

Progression Towards **New Horizons**



Half Yearly Report  
December 31, 2017

 **ARIF HABIB**  
LIMITED

Progression Towards

# New H



**At Arif Habib Limited (AHL),** we constantly strive to reach new heights in all that we associate ourselves in. Our **Progression Towards New Horizons** is testament to the corporate goals and objectives we set.

Our theme depicts the upward flight of a flock of birds, who are known to do so in a seamless and structured manner. This is very much in line with how we set our Company's progression in our day-to-day activities. The flock is shown to be soaring towards new horizons, an acknowledgment of where we as a Company see ourselves.

This Half Yearly Report can also be accessed from  
[www.arifhabibld.com/halfyeardec2017](http://www.arifhabibld.com/halfyeardec2017)

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## Table of Contents

<b>02</b>	Corporate Information
<b>04</b>	Directors' Report
<b>06</b>	Condensed Interim Independent Auditors' Review Report
<b>08</b>	Condensed Interim Balance Sheet
<b>09</b>	Condensed Interim Profit & Loss Account (Unaudited)
<b>10</b>	Condensed Interim Statement of Comprehensive Income (Unaudited)
<b>11</b>	Condensed Interim Statement of Changes in Equity (Unaudited)
<b>12</b>	Condensed Interim Cash Flow Statement (Unaudited)
<b>13</b>	Condensed Interim Selected Notes to the Financial Information (Unaudited)
<b>18</b>	Pattern of Share Holding

# Corporate Information

## Board of Directors

Mr. Zafar Alam  
Chairman & Non-executive Director

Mr. Muhammad Shahid Ali Habib  
Chief Executive Officer & Executive Director

Mr. Ali Murtaza Kazmi  
Independent 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

## Audit Committee

Mr. Ali Murtaza Kazmi  
Chairman

Mr. Haroon Usman  
Member

Ms. Nida Ahsan  
Member

## Human Resource & Remuneration Committee

Mr. Haroon Usman  
Chairman

Mr. Muhammad Shahid Ali Habib  
Member

Ms. Nida Ahsan  
Member

## Company Secretary & CFO

Mr. Muhammad Taha Siddiqui

## Auditors

M/s. Rahman Sarfaraz Rahim Iqbal Rafiq  
Chartered Accountants

## Credit Rating

JCR-VIS Credit Rating Company Limited

## Legal Advisors

M/s. Bawaney & Partners

### **Bankers**

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

### **Registrar & Share Transfer Office**

Share Registrar Department  
Central Depository Company of Pakistan  
Limited  
CDC House, 99-B, Block-B  
S.M.C.H.S., Main Shahra-e-Faisal  
Karachi-74400  
Tel: Customer Support Services:  
0800-CDCPL (23275)  
Fax: (92-21) 34326053  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)  
Website: [www.cdcpakistan.com](http://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](mailto:info@arifhabibltd.com)  
Company website: [www.arifhabibltd.com](http://www.arifhabibltd.com)  
Online Trade: [www.ahletrade.com](http://www.ahletrade.com)  
Branch Reg. No: BOA-050/01

### **Lahore Office**

14-A Jail Road, Lahore-54000.  
Tel: (92-42) 3587-1730-34



# Directors' Report

Dear Fellow Members of Arif Habib Limited,

On behalf of the Board of Directors of Arif Habib Limited (AHL), I am pleased to present the Half Yearly and Second Quarter Report of the Company for the year 2017-18 together with the financial information of the half year and quarter ended as per the accounting, regulatory and legal standards/requirements.

## Economic Review:

Pakistan remained on track to achieve the highest GDP growth in a decade however, cracks appeared on the external sector where the 1HFY18 Current Account Deficit jumped by 59% YoY to USD 7.41 billion (4.4% of GDP). Consequently, the PKR depreciated by 5.2% against the USD. Although during the month of December 2017, as a result of government's initiatives, export growth of 5% YoY was in contrast to a decline in imports, the quantum of Current Account Deficit of USD 1.1 billion (-21% MoM) is still high. Other indicators including inflation remained stable at 3.75% for 1HFY18 as compared to 3.88% in SPLY. The Large Scale Manufacturing grew by a stunning 7.2% during 5MFY18. In light of this, the SBP kept the policy rate unchanged at 5.75% during the period under review. With that said, the outlook for Pakistan's economy remains bright (GDP expected at 5.5%) given materialization and implementation of projects and initiatives undertaken by the government under the umbrella of CPEC in sectors of energy and transportation / infrastructure.

## Stock Market Review:

The KSE-100 index sighted another depressing quarter and depicted a negative return of 4.57% in 2QFY18 to close at 40,471 points. During 1HFY18, the local equity bourse slipped by 6,094 points or 13.09%. The decline in index was majorly led by i) pressure on the external account, ii) political apprehension given NAB references against ex-prime minister and ex-finance minister, and iii) massive selling from foreigners post MSCI EM reclassification (net sell of USD 66 million observed in the period under review). During 2QFY18, major contribution to the downside stemmed from the Power Generation and Distribution / Oil and Gas Marketing Companies due to closure of furnace oil (FO) based power plants and Cements amid margin attrition whereas sectors provided support were Oil & Gas Exploration Companies on the back of rising international oil prices and Tobacco given foreign interest.

## Your Company's Performance

During the period under review, your Company has posted after tax loss of PKR 60.06 million.

The first half year of FY18 witnessed a major decline of 59% in market traded volumes and of 55% in market traded values compared to first half year of FY17. However, the brokerage and investment banking division managed to perform well with a relatively lower decline of 22% from the same period last year and posted a total brokerage & investment banking revenue of PKR 227.96 million (1HFY17: PKR. 293.61 million).

The short term investment portfolio has taken a hit due to major fall in market during period under review. It was partly offset by realized and unrealized gain on our real estate investment portfolio.

Your Company has done well in expense management with administrative and operating expenses decreasing by 17% as compared to the same period last year. The decrease is due to the fact that the Company has exercised strict cost control. Our finance cost for the period has decreased and posted a total of PKR 89.98 million (1HFY17: PKR 95.93 million). The decrease is due to the efforts of the management in downward revision of borrowing rates and effective management of funds by the Company.

The equity of the Company as at the balance sheet date is PKR 2.59 billion (June 2017: PKR 3.20 billion) which translates into book value per share of PKR 47.11 (June 30, 2017: PKR 58.20). The equity level decreased due to the release of PKR 550 million reserves for cash dividends approved in the AGM held on September 23, 2017.

#### **Future Prospects**

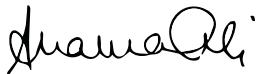
The future prospects of your Company are encouraging on account of the Management's efforts in increasing the Company's market share and through wider participation in all its business segments. The Company is striving to yield better volumes by providing improved quality of services through extensive research, corporate and advisory services. We are continuously working on expanding our online client base in order to increase the market participation of investors and avail benefits from the lucrative market opportunities. Further, the deal flows in the market have come down significantly and is likely to remain on the low side during this financial year owing to the upcoming election and political activities. Value of investment portfolio is expected to recover in value.

#### **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

Karachi.  
Dated: January 31, 2018



**Zafar Alam**  
Chairman

# Auditors' Report to the Members on Review of Condensed Interim Financial Information

## Introduction

We have reviewed the accompanying condensed interim balance sheet of Arif Habib Limited as at December 31, 2017 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2017 and 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2017 and 2016.

## Scope of Review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2017 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.



Chartered Accountants  
Engagement Partner: Muhammad Rafiq Dosani



# Financial Statements



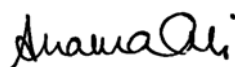
# Condensed Interim Balance Sheet AS AT DECEMBER 31, 2017

	Unaudited December 31, 2017	Audited June 30, 2017
Note	Rupees	
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property and equipment	5 39,078,448	40,928,161
Intangible assets	9,751,267	10,093,747
Long term investments	169,010,820	172,314,338
Investment property	6 1,316,511,719	369,211,719
Long-term deposits	15,933,674	19,033,324
	1,550,285,928	611,581,289
<b>Current assets</b>		
Short term investments	3,079,993,679	3,263,767,965
Trade debts - considered good	7 36,566,821	74,783,140
Receivable against margin financing	308,420,299	559,457,704
Short term loans - secured	3,828,871	4,034,172
Trade deposits and prepayments	45,216,602	137,215,090
Other receivables	159,107,572	209,351,235
Cash and bank balances	8 799,267,271	832,793,413
	4,432,401,115	5,081,402,719
<b>Total assets</b>	<b>5,982,687,043</b>	<b>5,692,984,008</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
<b>Authorized capital</b>		
75,000,000 (June 2017: 75,000,000) ordinary shares of Rs.10/- each	750,000,000	750,000,000
Issued, subscribed and paid-up capital	550,000,000	550,000,000
Unappropriated profits	2,021,634,583	2,635,627,251
	2,571,634,583	3,185,627,251
Surplus on revaluation	15,432,500	15,432,500
<b>Non-current liabilities</b>		
Liabilities against assets subject to finance lease	376,450	470,480
<b>Current liabilities</b>		
Short term borrowings- secured	9 2,671,595,400	1,408,013,323
Current portion of liability subject to finance lease	1,100,727	1,345,933
Trade and other payables	10 604,210,862	869,995,587
Payable against purchase of securities- net	8,249,510	34,414,007
Markup accrued	47,311,734	9,640,501
Taxation-net	11 62,775,277	168,044,426
	3,395,243,510	2,491,453,777
<b>Contingency and commitments</b>	12	
<b>Total equity and liabilities</b>	<b>5,982,687,043</b>	<b>5,692,984,008</b>

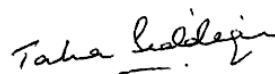
The annexed notes form an integral part of these condensed interim financial statements.



Chairman



Chief Executive Officer



CFO & Company Secretary

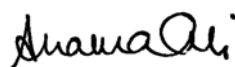
**Condensed Interim  
Profit and Loss Account (Unaudited)  
For The Half Year ended December 31, 2017**

	Note	Half year ended		Second quarter ended	
		December 31, 30, 2017	December 31, 30, 2016	December 31, 30, 2017	December 31, 30, 2016
Rupees					
Operating revenue	13	291,387,960	349,582,616	149,552,986	146,953,918
Capital gain on sale of short term investments		111,931,561	301,337,311	150,052,676	279,841,925
Unrealized (loss) / gain on re-measurement of investments		(639,472,756)	165,461,494	(524,791,097)	(93,782,656)
Unrealised gain on re-measurement of investment property		344,580,000	-	193,867,578	-
		<u>108,426,765</u>	<u>816,381,421</u>	<u>(31,317,857)</u>	<u>333,013,187</u>
Administrative and operating expenses		(145,997,139)	(174,848,130)	(72,702,388)	(79,480,921)
Finance costs		(89,981,959)	(95,926,933)	(50,097,751)	(50,611,288)
Other operating income		91,875,895	175,536,392	73,118,399	140,430,592
(Loss) / profit before taxation		<u>(35,676,438)</u>	<u>721,142,750</u>	<u>(80,999,597)</u>	<u>343,351,570</u>
Taxation	14	(28,316,230)	(99,352,815)	(15,832,312)	(79,515,372)
<b>(Loss) / profit after taxation</b>		<u>(63,992,668)</u>	<u>621,789,935</u>	<u>(96,831,909)</u>	<u>263,836,198</u>
<b>(Loss) / earning per share - basic and diluted</b>		<u>(1.16)</u>	<u>11.31</u>	<u>(1.76)</u>	<u>4.80</u>

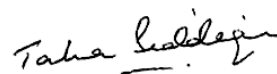
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Chairman



Chief Executive Officer



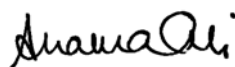
CFO & Company Secretary

**Condensed Interim  
Statement of Comprehensive Income (Unaudited)**  
For The Half Year ended December 31, 2017

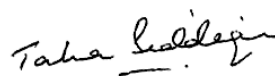
	Half year ended		Second quarter ended	
	December 31, 30, 2017	December 31, 30, 2016	December 31, 30, 2017	December 31, 30, 2016
	<b>Rupees</b>			
(Loss) / profit after taxation	<b>(63,992,668)</b>	621,789,935	<b>(96,831,909)</b>	263,836,198
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<b><u>(63,992,668)</u></b>	<u>621,789,935</u>	<b><u>(96,831,909)</u></b>	<u>263,836,198</u>



Chairman



Chief Executive Officer



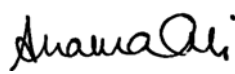
CFO & Company Secretary

**Condensed Interim  
Statement of Changes In Equity (Unaudited)  
For The Half Year ended December 31, 2017**

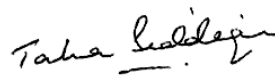
	Issued, subscribed & paid up capital	Unappropriated profits	Total
	Rupees		
Balance as at July 1, 2016	550,000,000	2,140,091,803	2,690,091,803
Total comprehensive income for the half year ended December 31, 2016	-	621,789,935	621,789,935
Cash dividend paid @ 70%, Rs. 7 per share, for the year ended June 30, 2016	-	(385,000,000)	(385,000,000)
<b>Balance as at December 31, 2016</b>	<b>550,000,000</b>	<b>2,376,881,738</b>	<b>2,926,881,738</b>
Balance as at July 1, 2017	550,000,000	2,635,627,251	3,185,627,251
Total comprehensive income for the half year ended December 31, 2017	-	(63,992,668)	(63,992,668)
Cash dividend paid @ 100%, Rs. 10 per share, for the year ended June 30, 2017	-	(550,000,000)	(550,000,000)
<b>Balance as at December 31, 2017</b>	<b>550,000,000</b>	<b>2,021,634,583</b>	<b>2,571,634,583</b>



Chairman



Chief Executive Officer



CFO & Company Secretary

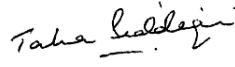
# Condensed Interim Cash Flow Statement (Unaudited) For The Half Year ended December 31, 2017

	December 31, 2017	December 31, 2016
Note	Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	(35,676,438)	721,142,750
Adjustments for:		
Depreciation	3,954,289	3,983,611
Amortization of intangible asset	342,480	427,902
Gain on disposal of investment property	(49,619,922)	(19,001,739)
Loss on disposal of property and equipment	13,200	10,238
Loss / (gain) on re-measurement of investments	639,472,756	(165,461,494)
Gain on disposal of short term investment	(111,931,561)	(301,337,311)
Unrealized gain on re-measurement of investment property	(344,580,000)	-
Dividend income	(63,430,904)	(55,970,560)
Recovery of bad debts written off	-	(30,236,570)
Finance costs	89,981,959	95,926,933
	<b>164,202,297</b>	<b>(471,658,990)</b>
<b>Cash generated from operating activities before working capital changes</b>	<b>128,525,859</b>	<b>249,483,760</b>
<b>Working capital changes</b>		
<b>(Increase) / decrease in current assets</b>		
Short-term investments - net	(340,463,391)	1,355,814,924
Trade debts - consider good	38,216,319	(770,788,951)
Receivable against margin financing	251,037,405	-
Short term loans	205,301	(1,273,579)
Deposits and short-term prepayments	91,998,488	(140,937,110)
Other receivables	46,801,049	291,572,614
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	(265,784,725)	76,538,004
Payable against purchase of securities- net	(26,164,497)	(326,227,475)
	<b>(204,154,051)</b>	<b>484,698,427</b>
<b>Cash (used in) / generated from operations</b>	<b>(75,628,192)</b>	<b>734,182,187</b>
Taxes paid	(133,585,380)	(60,256,692)
Finance costs paid	(52,310,726)	(93,046,211)
<b>Net cash generated from / (used in) operating activities</b>	<b>(261,524,298)</b>	<b>580,879,284</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(2,223,875)	(1,573,790)
Proceeds from disposal of property and equipment	106,100	-
Acquisition of intangible assets	-	(613,346)
Expenditure on investment property	(822,680,000)	(9,492,000)
Proceeds from disposal of investment property	269,579,922	64,618,019
Dividends received	66,873,518	56,495,810
Long term deposits	3,099,650	(158,476)
<b>Net cash (used in)/generated from investing activities</b>	<b>(485,244,685)</b>	<b>109,276,217</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Rental paid against finance lease liability	(339,236)	(391,029)
Dividend paid	(550,000,000)	(385,000,000)
<b>Net cash used in financing activities</b>	<b>(550,339,236)</b>	<b>(385,391,029)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(1,297,108,219)</b>	<b>304,764,472</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>(575,219,910)</b>	<b>(1,574,428,713)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>(1,872,328,129)</b>	<b>(1,269,664,241)</b>

The annexed notes form an integral part of these condensed interim financial statements.

  
Chairman

  
Chief Executive Officer

  
CFO & Company Secretary

# Condensed Interim Selected Notes To The Financial Information (Unaudited) For The Half Year ended December 31, 2017

## 1 STATUS AND NATURE OF BUSINESS

- 1.1 Arif Habib Limited ('the Company') is a public listed company incorporated in Pakistan under the Companies Ordinance, 1984. 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% share holding in the Company to general public and the Company obtained listing on the Pakistan Stock Exchange on January 31, 2007.

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

- 1.2 The Parent Company currently holds 65.52% shares of the Company.

- 1.3 The Securities and Exchange Commission of Pakistan vide its letter No. EMD/233/683/2007-288 dated September 16, 2016 and EMD/233/683/2007-351 dated October 06, 2016 has granted exemption to the Company from preparation of the Consolidated Financial Statements for its subsidiaries namely M/s. Arif Habib Commodities (Pvt.) Limited and M/s. Arif Habib 1857 (Pvt.) Limited respectively. The financial statements of the said subsidiaries are consolidated by the ultimate holding Company i.e. Arif Habib Corporation Limited. The financial statements of the subsidiary companies are available for inspection at the Company's registered office and available to the members upon request free of any cost.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

These condensed interim financial statements of the Company for the six-month period ended December 31, 2017 have been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" and provision and directives issued under the Companies Ordinance, 1984 have been followed.

In May 2017, the Companies Act, 2017 (the Act) was promulgated. However, Securities and Exchange Commission of Pakistan (SECP) vide its Circular no. 23/2017 dated October 04, 2017 communicated its decision that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provision of the repealed Companies Ordinance, 1984. Further, Circular no. 17/2017 of Institute of Chartered Accountants of Pakistan clarifies that those companies whose financial year closes on or after December 31, 2017 shall prepare their interim financial statements, for the period ended December 31, 2017, in accordance with Companies Ordinance, 1984.

These condensed interim financial statements are being submitted to the shareholders as required under section 245 of the repealed Companies Ordinance, 1984 and the Listing Regulations of Pakistan Stock Exchange Limited.

The figures in the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2017 and 2016 have not been reviewed by the external auditors of the Company as they have reviewed the cumulative figures for the half year ended December 31, 2017. These condensed interim financial statements do not include all the information 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, 2017.

The comparative balance sheet presented in these condensed interim financial statements as at June 30, 2017 has been extracted from the audited financial statements of the Company for the year ended June 30, 2017, whereas the extracted comparative profit and loss account, statement of comprehensive income, statement of changes in equity and the cash flow statement for the half year ended December 31, 2016 have been subjected to review.

These condensed interim financial statements are presented in Pakistan Rupee which is the functional currency of the Company and rounded off to the nearest rupee.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2017.

Amendments to certain existing standards and new interpretation on approved accounting standards that become effective during the period either were not relevant to the Company's operations or did not have any significant impact on the accounting policies of the Company.

## 4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed 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.

## Condensed Interim Selected Notes To The Financial Information (Unaudited) For The Half Year ended December 31, 2017

In preparing these condensed 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 financial statements of the Company as at and for the year ended June 30, 2017.

### 5 PROPERTY AND EQUIPMENT

During the half year ended December 31, 2017, additions made amounting to PKR 2.2 million (June 2017: PKR 5.15 million) which mainly comprised of computer and allied accessories.

	Unaudited December 31, 2017	Audited June 30, 2017
	Rupees	
6 INVESTMENT PROPERTY		
Opening carrying value	369,211,719	531,966,414
Disposals during the period / year	(219,960,000)	(207,978,965)
Additions during the period / year	822,680,000	12,945,000
	971,931,719	336,932,449
Increase in fair value - net	344,580,000	32,279,270
	<u>1,316,511,719</u>	<u>369,211,719</u>

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

	Unaudited December 31, 2017	Audited June 30, 2017
	Rupees	
7 TRADE DEBTS		
Considered good	36,566,821	74,783,140
Considered doubtful	874,618,000	874,618,000
	911,184,821	949,401,140
Less: Provision for the doubtful debts	(874,618,000)	(874,618,000)
	<u>36,566,821</u>	<u>74,783,140</u>

### 7.1 Treatment of amount receivable from customers

Trade debts and other receivables are recognized at fair value and subsequently measured at amortized cost. A provision for impairment in trade debts and other receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

7.2 The Company holds equity securities having fair value of PKR 39,465 million (June 2017: PKR 33,780 million) owned by its clients, as collaterals against trade debts.

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

	Unaudited December 31, 2017		Audited June 30, 2017	
	Gross	Impairment	Gross	Impairment
Not past due	308,420,299	-	559,457,704	-
Past due 1 day - 30 days	32,125,977	-	75,206,461	-
Past due 31 days - 180 days	3,015,599	-	9,118,206	-
Past due 181 days - 1 year	1,425,245	-	889,799	-
More than one year	874,618,000	874,618,000	864,186,674	874,618,000
	<u>1,219,605,120</u>	<u>874,618,000</u>	<u>1,508,858,844</u>	<u>874,618,000</u>



## Condensed Interim Selected Notes To The Financial Information (Unaudited) For The Half Year ended December 31, 2017

	Unaudited December 31, 2017	Audited June 30, 2017
	Rupees	
<b>8 CASH AND BANK BALANCES</b>		
Cash in hand	1,470,746	1,399,005
Cash at bank:		
- in current accounts	451,797,144	114,406,304
- in savings accounts	345,999,381	716,988,104
	797,796,525	831,394,408
	799,267,271	832,793,413

8.1 This includes customers' balances held in designated bank accounts amounting to PKR 457.048 million (June 2017: PKR 789.431 million).

### 9 SHORT TERM BORROWINGS - SECURED

9.1 Short term running finance facilities are available from various commercial banks, under mark-up arrangements which represents the aggregate of sale prices of all mark-up agreements between the Company and the banks.

9.2 Total value of pledged securities with financial institutions indicating separately securities belonging to customers is as under:

	Unaudited December 31, 2017		Audited June 30, 2017	
	Number of securities	Amount (Rupees)	Number of securities	Amount (Rupees)
Client	127,400,000	3,957,643,000	126,100,000	4,280,985,000
House	119,162,500	1,722,858,788	27,668,000	791,933,923
<b>Total</b>	<b>246,562,500</b>	<b>5,680,501,788</b>	<b>153,768,000</b>	<b>5,072,918,923</b>

	Unaudited December 31, 2017	Audited June 30, 2017
	Rupees	
<b>10 TRADE AND OTHER PAYABLES</b>		
Creditors	435,243,650	768,665,579
Payable to Naya Nazimabad	138,251,861	-
Commission payable	9,783,936	61,716,433
Accrued expenses	4,285,790	6,600,768
Dividend payable	13,576,591	19,897,136
Federal Excise Duty payable	1,929,119	12,020,077
Other liabilities	1,139,915	1,095,594
	604,210,862	869,995,587

### 11 TAXATION -NET

The Company has filed a constitutional petition against the newly introduced clause 4B in the Income Tax Ordinance, 2001 through Finance Act, 2015 in the High Court of Sindh, requiring the companies to pay super tax on the income over PKR 500 million derived during the tax year. The Company is of the view that the same is imposed against the merit of law and, accordingly, filed a constitutional petition and stay has been granted. The Company's legal counsel is of the view that the Company has a favorable case on merit. However, provision made on prudent basis in financial statements for the year ended June 30, 2015 and 2017 has not been reversed. Provision for super tax for the year ended June 30, 2016 was not provided as the income of the Company for the said period was below the threshold mentioned above.

### 12 CONTINGENCIES AND COMMITMENTS

#### 12.1 Contingencies

As of the reporting date, there was no change in the status of the contingency as reported in the Company's published audited financial statements for the year ended June 30, 2017.

**Condensed Interim Selected  
Notes To The Financial Information (Unaudited)  
For The Half Year ended December 31, 2017**

	<b>Unaudited December 31, 2017</b>	<b>Audited June 30, 2017</b>
	<b>————— Rupees —————</b>	
<b>12.2 Commitments</b>		
Following commitments are outstanding as at the year end.		
- Outstanding settlements to NCCPL against Marginal Trading contracts	<u>177,430,450</u>	<u>282,746,717</u>
- Outstanding settlements to NCCPL against purchase of securities in the regular market.	<u>32,198,200</u>	<u>381,424,500</u>
- Guarantees given by commercial banks on behalf of the Company	<u>250,000,000</u>	<u>250,000,000</u>

	<b>Half year ended</b>		<b>Second quarter ended</b>	
	<b>December 31, 2017</b>	<b>December 31, 2016</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b>13 OPERATING REVENUE</b>				
Brokerage income	<b>138,856,821</b>	<b>212,919,407</b>	66,946,246	123,894,204
Consultancy income	<b>89,100,235</b>	<b>80,692,649</b>	19,176,544	17,142,649
Dividend income	<b>63,430,904</b>	<b>55,970,560</b>	63,430,196	5,917,065
	<u><b>291,387,960</b></u>	<u><b>349,582,616</b></u>	<u>149,552,986</u>	<u>146,953,918</u>

		<b>Unaudited</b>	
		<b>December 31, 2017</b>	<b>December 31, 2016</b>
	<b>Note</b>	<b>————— Rupees —————</b>	
<b>14 TAXATION</b>			
Current		<b>28,316,230</b>	86,843,052
Prior		-	(8,967,062)
		<b>28,316,230</b>	77,875,990
Deferred	14.1	-	21,476,825
		<u><b>28,316,230</b></u>	<u>99,352,815</u>

**14.1** The Finance Act, 2017 amended Section 233A of the Income Tax Ordinance, 2001 whereby the tax collected by the stock exchange from its members shall now be treated as a final tax (instead of being adjustable against the normal tax liability arising from brokerage commission income). Due to the enactment of the said amendment, the Company's major source of revenue (i.e. brokerage income) has now been subject to taxation under Presumptive Tax Regime. Since, in view of this development, the temporary differences between the carrying amounts and tax base of assets and liabilities are not expected to reverse in the future accounting periods, the management deems it appropriate not to recognize the related deferred tax effects in these condensed interim financial statements.

**Condensed Interim Selected  
Notes To The Financial Information (Unaudited)  
For The Half Year ended December 31, 2017**

		<u>Unaudited</u>	
		<u>December 31, 2017</u>	<u>December 31, 2016</u>
		<u>Rupees</u>	
<b>15</b>	<b>RELATED PARTY DISCLOSURES</b>		
	<b>Transactions during the period</b>		
	Brokerage commission and other services to:		
	- Parent Company	2,407,817	437,301
	- Associated companies	3,767,686	1,949,117
	- Key management personnel	2,775,372	918,918
	- Other related parties	5,377,637	2,398,483
	Rent paid to associated company	<u>10,449,120</u>	<u>5,224,560</u>
	Remuneration to Chief Executive Officer	<u>3,812,694</u>	<u>2,238,094</u>
	Remuneration to other directors	<u>125,000</u>	<u>150,000</u>
	Contribution to staff provident fund	<u>2,922,358</u>	<u>979,345</u>
	<b>Balances outstanding at the period end</b>		
	Receivable from associated company	<u>-</u>	<u>26,908,466</u>

**16 FINANCIAL RISK MANAGEMENT**

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended June 30, 2017.

**17 INVESTMENT TURNOVER**

Turnover during the period comprises of the following:

	<b>Turnover in value</b>
Institution	53,907,602,054
Retail	34,579,639,563
Proprietary	13,388,826,419
<b>Total</b>	<u><b>101,876,068,035</b></u>

**18 CASH AND CASH EQUIVALENTS**

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

		<u>Unaudited</u>	
		<u>December 31, 2017</u>	<u>December 31, 2016</u>
		<u>Rupees</u>	
Cash and bank balances		799,267,271	501,955,734
Short term borrowings		<u>(2,671,595,400)</u>	<u>(1,771,619,975)</u>
		<u><b>(1,872,328,129)</b></u>	<u><b>(1,269,664,241)</b></u>

**19 GENERAL**

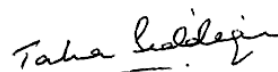
These condensed interim financial statements were authorized for issue by the Board of Directors in their meeting held on January 31, 2018.



**Chairman**



**Chief Executive Officer**



**CFO & Company Secretary**

## Pattern of Shareholding

As of December 31, 2017

Categories of Shareholders	Shareholders	Shares Held	Percentage	
<b>Directors and their spouse(s) and minor children</b>				
ZAFAR ALAM	1	500	0.00	
MUHAMMAD SHAHID ALI	1	732	0.00	
SHARMIN SHAHID	1	916	0.00	
MUHAMMAD HAROON	1	1,298	0.00	
ALI MURTAZA KAZMI	1	500	0.00	
NIDA AHSAN	1	916	0.00	
MUHAMMAD SOHAIL SALAT	1	500	0.00	
<b>Associated Companies, undertakings and related parties</b>				
ARIF HABIB CORPORATION LIMITED	2	36,038,237	65.52	
<b>Executives</b>				
	-	-	-	
<b>Public sector companies and corporations</b>				
	1	46,184	0.08	
<b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds</b>				
	4	837,545	1.52	
<b>Mutual Funds</b>				
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1	446,500	0.81	
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	1	56,000	0.10	
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	1	230,000	0.42	
<b>General Public</b>				
a. Local	3852	14,547,855	26.45	
b. Foreign	2	73,000	0.13	
<b>Foreign Companies</b>				
	3	1,085,500	1.97	
<b>Others</b>				
	70	1,633,817	2.97	
<b>Totals</b>		<b>3944</b>	<b>55,000,000</b>	<b>100.00</b>

Share holders holding 5% or more	Shares Held	Percentage
ARIF HABIB CORPORATION LIMITED	36,038,237	65.52

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
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