it is also a cost effective measure that is in the better interest of the shareholders of the Company, therefore hiring a separate person for both position is not feasible.

On behalf of the Board of Directors

Karachi
July 30, 2020


ZAFAR ALAM
Chairman

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Arif Habib Limited (the Company) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

Karachi.
Date: July 30, 2020


RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

REPORT ON THE AUDIT OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the annexed unconsolidated financial statements of Arif Habib Limited (the Company), which comprise the unconsolidated statement of financial position as at June 30, 2020, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter(s)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matter(s):

NO.	Key Audit Matter(S)	How the matter was addressed in our audit
01.	<p>First time application of IFRS 16</p> <p>As stated in note 3 to the unconsolidated financial statements, with effect from July 01, 2019, the International Financial Reporting Standard (IFRS) 16 "Leases" became applicable to the Company. Accordingly, the Company has applied the said new standard for the first time in the preparation of its unconsolidated financial statements for the year ended June 30, 2020.</p> <p>As mentioned in the above-referred note, IFRS 16 replaces the previous lease accounting guidance contained in the International Accounting Standard (IAS) 17 "Leases" as well as the various interpretations issued thereunder and, instead, introduces a single on-balance sheet lease accounting model for lessees whereby, at the date of commencement of a lease, a lessee is required to recognize a right-of-use asset and a lease liability (with certain exceptions). The said new accounting model materially differs from the previous lease accounting model for lessees whereby they were required to classify a lease either as a finance lease or an operating lease based on whether the risks and rewards of ownership were substantially transferred to them, and, account for the payments made under an operating lease as an expense on a straight line basis over the lease term.</p> <p>Given a number of technical considerations, complexities and practical challenges involved in the application of the new standard (in particular, those relating to the determination of the lease term and the discount rate), the management was required to apply certain significant judgments in the evaluation of its tenancy arrangements which, in turn, required us to apply significant auditor judgement and, accordingly, devote significant time and resources (including the involvement of our senior staff members with the engagement team) in order to obtain sufficient appropriate audit evidence over the amounts of right-of-use asset and the corresponding lease liability recognized, and the related disclosures made, in the unconsolidated financial statements.</p> <p>We considered this matter to be of most significance keeping in view the material effects that the aforesaid change in accounting policy on leases has on the unconsolidated financial statements of the Company for the year ended June 30, 2020 or may have on its future financial statements.</p>	<p>Our audit procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> We read the principal terms and conditions of the lease agreements entered into by the Company with its lessors and obtained an understanding of the management's considerations in relation to the determination of the non-cancellable period of the lease, enforceable period of the lease and the lease term. In particular, we made inquiries of management about the factors it considered in assessing whether or not, at the date of initial application of the new standard, the Company was reasonably certain to exercise the option to extend the lease and assessed the reasonableness of conclusions reached by management in this regard; We evaluated the reasonableness of the inputs used and the qualitative factors considered by management in the determination of the discount rate used to arrive at the present value of the lease payments. In addition, since the Company has applied the practical expedient in paragraph C10(a) of IFRS 16 (i.e. a single discount rate for all the leases), we assessed whether the leases in the portfolio have reasonably similar characteristics; We checked the management's calculation of the right-of-use asset and the corresponding lease liability to ensure that the same is in accordance with the measurement principles described in IFRS 16. In doing so, in particular, we focused our attention on the identification of non-lease components included in the lease contracts and evaluated the management's rationale for using the practical expedient in paragraph 15 of IFRS 16 whereby the lease components and associated non-lease components were not separated and, instead, accounted for as a single lease component. We evaluated whether the transition method (i.e. cumulative catch-up method) has been correctly applied by management in the unconsolidated financial statements; We evaluated the adequacy of disclosures made by management in the unconsolidated financial statements regarding the Company's lease arrangements to ensure that those are complete, accurate, relevant and understandable, and that the overall disclosure objective defined in paragraph 51 of IFRS 16 is met.
02.	<p>Valuation of investment properties</p> <p>As stated in note 9 to the unconsolidated financial statements, the Company recorded its investment properties (i.e. residential and commercial plots of land located in the Naya Nazimabad project as well as of offices located in Pakistan Stock Exchange, ISE Tower REIT Management Limited and LSE Financial Services Limited) at fair value based on the valuation carried out by an independent external valuer engaged by management. The valuation of such properties was identified as an area subject to significant risk due to involvement of estimates made by the valuer in determining the fair value of investment properties.</p> <p>Due to the significance of the estimate and the involvement of significant management assumptions and judgements, we considered valuation of investment properties as a key audit matter.</p>	<p>To address this significant risk, we, amongst others, carried out the following key audit procedures:</p> <ul style="list-style-type: none"> We obtained an understanding of the scope of the valuer's work; As stated in the valuation report, development work in the area in which the Company holds properties at Naya Nazimabad is ongoing and is rapidly progressing and that the value of the properties was determined on the basis of investigation with other realtors. Accordingly, we reviewed the investments made by the Company in other blocks of the Naya Nazimabad project over the past few years with respect to the cost of acquisition, valuation and disposals. Further, we corroborated the values assigned to the properties by the valuer with that realized on the most recent property disposal transactions executed by the Company; and Performed appropriate background searches to ascertain whether the values assigned to the properties by the valuer are closely aligned to those determined through independent sources.

03.	<p>Valuation of unquoted investments in equity securities</p> <p>As stated in note 7.5 to the unconsolidated financial statements, the Company revalued its investment in unquoted ordinary shares of M/s. ISE Towers REIT Management Company Limited and M/s. LSE Financial Services Limited based on the valuation carried out independent external valuer engaged by management through the use of Discounted Free Cash Flow to Equity model for business valuation. Since the use of such valuation model requires management to make significant estimates and assumptions, the degree of subjectivity and complexity involved in the valuation increases to a considerable extent. This, in turn, affected our assessment of the risk that the unconsolidated financial statements may be materially misstated due to error and, hence, necessitated us to devote our significant time and resources to address the risk successfully.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Obtained an understanding of the valuation exercise carried out by the independent external valuer engaged by management who was responsible for performing the valuation. Made inquiries of such persons in order to assess their competence, capability and objectivity of the external valuer which are recognized as the important factors affecting the reliability of the valuation. Evaluated the appropriateness of the work of the Company's personnel by assessing the reasonableness of significant assumptions used by management in estimating the following factors: <ul style="list-style-type: none"> Components of cost of equity of investee companies (used as discount rate) such as the risk-free rate of return, equity risk premium and equity beta; Significant amounts of revenues, operating expenses, capital expenditures, tax payments, dividend receipts etc. used in the cash flow projections; and Long term growth rates assumed by management in estimating the terminal value of the investee companies at the end of the 5-year projection period.
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Information Other than the Unconsolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the unconsolidated and consolidated financial statements and our auditor's reports thereon.

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

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

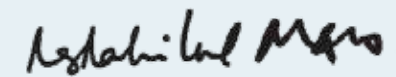
From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business;
- zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance; and
- the Company was in compliance with the requirement of section 78 of the Securities Act 2015, and the relevant requirements of Securities Brokers (Licencing and Operations) Regulations, 2016 as at the date on which the unconsolidated financial statements were prepared.

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



Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Karachi
Date July 30, 2020



**ENVISIONING
STRATEGY**

**UNCONSOLIDATED
FINANCIAL STATEMENTS**

ARIF HABIB LIMITED

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2020

	Notes	2020 (Rupees)	2019
ASSETS			
Non-current assets			
Property and equipment	6	65,052,322	38,761,490
Right-of-use assets	7	42,319,024	-
Intangible assets	8	6,975,504	6,954,089
Long term investment	9	126,614,761	154,046,528
Investment property	10	1,678,415,232	1,726,419,800
Long-term advances and deposits	11	5,584,545	6,488,985
Deferred tax - net	12	-	-
		1,924,961,388	1,932,670,892
Current assets			
Short term investments	13	3,827,444,572	2,411,100,877
Trade debts	14	156,938,894	175,306,869
Receivable against margin financing	15	37,754,624	114,245,832
Short term loans - secured		-	50,002
Advances, deposits and prepayments	16	12,392,213	298,717,635
Loan to related party	17	15,000,000	15,000,000
Accrued markup on margin financing		2,712,600	26,899,464
Other receivables	18	109,276,320	41,009,021
Cash and bank balances	19	806,181,448	627,456,271
		4,967,700,671	3,709,785,971
Total assets		6,892,662,059	5,642,456,863
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital	20	750,000,000	750,000,000
Issued, subscribed and paid-up capital	20	594,000,000	660,000,000
Capital reserves			
Surplus on revaluation of property	21	15,432,500	15,432,500
Surplus on re-measurement of equity securities at FVOCI		483,759,375	-
		499,191,875	15,432,500
Revenue reserves			
Unappropriated profits		2,173,236,272	2,242,134,654
Total equity		3,266,428,147	2,917,567,154
LIABILITIES			
Non-current liabilities			
Lease liability		25,108,587	-
Long term loan	22	333,320,594	-
Long term subordinated loan	24	-	-
		358,429,181	-
Current liabilities			
Short term borrowings- secured	23	1,836,074,716	1,909,233,639
Current portion of lease liability		13,275,399	-
Current portion of long term loan	22	166,666,667	-
Current portion of long term subordinated loan	24	300,000,000	-
Trade and other payables	25	794,780,142	637,975,550
Unclaimed dividend		13,827,308	14,460,393
Payable against purchase of securities- net		28,513,698	30,970,319
Accrued markup on short term borrowings		61,636,631	84,812,447
Taxation - net		53,030,170	47,437,361
		3,267,804,731	2,724,889,709
Contingencies and commitments	26	-	-
Total equity and liabilities		6,892,662,059	5,642,456,863

The annexed notes from 1 to 45 form an integral part of these unconsolidated financial statements.


Chief Executive Officer


Director


Chief Financial Officer

ARIF HABIB LIMITED

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2020

	Notes	2020 (Rupees)	2019
Operating revenue	27	645,445,941	767,039,825
Capital loss on sale of equity securities at FVTPL - net		(273,344,157)	(171,136,276)
Gain /(loss) on re-measurement of equity securities at FVTPL-net	28	202,588,474	(485,992,547)
Unrealised gain on re-measurement of investment property	10	132,000,000	370,039,859
		706,690,258	479,950,861
Administrative and operating expenses	29	(344,117,107)	(396,680,981)
Finance cost	30	(362,150,513)	(218,313,621)
Other charges	31	(11,819,351)	(6,649,830)
Other income	32	140,681,878	153,975,195
Profit before taxation		129,285,165	12,281,624
Taxation	33	(69,428,732)	(74,742,153)
Profit / (loss) after taxation		59,856,433	(62,460,529)
Earnings / (loss) per share - basic and diluted	34	1.00	(0.95)

The annexed notes from 1 to 45 form an integral part of these unconsolidated financial statements.


Chief Executive Officer


Director


Chief Financial Officer

ARIF HABIB LIMITED

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2020

	2020 (Rupees)	2019
Profit / (loss) after taxation	59,856,433	(62,460,529)
Other comprehensive income		
Items that will not be reclassified subsequently to statement of profit or loss Surplus on re-measurement of equity securities at FVOCI	520,004,560	-
Total comprehensive income / (loss) for the year	579,860,993	(62,460,529)

The annexed notes from 1 to 45 form an integral part of these unconsolidated financial statements.

ARIF HABIB LIMITED

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2020

	Issued, subscribed & paid up capital	Unappropriated profits	Reserves Surplus on revaluation of property	Surplus on re-measure- ment of equity securities at FVOCI	Sub-total	Total
	(Rupees)					
Balance as at June 30, 2018	550,000,000	2,579,595,183	15,432,500	-	2,595,027,683	3,145,027,683
Loss for the year	-	(62,460,529)	-	-	(62,460,529)	(62,460,529)
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive loss for the year ended June 30, 2019	-	(62,460,529)	-	-	(62,460,529)	(62,460,529)
Transactions with owners						
Cash dividend paid @ 30% for the year ended June 30, 2018 (2017: 100%)	-	(165,000,000)	-	-	(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)	-
	110,000,000	(275,000,000)	-	-	(275,000,000)	(165,000,000)
Balance as at June 30, 2019	660,000,000	2,242,134,654	15,432,500	-	2,257,567,154	2,917,567,154
Profit for the year	-	59,856,433	-	-	59,856,433	59,856,433
Other comprehensive income for the year	-	-	-	520,004,560	520,004,560	520,004,560
Total comprehensive income for the year ended June 30, 2020	-	59,856,433	-	520,004,560	579,860,993	579,860,993
Gain realized on disposal of equity securities at FVOCI	-	36,245,185	-	(36,245,185)	-	-
Transactions with owners						
- Buy-back of 10% shares under tender offer	(66,000,000)	(165,000,000)	-	-	(165,000,000)	(231,000,000)
Balance as at June 30, 2020	594,000,000	2,173,236,272	15,432,500	483,759,375	2,672,428,147	3,266,428,147

The annexed notes from 1 to 45 form an integral part of these unconsolidated financial statements.


Chief Executive Officer


Director


Chief Financial Officer


Chief Executive Officer


Director


Chief Financial Officer

ARIF HABIB LIMITED

UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020

Notes	2020 (Rupees)	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	129,285,165	12,281,624
Adjustments for:		
- Depreciation on property and equipment	6 7,654,464	7,962,923
- Depreciation on right-of-use-asset	7 20,143,375	-
- Amortization of intangible asset	8.1 493,759	498,350
- Impairment loss on intangible assets	-	2,000,000
- Loss on disposal of property and equipment	-	12,913
- (Gain) / loss on remeasurement of equity securities at FVTPL	28 (202,588,474)	485,992,547
- Gain on disposal of investment property	-	(23,315,000)
- Unrealized gain on re-measurement of investment property	10 (132,000,000)	(370,039,859)
- Dividend income	27 (166,766,673)	(88,201,056)
- Recovery of bad debts written off	-	(19,351,250)
- Provision for doubtful debts	14.1 3,822,301	4,636,917
- Finance costs	30 362,150,513	218,313,621
- Impairment loss on investment in subsidiary	9 6,441,895	-
	(101,423,840)	218,510,106
Cash generated from operating activities before working capital changes	27,861,325	230,791,730
Effect on cash flow due to working capital changes		
(Increase)/decrease in current assets		
- Short-term investments	(672,760,789)	(218,307,820)
- Trade debts	14,545,674	11,271,314
- Receivable against margin financing	76,491,208	142,219,531
- Short term loans	50,002	5,309,106
- Advances, deposits and prepayments	286,325,422	(266,742,991)
- Accrued markup on margin financing	24,186,864	(5,723,466)
- Other receivables	28,369,701	(76,760,275)
Increase/(decrease) in current liabilities		
- Trade and other payables	156,804,592	75,215,677
- Payable against purchase of securities- net	(2,456,621)	(84,274,726)
	(88,443,947)	(417,793,650)
Cash used in operations	(60,582,622)	(187,001,920)
- Taxes paid	(63,835,923)	(102,876,928)
- Finance costs paid	(385,326,329)	(179,292,990)
Net cash used in operating activities	(509,744,874)	(469,171,838)
CASH FLOWS FROM INVESTING ACTIVITIES		
- Acquisition of property and equipment	(1,500,400)	(10,727,042)
- Proceeds from disposal of property and equipment	28,437	961,159
- Acquisition of intangible asset	8.1 (515,174)	-
- Development charges for / additions to investment property	10 (11,943,765)	(163,419,941)
- Proceeds from disposal of investment property	154,840,000	203,855,000
- Disposal of long term investment	-	6,343,594
- Dividends received	75,539,673	90,225,354
- Long-term advances and deposits	904,440	10,613,539
Net cash generated from investing activities	217,353,211	137,851,663
CASH FLOWS FROM FINANCING ACTIVITIES		
- Repayment of lease liability	(24,078,413)	(1,345,933)
- Long term loan received	499,987,261	-
- Receipt of subordinated loan	24 1,100,000,000	-
- Repayment of subordinated loan	24 (800,000,000)	-
- Buy-back of 10% shares under tender offer	(231,000,000)	-
- Dividend paid	(633,085)	(163,295,446)
Net cash generated from / (used in) financing activities	544,275,763	(164,641,379)
Net increase / (decrease) in cash and cash equivalents	251,884,100	(495,961,554)
Cash and cash equivalents at the beginning of the year	(1,281,777,368)	(785,815,814)
Cash and cash equivalents at the end of the year	35 (1,029,893,268)	(1,281,777,368)

The annexed notes from 1 to 45 form an integral part of these unconsolidated financial statements.


Chief Executive Officer


Director


Chief Financial Officer

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1 STATUS AND NATURE OF BUSINESS

Arif Habib Limited ("the Company") is a public listed company incorporated in Pakistan under the repealed Companies Ordinance, 1984 ('the Ordinance') which has now been replaced by Companies Act, 2017 ('the Act'). The shares of the Company are listed on Pakistan Stock Exchange Limited ("the Exchange"). 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% share holding 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 69.44% shares of the Company.

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 geographical location of Company's offices are as follows:

- Karachi	Head office (Registered office)	Arif Habib Centre, 23 M.T. Khan Road, Karachi
- Lahore	Regional office	Office Nos. G-05 & G-06, Ground Floor, LSE Plaza, 19, Khayaban-e-Aiwan-e-Iqbal, Lahore
- Islamabad	Regional office	Office No. 506, 5th Floor, ISE Towers, Jinnah Avenue, Islamabad
- Peshawar	Regional office	Shops No. F13, F14, F15, F16, and F17, 1st Floor, The Mall Tower, Peshawar Cantt.

The Company has following subsidiaries

- Arif Habib Commodities (Private) Limited
- Arif Habib 1857 (Private) Limited

2 BASIS OF PREPARATION

2.1 Statement of compliance

These unconsolidated financial statements are separate financial statements of the Company and have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprises of:

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

2.2 Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention, except:

- 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.
- Investment property which is carried at fair value;
- Long term investments in ISE Tower Reit Management Limited and LSE Financial Services Limited which are carried at fair value; and
- Short term investments in quoted equity securities, units of mutual funds and term finance certificates / sukuks carried at fair value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of unconsolidated financial statements in conformity with accounting and reporting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policy are as follows:

	Note
- Useful lives, depreciation methods and residual values of property and equipment;	5.1
- Useful lives, amortisation methods and residual values of intangible assets;	5.2
- Valuation of investment property;	10
- Valuation of investment in ordinary shares of ISE Towers Reit Management Limited and LSE Financial Services Limited;	9.7
- Lease liability and right-of-use assets; and	3, 4 & 7
- Provision for taxation.	33

2.5 New Accounting Pronouncements

2.5.1 Amendments to approved accounting standards and interpretations which became effective during the year ended June 30, 2020

During the year, certain new accounting and reporting standards / amendments / interpretations became effective and applicable to the Company. However, since such updates (except for those disclosed in note 3 to these financial statements) were not considered to be relevant to the Company's financial reporting, the same have not been disclosed here.

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

2.5.2 New / revised accounting standards, amendments to published accounting standards and interpretations that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after the date specified below;

- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 01, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The application of the amendment is not likely to have an impact on the Company's financial statements.
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after January 01, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards. The amendments are not likely to affect the financial statements of the Company.
- Interest rate benchmark reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after January 01, 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has, in turn, led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after June 01, 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - b. any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
 - c. there is no substantive change to the other terms and conditions of the lease.

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The above amendments are not likely to affect the financial statements of the Company.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after January 01, 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The amendments are not likely to affect the financial statements of the Company.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are not likely to affect the financial statements of the Company.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after January 01, 2022 clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are not likely to affect the financial statements of the Company.

2.5.3 Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after January 01, 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments are not likely to affect the financial statements of the Company.

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

3 INITIAL APPLICATION OF IFRS 16

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.

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 of 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.

4 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 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.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these unconsolidated financial statements are set out below. These policies have been consistently applied to all the years presented except for the change in accounting policy as described in note 3 and 4 to these unconsolidated financial statements:

5.1 Property and equipment

Owned

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

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

Depreciation is charged to statement of profit or loss account applying the reducing balance method at the rates specified in note 6. Depreciation is charged when the asset is available for use till the asset is disposed off. Further, when the written down value of the item of assets falls below Rs.10,000 the same is charged directly to the statement of profit or loss.

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

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each financial year end. The Company's estimate of residual value of property and equipment as at June 30, 2020 did not require any adjustment.

5.2 Intangible assets

5.2.1 Computer software

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is computed using the reducing balance method over assets estimated useful life at the rates stated in note 8.1, after taking into accounts residual value, if any. The residual values, useful life and amortization methods are reviewed and adjusted, if appropriate, at each reporting date.

Amortization is charged from the date the assets are put to use while no amortization is charged after the date when the assets are disposed off.

Gain and losses on disposal of such assets, if any, are included in the statement of profit or loss account.

5.2.2 Membership cards and offices

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

5.3 Investment in subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investment in subsidiaries are carried at cost in accordance with IAS 27 - 'Separate Financial Statements'. Investments in associates are accounted for under 'IFRS 9 - Financial instruments' considering each investment individually.

5.4 Investment properties

Investment properties are held for capital appreciation and is measured initially at its cost, including transaction costs.

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Subsequent to initial recognition, investment properties are measured at fair value at each reporting date. The changes in fair value is recognised in the statement of profit or loss.

5.5 Financial instruments

5.5.1 The Company classifies its financial assets in the following three categories:

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

(a) Financial assets measured at amortized cost

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

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

(b) Financial assets at FVOCI

A financial asset is classified as at fair value through other comprehensive income when either:

- (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; or
- (ii) it is an investment in equity instrument which is designated as at fair value through other comprehensive income in accordance with the irrevocable election available to the Company at initial recognition.

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

(c) Financial assets at FVTPL

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, as aforesaid.

Such financial assets are initially measured at fair value.

5.5.2 Initial recognition

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

Regular way purchase of investments are recognized using settlement date accounting i.e. on the date on which settlement of the purchase transaction takes place. However, the Company follows trade date accounting for its own (the house) investments. Trade date is the date on which the Company commits to purchase or sell its asset.

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Transactions of purchase under resale (reverse-repo) of marketable securities including the securities purchased under margin trading system are entered into at contracted rates for specified periods of time. Amounts paid under these agreements in respect of reverse repurchase transactions are recognized as a receivable. The difference between purchase and resale price is treated as income from reverse repurchase transactions in marketable transactions / margin trading system and accrued on a time proportion basis over the life of the reverse repo agreement.

5.5.3 Subsequent measurement

(a) Financial assets measured at amortized cost

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

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

(b) Financial assets at FVOCI

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

A gain or loss on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment (except for investments in equity instruments which are designated as at fair value through other comprehensive income in whose case the cumulative gain or loss previously recognized in other comprehensive income is not so reclassified). Interest is calculated using the effective interest method and is recognised in profit or loss.

(c) Financial assets at FVTPL

These assets are subsequently measured at fair value.

Net gains or losses arising from remeasurement of such financial assets as well as any interest income accruing thereon are recognized in profit and loss account.

5.5.4 Impairment

The Company's financial assets that are subject to the impairment requirements of IFRS 9 are trade receivables, receivable against margin financing, receivable against reverse repo transactions, advisory and consultancy fee receivable, and forex and money market fee receivable.

The Company applies the IFRS 9 'Simplified Approach' to measuring expected credit losses which uses a lifetime expected loss allowance for all above mentioned financial assets. The Company measures expected credit losses in a way that reflects an unbiased and probability-weighted amount, time value of money and reasonable and supportable information at the reporting date about the past events, current conditions and forecast of future economic conditions. The Company recognises in profit and loss account, as an impairment loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

5.6 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are off-set and the net amount is reported in the statement of financial position if the Company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

5.7 Trade debts and other receivables

Trade debts and other receivables are stated initially at amortised cost using the effective interest rate method. Provision is made on the basis of lifetime ECLs that result from all possible default events over the expected life of the trade debts and other receivables. Bad debts are written off when considered irrecoverable.

5.8 Cash and cash equivalents

Cash and cash equivalent are carried in the statement of financial position at amortized cost. For the purpose of cash flow statement cash and cash equivalents comprise cash and bank balances and short term borrowings.

5.9 Borrowings

Borrowings are recognized initially at fair value, net of attributable transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss account over the period of the borrowings using the effective interest method.

5.10 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost using the effective interest method.

5.11 Staff retirement benefits - Defined contribution plan

The Company operates a defined contribution plan i.e. recognized provident fund ("the Fund") for all of its eligible employees in accordance with trust deed and rules made thereunder. Monthly contributions at the rate of 12.50% of basic salary are made to the Fund by the Company and the employees.

5.12 Taxation

Income tax expense comprises current and deferred tax.

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using tax rates enacted or substantially enacted at the reporting date and after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the reporting date between the tax base and carrying amount of assets and liabilities for financial reporting purposes.

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and carried forward unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carried forward unused tax losses can be utilized. Carrying amount of all deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantially enacted by the reporting date.

Deferred tax is charged or credited in the statement of profit or loss account, except in the case of items credited or charged to comprehensive income or equity, in which case it is included in comprehensive income or equity.

5.13 Provisions

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

5.14 Revenue recognition

Revenue from trading activities - brokerage

Commission revenue from trading of securities is recognized when the performance obligation is satisfied, being when transaction is settled by the clearing house and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Broker's bills are also generated at that point in time.

A receivable is recognized when the transaction is settled by the clearing house as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company does not expect to have contracts where the period between the services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Revenue from operating, consultancy and advisory services

Revenue is recognized when the performance obligation is satisfied i.e. when services are provided.

Dividend income

Dividends received from investments measured at fair value through profit or loss and at fair value through other comprehensive income. Dividends are recognized in the statement of profit or loss when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of a part of the cost of an investment. In this case, dividend is recognized in other comprehensive income if it relates to an investment measured at fair value through other comprehensive income.

Mark up / interest income

Mark-up / interest income is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

5.15 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalised as part of the cost of relevant asset.

6 PROPERTY AND EQUIPMENT

	Owned Assets					Leased Assets	Total
	Leasehold Offices	Leasehold improvements	Office equipments	Furniture & Fixture	Compter & Allied	Vehicles	

As at June 30, 2018

Cost	-	102,485,179	1,122,816	2,047,062	24,370,358	2,088,000	132,113,415
Accumulated depreciation	-	(76,893,022)	(611,687)	(251,660)	(16,301,095)	(1,084,508)	(95,141,972)
Net book value	-	25,592,157	511,129	1,795,402	8,069,263	1,003,492	36,971,443

Year ended June 30, 2019

Opening net book value	-	25,592,157	511,129	1,795,402	8,069,263	1,003,492	36,971,443
Additions / transfers during the year	-	-	3,235,642	2,497,703	4,993,697	-	10,727,042
Disposals / transfers/writeoff	-	-	-	-	-	-	-

Cost	-	-	(75,000)	-	(45,026)	(2,088,000)	(2,208,026)
Accumulated depreciation	-	-	43,115	-	16,998	1,173,841	1,233,954
Net book value	-	-	(31,885)	-	(28,028)	(914,159)	(974,072)
Depreciation for the year	-	(3,588,584)	(362,389)	(463,849)	(3,458,768)	(89,333)	(7,962,923)
Closing net book value	-	22,003,573	3,352,497	3,829,256	9,576,164	-	38,761,490

As at June 30, 2019

Cost	-	102,485,179	4,283,458	4,544,765	29,319,029	-	140,632,431
Accumulated depreciation	-	(80,481,606)	(930,961)	(715,509)	(19,742,865)	-	(101,870,941)
Net book value	-	22,003,573	3,352,497	3,829,256	9,576,164	-	38,761,490

Year ended June 30, 2020

Opening net book value	-	22,003,573	3,352,497	3,829,256	9,576,164	-	38,761,490
"Additions / transfers during the year (Refer note 10.1)"	32,473,333	-	38,175	310,605	1,151,620	-	33,973,733
Disposals / transfers/writeoff	-	-	-	-	-	-	-
Cost	-	-	-	-	(67,500)	-	(67,500)
Accumulated depreciation	-	-	-	-	39,063	-	39,063
Net book value	-	-	-	-	(28,437)	-	(28,437)
Depreciation for the year	-	(3,300,536)	(502,953)	(575,340)	(3,275,635)	-	(7,654,464)
Closing net book value	32,473,333	18,703,037	2,887,719	3,564,521	7,423,712	-	65,052,322

As at June 30, 2020

Cost	32,473,333	102,485,179	4,321,633	4,855,370	30,403,149	-	174,538,664
Accumulated depreciation	-	(83,782,142)	(1,433,914)	(1,290,849)	(22,979,437)	-	(109,486,342)
Net book value	32,473,333	18,703,037	2,887,719	3,564,521	7,423,712	-	65,052,322

Annual rates of depreciation	15%	15%	15%	15%	33%	20%	
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ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	(Rupees)	
7 RIGHT-OF-USE ASSETS		
Cost	62,462,399	-
Depreciation charged during the year	(20,143,375)	-
Closing net book value	42,319,024	-

7.1 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:

Lessor name	Office	Branch
	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

7.2 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.

8 INTANGIBLES ASSETS

	Notes	2020	2019
		(Rupees)	
Computer software	8.1	2,375,504	2,354,089
Trading right entitlement certificates and offices	8.2	4,600,000	4,600,000
		6,975,504	6,954,089

8.1 Computer software

Net carrying amount

Opening net book value	2,354,089	2,852,439
Additions during the year	515,174	-
Amortisation charge	(493,759)	(498,350)
Closing net book value	2,375,504	2,354,089

Gross carrying amount

Cost	7,949,132	7,433,958
Accumulated amortisation	(5,573,628)	(5,079,869)
Net book value	2,375,504	2,354,089

Amortisation rate	25%	25%
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ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	Notes	2020 (Rupees)	2019
8.2 Trading Right Entitlement Certificate (TREC) and offices			
Trading Right Entitlement Certificates			
Cost		26,000,000	26,000,000
Impairment		(23,500,000)	(23,500,000)
	8.2.1	<u>2,500,000</u>	<u>2,500,000</u>
Offices-booths			
Pakistan Stock Exchange Limited		2,100,000	2,100,000
		<u>4,600,000</u>	<u>4,600,000</u>

8.2.1 This represents TREC received by the Company in accordance with the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012. These have been carried at cost less accumulated impairment losses.

9 LONG TERM INVESTMENTS	Notes	2020 (Rupees)	2019
Investments in subsidiaries - at cost			
- Arif Habib Commodities (Private) Limited	9.1	38,000,000	38,000,000
- Arif Habib 1857 (Private) Limited	9.2	50,000,000	50,000,000
	9.3	<u>88,000,000</u>	<u>88,000,000</u>
Less: Accumulated impairment losses against investment in Arif Habib 1857 (Private) Limited	9.4	(6,441,895)	-
		<u>81,558,105</u>	<u>88,000,000</u>
At fair value through profit or loss			
- Pakistan Stock Exchange Limited	9.5	-	13,023,998
- ISE Towers REIT Management Company Limited	9.6	31,620,574	40,936,808
- LSE Financial Services Limited	9.6	13,436,082	12,085,722
	9.7 / 9.7.1	45,056,656	66,046,528
		<u>126,614,761</u>	<u>154,046,528</u>

9.1 This represents paid up share capital comprising of 100% ownership in Arif Habib Commodities (Private) Limited (AHCPL) which was incorporated on April 02, 2012 as a wholly owned subsidiary for the purpose of expanding non-core revenue stream of the commodity brokerage. The total amount of investment approved by the shareholders of the Company in the extra-ordinary general meeting held on June 16, 2012 is Rs 100 million. As of the reporting date, the Company had invested a total sum of Rs. 38 million.

9.2 This represents paid up share capital comprising of 100% ownership in Arif Habib 1857 (Private) Limited which was incorporated on July 07, 2014 as a wholly owned subsidiary for the purpose of share brokerage. The total amount of investment approved by the shareholders of the Company in the extra-ordinary general meeting held on September 27, 2014 is Rs. 60 million. As of the reporting date, the Company had invested a total sum of Rs. 50 million.

9.3 All investments have been made in accordance with the provision of the section 199 of the Act and the rules promulgated for this purpose.

9.4 During the year, the Company carried out an impairment review of its investment in subsidiaries. An impairment loss on the Company's investment in M/s. Arif Habib 1857 (Private) Limited (AHPL) was identified and recognized the impairment loss in these unconsolidated financial statements.

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

9.5 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 June 30, 2020, the Company intended to dispose of the investment in due course of time, it was re-classified as a short term investment.

9.6 This represents the investment in 843,975 unquoted ordinary shares of M/s. LSE Financial Services Limited and 3,034,604 unquoted ordinary shares of M/s. ISE Towers REIT Management Company Limited.

9.7 The Company, as per its policy, carried out the valuation of the aforementioned investments. In this connection, the valuation technique used by the Company was Discounted Free Cash Flow to Equity model for business valuation. Assumptions and inputs used in the valuation technique mainly include risk-free rate, equity risk premium, long term growth rate and projected rates of increase in revenues, other income and expenses. Principal assumptions used in the valuation of above unquoted investments are as under:

Name of investee company	2020 Principal Valuation Assumptions				
	Long term growth rate	Cost of equity	Projection period	Value per share (Rs.)	Valuation technique used
LSE Financial services Limited	6.0%	10.11%	5	15.92	Discounted Free Cash Flow to Equity
ISE Towers REIT Management Company Limited	6.0%	10.11%	5	10.42	Discounted Free Cash Flow to Equity

Name of investee company	2019 Principal Valuation Assumptions				
	Long term growth rate	Cost of equity	Projection period	Value per share (Rs.)	Valuation technique used
LSE Financial services Limited	8.0%	13.10%	5	14.32	Discounted Free Cash Flow to Equity
ISE Towers REIT Management Company Limited	8.0%	13.10%	5	13.49	Discounted Free Cash Flow to Equity

9.7.1 Reconciliation of gain / (loss) on remeasurement of long term investments as of the reporting date

	Notes	2020 (Rupees)	2019
Cost of investment		58,586,933	86,688,713
Unrealised (loss) gain:			
Balance as at July 01		(20,642,185)	(14,298,591)
Unrealized Loss of PSX shares reclassified to short term	9.5	15,077,782	-
Unrealised loss for the year		(7,965,874)	(6,343,594)
		<u>(13,530,277)</u>	<u>(20,642,185)</u>
Balance as at June 30		<u>45,056,656</u>	<u>66,046,528</u>
9.7.2 Movement in cost of investment			
Opening balance		86,688,713	86,688,713
PSX shares reclassified to short term investment	9.5	(28,101,780)	-
Closing balance		<u>58,586,933</u>	<u>86,688,713</u>

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	Notes	2020 (Rupees)	2019
10 INVESTMENT PROPERTY			
Opening carrying amount		1,726,419,800	1,373,500,000
Sale during the year		(159,475,000)	(180,540,000)
Transfer to property and equipment	10.1	(32,473,333)	-
Development charges / additions during the year		11,943,765	163,419,941
		<u>1,546,415,232</u>	<u>1,356,379,941</u>
Increase in fair value during the year		132,000,000	370,039,859
Closing carrying amount		<u>1,678,415,232</u>	<u>1,726,419,800</u>

10.1 On 25 June 2020, the Company has commenced business operations on office premises located at G-05, G-06 on ground floor of LSE Financial Services Limited and at 506, fifth floor of ISE Towers REIT Management Company Limited. Therefore the said office premises have been reclassified to Property and Equipment at the fair value at the date of change in use.

10.2 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 ISE Towers REIT Management Company Limited and LSE Financial Services Limited. The Naya Nazimabad Project is owned and managed by Javedan Corporation Limited (a related party of the Company). As of the reporting date, the fair value of such investment properties was determined by an independent external property valuer having appropriate recognised qualification and relevant experience according to which there was an increase of Rs. 132.00 million in fair value of the properties and forced sales value of these investment properties are Rs. 1,456.4 million (2019: Rs. 1,478.1 million).

11 LONG TERM ADVANCES AND DEPOSITS

	Notes	2020 (Rupees)	2019
Advance against equity			
- Arif Habib Commodities (Private) Limited	11.1	2,000,000	2,000,000
Trading deposits placed with			
- Pakistan Stock Exchange Limited		700,461	700,461
- National Clearing Company of Pakistan Limited		2,173,138	2,594,578
- ISE Towers REIT Management Company Limited		-	150,000
Other security deposits			
- Others		710,946	1,043,946
		<u>5,584,545</u>	<u>6,488,985</u>

11.1 This represents advance against future issue of ordinary shares given to M/s Arif Habib Commodities (Private) Limited.

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

12 DEFERRED TAX - net

Taxable temporary differences

- Accelerated depreciation
- Right-of-use-assets
- Short term investments
- Investment property

Deductible temporary differences

- Intangible assets
- Long-term investment
- Provision for doubtful debts and other receivables
- Lease liability
- Capital loss on sale of equity securities at FVTPL - net
- Short term investments

Deferred tax asset - net

Deferred tax asset recognised to the extent of deferred tax liability
Unrecognised deferred tax asset in the books
Deferred tax asset - net

2020			
At July 01, 2019	Recognised in Profit or Loss Account	Recognised in other comprehensive income	At June 30, 2020
(Rupees)			
2,828,548	10,213,195	-	13,041,743
-	12,272,517	-	12,272,517
-	(26,985,224)	72,563,906	45,578,682
160,686,292	(160,686,292)	-	-
<u>163,514,840</u>	<u>(165,185,804)</u>	<u>72,563,906</u>	<u>70,892,942</u>
(6,206,000)	(609,000)	-	(6,815,000)
-	(49,598)	-	(49,598)
(273,933,550)	(972,237)	-	(274,905,787)
-	(11,131,356)	-	(11,131,356)
-	(66,672,065)	-	(66,672,065)
(46,922,257)	46,922,257	-	-
<u>(327,061,807)</u>	<u>(32,511,999)</u>	<u>-</u>	<u>(359,573,806)</u>
<u>(163,546,967)</u>	<u>(197,697,803)</u>	<u>72,563,906</u>	<u>(288,680,864)</u>
			70,892,942
			217,787,922
			288,680,864
			<u>-</u>

Taxable temporary differences

- Accelerated depreciation
- Investment property

Deductible temporary differences

- Short term investments
- Intangible assets
- Provision for doubtful debts and other receivables
- Liabilities against assets subject to finance lease

Deferred tax asset - net

Deferred tax asset recognised to the extent of deferred tax liability
Unrecognised deferred tax asset in the books

Deferred tax asset - net

2019			
At July 01, 2018	Recognised in Profit or Loss Account	Recognised in other comprehensive income	At June 30, 2019
(Rupees)			
3,385,978	(557,430)	-	2,828,548
44,832,675	115,853,617	-	160,686,292
<u>48,218,653</u>	<u>115,296,187</u>	<u>-</u>	<u>163,514,840</u>
13,033,862	(59,956,119)	-	(46,922,257)
(5,820,000)	(386,000)	-	(6,206,000)
(289,535,187)	15,601,637	-	(273,933,550)
(403,780)	403,780	-	-
<u>(282,725,105)</u>	<u>(44,336,702)</u>	<u>-</u>	<u>(327,061,807)</u>
<u>(234,506,452)</u>	<u>70,959,485</u>	<u>-</u>	<u>(163,546,967)</u>
			163,514,840
			32,127
			163,546,967
			<u>-</u>

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

12.1 The Company, based on the future projections, has recognized deferred tax assets only to the extent of deferred tax liabilities amounting, in aggregate to Rs. 70.892 million. (2019: Rs. 163.515 million).

13 SHORT TERM INVESTMENTS

	Notes	2020 (Rupees)	2019
Equity securities at FVTPL	13.1	2,771,339,641	2,089,487,680
Corporate debt securities - at FVTPL	13.2	228,526,556	321,613,197
	13.3	2,999,866,197	2,411,100,877
Equity securities at FVOCI	13.4	827,578,375	-
		<u>3,827,444,572</u>	<u>2,411,100,877</u>

13.1 As of June 30, 2020, 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, classified at FVTPL. 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.

13.2 This represents Term Finance Certificates / Sukuks under Market Making agreements.

13.3 Reconciliation of gain / (loss) on remeasurement of equity investments at FVTPL

	Notes	2020 (Rupees)	2019
Cost of investment		3,179,767,689	2,786,478,935
Unrealised (loss) gain:			
Balance as at July 01		(375,378,058)	104,270,895
Unrealized Loss transferred from long term investment	9.5	(15,077,782)	-
Unrealised gain / (loss) for the year		210,554,348	(479,648,953)
		(179,901,492)	(375,378,058)
Balance as at June 30		<u>2,999,866,197</u>	<u>2,411,100,877</u>

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

13.4 Equity securities at FVTOCI

	2020 (Number of shares)	2019	Note	2020 (Rupees)	2019
Investment in ordinary shares of HUM Network Limited (HUMNL)					
	-	-		-	-
Opening investment (at cost)				-	-
Add: Investment made during the year	69,736,000	-	13.4.1	363,545,200	-
Less: Investment disposed of during the year	(3,793,500)	-	13.4.2	(19,726,200)	-
Closing investment (at cost)	<u>65,942,500</u>	-		<u>343,819,000</u>	-
Unrealized gain on remeasurement of investment				483,759,375	-
Closing investment (at fair value)				<u>827,578,375</u>	-

13.4.1 During the year, the Company made an investment in equity shares of Hum Network Limited (HUMNL), at a cost value of Rs. 5.20 to 5.25. The Company has designated the investment as at fair value through other comprehensive income in accordance with the irrevocable election available to the Company under the International Financial Reporting Standard (IFRS) 9 Financial Instruments.

13.4.2 During the year, the Company also disposed of 3,793,500 shares of HUMNL as the Company had to liquidate some investment for financing purpose as well as it had an opportunity to earn a substantial capital gain amounting to Rs. 36.245 million. The fair value of the investment at the date of disposal was Rs. 14.75 per share.

13.4.3 As of the reporting date, the quoted price of ordinary share of HUMNL amounted to Rs. 12.55 per share.

13.4.4 During the year ended June 30, 2020, the Company did not receive any dividend from HUMNL.

14 TRADE DEBTS

	Notes	2020 (Rupees)	2019
Considered good			
- Brokerage and operating		83,576,900	40,205,493
- Advisory and consultancy fee		73,361,994	135,101,376
		156,938,894	175,306,869
Considered doubtful			
- Brokerage and operating		869,146,841	865,324,540
- Advisory and consultancy fee		37,174,746	37,644,504
		906,321,587	902,969,044
		1,063,260,481	1,078,275,913
Less: provision for doubtful debts	14.1	(906,321,587)	(902,969,044)
	14.2	156,938,894	175,306,869

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

14.1	Movement in provision for doubtful debts	Notes	2020 (Rupees)	2019
	Balance at the beginning of the year		902,969,044	918,004,562
	Add: Effect of initial application of IFRS 9		-	1,625,601
			902,969,044	919,630,163
	Charged for the year		3,822,301	696,781
	Reversed during the year		(469,758)	(17,357,900)
	Balance at the end of the year		906,321,587	902,969,044
14.2	This includes Rs. 1.7 million (2019: Rs. 0.4 million) due from related parties. The Company holds capital securities having fair value of Rs. 38,874 million (2019: Rs. 37,076 million) owned by its clients, as collaterals against trade debts. The maximum aggregate amount outstanding at any time during the year amounts to Rs. 34.4 million (2019: Rs. 47.4 million)			
15	RECEIVABLE AGAINST MARGIN FINANCING	Notes	2020 (Rupees)	2019
	Considered good		37,754,624	114,245,832
	Considered doubtful		1,917,749	1,917,749
		15.1	39,672,373	116,163,581
	Less: provision for doubtful receivables	15.2	(1,917,749)	(1,917,749)
			37,754,624	114,245,832
15.1	Marginal financing facility is provided to clients on markup basis ranging from 12.00% to 18.00% (2019: 12.00% to 18.25%) per annum.			
15.2	Movement in provision for doubtful receivables			
	Balance at the beginning of the year (as previously reported)		1,917,749	-
	Add: Effect of initial application of IFRS 9		-	950,907
			1,917,749	950,907
	Charged during the year		-	966,842
	Balance at the end of the year		1,917,749	1,917,749
16	ADVANCES, DEPOSITS AND PREPAYMENTS			
	Advances			
	Advance to consultant	16.1	9,393,760	12,393,760
	Advance against expenses		721,481	184,960
	Advance against salary		334,988	-
	Advance to Arif Habib Commodities (Private) Limited		358,992	256,305
			10,809,221	12,835,025
	Trade deposits			
	Exposure deposit with Pakistan Stock Exchange Limited	16.2	-	38,254,620
	Exposure deposit with National Clearing Company of Pakistan Limited (NCCPL)	16.3	1,142,542	241,359,633
			1,142,542	279,614,253
	Prepayments			
	Rent		-	5,848,357
	Insurance		440,450	420,000
			440,450	6,268,357
			12,392,213	298,717,635

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

16.1	This represents advance payment made to consultant in respect of consultancy services on Corporate Finance Projects			
16.2	This represents deposits held at the year end against exposure arising out of the trading in securities in accordance with the regulations of Pakistan Stock Exchange Limited.			
16.3	This represents deposits held at the year end against exposure arising out of the trading in securities in accordance with the regulations of National Clearing Company Pakistan Limited.			
17	LOAN TO RELATED PARTY			
	This represents a loan provided to M/s. Arif Habib Commodities (Private) Limited and is receivable on demand. During the year, the Board of Directors of the Company instructed the management to charge mark-up on the loan provided @ 1-month KIBOR+2% and passed a resolution to this effect.			
18	OTHER RECEIVABLES	Notes	2020 (Rupees)	2019
	Receivable against Reverse Repo transactions		52,152,387	76,301,579
	Dividend receivable		91,227,000	-
	Others		5,608,589	4,419,098
			148,987,976	80,720,677
	Less: provision for other receivables	18.1	(39,711,656)	(39,711,656)
			109,276,320	41,009,021
18.1	Movement in provision for other receivables			
	Balance at the beginning of the year		39,711,656	4,824,566
	Add: Effect of application of IFRS 9		-	39,711,656
			39,711,656	44,536,222
	Reversed during the year		-	(4,824,566)
	Balance at the end of the year		39,711,656	39,711,656
19	CASH AND BANK BALANCES			
	Cash in hand		271,588	175,294
	Cash at bank			
	- current accounts	19.1	47,166,085	194,874,279
	- savings accounts	19.2	758,743,775	432,406,698
			805,909,860	627,280,977
			806,181,448	627,456,271
19.1	The return on these balances is 6% to 13% (2019: 8% to 9.5%) per annum on daily product basis.			
19.2	Bank balances include customers' bank balances held in designated bank accounts amounting to Rs. 777.251 million (2019: Rs. 595.989 million).			

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

2020	2019		2020	2019
---(Number of shares)---			(Rupees)	
75,000,000	75,000,000	Authorized capital		
		Ordinary shares of Rs. 10/- each	750,000,000	750,000,000
		Issued, Subscribed and Paid up Capital		
		Ordinary shares of Rs.10/- each		
10,800,000	12,000,000	For Cash	108,000,000	120,000,000
48,600,000	54,000,000	As bonus shares	486,000,000	540,000,000
59,400,000	66,000,000		594,000,000	660,000,000

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

	Note	2020	2019
		(Rupees)	
Balance as at the beginning of the year		66,000,000	55,000,000
20% bonus shares issued		-	11,000,000
10% shares bought back under tender offer	20.1.1	(6,600,000)	-
Balance as at the end of the period / year		59,400,000	66,000,000

20.1.1 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.

20.2 The Parent Company held 41,245,884 (2019: 43,245,884) ordinary shares of Rs. 10 each at year end.

20.3 There is only one class of ordinary shares.

20.4 There is no agreement among shareholders for voting rights, board selection, rights of first refusal, and block voting.

21 SURPLUS ON REVALUATION OF PROPERTY

In the year 2015, the Company reclassified leasehold offices to Investment Property. Accordingly surplus on revaluation of properties was recognized in accordance with IAS 40 "Investment Property".

22 LONG TERM LOAN

On June 30, 2020 the Company had signed a facility letter with Allied Bank limited (ABL) whereby the outstanding running finance facility amounting to Rs. 499.99 million had been converted into a long term loan under markup arrangement at the rate of 3 months KIBOR + 1% to be charged on quarterly basis. The loan is repayable in twelve quarterly installments ending on June 30, 2023. The loan is secured against pledge of shares as per ABL's ALCO approved shares list with respective margins.

22.1 Fair value of shares pledged with Allied Bank Limited against term loan facility as at June 30, 2020 amounted to Rs. 918.44 million (2019: Nil). The details of which are as under:

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2020		June 30, 2019	
	Number of securities	Amount (Rupees)	Number of securities	Amount (Rupees)
Client	34,350,000	918,175,500	-	-
House	10,000	267,300	-	-
Total	34,360,000	918,442,800	-	-

23 SHORT TERM BORROWINGS - secured

Short term running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 5,000 million (2019: Rs. 5,190 million). These facilities have various maturity dates up to May 06, 2021 (2019: September 30, 2019). These arrangements are secured against pledge of marketable securities. These running finance facilities carry mark-up ranging from 1 month KIBOR + 0.75% to 1.0%, 3 month KIBOR + 0.55% to 1.5% (2019: 1 month KIBOR + 0.5% to 1.0%, 3 month KIBOR +0.5% to 2% and 6 month KIBOR + 0.75%) calculated on a daily product basis that is payable quarterly.

Fair value of shares pledged with banking companies against various short term running finance facilities and bank guarantees as at June 30, 2020 amounted to Rs. 4,376.90 million (2019: Rs. 5,897.79 million). Total value of pledged securities with financial institutions indicating separately securities belonging to customers is as under:

	June 30, 2020		June 30, 2019	
	Number of securities	Amount (Rupees)	Number of securities	Amount (Rupees)
Client	83,400,000	2,186,712,000	209,810,000	4,495,028,500
House	119,315,760	2,190,184,650	73,490,995	1,402,764,488
Total	202,715,760	4,376,896,650	283,300,995	5,897,792,988

24 SUBORDINATED LOAN

During the year, the Company has obtained subordinated loan amounted to Rs. 1,100,000,000 from the sponsor (Mr. Arif Habib). The details of the loan obtained are as follows:

a. Short term, unsecured, subordinate, interest free loan of Rs. 800,000,000 payable on demand and which had been repaid on May 11, 2020.

b. Long term unsecured, subordinate loan of Rs 300,000,000 which is payable after 13 months of disbursement of loan amount. The interest rate is 6 month KIBOR + 2% payable semiannually.

25 TRADE AND OTHER PAYABLES

	Notes	2020	2019
		(Rupees)	
Creditors	25.1	747,901,751	594,518,438
Commission payable	25.2	19,605,841	10,858,152
Accrued expenses		6,820,150	17,262,865
Payable to provident fund	25.3	-	272,108
Taxes payable		13,301,083	13,916,869
Advance from related party	25.4	2,500,000	-
Other liabilities		4,651,317	1,147,118
		794,780,142	637,975,550

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

25.1 This includes Rs. 3.85 million (2019: Rs. 26.42 million) payable to related parties of the Company.

25.2 This includes Rs. 8.50 million (2019: Rs. 2.29 million) payable to related parties of the Company.

25.3 The investment out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and rules and conditions specified thereunder.

25.4 This represents advance received from Arif Habib Commodities (Private) Limited against sale of investment property.

26 CONTINGENCIES AND COMMITMENTS

26.1 Contingency

The Company has been contesting a demand of Rs. 45.42 million raised against its non-taxable services vide order issued on September 12, 2014 by the Assistant Commissioner, Sindh Revenue Board. The Company filed an appeal against the impugned order in the appropriate forums and, accordingly, a stay was granted to the Company against the impugned order. During the year 2018, the Appellate Tribunal Sindh Revenue Board remanded the case to the learned Commissioner (Appeals) for decision denovo on merits in terms of note / opinion recorded by the Member Technical. The Company's legal counsel is of the view that the Company has a favorable case based on merit. Accordingly, the Company has not made any provision of the said amount in these unconsolidated financial statements.

26.2 Commitments

	Notes	2020 (Rupees)	2019
Following commitments are outstanding as at the reporting date:			
- Outstanding settlements against Marginal Trading contracts		112,323,212	183,844,159
- Outstanding settlements against sale / purchase of securities in regular market.		53,073,167	67,513,807
- Financial guarantees given by commercial banks on behalf of the Company		250,000,000	250,000,000

27 OPERATING REVENUE

Brokerage and operating revenue	323,434,287	303,327,953
Advisory and consultancy fee	155,244,981	375,510,816
Dividend income	166,766,673	88,201,056
	645,445,941	767,039,825

28 GAIN / (LOSS) ON RE-MEASUREMENT OF EQUITY SECURITIES AT FVTPL

Unrealized loss in the value of long term investments	9.7.1	(7,965,874)	(6,343,594)
Unrealized gain / (loss) on re-measurement of equity securities at FVTPL	13.3	210,554,348	(479,648,953)
		202,588,474	(485,992,547)

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

29 ADMINISTRATIVE AND OPERATING EXPENSES

	Notes	2020 (Rupees)	2019
Salaries and other benefits	29.1 & 37	166,060,604	239,325,538
CDC and clearing house charges		24,286,335	27,574,851
Fees and subscription		8,458,189	10,609,451
Legal and professional charges		8,862,889	5,013,931
Communication		14,852,191	13,403,453
Rent, rates and taxes		3,506,705	26,527,233
Depreciation and amortization	5,6 & 7	28,291,598	8,461,273
Building maintenance		18,871,264	16,707,059
Repairs and maintenance		6,698,613	4,425,723
Insurance		5,326,135	4,303,937
Advertisement and business promotion		724,125	638,700
Business representation		1,676,409	7,790,616
Motor vehicle and travelling expense		26,362,373	19,908,509
Printing and stationery		1,461,955	1,714,889
Conveyance and meals		454,348	443,486
Meeting expenses		509,829	604,127
Auditors' remuneration	29.2	1,775,000	1,775,000
Donation		-	800,000
Man power services	29.3	21,847,600	-
Others		4,090,945	6,653,205
		344,117,107	396,680,981

29.1 Salaries and other benefits

Salaries and other benefits	29.1.1	118,874,237	124,662,403
Commission		47,186,367	114,663,135
		166,060,604	239,325,538

29.1.1 Salaries and benefits include Rs. 6.30 million (2019: Rs. 6.39 million) in respect of provident fund contribution.

29.2 Auditors' remuneration

	Notes	2020 (Rupees)	2019
Annual audit fee		1,000,000	1,000,000
Half yearly review		310,000	310,000
Certification on compliance with Code of Corporate Governance		200,000	200,000
Other certifications		265,000	265,000
		1,775,000	1,775,000

29.3 These represent charges paid to Group Company - Arif Habib Consultancy (Private) Limited in respect of recruitment services obtained for providing senior and highly qualified consultants to lead the Company's investment banking department.

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

30 FINANCE COSTS	Notes	2020 (Rupees)	2019
Finance cost on lease liability		6,135,267	12,102
Markup on short term borrowings from banking companies		335,111,527	210,870,984
Markup on subordinated loan	24	12,283,397	-
Markup on MTS securities		775,277	1,813,855
Bank charges		5,754,950	4,939,349
Guarantee charges to Parent Company		2,090,095	677,331
		<u>362,150,513</u>	<u>218,313,621</u>
31 OTHER CHARGES			
Impairment loss on Trading Right Entitlement Certificate (TREC)		-	2,000,000
Provision for doubtful receivables		5,377,456	4,636,917
Loss on disposal of property and equipment		-	12,913
Impairment loss on investment in subsidiary	9.4	6,441,895	-
		<u>11,819,351</u>	<u>6,649,830</u>
32 OTHER INCOME			
From financial assets			
Markup on reverse repo transaction		39,214,013	25,265,266
Markup on corporated debt securities		45,946,166	15,124,402
Markup on margin financing		22,987,833	45,338,816
Markup on loan to related party	17	2,186,750	-
Profit on savings accounts		24,751,504	19,814,905
Profit on exposure deposit		4,099,129	2,564,458
Reversal of provision for other receivables		-	19,351,250
Others		721,483	3,201,098
From non-financial assets			
Gain on disposal of investment property		775,000	23,315,000
		<u>140,681,878</u>	<u>153,975,195</u>
33 TAXATION			
Current tax - for the year		69,428,732	71,372,655
- for prior years		-	3,369,498
		<u>69,428,732</u>	<u>74,742,153</u>
Deferred		-	-
		<u>69,428,732</u>	<u>74,742,153</u>

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

33.1 Relationship between tax expense and accounting profit	Notes	2020 (Rupees)	2019
Profit before taxation		<u>129,285,165</u>	<u>12,281,624</u>
Tax at the applicable rate of 29% (2019: 29%)		37,492,698	3,561,671
Tax effect of income under Presumptive Tax Regime		(24,349,458)	(27,486,393)
Tax effect of income under Minimum Tax Regime		53,795,881	-
Tax effect of income taxed at lower rate		79,269,806	64,580,803
Tax effect of non-deductible expenses		(1,786,333)	3,306,737
Tax effect of exempt income / permanent differences		(74,715,407)	27,332,430
Tax effect of prior year charge		-	3,369,498
Others		(278,455)	66,200
		<u>69,428,732</u>	<u>74,730,946</u>
33.2 Income tax assessments of the Company are deemed to be finalized as per tax returns file up to tax year 2019. Tax returns are subject to further assessment under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities. The Commissioner of Income Tax may, at any time during a period of five years from date of filing of return, select a deemed assessment order for audit.			
33.3 The Company has been contesting Civil Suit No. 284/2016 against levy of "Super Tax" u/s 4B of the Income Tax Ordinance, 2001 introduced through Finance Act, 2015 in the High Court of Sindh and has not paid the Super Tax accordingly. The Company is of the view that the same is imposed against the merit of law and the Company's legal counsel is of the view that the Company has a favorable case on merit. However, on prudent basis, a provision has been made in these unconsolidated financial statements.			
34 EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED			
34.1 Basic earnings / (loss) per share	Notes	2020 (Rupees)	2019
Profit / (loss) after taxation		<u>59,856,433</u>	<u>(62,460,529)</u>
		———— Number of shares ————	
Weighted average number of ordinary shares outstanding		<u>60,121,312</u>	<u>66,000,000</u>
		———— Rupees ————	
Earnings / (loss) per share - basic		<u>1.00</u>	<u>(0.95)</u>
34.2 Diluted earnings / (loss) per share			

There is no dilutive effect on the basic earnings / (loss) per share of the Company, since there were no potential ordinary shares in issue as at June 30, 2020 and June 30, 2019

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

35 CASH AND CASH EQUIVALENTS

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

	Notes	2020 (Rupees)	2019
Cash and bank balances	19	806,181,448	627,456,271
Short term borrowings	23	(1,836,074,716)	(1,909,233,639)
		<u>(1,029,893,268)</u>	<u>(1,281,777,368)</u>

36 RELATED PARTY TRANSACTIONS AND BALANCES

36.1 Related parties comprise of group companies (the Parent Company, fellow subsidiaries and the subsidiaries), key management personnel and directors of the company and their close family members, and the staff provident fund. Remuneration of the chief executive, directors and executives as disclosed in note 37 to these unconsolidated financial statements. Transactions with related parties during the year other than those disclosed elsewhere in these unconsolidated financial statements are as follows:

Name of the related party, relationship with company & Nature of Transaction	Year ended	
	30 June 2020	30 June 2019
	(Rupees)	
PARENT COMPANY		
Arif Habib Corporation Limited		
<i>Transaction during the year</i>		
Brokerage commission earned on sale and purchase of securities	2,560,553	6,525,709
Guarantee charges	2,090,095	677,331
<i>Balances at the year end</i>		
Trade receivable at year end	80,477	40,128
SUBSIDIARY		
Arif Habib Commodities (Private) Limited		
<i>Transaction during the year</i>		
Brokerage commission earned on sale and purchase of securities	15,335	184,857
<i>Balances at the year end</i>		
Advance against sale of investment property	2,500,000	-
Trade payable at year end	-	433,481
Loan receivable	15,000,000	15,000,000
Advances	256,305	256,305
Markup receivable on loan	102,687	-
KEY MANAGEMENT PERSONNEL		
Zafar Alam (Chairman)		
<i>Transaction during the year</i>		
Brokerage commission earned on sale and purchase of securities	10,590	-
Meeting fee paid	100,000	125,000
<i>Balances at the year end</i>		
Trade payable at year end	2,148,473	-

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Muhammad Shahid Ali (CEO)

Transaction during the year

Brokerage commission earned on sale and purchase of securities

Year ended
30 June
2020
30 June
2019
(Rupees)

7,886,015 8,037,263

Balances at the year end

Trade payable at year end

3,150,901 25,972,102

Muhammad Haroon (Director)

Transaction during the year

Brokerage commission earned on sale and purchase of securities

139,235 123,632

Meeting fee paid

100,000 75,000

Balances at the year end

Trade payable at year end

700,697 4,239

Sharmin Shahid (Director)

Transaction during the year

Brokerage commission earned on sale and purchase of securities

728,673 626,491

Meeting fee paid

100,000 100,000

Balances at the year end

Trade receivable at year end

50,302 -

Nida Ahsan (Director)

Transaction during the year

Brokerage commission earned on sale and purchase of securities

1,730,920 7,691,785

Meeting fee paid

- 50,000

Balances at the year end

Trade payable at year end

- 12,182

Trade receivable at year end

65,419 -

Mohsin Madni (Director)

Transaction during the year

Brokerage commission earned on sale and purchase of securities

2,936 -

Balances at the year end

Trade payable at year end

175 -

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	Year ended	
	30 June 2020	30 June 2019
	(Rupees)	
CLOSE FAMILY MEMBERS OF KEY MANAGEMENT PERSONNEL		
Arif Habib		
<i>Transaction during the year</i>		
Brokerage commission earned on sale and purchase of securities	6,563,516	6,313,501
Loan obtained	1,100,000,000	-
Loan repaid	800,000,000	-
Markup on loan charged during the year	12,283,397	-
Mark up payable on loan	12,737,772	-
<i>Balances at the year end</i>		
Loan payable at year end	300,000,000	-
Trade receivable at year end	42,574	-
Abdus Samad A. Habib		
<i>Transaction during the year</i>		
Brokerage commission earned on sale and purchase of securities	409,718	46,351
<i>Balances at the year end</i>		
Trade receivable at year end	1,451,078	-
Muhammad Kashif A. Habib		
<i>Transaction during the year</i>		
Brokerage commission earned on sale and purchase of securities	6,363	76,805
<i>Balances at the year end</i>		
Trade receivable at year end	19,630	-
OTHER RELATED PARTIES		
Javedan Corporation Limited		
<i>Transaction during the year</i>		
Purchase of plots	-	125,000,000
Development charges paid	11,943,765	26,088,000
<i>Balances at the year end</i>		
Balance receivable against sale of plots	5,126,734	-
Arif Habib Dolmen REIT Management Ltd.		
<i>Transaction during the year</i>		
Brokerage commission earned on sale and purchase of securities	250,600	-
Rotocast Engineering Co. (Pvt) Limited		
<i>Transaction during the year</i>		
Rent paid	22,988,064	22,988,064
<i>Balances at the year end</i>		
Prepaid rent	5,928,359	5,928,359
POST EMPLOYMENT BENEFIT PLAN		
Provident fund trust - Contribution paid during the year	6,298,569	6,386,995

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the unconsolidated financial statements for remuneration, including certain benefits to Directors, Chief Executive and Executives of the Company, are as follows: -

	Chief Executive		Directors		Executives	
	2020	2019	2020	2019	2020	2019
	Rupees					
Managerial remuneration	6,330,600	6,288,597	-	-	94,722,045	44,882,615
Contribution to provident fund	459,330	459,330	-	-	4,251,523	2,917,206
Medical allowance	367,464	367,464	-	-	2,606,291	2,333,765
Commission	8,500,000	32,386,602	425,000	475,000	22,567,317	13,488,233
	15,657,394	39,501,993	425,000	475,000	124,147,176	63,621,819
Number of persons	1	1	5	5	41	18

38 FINANCIAL RISK MANAGEMENT

38.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (interest/ mark-up rate risk and price risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous periods in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

a) Market risk

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

i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As of the reporting date, the Company is not exposed to currency risk since there are no material foreign currency transactions and balances at the reporting date.

ii) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Presently, daily stock market fluctuation is controlled by government authorities with cap and floor of 10%. The restriction of floor prices reduces the volatility of prices of equity securities and the chances of market crash at any moment. The Company manages price risk by monitoring the exposure in quoted securities and implementing the

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

strict discipline in internal risk management and investment policies, which includes disposing of its own equity investment and collateral held before it led the Company to incur significant mark-to-market and credit losses. As of the reporting date the Company was exposed to equity risk since it had investments in quoted securities amounting to Rs. 3,827 million (2019: 2,411 million) and also because the Company held collaterals in the form of equity securities against their debtor balances.

The carrying value of investments subject to equity price risk is based on quoted market prices as of the reporting date. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

The Company's portfolio of short term investments is broadly diversified so as to mitigate the significant risk of decline in prices of securities in particular sectors of the market.

Analysis of short term investment in quoted equity securities by business sector is as follows:

	June 30, 2020		June 30, 2019	
	(Rupees)	%	(Rupees)	%
Engineering	135,389,240	3.54	11,897,500	0.49
Chemical	2,498,000	0.07	239,612	0.01
Food & Personal Care Products	-	-	3,208,150	0.13
Oil & Gas	102,799,000	2.69	-	-
Inv. Banks / Inv. Cos. / Securities Cos.	22,663,243	0.59	15,476,383	0.64
Sugar & Allied Industries	5,766,425	0.15	4,486,760	0.19
Automobile	3,834,886	0.10	-	-
Transport & technology	-	-	2,105,271	0.09
Textile Composite	19,088,000	0.50	217,970,758	9.04
Fertilizer	1,221,240,240	31.91	1,017,929,775	42.22
Commercial Bank	1,095,697,328	28.63	399,609,005	16.57
Debt Investment Instruments	228,526,556	5.97	321,613,197	13.34
Construction & Material (Cement)	112,279,462	2.93	78,055,690	3.24
Leasing Companies	7,358,625	0.19	193,939,646	8.04
Power Generation & Distribution	36,278,202	0.95	132,136,805	5.48
Technology & Communication	834,025,365	21.79	8,100,800	0.34
Misc	-	-	4,331,525	0.18
	<u>3,827,444,572</u>	<u>100.00</u>	<u>2,411,100,877</u>	<u>100.00</u>

Sensitivity analysis

For the purpose of price risk sensitivity analysis it is observed that the benchmark PSX 100 Index has increased by almost 2% (2019: decreased by 19%) during the financial year.

The table below summarizes Company's equity price risk as of June 30, 2020 and 2019 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of markets and the aforementioned concentrations existing in Company's equity investment portfolio.

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

		Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in shareholders' equity	Hypothetical increase / (decrease) in profit / (loss) after tax	Hypothetical increase / (decrease) in other comprehensive income / (loss) after tax
June 30, 2020	Rupees	3,827,444,572	10% increase	4,210,189,029	325,332,788	254,988,627	70,344,162
			10% decrease	3,444,700,115	(325,332,788)	(254,988,627)	(70,344,162)
June 30, 2019	Rupees	2,424,124,875	10% increase	2,666,537,363	206,050,615	206,050,615	-
			10% decrease	2,181,712,388	(206,050,615)	(206,050,615)	-

iii) Interest rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The short term borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes.

Financial assets and liabilities include balances of Rs. 1,092.177 million (2019: Rs. 944.567 million) and Rs. 2,636.062 million (2019: Rs. 1,909.234 million) respectively, which are subject to interest / markup rate risk. Applicable interest / mark-up rates for financial assets and liabilities have been indicated in respective notes.

At the reporting date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2020 Effective interest rate (%)	2019	2020 Carrying amounts (Rupees)	2019
Financial assets				
Bank deposits - pls account	6% to 13%	8% to 9.5%	758,743,775	432,406,698
Receivable against Reverse Repo transactions	13% to 18%	12% to 16%	52,152,387	76,301,579
Receivable against margin financing	12% to 18%	12% to 18.5%	37,754,624	114,245,832
Loan to related party	10.33% to 15.81%	-	15,000,000	-
Corporate debt securities - at FVTPL	9.66% to 15.54%	12.92% to 15.45%	228,526,556	321,613,197
Financial liabilities				
Long term loan	11.49% to 14.35%	-	499,987,261	-
Short term borrowings- secured	7.36% to 15.35%	7.53% to 12.63%	1,836,074,716	1,909,233,639
Current portion of long term subordinated loan	14.55%	-	300,000,000	-

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not affect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments it is observed that interest / mark-up rate in terms of KIBOR has decreased by 567 bps during the year.

The following information summarizes the estimated effects of 1% hypothetical increases and decreases in interest rates on cash flows from financial assets and financial liabilities that are subject to interest rate risk. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. The hypothetical changes in market rates do not reflect what could be deemed best or worst case scenarios. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Effect on profit after tax	
	increase	decrease
As at June 30, 2020		
Cash flow sensitivity-Variable rate financial instruments	10,961,581	(10,961,581)
As at June 30, 2019		
Cash flow sensitivity-Variable rate financial instruments	6,849,131	(6,849,131)

b) Credit risk

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

Exposure to credit risk

Credit risk of the Company mainly arises from deposits with banks and financial institutions, trade debts, receivable against margin financing, short term loans, loan to related party, deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their net worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery.

The Company's management, as part of risk management policies and guidelines, reviews clients' financial position, considers past experience, obtain authorized approvals and arrange for necessary collaterals in the form of equity securities to reduce credit risks and other factors. These collaterals are subject to market risk which ultimately affects the recoverability of debts. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies, investment and operational guidelines approved by the Board of Directors.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The carrying amount of financial assets represent the maximum credit exposure at the reporting date, which are detailed as follows:

	Notes	2020	2019
(Rupees)			
Long-term advances and deposits		5,584,545	6,488,985
Trade debts	38.1.1	156,938,894	175,306,869
Receivable against margin financing		37,754,624	114,245,832
Short term loans - secured		-	50,002
Short term deposits		1,142,542	279,614,253
Loan to related party		15,000,000	15,000,000
Other receivables		18,049,320	41,009,021
Bank balances		805,909,860	627,280,977
		<u>1,040,379,785</u>	<u>1,258,995,939</u>

38.1.1 Trade debts were due from local clients.

38.1.2 The Company held equity securities having fair value of Rs. 38,874 million (2019: Rs 37,193 million) owned by its clients, as collaterals against trade debts - brokerage and operating and margin finance receivables. The aging analysis of the total receivable from clients (i.e. inclusive of trade debts - brokerage and operating, and receivable against margin financing) as at the reporting date is as follows:

	2020		2019	
	Gross	Impairment	Gross	Impairment
(Rupees)				
Not past due	39,672,373	1,917,749	116,163,581	1,917,749
Past due 1 day - 30 days	43,956,442	-	32,051,907	1,118,020
Past due 31 days - 180 days	15,357,392	5,102,760	11,978,370	11,978,370
Past due 181 days - 1 year	10,249,257	10,249,257	13,350,004	13,350,004
More than one year	853,794,824	890,969,570	838,878,146	876,522,650
	<u>963,030,288</u>	<u>908,239,336</u>	<u>1,012,422,008</u>	<u>904,886,793</u>

No impairment has been recognized except as disclosed in respect of these debts as the security against the same is adequate or counter parties have sound financial standing.

The credit quality of Company's liquid funds can be assessed with reference to external credit ratings as follows:

Short term rating	2020	2019
	(Rupees)	
A1+	227,065,077	478,176,441
A-1+	523,974,585	106,779,064
A-1	51,920,850	42,325,472
A1	1,821,453	-
A-2	1,127,895	-
	<u>805,909,860</u>	<u>627,280,977</u>

Due to the Company's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The Company writes off a defaulted financial asset when there remains no reasonable probability of recovering the carrying amount of the asset through available means.

c) Liquidity risk

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

On the reporting date, the Company had cash and bank balance amounting to Rs. 806.18 million (2019: Rs. 627.45 million) unutilized credit lines Rs. 3,164 million (2019: Rs. 3,276 million) and liquid assets in the form of short term securities amounting to Rs. 3,827 million (2019: 2,411 million).

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Due to the Group's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Group. Accordingly, the credit risk is minimal.

The Group writes off a defaulted financial asset when there remains no reasonable probability of recovering the carrying amount of the asset through available means.

	2020					
	Carrying amount	Contractual cashflows	Six months or less	Six to twelve months	One to five years	More than five years
(Rupees)						
Financial liabilities						
Loan Term Loan	499,987,261	499,987,261	83,333,334	83,333,334	333,320,593	-
Current portion of long term subordinated loan	300,000,000	300,000,000	-	300,000,000	-	-
Lease liability	38,383,986	38,383,986	6,637,700	6,637,700	25,108,586	-
Trade and other payables	781,479,059	781,479,059	781,479,059	-	-	-
Short term borrowings (including accrued markup)	1,897,711,347	1,897,711,347	1,897,711,347	-	-	-
	<u>3,517,561,653</u>	<u>3,517,561,653</u>	<u>2,769,161,440</u>	<u>389,971,034</u>	<u>358,429,179</u>	<u>-</u>
	2019					
	Carrying amount	Contractual cashflows	Six months or less	Six to twelve months	One to five years	More than five years
(Rupees)						
Financial liabilities						
Trade and other payables	624,058,681	624,058,681	624,058,681	-	-	-
Short term borrowings (including accrued markup)	1,994,046,086	1,994,046,086	1,994,046,086	-	-	-
	<u>2,618,104,767</u>	<u>2,618,104,767</u>	<u>2,618,104,767</u>	<u>-</u>	<u>-</u>	<u>-</u>

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

38.2 Fair value estimate

In case of equity instruments, the Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 : Quoted market price (unadjusted) in an active market.

Level 2 : Valuation techniques based on observable inputs.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Company determines fair values using valuation techniques unless the instruments do not have a market \ quoted price in an active market and whose fair value cannot be reliably measured.

Valuation techniques used by the Company include discounted cash flow model. Assumptions and inputs used in the valuation technique mainly include risk-free rate, equity risk premium, long term growth rate and projected rates of increase in revenues, other income and expenses. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Valuation models for valuing securities for which there is no active market requires significant unobservable inputs and a higher degree of judgment and estimation in the determination of fair value. Judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates, etc.

The table below analyses assets measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
(Rupees)				
<i>Financial assets measured at fair value</i>				
Short term investments	3,827,444,572	-	-	3,827,444,572
Long term investment	-	-	45,056,656	45,056,656
<i>Non-financial assets measured at fair value</i>				
Investment properties	-	1,678,415,232	-	1,678,415,232
	June 30, 2019			
	Level 1	Level 2	Level 3	Total
(Rupees)				
<i>Financial assets measured at fair value</i>				
Short term investments	2,411,100,877	-	-	2,411,100,877
Long term investment	13,023,998	-	53,022,530	66,046,528
<i>Non-Financial assets measured at fair value</i>				
Investment properties	-	1,726,419,800	-	1,726,419,800

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The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	Notes	2020 (Rupees)	2019
Balance as at July 01		53,022,530	72,390,122
Investment reclassified to short term	9.5	-	(13,023,998)
Unrealised loss for the year	9.7.1	(7,965,874)	(6,343,594)
Balance as at June 30		<u>45,056,656</u>	<u>53,022,530</u>

Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. A change of 1% in value arrived at reporting date would have the following effect:

	Effect on profit and loss account Favourable (Unfavourable) (Rupees)
June 30, 2020	
Unquoted equity securities	<u>450,567</u> (450,567)
June 30, 2019	
Unquoted equity securities	<u>530,225</u> (530,225)

38.3 Financial instruments by categories

As at June 30, 2020 Financial assets	2020			Total
	Asset at fair value through profit and loss	Asset at fair value through other comprehensive income	Amortized cost	
Long term investments	45,056,656	-	-	45,056,656
Long term advances and deposits	-	-	5,584,545	5,584,545
Short term investments	2,999,866,197	827,578,375	-	3,827,444,572
Trade debts	-	-	156,938,894	156,938,894
Receivable against margin financing	-	-	37,754,624	37,754,624
Accrued markup on margin financing	-	-	2,712,600	2,712,600
Short term deposits	-	-	1,142,542	1,142,542
Other receivables	-	-	18,049,320	18,049,320
Cash and bank balances	-	-	806,181,448	806,181,448
	<u>3,044,922,853</u>	<u>827,578,375</u>	<u>1,028,363,973</u>	<u>4,900,865,201</u>

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

As at June 30, 2020 Financial liabilities

	Financial liabilities at amortized cost (Rupees)
Lease liability	38,383,986
Long term loan	499,987,261
Short term borrowings	1,836,074,716
Current portion of long term subordinated loan	300,000,000
Trade and other payables	781,479,059
Payable against purchase of securities - net	28,513,698
Accrued markup on short term borrowing	61,636,631
	<u>3,546,075,351</u>

As at June 30, 2019 Financial assets

As at June 30, 2019 Financial assets	2019			Total
	Asset at fair value through profit and loss	Asset at fair value through other comprehensive income	Amortized cost	
Long term investment	6,046,528	-	-	66,046,528
Long term deposits	-	-	4,488,985	4,488,985
Short term investments	2,411,100,877	-	-	2,411,100,877
Trade debts	-	-	30,933,887	30,933,887
Receivable against margin financing	-	-	114,245,832	114,245,832
Short term loans	-	-	50,002	50,002
Short term deposits	-	-	279,614,253	279,614,253
Accrued markup on margin financing	-	-	26,899,464	26,899,464
Other receivables	-	-	197,775,763	197,775,763
Cash and bank balances	-	-	627,456,271	627,456,271
	<u>2,477,147,405</u>	-	<u>1,281,464,457</u>	<u>3,758,611,862</u>

As at June 30, 2019 Financial liabilities

	Financial liabilities at amortized cost (Rupees)
Short term borrowings	1,909,233,639
Trade and other payables	624,058,681
Payable against purchase of securities - net	30,970,319
Accrued markup on short term borrowing	84,812,447
	<u>2,649,075,086</u>

39 CAPITAL MANAGEMENT

39.1 The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

39.2 The Capital adequacy level as required by CDC is calculated as follows;

Notes	2020 (Rupees)	2019
Total assets	6,892,662,059	5,642,456,863
Less: Total liabilities	(3,626,233,912)	(2,724,889,709)
Less: Revaluation Reserves (created upon revaluation of fixed assets)	(15,432,500)	(15,432,500)
Capital adequacy level	<u>3,250,995,647</u>	<u>2,902,134,654</u>

While determining the value of the total assets of the TREC Holder, Notional value of the TRE certificate as at year ended as determined by Pakistan Stock Exchange has been considered.

39.3 NET CAPITAL BALANCE

Net capital requirements of the Company are set and regulated by Pakistan Stock Exchange Limited. These requirements are put in place to ensure sufficient solvency margins and are based on excess of current assets over current liabilities.

The Net Capital Balance as required under Third Schedule of Securities and Exchange Rules, 1971 read with the SECP guidelines is calculated as follows;

DESCRIPTION	VALUATION	Note	RUPEES
CURRENT ASSETS			
Cash and Bank Balances	As per Book Value	39.4(i)	806,181,448
Trade Receivables	Book Value less overdue for more than 14 days	39.4(ii)	97,707,581
Investment in listed securities in the name of broker.	Securities marked to market less 15% discount	39.4(iii)	3,059,080,314
Securities purchased for client	Securities purchased for the client and held by the member where the payment has not been received within 14 days.	39.4(iv)	8,621,518
Listed TFCs/Corporate Bonds of not less than BBB grade assigned by a credit rating company in Pakistan	Marked to market less 10% discount.	39.4(v)	205,673,900
FIBs	Marked to market less 5% discount.		-
Treasury Bill	At market value		-
			<u>4,177,264,761</u>
CURRENT LIABILITIES			
Trade Payables	Book value less overdue for more than 30 days	39.4(vi)	690,637,937
Other Liabilities	As per Book values	39.4(vii)	2,577,166,794
			<u>3,267,804,731</u>
Net capital balance as at June 30, 2020			<u>909,460,030</u>

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

39.4 Notes to the net capital balance of Holding Company

(i) Cash and bank balances

	Rupees
Cash in hand	271,588
Exposure margin deposited to NCCPL	-
Bank balance pertaining to clients	777,251,082
Bank balance pertaining to brokerage house	28,658,778
	<u>806,181,448</u>

(ii) Trade receivables

Gross value	963,032,121
less: Provision for doubtful debts	(865,324,540)
Book value	97,707,581
Overdue for more than 14 days - gross value	865,324,540
less: Provision for doubtful debts	(865,324,540)
Overdue for more than 14 days - book value	-
	<u>97,707,581</u>

(iii) Investment in Listed Securities in the name of broker

Securities marked to market	3,598,918,016
Less 15% discount	(539,837,702)
	<u>3,059,080,314</u>

(iv) Securities purchased for client

Overdue balance for more than 14 days - gross value	865,324,540
Lower of overdue balance and securities held against such balance	8,621,518
	<u>865,324,540</u>

(v) Listed TFCs/Corporate Bonds/ Others of not less than BBB grade assigned by a credit rating company in Pakistan

Securities marked to market	228,526,556
less: 10% discount	(22,852,656)
	<u>205,673,900</u>

(vi) Trade payables

Book value	747,901,751
Less: overdue for more than 30 days	(57,263,814)
	<u>690,637,937</u>

(vii) Other liabilities

Creditors overdue for more than 30 days	57,263,814
Accrued Liabilities and Other Payables	2,519,902,980
	<u>2,577,166,794</u>

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FOR THE YEAR ENDED JUNE 30, 2020

39.5 Liquid Capital

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1. Assets				
1.1	Property & Equipment	1,785,786,578	100.00%	-
1.2	Intangible Assets	6,975,504	100.00%	-
1.3	Investment in Govt. Securities (150,000*99)	-	-	-
	Investment in Debt. Securities			
	If listed than:			
	i. 5% of the balance sheet value in the case of tenure upto 1 year.	228,526,556	5.00%	217,100,228
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	7.50%	-
1.4	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	10.00%	-
	If unlisted than:			
	i. 10% of the balance sheet value in the case of tenure upto 1 year.	-	10.00%	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	12.50%	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years	-	15.00%	-
	Investment in Equity Securities			
1.5	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.	3,598,918,016	822,219,703	2,776,698,313
	ii. If unlisted, 100% of carrying value.	45,056,656	100.00%	-
	iii. Subscription money against Investment in IPO/offer for Sale: Amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker.			
	iv. 100% Haircut shall be applied to Value of Investment in any asset including shares of listed securities that are in Block, Freeze or Pledge status as on reporting date. (July 19, 2017) Provided that 100% haircut shall not be applied in case of investment in those securities which are Pledged in favor of Stock Exchange / Clearing House against Margin Financing requirements or pledged in favor of Banks against Short Term financing arrangements. In such cases, the haircut as provided in schedule III of the Regulations in respect of investment in securities shall be applicable (August 25, 2017)	-		
1.6	Investment in subsidiaries	81,558,105	100.00%	-
	Investment in associated companies/undertaking			
1.7	i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of net value.	-	100.00%	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	2,873,599	100.00%	-
1.9	Margin deposits with exchange and clearing house.	1,142,542	-	1,142,542
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	13,960,617	100.00%	-
	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc. (Nil)	-	-	-
1.12	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties	-	100.00%	-
1.13	Dividends receivables.	91,227,000	-	91,227,000
1.14	Amounts receivable against Repo financing. Amount paid as purchaser under the REPO agreement. (Securities purchased under repo arrangement shall not be included in the investments.)	12,440,731	-	12,440,731
1.15	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months	-	-	-
	Receivables other than trade receivables	96,683,183	100.00%	-
	Receivables from clearing house or securities exchange(s)			
1.16	i. 100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.	-	-	-
	ii. Receivable on entitlements against trading of securities in all markets including MtM gains.	-	-	-

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S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1. Assets				
	Receivables from customers			
	i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut.	37,754,624	40,422,828	37,754,624
	i. Lower of net balance sheet value or value determined through adjustments.			
	ii. In case receivables are against margin trading, 5% of the net balance value.	-	5.00%	-
	ii. Net amount after deducting haircut			
1.17	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract,	-	-	-
	iii. Net amount after deducting haircut			
	iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value.	11,099,518	-	11,099,518
	iv. Balance sheet value			
	v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts.	72,477,382	32,382,871,865	72,477,382
	v. Lower of net balance sheet value or value determined through adjustments			
	vi. 100% haircut in the case of amount receivable from related parties.	-	100.00%	-
	Cash and Bank balances			
1.18	i. Bank Balance-proprietary accounts	28,658,778	-	28,658,778
	ii. Bank balance-customer accounts	777,251,082	-	777,251,082
	iii. Cash in hand	271,588	-	271,588
1.19	Total Assets	6,892,662,059		4,026,121,786
2. Liabilities				
	Trade Payables			
2.1	i. Payable to exchanges and clearing house	28,513,698	-	28,513,698
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	747,901,751	-	747,901,751
	Current Liabilities			
	i. Statutory and regulatory dues	13,301,083	-	13,301,083
	ii. Accruals and other payables	109,041,247	-	109,041,247
	iii. Short-term borrowings	1,836,074,716	-	1,836,074,716
2.2	iv. Current portion of subordinated loans	300,000,000	-	300,000,000
	v. Current portion of long term liabilities	166,666,667	-	166,666,667
	vi. Deferred Liabilities	-	-	-
	vii. Provision for bad debts	-	-	-
	viii. Provision for taxation	53,030,170	-	53,030,170
	ix. Other liabilities as per accounting principles and included in the financial statements	13,275,399	-	13,275,399
	Non-Current Liabilities			
	i. Long-Term financing	-	-	-
	a. Long-Term financing obtained from financial institution: Long term portion of financing obtained from a financial institution including amount due against finance lease	333,320,594	-	333,320,594
	b. Other long-term financing			
	ii. Staff retirement benefits			
2.3	iii. Advance against shares for Increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if: a. The existing authorized share capital allows the proposed enhanced share capital b. Board of Directors of the company has approved the increase in capital c. Relevant Regulatory approvals have been obtained d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed. e. Auditor is satisfied that such advance is against the increase of capital.			
	iv. Other liabilities as per accounting principles and included in the financial statements	25,108,587	-	25,108,587

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
2. Liabilities				
	Subordinated Loans	-	-	-
	i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted: The Schedule III provides that 100% haircut will be allowed against subordinated Loans which fulfill the conditions specified by SECP. In this regard, following conditions are specified:			
2.4	a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period b. No haircut will be allowed against short term portion which is repayable within next 12 months. c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange.			
	ii. Subordinated loans which do not fulfill the conditions specified by SECP	-	-	-
2.5	Total Liabilities	3,626,233,912		3,626,233,912
3. Ranking Liabilities Relating to :				
Concentration in Margin Financing				
3.1	The amount calculated client-to-client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees.	-	-	-
Concentration in securities lending and borrowing				
3.2	The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed	-	-	-
Net underwriting Commitments				
3.3	(a) in the case of right issue if the market value of securities is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issue where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting (b) in any other case 2.5% of the net underwriting commitments	-	-	-
Negative equity of subsidiary				
3.4	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-	-	-
Foreign exchange agreements and foreign currency positions				
3.5	5% of the net position in foreign currency. Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency	-	-	-
3.6	Amount Payable under REPO	-	-	-
Repo adjustment				
3.7	In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securities. In the case of financee/seller the market value of underlying securities after applying haircut less the total amount received, less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-	-	-
3.8	Concentrated proprietary positions If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security. If the market of a security exceeds 51% of the proprietary position, then 10% of the value of such security	-	61,062,012	61,062,012

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
3. Ranking Liabilities Relating to :				
Opening Positions in futures and options				
3.9	i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/pledged with securities exchange after applying VaR haircuts		-	-
	ii. In case of proprietary positions, the total margin requirements in respect of open positions to the extent not already met		-	-
Short sell positions				
3.10	i. In case of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts	-	-	-
	ii. In case of proprietary positions, the market value of shares sold short ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.	-	-	-
3.11	Total Ranking Liabilities	-	61,062,012	61,062,012
		<u>3,266,428,147</u>	<u>Liquid Capital</u>	<u>338,825,862</u>

40 OPERATING SEGMENT

These unconsolidated 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 June 30, 2020 are located in Pakistan.

41 EVENTS AFTER THE REPORTING DATE

The Board of Directors has proposed a final cash dividend of Rs. 2.5/- (2019: Rs. Nil) per share amounting to Rs. 148.5 million (2019: Nil) at its meeting held on July 30, 2020 for the approval of the members at the annual general meeting to be held on September 19, 2020. These unconsolidated financial statements do not reflect the said appropriation.

42 DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated financial statements were authorized for issue by the Board of Directors in meeting held on July 30, 2020.

43 NUMBER OF EMPLOYEES

The total number of employees and average number of employees at year end and during the year respectively are as follows:

	2020	2019
Total number of employees as at	126	118
Average number of employees during the year	123	116

ARIF HABIB LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

44 CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of the Companies Act, 2017 and for the purpose of comparison and better presentation. Following reclassifications have been made.

Reclassified from component	Reclassified to component	Amount (Rupees)
Advance against equity (Advances, deposits and prepayments)	Advance against equity (Long-term advances and deposits)	<u>2,000,000</u>
Others (Other receivables)	Receivable against Reverse Repo transactions (Other receivables)	<u>24,149,192</u>
Others (Other receivables)	Advance to consultant (Advances, deposits and prepayments)	<u>12,393,760</u>
Others (Other receivables)	Brokerage and operating (Trade debts)	<u>9,271,606</u>
Others (Other receivables)	Advisory and consultancy fee (Trade debts)	<u>135,101,376</u>
Markup on short term borrowings (Finance cost)	Mark up on gurantee (Finance cost)	<u>677,331</u>
Others (Other income)	Markup on corporate debt securities (Other income)	<u>15,124,402</u>

45 GENERAL

Figures have been rounded off to the nearest rupee.



Chief Executive Officer



Director



Chief Financial Officer

AUDITORS' REPORT TO THE MEMBER

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the annexed consolidated financial statements of Arif Habib Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2020, and the consolidated statement of profit or loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the consolidated statement of financial position, the consolidated statement of profit or loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Group's affairs as at June 30, 2020 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter(s)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matter(s):

NO.	Key Audit Matter(S)	How the matter was addressed in our audit
01.	<p>First time application of IFRS 16</p> <p>As stated in note 3 to the consolidated financial statements, with effect from July 01, 2019, the International Financial Reporting Standard (IFRS) 16 "Leases" became applicable to the Holding Company. Accordingly, the Holding Company has applied the said new standard for the first time in the preparation of its consolidated financial statements for the year ended June 30, 2020.</p> <p>As mentioned in the above-referred note, IFRS 16 replaces the previous lease accounting guidance contained in the International Accounting Standard (IAS) 17 "Leases" as well as the various interpretations issued thereunder and, instead, introduces a single on-balance sheet lease accounting model for lessees whereby, at the date of commencement of a lease, a lessee is required to recognize a right-of-use asset and a lease liability (with certain exceptions). The said new accounting model materially differs from the previous lease accounting model for lessees whereby they were required to classify a lease either as a finance lease or an operating lease based on whether the risks and rewards of ownership were substantially transferred to them, and, account for the payments made under an operating lease as an expense on a straight line basis over the lease term.</p> <p>Given a number of technical considerations, complexities and practical challenges involved in the application of the new standard (in particular, those relating to the determination of the lease term and the discount rate), the management of Holding Company was required to apply certain significant judgments in the evaluation of its tenancy arrangements which, in turn, required us to apply significant auditor judgement and, accordingly, devote significant time and resources (including the involvement of our senior staff members with the engagement team) in order to obtain sufficient appropriate audit evidence over the amounts of right-of-use asset and the corresponding lease liability recognized, and the related disclosures made, in the consolidated financial statements.</p> <p>We considered this matter to be of most significance keeping in view the material effects that the aforesaid change in accounting policy on leases has on the consolidated financial statements of the Group for the year ended June 30, 2020 or may have on its future financial statements.</p>	<p>Our audit procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> We read the principal terms and conditions of the lease agreements entered into by the Holding Company with its lessors and obtained an understanding of the management's considerations in relation to the determination of the non-cancellable period of the lease, enforceable period of the lease and the lease term. In particular, we made inquiries of management about the factors it considered in assessing whether or not, at the date of initial application of the new standard, the Holding Company was reasonably certain to exercise the option to extend the lease and assessed the reasonableness of conclusions reached by management in this regard; We evaluated the reasonableness of the inputs used and the qualitative factors considered by management in the determination of the discount rate used to arrive at the present value of the lease payments. In addition, since the Holding Company has applied the practical expedient in paragraph C10(a) of IFRS 16 (i.e. a single discount rate for all the leases), we assessed whether the leases in the portfolio have reasonably similar characteristics; We checked the management's calculation of the right-of-use asset and the corresponding lease liability to ensure that the same is in accordance with the measurement principles described in IFRS 16. In doing so, in particular, we focused our attention on the identification of non-lease components included in the lease contracts and evaluated the management's rationale for using the practical expedient in paragraph 15 of IFRS 16 whereby the lease components and associated non-lease components were not separated and, instead, accounted for as a single lease component. We evaluated whether the transition method (i.e. cumulative catch-up method) has been correctly applied by management in the consolidated financial statements; and We evaluated the adequacy of disclosures made by management in the consolidated financial statements regarding the Holding Company's lease arrangements to ensure that those are complete, accurate, relevant and understandable, and that the overall disclosure objective defined in paragraph 51 of IFRS 16 is met.
02.	<p>Valuation of investment properties</p> <p>As stated in note 10 to the consolidated financial statements, the Holding Company recorded its investment properties (i.e. residential and commercial plots of land located in the Naya Nazimabad project as well as of offices located in Pakistan Stock Exchange, ISE Tower REIT Management Limited and LSE Financial Services Limited) at fair value based on the valuation carried out by an independent external valuer engaged by management. The valuation of such properties was identified as an area subject to significant risk due to involvement of estimates made by the valuer in determining the fair value of investment properties.</p> <p>Due to the significance of the estimate and the involvement of significant management assumptions and judgements, we considered valuation of investment properties as a key audit matter.</p>	<p>To address this significant risk, we, amongst others, carried out the following key audit procedures:</p> <ul style="list-style-type: none"> We obtained an understanding of the scope of the valuer's work; As stated in the valuation report, development work in the area in which the Holding Company holds properties at Naya Nazimabad is ongoing and is rapidly progressing and that the value of the properties was determined on the basis of investigation with other realtors. Accordingly, we reviewed the investments made by the Holding Company in other blocks of the Naya Nazimabad project over the past few years with respect to the cost of acquisition, valuation and disposals. Further, we corroborated the values assigned to the properties by the valuer with that realized on the most recent property disposal transactions executed by the Holding Company; and Performed appropriate background searches to ascertain whether the values assigned to the properties by the valuer are closely aligned to those determined through independent sources.

03.	<p>Valuation of unquoted investments in equity securities</p> <p>As stated in note 9 to the consolidated financial statements, the Holding Company revalued its investment in unquoted ordinary shares of M/s. ISE Towers REIT Management Company Limited and M/s. LSE Financial Services Limited based on the valuation carried out by independent external valuer engaged by management through the use of Discounted Free Cash Flow to Equity model for business valuation. Since the use of such valuation model requires management to make significant estimates and assumptions, the degree of subjectivity and complexity involved in the valuation increases to a considerable extent. This, in turn, affected our assessment of the risk that the consolidated financial statements may be materially misstated due to error and, hence, necessitated us to devote our significant time and resources to address the risk successfully.</p>	<p>Our audit procedures included the following:</p> <p>To address this significant risk, we, amongst others, carried out the following key audit procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of the valuation exercise carried out by the independent external valuer engaged by management who was responsible for performing the valuation. • Made inquiries of such persons in order to assess their competence, capability and objectivity of the external valuer which are recognized as the important factors affecting the reliability of the valuation. • Evaluated the appropriateness of the work of the Holding Company's personnel by assessing the reasonableness of significant assumptions used by management in estimating the following factors: <ul style="list-style-type: none"> o Components of cost of equity of investee companies (used as discount rate) such as the risk-free rate of return, equity risk premium and equity beta; o Significant amounts of revenues, operating expenses, capital expenditures, tax payments, dividend receipts etc. used in the cash flow projections; and o Long term growth rates assumed by management in estimating the terminal value of the investee companies at the end of the 5-year projection period.
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Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

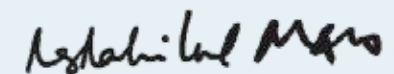
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Karachi
Date: July 30, 2020

**CONSOLIDATED
FINANCIAL STATEMENTS**



ARIF HABIB LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

	Notes	2020 (Rupees)	2019
ASSETS			
Non-current assets			
Property and equipment	6	65,769,260	39,664,224
Right-of-use assets	7	42,319,024	-
Intangible assets	8	10,475,504	10,454,089
Long term investment	9	45,056,656	66,046,528
Investment property	10	1,678,415,232	1,726,419,800
Long-term advances and deposits	11	31,599,250	32,503,690
Deferred tax - net	12	-	-
		<u>1,873,634,926</u>	<u>1,875,088,331</u>
Current assets			
Short term investments	13	3,851,084,572	2,417,046,133
Trade debts	14	156,938,894	175,306,869
Receivable against margin financing	15	37,754,624	114,245,832
Short term loans - secured	16	-	4,100,002
Advances, deposits and prepayments	17	87,109,871	358,915,932
Accrued markup on margin financing		2,712,600	26,899,464
Other receivables	18	109,276,320	41,009,768
Cash and bank balances	19	814,097,234	657,572,366
		<u>5,058,974,115</u>	<u>3,795,096,366</u>
Total assets		<u>6,932,609,041</u>	<u>5,670,184,697</u>
EQUITY AND LIABILITIES			
Share capital and reserves Authorized capital			
Issued, subscribed and paid-up capital	20	750,000,000	750,000,000
	20	594,000,000	660,000,000
Capital reserves			
Surplus on revaluation of property	21	15,432,500	15,432,500
Surplus on re-measurement of equity securities at FVOCI		483,759,375	-
		499,191,875	15,432,500
Revenue reserves		-	-
Unappropriated profits		2,208,771,925	2,264,332,324
		<u>3,301,963,800</u>	<u>2,939,764,824</u>
Total equity		<u>3,301,963,800</u>	<u>2,939,764,824</u>
LIABILITIES			
Non-current liabilities			
Lease liability		25,108,587	-
Long term loan		333,320,594	-
Long term subordinated loan	24	-	-
		358,429,181	-
Current liabilities			
Short term borrowings- secured	23	1,836,074,716	1,909,233,639
Current portion of lease liability		13,275,399	-
Current portion of long term loan		166,666,667	-
Current portion of long term subordinated loan	24	300,000,000	-
Trade and other payables	25	794,656,576	639,337,108
Unclaimed dividend		13,827,308	14,460,393
Loan from related party	26	3,862,500	3,800,000
Payable against purchase of securities- net		28,513,698	30,970,319
Accrued markup on short term borrowings		61,636,631	84,812,447
Taxation - net		53,702,565	47,805,967
		<u>3,272,216,060</u>	<u>2,730,419,873</u>
CONTINGENCIES AND COMMITMENTS	27	-	-
TOTAL EQUITY AND LIABILITIES		<u>6,932,609,041</u>	<u>5,670,184,697</u>

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.


Chief Executive Officer


Director


Chief Financial Officer

ARIF HABIB LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2020

	Notes	2020 (Rupees)	2019
Operating revenue	28	671,409,869	778,853,294
Capital loss on sale of equity securities at FVTPL - net		(273,344,157)	(166,506,931)
Gain/(loss) on re-measurement of equity securities at FVTPL-net	29	201,599,582	(485,992,547)
Unrealised gain on re-measurement of investment property	10	132,000,000	370,039,859
		<u>731,665,294</u>	<u>496,393,675</u>
Administrative and operating expenses	30	(363,955,565)	(414,596,578)
Finance cost	31	(362,150,513)	(218,337,181)
Other charges	32	(5,377,456)	(13,649,830)
Other income	33	143,545,792	163,721,530
Profit before taxation		<u>143,727,552</u>	<u>13,531,616</u>
Taxation	34	(70,533,136)	(79,003,366)
Profit / (loss) after taxation		<u>73,194,416</u>	<u>(65,471,750)</u>
Profit / (loss) attributable to:			
Equity holders of holding company		73,194,416	(65,471,750)
Non-controlling interest		-	-
		<u>73,194,416</u>	<u>(65,471,750)</u>
Earnings / (loss) per share - basic and diluted	35	<u>1.22</u>	<u>(0.99)</u>

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.


Chief Executive Officer


Director


Chief Financial Officer

ARIF HABIB LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2020

	2020 (Rupees)	2019
Profit / (loss) after taxation	73,194,416	(65,471,750)
Other comprehensive income Items that will not be reclassified subsequently to statement of profit or loss Surplus on remeasurement of equity securities classified at FVOCI	520,004,560	-
Total comprehensive income / (loss) for the year	593,198,976	(65,471,750)

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.

ARIF HABIB LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2020

	Issued, subscribed & paid up capital	Reserves			Sub-total	Total
		Unappropriated profits	Surplus on revaluation of property	Surplus on re-measure- ment of equity securities at FVOCI		
(Rupees)						
Balance as at June 30, 2018	550,000,000	2,604,804,074	15,432,500	-	2,620,236,574	3,170,236,574
Loss for the year	-	(65,471,750)	-	-	(65,471,750)	(65,471,750)
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive loss for the year ended June 30, 2019	-	(65,471,750)	-	-	(65,471,750)	(65,471,750)
Cash dividend paid @ 30% for the year ended June 30, 2018 (2017: 100%)	-	(165,000,000)	-	-	(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)	-
	110,000,000	(275,000,000)	-	-	(275,000,000)	(165,000,000)
Balance as at June 30, 2019	660,000,000	2,264,332,324	15,432,500	-	2,279,764,824	2,939,764,824
Profit for the year	-	73,194,416	-	-	73,194,416	73,194,416
Other comprehensive income for the year	-	-	-	520,004,560	520,004,560	520,004,560
Total comprehensive income for the year ended June 30, 2020	-	73,194,416	-	520,004,560	593,198,976	593,198,976
Gain realized on disposal of equity securities at FVOCI	-	36,245,185	-	(36,245,185)	-	-
Transactions with owners - Buy-back of 10% shares under tender offer	(66,000,000)	(165,000,000)	-	-	(165,000,000)	(231,000,000)
Balance as at June 30, 2020	594,000,000	2,208,771,925	15,432,500	483,759,375	2,707,963,800	3,301,963,800

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.


Chief Executive Officer


Director


Chief Financial Officer


Chief Executive Officer


Director


Chief Financial Officer

ARIF HABIB LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

Notes	2020 (Rupees)	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	143,727,552	13,531,616
Adjustments for:		
- Depreciation on property and equipment	6 7,895,260	8,251,332
- Depreciation on right-of-use-asset	20,143,375	-
- Amortization of intangible asset	8.1 493,759	498,350
- Impairment loss on intangible assets	-	9,000,000
- Loss on disposal of property and equipment of equity securities at FVTPL	-	12,913
- (Gain) / loss on remeasurement of investments carried at fair value	29 (201,599,582)	485,992,547
- Gain on disposal of Investment property	(775,000)	(23,315,000)
- Unrealized gain on re-measurement of investment property	10 (132,000,000)	(370,039,859)
- Dividend income	28 (166,766,673)	(88,201,056)
- Recovery of bad debts written off	-	(19,351,250)
- Provision for doubtful debts	14.1 3,822,301	4,636,917
- Finance costs	31 362,150,513	218,337,181
	(106,636,047)	225,822,075
Cash generated from operating activities before working capital changes	37,091,505	239,353,691
Effect on cash flow due to working capital changes (Increase)/decrease in current assets		
- Short-term investments	(691,444,425)	(209,780,769)
- Trade debts	14,545,674	11,217,982
- Receivable against margin financing	76,491,208	142,219,531
- Short term loans	4,100,002	5,259,106
- Advances, deposits and prepayments	271,806,061	(278,798,586)
- Accrued markup on margin financing	24,186,864	(5,723,466)
- Other receivables	32,770,448	(76,571,232)
Increase/(decrease) in current liabilities		
- Trade and other payables	155,319,468	75,400,503
- Payable against purchase of securities- Net	(2,456,621)	(84,274,726)
	(114,681,321)	(421,051,657)
Cash used in operations	(77,589,816)	(181,697,966)
- Taxes paid	(64,636,538)	(106,932,036)
- Finance costs paid	(385,326,329)	(179,316,550)
Net cash used in operating activities	(527,552,683)	(467,946,552)
CASH FLOWS FROM INVESTING ACTIVITIES		
- Acquisition of property and equipment	(1,555,400)	(10,969,001)
- Proceeds from disposal of property and equipment	28,437	961,159
- Acquisition of Intangible asset	8.1 (515,174)	-
- Loan obtained from related party	62,500	3,800,000
- Development charges for / additions to investment property	10 (11,943,765)	(163,419,941)
- Proceeds from disposal of investment property	150,440,000	203,855,000
- Disposal of long term investment	-	6,343,594
- Dividends received	75,539,673	90,225,354
- Long-term advances and deposits	904,440	10,613,539
Net cash generated from investing activities	212,960,711	141,409,704
CASH FLOWS FROM FINANCING ACTIVITIES		
- Repayment of lease liability	(24,078,413)	(1,345,933)
- Long term loan received	499,987,261	-
- Receipt of subordinated loan	24 1,100,000,000	-
- Repayment of subordinated loan	24 (800,000,000)	-
- Buy-back of 10% shares under tender offer	(231,000,000)	-
- Dividend paid	(633,085)	(163,295,446)
Net cash generated from / (used in) financing activities	544,275,763	(164,641,379)
Net increase / (decrease) in cash and cash equivalents	229,683,791	(491,178,227)
Cash and cash equivalents at the beginning of the year	(1,251,661,273)	(760,483,046)
Cash and cash equivalents at the end of the year	36 (1,021,977,482)	(1,251,661,273)

The annexed notes from 1 to 46 form an integral part of these consolidated financial statements.


Chief Executive Officer


Director


Chief Financial Officer

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

1 STATUS AND NATURE OF BUSINESS

1.1 Arif Habib Limited ("the Holding 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 Holding Company are listed on Pakistan Stock Exchange Limited ("the Exchange"). The Holding 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% share holding in the Company to general public and the Holding Company obtained listing on the Exchange on January 31, 2007. As of the reporting date, the Parent Company held 69.44% shares of the Holding Company

The Holding Company is a holder of Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited. The principal activities of the Holding Company are investments, share brokerage, inter-bank brokerage, Initial Public Offer (IPO) underwriting, advisory and consultancy services.

The geographical location of Holding Company's offices are as follows:

- Karachi	Head office (Registered office)	Arif Habib Centre, 23 M.T. Khan Road, Karachi
- Lahore	Regional office	Office Nos. G-05 & G-06, Ground Floor, LSE Plaza, 19, Khayaban-e-Aiwan-e-Iqbal, Lahore
- Islamabad	Regional office	Office No. 506, 5th Floor, ISE Towers, Jinnah Avenue, Islamabad
- Peshawar	Regional office	Shops No. F13, F14, F15, F16, and F17, 1st Floor, The Mall Tower, Peshawar Cantt.

1.2 These consolidated financial statements of Arif Habib Limited for the year ended June 30, 2020 comprise of the Holding Company and following subsidiary companies (here-in-after referred to as "the Group"):

Name of Subsidiary Companies	Effective holding
- Arif Habib Commodities (Private) Limited [wholly owned subsidiary of Arif Habib Limited]	<u>100.00%</u>
- Arif Habib 1857 (Private) Limited [wholly owned subsidiary of Arif Habib Limited]	<u>100.00%</u>

1.2.1 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.

1.2.2 Arif Habib 1857 (Private) Limited (AH1857) 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 AH1857 is located at Arif Habib Centre, 23, M.T. Khan Road, Karachi. AH1857 holds Trading Right Entitlement Certificate (TREC). The principal activities of AH1857 are investments and shares brokerage.

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standard Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.
Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Accounting convention

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

- 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.
- Investment property which is carried at fair value;
- Long term investments in ISE Tower Reit Management Limited and LSE Financial Services Limited which is carried at fair value; and
- Short term investments in quoted equity securities, term finance certificates / sukuks and units of mutual funds carried at fair value.

2.3 Functional and presentation currency

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. These consolidated financial statements are presented in Pak Rupees which is the Group's functional and presentation currency.

2.4 Use of estimates and judgments

The preparation of consolidated financial statements in conformity with accounting and reporting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Areas where various assumptions and estimates are significant to the Group's financial statements or where judgments were exercised in application of accounting policy are as follows:

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	Note
- Useful lives, depreciation methods and residual values of property and equipment.	5.2
- Useful lives, amortisation methods and residual values of intangible assets.	5.3
- Valuation of investment property.	5.4 & 10
- "Valuation of investment in ordinary shares of ISE Towers Reit Management Limited and LSE Financial Services Limited."	9.7
- Lease liability and right-of-use assets; and	3, 4 & 7
- Provision for taxation.	34

2.5 New Accounting Pronouncements

2.5.1 Amendments to approved accounting standards and interpretations which became effective during the year ended June 30, 2020.

During the year, certain new accounting and reporting standards / amendments / interpretations became effective and applicable to the Group. However, since such updates (except for those disclosed in note 3 to these financial statements) were not considered to be relevant to the Group's financial reporting, the same have not been disclosed here.

2.5.2 New / revised accounting standards, amendments to published accounting standards and interpretations that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after the date specified below;

- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 01, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The application of the amendment is not likely to have an impact on the Group's financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 01, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards. The amendments are not likely to affect the financial statements of the Group.
- Interest rate benchmark reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after January 01, 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Group.

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after June 01, 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - a. "the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - b. any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
 - c. there is no substantive change to the other terms and conditions of the lease.

The above amendments are not likely to affect the financial statements of the Group.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after January 01, 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The amendments are not likely to affect the financial statements of the Group.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are not likely to affect the financial statements of the Group.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022, clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are not likely to affect the financial statements of the Group.

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

2.5.3 Annual Improvements to IFRS standard

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments are not likely to affect the financial statements of the Group.

3 INITIAL APPLICATION OF IFRS 16

An overview of the new lease accounting requirements for lessees

With effect from July 01, 2019, the Holding 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 Holding 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 follow

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

- (a) The Holding 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 Holding 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 Holding Company as on June 30, 2019 had not identified any onerous lease arrangements; and
- (c) The Holding 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 Holding 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 consolidated 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 Holding 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 Holding 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 on June 30, 2019.
- (b) The Holding 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.

4 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 Holding 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 Holding Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Holding 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 Holding 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.

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented except for the change in accounting policy as described in note 3 and 4 to these consolidated financial statements:

5.1 Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The Group ceases consolidation from the date when control is lost.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

5.2 Property and equipment

Owned

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

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

Depreciation is charged to statement of profit or loss account applying the reducing balance method at the rates specified in note 6. Depreciation is charged when the asset is available for use till the asset is disposed off. Further, when the written down value of the item of assets falls below Rs.10,000 the same is charged directly to the statement of profit or loss.

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

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each financial year end. The Group's estimate of residual value of property and equipment as at June 30, 2020 did not require any adjustment.

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

5.3 Intangible assets

5.3.1 Computer software

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is computed using the reducing balance method over assets estimated useful life at the rates stated in note 8.1, after taking into accounts residual value, if any. The residual values, useful life and amortization methods are reviewed and adjusted, if appropriate, at each reporting date.

Amortization on additions is charged from the date the assets are put to use while no amortization is charged after the date when the assets are disposed off.

Gain and losses on disposal of such assets, if any, are included in the statement of profit or loss account.

5.3.2 Membership cards and offices

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

5.4 Investment properties

Investment properties are held for capital appreciation and is measured initially at its cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value at each reporting date. The changes in fair value is recognised in the statement of profit or loss account.

5.5 Financial instruments

5.5.1 The Group classifies its financial instruments in the following categories:

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

(a) Financial assets measured at amortized cost

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

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

(b) Financial assets at FVOCI

A financial asset is classified as at fair value through other comprehensive income when either:

- (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

- (ii) it is an investment in equity instrument which is designated as at fair value through other comprehensive income in accordance with the irrevocable election available to the Group at initial recognition.

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

(c) Financial assets at FVTPL

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, as aforesaid.

Such financial assets are initially measured at fair value.

5.5.2 Initial recognition

The Group recognizes an investment when and only when it becomes a party to the contractual provisions of the instrument evidencing investment.

Regular way purchase of investments are recognized using settlement date accounting i.e. on the date on which settlement of the purchase transaction takes place. However, the Group follows trade date accounting for its own investments. Trade date is the date on which the Group commits to purchase or sell its asset.

Transactions of purchase under resale (reverse-repo) of marketable securities including the securities purchased under margin trading system are entered into at contracted rates for specified periods of time. Amounts paid under these agreements in respect of reverse repurchase transactions are recognized as a receivable. The difference between purchase and resale price is treated as income from reverse repurchase transactions in marketable transactions / margin trading system and accrued on a time proportion basis over the life of the reverse repo agreement.

5.5.3 Subsequent measurement

(a) Financial assets measured at amortized cost

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

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

(b) Financial assets at FVOCI

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

A gain or loss on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment (except for investments in equity instruments which are designated as at fair value through other comprehensive income in whose case the cumulative gain or loss previously recognized in other comprehensive income is not so reclassified). Interest is calculated using the effective interest method and is recognised in profit or loss.

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

(c) Financial assets at FVTPL

These assets are subsequently measured at fair value.

Net gains or losses arising from remeasurement of such financial assets as well as any interest income accruing thereon are recognized in profit and loss account.

5.5.4 Impairment

The Group's financial assets that are subject to the impairment requirements of IFRS 9 are trade receivables, receivable against margin financing, receivable against reverse repo transactions, advisory and consultancy fee receivable, and forex and money market fee receivable.

The Group applies the IFRS 9 'Simplified Approach' to measuring expected credit losses which uses a lifetime expected loss allowance for all above mentioned financial assets. The Group measures expected credit losses in a way that reflects an unbiased and probability-weighted amount, time value of money and reasonable and supportable information at the reporting date about the past events, current conditions and forecast of future economic conditions. The Group recognises in profit and loss account, as an impairment loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

5.6 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are off-set and the net amount is reported in the statement of financial position if the Group has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

5.7 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Provision is made on the basis of lifetime ECLs that result from all possible default events over the expected life of the trade debts and other receivables. Bad debts are written off when considered irrecoverable.

5.8 Cash and cash equivalents

Cash and cash equivalent are carried in the statement of financial position at amortized cost. For the purpose of cash flow statement cash and cash equivalents comprise cash and bank balances and short term borrowings.

5.9 Borrowings

Borrowings are recognized initially at fair value, net of attributable transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss account over the period of the borrowings using the effective interest method.

5.10 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost using the effective interest method.

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

5.11 Staff retirement benefits - Defined contribution plan

The Holding Company operates a defined contribution plan i.e. recognized provident fund ("the Fund") for all of its eligible employees in accordance with trust deed and rules made thereunder. Monthly contributions at the rate of 12.50% of basic salary are made to the Fund by the Holding Company and its employees.

5.12 Taxation

Income tax expense comprises current and deferred tax.

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using enacted or substantially enacted at the reporting date and after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the reporting date between the tax base and carrying amount of assets and liabilities for financial reporting purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and carried forward unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carried forward unused tax losses can be utilized. Carrying amount of all deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantially enacted by the reporting date.

Deferred tax is charged or credited in the statement of profit or loss account, except in the case of items credited or charged to comprehensive income or equity, in which case it is included in comprehensive income or equity.

5.13 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

5.14 Revenue recognition

Revenue from trading activities-brokerage

Commission revenue from trading of securities is recognized when the performance obligation is satisfied, being when transaction is settled by the clearing house and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Broker's bills are also generated at that point in time.

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

A receivable is recognized when the transaction is settled by the clearing house as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group does not expect to have contracts where the period between the services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Revenue from operating, consultancy and advisory services

Revenue is recognized when the performance obligation is satisfied i.e. when services are provided.

Dividend income

Dividends received from investments measured at fair value through profit or loss and at fair value through other comprehensive income. Dividends are recognized in the statement of profit or loss when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of a part of the cost of an investment. In this case, dividend is recognized in other comprehensive income if it relates to an investment measured at fair value through other comprehensive income.

Mark up / interest income

Mark-up / interest income is recognized on a time proportion basis on the principal amount outstanding and at the rate applicable.

5.15 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalised as part of the cost of relevant asset.

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

6 PROPERTY AND EQUIPMENT

As at June 30, 2018

	Owned Assets					Leased Assets	Total
	Leasehold Offices	Leasehold improvements	Office equipments	Furniture & Fixture	Compter & Allied	Vehicles	
Cost	-	102,485,179	1,451,628	2,047,062	26,326,051	2,088,000	134,397,920
Accumulated depreciation	-	(76,893,022)	(652,626)	(251,660)	(17,595,477)	(1,084,508)	(96,477,293)
Net book value	-	25,592,157	799,002	1,795,402	8,730,574	1,003,492	37,920,627

Year ended June 30, 2019

Opening net book value	-	25,592,157	799,002	1,795,402	8,730,574	1,003,492	37,920,627
Additions / transfers during the year	-	-	3,387,442	2,497,703	5,083,856	-	10,969,001
Disposals / transfers/writeoff							
Cost	-	-	(75,000)	-	(45,026)	(2,088,000)	(2,208,026)
Accumulated depreciation	-	-	43,115	-	16,998	1,173,841	1,233,954
Net book value	-	-	(31,885)	-	(28,028)	(914,159)	(974,072)
Depreciation for the year	-	(3,588,584)	(422,648)	(463,849)	(3,686,918)	(89,333)	(8,251,332)
Closing net book value	-	22,003,573	3,731,911	3,829,256	10,099,484	-	39,664,224

As at June 30, 2019

Cost	-	102,485,179	4,764,070	4,544,765	31,364,881	-	143,158,895
Accumulated depreciation	-	(80,481,606)	(1,032,159)	(715,509)	(21,265,397)	-	(103,494,671)
Net book value	-	22,003,573	3,731,911	3,829,256	10,099,484	-	39,664,224

Year ended June 30, 2020

Opening net book value	-	22,003,573	3,731,911	3,829,256	10,099,484	-	39,664,224
"Additions / transfers during the year (Refer note 10.1)"	32,473,333	-	38,175	310,605	1,206,620	-	34,028,733
Disposals / transfers/writeoff							
Cost	-	-	-	-	(67,500)	-	(67,500)
Accumulated depreciation	-	-	-	-	39,063	-	39,063
Net book value	-	-	-	-	(28,437)	-	(28,437)
Depreciation for the year	-	(3,300,536)	(559,865)	(575,340)	(3,459,519)	-	(7,895,260)
Closing net book value	32,473,333	18,703,037	3,210,221	3,564,521	7,818,148	-	65,769,260

As at June 30, 2020

Cost	32,473,333	102,485,179	4,802,245	4,855,370	32,504,001	-	177,120,128
Accumulated depreciation	-	(83,782,142)	(1,592,024)	(1,290,849)	(24,685,853)	-	(111,350,868)
Net book value	32,473,333	18,703,037	3,210,221	3,564,521	7,818,148	-	65,769,260

Annual rates of depreciation

15%	15%	15%	15%	33%	20%
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ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	2020 (Rupees)	2019
7 RIGHT-OF-USE ASSETS		
Cost	62,462,399	-
Depreciation charged during the year	(20,143,375)	-
Closing net book value	<u>42,319,024</u>	<u>-</u>

7.1 This represents the Holding Company's right to use the office premises (Block-B, 2nd Floor of the Arif Habib Centre, 23 M.T. Khan Road) and branch office-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:

Lessor name	Office	Branch
	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

7.2 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 Holding Company, after giving due consideration to the factors that might create an economic incentive for the Holding Company to extend the leases, has concluded that, at the lease commencement date, it was not reasonably certain to exercise the said extension options.

	Notes	2020 (Rupees)	2019
8 INTANGIBLES ASSETS			
Computer software	8.1	2,375,504	2,354,089
Trading right entitlement certificates and offices	8.2	7,100,000	7,100,000
Membership Card - Pakistan Mercantile Exchange Limited		1,000,000	1,000,000
		<u>10,475,504</u>	<u>10,454,089</u>
8.1 Computer Software			
Net carrying amount			
Opening net book value		2,354,089	2,852,439
Additions during the year		515,174	-
Amortisation charge		(493,759)	(498,350)
Closing net book value		<u>2,375,504</u>	<u>2,354,089</u>
Gross carrying amount			
Cost		7,949,132	7,433,958
Accumulated amortisation		(5,573,628)	(5,079,869)
Net book value		<u>2,375,504</u>	<u>2,354,089</u>
Amortisation rate		<u>25%</u>	<u>25%</u>

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	Notes	2020 (Rupees)	2019
8.2 Trading Right Entitlement Certificate (TREC) and offices			
Trading Right Entitlement Certificates			
Cost		35,500,000	35,500,000
Impairment		(30,500,000)	(30,500,000)
	8.2.1	<u>5,000,000</u>	<u>5,000,000</u>
Offices-booths			
Pakistan Stock Exchange Limited		2,100,000	2,100,000
		<u>7,100,000</u>	<u>7,100,000</u>

8.2.1 This represents TREC received by the Holding Company and its subsidiary M/s. Arif Habib 1857 (Private) Limited, in accordance with the Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012, These have been carried at cost less accumulated impairment losses.

	Notes	2020 (Rupees)	2019
9 LONG TERM INVESTMENTS			
At fair value through profit or loss			
- Pakistan Stock Exchange Limited	9.1	-	13,023,998
- ISE Towers REIT Management Company Limited	9.2	31,620,574	40,936,808
- LSE Financial Services Limited	9.2	13,436,082	12,085,722
	9.3	<u>45,056,656</u>	<u>66,046,528</u>
		<u>45,056,656</u>	<u>66,046,528</u>

9.1 In August 2019, 1,001,846 ordinary shares of Pakistan Stock Exchange Limited (PSX) previously marked as frozen by the Central Depository Company of Pakistan Limited (CDC) were un-frozen and re-classified as 'available' in its Account Balance Report. Since, as of June 30, 2020, the Holding Company intended to dispose of the investment in due course of time, it was re-classified as a short term investment.

9.2 This represents the investment in 843,975 unquoted ordinary shares of M/s. LSE Financial Services Limited and 3,034,604 unquoted ordinary shares of M/s. ISE Towers REIT Management Company Limited.

The Holding Company, as per its policy, carried out the valuation of the aforementioned investments. In this connection, the valuation technique used by the Holding Company was Discounted Free Cash Flow to Equity model for business valuation. Assumptions and inputs used in the valuation technique mainly include risk-free rate, equity risk premium, long term growth rate and projected rates of increase in revenues, other income and expenses. Principal assumptions used in the valuation of above unquoted investments are as under:

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

2020					
Principal Valuation Assumptions					
Name of investee company	Long term growth rate	Cost of equity	Projection period	Value per share (Rs.)	Valuation technique used
LSE Financial services Limited	6.0%	10.11%	5	15.92	Discounted Free Cash Flow to Equity
ISE Towers REIT Management Company Limited	6.0%	10.11%	5	10.42	Discounted Free Cash Flow to Equity

2019					
Principal Valuation Assumptions					
Name of investee company	Long term growth rate	Cost of equity	Projection period	Value per share (Rs.)	Valuation technique used
LSE Financial services Limited	8.0%	13.10%	5	14.32	Discounted Free Cash Flow to Equity
ISE Towers REIT Management Company Limited	8.0%	13.10%	5	13.49	Discounted Free Cash Flow to Equity

9.3 Reconciliation of gain / (loss) on remeasurement of long-term investments as of the reporting date

	Notes	2020 (Rupees)	2019
Carrying value		58,586,933	86,688,713
Unrealised (loss) gain:			
Balance as at July 01		(20,642,185)	(14,298,591)
Net unrealized loss of PSX shares classified to short term	9.1	15,077,782	-
Net unrealized loss in the value of investments for the year		(7,965,874)	(6,343,594)
		(13,530,277)	(20,642,185)
Balance as at June 30		45,056,656	66,046,528

10 INVESTMENT PROPERTY

Opening carrying amount		1,726,419,800	1,373,500,000
Sale during the year		(159,475,000)	(180,540,000)
Transfer to property and equipment	10.1	(32,473,333)	-
Development charges/ Additions during the year	10.2	11,943,765	163,419,941
		1,546,415,232	1,356,379,941
Increase in fair value during the year		132,000,000	370,039,859
Closing carrying amount		1,678,415,232	1,726,419,800

10.1 On 25 June 2020, the Holding Company has commenced business operations on office premises located at G-05, G-06 on ground floor of LSE Financial Services Limited and at 506, fifth floor of ISE Towers REIT Management Company Limited. Therefore the said office premises have been reclassified from Investment Property to Property and Equipment at the fair value at the date of change in use.

10.2 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. The Naya Nazimabad Project is owned and managed by Javedan Corporation Limited (a related party of the Group). As of the reporting date, the fair value of such investment properties was determined by an independent external property valuer having appropriate recognised qualification and relevant experience according to which there was an increase of Rs. 132 million in fair value of the properties and forced sales value of these investment properties are Rs. 1,456.4 million (2019: 1,478.1 million).

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	2020 (Rupees)	2019
11 LONG TERM ADVANCES AND DEPOSITS		
Trading deposits placed with		
- Pakistan Stock Exchange Limited	17,207,961	17,207,961
- National Clearing Company of Pakistan Limited	2,173,138	2,594,578
- ISE Towers REIT Management Company Limited	-	150,000
- Pakistan Mercantile Exchange deposit for office	11,507,205	11,507,205
Other security deposits		
- Others	710,946	1,043,946
	<u>31,599,250</u>	<u>32,503,690</u>

12 DEFERRED TAX - net

	2020			
	At July 01, 2019	Recognised in Profit or Loss Account	Recognised in other comprehensive income	At June 30, 2020
	(Rupees)			
Taxable temporary differences				
- Accelerated depreciation	2,828,548	9,736,131	-	12,564,679
- Right-of-use-assets	-	12,272,517	-	12,272,517
- Investment property	160,686,292	(160,686,292)	-	-
- Long term investment	-	1,818,551	-	1,818,551
- Short term investments	-	(27,133,557)	72,563,906	45,430,349
	163,514,840	(163,992,650)	72,563,906	72,086,096
Deductible temporary differences				
- Intangible assets	(6,206,000)	(2,349,000)	-	(8,555,000)
- Provision for doubtful debts and other receivables	(273,933,550)	(972,237)	-	(274,905,787)
- Lease liability	-	(11,131,356)	-	(11,131,356)
- Capital loss on sale equity securities at FVTPL - net	-	(65,977,663)	-	(65,977,663)
- Short term investments	(46,922,257)	46,922,257	-	-
	(327,061,807)	(33,507,999)	-	(360,569,806)
Deferred tax asset - net	(163,546,967)	(197,500,649)	72,563,906	(288,483,710)
Deferred tax asset recognised to the extent of deferred tax liability				72,086,096
Unrecognised deferred tax asset in the books				216,397,614
				<u>288,483,710</u>
Deferred tax asset - net				-

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	2019			At June 30, 2019
	At July 01, 2018	Recognised in Profit or Loss Account	Recognised in other comprehensive income	
(Rupees)				
Taxable temporary differences				
- Accelerated depreciation	3,385,978	(557,430)	-	2,828,548
- Investment property	44,832,675	115,853,617	-	160,686,292
	48,218,653	115,296,187	-	163,514,840
Deductible temporary differences				
- Short term investments	13,033,862	(59,956,119)	-	(46,922,257)
- Intangible assets	(5,820,000)	(386,000)	-	(6,206,000)
- Provision for doubtful debts and other receivables	(289,535,187)	15,601,637	-	(273,933,550)
- Liabilities against assets subject to finance lease	(403,780)	403,780	-	-
	(282,725,105)	(44,336,702)	-	(327,061,807)
Deferred tax asset - net	(234,506,452)	70,959,485	-	(163,546,967)
Deferred tax asset recognised to the extent of deferred tax liability				163,514,840
Unrecognised deferred tax asset in the books				32,127
Deferred tax asset - net				163,546,967

12.1 The Holding Company, based on the future projections, has recognized deferred tax assets only to the extent of deferred tax liabilities amounting, in aggregate to Rs. 72.086 million. (2019: Rs. 163.515 million).

13 SHORT TERM INVESTMENTS

	Note	2020 (Rupees)	2019
Equity securities at FVTPL	13.1	2,771,339,641	2,089,487,680
Corporate debt securities - at FVTPL	13.2	252,166,556	321,613,197
Investment in MTS	13.3	-	5,945,256
		3,023,506,197	2,417,046,133
Equity securities at FVOCI	13.4	827,578,375	-
		3,851,084,572	2,417,046,133

13.1 As of June 30, 2020, the Holding 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, classified at FVTPL. This gives the Holding 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 Holding Company are in a position to exert control over SCL and because of the fact that the Holding Company has not appointed any person on the Board of Directors of SCL, the management is of the view that the Holding Company is not able to exercise significant influence over SCL. Hence, SCL cannot be regarded as an 'associate' of the Holding Company within the meaning of the term 'associate' defined in the International Accounting Standard (IAS) 28 Investments in Associates and Joint Ventures.

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

13.2 This represents Term Finance Certificates / Sukuks under Market Making agreements.

13.3 Reconciliation of gain / (loss) on remeasurement of Equity investments at FVTPL

	Note	2020 (Rupees)	2019
Cost of investment		3,204,396,581	2,792,424,191
Unrealised (loss) gain:			
Balance as at July 01		(375,378,058)	104,270,895
Net unrealized loss of PSX shares transferred from long term investment	9.1	(15,077,782)	-
Unrealised gain / (loss) for the year		209,565,456	(479,648,953)
		(180,890,384)	(375,378,058)
Balance as at June 30		3,023,506,197	2,417,046,133

13.4 Equity securities at FVTOCI

	2020 (Number of shares)	2019	Note	2020 (Rupees)	2019
Investment in ordinary shares of HUM Network Limited (HUMNL)					
Opening investment (at cost)	69,736,000	-			
Add: Investment made during the year	(3,793,500)	-	13.4.1	363,545,200	-
Less: Investment disposed of during the year	65,942,500	-	13.4.2	(19,726,200)	-
Closing investment (at cost)				343,819,000	-
Unrealized gain on remeasurement of investment				483,759,375	-
Closing investment (at fair value)				827,578,375	-

13.4.1 During the year, the Holding Company made an investment in equity shares of Hum Network Limited (HUMNL), at a cost value of Rs. 5.20 to 5.25. The Holding Company has designated the investment as at fair value through other comprehensive income in accordance with the irrevocable election available to the Holding Company under the International Financial Reporting Standard (IFRS) 9 Financial Instruments.

13.4.2 During the year, the Holding Company disposed of 3,793,500 shares of HUMNL as the Holding Company had to liquidate some investment for financing purpose as well as it had an opportunity to earn a substantial capital gain amounting to Rs. 36.245 million. The fair value of the investment at the date of disposal was Rs. 14.75 per share.

13.4.3 As of the reporting date, the quoted price of ordinary share of HUMNL amounted to Rs. 12.55 per share.

13.4.4 During the year ended June 30, 2020, the Holding Company did not receive any dividend from HUMNL.

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

14 TRADE DEBTS

	Note	2020 (Rupees)	2019
Considered good			
- Brokerage and operating		83,576,900	40,205,493
- Advisory and consultancy fee		73,361,994	135,101,376
		156,938,894	175,306,869
Considered doubtful			
- Brokerage and operating		869,146,841	865,324,540
- Advisory and consultancy fee		37,174,746	37,644,504
		906,321,587	902,969,044
		1,063,260,481	1,078,275,913
Less: provision for doubtful debts	14.1	(906,321,587)	(902,969,044)
	14.2	156,938,894	175,306,869

14.1 Movement in provision for doubtful debts

Balance at the beginning of the year (as previously reported)	902,969,044	918,004,562
Add: Effect of application of IFRS 9	-	1,625,601
Balance at the beginning of the year	902,969,044	919,630,163
Charged during the year	3,822,301	696,781
Reversed during the year	(469,758)	(17,357,900)
Balance at the end of the year	906,321,587	902,969,044

14.2 This includes Rs. 1.7 million (2019: Rs. 0.4 million) due from related parties. The Holding Company holds capital securities having fair value of Rs. 38,874 million (2019: Rs. 37,076 million) owned by its clients, as collaterals against trade debts. The maximum aggregate amount outstanding at any time during the year amounts to Rs. 34.4 million (2019: Rs. 47.4 million).

15 RECEIVABLE AGAINST MARGIN FINANCING

	Note	2020 (Rupees)	2019
Considered good		37,754,624	114,245,832
Considered doubtful		1,917,749	1,917,749
	15.1	39,672,373	116,163,581
Less: provision for doubtful debts	15.2	(1,917,749)	(1,917,749)
		37,754,624	114,245,832

15.1 Marginal financing facility is provided to clients on markup basis ranging from 12.00% to 18.00% (2019: 12.00% to 18.25%) per annum.

15.2 Movement in provision for doubtful debts

	Note	2020 (Rupees)	2019
Balance at the beginning of the year (as previously reported)		1,917,749	-
Add: Effect of application of IFRS 9		-	950,907
Balance at the beginning of the year (restated)		1,917,749	950,907
Charged during the year		-	966,842
Balance at the end of the year		1,917,749	1,917,749

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

16 SHORT TERM LOANS - secured

	Note	2020 (Rupees)	2019
Executives		-	4,050,000
Staff		-	50,002
	16.1	-	4,100,002

16.1 Loans to executives and staff are interest free. These loans have been provided for the purchase of vehicles and for other purposes in accordance with the terms of employment. The loans are repayable over a year and are to be recovered through deduction from monthly payroll. The loans are secured against staff provident fund balance.

17 ADVANCES, DEPOSITS AND PREPAYMENTS

	Note	2020 (Rupees)	2019
Advances			
Advance to consultant	17.1	9,393,760	12,393,760
Advance against expenses		721,481	184,960
Advance against salary		4,362,988	-
		14,478,229	12,578,720
Trade deposits			
Exposure deposit with Pakistan Stock Exchange Limited	17.2	68,393,709	38,254,620
Exposure deposit with National Clearing Company of Pakistan Limited (NCCPL)	17.3	2,264,012	301,754,729
		70,657,721	340,009,349
Prepayments			
Rent		-	5,848,357
Insurance		614,253	420,000
Others		1,359,668	59,506
		1,973,921	6,327,863
		87,109,871	358,915,932

17.1 This represents advance payment made to consultant by the Holding Company in respect of consultancy services on Corporate Finance Projects.

17.2 This represents deposits held at the year end against exposure arising out of the trading in securities in accordance with the regulations of Pakistan Stock Exchange Limited.

17.3 This represents deposits held at the year end against exposure arising out of the trading in securities in accordance with the regulations of National Clearing Company Pakistan Limited.

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

18 OTHER RECEIVABLES

	Note	2020 (Rupees)	2019
Receivable against Reverse Repo transactions		52,152,387	76,301,579
Dividend receivable		91,227,000	-
		5,608,589	4,419,845
		148,987,976	80,721,424
Less: provision for doubtful debts	18.1	(39,711,656)	(39,711,656)
		109,276,320	41,009,768
18.1 Movement in provision for doubtful debts			
Balance at the beginning of the year (as previously reported)		39,711,656	4,824,566
Add: Effect of application of IFRS 9		-	39,711,656
Balance at the beginning of the year (restated)		39,711,656	44,536,222
Reversed during the year		-	(4,824,566)
Balance at the end of the year		39,711,656	39,711,656

19 CASH AND BANK BALANCES

	Note	2020	2019
Cash in hand		271,588	175,294
Cash at bank			
- current accounts		47,229,518	195,786,812
- savings accounts	19.1	766,596,128	461,610,260
	19.2	813,825,646	657,397,072
		814,097,234	657,572,366

19.1 The return on these balances is 6% to 13% (2019: 3.75% to 9.5%) per annum on daily product basis.

19.2 Bank balances include customers' bank balances held in designated bank accounts amounting to Rs. 777.251 million (2019: Rs. 595.898 million).

20 AUTHORIZED, ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2020 ----(Number of shares)----	2019	2020 (Rupees)	2019
75,000,000	75,000,000	750,000,000	750,000,000
10,800,000	12,000,000	108,000,000	120,000,000
48,600,000	54,000,000	486,000,000	540,000,000
59,400,000	66,000,000	594,000,000	660,000,000

Authorized capital

Ordinary shares of Rs. 10/- each

Issued, Subscribed and Paid up Capital

Ordinary shares of Rs.10/- each

For Cash

As bonus shares

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

	Note	2020 (Rupees)	2019
Balance as at the beginning of the year		66,000,000	55,000,000
20% bonus shares issued		-	11,000,000
10% shares bought back under tender offer	20.1.1	(6,600,000)	-
Balance as at the end of the period / year		59,400,000	66,000,000

20.1.1 In August 2019, the Holding 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 Holding Company in their Extraordinary General Meeting held on July 03, 2019.

20.2 The Parent Company held 41,245,884 (2019: 43,245,884) ordinary shares of Rs. 10 each at year end.

20.3 There is only one class of ordinary shares.

20.4 There is no agreement with shareholders for voting rights, board selection, rights of first refusal, and block voting.

21 SURPLUS ON REVALUATION OF PROPERTY

In the year 2015, the Holding Company reclassified Leasehold Offices to Investment Property. Accordingly, surplus on revaluation of properties was recognised in accordance with IAS-40 "Investment Property".

22 LONG TERM LOAN

On June 30, 2020 the Holding Company had signed a facility letter with Allied Bank limited (ABL) where by the outstanding running finance facility amounting to Rs. 499.99 million had been converted into a long term loan under markup arrangements at the rate of 3 months KIBOR + 1% to be charged on quarterly basis. The loan is repayable in twelve quarterly installments ending on June 30, 2023. The loan is secured against pledge of shares, as per ABL's ALCO approved shares list with respective margins.

22.1 Fair value of shares pledged with Allied Bank Limited against term loan facility as at June 30, 2020 amounted to Rs. 918.44 million (2019: Nil). The details of which are as under:

	June 30, 2020		June 30, 2019	
	Number of securities	Amount (Rupees)	Number of securities	Amount (Rupees)
Client	34,350,000	918,175,500	-	-
House	10,000	267,300	-	-
Total	34,360,000	918,442,800	-	-

23 SHORT TERM BORROWINGS - secured

Short term running finance facilities are available to Holding Company from various commercial banks, under mark-up arrangements, amounting to Rs. 5,000 million (2019: Rs. 5,190 million). These facilities have various maturity dates up to May 06, 2021. These arrangements are secured against pledge of marketable securities. These running finance facilities carry mark-up ranging from 1 month KIBOR + 0.5% to 1.0%, 3 month KIBOR +0.5% to 2.0% (2019: 1 month KIBOR + 0.5% to 1.0%, 3 month KIBOR +0.5% to 2.0% and 6 month KIBOR + 0.75%) calculated on a daily product basis that is payable quarterly.

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Fair value of shares pledged with banking companies against various short term running finance facilities and bank guarantees as at June 30, 2020 amounted to Rs. 4,376.90 million (2019: Rs. 5,897.79 million). Total value of pledged securities with financial institutions indicating separately securities belonging to customers is as under:

	June 30, 2020		June 30, 2019	
	Number of securities	Amount (Rupees)	Number of securities	Amount (Rupees)
Client	83,400,000	2,186,712,000	209,810,000	4,495,028,500
House	119,315,760	2,190,184,650	73,490,995	1,402,764,488
Total	202,715,760	4,376,896,650	283,300,995	5,897,792,988

24 SUBORDINATED LOAN

During the year, the Holding Company has obtained subordinated loan amounted to Rs. 1,100,000,000 from the sponsor (Mr. Arif Habib). The details of the loan obtained are as follows:

a. Short term, unsecured, subordinate, interest free loan of Rs. 800,000,000 payable on demand and which had been repaid on May 11, 2020.

b. Long term unsecured, subordinate loan of Rs 300,000,000 which is payable after 13 months of disbursement of loan amount. The interest rate is 6 month KIBOR + 2% payable semiannually.

25 TRADE AND OTHER PAYABLES

	Note	2020 (Rupees)	2019
Creditors	25.1	747,901,751	605,331,712
Commission payable	25.2	19,605,841	10,858,152
Accrued expenses		9,196,584	6,228,628
Payable to provident fund	25.3	-	272,108
Taxes payable		13,301,083	13,916,869
Other liabilities		4,651,317	2,729,639
		794,656,576	639,337,108

25.1 This includes Rs. 3.85 million (2019: Rs. 26.42 million) payable to related parties of the Holding Company.

25.2 This includes Rs. 8.50 million (2019: Rs. 2.29 million) payable to related parties of the Holding Company.

25.3 The investment out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and rules and conditions specified thereunder.

26 LOAN FROM RELATED PARTY

	Note	2020 (Rupees)	2019
Loan from director - Ahsan Mehnti	26.1	3,862,500	3,800,000

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

26.1 This represents short term interest free loan from director of M/s. Arif Habib Commodities (Private) Limited ('the Subsidiary Company') to meet working capital requirements of the Subsidiary Company and is repayable on demand.

27 CONTINGENCIES AND COMMITMENTS

27.1 Contingency

The Holding Company has been contesting a demand of Rs. 45.42 million raised against its non-taxable services vide order issued on September 12, 2014 by the Assistant Commissioner, Sindh Revenue Board. The Holding Company filed an appeal against the impugned order in the appropriate forums and, accordingly, a stay was granted to the Holding Company against the impugned order. During the year 2018, the Appellate Tribunal Sindh Revenue Board remanded the case to the learned Commissioner (Appeals) for decision denovo on merits in terms of note / opinion recorded by the Member Technical. The Holding Company's legal counsel is of the view that the Holding Company has a favorable case based on merit. Accordingly, the Holding Company has not made any provision of the said amount in these consolidated financial statements.

27.2 Commitments

	Note	2020 (Rupees)	2019
Following commitments of Holding Company are outstanding as at the reporting date:			
- Outstanding settlements against Marginal Trading contracts		112,323,212	183,844,159
- Outstanding settlements against sale / purchase of securities in regular market.		53,073,167	67,513,807
- Financial guarantees given by commercial banks on behalf of the Company		250,000,000	250,000,000

28 OPERATING REVENUE

Brokerage and operating revenue	349,398,215	315,132,957
Advisory and consultancy fee	155,244,981	375,519,281
Dividend income	166,766,673	88,201,056
	671,409,869	778,853,294

29 GAIN / (LOSS) ON RE-MEASUREMENT OF EQUITY SECURITIES AT FVTPL

Unrealized loss in the value of long term investments for the year	9.3	(7,965,874)	(6,343,594)
Unrealized (loss)/gain on equity securities measured at FVTPL	13.2.1	209,565,456	(479,648,953)
		201,599,582	(485,992,547)

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

30 ADMINISTRATIVE AND OPERATING EXPENSES

	Note	2020 (Rupees)	2019
Salaries and other benefits	30.1 & 38	178,758,626	250,168,380
CDC and clearing house charges		24,343,572	27,574,851
Fees & Subscription		8,458,189	10,729,451
Legal and professional charges		9,356,764	6,210,521
Communication		15,727,897	14,202,243
Rent, rates and taxes		3,994,831	26,759,698
Depreciation and amortization	6, 7 & 8	28,532,394	8,749,682
Building maintenance		19,719,898	16,707,059
Repairs and maintenance		7,145,331	4,425,723
Insurance		5,426,537	4,442,174
Advertisement and business promotion		1,854,020	1,673,265
Business representation		1,738,909	7,790,616
Motor vehicle and travelling expense		26,362,373	21,085,748
Printing and stationery		1,476,955	1,772,666
Conveyance and meals		1,513,848	1,049,006
Meeting expenses		509,829	604,127
Auditors' remuneration	30.2	2,248,512	2,320,083
Donation		-	800,000
Man power services	30.3	21,847,600	-
Others		4,939,480	7,531,285
		<u>363,955,565</u>	<u>414,596,578</u>
30.1 Salaries and other benefits			
Salaries and other benefits	30.1.1	126,928,560	134,135,794
Commission		50,113,845	116,032,586
		<u>177,042,405</u>	<u>250,168,380</u>

30.1.1 Salaries and benefits include Rs. 6.30 million (2019: Rs. 6.39 million) in respect of provident fund contribution.

30.2 Auditors' remuneration

	2020 (Rupees)	2019
Annual audit fee	1,252,789	1,322,000
Half yearly review	310,000	310,000
Certification on compliance with Code of Corporate Governance	200,000	200,000
Other certifications	265,000	488,083
	<u>2,027,789</u>	<u>2,320,083</u>

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

30.3 These represent charges paid to Group Company - Arif Habib Consultancy (Private) Limited in respect of recruitment services obtained for providing senior and highly qualified consultants to lead the Company's investment banking department.

31 FINANCE COSTS

	Note	2020 (Rupees)	2019
Finance cost on lease liability		6,135,267	12,102
Markup on short term borrowings		335,111,527	210,870,984
Markup on Subordinated loan	24	12,283,397	-
Markup on MTS securities		775,277	1,813,855
Bank charges		5,754,950	4,962,909
Guarantee charges to Parent Company		2,090,095	677,331
		<u>362,150,513</u>	<u>218,337,181</u>

32 OTHER CHARGES

Impairment loss on Trading Right Entitlement Certificate (TREC)		-	9,000,000
Provision for doubtful receivables		5,377,456	4,636,917
Loss on disposal of property and equipment		-	12,913
		<u>5,377,456</u>	<u>13,649,830</u>

33 OTHER INCOME

From financial assets

Markup on reverse repo transactions		39,214,013	25,265,266
Markup on corporate debt securities		47,631,228	15,124,402
Markup on margin financing		22,987,833	45,338,816
Markup on margin trading deposits		103,264	1,077,200
Profit on savings accounts		27,095,715	21,479,782
Profit on exposure deposits		5,017,256	2,564,458
Reversal of provision for other receivables		-	19,351,250
Others		721,483	10,205,356

From non-financial assets

Gain on disposal of Investment property		775,000	23,315,000
		<u>143,545,792</u>	<u>163,721,530</u>

34 TAXATION

Current tax - for the year		70,533,136	75,633,868
- for prior years		-	3,369,498
		<u>70,533,136</u>	<u>79,003,366</u>
Deferred		-	-
		<u>70,533,136</u>	<u>79,003,366</u>

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

34.1 Relationship between tax expense and accounting profit

	2020	2019
	(Rupees)	
Profit before taxation	143,727,552	13,531,616
Tax at the applicable rate of 29% (2019: 29%)	41,680,990	3,924,169
Tax effect of income under Presumptive Tax Regime	(24,349,458)	(27,494,954)
Tax effect of income under Minimum Tax Regime	52,165,315	-
Tax effect of income taxed at lower rate	79,269,806	68,966,786
Tax effect of non-deductible expenses	(1,786,333)	3,369,498
Tax effect of exempt income / permanent differences	(75,002,186)	3,306,737
Tax effect of prior year charge	-	26,864,930
Others	(1,444,998)	66,200
	<u>70,533,136</u>	<u>79,003,366</u>

34.2 Income tax assessments of the Group are deemed to be finalized as per tax returns file up to tax year 2019. Tax returns are subject to further assessment under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities. The Commissioner of Income Tax may, at any time during a period of five years from date of filing of return, select a deemed assessment order for audit.

34.3 The Holding Company has been contesting Civil Suit No. 284/2016 against levy of "Super Tax" u/s 4B of the Income Tax Ordinance, 2001 introduced through Finance Act, 2015 in the High Court of Sindh and has not paid the Super Tax accordingly. The Holding Company is of the view that the same is imposed against the merit of law and the Holding Company's legal council is of the view that the Holding Company has a favorable case on merit. However, on prudent basis, a provision has been made in these consolidated financial statements.

35 EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

	2020	2019
	(Rupees)	
35.1 Basic earnings / (loss) per share		
Profit / (loss) after taxation	73,194,416	(65,471,750)
———— Number of shares ————		
Weighted average number of ordinary shares outstanding	60,121,312	66,000,000
———— Rupees ————		
Earnings / (loss) per share	1.22	(0.99)

35.2 Diluted earnings / (loss) per share

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

36 CASH AND CASH EQUIVALENTS

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

	Note	2020	2019
		(Rupees)	
Cash and bank balances	19	814,097,234	657,572,366
Short term borrowings	23	(1,836,074,716)	(1,909,233,639)
		<u>(1,021,977,482)</u>	<u>(1,251,661,273)</u>

37 RELATED PARTY TRANSACTIONS AND BALANCES

37.1 Related parties comprise of group companies (the Parent Company, fellow subsidiaries and the subsidiaries), key management personnel and directors of the company and their close family members, and the staff provident fund. Remuneration of the chief executive, directors and executives as disclosed in note 38 to these consolidated financial statements. Transactions with related parties during the year other than those disclosed elsewhere in these consolidated financial statements are as follows:

Name of the related party, relationship with company & Nature of Transaction

	Year ended	
	30 June 2020	30 June 2019
	(Rupees)	
PARENT COMPANY		
Arif Habib Corporation Limited		
<i>Transaction during the year</i>		
Brokerage commission earned on sale and purchase of securities	2,560,553	6,525,709
Guarantee charges	2,090,095	677,331
<i>Balances at the year end</i>		
Trade receivable at year end	80,477	40,128
KEY MANAGEMENT PERSONNEL		
Zafar Alam (Chairman of the Holding Company)		
<i>Transaction during the year</i>		
Brokerage commission earned on sale and purchase of securities	10,590	-
Meeting fee paid	100,000	125,000
<i>Balances at the year end</i>		
Trade payable at year end	2,148,473	-
Muhammad Shahid Ali (CEO of the Holding Company)		
<i>Transaction during the year</i>		
Brokerage commission earned on sale and purchase of securities	7,886,015	8,037,263
<i>Balances at the year end</i>		
Trade payable at year end	3,150,901	25,972,102

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	Year ended	
	30 June 2020	30 June 2019
	(Rupees)	
Muhammad Haroon (Director of Holding Company)		
<i>Transaction during the year</i>		
Brokerage commission earned on sale and purchase of securities	139,235	123,632
Meeting fee paid	100,000	75,000
<i>Balances at the year end</i>		
Trade payable at year end	700,697	4,239
Muhammad Sohail Salat (Director of Holding Company)		
<i>Transaction during the year</i>		
Meeting fee paid	100,000	125,000
Sharmin Shahid (Director of Holding Company)		
<i>Transaction during the year</i>		
Brokerage commission earned on sale and purchase of securities	728,673	626,491
Meeting fee paid	100,000	100,000
<i>Balances at the year end</i>		
Trade receivable at year end	50,302	-
Nida Ahsan (Director of Holding Company)		
<i>Transaction during the year</i>		
Brokerage commission earned on sale and purchase of securities	1,730,920	7,691,785
Meeting Fee Paid	-	50,000
<i>Balances at the year end</i>		
Trade payable at year end	-	12,182
Trade receivable at year end	65,419	-
Mohsin Madni (Director of Holding Company)		
<i>Transaction during the year</i>		
Brokerage commission earned on sale and purchase of securities	2,936	-
<i>Balances at the year end</i>		
Trade payable at year end	175	-

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	Year ended	
	30 June 2020	30 June 2019
	(Rupees)	
CLOSE FAMILY MEMBERS OF KEY MANAGEMENT PERSONNEL		
Arif Habib		
<i>Transaction during the year</i>		
Brokerage commission earned on sale and purchase of securities	6,563,516	6,313,501
Loan obtained	1,100,000,000	-
Loan repaid	800,000,000	-
<i>Balances at the year end</i>		
Loan payable at the year end	300,000,000	-
Mark up payable on loan	12,737,772	-
Trade receivable at year end	42,574	-
Abdus Samad A. Habib		
<i>Transaction during the year</i>		
Brokerage commission earned on sale and purchase of securities	409,718	46,351
<i>Balances at the year end</i>		
Trade receivable at year end	1,451,078	-
Muhammad Kashif A. Habib		
<i>Transaction during the year</i>		
Brokerage commission earned on sale and purchase of securities	6,363	76,805
<i>Balances at the year end</i>		
Trade receivable at year end	19,630	-
OTHER RELATED PARTIES		
Javedan Corporation Limited		
<i>Transaction during the year</i>		
Purchase of plots	-	125,000,000
Development charges paid	11,943,765	26,088,000
<i>Balances at the year end</i>		
Balance receivable against sale of plots	5,126,734	-
Arif Habib Dolmen Reit Management Ltd.		
<i>Transaction during the year</i>		
Brokerage commission earned on sale and purchase of securities	250,600	-
Rotocast Engineering Co. (Pvt) Limited		
<i>Transaction during the year</i>		
Rent paid	22,988,064	22,988,064
<i>Balances at the year end</i>		
Prepaid rent	5,928,359	5,928,359
POST EMPLOYMENT BENEFIT PLAN - HOLDING COMPANY		
<i>Transaction during the year</i>		
Provident fund trust - Contribution paid during the year	6,298,569	6,386,995

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

38 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the consolidated financial statements for remuneration, including certain benefits to Directors, Chief Executive and Executives of the Company, are as follows:

	Chief Executive		Directors		Executives	
	2020	2019	2020	2019	2020	2019
	Rupees					
Managerial remuneration	9,893,152	9,851,149	-	-	94,722,045	44,882,615
Contribution to provident fund	1,262,454	1,262,454	-	-	4,251,523	2,917,206
Medical allowance	367,464	367,464	-	-	2,606,291	2,333,765
Commission	8,500,000	32,386,602	425,000	475,000	22,567,317	13,488,233
	20,023,070	43,867,669	425,000	475,000	124,147,176	63,621,819
Number of persons	2	2	5	5	41	18

39 FINANCIAL RISK MANAGEMENT

39.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (interest/mark-up rate risk and price risk). The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Group's financial assets and liabilities are limited. The Group consistently manages its exposure to financial risk without any material change from previous periods in the manner described in notes below.

The Board of Directors has overall responsibility for the establishment and oversight of Group's risk management framework. All treasury related transactions are carried out within the parameters of these policies.

a) Market risk

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

i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As of the reporting date, the Group is not exposed to currency risk since there are no material foreign currency transactions and balances at the reporting date.

ii) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Presently, daily stock market fluctuation is controlled by government authorities with cap and floor of 10%. The restriction of floor prices reduces the volatility of prices of equity

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

securities and the chances of market crash at any moment. The Group manages price risk by monitoring the exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies, which includes disposing of its own equity investment and collateral held before it led the Group to incur significant mark to market and credit losses. The Group is exposed to price risk since it has investments in quoted securities amounting to Rs. 3,851 million (2019: 2,417 million) and also the Group holds collaterals in the form of securities against their debtor balances at the reporting date.

The carrying value of investments subject to price risk is based on quoted market prices as of the reporting date. Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

The Group's portfolio of short term investments is broadly diversified so as to mitigate the significant risk of decline in prices of securities in particular sector of the market.

Analysis of short term investment in quoted equity securities by business sector is as follows:

	June 30, 2020		June 30, 2019	
	(Rupees)	%	(Rupees)	%
Engineering	135,389,240	3.52	11,897,500	0.49
Chemical	2,498,000	0.06	239,612	0.01
Food & Personal Care Products	-	-	3,208,150	0.13
Oil & Gas	102,799,000	2.67	-	-
Inv. Banks / Inv. Cos. / Securities Cos.	22,663,243	0.59	17,524,902	0.73
Sugar & Allied Industries	5,766,425	0.15	4,486,760	0.19
Automobile	3,834,886	0.10	-	-
Transport & technology	-	-	2,105,271	0.09
Textile Composite	19,088,000	0.50	217,970,758	9.02
Fertilizer	1,221,240,240	31.71	1,017,929,775	42.11
Commercial Bank	1,095,697,328	28.45	399,609,005	16.53
Debt Investment Instruments	252,166,556	6.55	321,613,197	13.31
Construction & Material (Cement)	112,279,462	2.92	78,055,690	3.23
Leasing Companies	7,358,625	0.19	193,939,646	8.02
Power Generation & Distribution	36,278,202	0.94	132,136,805	5.47
Technology & Communication	834,025,365	21.66	8,100,800	0.34
Misc	-	-	8,228,262	0.34
	3,851,084,572	100.00	2,417,046,133	100.00

Sensitivity analysis

For the purpose of price risk sensitivity analysis it is observed that the benchmark PSX 100 Index has increased by almost 2% (2019: decreased by 19%) during the financial year.

The table below summarizes Group's price risk as of June 30, 2020 and 2019 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end reporting dates. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse because of the nature of equity markets and the aforementioned concentrations existing in Group's equity investment portfolio.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

		Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in shareholders' equity	Hypothetical increase / (decrease) in profit / (loss) after tax	Hypothetical increase / (decrease) in other comprehensive income / (loss) after tax
June 30, 2020	Rupees	3,851,084,572	10% increase	4,236,193,029	327,342,188	256,998,027	70,344,162
			10% decrease	3,465,976,115	(327,342,188)	(256,998,027)	(70,344,162)
June 30, 2019	Rupees	2,430,070,131	10% increase	2,673,077,144	206,555,961	206,555,961	-
			10% decrease	2,187,063,118	(206,555,961)	(206,555,961)	-

iii) Interest rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Group manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The short term borrowing arrangements has variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes.

Financial assets and liabilities include balances of Rs. 1,108.70 million (2019: Rs. 973.77 million) and Rs. 2,636.06 million (2019: Rs. 1,909.23 million) respectively, which are subject to interest / markup rate risk. Applicable interest / mark-up rates for financial assets and liabilities have been indicated in respective notes.

At the reporting date, the interest rate profile of the Group's significant interest bearing financial instruments was as follows:

	2020 Effective interest rate (%)	2019 Effective interest rate (%)	2020 Carrying amounts (Rs.)	2019 Carrying amounts (Rs.)
Financial assets				
Bank deposits - pls account	6% to 13%	8% to 9.5%	766,596,128	461,610,260
Receivable against Reverse Repo transactions	13% to 18%	12% to 16%	52,152,387	76,301,579
Receivable against margin financing	12% to 18%	12% to 18.5%	37,754,624	114,245,832
Corporate debt securities - at FVTPL	9.66% to 15.54%	12.92% to 15.45%	252,166,556	321,613,197
Financial liabilities				
Long term loan from banking company	11.49% to 14.35%	-	499,987,261	-
Short term borrowings	7.36% to 15.35%	7.53% to 12.63%	1,836,074,716	1,909,233,639
Current portion of long term subordinated loan	14.55%	-	300,000,000	-

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Sensitivity analysis

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not affect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments it is observed that interest / mark-up rate in terms of KIBOR has decreased by 567 bps during the year.

The following information summarizes the estimated effects of 1% hypothetical increases and decreases in interest rates on cash flows from financial assets and financial liabilities that are subject to interest rate risk. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. The hypothetical changes in market rates do not reflect what could be deemed best or worst case scenarios. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Effect on profit after tax increase	Effect on profit after tax decrease
As at June 30, 2020		
Cash flow sensitivity-Variable rate financial instruments	10,844,485	(10,844,485)
As at June 30, 2019		
Cash flow sensitivity-Variable rate financial instruments	6,641,786	(6,641,786)

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

Exposure to credit risk

Credit risk of the Group arises from deposits with banks and financial institutions, trade debts, receivable against margin financing, short term loans, deposits and other receivables. The carrying amount of financial assets represents the maximum credit exposure. To reduce the exposure to credit risk, the Group has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their net worth and proper margins are collected and maintained from the clients. The management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful of recovery.

The Group's management, as part of risk management policies and guidelines, reviews clients' financial position, considers past experience, obtain authorized approvals and arrange for necessary collaterals in the form of equity securities to reduce credit risks and other factors. These collaterals are subject to market risk which ultimately affects the recoverability of debts. Further, credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The Group's policy is to enter into financial contracts in accordance with the internal risk management policies, investment and operational guidelines approved by the Board of Directors.

The carrying amount of financial assets represent the maximum credit exposure at the reporting date, which are detailed as follows:

	Notes	2020 (Rupees)	2019
Long-term advances and deposits		31,599,250	32,503,690
Trade debts	39.1.1	156,938,894	175,306,869
Receivable against margin financing		37,754,624	114,245,832
Short term loans - secured		-	4,100,002
Short term deposits		70,657,721	340,009,349
Other receivables		109,276,320	41,009,768
Bank balances		813,825,646	657,397,072
		<u>1,220,052,455</u>	<u>1,364,572,582</u>

39.1.1 Trade debts were due from local clients.

39.1.2 The Holding Company holds equity securities having fair value of Rs. 38,874 million (2019: Rs 37,193 million) owned by its clients, as collaterals against trade debts-operating and brokerage and margin finance receivables. The aging analysis of the total receivable from clients (i.e. inclusive of trade debts-brokerage and operating and receivable against margin financing) as at the reporting date is as follows:

	2020		2019	
	Gross	Impairment (Rupees)	Gross	Impairment
Not past due	39,672,373	1,917,749	116,163,581	1,917,749
Past due 1 day - 30 days	43,956,442	-	32,051,907	1,118,020
Past due 31 days - 180 days	15,357,392	5,102,760	11,978,370	11,978,370
Past due 181 days - 1 year	10,249,257	10,249,257	13,350,004	13,350,004
More than one year	853,794,824	890,969,570	838,878,146	876,522,650
	<u>963,030,288</u>	<u>908,239,336</u>	<u>1,012,422,008</u>	<u>904,886,793</u>

No impairment has been recognized except as disclosed in respect of these debts as the security against the same is adequate or counter parties have sound financial standing.

The credit quality of Group's liquid funds can be assessed with reference to external credit ratings as follows:

Short term rating	2020 (Rupees)	2019
A1+	232,880,215	478,176,441
A-1+	524,035,589	106,779,064
A-1	53,960,494	42,325,472
A1	1,821,453	-
A-2	1,127,895	-
	<u>813,825,646</u>	<u>627,280,977</u>

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Due to the Group's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Group. Accordingly, the credit risk is minimal.

The Group writes off a defaulted financial asset when there remains no reasonable probability of recovering the carrying amount of the asset through available means.

c) Liquidity risk

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

On the reporting date, the Group had cash and bank balance Rs. 814.10 million (2019: Rs. 657.57 million) unutilized credit lines Rs. 3,164 million (2019: Rs. 3,276 million) and liquid assets in the form of short term securities amounting to Rs. 3,827 million (2019: Rs. 2,411 million).

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	2020					
	Carrying amount	Contractual cashflows	Six months or less	Six to twelve months	One to five years	More than five years
	(Rupees)					
Financial liabilities						
Long term loan	499,987,261	499,987,261	83,333,334	83,333,334	333,320,593	-
Loan from Sponsor	300,000,000	300,000,000	-	300,000,000	-	-
Lease liability	38,383,986	38,383,986	6,637,700	6,637,700	25,108,586	-
Trade and other payables	781,355,493	781,355,493	781,355,493	-	-	-
Short term borrowings (including accrued mark-up)	1,897,711,347	1,897,711,347	1,897,711,347	-	-	-
	<u>3,517,438,087</u>	<u>3,517,438,087</u>	<u>2,769,037,874</u>	<u>389,971,034</u>	<u>358,429,179</u>	<u>-</u>

	2019					
	Carrying amount	Contractual cashflows	Six months or less	Six to twelve months	One to five years	More than five years
	(Rupees)					
Financial liabilities						
Trade and other payables	625,420,239	625,420,239	625,420,239	-	-	-
Short term borrowings (including accrued mark-up)	1,994,046,086	1,994,046,086	1,994,046,086	-	-	-
	<u>2,619,466,325</u>	<u>2,619,466,325</u>	<u>2,619,466,325</u>	<u>-</u>	<u>-</u>	<u>-</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Contractual cash flows include interest related cash flows up to the year end. The future interest related cash flows depends on the extent of utilization of short term borrowings facilities and the interest rates applicable at that time.

39.2 Fair value estimate

In case of equity instruments, the Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 : Quoted market price (unadjusted) in an active market.

Level 2 : Valuation techniques based on observable inputs.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Group determines fair values using valuation techniques unless the instruments do not have a market \ quoted price in an active market and whose fair value cannot be reliably measured.

Valuation techniques used by the Group include discounted cash flow model. Assumptions and inputs used in the valuation technique mainly include risk-free rate, equity risk premium, long term growth rate and projected rates of increase in revenues, other income and expenses. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Valuation models for valuing securities for which there is no active market requires significant unobservable inputs and a higher degree of judgment and estimation in the determination of fair value. Judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates, etc.

The table below analyses equity instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

June 30, 2020	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
<i>Financial assets measured at fair value</i>				
Short term investment	3,851,084,572	-	-	3,851,084,572
Long term investment	-	-	45,056,656	45,056,656
<i>Non-Financial assets measured at fair value</i>				
Investment properties	-	1,678,415,232	-	1,678,415,232

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June 30, 2019	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
<i>Financial assets measured at fair value</i>				
Short term investments	2,417,046,133	-	-	2,417,046,133
Long term investment	-	-	53,022,530	53,022,530
<i>Non-Financial assets measured at fair value</i>				
Investment properties	-	1,726,419,800	-	1,726,419,800

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	Note	2020 (Rupees)	2019 (Rupees)
Balance as at July 01		53,022,530	72,390,122
Investment reclassified to short term	9.1	-	(13,023,998)
Unrealised loss for the year	9.3	(7,965,874)	(6,343,594)
Balance as at June 30		45,056,656	53,022,530
Effect on profit and loss account			
Favourable (Unfavourable)			
(Rupees)			
June 30, 2020		450,567	(450,567)
June 30, 2019		530,225	(530,225)

As at June 30, 2020 Financial assets as per statement of financial position	2020			Total
	Asset at fair value through profit and loss	Asset at fair value through other comprehensive income (Rupees)	Amortized cost	
Long Term Investment	45,056,656	-	-	45,056,656
Long term advances and deposits	-	-	31,599,250	31,599,250
Short term investments	3,023,506,197	827,578,375	-	3,851,084,572
Trade debts	-	-	156,938,894	156,938,894
Receivable against margin financing	-	-	37,754,624	37,754,624
Accrued markup on margin financing	-	-	2,712,600	2,712,600
Short term deposits	-	-	70,657,721	70,657,721
Other receivables	-	-	109,276,320	109,276,320
Bank balances	-	-	813,825,646	813,825,646
	3,068,562,853	827,578,375	1,222,765,055	5,118,906,283

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As at June 30, 2020

Financial liabilities as per statement of financial position

	Financial liabilities at amortized cost — Rupees —
Lease liability	38,383,986
Long term loan	499,987,261
Short term borrowings	1,836,074,716
Current portion of long term subordinated loan	300,000,000
Trade and other payables	781,355,493
Payable against purchase of securities - net	28,513,698
Accrued markup on short term borrowings	61,636,631
	<u>3,545,951,785</u>

As at June 30, 2019 Financial assets as per statement of financial position	2019			Total
	Asset at fair value through profit and loss	Asset at fair value through other comprehensive income (Rupees)	Amortized cost	
Long Term Investment	66,046,528	-	-	66,046,528
Long term advances and deposits	-	-	32,503,690	32,503,690
Short term investments	2,417,046,133	-	-	2,417,046,133
Trade debts	-	-	175,306,869	175,306,869
Receivable against margin financing	-	-	114,245,832	114,245,832
Short term loans - secured	-	-	4,100,002	4,100,002
Short term deposits	-	-	340,009,349	340,009,349
Accrued markup on margin financing	-	-	2,712,600	2,712,600
Other receivables	-	-	41,009,768	41,009,768
Bank balances	-	-	657,572,366	657,572,366
	<u>2,483,092,661</u>	<u>-</u>	<u>1,367,460,476</u>	<u>3,850,553,137</u>

As at June 30, 2019

Financial liabilities as per statement of financial position

	Financial liabilities at amortized cost — Rupees —
Short term borrowings	1,909,233,639
Trade and other payables	625,420,239
Payable against purchase of securities - net	30,970,319
Accrued markup on short term borrowings	84,812,447
	<u>2,650,436,644</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

40 CAPITAL MANAGEMENT

40.1 The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

40.2 The Capital adequacy level as required by CDC is calculated as follows;

	2020 (Rupees)	2019
Total assets	6,932,609,041	5,670,184,697
Less: Total liabilities	3,272,216,060	2,730,419,873
Less: Revaluation Reserves (created upon revaluation of fixed assets)	(15,432,500)	(15,432,500)
Capital adequacy level	<u>3,675,825,481</u>	<u>2,955,197,324</u>

40.3 While determining the value of the total assets of the TREC Holder, Notional value of the TRE certificate as at year ended as determined by Pakistan Stock Exchange has been considered.

40.4 Net capital balance of holding company

Net capital requirements of the Holding Company are set and regulated by Pakistan Stock Exchange Limited. These requirements are put in place to ensure sufficient solvency margins and are based on excess of current assets over current liabilities.

The Net Capital Balance as required under Third Schedule of Securities and Exchange Rules, 1971 read with the SECP guidelines is calculated as follows;

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

DESCRIPTION	VALUATION	Note	RUPEES
CURRENT ASSETS			
Cash and Bank Balances	As per Book value	40.5(i)	806,181,448
Trade Receivables	Book value less overdue for more than 14 days	40.5(ii)	97,707,581
Investment in listed securities in the name of broker.	Securities marked to market less 15% discount	40.5(iii)	3,059,080,314
Securities purchased for client	Securities purchased for the client and held by the member where the payment has not been received within 14 days.	40.5(iv)	8,621,518
Listed TFCs/Corporate Bonds of not less than BBB grade assigned by a credit rating company in Pakistan	Marked to market less 10% discount.	40.5(v)	205,673,900
FIBs	Marked to market less 5% discount.		-
Treasury Bill	At market value		-
			<u>3,668,070,714</u>
CURRENT LIABILITIES			
Trade Payables	Book value less overdue for more than 30 days	40.5(vi)	690,637,937
Other Liabilities	As per Book values	40.5(vii)	2,577,166,794
			<u>3,267,804,731</u>
Net capital balance as at June 30, 2020			<u>909,460,030</u>
Notes to the net capital balance of Holding Company			<u>Rupees</u>
(i) Cash and bank balances			
Cash in hand			271,588
Exposure margin deposited to NCCPL			-
Bank balance pertaining to clients			777,251,082
Bank balance pertaining to brokerage house			28,658,778
			<u>806,181,448</u>
(ii) Trade receivables			
Gross value			963,032,121
less: Provision for doubtful debts			(865,324,540)
Book value			97,707,581
Overdue for more than 14 days - gross value			865,324,540
less: Provision for doubtful debts			(865,324,540)
Overdue for more than 14 days - book value			-
			<u>97,707,581</u>

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(iii) Investment in Listed Securities in the name of broker		
Securities marked to market		3,598,918,016
Less 15% discount		(539,837,702)
		<u>3,059,080,314</u>
(iv) Securities purchased for client		
Overdue balance for more than 14 days -gross value		865,324,540
Lower of overdue balance and securities held against such balance		8,621,518
(v) Listed TFCs/Corporate Bonds/ Others of not less than BBB grade assigned by a credit rating company in Pakistan		
Securities marked to market		228,526,556
less: 10% discount		(22,852,656)
		<u>205,673,900</u>
(vi) Trade payables		
Book value		747,901,751
Less: overdue for more than 30 days		(57,263,814)
		<u>690,637,937</u>
(vii) Other liabilities		
Creditors overdue for more than 30 days		57,263,814
Accrued liabilities and other payables		2,519,902,980
		<u>2,577,166,794</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

40.6 Liquid Capital

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1. Assets				
1.1	Property & Equipment	1,785,786,578	100.00%	-
1.2	Intangible Assets	6,975,504	100.00%	-
1.3	Investment in Govt. Securities (150,000*99)	-	-	-
	Investment in Debt. Securities			
	If listed than:			
	i. 5% of the balance sheet value in the case of tenure upto 1 year.	228,526,556	5.00%	217,100,228
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	7.50%	-
1.4	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	10.00%	-
	If unlisted than:			
	i. 10% of the balance sheet value in the case of tenure upto 1 year.	-	10.00%	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	12.50%	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	-	15.00%	-
1.5	Investment in Equity Securities			
	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.	3,598,918,016	822,219,703	2,776,698,313
	ii. If unlisted, 100% of carrying value.	45,056,656	100.00%	-
	iii. Subscription money against Investment in IPO/offer for Sale: Amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker.			
	iv. 100% Haircut shall be applied to Value of Investment in any asset including shares of listed securities that are in Block, Freeze or Pledge status as on reporting date. (July 19, 2017) Provided that 100% haircut shall not be applied in case of investment in those securities which are Pledged in favor of Stock Exchange / Clearing House against Margin Financing requirements or pledged in favor of Banks against Short Term financing arrangements. In such cases, the haircut as provided in schedule III of the Regulations in respect of investment in securities shall be applicable (August 25, 2017)	-		
1.6	Investment in subsidiaries	81,558,105	100.00%	-
	Investment in associated companies/undertaking			
1.7	i. If listed 20% or VaR of each securities as computed by the Securities Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of net value.	-	100.00%	-
1.8	Statutory or regulatory deposits/basic deposits with the exchanges, clearing house or central depository or any other entity.	2,873,599	100.00%	-
1.9	Margin deposits with exchange and clearing house.	1,142,542	-	1,142,542
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	13,960,617	100.00%	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.(Nil)	-	-	-
	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties	-	100.00%	-
1.13	Dividends receivables.	91,227,000	-	91,227,000
1.14	Amounts receivable against Repo financing. Amount paid as purchaser under the REPO agreement. (Securities purchased under repo arrangement shall not be included in the investments.)	12,440,731	-	12,440,731
1.15	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months	-	-	-
	Receivables other than trade receivables	96,683,183	100.00%	-
	Receivables from clearing house or securities exchange(s)			
1.16	i. 100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.	-	-	-
	ii. Receivable on entitlements against trading of securities in all markets including MtM gains.	-	-	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1. Assets				
	Receivables from customers			
	i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut.	37,754,624	40,422,828	37,754,624
	i. Lower of net balance sheet value or value determined through adjustments.			
	ii. In case receivables are against margin trading, 5% of the net balance sheet value.	-	5.00%	-
	ii. Net amount after deducting haircut			
1.17	iii. In case receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract,	-	-	-
	iii. Net amount after deducting haircut			
	iv. In case of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value.	11,099,518	-	11,099,518
	iv. Balance sheet value			
	v. In case of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts.	72,477,382	32,382,871,865	72,477,382
	v. Lower of net balance sheet value or value determined through adjustments			
	vi. 100% haircut in the case of amount receivable form related parties.	-	100.00%	-
	Cash and Bank balances			
1.18	i. Bank Balance-proprietary accounts	28,658,778	-	28,658,778
	ii. Bank balance-customer accounts	777,251,082	-	777,251,082
	iii. Cash in hand	271,588	-	271,588
1.19	Total Assets	6,892,662,059		4,026,121,786
2. Liabilities				
	Trade Payables			
2.1	i. Payable to exchanges and clearing house	28,513,698	-	28,513,698
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	747,901,751	-	747,901,751
	Current Liabilities			
	i. Statutory and regulatory dues	13,301,083	-	13,301,083
	ii. Accruals and other payables	109,041,247	-	109,041,247
	iii. Short-term borrowings	1,836,074,716	-	1,836,074,716
2.2	iv. Current portion of subordinated loans	300,000,000	-	300,000,000
	v. Current portion of long term liabilities	166,666,667	-	166,666,667
	vi. Deferred Liabilities	-	-	-
	vii. Provision for bad debts	-	-	-
	viii. Provision for taxation	53,030,170	-	53,030,170
	ix. Other liabilities as per accounting principles and included in the financial statements	13,275,399	-	13,275,399
	Non-Current Liabilities			
	i. Long-Term financing	-	-	-
	a. Long-Term financing obtained from financial institution: Long term portion of financing obtained from a financial institution including amount due against finance lease	333,320,594	-	333,320,594
	b. Other long-term financing			
	ii. Staff retirement benefits			
2.3	iii. Advance against shares for Increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if: a. The existing authorized share capital allows the proposed enhanced share capital b. Board of Directors of the company has approved the increase in capital c. Relevant Regulatory approvals have been obtained d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed. e. Auditor is satisfied that such advance is against the increase of capital.			
	iv. Other liabilities as per accounting principles and included in the financial statements	25,108,587	-	25,108,587

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
2. Liabilities				
	Subordinated Loans	-	-	-
	i. 100% of Subordinated loans which fulfill the conditions specified by SECP are allowed to be deducted: The Schedule III provides that 100% haircut will be allowed against subordinated Loans which fulfill the conditions specified by SECP. In this regard, following conditions are specified:			
2.4	a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period b. No haircut will be allowed against short term portion which is repayable within next 12 months. c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange.			
	ii. Subordinated loans which do not fulfill the conditions specified by SECP	-	-	-
2.5	Total Liabilities	3,626,233,912		3,626,233,912
3. Ranking Liabilities Relating to :				
Concentration in Margin Financing				
3.1	The amount calculated client-to- client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees.	-	-	-
Concentration in securites lending and borrowing				
	The amount by which the aggregate of:			
3.2	(i) Amount deposited by the borrower with NCCPL (ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed	-	-	-
Net underwriting Commitments				
	(a) in the case of right issue : if the market value of securites is less than or equal to the subscription price; the aggregate of:			
3.3	(i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issue where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting	-	-	-
	(b) in any other case: 2.5% of the net underwriting commitments	-	-	-
Negative equity of subsidiary				
3.4	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-	-	-
Foreign exchange agreements and foreign currency positions				
3.5	5% of the net position in foreign currency.Net position in foreign currency means the difference of total assets denominated in foreign cuurrency less total liabilities denominated in foreign currency	-	-	-
3.6	Amount Payable under REPO	-	-	-
Repo adjustment				
	In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securites.			
3.7	In the case of financee/seller the market value of underlying securities after applying haircut less the total amount received ,less value of any securites deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-	-	-
Concentrated proprietary positions				
3.8	If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security .If the market of a security exceeds 51% of the proprietary position,then 10% of the value of such security	-	61,062,012	61,062,012

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

S. No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
3. Ranking Liabilities Relating to :				
Opening Positions in futures and options				
	i. In case of customer positions, the total margin requiremnets in respect of open postions less the amount of cash deposited by the customer and the value of securites held as collateral/ pledged with securities exchange after applyiong VaR haircuts		-	-
3.9	ii. In case of proprietary positions , the total margin requirements in respect of open positions to the extent not already met		-	-
Short sell positions				
	i. Incase of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts		-	-
3.10	ii. Incase of proprietary positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts.		-	-
3.11	Total Ranking Liabilites	-	61,062,012	61,062,012
		<u>3,266,428,147</u>	Liquid Capital	<u>338,825,862</u>

41 OPERATING SEGMENT

These consolidated 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 June 30, 2020 are located in Pakistan.

42 EVENTS AFTER THE REPORTING DATE

The Board of Directors of Holding Company has proposed a final cash dividend of Rs. 2.5/- (2019: Rs. Nil) per share amounting to Rs. 148.5 million (2019: Nil) at its meeting held on July 30, 2020 for the approval of the members at the annual general meeting to be held on September 19, 2020. These consolidated financial statements do not reflect the said appropriation.

43 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors in meeting held on July 30, 2020 .

44 NUMBER OF EMPLOYEES

The total number of employees and average number of employees at year end and during the year respectively are as follows:

	2020	2019
Total number of employees as at	139	136
Average number of employees during the year	138	134

ARIF HABIB LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

45 CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of the Companies Act, 2017 and for the purpose of comparison and better presentation. Following reclassifications have been made.

Reclassified from component	Reclassified to component	Amount (Rupees)
Others (Other receivables)	Receivable against Reverse Repo transactions (Other receivables)	24,149,192
Others (Other receivables)	Advance to consultant (Advances, deposits and prepayments)	12,393,760
Others (Other receivables)	Brokerage and operating (Trade debts)	9,271,606
Others (Other receivables)	Advisory and consultancy fee receivable (Trade debts)	135,101,376
Markup on short term borrowings (Finance cost)	Mark up on gurantee to Parent Company (Finance cost)	677,331
Others (Other income)	Markup on corporate debt securities (Other income)	15,124,402

46 GENERAL

Figures have been rounded off to the nearest rupee.


Chief Executive Officer


Director


Chief Financial Officer

NOTICE OF SIXTEEN ANNUAL GENERAL MEETING

Notice is hereby given that the Sixteenth Annual General Meeting of Arif Habib Limited will be held on September 19, 2020 at 11:00 A.M., however due to the current situation caused by the COVID-19 pandemic, shareholders shall be entitled to attend the meeting through video link facility managed from the Company's head office at the Arif Habib Centre, 23, M.T. Khan Road, Karachi, to transact the following business

ORDINARY BUSINESS

- To confirm minutes of the Annual General Meeting held on October 26, 2020.
- To review, consider and adopt audited accounts of the company together with the auditors' and directors' report thereon including approval of the annexures there to, for the year ended June 30, 2020 together with Audited Consolidated Financial Statements of the Company and the Auditors' Reports thereon for the year ended June 30, 2020.
- To elect directors of the Company in accordance to the provision of the section 159 of the Companies Act, 2017. The number of directors to be elected has been fixed at seven by the Board of Directors. Name of directors retiring and eligible to file nominations are as under:

Mr. Zafar Alam, Mr. Muhammad Shahid Ali, Dr. Muhammad Sohail Salat, Mr. Mohsin Madni, Mr. Muhammad Haroon, Ms. Sharmin Shahid and Ms. Nida Ahsan.
- To consider and approve final dividend for the year ended June 30, 2020, in cash at Rs. 2.5 per share i.e. 25% as recommended by the Board of Directors.
- To appoint auditors of the company and fix their remuneration for the financial year 2020-21. The Board of Directors have recommended for reappointment of M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants as external auditors.

SPECIAL BUSINESS

- To authorize the Board of Directors of the Company to approve those transactions with related parties (if executed) during the financial year ending 30th June 2021 which require approval of shareholders u/s 207 and u/s 208 of the Companies Act, 2017, by passing the following special resolution with or without modification:

“RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to approve the transactions to be conducted with Related Parties on case to case basis for the financial year ending 30th June 2021.”

“FURTHER RESOLVED THAT the transactions approved by the Board shall be deemed to have been approved by the shareholder's u/s 207 and / or u/s 208 of the Companies Act, 2017 (if triggered) and shall be placed before the shareholders in the Annual General Meeting for their formal ratification/approval u/s 207 and / or 208 of the Companies Act, 2017 (if required).”

- To consider and if deemed fit, pass the following Special Resolutions with or without modification(s):

Investment in Associated Companies & Associated Undertakings:

“RESOLVED THAT the consent and approval be and is hereby accorded under Section 199 of the Companies Act, 2017 and “Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012” for the following limit of investments/ additional investments in associated companies and associated undertakings subject to the terms and conditions mentioned in the Annexure-B of Statement under Section 134(3).”

“FURTHER RESOLVED THAT the consent and approval be and is hereby accorded under Section 199 of the Companies Act, 2017 for renewal of the following equity investments limit up to unutilized portion of for which approval had been sought in previous general meeting(s), in associated companies and associated undertakings as mentioned in the annexed statement under Section 134(3).”

“FURTHER RESOLVED THAT the consent and approval be and is hereby accorded under Section 199 of the Companies Act, 2017 and the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 for renewal of following sanctioned limits of loans and advances for which approval has been sought in previous general meeting, in associated companies and associated undertakings as mentioned in the annexed statement under Section 134(3) whereas the renewal of limits will be in the nature of running finance for a period of one year and shall be renewable in next general meeting(s) for further period(s) of one year.”

Name of Companies & Undertakings	Amount in Million			
	Proposed Fresh Investment		Renewal Requested	
	Equity	Loan / Advance	Equity	Loan / Advance
1 Safemix Concrete Products Limited	-	-	156	250
2 Arif Habib Corporation Limited	-	-	-	1,500
3 Power Cement Limited	200	-	167	500
4 Aisha Steel Mills Limited	200	-	107	500
5 Javedan Corporation Limited	250	500	-	-

“FURTHER RESOLVED THAT THAT the Chief Executive and/or the Company Secretary be and are hereby authorized to take and do and/or cause to be taken or done any/all necessary actions, deeds and things which are or may be necessary for giving effect to the aforesaid resolutions and to do all acts, matters, deeds, and things which are necessary, incidental and/or consequential to the investment of the Company's funds as above as and when required at the time of investment, including but not limited to negotiating and executing any necessary agreements / documents, and any ancillary matters thereto.”

ANY OTHER BUSINESS

- To consider any other business with the permission of the Chair.

Statements under Section 134(3) and 166(3) of the Companies Act, 2017, comprising of Annexure A, Annexure B, Annexure C and Annexure D pertaining to the special business is being sent to the shareholders along with this notice.

By order of the Board



MUHAMMAD TAHA SIDDIQUI
Company Secretary

Karachi
Friday, August 28, 2020

NOTES

A. Participation of shareholders through online facility

In pursuance of SECP's Circular No. 5 dated March 17, 2020, and Circular No. 10 dated April 1, 2020, respectively pertaining to Regulatory Relief to dilute impact of Corona Virus (COVID 19) for Corporate Sector, the shareholders shall be entitled to attend the proceedings of the AGM through online means using a video link facility, Zoom application or other electronic means for the safety and well-being of the valued shareholders and the general public.

The shareholders will be able to login and participate in the AGM proceedings through their smartphones or computer devices from their homes or any convenient location after completing all the formalities required for the verification and identification of the shareholders.

The login facility will be opened at 10.30 a.m. on September 19, 2020 enabling the participants to join the proceedings which will start at 11.00 a.m. sharp.

Shareholders interested in attending the AGM through electronic means, are requested to register themselves by submitting their following particulars at the Company's designated email address cdcsr@cdcsrsl.com before the close of business hours on September 12, 2020. The link to the zoom application will be sent to the shareholders on the email address provided in the below table:

Shareholder's Name	CNIC No.	Folio / CDC Account No.	Cell No.	No. of shares held	Email address

Login facility will be shared with the shareholders whose emails addresses provided on above table, Shareholders can also provide their comments / suggestions on cdcsr@cdcsrsl.com or WhatsApp or SMS on 0321-8200864 for the agenda items proposed to be conducted at the AGM in the same manner as it is being discussed in the AGM, and later shall be made part of the minutes of the meeting.

The purpose of the aforementioned arrangements is to ensure maximum participation of the shareholders in the AGM through an online facility. Shareholders are also requested to consolidate their attendance through proxies, so that the quorum requirement may also be fulfilled.

B. Book closure:

- The share transfer books will remain closed from September 12, 2020 to September 19, 2020 (both days inclusive). Transfers in good order, received at the office of Company's Share Registrar, CDC Share Registrar Services Limited, CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400 by close of the business on September 11, 2020 will be treated in time for the purpose of attending the annual general meeting and for determination of entitlement of shareholders to cash dividend.
- All members/shareholders are entitled to attend, speak and vote at the annual general meeting. A member/shareholder may appoint a proxy to attend, speak and vote on his/her behalf. The proxy need not be a member of the Company. Proxies in order to be effective must be received at the office of our Registrar: M/s. CDC Share Registrar Services Limited, CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400 not less than 48 hours before the meeting.

- In pursuance of Circular No. 1. of 2000 of SECP dated January 26, 2000 the beneficial owners of the shares registered in the name of Central Depository Company (CDC) and/or their proxies are required to produce their Computerized National Identity Card (CNIC) or passport for identification purpose at the time of attending the meeting. The form of proxy must be submitted with the Company within the stipulated time, duly witnessed by two persons whose names, addresses and CNIC numbers must be mentioned on the form, along with attested copies of the CNIC or the passport of the beneficial owner and the proxy.

In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

- Members are requested to intimate any changes in address immediately to Company's Share Registrar, CDC Share Registrar Services Limited, CDC House, 99 – B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi-74400.

CNIC / NTN Number on Dividend Warrant (Mandatory)

As already been notified from time to time, SECP has directed vide its Notification S.R.O. 831(1)/2012 dated July 5, 2012, that the Dividend Warrant(s) should also bear the Computerized National Identity Card (CNIC) Number of the registered shareholder or the authorized person, except in case of minor(s) and corporate shareholder(s).

In order to comply with the SECP's directives and in terms of Section 243(2) (a) of the Companies Act, 2017, the Company shall be constrained to withhold the Dividend Warrant(s), in case of non-availability copy of valid CNIC (for individuals) and National Tax Number (for a corporate entity).

Accordingly, shareholders who have not yet submitted a copy of their valid CNIC or NTN are once again requested to immediately submit the same to the Company or Share Registrar, M/s. CDC Share Registrar Services Limited.

C. Contesting in Election of Directors:

Any person (including a retiring Director) who seeks to contest election of directors shall file with the Company at its registered office, Arif Habib Centre, 23 M. T. Khan Road, Karachi, not later than 14 days before the said meeting his / her intention to offer himself / herself for the election of the directors in terms of Section 159(3) of the Companies Act, 2017 together with:

- Notice of his / her intention to stand for election, along with duly completed and signed Form 28 giving his / her consent to act as Director of the Company if elected (under Section 167(1) of the Companies Act, 2017), and certify that he is not ineligible to become a Director under any applicable laws, Rules and Regulations; and that he / she confirms to hold the qualification shares in accordance with the Articles of Association of the Company.
- Detailed profile along with office address to be placed on the Company's website seven days prior to the date of election in term of SECP's SRO 634(1)/2014 of 10th July 2014.
- Declaration in respect of being compliant with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the eligibility criteria as set out in the Companies Act, 2017 to act as the director of a listed company.

- (iv) Attested copy of valid CNIC and NTN.
- (v) Declaration by Independent Director(s) under Clause 6(3) of the Listed Companies (Code of Corporate Governance) Regulation 2019.
- (vi) Undertaking on non-judicial stamp paper that he / she meet the requirements of sub regulation (1) of Regulation 4 of the Companies (Manner and Selection of Independent Directors) Regulations, 2018.

Election of Director (E-voting & Postal Ballot)

Pursuant to the Companies (Postal Ballot) Regulations, 2018, for the purpose of election of Directors and for any other agenda item subject to the requirements of Section 143 and 144 of the Companies Act, 2017, members will be allowed to exercise their right to vote through postal ballot, that is voting by post or through any electronic mode, in accordance with the requirements and procedure contained in the aforesaid Regulations

- A. If the number of persons who offer themselves to be elected is more than the number of directors fixed under Section 159 (1) of the Companies Act, 2017 then the Company shall provide its Members with the option of e-voting or voting by postal ballot in accordance with the provisions of the Companies (Postal Ballot) Regulations, 2018.
- B. Voting lines for Elections of Directors will be opened for the Shareholders from September 13, 2020 09:00 a.m. till September 18, 2020 at 5:00 p.m.

Shareholders who wish to participate through e-voting, kindly provide immediately through a letter duly signed by them, i.e. Name, Folio/ CDC Account No., E-mail address, contact number to the share registrar of the company (CDC Share Registrar Services Limited, CDC House 99-B, Block 'B' S.M.C.H.S, Main Shahra-e-Faisal Karachi-74400).

Procedure for voting through ballot paper:

- i) The members shall ensure that duly filled and signed ballot paper along with copy of Computerized National Identity Card (CNIC) should reach the chairman of the meeting through post or by an email to email address secretariat@arifhabilttd.com one day before the day of poll, during working hours. The signature on the ballot paper shall match with the signature on CNIC.
- ii) In case of foreign members and representatives of a body corporate, corporation and Federal Government, acceptability of other identification documents in lieu of CNIC shall be approved by the board of the company.

D. Payment of Cash Dividend through electronic mode:

In accordance with the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed company to pay cash dividend to its shareholder only through electronic mode directly into the bank account designated by the entitled shareholder. Please note that giving bank mandate for dividend payments is mandatory and in order to comply with this regulatory requirement, you are requested to please provide the following information to your respective CDC Participant / CDC Investor Account Services (in case your shareholding is in Book Entry Form) or to our Share Registrar M/s. CDC Share Registrar Services Limited, Share Registrar Department, CDC House, 99-B, Block B, S.M.C.H.S., Main Shahra-e-Faisal, Karachi – 74400 (in case your shareholding is in Physical Form):

Details of Shareholder	
Name of shareholder	
Folio/ CDS Account No.	
CNIC No.	
Cell number of shareholder	
Landline number of shareholder, if any	
Email	
Details of Bank Account	
Account International Bank Account Number (IBAN) "Mandatory"	PK _____ (24 digits) (Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).
Bank's Name	
Branch Name and Address	It is stated that the above -mentioned information is correct and in case of any change therein, I / we will immediately intimate Participant / Share Registrar accordingly.
Signature of shareholder	

E. Deduction of Income Tax from Dividend under section 150 of the Income Tax Ordinance, 2001:

- a) Pursuant to the provisions of the Finance Act 2019 effective July 1, 2019, the rate of deduction of income tax from dividend payments has been revised as follows:
 - i. Rate of tax deduction for filers of income tax return – 15%
 - ii. Rate of tax deduction for non-filers of income tax return – 30%

Shareholders whose names are not entered into the Active Tax-payers List (ATL) available on the website of FBR, despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

- b) Withholding Tax exemption from the dividend income, shall only be allowed if copy of valid tax exemption certificate is made available to Company's Share Registrar by the first day of book closure.
- c) Further, according to clarification received from FBR, withholding tax will be determined separately on "Filer/Non-filer" status of principal shareholder as well as joint-holder(s) based on their shareholding proportions.

In this regard all shareholders who hold company's shares jointly are requested to provide shareholding proportions or principal shareholder and joint-holder(s) in respect of shares held by them (if not already provided) to Company's Share Registrar, in writing as follows:

Company Name	Folio/CDS Account #	Total Shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC #	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

The required information must reach Company's Share Registrar within 10 days of this notice; otherwise it will be assumed that the shares are equally held by the principal shareholder and joint-holder(s).

- d) The corporate shareholders having CDC accounts are required to have their NTN updated with their respective participants, whereas corporate physical shareholders are requested to send a copy of their NTN certificate to the Company's Share Registrar. The shareholders while sending NTN or NTN certificates, as the case may be, must quote the company name and their respective folio numbers.

F. Availability of annual audited financial statements

The audited financial statements of the Company for the year ended June 30, 2020 have been made available on the Company's website (<http://www.arifhabibltd.com>) in addition to annual and quarterly financial statements for the prior years.

Further, this is to inform that in accordance with SRO 470(I)/2016 dated May 31, 2016, through which SECP has allowed companies to circulate the annual audited accounts to its members through CD/DVD/USB instead of transmitting the hard copies at their registered addresses, subject to consent of shareholders and compliance with certain other conditions, the Company has obtained shareholders' approval in its Annual General Meeting held on September 24, 2016. Accordingly, Annual Report of the Company for the year ended June 30, 2020 is dispatched to the shareholders through CD. However, if a shareholder, in addition, request for hard copy of Annual Audited Financial Statements, the same shall be provided free of cost within seven working days of receipt of such request. For convenience of shareholders, a "Standard Request Form for provision of Annual Audited Financial Accounts" have also been made available on the Company's website.

G. Unpaid Dividend Account

In accordance with the provisions of Section 244 of the Companies Act, 2017.

- (i) Where a dividend has been declared by a company but has not been paid or claimed, within a time period specified under Section 242, to any shareholder entitled to the payment of the dividend, the company shall, within fifteen days from the date of expiry of the said period, transfer the total amount of dividend which remains unpaid or unclaimed to a separate profit bearing account to be called the unpaid dividend account opened by the company for this purpose in any scheduled bank. The deposits in the unpaid dividend account shall only be used for payment to a claimant as given in sub-section 4.

Explanation - Dividend for the purpose of this section means the dividend payable in cash.

- (ii) The company shall, within a period of ninety days of making any deposit of the amount under sub-section (1) to the unpaid dividend account, prepare a statement containing the names, the last known addresses, number of shares held, the amount of unpaid dividend to be paid to each shareholder and such other particulars as may be specified and place it on the website of the company required under any law, rules, regulations or directions to maintain a website and also on any other website as may be specified.

- (iii) Any change in the information to be maintained on the website under sub-section (2) shall be effected by the company in such manner and within such time as may be specified.
- (iv) Any person claiming to be entitled to any money transferred under sub-section (1) to the unpaid dividend account of the company may apply to the company for payment of the money claimed.
- (v) The company shall make payment to the bonafide claimant within a period of thirty days from the date of submission of a claim with the company. No claimant shall be entitled to any amount except his unclaimed dividend amount.
- (vi) The amount of profit generated from the account maintained by the company under this section shall be used by the company for its corporate social responsibility initiatives and specified purposes.

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement sets out the material facts concerning the Special Business given in Agenda item No. 4 and Agenda item No. 5 of the Notice to be transacted at the Annual General Meeting of the Company. Directors of the Company have no interest in the special business except in their capacity as director / shareholder.

ANNEXURE A

AUTHORIZATION FOR THE BOARD OF DIRECTORS TO APPROVE THOSE TRANSACTIONS WITH RELATED PARTIES (IF EXECUTED) DURING THE FINANCIAL YEAR ENDING 30TH JUNE 2020 WHICH REQUIRE APPROVAL OF SHAREHOLDERS U/S 207 AND / OR 208 OF THE COMPANIES ACT, 2017

The Company shall be conducting transactions with its related parties during the year ending 30th June 2020 on an arm's length basis as per the approved policy with respect to 'transactions with related parties' in the normal course of business. Being the directors of a brokerage house, many Directors may be deemed to be treated as interested in transactions with related parties due to their shareholding in such companies. In order to promote good corporate governance and transparent business practices, the shareholders desire to authorize the Board of Directors to approve transactions with the related parties from time-to-time on case to case basis, including transactions (if executed) triggering approval of shareholders u/s 207 and / or 208 of the Companies Act, 2017, for the year ending 30th June 2020, which transactions shall be deemed to be approved by the Shareholders. The nature and scope of such related party transactions is explained above. These transactions shall be placed before the shareholders in the next AGM for their formal approval/ratification.

The Directors are interested in the resolution only to the extent of their shareholding and / or directorships in such companies.

ANNEXURE - B

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

INVESTMENTS IN ASSOCIATED COMPANIES & ASSOCIATED UNDERTAKINGS

The Board of Directors of the Company has approved the specific limits for loans/advances along with other particulars for investments in the following associated companies and associated undertakings subject to the consent of members under Section 199 of the Companies Act, 2017 / Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017. The Board of Directors do hereby undertake / certify that necessary due diligence for the following proposed investments have been carried out. The principle purpose of this special resolution is to make the Company in a ready position to capitalize on the investment opportunities as and when they arrive. It is prudent that the Company should be able to make the investment at the right time when the opportunity is available.

S.NO	DESCRIPTION	INFORMATION
1	INVESTMENT IN SECURITIES	SAFEMIX CONCRETE PRODUCTS LIMITED
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	An associated undertaking due to investments by the holding Company
2	Purpose, benefits and period of investment	For the benefit of the Company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
3	Maximum amount of investment	Unutilized limit of PKR 155.69 million is requested for approval. This is in addition to Investment at cost of PKR 94.31 million already made upto 30 June, 2020.
4	Maximum price at which securities will be acquired	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
5	Maximum number of securities to be acquired	No of securities purchasable under approved limit in accordance with / based on Sr. Nos. 3 & 4 above
6	In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof	Not Applicable
7	Number of securities and percentage thereof held before and after the proposed investment	Before: 7.69 million shares held in the Company as on 30 June, 2020 being 30.76% holding. After: Increase in securities / percentage in accordance with / based on Sr. No. 3, 4 & 5 above
8	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired	PKR 5.26

S.NO	DESCRIPTION	INFORMATION
9	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6 (1)	Not Applicable
10	Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements	Total Equity, Total assets and total liability amounting to PKR 188 million, PKR 608 million and PKR 420 million respectively. Gross profit, (Loss) / Profit before tax and (Loss) / Profit after tax amounting to PKR 14 million, PKR (39) million and PKR (30) million respectively"
11	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements	PKR 7.52
12	Earning per share of the associated company or associated undertaking for the last three years	2019: PKR (1.19) 2018: PKR 0.10 2017: PKR (0.67)
13	Sources of fund from which securities will be acquired	From company's own available liquidity and credit lines
14	Where the securities are intended to be acquired using borrowed funds	
(i)	Justification for investment through borrowings	The Company foresee the return on this strategic investment higher than the borrowing cost
(ii)	Detail of guarantees and assets pledged for obtaining such funds	Pledge of listed securities and / or charge over assets of the Company, if and where needed.
15	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	There is no agreement as this is a Strategic Investment
16	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Directors of the Company have no interest in the investee Company except in their capacity as Sponsor / Director / Shareholder of Investee Company.
17	Any other important details necessary for the members to understand the transaction	Not Applicable
18	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely	
(i)	Description of the project and its history since conceptualization	Not Applicable
(ii)	Starting and expected dated of completion of work	Not Applicable
(iii)	Time by which such project shall become commercially operational	Not Applicable
(iv)	Expected time by which the project shall start paying return on investment	Not Applicable

S.NO	DESCRIPTION	INFORMATION
19	In case an investment in associated company has already been made, the performance review of such investment including complete information / justification for any impairments / write-offs	The sales turnover for the period increased by 48% as compared to FY19, however, due to impact of first time adoption of IFRS 9 and increase in fuel and energy prices, exacerbated by currency devaluation and rising interest rates, earnings of the company decreased. Owing to decrease in interest rates and fuel prices and adoption of new marketing strategies by the Company, it is expected that the profit of the Company will increase. Consequently the investment is expected to add value to AHL shareholders. Performance of SMCPL can be referred in Point 10 to 12 above.
2	INVESTMENT IN SECURITIES	POWER CEMENT COMPANY LIMITED
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	An associated undertaking due to investments by the holding Company
2	Purpose, benefits and period of investment	For the benefit of the Company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
3	Maximum amount of investment	Fresh limit of PKR 200 million and Unutilized limit of PKR 167.36 million is requested for approval. This is in addition to Investment at cost of PKR 82.64 million already made upto 30 June, 2020.
4	Maximum price at which securities will be acquired	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
5	Maximum number of securities to be acquired	No of securities purchasable under approved limit in accordance with / based on Sr. Nos. 3 & 4 above
6	In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof	Not Applicable
7	Number of securities and percentage thereof held before and after the proposed investment	Before: 8.54 million shares held in the Company as on 30 June, 2020 being 30.76% holding. After: Increase in securities / percentage in accordance with / based on Sr. No. 3, 4 & 5 above
8	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired	PKR 6.28
9	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6 (1)	Not Applicable
10	Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements	Total Equity, Total assets and total liability amounting to PKR 12,222 million, PKR 40,008 million and PKR 27,786 million respectively. Gross profit, (Loss) / Profit before tax and Profit after tax amounting to PKR 157 million, PKR (412) million and PKR 582 million respectively"
11	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements	PKR 11.49

S.NO	DESCRIPTION	INFORMATION
12	Earning per share of the associated company or associated undertaking for the last three years	2019: PKR 0.55 2018: PKR 0.32 2017: PKR 1.14
13	Sources of fund from which securities will be acquired	From company's own available liquidity and credit lines
14	Where the securities are intended to be acquired using borrowed funds	
(i)	Justification for investment through borrowings	The Company foresee the return on this strategic investment higher than the borrowing cost
(ii)	Detail of guarantees and assets pledged for obtaining such funds	Pledge of listed securities and / or charge over assets of the Company, if and where needed.
15	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	There is no agreement as this is a Strategic Investment
16	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Directors of the Company have no interest in the investee Company except in their capacity as Sponsor / Director / Shareholder of Investee Company.
17	Any other important details necessary for the members to understand the transaction	Not Applicable
18	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely	
(i)	Description of the project and its history since conceptualization	Not Applicable
(ii)	Starting and expected dated of completion of work	Not Applicable
(iii)	Time by which such project shall become commercially operational	Not Applicable
(iv)	Expected time by which the project shall start paying return on investment	Not Applicable
19	In case an investment in associated company has already been made, the performance review of such investment including complete information / justification for any impairments / write-offs	The Net Profit Margin has increased to 15% in 2019 from 7% in 2018, resulting in an increase in earnings per share from PKR 0.32 to 0.55 per share. Consequently the investment is expected to add value to AHL shareholders. Performance of PCL can be referred in Point 10 to 12 above.
3	INVESTMENT IN SECURITIES	AISHA STEEL MILLS LIMITED
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	An associated undertaking due to investments by the holding Company
2	Purpose, benefits and period of investment	For the benefit of the Company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
3	Maximum amount of investment	Fresh limit of PKR 200 million and Unutilized limit of PKR 106.84 million is requested for approval. This is in addition to Investment at cost of PKR 143.16 million already made upto 30 June, 2020.

S.NO	DESCRIPTION	INFORMATION
4	Maximum price at which securities will be acquired	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
5	Maximum number of securities to be acquired	No of securities purchasable under approved limit in accordance with / based on Sr. Nos. 3 & 4 above
6	In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof	Not Applicable
7	Number of securities and percentage thereof held before and after the proposed investment	Before: 13.98 million (ordinary) & 0.32 million (preference) shares held in the Company as on 30 June, 2020, being 1.87% holding. After: Increase in securities / percentage in accordance with / based on Sr. No. 3, 4 & 5 above
8	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired	PKR 9.11
9	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6 (1)	Not Applicable
10	Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements	Total Equity, Total assets and total liability amounting to PKR 8,747 million, PKR 32,731 million and PKR 23,984 million respectively. Gross profit, (Loss) / Profit before tax and Profit after tax amounting to PKR 1,678 million, PKR (412) million and PKR 254 million respectively"
11	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements	PKR 11.43
12	Earning per share of the associated company or associated undertaking for the last three years	2019: PKR 0.26 2018: PKR 1.57 2017: PKR 1.74
13	Sources of fund from which securities will be acquired	From company's own available liquidity and credit lines
14	Where the securities are intended to be acquired using borrowed funds	
(i)	Justification for investment through borrowings	The Company foresee the return on this strategic investment higher than the borrowing cost
(ii)	Detail of guarantees and assets pledged for obtaining such funds	Pledge of listed securities and / or charge over assets of the Company, if and where needed.
15	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	There is no agreement as this is a Strategic Investment
16	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Directors of the Company have no interest in the investee Company except in their capacity as Sponsor / Director / Shareholder of Investee Company.
17	Any other important details necessary for the members to understand the transaction	Not Applicable

S.NO	DESCRIPTION	INFORMATION
17	Any other important details necessary for the members to understand the transaction	Not Applicable
18	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely	
(i)	Description of the project and its history since conceptualization	Not Applicable
(ii)	Starting and expected dated of completion of work	Not Applicable
(iii)	Time by which such project shall become commercially operational	Not Applicable
(iv)	Expected time by which the project shall start paying return on investment	Not Applicable
19	In case an investment in associated company has already been made, the performance review of such investment including complete information / justification for any impairments / write-offs	With expansion slated to come online in recent future, Aisha Steel is likely to benefit from entry in high margin, high growth segment of new product and capturing the flat steel demand via capacity expansion in CRC and GI. Consequently the investment is expected to add value to AHL shareholders. Performance of ASL can be referred in Point 10 to 12 above.
4	INVESTMENT IN SECURITIES	JAVEDAN CORPORATION LIMITED
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	An associated undertaking due to investments by the holding Company
2	Purpose, benefits and period of investment	For the benefit of the Company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
3	Maximum amount of investment	Fresh limit of PKR 250 million is requested for approval.
4	Maximum price at which securities will be acquired	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
5	Maximum number of securities to be acquired	No of securities purchasable under approved limit in accordance with / based on Sr. Nos. 3 & 4 above
6	In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof	Not Applicable
7	Number of securities and percentage thereof held before and after the proposed investment	Not Applicable After: Increase in securities / percentage in accordance with / based on Sr. No. 3, 4 & 5 above
8	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired	PKR 23.26
9	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6 (1)	Not Applicable
10	Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements	Total Equity, Total assets and total liability amounting to PKR 17,284 million, PKR 25,283 million and PKR 7,999 million respectively. Gross profit, (Loss) / Profit before tax and Profit after tax amounting to PKR 1,126 million, PKR 696 million and PKR 580 million respectively"

S.NO	DESCRIPTION	INFORMATION
11	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements	PKR 59.90
12	Earning per share of the associated company or associated undertaking for the last three years	2019: PKR 2.01 2018: PKR 3.10 2017: PKR 6.88
13	Sources of fund from which securities will be acquired	From company's own available liquidity and credit lines
14	Where the securities are intended to be acquired using borrowed funds	
(i)	Justification for investment through borrowings	The Company foresee the return on this strategic investment higher than the borrowing cost
(ii)	Detail of guarantees and assets pledged for obtaining such funds	Pledge of listed securities and / or charge over assets of the Company, if and where needed.
15	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	There is no agreement as this is a Strategic Investment
16	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Directors of the Company have no interest in the investee Company except in their capacity as Sponsor / Director / Shareholder of Investee Company.
17	Any other important details necessary for the members to understand the transaction	Not Applicable
18	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely	
(i)	Description of the project and its history since conceptualization	Not Applicable
(ii)	Starting and expected dated of completion of work	Not Applicable
(iii)	Time by which such project shall become commercially operational	Not Applicable
(iv)	Expected time by which the project shall start paying return on investment	Not Applicable
19	In case an investment in associated company has already been made, the performance review of such investment including complete information / justification for any impairments / write-offs	Not applicable due to Fresh investment.
1	LOANS AND ADVANCES	SAFEMIX CONCRETE PRODUCTS LIMITED
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	An associated undertaking due to investment by the holding Company
2	Amount of loans or advances	Previously sanctioned unutilized limit of PKR 250 million is requested for renewal. Above facilities will be in the nature of running finance for a period of one year and shall be renewable in next general meeting for further period of one year.
3	Purpose of loans or advances and benefits likely to accrue to the investing company and its members from such loans or advances	To support the functionality , operations and growth of the associate.
4	In case any loan has already been granted to the said associated company or associated undertaking, the complete details thereof	During 2019-20, no loan was extended to the associate.

S.NO	DESCRIPTION	INFORMATION
5	In case an investment in associated company has already been made, the performance review of such investment including complete information / justification for any impairments / write-offs	During 2019-20, no loan was extended to the associate.
6	Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements	Total Equity, Total assets and total liability amounting to PKR 188 million, PKR 608 million and PKR 420 million respectively. Gross profit, (Loss) / Profit before tax and (Loss) / Profit after tax amounting to PKR 14 million, PKR (39) million and PKR (30) million respectively"
7	Average borrowing cost of the investing company or in case of absence of borrowing the Karachi Inter Bank Offered Rate for the relevant period	Average borrowing cost of the investing Company ranges from 1 month KIBOR + 0.75% to 1.0% and 3 month KIBOR + 0.55% to 1.5% in 2019 - 2020.
8	Rate of interest, mark up, profit, fees or commission etc. to be charged	Higher than the Companys' prevalent average borrowing cost.
9	Sources of funds from where loans or advances will be given	From Company's own available liquidity and credit lines
10	Where loans or advances are being granted using borrowed funds	
(i)	Justification for granting loan or advance out of borrowed funds	To support the functionality, operations and growth of the associate.
(ii)	Detail of guarantees / assets pledged for obtaining such funds, if any	Pledge of listed securities and / or charge over assets of the Company, if and where needed.
(iii)	Repayment schedules of borrowing of the investing company	Obtained facilities have different maturity dates upto May 06, 2021.
11	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any	Will be decided with mutual consent at the time of extending the loan.
12	If the loans or advances carry conversion feature i.e. it is convertible into securities, this fact along with complete detail including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	Not Applicable
13	Repayment schedule and terms of loans or advances to be given to the investee company	Above facilities will be in the nature of running finance for a period of one year and shall be renewable in next general meeting for further period of one year.
14	Salient features of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment	Not Applicable
15	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Directors of the Company have no interest in the investee Company except in their capacity as Sponsor / Director / Shareholder of Investee Company.
16	Any other important details necessary for the members to understand the transaction	Not Applicable
17	In case of investment in a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information is required, namely	
(i)	A description of the project and its history since conceptualization	Not Applicable
(ii)	Start date and expected date of completion	Not Applicable
(iii)	Time by which such project shall become commercially operational	Not Applicable
(iv)	Expected return on total capital employed in the project	Not Applicable
(v)	Funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts	Not Applicable

S.NO	DESCRIPTION	INFORMATION
2	LOANS AND ADVANCES	ARIF HABIB CORPORATION LIMITED
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	An associated undertaking due to Parent Comapny.
2	Amount of loans or advances	Previously sanctioned unutilized limit of PKR 1,500 million is requested for renewal. Above facilities will be in the nature of running finance for a period of one year and shall be renewable in next general meeting for further period of one year.
3	Purpose of loans or advances and benefits likely to accrue to the investing company and its members from such loans or advances	To support the functionality , operations and growth of the associate.
4	In case any loan has already been granted to the said associated company or associated undertaking, the complete details thereof	During 2019-20, no loan was extended to the associate.
5	In case an investment in associated company has already been made, the performance review of such investment including complete information / justification for any impairments / write-offs	During 2019-20, no loan was extended to the associate.
6	Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements	Total Equity, Total assets and total liability amounting to PKR 19,878 million, PKR 26,709 million and PKR 6,831 million respectively. EBITDA, (Loss) / Profit before tax and (Loss) / Profit after tax amounting to PKR (724) million, PKR (902) million and PKR (964) million respectively"
7	Average borrowing cost of the investing company or in case of absence of borrowing the Karachi Inter Bank Offered Rate for the relevant period	Average borrowing cost of the investing Company ranges from 1 month KIBOR + 0.75% to 1.0% and 3 month KIBOR + 0.55% to 1.5% in 2019 - 2020.
8	Rate of interest, mark up, profit, fees or commission etc. to be charged	Higher than the Companys' prevalent average borrowing cost.
9	Sources of funds from where loans or advances will be given	From Company's own available liquidity and credit lines
10	Where loans or advances are being granted using borrowed funds	
(i)	Justification for granting loan or advance out of borrowed funds	To support the functionality, operations and growth of the associate.
(ii)	Detail of guarantees / assets pledged for obtaining such funds, if any	Pledge of listed securities and / or charge over assets of the Company, if and where needed.
(iii)	Repayment schedules of borrowing of the investing company	Obtained facilities have different maturity dates upto May 06, 2021.
11	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any	Will be decided with mutual consent at the time of extending the loan.
12	If the loans or advances carry conversion feature i.e. it is convertible into securities, this fact along with complete detail including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	Not Applicable
13	Repayment schedule and terms of loans or advances to be given to the investee company	Above facilities will be in the nature of running finance for a period of one year and shall be renewable in next general meeting for further period of one year.
14	Salient features of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment	Not Applicable
15	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Directors of the Company have no interest in the investee Company except in their capacity as Sponsor / Director / Shareholder of Investee Company.

S.NO	DESCRIPTION	INFORMATION
16	Any other important details necessary for the members to understand the transaction	Not Applicable
17	In case of investment in a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information is required, namely	
(i)	A description of the project and its history since conceptualization	Not Applicable
(ii)	Start date and expected date of completion	Not Applicable
(iii)	Time by which such project shall become commercially operational	Not Applicable
(iv)	Expected return on total capital employed in the project	Not Applicable
(v)	Funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts	Not Applicable
3	LOANS AND ADVANCES	POWER CEMENT LIMITED
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	An associated undertaking due to investment by the holding Company
2	Amount of loans or advances	Previously sanctioned unutilized limit of PKR 500 million is requested for renewal. Above facilities will be in the nature of running finance for a period of one year and shall be renewable in next general meeting for further period of one year.
3	Purpose of loans or advances and benefits likely to accrue to the investing company and its members from such loans or advances	To support the functionality , operations and growth of the associate.
4	In case any loan has already been granted to the said associated company or associated undertaking, the complete details thereof	During 2019-20, no loan was extended to the associate.
5	In case an investment in associated company has already been made, the performance review of such investment including complete information / justification for any impairments / write-offs	During 2019-20, no loan was extended to the associate.
6	Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements	Total Equity, Total assets and total liability amounting to PKR 12,222 million, PKR 40,008 million and PKR 27,786 million respectively. Gross profit, (Loss) / Profit before tax and Profit after tax amounting to PKR 157 million, PKR (412) million and PKR 582 million respectively"
7	Average borrowing cost of the investing company or in case of absence of borrowing the Karachi Inter Bank Offered Rate for the relevant period	Average borrowing cost of the investing Company ranges from 1 month KIBOR + 0.75% to 1.0% and 3 month KIBOR + 0.55% to 1.5% in 2019 - 2020.
8	Rate of interest, mark up, profit, fees or commission etc. to be charged	Higher than the Companys' prevalent average borrowing cost.
9	Sources of funds from where loans or advances will be given	From Company's own available liquidity and credit lines
10	Where loans or advances are being granted using borrowed funds	
(i)	Justification for granting loan or advance out of borrowed funds	To support the functionality, operations and growth of the associate.
(ii)	Detail of guarantees / assets pledged for obtaining such funds, if any	Pledge of listed securities and / or charge over assets of the Company, if and where needed.
(iii)	Repayment schedules of borrowing of the investing company	Obtained facilities have different maturity dates upto May 06, 2021.
11	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any	Will be decided with mutual consent at the time of extending the loan.

S.NO	DESCRIPTION	INFORMATION
12	If the loans or advances carry conversion feature i.e. it is convertible into securities, this fact along with complete detail including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	Not Applicable
13	Repayment schedule and terms of loans or advances to be given to the investee company	Above facilities will be in the nature of running finance for a period of one year and shall be renewable in next general meeting for further period of one year.
14	Salient features of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment	Not Applicable
15	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Directors of the Company have no interest in the investee Company except in their capacity as Sponsor / Director / Shareholder of Investee Company.
16	Any other important details necessary for the members to understand the transaction	Not Applicable
17	In case of investment in a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information is required, namely	
(i)	A description of the project and its history since conceptualization	Not Applicable
(ii)	Start date and expected date of completion	Not Applicable
(iii)	Time by which such project shall become commercially operational	Not Applicable
(iv)	Expected return on total capital employed in the project	Not Applicable
(v)	Funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts	Not Applicable
4	LOANS AND ADVANCES	AISHA STEEL MILLS LIMITED
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	An associated undertaking due to investment by the holding Company
2	Amount of loans or advances	Previously sanctioned unutilized limit of PKR 500 million is requested for renewal. Above facilities will be in the nature of running finance for a period of one year and shall be renewable in next general meeting for further period of one year.
3	Purpose of loans or advances and benefits likely to accrue to the investing company and its members from such loans or advances	To support the functionality , operations and growth of the associate.
4	In case any loan has already been granted to the said associated company or associated undertaking, the complete details thereof	During 2019-20, no loan was extended to the associate.
5	In case an investment in associated company has already been made, the performance review of such investment including complete information / justification for any impairments / write-offs	During 2019-20, no loan was extended to the associate.
6	Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements	Total Equity, Total assets and total liability amounting to PKR 8,747 million, PKR 32,731 million and PKR 23,984 million respectively. Gross profit, (Loss) / Profit before tax and Profit after tax amounting to PKR 1,678 million, PKR (412) million and PKR 254 million respectively"

S.NO	DESCRIPTION	INFORMATION
7	Average borrowing cost of the investing company or in case of absence of borrowing the Karachi Inter Bank Offered Rate for the relevant period	Average borrowing cost of the investing Company ranges from 1 month KIBOR + 0.75% to 1.0% and 3 month KIBOR + 0.55% to 1.5% in 2019 - 2020.
8	Rate of interest, mark up, profit, fees or commission etc. to be charged	Higher than the Companys' prevalent average borrowing cost.
9	Sources of funds from where loans or advances will be given	From Company's own available liquidity and credit lines
10	Where loans or advances are being granted using borrowed funds	
(i)	Justification for granting loan or advance out of borrowed funds	To support the functionality, operations and growth of the associate.
(ii)	Detail of guarantees / assets pledged for obtaining such funds, if any	Pledge of listed securities and / or charge over assets of the Company, if and where needed.
(iii)	Repayment schedules of borrowing of the investing company	Obtained facilities have different maturity dates upto May 06, 2021.
11	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any	Will be decided with mutual consent at the time of extending the loan.
12	If the loans or advances carry conversion feature i.e. it is convertible into securities, this fact along with complete detail including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	Not Applicable
13	Repayment schedule and terms of loans or advances to be given to the investee company	Above facilities will be in the nature of running finance for a period of one year and shall be renewable in next general meeting for further period of one year.
14	Salient features of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment	Not Applicable
15	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Directors of the Company have no interest in the investee Company except in their capacity as Sponsor / Director / Shareholder of Investee Company.
16	Any other important details necessary for the members to understand the transaction	Not Applicable
17	In case of investment in a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information is required, namely	
(i)	A description of the project and its history since conceptualization	Not Applicable
(ii)	Start date and expected date of completion	Not Applicable
(iii)	Time by which such project shall become commercially operational	Not Applicable
(iv)	Expected return on total capital employed in the project	Not Applicable
(v)	Funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts	Not Applicable
5	LOANS AND ADVANCES	JAVEDAN CORPORATION LIMITED
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	An associated undertaking due to investment by the holding Company
2	Amount of loans or advances	Fresh limit of PKR 500 million is requested for approval. Above facilities will be in the nature of running finance for a period of one year and shall be renewable in next general meeting for further period of one year.
3	Purpose of loans or advances and benefits likely to accrue to the investing company and its members from such loans or advances	To support the functionality , operations and growth of the associate.

S.NO	DESCRIPTION	INFORMATION
4	In case any loan has already been granted to the said associated company or associated undertaking, the complete details thereof	During 2019-20, no loan was extended to the associate.
5	In case an investment in associated company has already been made, the performance review of such investment including complete information / justification for any impairments / write-offs	During 2019-20, no loan was extended to the associate.
6	Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements	Total Equity, Total assets and total liability amounting to PKR 17,284 million, PKR 25,283 million and PKR 7,999 million respectively. Gross profit, (Loss) / Profit before tax and Profit after tax amounting to PKR 1,126 million, PKR 696 million and PKR 580 million respectively"
7	Average borrowing cost of the investing company or in case of absence of borrowing the Karachi Inter Bank Offered Rate for the relevant period	Average borrowing cost of the investing Company ranges from 1 month KIBOR + 0.75% to 1.0% and 3 month KIBOR + 0.55% to 1.5% in 2019 - 2020.
8	Rate of interest, mark up, profit, fees or commission etc. to be charged	Higher than the Companys' prevalent average borrowing cost.
9	Sources of funds from where loans or advances will be given	From Company's own available liquidity and credit lines
10	Where loans or advances are being granted using borrowed funds	
(i)	Justification for granting loan or advance out of borrowed funds	To support the functionality, operations and growth of the associate.
(ii)	Detail of guarantees / assets pledged for obtaining such funds, if any	Pledge of listed securities and / or charge over assets of the Company, if and where needed.
(iii)	Repayment schedules of borrowing of the investing company	Obtained facilities have different maturity dates upto May 06, 2021.
11	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any	Will be decided with mutual consent at the time of extending the loan.
12	If the loans or advances carry conversion feature i.e. it is convertible into securities, this fact along with complete detail including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	Not Applicable
13	Repayment schedule and terms of loans or advances to be given to the investee company	Above facilities will be in the nature of running finance for a period of one year and shall be renewable in next general meeting for further period of one year.
14	Salient features of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment	Not Applicable
15	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Directors of the Company have no interest in the investee Company except in their capacity as Sponsor / Director / Shareholder of Investee Company.
16	Any other important details necessary for the members to understand the transaction	Not Applicable
17	In case of investment in a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information is required, namely	
(i)	A description of the project and its history since conceptualization	Not Applicable
(ii)	Start date and expected date of completion	Not Applicable
(iii)	Time by which such project shall become commercially operational	Not Applicable
(iv)	Expected return on total capital employed in the project	Not Applicable
(v)	Funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts	Not Applicable

ANNEXURE - C

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017, IN COMPLIANCE WITH REGULATION 4(2) OF COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS, 2012, FOR DECISION TO MAKE INVESTMENT UNDER THE AUTHORITY OF A RESOLUTION PASSED EARLIER PURSUANT TO PROVISIONS OF SECTION 208 OF THE COMPANIES ORDINANCE, 1984 (REPEALED) IS NOT IMPLEMENTED EITHER FULLY OR PARTIALLY:

The Company in its previous general meetings had sought approvals under section 208 of the Companies Ordinance, 1984 (repealed) for investments in the following Associated Companies and Associated Undertakings in which investment has not been made so far, either fully or partially. Approval of renewal of unutilised portion of equity investments and sanctioned limit of loans and advances is also hereby sought for the companies, in which directors of the company have no interest except in their capacity as director/shareholder, as per following details :

1 Name of associated company / undertaking : **Arif Habib Corporation Limited**

S. No.	Description	Investment in Securities		Loans and Advances	
a)	total investment approved;	-	-	1,500,000,000	-
b)	amount of investment made to date;	-	-	-	-
c)	"reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and"	Facility is in the nature of Running Finance to be availed as and when needed in the interest of the shareholders			
d)	"material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :"	2019	2018	2019	2018
i	Earnings per share - basic & diluted	(2.12)	1.81	(2.12)	1.81
ii	Net (Loss) / Profit	(963,841,051)	820,988,305	(963,841,051)	820,988,305
iii	Shareholders Equity		29,903,464,987		29,903,464,987
iv	Total Assets	26,708,568,580	39,258,276,693	26,708,568,580	39,258,276,693
v	Break-up value	43.81	65.90	43.81	65.90
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised	-	Sanctioned	1,500,000,000

ANNEXURE - C

2 Name of associated company / undertaking : **Safe Mix Concrete Products Limited**

S. No.	Description	Investment in Securities		Loans and Advances	
a)	total investment approved;	250,000,000		250,000,000	
b)	amount of investment made to date;	94,300,696		-	
c)	"reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and"	Waiting for an appropriate time in the interest of the shareholders for complete utilisation		"Facility is in the nature of running finance and availed as and when needed in the interest of the shareholders"	
d)	"material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :"	2019	2018	2019	2018
i	Earnings per share	(1.19)	0.10	(1.19)	0.10
ii	Net Profit	(29,771,054)	2,415,374	(29,771,054)	2,415,374
iii	Shareholders Equity	188,148,433	241,056,394	188,148,433	241,056,394
iv	Total Assets	608,474,409	753,508,449	608,474,409	753,508,449
v	Break-up value	7.53	9.64	7.53	9.64
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised	155,699,304	Sanctioned	250,000,000

3 Name of associated company / undertaking : **Power Cement Limited**

S. No.	Description	Investment in Securities		Loans and Advances	
a)	total investment approved;	250,000,000		500,000,000	
b)	amount of investment made to date;	82,638,940		-	
c)	"reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and"	Waiting for an appropriate time in the interest of the shareholders for complete utilisation		Facility is in the nature of Running Finance to be availed as and when needed in the interest of the shareholders	
d)	"material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :"	2019	2018	2019	2018
i	Earnings per share	0.55	0.32	0.55	0.32
ii	Net Profit	931,268,000	319,907,000	931,268,000	319,907,000
iii	Shareholders Equity	12,221,540,000	11,299,062,000	12,221,540,000	11,299,062,000
iv	Total Assets	40,008,403,000	24,517,306,000	40,008,403,000	24,517,306,000
v	Break-up value	11.49	10.63	11.49	10.63
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised	167,361,060	Sanctioned	500,000,000

ANNEXURE - C

4 Name of associated company / undertaking : **Aisha Steel Mills Limited**

S. No.	Description	Investment in Securities		Loans and Advances	
		2019	2018	2019	2018
a)	total investment approved;	250,000,000		500,000,000	
b)	amount of investment made to date;	143,162,828		-	
c)	"reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and"	Waiting for an appropriate time in the interest of the shareholders for complete utilisation		Facility is in the nature of Running Finance to be availed as and when needed in the interest of the shareholders	
d)	"material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :"				
i	Earnings per share - Basic	0.26	1.57	0.26	1.57
ii	Earnings per share - Diluted	-	1.54	-	1.54
iii	Net Profit	253,698,000	1,283,982,000	253,698,000	1,283,982,000
iv	Shareholders Equity	8,746,828,000	8,491,106,000	8,746,828,000	8,491,106,000
v	Total Assets	32,730,909,000	20,425,788,000	32,730,909,000	20,425,788,000
vi	Break-up value	11.43	10.20	11.43	10.20
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E.:	Unutilised	106,837,172	Sanctioned	500,000,000

ANNEXURE D

STATEMENT UNDER SECTION 166(3) OF THE COMPANIES ACT 2017

Section 166 of the Companies Act 2017 requires that a statement of material facts is annexed to the notice of the general meeting called for the purpose of election of directors which shall indicate the justification for choosing the appointee for appointment as independent director.

Accordingly, the Company shall ensure that independent directors are elected in accordance with the procedures for election of directors laid down in Section 159 of the Companies Act 2017.

After the contestants file their notice / intention to stand for elections, the Company shall apply following criteria for choosing the appointee for appointment as independent director:

- Inclusion of name of independent directors in the data bank maintained by Pakistan Institute of Corporate Governance (PICG) duly authorized by SECP.
- Respective competencies, diversity, skill, knowledge and experience of the election contestants shall be assessed.
- The company shall exercise due diligence before selecting a person from the data bank that the contestant meets the independence criteria as mentioned in Section 166(2) of the Companies Act, 2017.

CATEGORIES OF SHAREHOLDERS

As of JUNE 30, 2020

Categories of Shareholders	Shareholders	Shares Held	Percentage (%)
Directors and their spouse(s) and minor children	7	42,333	0.07
Associated Companies, undertakings and related parties	3	42,251,892	71.13
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	2	25,054	0.04
Mutual Funds	7	1,026,500	1.73
General Public - Local	3,144	13,167,339	22.17
General Public - Foreign	1	12,000	0.02
Foreign Companies	-	-	-
Others	43	2,819,462	4.75
Totals	3,208	59,400,000	100.00

PATTERN OF SHAREHOLDING

AS OF JUNE 30, 2020

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	36,600	0.06
MUHAMMAD SOHAIL SALAT	1	600	0.00
Associated Companies, undertakings and related parties			
M/S. ARIF HABIB CORPORATION LIMITED	2	41,245,884	69.44
ARIF HABIB	1	1,006,008	1.69
Public Sector Companies and Corporations			
	1	55420	0.09
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds			
	2	25054	0.04
Mutual Funds			
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	517,000	0.87
CDC - TRUSTEE ABL STOCK FUND	1	500	0.00
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	1	57,500	0.10
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	1	161,000	0.27
CDC - TRUSTEE UBL FINANCIAL SECTOR FUND	1	193,500	0.33
CDC - TRUSTEE UBL DEDICATED EQUITY FUND	1	1,000	0.00
CDC - TRUSTEE ALLIED FINERGY FUND	1	96,000	0.16
General Public			
a. Local	3144	13167339	22.17
b. Foreign	1	12000	0.02
Foreign Companies			
	0	0	-
Others			
	43	2819462	4.75
Totals	3208	59,400,000	100.00

Share holders holding 5% or more

	Shares Held	Percentage
M/S. ARIF HABIB CORPORATION LIMITED	41,245,884	69.44

CATEGORIES OF SHAREHOLDERS

AS OF JUNE 30, 2020

# Of Shareholders	Shareholdings' Slab	Total Shares Held
640	1 to 100	15,887
515	101 to 500	138,310
400	501 to 1000	289,143
1165	1001 to 5000	2,498,067
224	5001 to 10000	1,587,123
91	10001 to 15000	1,152,072
40	15001 to 20000	709,248
22	20001 to 25000	500,470
21	25001 to 30000	593,272
8	30001 to 35000	268,173
12	35001 to 40000	450,123
7	40001 to 45000	290,646
10	45001 to 50000	478,673
8	50001 to 55000	421,046
5	55001 to 60000	292,920
1	60001 to 65000	60,100
1	65001 to 70000	68,000
2	70001 to 75000	140,699
3	75001 to 80000	238,397
2	80001 to 85000	165,300
1	85001 to 90000	85,400
3	95001 to 100000	289,900
1	100001 to 105000	100,500
1	110001 to 115000	115,000
4	115001 to 120000	478,028
1	120001 to 125000	125,000
2	125001 to 130000	252,000
1	145001 to 150000	146,107
1	150001 to 155000	150,100
1	160001 to 165000	161,000
2	175001 to 180000	359,500
1	190001 to 195000	193,500
2	195001 to 200000	397,000
2	200001 to 205000	404,700
2	295001 to 300000	600,000
1	415001 to 420000	415,704
1	515001 to 520000	517,000
1	1005001 to 1010000	1,006,008
1	1995001 to 2000000	2,000,000
1	8245001 to 8250000	8,245,884
1	32995001 to 33000000	33,000,000
3208		59,400,000

اسٹیک ہولڈرز کے لئے معلومات

پچھلے سالوں کے اہم آپریٹنگ اور مالی اعداد و شمار کا خلاصہ کیا گیا ہے اور اسے صفحہ نمبر 40 پر پیش کیا گیا ہے۔

بیلنس شیٹ کے بعد کی تاریخ کا واقعہ / منافع

بورڈ آف ڈائریکٹرز نے 30 جولائی 2020 کو منعقدہ اپنے اجلاس میں 2.5 روپیہ فی حصص مجموعہ 148.5 ملین روپیہ حتمی نقد منافع 19 ستمبر 2020 کو ہونے والے سالانہ عام اجلاس میں ممبروں کی منظوری کے لئے تجویز کیا ہے۔ یہ غیر منضبط مالی بیانات اس تخصیص کی عکاسی نہیں کرتے ہیں۔

پارٹی سے متعلق ترسیلات

فہرست سازی کے ضوابط کی ضروریات کی تعمیل کرنے کے لئے، کمپنی نے پارٹی سے متعلقہ تمام ترسیلات کو آڈٹ کمیٹی اور بورڈ کے سامنے جائزہ اور منظوری کے لئے پیش کیا ہے۔ ان ترسیلات کو آڈٹ کمیٹی اور بورڈ نے اپنے اجلاسوں میں منظور کر لیا ہے۔ متعلقہ فریقوں سے متعلق تمام ترسیلات کی تفصیلات منسلک آڈٹ شدہ مالی بیانات کے نوٹ 36 اور 37 میں فراہم کی گئی ہیں۔

آڈیٹر

سبکدوش ہونے والے آڈیٹرز میسرز چارٹرڈ اکاؤنٹنٹ رحمان سرفراز رحیم اقبال رفیق نے دوبارہ تقرری کے لئے خود کو پیش کیا ہے۔ بورڈ ان کی دوبارہ تقرری کی سفارش کرتا ہے۔ ایک قرارداد میسرز رحمن سرفراز رحیم اقبال رفیق کو مالی سال 2020-21 کے لئے بطور آڈیٹر منظوری کے لئے آئندہ سالانہ جنرل اجلاس میں پیش کی جائے گی۔

اعتراف

ہم کمپنی کے حصص داران کے اعتماد اور سرپرستی کے لئے ان کے مشکور ہیں۔ ہم تمام اسٹیک ہولڈرز، اپنی پیرنٹ کمپنی، اسٹیٹ بینک آف پاکستان، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج لمیٹڈ آف پاکستان اسٹاک ایکسچینج لمیٹڈ کو ان کی غیر متزلزل حمایت اور رہنمائی کے لئے مخلصانہ خراج تحسین پیش کرتے ہیں۔

ہم مدت کے دوران کمپنی کے ملازمین کی طرف سے سخت محنت کا اعتراف اور تعریف کرتے ہیں۔ ہم بورڈ کمیٹیوں کے ممبروں کی اہم اہمیت کے معاملات پر انتظامیہ کی مدد اور رہنمائی کرنے میں قابل قدر شراکت اور فعال کردار کے بھی معترف ہیں۔

بورڈ آف ڈائریکٹرز کے لئے اور ان کی طرف سے



ظفر عالم

چیرمین



محمد شاہد علی حبیب

چیف ایگزیکٹو افسر اور ایگزیکٹو ڈائریکٹر

کراچی

تاریخ: جولائی 30، 2020

Name	Designation	Shares Bought	Shares Sold	Remarks
Mr. Zafar Alam	Chairman	36,000	-	-
Mr. Muhammad Sohail Salat	Director	-	-	-
Mrs. Sharmin Shahid	Director	-	-	-
Mr. Mohsin Madni	Director	-	-	-
Mr. Muhammad Haroon	Director	-	-	-
Mr. Muhammad Shahid Ali	Chief Executive Officer	-	-	-
Mr. Muhammad Taha Siddiqui	Chief Financial Officer	-	-	-
Spouses	-	-	-	-
Minor Children	-	-	-	-

مستقبل کے امکانات

آپ کے کمپنی کے مستقبل کے امکانات کمپنی کے مارکیٹ شیئر کو بڑھانے اور اس کے تمام کاروباری طبقات میں وسیع پیمانے پر شرکت کے ذریعہ انتظامیہ کی کوششوں کی وجہ سے نہایت خوش آئند ہیں۔ کمپنی کی اپنی خدمات کے پریمیم سویٹ کے ذریعہ اپنے موجودہ گاہکوں کے ساتھ ساتھ متوقع غیر ملکی اور ملکی مؤکلان سے روابط وسیع کرتے ہوئے بہتر حجم کے حصول کی کوشش کر رہی ہے۔ اس میں کمپنی کی اعلیٰ معیار کی ریسرچ کو ترقی دینے کے ذریعہ منفرد پروڈکٹس اور خدمات کی پیش کش شامل ہے۔

مینجمنٹ ایکویٹی اور قرض کی نئی فہرستوں کی وجہ سے بڑھتی ہوئی سرگرمی کی بھی پیش گوئی کرتی ہے جس کے لئے انویسٹمنٹ بینکنگ ڈویژن پوری طرح سے لیس ہے۔

مینجمنٹ کو یقین ہے کہ کمپنی کا ایکویٹی اور پراپرٹی انویسٹمنٹ پورٹ فولیو منافع بخش نتائج کا مظاہرہ کرتا رہے گا ، کیونکہ معیشت اور مارکیٹ میں سرمایہ کاری کے ثمرات کے مواقع کی پیش کش جاری ہے۔

آڈٹ کمیٹی

بورڈ کی آڈٹ کمیٹی نے بورڈ کے ذریعہ منظور شدہ ضوابط کے مطابق موثر انداز میں اپنے فرائض اور ذمہ داریاں نبھانیں۔ کمیٹی کی تشکیل بھی اس رپورٹ کے ساتھ منسلک کردی گئی ہے۔

کارپوریٹ اور سیکریٹریل عملدرآمد

کمپنی سیکرٹری نے سالانہ ریٹرن کے جز کے طور پر سیکریٹریل کمپلائنس کا سرٹیفیکٹ رجسٹرار آف کمپنیز کو تصدیق کے لئے پیش کیا کہ سیکریٹریل اور کارپوریٹ شرائط جیسا کہ کمپنیز آرڈیننس 1984 ، میمورنڈم اور آرٹیکل آف ایسوسی ایشن آف دی کمپنی اور لسٹنگ ضوابط پر کلی طور سے عمل کیا گیا ہے

اخلاقیات اور کاروباری مشق

کارپوریٹ گورننس کے رہنما اصولوں کے مطابق ، کمپنی نے عمل درآمد کے لئے "ضابطہ اخلاق" مرتب کیا ہے۔ اس پر کمپنی کے تمام ڈائریکٹرز اور ملازمین نے سمجھ کر قبول کرتے ہوئے دستخط کیے ہیں ۔

شیئر ہولڈنگ کا خاکہ

کمپنی کے حصص یافتگان اور زمرے کے تفصیلی خاکوں کو 30 جون 2020 تک ، فہرست سازی کے ضوابط کے تحت شرائط کے مطابق ، اس سالانہ رپورٹ میں شامل کیا گیا ہے۔

بورڈ میں تبدیلیاں

زیر غور سال کے دوران ، بورڈ کے ڈھانچے میں کوئی تبدیلی نہیں ہوئی۔

بورڈ اور آڈٹ کمیٹی کے اجلاس اور شرکت

زیر جائزہ سال کے دوران ، بورڈ آف ڈائریکٹرز کے چار اجلاس اور آڈٹ کمیٹی کے چار اجلاس 01 جولائی ، 2019 سے 30 جون ، 2020 ء تک منعقد کئے گئے۔ بورڈ اور آڈٹ کمیٹی کے ارکان کی حاضری کچھ یوں تھی:

Name of Director	Board Meeting	Audit Committee Meeting
Mr. Zafar Alam	4	N/ A
Ms. Sharmin Shahid	4	N/A
Ms. Nida Ahsan	-	-
Mr. Haroon Usman	4	4
Mr. Mohsin Madni	4	2
Mr. Muhammad Shahid Ali Habib	4	N/A
Mr. Muhammad Sohail Salat	4	4

بورڈ اور کمیٹی کے اجلاسوں میں شرکت نہ کرنے والے ممبروں کو غیر حاضری کی چھٹی دے دی گئی۔

ڈائریکٹرز کے معاوضہ کی پالیسی

عارف حبیب لمیٹڈ کے آزاد ڈائریکٹرز سمیت وہ نان ایگزیکٹو ڈائریکٹرز جو کسی گروپ کمپنی میں سینئر ایگزیکٹو یا انتظامی عہدے یا ڈائریکٹرشپ نہیں رکھتے ہیں ، بورڈ آف ڈائریکٹرز کی میٹنگ یا بورڈ کی کسی بھی ذیلی کمیٹی میٹنگ میں شرکت کے لئے میٹنگ فیس کا مطالبہ کرسکتے ہیں جس کی منظوری بورڈ آف ڈائریکٹرز کے ذریعہ وقتاً فوقتاً ملتی ہے۔ کسی بھی ڈائریکٹر کو اضافی خدمات کی تفویض کے لئے معاوضے کی ادائیگی کا فیصلہ بورڈ آف ڈائریکٹر کے ذریعہ مارکیٹ اور کام کے دائرہ کار کے معیارات کی بنیاد پر کیا جائے گا ، اور ایسوسی ایشن آف کمپنی کے آرٹیکلز کے مطابق ہوگا۔ معاوضے کی سطح بھی مناسب اور ذمہ داری اور مہارت کی سطح کے مطابق ہوگی۔ تاہم ، ایک غیر وابستہ ڈائریکٹر کے لئے ، یہ اس سطح پر نہیں ہوگا جس سے یہ سمجھا جائے کہ اس کی غیر جانبداری متاثر ہوگی۔

ڈائریکٹرز اور ایگزیکٹوز کے ذریعہ کمپنی کے حصص میں تجارت

سال کے دوران کمپنی کے حصص میں تجارت ، ڈائریکٹرز ، سی ای او ، سی ایف او ، کمپنی سیکریٹری اور ان کے شریک حیات اور نابالغ بچوں نے کیا۔

کریڈٹ ریٹنگ

کمپنی کو JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ (JCR-VIS) کے ذریعہ 'AA- / A-1' (Double A Minus / A-One) کے درجہ بندی کردی گئی ہے۔ تفویض کردہ درجہ بندیوں کے بارے میں نظریہ 'مستحکم' ہے۔ اس سند نے مستقل ترقی کے لئے مینجمنٹ کے وزن کو مزید مستحکم کیا ہے اور توقع کی جاتی ہے کہ "عارف حبیب" برانڈ کی ساکھ اور استحکام کے حوالے سے کمپنی کے مؤکلان کو مزید اعتماد ملے گا۔

مینجمنٹ کی درجہ بندی

کمپنی کو پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (پی اے سی آر اے) نے بی ایم آر 1 کی انتظامی درجہ بندی تفویض کی ہے۔ تفویض کردہ درجہ بندیوں کے بارے میں نظریہ 'مستحکم' ہے۔ اس سرٹیفیکیشن نے مضبوط کنٹرول اور گورننس فریم ورک کو برقرار رکھنے، مؤکل کی خدمات انجام دینے والے ٹولز کی مسلسل اپ ڈیٹ، اور سرمایہ کاری کی سرگرمیوں سے پیدا ہونے والے مفادات کے محتاط نظریات کی کڑی نگرانی میں کمپنی کی صلاحیت کی تائید کی ہے۔

انسانی وسائل

کسی بھی تنظیم کی ریڑھ کی ہڈی اس کے ملازمین ہوتے ہیں۔ اے ایچ ایل اپنے ملازمین کے اطمینان اور کارکردگی کو یقینی بنانے کے انتہائی مقصد کے ساتھ اپنے ملازمین کی دیکھ بھال، اور ان کی ترقی کے لئے سرمایہ کاری میں مضبوطی سے یقین رکھتا ہے، جس کے نتیجے میں گاہکوں کے اطمینان کا اعلیٰ سطحی حصول ممکن ہوتا ہے۔ انتظامیہ کارپوریٹ اہداف سے ہم آہنگی کے ساتھ ملازمین کا مطمع نظر سمجھنے اور انضمام کی طرف کام کرتی رہے گی۔

رسک مینجمنٹ

ہمارے کاروبار میں خطرات ناگزیر ہیں اور اس میں لیکویڈٹی، مارکیٹ، کریڈٹ، آپریشنل، قانونی، ریگولٹری اور ساکھ کے خطرات شامل ہیں۔ اے ایچ ایل کی رسک مینجمنٹ گورننس کا آغاز ہمارے بورڈ سے ہوتا ہے، جو رسک مینجمنٹ پالیسیوں اور طریقوں کا جائزہ لینے اور اسے منظور کرنے میں اہم کردار ادا کرتا ہے۔

ہمارا رسک مینجمنٹ فریم ورک اور سسٹم دیرینہ، معیاری اور مضبوط ہیں۔ ہم سمجھتے ہیں کہ مؤثر رسک مینجمنٹ کمپنی کی کامیابی کے لئے بنیادی اہمیت کا حامل ہے۔ اسی مناسبت سے ہم نے رسک مینجمنٹ کے جامع عمل کا آغاز کیا ہے جس کے ذریعے ہم اپنی سرگرمیاں انجام دینے میں جو خطرہ مول لیتے ہیں ان کی نگرانی، تشخیص اور ان کا نظم و نسق کرتے ہیں۔ ایک سے زیادہ لین دین، مصنوعات، کاروبار اور بازار جن سے ہم نمٹتے ہیں، کے خطرہ پر قابو پانے کے لئے حدود کا ایک سخت فریم ورک لاگو ہوتا ہے۔ اس میں متعدد سطح پر کریڈٹ اور مارکیٹ کے خطرے کی حد مقرر کرنا اور مستقل بنیادوں پر ان حدود کی نگرانی شامل ہے۔

کارپوریٹ سماجی ذمہ داری

آپ کی کمپنی نے معاشرے اور کاروباری برادری کے لئے معاشرتی ذمہ دار تنظیم کی حیثیت سے متعدد مخیرانہ سرگرمیوں کے ذریعے اپنی شراکت جاری رکھی ہے۔ اے ایچ ایل اپنی کارپوریٹ سماجی ذمہ داری کی تکمیل کے لئے پرعزم ہے اور اس نے صحت کی دیکھ بھال، تعلیم، ماحولیات اور معاشرتی بہبود پر مرتکز منصوبوں میں اپنی شمولیت جاری رکھی ہے۔ ہمارا ہدف مستقبل میں بھی اس طرح کے نیک مقاصد کے لئے اپنی شمولیت اور شراکت کو جاری رکھنا ہے۔

کمپنی کی طرف سے دیئے گئے شراکت کی تفصیلات صفحہ نمبر 15 پر پیش کی گئی ہیں۔

کارپوریٹ گورننس کا کوڈ

کمپنی کا بورڈ اور انتظامیہ اس بات کو یقینی بنانے کے لئے پرعزم ہے کہ کوڈ آف کارپوریٹ گورننس کی ضروریات پوری ہوں۔ کمپنی نے مالی اور غیر مالی معلومات کی درستگی، جامعیت اور شفافیت کو بڑھانے کے مقصد کے ساتھ کارپوریٹ گورننس کے مضبوط طریقوں کو اپنایا ہے۔

ڈائریکٹرز کو یہ اطلاع دیتے ہوئے خوشی ہے کہ:

(a) کمپنی کی انتظامیہ کے ذریعہ تیار کردہ مالی بیانات اس کے معاملات کی شفاف حیثیت، اس کے آپریشنز، کیش

فلو اور ایکویٹی میں تبدیلی کے نتائج پیش کرتے ہیں۔

(b) کمپنی کے کھاتے باقاعدگی سے تیار کیے گئے ہیں۔

(c) مالی بیانات کی تیاری کے لئے مناسب اکاؤنٹنگ پالیسیاں مستقل طور پر اپنائی جاتی ہیں اور محاسبہ کا تخمینہ

معقول اور محتاط فیصلے پر مبنی ہوتا ہے۔

(d) بین الاقوامی مالیاتی رپورٹنگ معیارات، جیسا کہ پاکستان میں قابل اطلاق ہیں، مالی بیانات کی تیاری میں رو بہ

عمل لائے گئے ہیں۔

(e) اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اس کا موثر انداز میں نفاذ اور نگرانی کی گئی ہے۔

(f) کمپنی کو جاری رکھنے کی صلاحیت پر کوئی واضح شبہات نہیں ہیں۔

(g) کارپوریٹ گورننس کے بہترین طریقہ کار سے کسی قسم کی رخصت نہیں لی گئی ہے، جیسا کہ فہرست سازی

کے ضوابط میں واضح ہے۔

(h) کمپنی پر ٹیکسوں، فرائض، محصولوں اور محصولات کی قانونی ادائیگی کی وجہ سے بیلنس شیٹ کی تاریخ کے

مطابق کوئی معقول ذمہ داری موجود نہیں ہے۔

(i) سال کے دوران بروکر کے ذریعہ ایسا کوئی لین دین نہیں ہوا ہے جو دھوکہ دہی، غیر قانونی یا کسی بھی

سیکیورٹیز مارکیٹ قوانین کی خلاف ورزی ہے۔

(j) کمپنی نے اپنے ملازمین کے پراویڈنٹ فنڈ میں 6,298,569 روپیہ ادا کردینے ہیں اور کمپنی پر کوئی واجب الادا

رقم نہیں ہے کیونکہ سال کے آخر میں پراویڈنٹ فنڈ کا انتظام ایک الگ ٹرسٹ کے ذریعہ کیا جاتا ہے۔

مارکیٹ کی ترقی کے لئے کے وائی سی / اے ایم ایل کی ضروریات کو سہل بنانے کے لئے ایس ای سی پی کے ساتھ بھی رابطہ میں ہیں۔

ہم بہت پر امید ہیں کہ مالی سال 21 کے پہلے مہینے میں بڑھتی ہوئی تجارت کی قیمتوں اور مارکیٹ کی اعلیٰ مقدار میں اضافے کی وجہ سے ہم آنے والے سال کے لئے بہت پر امید ہیں۔ سرمایہ کاروں کے جذبات میں اس مثبت تبدیلی کی بنیادی وجہ کم شرح سود ہے اور ہم امید کرتے ہیں کہ انشاء اللہ ، مالی سال 21 میں یہ سلسلہ جاری رہے گا۔

سرمایہ کاری بینکنگ آمدنی کارکردگی

انویسٹمنٹ بینکنگ (IB) ڈویژن نے 155 PKR ملین آمدنی حاصل کی ، جس میں درج اور نجی طور پر رکھے ہوئے TFCs اور سکوک کے بارے میں ایڈوائزری، نجی ایکویٹی پلیسمنٹ، انضمام اور حصول، ایکویٹی ڈی لسٹنگ ترسیلات، اور رائٹ شیئر ایڈوائزری اور انٹر رائٹنگ کے ذریعے ایکویٹی کا اضافہ شامل ہے۔ آپ کی کمپنی نے پاکستان کی انویسٹمنٹ بینکاری کی صنعت میں قیادت برقرار رکھی ہے اور اسے سی ایف اے سوسائٹی پاکستان اور بین الاقوامی اداروں نے تسلیم کیا ہے۔ اللہ تعالیٰ کے فضل و کرم سے ، عارف حبیب لمیٹڈ نے اس سال ایشیاء منی کی جانب سے "بہترین کارپوریٹ اینڈ انویسٹمنٹ بینک" کا ایوارڈ جیتا ، جو یہ ایوارڈ جیتنے والا ایک کمرشل بینک کے علاوہ ، پاکستان کا پہلا ادارہ بن گیا۔

آنے والے سال کے لئے کمپنی بہت سی ایکویٹی آئی پی اوز کے ساتھ ڈیٹ، کپیٹل مارکٹ ترسیلات سیٹ میں مشغول ہے جو اس کی آمدن کے ساتھ مارکیٹ میں اس کے روابط مضبوط کرے گا۔ PSX مارکیٹ کپیٹلائزیشن میں مزید اضافہ کو مد نظر رکھتے ہوئے آنے والے سال میں ہم آئی پی اوز اور ثانوی پیشکش میں مزید تیزی کے لئے پر امید ہیں۔

اعزازات اور اعتراف

عارف حبیب لمیٹڈ نے سی ایف اے سوسائٹی کا سولہواں ایکسی لینس ایوارڈ برائے (بہترین کارپوریٹ فنانس ہاؤس (ایکوٹیز اینڈ ایڈوائزری) "مسلسل پانچویں بار (2014-2018)، جیت کر تاریخ رقم کی ہے۔ کارنامہ ابھی تک کسی اور نے نہیں کیا۔ آپ کی کمپنی کو پاکستان اسٹاک ایکسچینج کی جانب سے "Top 25 Companies Award" دیا گیا ایوارڈ حاصل کرنے کا فخر ہے جو وزیراعظم پاکستان نے پیش کیا۔ بروکریج کمپنیز میں اے ایچ ایل یہ ایوارڈ حاصل کرنے والی واحد کمپنی ہے۔ اس کے علاوہ اے ایچ ایل ایشیا منی کی جانب سے بیسٹ کارپوریٹ اینڈ انویسٹمنٹ بینک کے زمرہ میں ایک کمرشل بینک کے علاوہ ایوارڈ حاصل کرنے والا پہلا پاکستانی ادارہ ہے۔

اخراجات کے انتظام کی کارکردگی

سال کے دوران ، ہم نے اپنے آپریٹنگ اخراجات کو دوبارہ استوار کرنے میں کامیابی حاصل کی اور گذشتہ سال کی اسی مدت کے مقابلے میں مجموعی طور پر 344 ملین ڈالر ادا کرتے ہوئے 13 فیصد کمی حاصل کی۔ آپ کی کمپنی نے سال کے دوران لاگت کے نظام پر کڑی نگرانی رکھی جس کے نتیجے میں انتظامی اور آپریٹنگ اخراجات میں کمی واقع ہوئی۔ مینجمنٹ ٹیم کے لئے معاوضہ کمپنی کو حاصل ہونے والی آمدنی سے منسلک ہے ، اس متغیر معاوضے میں سرمایہ کاری بینکاری کے محصولات میں کمی کے پیش نظر کمی واقع ہوئی ہے۔ اس سال کے لئے قرض لینے کی لائنوں کے زیادہ استعمال اور اعلیٰ اوسط کی پالیسی کی شرحوں کی وجہ سے ہمارے فنانشنگ لاگت میں اضافہ ہوا ہے۔ تاہم ، ہماری مضبوط بیلنس شیٹ اور اونچی کریڈٹ ریٹنگ کی وجہ سے انتظامیہ بینکوں کے ساتھ اپنے سرمایہ کاری پھیلاؤ کو کم کرنے میں کامیاب ہو گئی ہے۔ مجموعی طور پر ، ہمیں یہ بتاتے ہوئے خوشی ہے کہ اس سے کمپنی اور اس کے حصص یافتگان کے لئے مثبت نتائج برآمد ہوئے ہیں۔

اس سال بلا ایکویٹی آئی پی او مارکیٹ کی زیریں قدر اور اونچے درجے کے اتار چڑھاؤ کے باوجود بروکریج اور انویسٹمنٹ بینکنگ ڈویژن نے عمدہ کارکردگی کا مظاہرہ کیا اور 478.68 PKR ملین (FY19: PKR 678.84) کی مجموعی آمدنی ظاہر کی۔

مارکیٹ کی ابتری کی وجہ سے قلیل مدتی سرمایہ کاری کو دھچکہ لگا، تاہم، ہمارے رئیل اسٹیٹ انویسٹمنٹ پورٹ فولیو کے امکانی اور غیر امکانی فوائد کے حصول کے باعث برداشت کرنا ممکن ہوسکا۔

مالی نتائج کا خلاصہ مندرجہ ذیل ہے

	2020	2019
Profit / (Loss) after tax	59,856,433	(62,460,529)
Un – appropriated profit brought forward	2,077,134,654	2,304,595,183
Other Comprehensive Income	520,004,560	-
Profit available for appropriation	2,656,995,647	2,242,134,654
Appropriations:		
*Final Cash Divided PKR 2.5 (FY19: Nil) per share i.e. 25% for the year ended June 30, 2020	(148,500,000)	-
Buy-back of 10% shares under tender offer	-	(165,000,000)
Unappropriated Profit carried forward	2,508,495,647	2,077,134,654
Earnings per share – basic & diluted	1.00	(0.94)
*subject to the approval by members in the AGM to be held on September 19 th , 2020.		

بروکریج ریونیو کی کارکردگی

عالمی وبا کووڈ 19 کے دوران ایک واضح غیر یقینی صورتحال کے باوجود ، آپ کی کمپنی کی بروکریج کی آمدنی 7 فیصد اضافے کے ساتھ ساتھ 323 PKR ملین کی سطح پر بند ہوئی ، جس سے ہمارے مجموعی مارکیٹ شیئر 10% پر برقرار رہے۔ ایکویٹی بروکریج میں یہ کارکردگی ملکی اور غیر ملکی دونوں کاؤنٹرز پر بڑے تجارتی سودوں ، خوردہ اور آن لائن تجارت میں نمو اور بورڈ میں بڑی تعداد میں نئے اکاؤنٹ کھولنے کے ذریعے حاصل کی گئی ہے۔ ہمارے منی مارکیٹ اور فاریکس ڈویژن نے بھی غیر معمولی کارکردگی کا مظاہرہ کیا ، جس نے سال کے دوران محصولات کی تعداد دوگنا کر دی ، جس سے ان کے مارکیٹ شیئر میں نمایاں اضافہ ہوا۔ مزید یہ کہ اسلام آباد اور پشاور میں نئی شاخوں نے بھی ہمارے بروکریج کی آمدنی میں اضافہ کرنے میں مدد کی ہے۔ سخت KYC / AML ضابطوں کی وجہ سے چیلنجز ہیں جو بروکرز کو مؤکلوں کو سخت ضوابط پر فروخت کرنے پر مجبور کرتے ہیں جو نئے اکاؤنٹس کھولنے میں مشکلات کا باعث ہے۔ ہم ان چیلنجز سے نمٹنے کے لئے اپنی عملی ٹیم میں اضافہ کر رہے ہیں اور

توازن ادائیگی کی صورتحال میں بہتری ، کم شرح سود ، غیر ملکی ترسیلات زر میں اضافہ اور کوویڈ 19 سے بتدریج بہتری نے اب جوار کا رخ موڑنا شروع کر دیا ہے اور 4Q-FY20 میں 7,193 pts کی بہتری کے بعد بینچ مارک انڈیکس میں مدد ملی ہے۔ انڈیکس میں 4Q-FY20 میں مجموعی طور پر 5,190 pts کا اضافہ دیکھا گیا ، جس میں نمایاں طور پر E&P سیکٹر (1218 pts) ، کھاد (+ 799 pts) ، سیمنٹ (+ 729 pts) ، O & GMCs (+ 374 pts) اور دواسازی (+ 336 pts) کا حصہ ہے۔

کرنٹ اکاؤنٹ بیلنس نے سال بھر میں منفی ماہانہ رقم ظاہر کی ، علاوہ مئی 2020 کے جہاں تجارتی توازن میں اضافے کا مظاہرہ دیکھا گیا ۔ کووڈ 19 سے بہتری کے بعد کاروباری سرگرمیاں بتدریج دوبارہ شروع ہونے سے کاروباری اعتماد کی بہتری میں مدد ملی ہے۔ اسی طرح ، افراط زر کی کمی کے تناظر میں اسٹیٹ بینک آف پاکستان نے عالمی مرکزی بینکوں کی شرح سود میں کمی کی پیروی کی ہے اور پالیسی شرح 13.25 فیصد سے 7 فیصد تک لے آئی ہے۔ پالیسی شرح کے بعد ، M6 کانٹور بھی مالی سال 20 کے آغاز میں 14 فیصد سے کم ہو کر مالی سال 20 کے اختتام تک 7.2 فیصد رہ گیا ہے۔ اس نے ایک طرف پہلے سے فنانشل چارجز کے دباؤ آئے ہوئے کارپوریٹ سیکٹر کو سہولت فراہم کی ہے ساتھ ہی مقررہ آمدنی والے آلات کے مقابلہ میں ایکوٹی کو بھی ایک ترجیحی اثاثہ کلاس بنا دیا ہے۔ حالیہ مہینوں میں غیر ملکی ترسیلات زر میں بھی بہتری آنا شروع ہو گئی ہے ، جس کے تحت جون 2020 میں اب تک کی سب سے زیادہ ماہانہ غیر ملکی ترسیلات 2.5 ملین امریکی ڈالر مالی سال 20 سے لے کر 23.1 ملین ڈالر (مالی سال 19: US\$21.7mn) تک پہنچ گئیں۔ قطع نظر ایک نہایت ہی غیر یقینی تجارتی سال کے جہاں شروعات سے ہی بینچ مارک انڈیکس متزلزل رہا ، مجموعی طور پر مالی سال 20 صرف 520 پوائنٹس کا اضافہ کر سکا جس سے مالی سال کا اختتام 34,421 پوائنٹس پر کیا جاسکا۔ مالی سال 20 کے دوران جن شعبوں نے مثبت کردار ادا کیا ان میں کھاد (+ 1075 pts) ، سیمنٹ (+ 952 pts) ، دواسازی (+ 397 pts) ، ٹیکنالوجی (+ 295 pts) اور ٹیکسٹائل (+ 121 pts) شامل ہیں۔ دوسری طرف ، بینکنگ سیکٹر (-1400 pts) کے ساتھ پیچھے رہ جانے والے شعبوں میں سرفہرست رہا ہے ، اس کے بعد تمباکو (-360 pts) ، پاور (-359 pts) اور O&GMCs (-137 pts) شمار میں ہیں۔

FY20 پہلی سہ ماہی میں 39.5 ملین حصص کی کم پوسٹنگ سے لے کر ، دسمبر 2019 کے مہینے میں 500 ملین حجم کو عبور کرنے تک ایکسچینج میں سودوں کے حجم میں بھی اتار چڑھاؤ دیکھنے کو ملا۔ اے ڈی ٹی وی نے مالی سال 19 کے دوران PKR 6.4 بلین سے مالی سال 20 میں 7.2 بلین کی نمو درج کی۔ مالی سال 20 کے دوران میں کچھ ایسے مواقع بھی آئے جہاں ADTV نے 100 ملین امریکی ڈالر عبور کیا اور تسلسل برقرار رکھا جاتا نظر آ رہا ہے۔ مالی سال 20 کے دوران ، غیر ملکیوں نے گزشتہ سالوں کا فروخت کا رجحان برقرار رکھا اور خالص بنیادوں پر 284.8 ملین امریکی ڈالر نکالے۔ غیر ملکی سرمایہ کاروں کے علاوہ ، بینک ، میوچل فنڈز اور بروکرز بالترتیب 55.4 ملین امریکی ڈالر ، 50.2 ملین ڈالر اور 13.3 ملین امریکی ڈالر کے خالص فروخت کنندہ رہے۔ ان خارجی حجم کو بڑے پیمانے پر 213.2 ملین امریکی ڈالر کی انفرادی سرمایہ کاری نے جذب کیا ہے ، اس کے بعد انشورنس سیکٹر 127.6 ملین امریکی ڈالر ، دیگر ادارے 31.6 ملین امریکی ڈالر ، کمپنیز 26.8 ملین امریکی ڈالر ، اور نان بینکنگ فنانس کمپنیز 4.5 ملین امریکی ڈالر کی سرمایہ کاری کر رہی ہیں۔

مالیاتی کارکردگی

دوران سال آپ کی کمپنی نے PKR 59.86 ملین کا بعد از ٹیکس منافع ظاہر کیا (مالی سال 19 خسارہ PKR 62.46 million)۔ کمپنی کی ایکویٹی بیلنس شیٹ ٹیٹ پر PKR 3.2 billion (جون 2019 PKR 2.9 billion) ہے ، جو کتابی قدر پر فی شیئر PKR 54.99 (June 30, 2019: PKR 44.21) ہے۔

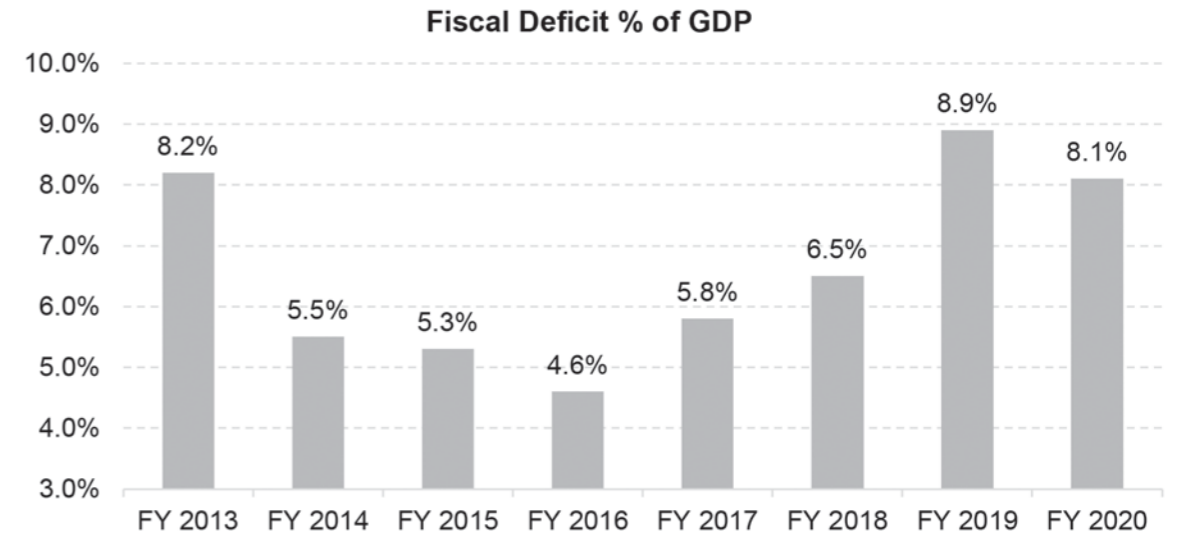
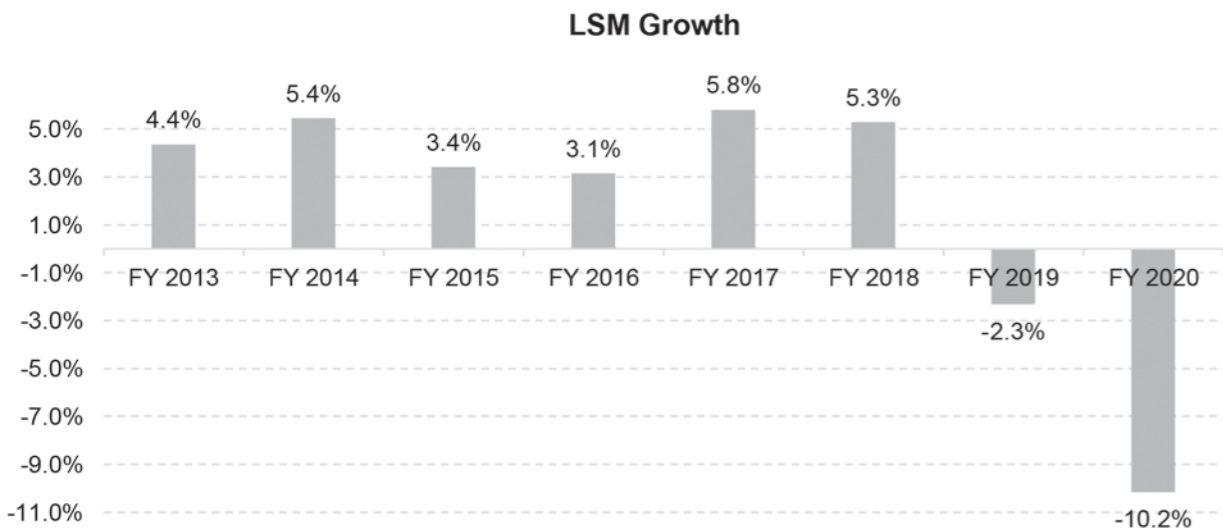
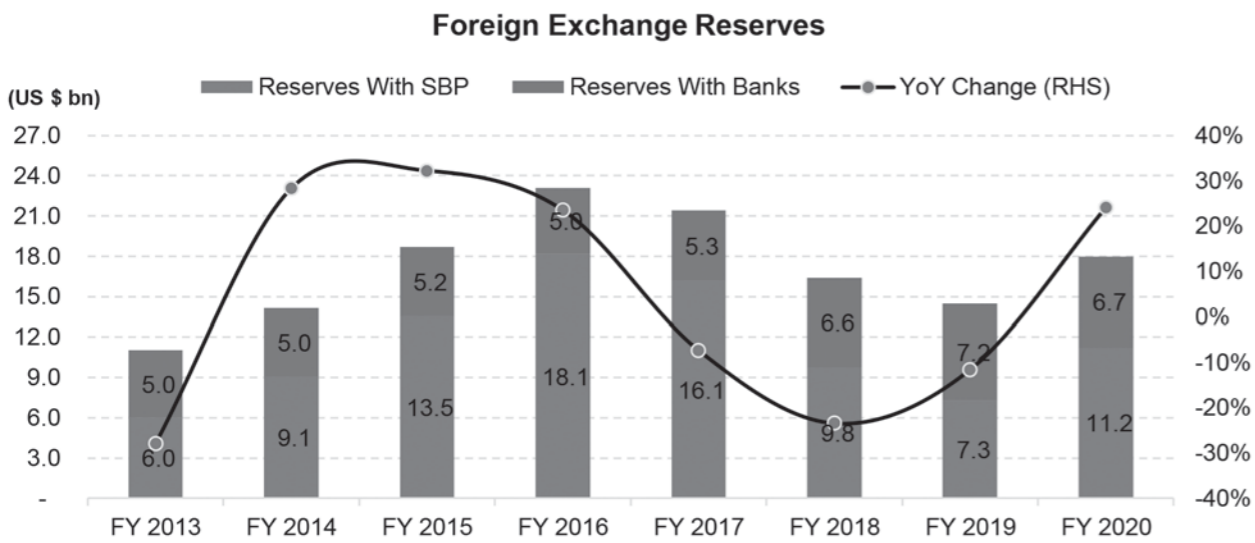
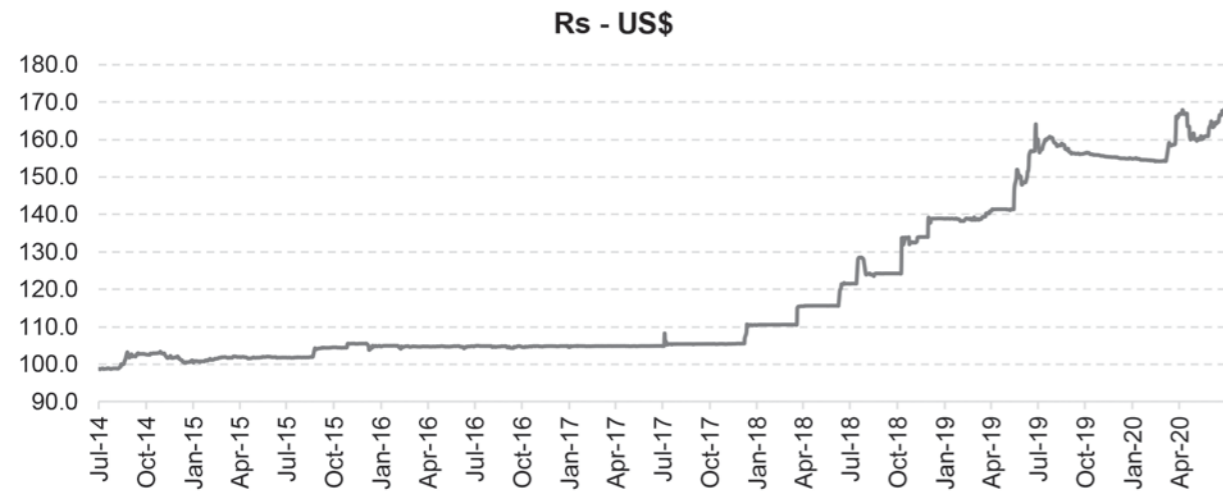
پاکستان کے مجموعی مالی ذخائر کی پوزیشن کو بشمول بین الاقوامی مالیاتی فنڈ (آئی ایم ایف) دو طرفہ اور کثیر الجہتی قرض دہندگان کے 13.2 بلین ڈالر کے مجموعی قرضوں کی حمایت حاصل تھی۔ جون 2020 تک ، مجموعی ذخائر 18.0 بلین امریکی ڈالر رہے جو جون 2019 کے قریب ریکارڈ کردہ 14.4 بلین امریکی ڈالر سے 24.1 فیصد زیادہ ہیں۔ مزید یہ کہ اسٹیٹ بینک کے مارکیٹ میں طے کردہ شرح تبادلہ کو اپنانے کے بعد ، پی کے آر نے مالی سال 20 کے دوران گرین بیک کے مقابلہ میں قدر میں 4.8 فیصد کمی دیکھی گئی۔ مالی سال 20 میں اوسط افراط زر حکومت کے مقرر کردہ ہدف 8.5 کے مقابلے میں 10.8% ہو گیا ، جس کی بنیادی وجہ ایشیائی خوردونوش کی قیمتوں میں دو ہندسی افراط زر کا اضافہ اور سہولیات کی قیمتوں کا افقی جائزہ شامل ہے۔ افراط زر میں زیادتی کے باوجود ، ایس بی پی نے مجموعی معیشت کو سہولت فراہم کرنے کے لئے خصوصی اقدامات اٹھاتے ہوئے۔ مالی سال 20 کے آخری نصف حصے میں خصوصی اوقات (یعنی کوویڈ 19) کی بنا پر پالیسیوں کے نرخ میں 625 پی پی ایس کی کمی کی ہے۔

پوری دنیا کی معیشتیں معمول پر آنے کے ساتھ ، ہمیں اپنے ملک میں بھی معاشی سرگرمیوں کی بحالی کی امید ہے۔ زراعت کے شعبے پر نمایاں انحصار کے ساتھ ہمیں توقع ہے کہ مالی سال 21 میں پاکستان 2 فیصد ترقی کرے گا ، جس میں معیشت کا نمایاں انحصار زراعت کے شعبے پر ہوگا۔ ہم توقع کرتے ہیں کہ سی اے ڈی قدرے اضافہ کے ساتھ جی ڈی پی کے 1.7% تک پہنچ جائے گی چونکہ کووڈ 19 دنیا بھر میں تجارت کو متاثر کر رہا ہے جس نے ترسیلات زر میں منفی ترقی کے ساتھ ساتھ پوری دنیا میں تجارت کو بھی متاثر کیا ہے۔ مالی اختتام پر ، خسارہ جی ڈی پی کے 7.0% کی اسی سطح پر برقرار رہنے کا امکان ہے جیسا کہ گذشتہ سال دیکھا گیا تھا۔ مزید یہ کہ آئی ایم ایف کی شرائط کے بموجب یوٹیلائٹیز کی قیمتوں میں اضافہ کے ساتھ قدر میں مزید کمی سے زیادہ امکان ہے کہ افراط زر میں اوسطاً 7.5% کا اضافہ ہو سکتا ہے۔

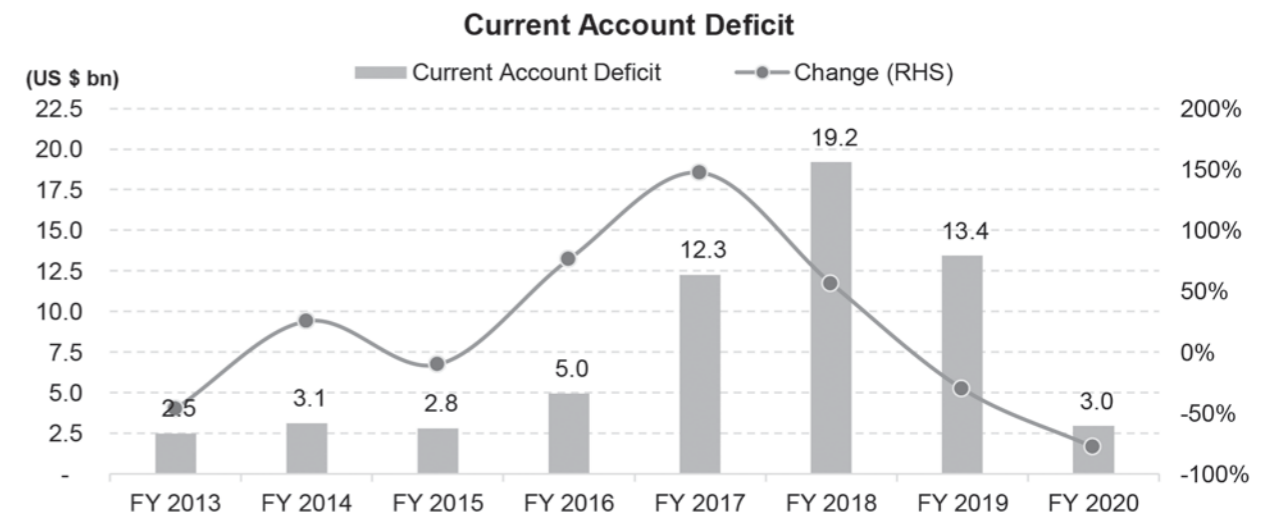
اسٹاک مارکیٹ

دوسری مرتبہ مالی سال 20 میں کے ایس ای 100 نے 28 ہزار کی سطح تک غوطہ کھایا ، پہلی بار اگست 2019 میں اور دوسری مرتبہ مارچ 2020 کے اواخر میں۔ انڈیکس کو بونے والے نقصانات پاکستان کی معاشی صورتحال کا مشترکہ نتیجہ تھے ، جو آئی ایم ایف پروگرام میں دیر سے داخل ہونے اور عالمی منڈیوں کو نیچے لانے والی کوویڈ 19 وبائی بیماری کے سبب سے بھی بتدریج بڑھتا گیا۔ بہر حال ، آج موجود نمایاں اشاریے واضح طور پر مالی سال کے آغاز کے مقام سے مختلف ہیں۔





تاہم ، بیرونی محاذ پر ، کووڈ 19 کے عالمی تجارت پر اثر انداز ہونے کے باوجود ، پاکستان جاری کھاتہ خسارہ کو گذشتہ سال کے 4.8% (13.4 بلین امریکی ڈالر) سے جی ڈی پی کے 1.1% (2.97 بلین امریکی ڈالر) تک لے جانے میں کامیاب رہا۔ یہ اہم ریلیف حکومت نے بعض اشیاء کی درآمد کو روکنے کے لئے اٹھائے گئے اقدامات اور تیل کی عالمی قیمتوں میں کمی کی وجہ سے حاصل کیا ، جس کے نتیجے میں مجموعی طور پر درآمدی بل (بشمول اشیاء اور خدمات) میں 19.3% YOY کمی واقع ہوئی ہے۔ مزید یہ کہ ترسیلات زر نے بھی بیرونی شعبے کو مدد فراہم کی ، جس میں شرح نمو 6.3% YOY کی شرح نمو 23.1 بلین امریکی ڈالر ہو گئی ، جس میں سب سے زیادہ آمدنی KSA سے ہوئی جس کے بعد USA کا نمبر آتا ہے۔



ڈائریکٹر کی رپورٹ

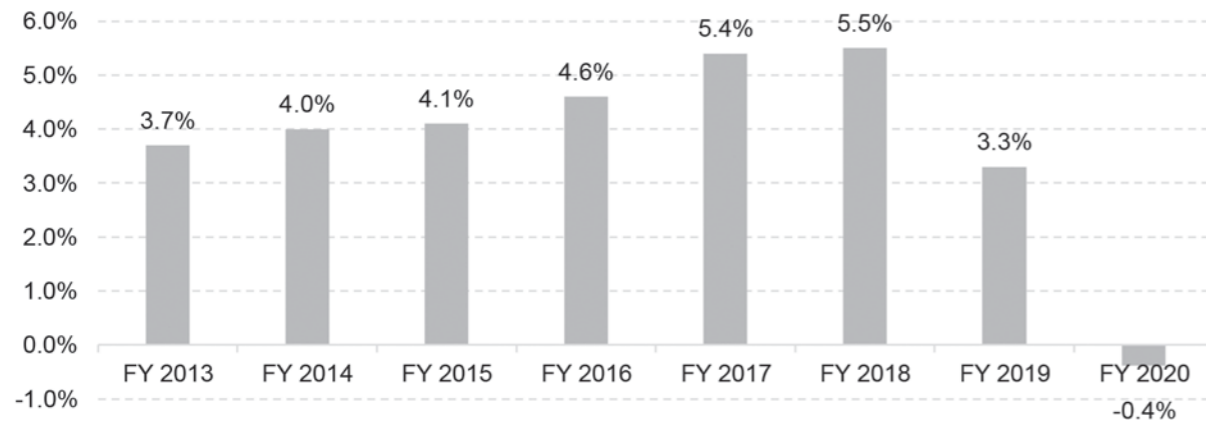
عارف حبیب لیمیٹڈ (اے ایچ ایل) کے محترم ساتھی حصص داران

مجھے کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2020 کو اختتام پذیر سال کا سالانہ فنانشل اسٹیٹمنٹ بشمول اکاؤنٹنگ، ریگولیشنری ضوابط، قانونی معیارات اور ضروریات کے حوالے سے مرتب سالانہ رپورٹ پیش کرنے پر انتہائی مسرت ہے۔

تجارتی ماحول

مالی سال 20 کے آغاز میں غیر معمولی عالمی وبا کووڈ-19 نے دنیا کو اپنی لپیٹ میں لے لیا، قبل ازیں آئی ایم ایف کی جانب سے کی گئی 3 فی صد کی پیشین گوئی سے بڑھ کر عالمی معیشت کی شرح نمو میں اس سال 4.9 فی صد کمی واقع ہوئی۔ پاکستان اس سے مبرا نہیں رہا، گزشتہ سال کی 3.3 فی صد نمو کے مقابلے میں جی ڈی پی میں 0.38 فی صد کمی واقع ہوئی۔ زرعی شعبہ واحد رہا جس میں سال کے دوران 2.7 فی صد مثبت نمو دکھائی دی جبکہ صنعت اور خدمات کے شعبے بالترتیب 5.6 فی صد اور 0.6 فی صد منفی نمو کا شکار ہوئے۔ الیکٹرونکس، لوہے اور اسٹیل کی مصنوعات، گاڑیاں، ادویات، پٹرولیم مصنوعات، کوئلہ، مشروبات، خوراک، میں واضح انحطاط کی بنا پر مال سال 20 میں بڑے پیمانے کی اشیا سازی میں 10.2 فی صد کمی واقع ہوئی۔

Real GDP Growth



محاصل کے محاذ پر، مالی سال 19 کے 3.4 ٹریلین PKR ٹریلین 8.9 فی صد جی ڈی پی کے مقابلے میں مالی سال 20 میں خسارہ جی ڈی پی کا 8.1 فی صد (ٹریلین PKR 3.4) درج ہوا۔ یہ کل اخراجات (ٹریلین PKR 8,135) میں 2.5 فی صد انحطاط اور مالی سال 20 میں کل محاصل PKR 5,504 بلین میں 12.3 فی صد YOY اضافے کے باوجود تھا۔

FORM OF PROXY

16th Annual General Meeting

The Company Secretary

Arif Habib Limited
Arif Habib Centre
23-M.T. Khan Road
Karachi

I/we _____ of _____ being a member(s) of Arif Habib Limited holding _____ ordinary shares as per CDC A/c. No. _____ hereby appoint Mr./Mrs./Miss _____ of (full address) _____ or failing him/her Mr./Mrs./Miss _____ of (full address) _____ (being member of the Company) as my/our Proxy to attend, act and vote for me/us and on my/our behalf at the Sixteen Annual General Meeting of the Company to be held on September 19, 2020 and /or any adjournment thereof.

Signed this _____ day of _____ 2020.

WITNESSES:

- Name : _____
Address : _____
NIC No. : _____
Signature : _____
- Name : _____
Address : _____
NIC No. : _____
Signature : _____

Signature on
Rs. 5/-
Revenue Stamp

NOTICE:

- A member entitled to attend and vote at the meeting may appoint another member as his / her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.
- Proxy shall authenticate his/her identity by showing his/her CNIC or original passport and bring folio number at the time of attending the meeting.
- In order to be effective, the proxy forms must be received at the office of our Registrar M/s. Central Depository Company of Pakistan Limited, Share Registrar Department, CDC House, 99-B, Block-B, S.M.C.H.S, Shahrah-e-Faisal, Karachi, not later than 48 hours before the meeting duly signed and stamped and witnessed by two persons with their signature, name, address and CNIC number given on the form.
- In the case of individuals attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the CNIC or passport of the proxy shall be submitted along with proxy Form.



ARIF HABIB LIMITED

Registrar:

Central Depository Company of Pakistan,
Share Registrar Department, CDC
House, 99-B, Block-B, S.M.C.H.S, Main
Shahra-e-Faisal, Karachi.

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FORM OF PROXY FOR E-VOTING

16th Annual General Meeting

The Company Secretary

Arif Habib Limited
Arif Habib Centre
23-M.T. Khan Road
Karachi

I/we, _____ of _____, holder of _____ Share(s) as per Registered Folio No./CDC A/c. No. _____ hereby opt for e-voting through Intermediary and hereby consent to the appointment of Execution officer Mr./Mrs./Miss _____ as proxy and will exercise e-voting as per the Companies (E-Voting) Regulations, 2016 and hereby demand for poll for resolutions.

My secured email address is _____, please send login details, password and electronic signature through email.

Signed this _____ day of _____ 2020.

WITNESSES:

1. Name : : _____

Address : _____

NIC No. : _____

Signature : _____

2. Name : _____

Address : _____

NIC No. : _____

Signature : _____

Signature on
Rs. 5/-
Revenue Stamp

NOTICE:

01. A member entitled to attend and vote at the meeting may appoint another member and non-members as his / her proxy.
02. In order to be effective, the instructions/proxy forms must be received at the Company's registered office address at Arif Habib Centre, 23, M.T. Khan Road, Karachi, no later than 10 days before the meeting (i.e. by the close of business on September 19, 2020), duly signed and stamped and witnessed by two persons with their names, address, CNIC numbers and signatures. Further the same instructions/proxy scanned copy may also be sent to our official email id evoting@arifhabibltd.com.
03. In the case of individuals attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
04. In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the CNIC or passport of the proxy shall be submitted along with proxy Form.



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الیکٹرونک ووٹنگ کیلئے پراکسی فارم

16واں سالانہ اجلاس عام

کمپنی سیکریٹری
عارف حبیب لمیٹڈ
عارف حبیب سینٹر
23، ایم ٹی خان روڈ،
کراچی

میں اہم، کا تعلق

سے اور ہمارے پاس رجسٹرڈ فولیو نمبر اسی ڈی سی اے کا ڈنٹ نمبر۔ کے تحت شہرز کے مالک ہیں، اور ہم ثالث کے ذریعے الیکٹرانک ووٹنگ کا انتخاب کرتے ہیں اور جناب / محترمہ۔ کو بطور ایگزیکٹو افسر برائے پراکسی مقرر کیے جانے کے حوالے سے اپنی رضامندی کا اظہار کرتے ہیں جو کمپنی (الیکٹرانک ووٹنگ) ریگولیشنز 2016 کے تحت الیکٹرانک ووٹنگ پر عمل کریں گے اور قرارداد کیلئے پوائنٹ کا مطالبہ کرتے ہیں۔ میرا ای میل ایڈریس۔ ہے، براہ کرم لاگ ان کی تفصیلات، پاس ورڈ اور الیکٹرانک دستخط اسی ایڈریس پر بھیجیں۔

دستخط

مورخہ

گواہان:

1

نام:

پتہ:

شناختی کارڈ نمبر:

دستخط:

2

نام:

پتہ:

شناختی کارڈ نمبر:

دستخط:

نوٹس:

۱۔ ووٹنگ کی تقریب میں شرکت اور ووٹ ڈالنے کا اہل ممبر کسی ایک اور رکن یا غیر رکن کو اپنا پراکسی مقرر کر سکتا ہے۔

۲۔ موثر انداز سے عمل کیلئے ضروری ہے کہ ہدایت نامہ / پراکسی فارم کمپنی کے رجسٹرڈ دفتر، عارف حبیب سینٹر، 23، ایم ٹی خان روڈ، کراچی، پراکسی سے 10 روز قبل پہنچ جانا چاہئے (یعنی 19 ستمبر 2020 کو کاروباری سرگرمیوں کے اختتام تک)، جس پر دو گواہان کے نام، پتہ، شناختی کارڈ اور دستخط ہونا چاہئیں۔ مزید برآں، ہدایت نامہ / پراکسی کی اسٹین کی ہوئی کاپی ہمارے ای میل ایڈریس evoting@arifhabibltd.com پر بھی ارسال کریں۔

۳۔ افراد کی صورت میں بینیفیشل اونرز کے تصدیق شدہ کمپیوٹرائزڈ شناختی کارڈ یا پاسپورٹ کی کاپی پراکسی فارم کے ساتھ جمع کرائی جائے۔

۴۔ کارپوریٹ ادارے کے پراکسی کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی اور کمپیوٹرائزڈ شناختی کارڈ یا پاسپورٹ کی مصدقہ کاپی پراکسی فارم کے ساتھ جمع کرائیں۔



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پانچ روپے کے اسٹامپ ٹکٹ پر دستخط

پراکسی فارم

16 واں سالانہ جنرل اجلاس

کمپنی سیکریٹری
عارف حبیب لمیٹڈ
عارف حبیب سینٹر
23، ایم ٹی خان روڈ
کراچی۔

میں/ہم _____ بحیثیت عارف حبیب لمیٹڈ ہولڈنگ کے رکن (اراکین) _____ آرڈیز میٹرز برطبق سی ڈی سی اکاؤنٹ نمبر _____
اپنی جانب سے مسٹر/مسز/مس _____ کو تقرر/برخواست کرتا ہوں۔ ان کا مکمل پتہ _____ یا نام کامی
مسٹر/مسز/مس _____ کو تقرر/برخواست کرتا ہوں۔ ان کا مکمل پتہ _____
بحیثیت رکن کمپنی میری/ہماری، کمپنی کے صوبہ ویں سالانہ اجلاس میں شرکت اور ووٹ دینے کے لئے، میرے/ہمارے لئے یا ہماری جانب سے
جو کہ 19 ستمبر 2020 کو منعقد ہوا اور یا التوا کا شکار ہوا۔

دستخط: _____ بروز/بتاریخ _____ 2020

گواہان:

1	نام: _____
2	پتہ: _____
	شناختی کارڈ نمبر: _____
	دستخط: _____

پانچ روپے کے اسٹامپ ٹکٹ پر دستخط

فارم برائے نمائندہ صوبہ ویں سالانہ اجلاس عام 19 ستمبر 2020ء
اطلاع:

- 1) ایک رکن جو اجلاس میں حاضر ہونے اور ووٹ ڈالنے کا اہل ہے اپنی جگہ کسی اور رکن کو اپنے نمائندے کے طور پر مقرر کر سکتا ہے جو ایسے حقوق جیسے حاضر ہونے، بات کرنے اور اجلاس میں ووٹ ڈالنے کیلئے اہل ہو جائے گا جیسا کہ حقوق ایک رکن کو دستیاب ہیں۔
- 2) نمائندہ اجلاس میں حاضر کی وقت اپنی شناخت کا ثبوت اپنا کمپیوٹرائزڈ قومی شناختی کارڈ دکھا کر یا اصل پاسپورٹ دکھا کر ظاہر کرے گا اور فوٹیو نمبر بھی ہمراہ لائے گا۔
- 3) نمائندہ خازن (پراکسی فارمز) موثر ہونے کی غرض سے ہمارے رجسٹرار میسرز سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ، سینٹر رجسٹرار ڈپارٹمنٹ، سی ڈی سی ہاؤس، 99-بی، ایس ایم سی ایچ ایس، شارع فیصل، کراچی پر واقع دفتر پر اچھی طرح دستخط اور مہر اور دو اشخاص کی گواہی مع اسکے دستخط، نام پتہ اور شناختی کارڈ نمبر جو فارم پر دیا گیا ہے اجلاس کے انعقاد سے زیادہ سے زیادہ 48 گھنٹوں قبل موصول ہونا لازمی ہیں۔
- 4) مستفید ہونے والے مالکان اور نمائندے کے تصدیق شدہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول نمائندہ فارم (پراکسی فارم) کے ہمراہ قاہر کرنے ہونگے اگر معاملہ افراد کی صورت میں ہے۔
- 5) اگر معاملہ ایک کاروباری ادارے کی جانب سے نمائندہ (پراکسی) کا ہے تو بورڈ آف ڈائریکٹرز قرارداد/مختار نامہ (وکالت نامہ) اور نمائندہ کے کمپیوٹرائزڈ قومی شناختی کارڈ کی تصدیق شدہ نقول یا پاسپورٹ نمائندہ فارم (پراکسی فارم) کے ہمراہ لازمی طور پر جمع کرانا ہوگا۔

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