BUILDING ON VALUES

QUARTERLY REPORT
MARCH 31,

2020

ARIF HABIB
LIMITED

TABLE OF CONTENT

CORPORATE INFORMATION

Board of Directors

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

Audit Committee

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

Human Resource & Remuneration Committee

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

Chief Financial Officer & Company Secretary

Mr. Muhammad Taha Siddiqui

Auditors

M/s. Rahman Sarfaraz Rahim Iqbal Rafiq

Chartered Accountants

CORPORATE INFORMATION

Credit Rating

JCR-VIS Credit Rating Company Limited

Legal Advisors

M/s. Bawaney & Partners

Management Rating

The Pakistan Credit Rating Agency

Bankers

Allied Bank Limited

Askari Bank Limited

Bank Alfalah Limited

Bank Al Habib Limited

Bank Islami Pakistan Limited

Dubai Islamic Bank Pakistan Limited

Faysal Bank Limited

Habib Bank Limited

Habib Metropolitan Bank Limited

JS Bank Limited

MCB Bank Limited

National Bank of Pakistan

Silk Bank Limited

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

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

Registered Office

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

Lahore Branch

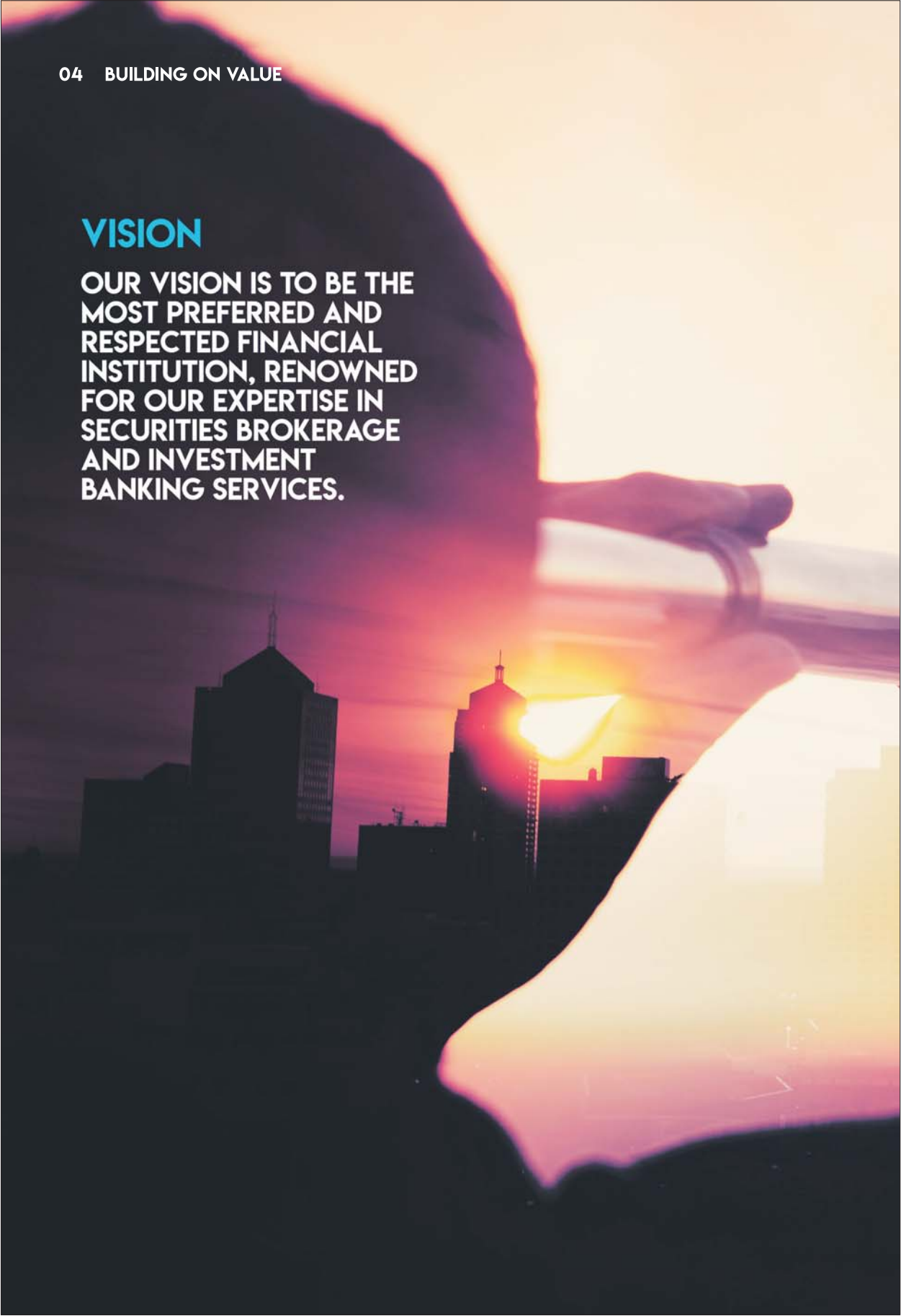
Office Nos. G-5 & G-6,
Ground Floor, LSE Plaza, 19,
Khayaban-e-Aiwan-e-Iqbal, Lahore.
Tel +92 42 3631 3700 - 11, 3631 3741 - 44

Islamabad Branch

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

Peshawar Branch

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



VISION

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

MISSION

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

DIRECTORS' REPORT

Dear Fellow Members of Arif Habib Limited,

On behalf of the Board of Directors, I am pleased to present the financial statements of Arif Habib Limited (AHL) for the nine months and third quarter ended March 31, 2020.

Economic Review:

During 1QCY20, the Pakistani economy weathered various challenges amid an ongoing battle against the novel Coronavirus. While the country was gradually moving past a phase of consolidation, it appears that recovery in aggregate demand post enforcement of lockdown across the country may take a while (Large Scale Manufacturing Industries - LSMI - output during 8MFY20 witnessed a decline of 3% year on year). Albeit, mounting inflationary pressure during the year due to tariff hike for utilities (gas and electricity) and temporary supply shocks in food segment (with average CPI settling at 11.53% in 9MFY20 compared to 6.31% in same period last year), may finally be contained due to slowdown in economic activity.

In light of the above, and following global trend, the SBP convened emergency meetings of the MPC whereby the policy rate was slashed by 225bps from 13.25% to 11.00% by end of Mar'20. In addition, Prime Minister Khan announced economic relief package to the tune of PKR 1.2 trillion and a "Special Incentive Package for the Construction Industry" in response to coronavirus and also to mitigate its impact on domestic employment. Meanwhile, improvement witnessed on the external front with the Current Account Deficit in 8MFY20 observing a decline of 71% YoY to USD 2,843 million (1.5 % of GDP) vs. USD 9,817 million (5.0% of GDP) last year, would likely sustain amid crash in global oil prices. It is pertinent to highlight that prior performance was aided by a 6% growth (Year on Year) in foreign remittances during 9MFY20 to USD 16.9 billion, alongside declining imports (-21%) owed to massive PKR depreciation, implementation of additional regulatory duties, stringent documentation drive and requirement of halal food certificate for food imports. Going forward, a manageable external position together with provision of USD 1.4 billion by the IMF and additional monetary support by the World Bank as well as debt relief by the G20 countries, will keep the Pak Rupee afloat. The parity has now recovered partially from the pressure built amid foreign selling in debt and equities caused PKR to depreciate 8% in 3QFY20.

Stock Market Review:

Incidence of COVID-19 has seriously impacted the global economies and the capital markets. KSE-100 also saw a steep decline from a high of 43,219pts on January 13th, 2020 to 27,267pts on March 26th, 2020, realizing a loss of 15,952pts (-37%) in 74 sessions. Destruction of global aggregate demand is visible across all industries, especially on international crude oil prices, which have seen declines of 68% from US$63/bbl to US$ 20/bbl by March 31, 2020.

During the 3QFY20 KSE 100 index declined 28% from 40,735pts to 29,231pts. This decline was attributed to Banks (-3,202pts), E&P (-2,527pts), Fertilizer (-1,295pts), O&GMCs (-894pts) and Power (-830pts). 3QFY20 saw Foreign and Mutual Funds investors selling US$ 138 million and US$ 32.4 million worth of Stocks, which was mainly bought by Insurance (US$ 113.6 million) and Banks (US$ 42.7 million). Due to similar situation witnessed in 1QFY20, the 9MFY20 numbers were not much different from 3QFY20. Points table saw negative performance from Banks (-1,611pts), E&P (-1,577pts), O&GMCs (-512pts) and Power (-503pts) sectors, whereas Fertilizer (+276pts) and Cement (+224pts) contributed positively. Similarly, Foreigners and Mutual Funds sold US$ 130.2 million and US$ 85.1 million respectively, which was matched by Individuals (+144.4 million) and Insurance (+94 million)

The recent positive developments of interest rate cut of total of 425 bps during March-April along with relief package for industries in general and Real Estate construction industry in particular by the government and SBP have helped improve investors' sentiment and participation.

Your Company's Performance

During the period under review, your Company has posted after tax loss of PKR 168.89 million.

During the nine months ended March 31, 2020, the brokerage and investment banking divisions managed to perform well and posted a total brokerage & investment banking revenue of PKR 355.92 million (9MFY19: PKR 406.28 million).

The Investment property segment posted a decent performance with an unrealized gain of PKR 132.5 million and realized gains of PKR 0.75 million. The short term investment portfolio has taken a hit due to deteriorating market, however, it was partly offset by realized and unrealized gain on our real estate investment portfolio.

During the period, operating expenses decreased by 1% as compared to the same period last year and posted a total of PKR 244.46 million (1HFY19: PKR 247.26 million). During the said period, our financing costs have increased significantly due to high interest rates and increased utilization of borrowing lines for diversification of Company's investments.

The equity of the Company as at the balance sheet date is PKR 2.4 billion (June 2019: PKR 2.92 billion), which translates into book value per share of PKR 40.87 (June 30, 2019: PKR 44.21). The equity level decreased due to the release of PKR 231 million reserves for buy back of shares approved in the EOGM held on July 03, 2019 and also due to the loss incurred by the company during the third quarter of current financial year.

DIRECTORS' REPORT

The company has taken notable measures to deal with Covid-19 and promoted social distancing and work from home to ensure safety of our employees. We developed systems such that all our core activities including Trading, Settlements, Investment Banking, Research, Operations can be swiftly managed remotely. Our IT team has enabled an environment such that we are currently executing all our activities remotely with least number of people coming to office on rotation.

The Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O. 278(I)/2020 dated 01 April 2020, has allowed all companies to recognize unrealized gain / loss arising on fair value measurement of equity Instruments classified as "Fair Value through Profit or Loss" held as at March 31, 2020 in the statement of changes in equity as a separate component of equity. As per that circular, the amount taken to equity on 31 March 2020, after any adjustment/effect for price movements shall be taken to the Statement of Profit or Loss for the year/period ending 30 June 2020. However, this amount taken to equity, shall be treated as a charge to statement of profit or loss for the purposes of distribution as dividend, where applicable.

The effect of recognition of unrealized loss on fair value measurement in accordance with the requirements of IFRS-9 is disclosed in note 12 of the consolidated and unconsolidated financial statements.

Future Prospects

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

Acknowledgement

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

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

For and on behalf of the Board of Directors,

Muhammad Shahid Ali Habib
Chief Executive Officer and Director

Zafar Alam
Chairman

Karachi.
Dated: April 24, 2020

CONDENSED INTERIM UNCONSOLIDATED FINANCIAL INFORMATION

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

	Note	Un audited March 31, 2020	Audited June 30, 2019
		Rupees	
ASSETS			
Non- current assets			
Property and equipment	5	33,974,904	38,761,490
Right-of-use assets	6	47,659,099	-
Intangible assets		7,041,795	6,954,089
Long term investments		134,580,635	154,046,528
Investment property	7	1,699,444,800	1,726,419,800
Long-term advances and deposits		4,561,407	6,488,985
		1,927,262,640	1,932,670,892
Current assets			
Short term investments	8	2,680,245,264	2,411,100,877
Trade debts	9	79,899,790	30,933,887
Receivable against margin financing		54,388,075	114,245,832
Receivable against sale of securities- net		71,034,671	-
Short term loans - secured		-	50,002
Advances, deposits and prepayments		73,388,668	286,323,875
Loan to related party		15,000,000	15,000,000
Accrued markup		4,194,004	26,899,464
Other receivables		144,276,097	197,775,763
Cash and bank balances	10	839,898,646	627,456,271
		3,962,325,215	3,709,785,971
Total assets		5,889,587,855	5,642,456,863
EQUITY AND LIABILITIES			
Capital and reserves			
Authorized capital			
75,000,000 (June 30, 2019: 75,000,000) ordinary shares of Rs.10/- each		750,000,000	750,000,000
Issued, subscribed and paid-up capital	11	594,000,000	660,000,000
Unappropriated profits		1,908,234,861	2,242,134,654
Fair value under specially opted accounting treatment	12	(89,964,602)	-
Surplus on revaluation		15,432,500	15,432,500
		1,833,702,759	2,257,567,154
		2,427,702,759	2,917,567,154
Non-current liabilities			
Lease liability		29,889,401	-
Loan from Sponsor	13	300,000,000	-
		329,889,401	-
Current liabilities			
Short term borrowings- secured	14	1,379,462,080	1,909,233,639
Trade and other payables	15	821,817,632	637,975,550
Loan from Sponsor	16	800,000,000	-
Current portion of lease liability		18,067,791	-
Unclaimed dividend		14,278,093	14,460,393
Payable against purchase of securities- net		-	30,970,319
Markup accrued		71,571,225	84,812,447
Taxes payable -net		26,798,874	47,437,361
		3,131,995,695	2,724,889,709
Contingencies and commitments	17	-	-
Total equity and liabilities		5,889,587,855	5,642,456,863

The annexed notes from 1 to 27 form an integral part of these condensed interim unconsolidated financial statements. The information about unrealised loss arising on fair value measurement of equity instruments classified as 'Fair Value through Profit or Loss' held as at 31 March 2020 and its impact on these condensed interim unconsolidated financial statements in accordance with SRO 278 (1)/2020 issued by Securities and Exchange Commission of Pakistan is disclosed in note 12.

Chief Executive Officer | Director | Chief Financial Officer

CONDENSED INTERIM UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

	Note	Nine months ended		Quarter ended	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
		Rupees			
Operating revenue	18	**428,100,403**	428,482,901	**166,096,172**	173,598,975
Capital (loss) / gain on sale of short term investments		**(252,152,265)**	119,633,897	**42,236,117**	8,752,077
Unrealized loss on re-measurement of short term and long term investments		**-**	(477,111,170)	**(559,248,441)**	(162,971,952)
Unrealized gain on remeasurement of investment property	7	**132,500,000**	356,400,000	**-**	114,701,640
		308,448,138	427,405,628	**(350,916,152)**	134,080,740
Administrative and operating expenses		**(244,466,530)**	(247,261,837)	**(87,093,185)**	(79,931,762)
Finance costs	19	**(300,348,878)**	(131,163,644)	**(74,153,746)**	(58,426,955)
Other expense		**(6,441,895)**	-	**-**	-
Other operating income		**103,339,943**	63,125,783	**26,220,329**	11,871,373
(Loss) / profit before taxation		**(139,469,222)**	112,105,930	**(485,942,754)**	7,593,396
Taxation		**(29,430,571)**	(38,293,071)	**(6,164,610)**	(5,048,651)
(Loss) / profit after taxation		**(168,899,793)**	73,812,859	**(492,107,364)**	2,544,745
(Loss) / earnings per share - basic and diluted	20	**(2.80)**	1.12	**(8.15)**	0.04

The annexed notes from 1 to 27 form an integral part of these condensed interim unconsolidated financial statements. The information about unrealised loss arising on fair value measurement of equity instruments classified as 'Fair Value through Profit or Loss' held as at 31 March 2020 and its impact on these condensed interim unconsolidated financial statements in accordance with SRO 278 (1)/2020 issued by Securities and Exchange Commission of Pakistan is disclosed in note 12.

Chief Executive Officer

Director

Chief Financial Officer

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

	Nine months ended		Quarter ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	Rupees			
(Loss) / profit after taxation	**(168,899,793)**	73,812,859	**(492,107,364)**	**2,544,745**
Other comprehensive income	**-**	-	-	-
Total comprehensive income for the period	**(168,899,793)**	73,812,859	(492,107,364)	2,544,745

The annexed notes from 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.

Chief Executive Officer

Director

Chief Financial Officer

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

	Issued, subscribed & paid up capital	Unappropriated profits	Fair value under specially opted accounting treatment	Surplus on revaluation	Total
	Rupees				
Balance as at July 01, 2018	550,000,000	2,621,883,347	-	15,432,500	3,187,315,847
Effect of recognition of expected credit loss allowance on initial application of IFRS 9	-	(42,288,164)	-	-	(42,288,164)
Total comprehensive income for the nine months ended March 31, 2019	-				
- Profit after taxation	-	73,812,859	-	-	73,812,859
- Other comprehensive income	-	-	-	-	-
	-	73,812,859	-	-	73,812,859
Transactions with owners					
- Cash dividend paid @ 30% for the year ended June 30, 2018	-	(165,000,000)	-	-	(165,000,000)
- Bonus shares issued @ 20% for the year ended June 30, 2018	110,000,000	(110,000,000)	-	-	-
	110,000,000	(275,000,000)	-	-	(165,000,000)
Balance as at March 31, 2019	660,000,000	2,378,408,042	-	15,432,500	3,053,840,542
Balance as at July 01, 2019	**660,000,000**	**2,242,134,654**	**-**	**15,432,500**	**2,917,567,154**
Total comprehensive income for the nine months ended March 31, 2020					
- Loss after taxation	**-**	**(168,899,793)**	**-**	**-**	**(168,899,793)**
- Other comprehensive income	**-**	**-**	**-**	**-**	**-**
	-	**(168,899,793)**	**-**	**-**	**(168,899,793)**
Relief from the requirements contained in IFRS 9					
- Fair value under specially opted accounting treatment	**-**	**-**	**(89,964,602)**	**-**	**(89,964,602)**
Transactions with owners					
- Buy-back of 10% shares under tender offer	**(66,000,000)**	**(165,000,000)**	**-**	**-**	**(231,000,000)**
Balance as at March 31, 2020	**594,000,000**	**1,908,234,861**	**(89,964,602)**	**15,432,500**	**2,427,702,759**

The annexed notes from 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.

Chief Executive Officer

Director

Chief Financial Officer

CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT

FOR THE NINE MONTHS ENDED MARCH 31, 2020 (UNAUDITED)

	Note	March 31, 2020	March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		Rupees	
(Loss) / Profit before taxation		(139,469,222)	112,105,930
Adjustments for:			
- Depreciation on property and equipment		5,382,475	6,052,482
- Depriciation on right-of-use asset		14,803,300	-
- Amortization of intangible asset		370,227	385,087
- Gain on disposal of investment property		(775,000)	(11,315,000)
- Loss on disposal of property and equipment		-	12,913
- Capital loss / (gain) on sale of short term investments		252,152,265	(119,633,897)
- (Gain) / loss on re-measurement of short term investments		-	473,765,004
- Loss on re-measurement of long term investments		-	3,346,166
- Unrealized gain on re-measurement of investment property		(132,500,000)	(356,400,000)
- Dividend income		(72,183,753)	(22,200,478)
- Finance costs		300,348,878	131,163,644
- Impairment of investment in ordinary shares of M/s. Arif Habib 1857 (Pvt.) Ltd.		6,441,895	-
		374,040,287	105,175,921
		234,571,065	217,281,851
Working capital changes			
(Increase) / decrease in current assets			
- Short-term investments - net		(598,237,256)	(709,647,269)
- Trade debts - considered good		(48,965,903)	(9,221,567)
- Receivable against margin financing		59,857,757	50,478,253
- Short term loans		50,002	5,076,081
- Advances, deposits and prepayments		212,935,207	(13,679,423)
- Receivable against purchase of securities- net		(71,034,671)	-
- Accrued markup		22,705,460	21,175,998
- Other receivables		56,223,291	(671,912,282)
Increase / (decrease) in current liabilities			
- Trade and other payables		183,842,082	(127,672,415)
- Unclaimed dividend		(182,300)	-
- Short term loan from Sponsor		800,000,000	-
- Payable against purchase of securities - net		(30,970,319)	(81,648,621)
		586,223,350	(1,537,051,245)
Cash generated from / (used in) operations		820,794,415	(1,319,769,394)
Taxes paid		(50,069,058)	(58,221,904)
Finance costs paid		(313,590,100)	(119,318,142)
Net cash generated from / (used in) operating activities		457,135,257	(1,497,309,440)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(595,889)	(8,726,791)
Proceeds from disposal of property and equipment		-	560,780
Acquisition of intangible assets		(457,933)	-
Expenditure on investment property - net		-	(151,088,000)
Sale proceeds on disposal of investment property		182,880,000	148,655,000
Dividends received		46,830,128	24,245,279
Long term deposits - net		1,927,578	(1,718,402)
Net cash generated from investing activities		230,583,884	11,927,866
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal repayment against lease liability		(14,505,207)	(1,345,933)
Dividend paid		-	(161,957,620)
Long term loan from Sponsor		300,000,000	-
Buy-back of 10% shares under tender offer	11.1.1	(231,000,000)	-
Net cash generated from / (used in) financing activities		54,494,793	(163,303,553)
Net increase / (decrease) in cash and cash equivalents		742,213,934	(1,648,685,127)
Cash and cash equivalents at the beginning of the period		(1,281,777,368)	(785,815,814)
Cash and cash equivalents at the end of the period	26	(539,563,434)	(2,434,500,941)

The annexed notes from 1 to 27 form an integral part of these condensed interim unconsolidated financial statements.

Chief Executive Officer | Director | Chief Financial Officer

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

1 STATUS AND NATURE OF BUSINESS

1.1 Arif Habib Limited ("the Company") is a public listed company incorporated in Pakistan under the Companies Act, 2017. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The Company was initially incorporated as an unquoted public limited company wholly owned by Arif Habib Corporation Limited ("the Parent Company"). Subsequently, the Parent Company offered its 25% shareholding in the Company to general public and the Company obtained listing on the Exchange on January 31, 2007. As of the reporting date, the Parent Company held 72.80% ordinary shares of the Company.

1.2 The Company is a holder of Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited. The principal activities of the Company are investments, share brokerage, inter-bank brokerage, Initial Public Offer (IPO) underwriting, advisory and consultancy services. The Company's registered office is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi.

1.3 The Company has the following wholly-owned subsidiary companies:

- Arif Habib Commodities (Private) Limited

- Arif Habib 1857 (Private) Limited

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

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

2.2 Basis of measurement

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

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

b) Long term investments in unquoted ordinary shares of M/s. ISE Tower REIT Management Limited and M/s. LSE Financial Services Limited which are carried at fair value;

c) Investment property which is carried at fair value; and

d) Short term investments in quoted equity securities, units of mutual funds and term finance certificates / sukuks which are carried at fair value.

2.3 Functional and presentation currency

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

3 SIGNIFICANT ACCOUNTING POLICIES

Except for the change in accounting policy described in note 3.1 and note 12 below, the significant accounting policies adopted in the preparation of these interim financial statements are the same as those applied in the preparation of the unconsolidated financial statements of the Company for the year ended June 30, 2019.

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

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

An overview of the new lease accounting requirements for lessees

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

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

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

Method of transition to the new lease accounting model

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

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

(a) The Company has applied a single discount rate (i.e. its incremental borrowing rate of 15% per annum as of July 01, 2019) to its portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);

(b) The Company has relied on its assessment of whether the aforesaid lease arrangements are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets as on June 30, 2019 as an alternative to perform an impairment review of right-of-use asset. The said assessment performed by the Company as on June 30, 2019 had not identified any onerous lease arrangements; and

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

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

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

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

(a) As permitted under paragraph C8(b) of IFRS 16, the Company measured the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of related prepaid lease payments recognized in its statement of financial position as June 30, 2019.

(b) The Company measured the lease liability at the present value of the remaining lease payments, discounted using its aforementioned incremental borrowing rate of 15% per annum as of July 01, 2019.

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

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

Right -of-use asset

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

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

Lease liability

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

(a) increasing the carrying amount to reflect interest on the lease liability;

(b) reducing the carrying amount to reflect the lease payments made; and

(c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

4 ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

	Unaudited March 31, 2020	Audited June 30, 2019
5 PROPERTY AND EQUIPMENT	Rupees	
Owned assets	**33,974,904**	38,761,490

5.1 During the period ended March 31, 2020, addition made amounting to PKR 596 thousands (June 2019: 10,272 thousands) which comprised of computer & allied, however no disposals were made to property and equipment.

	Unaudited March 31, 2020	Audited June 30, 2019
6 RIGHT-OF-USE ASSETS	Rupees	
Cost	**62,462,399**	-
Depreciation charged during the period	**(14,803,300)**	-
Closing net book value	**47,659,099**	-

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

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

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

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

		Unaudited March 31, 2020	Audited June 30, 2019
		Rupees	
7	**INVESTMENT PROPERTY**		
	Opening carrying value	**1,726,419,800**	1,373,500,000
	Disposals during the period / year	**(159,475,000)**	(180,540,000)
	Additions during the period / year	**-**	163,419,941
		1,566,944,800	1,356,379,941
	Increase in fair value - net	**132,500,000**	370,039,859
		1,699,444,800	1,726,419,800

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

		Unaudited March 31, 2020	Audited June 30, 2019
		Rupees	
8	**SHORT TERM INVESTMENTS - at fair value through profit or loss**		
	Quoted equity securities	**2,274,293,326**	2,089,487,680
	Units of mutual funds	**-**	-
	Quoted equity securities	**2,274,293,326**	2,089,487,680
	Term finance / sukuk certificates	**405,951,938**	321,613,197
		2,680,245,264	2,411,100,877
9	**TRADE DEBTS**		
	Considered good	**79,899,790**	30,933,887
	Considered doubtful	**865,324,540**	865,324,540
		945,224,330	896,258,427
	Less: Provision for expected credit losses	**(865,324,540)**	(865,324,540)
		79,899,790	30,933,887

9.1 As of March 31, 2020, the Company held equity securities having fair value of Rs. 31,736 million (June 2019: Rs. 37,076 million) owned by its clients, as collaterals against trade debts.

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

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

	Unaudited March 31, 2020		Audited June 30, 2019	
	Gross	Impairment	Gross	Impairment
Not past due	-	-	-	-
Past due 1 day - 30 days	66,124,912	-	32,051,907	-
Past due 31 days - 180 days	12,094,837	-	11,978,370	-
Past due 181 days - 1 year	1,680,041	-	13,350,004	-
More than one year	865,324,540	865,324,540	838,878,146	865,324,540
Rupees	945,224,330	865,324,540	896,258,427	865,324,540

10 CASH AND BANK BALANCES

	Note	Unaudited March 31, 2020	Audited June 30, 2019
		Rupees	
Cash in hand		117,742	175,294
Cash at bank			
- in current accounts		41,628,072	194,874,279
- in savings accounts		798,152,832	432,406,698
	10.1	839,780,904	627,280,977
		839,898,646	627,456,271

10.1 This includes customer's bank balances held in designated bank accounts amounting to Rs. 800.618 million (June 2019: Rs. 595.989 million).

11 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

March 31, 2020	June 30, 2019		Note	Unaudited March 31, 2020	Audited June 30, 2019
No. of shares				Rupees	
		Ordinary shares of Rs.10/- each:			
10,800,000	12,000,000	Issued for cash		108,000,000	120,000,000
48,600,000	54,000,000	Issued as bonus shares		486,000,000	540,000,000
59,400,000	66,000,000			594,000,000	660,000,000

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

Balance as at the beginning of the period / year		66,000,000	55,000,000
20% bonus shares issued		-	11,000,000
10% shares bought back under tender offer	11.1.1	(6,600,000)	-
Balance as at the end of the period / year		59,400,000	66,000,000

11.1.1 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.

12 FAIR VALUE ADJUSTMENT UNDER SPECIALLY OPTED ACCOUNTING TREATMENT

During the period, the COVID – 19 has spread throughout the country and measures have been taken to reduce the spread of the COVID-19 including lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events etc. These measures have resulted in an overall economic slowdown, disruptions to various businesses and significant volatility in the Pakistan Stock Exchange. (PSX). On 31 March 2020, the Pakistan Stock Exchange (PSX) 100 index closed at 29,231 points and the Index has shed more than 28% from 31 December 2019.

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

The Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O. 278(I)/2020 dated 1 April 2020 has allowed all companies to recognize unrealised gain / loss arising on fair value measurement of equity Instruments classified as "Fair Value through Profit or Loss" held as at March 31, 2020 in the statement of changes in equity as a separate component of equity. As per that circular the amount taken to equity on 31 March 2020, after any adjustment/effect for price movements shall be taken to the Statement of Profit or Loss for the year/period ending 30 June 2020. However, this amount taken to equity, shall be treated as a charge to statement of profit or loss for the purposes of distribution as dividend, where applicable.

The recognition of unrealised loss on fair value measurement in accordance with the requirements of IFRS-9 would have had the following effect on these condensed interim unconsolidated financial statements:

	Nine months ended	Quarter ended
	31 March 2020	
Condensed Interim Unconsolidated Statement of Profit or Loss and Other Comprehensive Income		
Increase in 'Loss on remeasurement of investments - net'	**(89,964,602)**	**(89,964,602)**
Increase in loss for the period / total comprehensive income	**(89,964,602)**	**(89,964,602)**
Increase in loss per share - basic and diluted	**(1.49)**	**(1.49)**

Effect on Condensed Interim Unconsolidated Statement of Financial Position	31 March 2020 (Unaudited)	30 June 2019 (Audited)
Decrease in unappropriated profit	**(89,964,602)**	-
Decrease in fair value adjustment under specially opted accounting treatment	**(89,964,602)**	-

There is no impact of specially opted accounting treatment on total equity and on prior year / period.

13 LOAN FROM SPONSOR

This represents interest bearing loan from sponsor (Mr. Arif Habib) amounting to PKR 300 million payable on demand after 13 months. This loan carries a mark-up rate of 6 Month KIBOR + 2% payable quarterly.

14 SHORT TERM BORROWINGS - SECURED

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

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

	March 31, 2020		June 30, 2019	
	Number of securities	Amount (Rupees)	Number of securities	Amount (Rupees)
Client	**133,750,000**	**2,849,625,000**	155,810,000	3,941,528,500
House	**104,575,995**	**1,744,139,638**	127,500,995	1,956,264,488
Total		**4,593,764,638**		5,897,792,988

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

	Unaudited March 31, 2020	Audited June 30, 2019
	Rupees	
15 TRADE AND OTHER PAYABLES		
Creditors	**800,618,024**	594,518,438
Commission payable	**2,772,992**	10,858,152
Accrued expenses	**3,758,060**	17,262,865
Payable to provident fund	**-**	272,108
Taxes payable	**13,506,823**	13,916,869
Other liabilities	**1,161,733**	1,147,118
	821,817,632	637,975,550

15.1 This includes Rs. 9.09 million (June 30, 2019: Rs 26.42 million) payable to related parties of the Company.

16 LOAN FROM SPONSOR

This represents interest free loan from Sponsor (Mr. Arif Habib) payable on demand amounting to Rs. 800,000,000. This loan is obtained to meet the working capital needs of the Company.

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

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

	Unaudited March 31, 2020	Audited June 30, 2019
17.2 Commitments	Rupees	
Following commitments were outstanding as at the reporting date:		
- Outstanding settlements against margin trading contracts	**74,390,764**	183,844,159
- Outstanding settlements against sale / purchase of securities in regular market.	**78,214,443**	67,513,807
-Financial guarantees given by commercial banks on behalf of the Company	**250,000,000**	250,000,000

18 OPERATING REVENUE

	Unaudited Nine months ended		Unaudited Quarter ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	Rupees			
Brokerage income	**244,506,669**	228,292,913	**87,864,493**	76,957,189
Consultancy income	**111,409,981**	177,989,509	**52,878,054**	96,402,860
Dividend income	**72,183,753**	22,200,479	**25,353,625**	238,926
	428,100,403	428,482,901	**166,096,172**	173,598,975

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

		Unaudited March 31, 2020	Unaudited March 31, 2019
19	**FINANCE COSTS**	Rupees	
	Finance cost on finance leases	**4,514,444**	12,102
	Markup on Loan From Sponsor	**2,145,205**	-
	Markup on short term borrowings from banking companies	**287,848,384**	126,560,178
	Markup on MTS securities	**634,474**	1,624,080
	Bank charges and others	**5,206,371**	2,967,284
		300,348,878	131,163,644

		Unaudited March 31, 2020	Unaudited March 31, 2019
20	**(LOSS) / EARNINGS PER SHARE**	Rupees	
20.1	**Basic (loss) / earnings per share**		
	(loss) / Profit after taxation attributable to ordinary shareholders	**(168,899,793)**	73,812,859
		Number	
	Weighted average number of ordinary shares outstanding during the period	**60,360,000**	66,000,000
		Rupees	
	(Loss) / earnings per share - basic	**(2.80)**	1.12

20.2 Diluted earnings per share

There is no dilutive effect on the basic (loss) / earnings per share of the Company, since there were no potential ordinary shares in issue as at March 31, 2020 and June 30, 2019.

21 RELATED PARTY TRANSACTIONS AND BALANCES

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

	Nine months period ended	
	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Transactions during the period	Rupees	
PARENT COMPANY		
Arif Habib Corporation Limited		
Brokerage Commission earned during the year on sale and purchase of	**2,396,253**	4,964,384
Dividend paid during the period	**-**	275,000,000
SUBSIDIARY		
Arif Habib Commodities (Private) Limited		
Brokerage Commission earned during the period on sale and purchase of Securities	**13,877**	156,366

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

	Nine months period ended	
	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
	---------- Rupees ----------	
KEY MANAGEMENT PERSONNEL		
Zafar Alam (Chairman)		
Meeting fee paid	**75,000**	75,000
Muhammad Shahid Ali (CEO)		
Brokerage Commission earned during the period on sale and purchase of securities	**5,699,749**	5,835,668
Muhammad Haroon (Director)		
Brokerage commission earned during the period on sale and purchase of securities	**125,915**	95,415
Meeting fee paid	**75,000**	50,000
Muhammad Sohail Salat (Director)		
Meeting fee paid	**75,000**	75,000
Sharmin Shahid (Director)		
Brokerage Commission earned during the period on sale and purchase of Securities	**301,533**	610,491
Meeting fee paid	**75,000**	75,000
Nida Ahsan (Director)		
Brokerage commission earned during the period on sale and purchase of securities	**1,340,170**	6,791,115
CLOSE FAMILY MEMBERS OF KEY MANAGEMENT PERSONNEL		
Arif Habib		
Brokerage commission earned during the period on sale and purchase of Securities	**5,942,019**	5,032,478
Long - term loan Obtained	**300,000,000**	-
Short - term Loan Obtained	**800,000,000**	-
Payment made under buy-back scheme	**130,070,292**	-
Abdus Samad A. Habib		
Brokerage commission earned during the period on sale and purchase of securities	**409,718**	40,799
Muhammad Kashif A. Habib		
Brokerage commission earned during the period on sale and purchase of securities	**6,363**	76,805
OTHER RELATED PARTIES		
Javedan Corporation Limited		
Purchase of plots	**-**	125,000,000
Development charges paid	**-**	26,088,000
Arif Habib Limited - Employees' Provident Fund Trust		
Contribution paid during the period	**4,602,807**	4,714,054

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

Balances at the end of the reporting period	As on March 31, 2020 (Unaudited)	As on June 30, 2019 (Audited)
	---------- Rupees ----------	
PARENT COMPANY		
Arif Habib Corporation Limited		
Balance Receivable at period end	**175,754**	40,128
SUBSIDIARY		
Arif Habib Commodities (Private) Limited		
Balance payable at period end	**-**	433,481
Other receivables	**15,256,305**	15,256,305
KEY MANAGEMENT PERSONNEL		
Zafar Alam (Chairman)		
Balance payable at period end	**203,181**	-
Muhammad Shahid Ali (CEO)		
Balance payable at period end	**9,097,900**	25,972,102
Sharmin Shahid (Director)		
Balance recievable at period end	**31,228**	-
Nida Ahsan (Director)		
Balance recievable at period end	**50,578**	-
Balance payable at period end	**-**	12,182
Muhammad Haroon (Director)		
Balance payable at period end	**466**	4,239
CLOSE FAMILY MEMBERS OF KEY MANAGEMENT PERSONNEL		
Arif Habib		
Balance recievable at period end	**40,401**	-
Long term Loan Payable	**300,000,000**	
Short term loan Payable	**800,000,000**	-
Abdus Samad A. Habib		
Balance recievable at period end	**1,433,291**	-
Muhammad Kashif A. Habib		
Balance recievable at period end	**19,630**	-

22 CORRESPONDING FIGURES

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

Reclassified from component	Reclassified to component	Rupees
Advance against equity (Advances, deposits and prepayments)	Advance against equity (Long term advances and deposits)	2,000,000

CONDENSED INTERIM SELECTED NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

23 FAIR VALUE HIERARCHY

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

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

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

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

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

	Level 1	Level 2	Level 3
As on March 31, 2020	---------- (Rupees) ----------		
Long term investment in quoted shares	**-**	**-**	-
Long term investment in unquoted shares	**-**	**53,022,530**	-
Short term investment in quoted equity securities and units of mutual funds	**2,274,293,326**	**-**	**-**
Short term investment in term finance / sukuk certificates	**-**	**405,951,938**	**-**
Investment properties	**-**	**1,699,444,800**	**-**
As on June 30, 2019			
Long term investment in quoted shares	13,023,998	**-**	**-**
Long term investment in unquoted shares	**-**	53,022,530	**-**
Short term investment in quoted equity securities and units of mutual funds	2,089,487,680	-	-
Short term investment in term finance / sukuk certificates	-	321,613,197	-
Investment properties	-	1,726,419,800	-

24 OPERATING SEGMENT

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

All non current assets of the Company as at March 31, 2020 were located in Pakistan.

25 FINANCIAL RISK MANAGEMENT

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

26 CASH AND CASH EQUIVALENTS

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

	March 31, 2020	March 31, 2019
	——— Rupees ———	
Cash and bank balances	**839,898,646**	437,831,325
Short term borrowings	**(1,379,462,080)**	(2,872,332,266)
	(539,563,434)	(2,434,500,941)

27 GENERAL

These interim financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on April 24, 2020.

Chief Executive Officer | Director | Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

	Note	Un audited March 31, 2020	Audited June 30, 2019
ASSETS		Rupees	
Non-current assets			
Property and equipment	5	34,766,817	39,664,224
Right-of-use assets	6	47,659,099	-
Intangible assets		10,541,795	10,454,089
Long term investments		53,022,530	66,046,528
Investment property	7	1,699,444,800	1,726,419,800
Long-term advances and deposits		30,576,112	32,503,690
		1,876,011,153	1,875,088,331
Current assets			
Short term investments	8	2,704,874,156	2,417,046,133
Trade debts	9	79,899,790	30,933,887
Receivable against margin financing		54,388,075	114,245,832
Receivable against sale of securities- net		71,034,671	-
Short term loans - secured		4,000,000	4,100,002
Advances, deposits and prepayments		150,103,161	346,522,172
Accrued markup		4,194,004	26,899,464
Other receivables		144,276,097	197,776,510
Cash and bank balances	10	860,365,859	657,572,366
		4,073,135,813	3,795,096,366
Total assets		5,949,146,966	5,670,184,697
EQUITY AND LIABILITIES			
Capital and reserves			
Authorized capital			
75,000,000 (June 30, 2019: 75,000,000) ordinary of Rs 10/- each		750,000,000	750,000,000
Issued, subscribed and paid-up capital	11	594,000,000	660,000,000
Unappropriated profits		1,957,202,772	2,264,332,324
Fair value under specially opted accounting treatment	12	(89,964,602)	-
Surplus on revaluation		15,432,500	15,432,500
		1,882,670,670	2,279,764,824
		2,476,670,670	2,939,764,824
LIABILITIES			
Non-current liabilities			
Lease liability		29,889,401	-
Loan from Sponsor	13	300,000,000	-
		329,889,401	-
Current liabilities			
Short term borrowings- secured	14	1,379,462,080	1,909,233,639
Trade and other payables	15	827,001,483	639,065,000
Loan from Sponsor	16	800,000,000	-
Payable to provident fund		104,518	272,108
Current portion of lease liability		18,067,791	-
Payable against purchase of securities- net		-	30,970,319
Unclaimed dividend		14,278,093	14,460,393
Loan from related party		3,862,500	3,800,000
Markup accrued		71,571,225	84,812,447
Taxes payable -net		28,239,205	47,805,967
		3,142,586,895	2,730,419,873
Contingencies and commitments	17		
Total equity and liabilities		5,949,146,966	5,670,184,697

The annexed notes from 1 to 27 form an integral part of these condensed interim consolidated financial statements. The information about unrealised loss arising on fair value measurement of equity instruments classified as 'Fair Value through Profit or Loss' held as at 31 March 2020 and its impact on these condensed interim consolidated financial statements in accordance with SRO 278 (1)/2020 issued by Securities and Exchange Commission of Pakistan is disclosed in note 12.

Chief Executive Officer | Director | Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

		Nine months ended		Quarter ended	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	Note	Rupees			
Operating revenue	18	**445,611,265**	436,995,864	**172,844,942**	175,516,816
Capital (loss) / gain on sale of short term investments		**(252,152,265)**	124,263,242	**42,236,117**	8,752,077
Unrealized loss on re-measurement of short term and long term investments		**-**	(477,111,170)	**(559,248,441)**	(162,971,952)
Unrealized gain on remeasurement of investment property	7	**132,500,000**	356,400,000	**-**	114,701,640
		325,959,000	440,547,936	**(344,167,382)**	135,998,581
Administrative and operating expenses		**(258,660,891)**	(257,700,423)	**(88,923,108)**	(82,800,194)
Finance costs	19	**(300,357,380)**	(131,185,934)	**(74,153,745)**	(58,427,579)
Other operating income		**121,988,905**	60,005,696	**39,773,956**	2,404,172
(Loss) / profit before taxation		**(111,070,366)**	111,667,275	**(467,470,279)**	(2,825,020)
Taxation		**(31,059,186)**	(42,253,713)	**(5,525,241)**	(5,941,412)
(Loss) / profit after taxation		**(142,129,552)**	69,413,562	**(472,995,520)**	(8,766,432)
(Loss) / earnings per share - basic and diluted	20	**(2.35)**	1.05	**(7.84)**	(0.13)

The annexed notes from 1 to 27 form an integral part of these condensed interim consolidated financial statements. The information about unrealised loss arising on fair value measurement of equity instruments classified as 'Fair Value through Profit or Loss' held as at 31 March 2020 and its impact on these condensed interim consolidated financial statements in accordance with SRO 278 (1)/2020 issued by Securities and Exchange Commission of Pakistan is disclosed in note 12.

Chief Executive Officer | Director | Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

	Nine months ended		Quarters ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	Rupees			
(Loss) / profit after taxation	**(142,129,552)**	69,413,562	**(472,995,520)**	(8,766,432)
Other comprehensive income	**-**	-	**-**	-
Total comprehensive (loss) / income for the period	**(142,129,552)**	69,413,562	**(472,995,520)**	(8,766,432)

The annexed notes from 1 to 27 form an integral part of these condensed interim consolidated financial statements.

Chief Executive Officer

Director

Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

	Issued, subscribed & paid up capital	Unappropriated profits	Fair value under specially opted accounting treatment	Surplus on revaluation	Total
	Rupees				
Balance as at July 01, 2018	550,000,000	2,647,092,238	-	15,432,500	3,212,524,738
Effect of recognition of expected credit loss allowance on initial application of IFRS 9	-	(42,288,164)	-	-	(42,288,164)
Total comprehensive income for the nine months ended March 31, 2019	-				
- Profit after taxation	-	69,413,562	-	-	69,413,562
- Other comprehensive income	-	-	-	-	-
	-	69,413,562	-	-	69,413,562
Transactions with owners					
- Cash dividend paid @ 30% for the year ended June 30, 2018	-	(165,000,000)	-	-	(165,000,000)
- Bonus shares issued @ 20% for the year ended June 30, 2018	110,000,000	(110,000,000)	-	-	-
	110,000,000	(275,000,000)	-	-	(165,000,000)
Balance as at March 31, 2019	660,000,000	2,399,217,636	-	15,432,500	3,074,650,136
Balance as at July 01, 2019	**660,000,000**	**2,264,332,324**	**-**	**15,432,500**	**2,939,764,824**
Total comprehensive income for the nine months ended March 31, 2020					
- Loss after taxation	**-**	**(142,129,552)**	**-**	**-**	**(142,129,552)**
- Other comprehensive income	**-**	**-**	**-**	**-**	**-**
	-	**(142,129,552)**	**-**	**-**	**(142,129,552)**
Transactions with owners					
- Buy-back of 10% shares under tender offer	**(66,000,000)**	**(165,000,000)**	**-**	**-**	**(231,000,000)**
Relief from the requirements contained in IFRS 9					
- Fair value under specially opted accounting treatment	**-**	**-**	**(89,964,602)**	**-**	**(89,964,602)**
Balance as at March 31, 2020	**594,000,000**	**1,957,202,772**	**(89,964,602)**	**15,432,500**	**2,476,670,670**

The annexed notes from 1 to 27 form an integral part of these condensed interim consolidated financial statements.

Chief Executive Officer

Director

Chief Financial Officer

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

FOR THE NINE MONTHS ENDED MARCH 31, 2020 (UNAUDITED)

	Note	March 31, 2020	March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		Rupees	
(Loss) / Profit before taxation		(111,070,366)	111,667,275
Adjustments for:			
- Depreciation		5,548,296	6,237,707
- Depriciation on right-of-use asset		14,803,300	-
- Amortization of intangible asset		370,227	385,087
- Gain on disposal of investment property		(775,000)	(11,315,000)
- Loss on disposal of property and equipment		-	11,885
- Loss / (Gain) on re-measurement of short term investments		-	477,111,170
- Loss / (Gain) on short term investment		252,152,265	(124,263,242)
- Unrealized gain on re-measurement of investment property		(132,500,000)	(356,400,000)
- Dividend income		(72,183,753)	(22,200,479)
- Finance costs		300,357,380	131,185,934
		367,772,715	100,753,062
		256,702,349	212,420,337
Working capital changes			
(Increase)/decrease in current assets			
- Short-term investments - net		(616,920,892)	(706,062,446)
- Trade debts - consider good		(48,965,903)	(9,221,567)
- Receivable against margin financing		59,857,757	50,478,253
- Receivable against purchase of securities- net		(71,034,671)	-
- Short term loans		100,002	4,760,782
- Deposits and short-term prepayments		196,419,011	(28,714,092)
- Accrued markup		22,705,460	21,175,998
- Other receivables		56,224,038	(671,912,282)
Increase/(decrease) in current liabilities			
- Trade and other payables		187,936,483	(122,456,874)
- Unclaimed dividend		(182,300)	-
- Payable to provident fund		(167,590)	225,414
- Short term loan from Sponsor		800,000,000	-
- Loan from related party		62,500	3,800,000
- Payable against purchase of securities - net		(30,970,319)	(81,648,621)
		555,063,576	(1,539,575,435)
Cash generated from / (used in) operations		811,765,925	(1,327,155,098)
Taxes paid		(50,625,948)	(63,163,186)
Finance costs paid		(313,598,602)	(119,339,608)
Net cash generated from / (used in) operating activities		447,541,375	(1,509,657,892)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(650,889)	(8,878,591)
Proceeds from disposal of property and equipment		-	560,780
Acquisition of intangible assets		(457,933)	-
Proceed from disposal of intangible assets		-	-
Expenditure on investment property - net		-	(151,088,000)
Sale proceeds on disposal of Investment property		182,880,000	148,655,000
Dividends received		46,830,128	24,245,279
Long term deposits - net		1,927,578	(2,214,402)
Net cash generated from investing activities		230,528,884	11,280,066
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal repayment against lease liability		(14,505,207)	(1,345,933)
Dividend paid		-	(161,957,620)
Long term loan from Sponsor		300,000,000	
Buy-back of 10% shares under tender offer		(231,000,000)	-
Net cash generated from / (used in) financing activities		54,494,793	(163,303,553)
Net increase / (decrease) in cash and cash equivalents		732,565,052	(1,661,681,379)
Cash and cash equivalents at the beginning of the period		(1,251,661,273)	(757,165,827)
Cash and cash equivalents at the end of the period	26	(519,096,221)	(2,418,847,206)

The annexed notes from 1 to 27 form an integral part of these condensed interim consolidated financial statements.

Chief Executive Officer | Director | Chief Financial Officer

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED MARCH 31, 2020 (UNAUDITED)

1 STATUS AND NATURE OF BUSINESS

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

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

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

Name of subsidiary companies	Effective % shareholding
- Arif Habib Commodities (Private) Limited	100.00%
- Arif Habib 1857 (Private) Limited	100.00%

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

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

2.2 Basis of measurement

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

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

b) Long term investments in unquoted ordinary shares of M/s. ISE Tower REIT Management Limited and M/s. LSE Financial Services Limited which are carried at fair value;

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED MARCH 31, 2020 (UNAUDITED)

c) Investment property which is carried at fair value;

d) Short term investments in quoted equity securities, units of mutual funds and term finance certificates / sukuks which are carried at fair value;

2.3 Functional and presentation currency

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

3 SIGNIFICANT ACCOUNTING POLICIES

Except for the change in accounting policy described in note 3.1 and note 12 below, the significant accounting policies adopted in the preparation of these interim financial statements are the same as those applied in the preparation of the consolidated financial statements of the Group for the year ended June 30, 2019.

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

An overview of the new lease accounting requirements for lessees

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

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

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

Method of transition to the new lease accounting model

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

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

(a) The Group has applied a single discount rate (i.e. its incremental borrowing rate of 15% per annum as of July 01, 2019) to its portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);

(b) The Group has relied on its assessment of whether the aforesaid lease arrangements are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets as on June 30, 2019 as an alternative to perform an impairment review of right-of-use asset. The said assessment performed by the Group as on June 30, 2019 had not identified any onerous lease arrangements; and

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

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

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

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

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

(a) As permitted under paragraph C8(b) of IFRS 16, the Group measured the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of related prepaid lease payments recognized in its consolidated statement of financial position as June 30, 2019.

(b) The Group measured the lease liability at the present value of the remaining lease payments, discounted using its aforementioned incremental borrowing rate of 15% per annum as of July 01, 2019.

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

Right -of-use asset

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

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

Lease liability

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

(a) increasing the carrying amount to reflect interest on the lease liability;

(b) reducing the carrying amount to reflect the lease payments made; and

(c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

4 ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

	Unaudited March 31, 2020	Audited June 30, 2020
5 PROPERTY AND EQUIPMENT	Rupees	
Owned assets	**34,766,817**	39,664,224

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

5.1 During the period ended March 31, 2020, addition made amounting to PKR 650 thousands (June 2019: PKR 10,272 thousands) which comprised of computer & allied, however no disposals were made to property and equipment.

	Unaudited March 31, 2020	Audited June 30, 2020
6 RIGHT-OF-USE ASSETS	Rupees	
Cost	**62,462,399**	-
Depreciation charged during the period / year	**(14,803,300)**	-
Closing net book value	**47,659,099**	-

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

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

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

	Unaudited March 31, 2020	Audited June 30, 2020
7 INVESTMENT PROPERTY	Rupees	
Opening carrying value	**1,726,419,800**	1,373,500,000
Disposals during the period / year	**(159,475,000)**	(180,540,000)
Additions during the period / year	**-**	163,419,941
	1,566,944,800	1,356,379,941
Increase in fair value - net	**132,500,000**	370,039,859
	1,699,444,800	1,726,419,800

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

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

		Unaudited March 31, 2020	Audited June 30, 2020
8	**SHORT TERM INVESTMENTS - at fair value through profit or loss**	Rupees	
	Quoted equity securities	**2,274,293,326**	2,089,487,680
	Investment in MTS	**-**	5,945,256
	Units of mutual funds	**-**	-
		2,274,293,326	2,095,432,936
	Term finance / sukuk certificates	**430,580,830**	321,613,197
		2,704,874,156	2,417,046,133
9	**TRADE DEBTS**		
	Considered good	**79,899,790**	30,933,887
	Considered doubtful	**865,324,540**	865,324,540
		945,224,330	896,258,427
	Less: Provision for expected credit losses	**(865,324,540)**	(865,324,540)
		79,899,790	30,933,887

9.1 As of March 31, 2020, the Company held equity securities having fair value of Rs. 31,736 million (June 2019: Rs. 37,076 million) owned by its clients, as collaterals against trade debts.

9.2 The aging analysis of the trade debts as at reporting date is as follows :

	Unaudited March 31, 2020		Audited June 30, 2019	
	Gross	Impairment	Gross	Impairment
Not past due	**-**	**-**	-	-
Past due 1 day - 30 days	**66,124,912**	**-**	32,051,907	-
Past due 31 days - 180 days	**12,094,837**	**-**	11,978,370	-
Past due 181 days - 1 year	**1,680,041**	**-**	13,350,004	-
More than one year	**865,324,540**	**865,324,540**	838,878,146	865,324,540
	945,224,330	**865,324,540**	896,258,427	865,324,540

		Note	Unaudited March 31, 2020	Audited June 30, 2019
10	**CASH AND BANK BALANCES**		Rupees	
	Cash in hand		**117,742**	175,294
	Cash at bank			
	- in current accounts		**51,272,758**	195,786,812
	- in savings accounts		**808,975,359**	461,610,260
		10.1	**860,248,117**	657,397,072
			860,365,859	657,572,366

10.1 This includes customer's bank balances held in designated bank accounts amounting to Rs. 800.618 million (June 2019: Rs. 595.989 million).

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

11 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

March 31, 2020	June 30, 2019		Note	Unaudited March 31, 2020	Audited June 30, 2019
——- No. of shares ———				———— Rupees ————	
		Ordinary shares of Rs.10/- each:			
10,800,000	12,000,000	Issued for cash		**108,000,000**	120,000,000
48,600,000	54,000,000	Issued as bonus shares		**486,000,000**	540,000,000
59,400,000	66,000,000		*11.1*	**594,000,000**	660,000,000

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

	Note	Unaudited March 31, 2020	Audited June 30, 2019
		———— Rupees ————	
Balance as at the beginning of the period / year		**66,000,000**	55,000,000
20% bonus shares issued		**-**	11,000,000
10% shares bought back under tender offer	*11.1.1*	**(6,600,000)**	-
Balance as at the end of the period / year		**59,400,000**	66,000,000

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

12 FAIR VALUE ADJUSTMENT UNDER SPECIALLY OPTED ACCOUNTING TREATMENT

During the period, the COVID – 19 has spread throughout the country and measures have been taken to reduce the spread of the COVID-19 including lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events etc. These measures have resulted in an overall economic slowdown, disruptions to various businesses and significant volatility in the Pakistan Stock Exchange. (PSX). On 31 March 2020, the Pakistan Stock Exchange (PSX) 100 index closed at 29,231 points and the Index has shed more than 28% from 31 December 2019.

The Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O. 278(I)/2020 dated 1 April 2020 has allowed all companies to recognize unrealised gain / loss arising on fair value measurement of equity Instruments classified as "Fair Value through Profit or Loss" held as at March 31, 2020 in the statement of changes in equity as a separate component of equity. As per that circular the amount taken to equity on 31 March 2020, after any adjustment/effect for price movements shall be taken to the Statement of Profit or Loss for the year/period ending 30 June 2020. However, this amount taken to equity, shall be treated as a charge to statement of profit or loss for the purposes of distribution as dividend, where applicable.

The recognition of unrealised loss on fair value measurement in accordance with the requirements of IFRS-9 would have had the following effect on these condensed interim consolidated financial statements:

	Nine months ended	Quarter ended
	31 March 2020	
Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Increase in 'Loss on remeasurement of investments - net'	**(89,964,602)**	**(89,964,602)**
Increase in loss for the period / total comprehensive income	**(89,964,602)**	**(89,964,602)**
Increase in loss per share - basic and diluted	**(1.50)**	**(1.50)**

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

Effect on Condensed Interim Consolidated Statement of Financial Position	31 March 2020 (Unaudited)	30 June 2019 (Audited)
Decrease in unappropriated profit	**(89,964,602)**	-
Decrease in fair value adjustment under specially opted accounting treatment	**(89,964,602)**	-

There is no impact of specially opted accounting treatment on total equity and on prior year / period.

13 LOAN FROM SPONSOR

This represents interest bearing loan from sponsor (Mr. Arif Habib) amounting to PKR 300 million payable on demand after 13 months. This loan carries a mark-up rate of 6 Month KIBOR + 2% payable quarterly.

14 SHORT TERM BORROWINGS - SECURED

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

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

	March 31, 2020		June 30, 2019	
	Number of securities	**Amount (Rupees)**	Number of securities	Amount (Rupees)
Clients	**133,750,000**	**2,849,625,000**	155,810,000	3,941,528,500
House	**104,575,995**	**1,744,139,638**	127,500,995	1,956,264,488
Total		**4,593,764,638**		5,897,792,988

15 TRADE AND OTHER PAYABLES

	Note	Unaudited March 31, 2020	Audited June 30, 2019
		Rupees	
Creditors	*15.1*	**800,618,024**	594,177,475
Commission payable		**3,671,861**	10,858,152
Accrued expenses		**7,725,706**	17,382,865
Taxes payable		**13,597,442**	13,916,869
Other liabilities		**1,388,450**	2,729,639
		827,001,483	639,065,000

15.1 This includes Rs. 9.09 million (June 30, 2019: Rs 26.42 million) payable to related parties of the Company.

16 LOAN FROM SPONSOR

This represents interest free loan from Sponsor (Mr. Arif Habib) payable on demand amounting to Rs. 800,000,000. This loan is obtained to meet the working capital needs of the Company.

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

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

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

	Unaudited March 31, 2020	Audited June 30, 2019
17.2 Commitments	Rupees	
Following commitments were outstanding as at the reporting date.		
- Outstanding settlements against margin trading contracts	**74,390,764**	183,844,159
- Outstanding settlements against sale / purchase of in regular market.	**78,214,443**	67,513,807
- Financial guarantees given by commercial banks on behalf of the Parent Company	**250,000,000**	250,000,000

18 OPERATING REVENUE

	Nine months ended		Quarter ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	Rupees			
Brokerage income	**262,017,531**	236,805,876	**94,613,263**	78,875,031
Consultancy income	**111,409,981**	177,989,509	**52,878,054**	96,402,860
Dividend income	**72,183,753**	22,200,479	**25,353,625**	238,925
	445,611,265	436,995,864	**172,844,942**	175,516,816

19 FINANCE COSTS

	Unaudited March 31, 2020	Unaudited March 31, 2019
	Rupees	
Finance cost on leases	**4,514,443**	12,102
Markup on Loan From Sponsor	**2,145,205**	-
Markup on short term borrowings from banking companies	**287,848,384**	126,560,178
Laga charges	**634,474**	1,624,080
Bank charges and others	**5,214,874**	2,989,574
	300,357,380	131,185,934

20 (LOSS) / EARNINGS PER SHARE

20.1 Basic (loss) / earnings per share

(Loss) / profit after taxation attributable to ordinary shareholders of the Parent Company	**(142,129,552)**	69,413,562
	Number	
Weighted average number of ordinary shares outstanding during the period	**60,360,000**	66,000,000
	Rupees	
(Loss) / earnings per share - basic	**(2.35)**	1.05

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

20.2 Diluted earnings per share

There is no dilutive effect on the basic (loss) / earnings per share of the Group, since there were no potential ordinary shares in issue as at March 31, 2020 and June 30, 2019.

21 RELATED PARTY TRANSACTIONS AND BALANCES

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

	Nine months period ended	
	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Transactions during the period	---------- Rupees	----------
PARENT COMPANY		
Arif Habib Corporation Limited		
Brokerage Commission earned during the year on sale and purchase of	**2,396,253**	4,964,384
Dividend paid during the period	**-**	275,000,000
KEY MANAGEMENT PERSONNEL		
Zafar Alam (Chairman of the Parent Company)		
Meeting fee paid	**75,000**	75,000
Muhammad Shahid Ali (CEO of the Parent Company)		
Brokerage Commission earned during the period on sale and purchase of securities	**5,699,749**	5,835,668
Muhammad Haroon (Director of the Parent Company)		
Brokerage commission earned during the period on sale and purchase of securities	**125,915**	95,415
Meeting fee paid	**75,000**	50,000
Muhammad Sohail Salat (Director of the Parent Company)		
Meeting fee paid	**75,000**	75,000
Sharmin Shahid (Director of the Parent Company)		
Brokerage Commission earned during the period on sale and purchase of Securities	**301,533**	610,491
Meeting fee paid	**75,000**	75,000
Nida Ahsan (Director of the Parent Company)		
Brokerage commission earned during the period on sale and purchase of securities	**1,340,170**	6,791,115
Ahsan Mehnti (Director of Subsidiary Company)		
Loan received	**62,500**	3,800,000

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

	Nine months period ended	
	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
	---------- Rupees ----------	
CLOSE FAMILY MEMBERS OF KEY MANAGEMENT PERSONNEL		
Arif Habib		
Brokerage commission earned during the period on sale and purchase of Securities	**5,942,019**	5,032,478
Long - term loan Obtained	**300,000,000**	-
Short term Loan Obtained	**800,000,000**	-
Payment made under buy-back scheme	**130,070,292**	-
Abdus Samad A. Habib		
Brokerage commission earned during the period on sale and purchase of securities	**409,718**	40,799
Muhammad Kashif A. Habib		
Brokerage commission earned during the period on sale and purchase of securities	**6,363**	76,805
OTHER RELATED PARTIES		
Javedan Corporation Limited		
Purchase of plots	**-**	125,000,000
Development charges paid	**-**	26,088,000
Arif Habib Limited - Employees' Provident Fund Trust		
Contribution paid during the period	**4,602,807**	4,714,054

	As on	
Balances at the end of the reporting period	**March 31, 2020 Unaudited**	June 30, 2019 Audited
	---------- Rupees ----------	
ULTIMATE PARENT COMPANY		
Arif Habib Corporation Limited		
Balance receivable against sale and purchase of securities	**175,754**	40,128
KEY MANAGEMENT PERSONNEL		
Zafar Alam (Chairman of the Parent Company)		
Balance payable against sale and purchase of securities	**203,181**	-
Muhammad Shahid Ali (CEO of the Parent Company)		
Balance payable against sale and purchase of securities	**9,097,900**	25,972,102
Sharmin Shahid (Director of the Parent Company)		
Balance payable against sale and purchase of securities	**31,228**	-

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

	As on	
	March 31, 2020 Unaudited	June 30, 2019 Audited
	---------- Rupees ----------	
Nida Ahsan (Director of the Parent Company)		
Balance receivable against sale and purchase of securities	**50,578**	-
Balance payable against sale and purchase of securities	**-**	12,182
Muhammad Haroon (Director of the Parent Company)		
Balance payable against sale and purchase of securities	**466**	4,239
Ahsan Mehnti (Director of Subsidiary Company)		
Loan payable	**3,862,500**	3,800,000
CLOSE FAMILY MEMBERS OF KEY MANAGEMENT PERSONNEL		
Arif Habib		
Balance receivable against sale and purchase of securities	**40,401**	-
Payment made under buy-back scheme	**130,070,292**	-
Long term Loan Payable	**300,000,000**	
Short term loan Payable	**800,000,000**	-
Abdus Samad A. Habib		
Balance payable against sale and purchase of securities	**1,433,291**	-

22 CORRESPONDING FIGURES

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

Reclassified from component	Reclassified to component	Rupees
Creditors (Trade and other payables)	Accrued expenses (Trade and other payables)	11,154,237

23 FAIR VALUE HIERARCHY

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

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

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

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

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

CONDENSED INTERIM SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2020 (UNAUDITED)

	Level 1	Level 2	Level 3
	----------	(Rupees)	----------
As on March 31, 2020			
Long term investment in quoted shares	**-**	**-**	**-**
Long term investment in unquoted shares	**-**	**53,022,530**	**-**
Short term investment in quoted equity securities and units of mutual funds	**2,274,293,326**	**-**	**-**
Short term investment in term finance / sukuk certificates	**-**	**430,580,830**	**-**
Investment properties	**-**	**1,699,444,800**	**-**
As on June 30, 2019			
Long term investment in quoted shares	13,023,998	-	-
Long term investment in unquoted shares	-	53,022,530	-
Short term investment in quoted equity securities and units of mutual funds	2,089,487,680	-	-
Short term investment in term finance / sukuk certificates	-	321,613,197	-
Short term investment in MTS	5,945,256	-	-
Investment properties	-	1,726,419,800	-

24 OPERATING SEGMENT

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

All non current assets of the Group as at March 31, 2020 are located in Pakistan.

25 FINANCIAL RISK MANAGEMENT

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

26 CASH AND CASH EQUIVALENTS

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

	March 31, 2020	March 31, 2019
	Rupees	
Cash and bank balances	**860,365,859**	475,103,116
Short term borrowings	**(1,379,462,080)**	(2,893,950,322)
	(519,096,221)	(2,418,847,206)

27 GENERAL

These financial statements were authorized for issue by the Board of Directors of the Parent Company in their meeting held on April 24, 2020.

Chief Executive Officer | Director | Chief Financial Officer

PATTERN OF SHAREHOLDING

AS OF MARCH 31, 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	600	0.00
MUHAMMAD SOHAIL SALAT	1	600	0.00
Associated Companies, undertakings and related parties			
M/S. ARIF HABIB CORPORATION LIMITED	2	43,245,884	72.80
ARIF HABIB	1	976,008	1.64
Public Sector Companies and Corporations	1	55,420	0.09
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	2	25,054	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	220,000	0.37
CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	1	26,500	0.04
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	176,000	0.30
General Public			
a. Local	3160	12,875,839	21.68
b. Foreign	1	12,000	0.02
Foreign Companies			
Others	43	1,011,462	1.70
Totals	**3225**	**59,400,000**	**100.00**

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