

focusing on growth

Half Yearly Report  
31<sup>st</sup> December 2016



Arif Habib Corp

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# Company Information

## Board of Directors

Asadullah Khawaja	Chairman
Arif Habib	Chief Executive Officer
Khawaja Jalaluddin Roomi	Independent Director
Sirajuddin Cassim	Independent Director
Nasim Beg	Non-Executive Director
Samad A. Habib	Non-Executive Director
Kashif A. Habib	Non-Executive Director
Muhammad Ejaz	Non-Executive Director

## Audit Committee

Khawaja Jalaluddin Roomi	Chairman
Kashif A. Habib	Member
Muhammad Ejaz	Member

## Management

Arif Habib	Chief Executive Officer
Mohsin Madni	Chief Financial Officer
Manzoor Raza	Company Secretary

## Bankers

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

## Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants

## Legal Advisors

Bawaney & Partners  
Akhund Forbes

## Registrar & Share Transfer Agent

Central Depository Company of Pakistan  
Limited

## Registered & Corporate Office

Arif Habib Centre  
23, M.T. Khan Road  
Karachi-74000  
Phone: (021) 32460717-9  
Fax: (021) 32429653, 32468117  
Email: [info@arifhabibcorp.com](mailto:info@arifhabibcorp.com)  
Company website: [www.arifhabibcorp.com](http://www.arifhabibcorp.com)  
Group website: [www.arifhabib.com.pk](http://www.arifhabib.com.pk)

## Share Registrar Department

CDC House, 99-B, Block-B,  
S.M.C.H.S, Main  
Shahrah-e-Faisal, Karachi  
Phone: (021) 111-111-500  
Toll Free: 0800-23275  
Fax: (021) 34326053  
URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)

# Directors' Review Report

## Dear Shareholders

The Directors of Arif Habib Corporation Limited (AHCL) are pleased to present the Directors' report of the Company together with the interim condensed unconsolidated and consolidated financial information for the half year ended 31<sup>st</sup> December 2016.

## Financial Results

During the period under review, on unconsolidated basis, AHCL recorded operating revenue of PKR 2,211 million, which includes dividend income of PKR 734 million, net gain on sale of securities amounting to PKR 71 million and net gain on remeasurement of investments amounting to PKR 1,373 million. After accounting for operating, administrative and financial expenses of PKR 160 million, the Company earned a profit before tax of PKR 2,437 million. The Company has reported after-tax profit of PKR 2,124 million for the half year under review as compared to the net profit of PKR 2,921 million for the corresponding period ended 31<sup>st</sup> December 2015. This translates into earnings of PKR 4.68 per share as compared to PKR 6.44 per share in the previous period.

During the period under review, on a consolidated basis, your Company has earned a profit after tax of PKR 1,633 million as compared with PKR 4,152 million in the corresponding period ended 31<sup>st</sup> December 2015. This translates to an earning of PKR 3.20 per share as compared with PKR 8.72 per share in corresponding period. The consolidated EPS during the corresponding period last year included PKR 4.03 representing one-time 'Bargain Purchase Gain' being fair valuation gain on acquisition of subsidiaries by Fatima Fertilizer Company Limited.

## Performance of Subsidiaries and Associates

During the period under review, investee companies have witnessed satisfactory growth in their financial performance. Securities brokerage subsidiary, Arif Habib Limited, performed impressively, recording an Earning per Share (EPS) of PKR 11.31 as compared to an EPS of PKR 4.69 in the corresponding period. MCB Arif Habib Savings & Investments Limited, an associate, also performed satisfactorily recording an EPS of PKR 1.20 against an EPS of PKR 1.58 in the corresponding period. Other associated companies namely Fatima Fertilizer Company Limited, Javedan Corporation Limited, Power Cement Limited and Aisha Steel Mills Limited have also performed well. Wholly owned wind power project namely, Sachal Energy Development (Private) Limited is expected to be commissioned in the fourth quarter of the current financial year.

During the period, Sindh Engro Coal Mining Company Limited has decided to allocate 1.9 million tonnes per annum of coal from its coal mine currently being developed at Thar Block II to AHCL for 330 MW Thar Coal based power project to be constructed, commissioned and operated at Thar Block II. The indicative coal delivery is in the year 2022. Coal delivery start date will be communicated once the feasibility of phase IV is completed by third quarter 2017. For the aforementioned project, AHCL has formed a wholly owned subsidiary with the name “Black Gold Power Limited”.

### **Economic Review**

During the first half of the ongoing fiscal year, ending December 2016, the Pakistani economy posted better than expected growth mainly on the support of the Agriculture sector.

Trade and Current Account deficit remained under pressure. Similarly, FBR revenue collection lagged behind target, however inflation and interest rates remained stable.

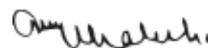
### **Future Outlook**

Going forward, outlook of the Company’s operations looks stable as all investee companies are expected to do better, resulting in higher dividend incomes and appreciation in value of investments.

### **Acknowledgement**

We are grateful to the Company’s shareholders for their continuing confidence and patronage. We record our appreciation and thank our Bankers, Business Partners, the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan and the management of Pakistan Stock Exchange for their support and guidance. We acknowledge and appreciate the hard work put in by the employees of the Company during the period.

### **For and on behalf of the Board**

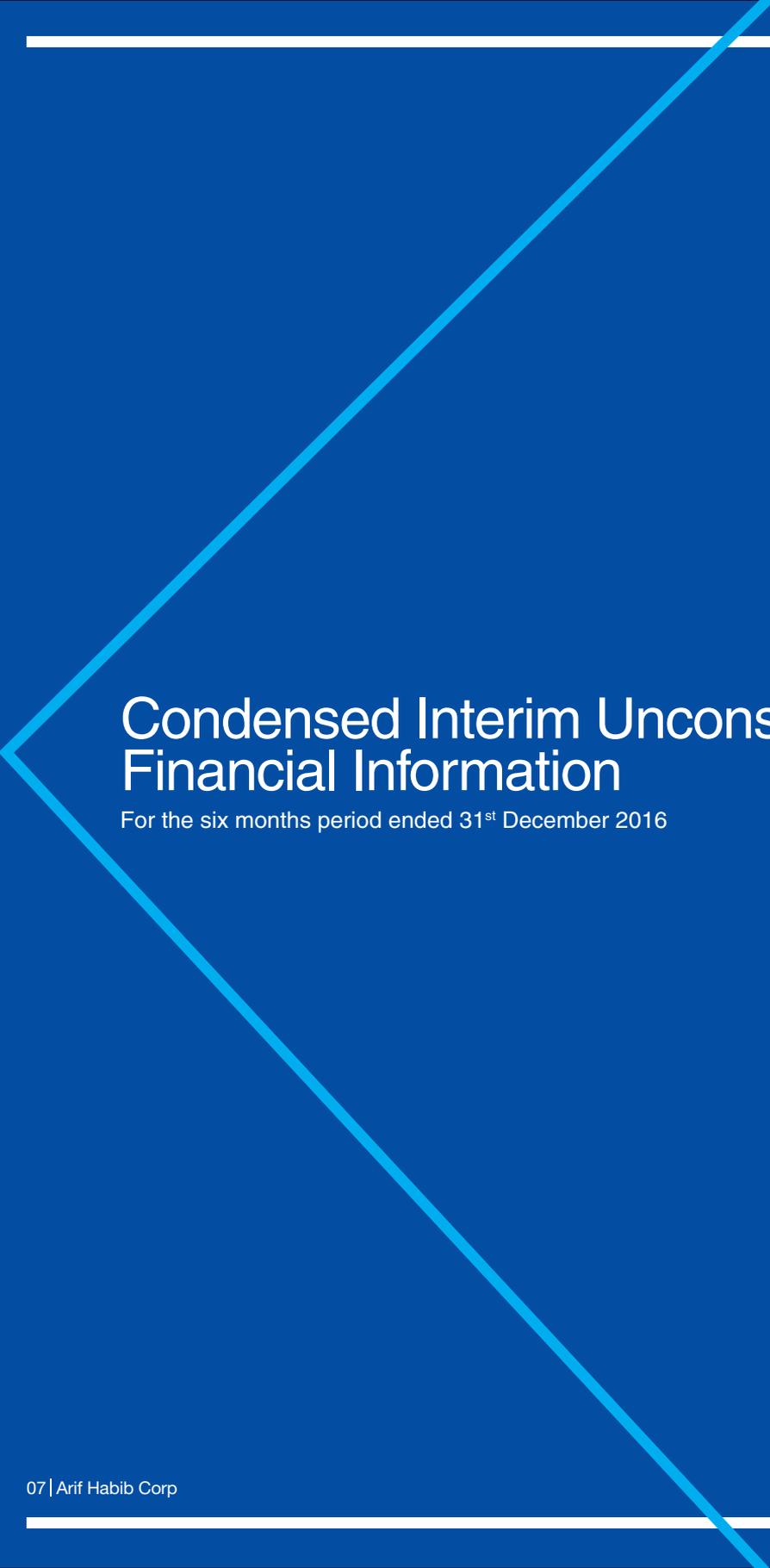


**Arif Habib**

Chief Executive

Karachi  
21<sup>st</sup> February 2017

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# Condensed Interim Unconsolidated Financial Information

For the six months period ended 31<sup>st</sup> December 2016



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

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

## *Introduction*

We have reviewed the accompanying condensed interim unconsolidated balance sheet of Arif Habib Corporation Limited ("the Company") as at 31 December 2016 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated cash flow statement, condensed interim unconsolidated statement of changes in equity and notes to the condensed interim unconsolidated financial information for the six-months period then ended (here-in-after referred to as the "condensed interim unconsolidated financial information"). Management is responsible for the preparation and presentation of this condensed interim unconsolidated financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim unconsolidated financial information based on our review.

## *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim unconsolidated 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 unconsolidated financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

## *Other matter*

The figures for the quarter ended 31 December 2016 and 31 December 2015 in the condensed interim unconsolidated financial information have not been reviewed by us and we do not express a conclusion on them.

Date: 21<sup>st</sup> February 2017

Karachi

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Moneeza Usman Butt**

# Condensed Interim Unconsolidated Balance Sheet

As at 31<sup>st</sup> December 2016

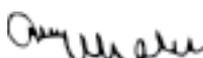
	Note	Unaudited December 2016	Audited June 2016
<b>(Rupees)</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized share capital		10,000,000,000	10,000,000,000
Issued, subscribed and paid-up share capital		4,537,500,000	4,537,500,000
Reserves		25,916,622,677	24,525,530,636
		<b>30,454,122,677</b>	<b>29,063,030,636</b>
<b>Non-current liabilities</b>			
Deferred taxation		2,790,345,626	2,623,901,023
Long term loan - secured	5	528,301,530	147,819,191
		<b>3,318,647,156</b>	<b>2,771,720,214</b>
<b>Current liabilities</b>			
Trade and other payables	6	2,685,378,974	1,905,179,120
Dividend payable		839,177,418	-
Mark-up accrued on borrowings		167,171,444	173,878,386
Short term borrowings	7	127,042,981	2,547,610,430
Current maturity of long term loan	5	114,035,320	149,035,318
Provision for taxation		312,979,723	153,988,654
		<b>4,245,785,860</b>	<b>4,929,691,908</b>
		<b>38,018,555,693</b>	<b>36,764,442,758</b>
<b>Contingencies and commitments</b>	8		

# Condensed Interim Unconsolidated Balance Sheet

As at 31<sup>st</sup> December 2016

	Note	Unaudited December 2016	Audited June 2016
(Rupees)			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Operating fixed assets	9	39,856,197	43,437,245
Intangible assets		247,632	353,760
Investment properties		1,646,538,800	1,646,538,800
Long term investments	10	29,481,924,189	28,810,290,871
Long term deposits		2,276,130	1,938,930
		<b>31,170,842,948</b>	<b>30,502,559,606</b>
<b>Current assets</b>			
Loans and advances	11	411,370,353	785,706,360
Prepayments		5,134,928	1,577,137
Advance tax		265,305,559	169,477,037
Mark-up receivable		19,528,183	19,756,811
Other receivables		2,461,964	2,461,964
Short term investments		5,880,602,070	5,227,924,435
Cash and bank balances		233,363,790	25,033,510
Asset held for sale	12	29,945,898	29,945,898
		<b>6,847,712,745</b>	<b>6,261,883,152</b>
		<b>38,018,555,693</b>	<b>36,764,442,758</b>

The annexed notes 1 to 21 form an integral part of this condensed interim unconsolidated financial information.



Chief Executive Officer



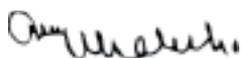
Director

# Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

	Note	Six months period ended		Quarter ended	
		December 2016	December 2015	December 2016	December 2015
		(Rupees)		(Rupees)	
Operating revenue	13	2,211,399,814	3,284,487,164	864,303,736	563,753,239
Operating and administrative expenses		(57,286,435)	(59,377,026)	(36,119,629)	(39,800,052)
<b>Operating profit</b>		<b>2,154,113,379</b>	<b>3,225,110,138</b>	<b>828,184,107</b>	<b>523,953,187</b>
Finance cost		(102,693,718)	(163,260,858)	(45,797,567)	(80,671,675)
Other charges		(3,837,390)	(61,272,518)	(2,100,000)	(8,863,757)
Other income	14	389,121,498	1,610,234	388,378,503	773,045
<b>Profit before tax</b>		<b>2,436,703,769</b>	<b>3,002,186,996</b>	<b>1,168,665,043</b>	<b>435,190,800</b>
Taxation	15	(312,564,435)	(81,063,956)	(192,476,030)	(53,002,057)
<b>Profit after tax</b>		<b>2,124,139,334</b>	<b>2,921,123,040</b>	<b>976,189,013</b>	<b>382,188,743</b>
<b>Earnings per share - basic and diluted</b>		<b>4.68</b>	<b>6.44</b>	<b>2.15</b>	<b>0.84</b>

The annexed notes 1 to 21 form an integral part of this condensed interim unconsolidated financial information.

  
Chief Executive Officer

  
Director

# Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

	Six months period ended		Quarter ended	
	December 2016	December 2015	December 2016	December 2015
	(Rupees)		(Rupees)	
<b>Profit for the period</b>	<b>2,124,139,334</b>	2,921,123,040	<b>976,189,013</b>	382,188,743
<b>Other comprehensive income</b>				
<i>Items that are or may be reclassified subsequently to profit and loss account</i>				
Unrealised appreciation during the period on remeasurement of investments classified as 'available for sale'	414,198,943	564,613,970	174,259,710	677,516,119
Related tax thereon	(12,871,236)	(39,243,618)	(15,775,885)	(39,243,618)
Reclassification adjustments relating to disposal of investment - net	-	43,817,852	-	43,817,852
Other comprehensive income for the period	401,327,707	569,188,204	158,483,825	682,090,353
<b>Total comprehensive income for the period</b>	<b>2,525,467,041</b>	3,490,311,244	<b>1,134,672,838</b>	1,064,279,096

The annexed notes 1 to 21 form an integral part of this condensed interim unconsolidated financial information.

  
Chief Executive Officer

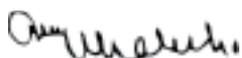
  
Director

# Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

	Note	Six months period ended	
		December 2016	December 2015
(Rupees)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from / (used in) operations	16	1,659,081,733	(1,184,950,203)
Income tax paid		(95,828,521)	(46,464,778)
Finance cost paid		(109,400,660)	(62,546,403)
Dividend received		734,217,420	304,393,877
Interest received		33,462,270	79,893,396
<b>Net cash generated from / (used in) operating activities</b>		<b>2,221,532,242</b>	<b>(909,674,111)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure incurred		(349,984)	(420,873)
Proceeds from sale of property and equipment		30,047	15,000
Acquisition of long term investments		-	(2,133,919,390)
Proceeds from sale of long term investments		357,737,865	3,647,566,271
Long term deposits - net		(337,200)	(15,000)
<b>Net cash generated from investing activities</b>		<b>357,080,728</b>	<b>1,513,226,008</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term loan		(174,517,659)	(24,517,661)
Proceeds from long term loan		520,000,000	-
Dividend paid		(295,197,582)	(1,982,825,022)
<b>Net cash generated from / (used in) financing activities</b>		<b>50,284,759</b>	<b>(2,007,342,683)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>2,628,897,729</b>	<b>(1,403,790,786)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>(2,522,576,920)</b>	<b>(1,334,718,351)</b>
<b>Cash and cash equivalents at end of the period</b>	17	<b>106,320,809</b>	<b>(2,738,509,137)</b>

The annexed notes 1 to 21 form an integral part of this condensed interim unconsolidated financial information.



Chief Executive Officer



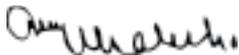
Director

# Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

	Issued, subscribed and paid up share capital	Unrealized appreciation / (diminution) on remeasurement of investments classified as 'available for sale'	Reserves		Sub total	Total
			General reserve	Unappropriated profit		
(Rupees)						
Balance as at 1 July 2015	4,537,500,000	(211,635,998)	4,000,000,000	21,119,067,693	24,907,431,695	29,444,931,695
<b>Total comprehensive income for the six months period ended 31 December 2015</b>						
Profit for the period	-	-	-	2,921,123,040	2,921,123,040	2,921,123,040
<i>Other Comprehensive Income</i>						
Unrealised appreciation during the period on remeasurement of investments classified as 'available for sale' - net	-	564,613,970	-	-	564,613,970	564,613,970
Related tax thereon	-	(39,243,618)	-	-	(39,243,618)	(39,243,618)
Reclassification adjustments relating to disposal of investments classified as 'available for sale' - net	-	43,817,852	-	-	43,817,852	43,817,852
Other comprehensive income for the period	-	569,188,204	-	-	569,188,204	569,188,204
<b>Transactions with owners - Distribution:</b>						
<i>Final cash dividend for the year ended 30 June 2015 at the rate of Rs. 4 per share</i>						
	-	-	-	(1,815,000,000)	(1,815,000,000)	(1,815,000,000)
<b>Balance as at 31 December 2015</b>	<b>4,537,500,000</b>	<b>357,552,206</b>	<b>4,000,000,000</b>	<b>22,225,190,733</b>	<b>26,582,742,939</b>	<b>31,120,242,939</b>
<b>Balance as at 1 July 2016</b>	<b>4,537,500,000</b>	<b>(59,661,045)</b>	<b>4,000,000,000</b>	<b>20,585,191,681</b>	<b>24,525,530,636</b>	<b>29,063,030,636</b>
<b>Total comprehensive income for the six months period ended 31 December 2016</b>						
Profit for the period	-	-	-	2,124,139,334	2,124,139,334	2,124,139,334
<i>Other Comprehensive Income</i>						
Unrealised appreciation during the period on remeasurement of investments classified as 'available for sale' - net	-	414,198,943	-	-	414,198,943	414,198,943
Related tax thereon	-	(12,871,236)	-	-	(12,871,236)	(12,871,236)
Other comprehensive income for the period	-	401,327,707	-	-	401,327,707	401,327,707
<b>Transactions with owners - Distribution:</b>						
<i>Final cash dividend for the year ended 30 June 2016 at the rate of Rs. 2.5 per share</i>						
	-	-	-	(1,134,375,000)	(1,134,375,000)	(1,134,375,000)
<b>Balance as at 31 December 2016</b>	<b>4,537,500,000</b>	<b>341,666,662</b>	<b>4,000,000,000</b>	<b>21,574,956,015</b>	<b>25,916,622,677</b>	<b>30,454,122,677</b>

The annexed notes 1 to 21 form an integral part of this condensed interim unconsolidated financial information.

  
Chief Executive Officer

  
Director

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

## 1. LEGAL STATUS AND NATURE OF BUSINESS

Arif Habib Corporation Limited ("the Company") was incorporated in Pakistan on 14 November 1994 as a public limited company under the Companies Ordinance, 1984. The Company is listed on the Pakistan Stock Exchange Limited. The principal activity of the Company is to make strategic investments in subsidiary companies and associates engaged in diversified sectors and investment in other securities. The registered office of the Company is situated at Arif Habib Centre, 2nd Floor, 23, M. T. Khan Road, Karachi, Pakistan. The Company is domiciled in the province of Sindh.

This condensed interim financial information is separate financial information of the Company in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated condensed interim financial information is prepared separately.

The Company has following long term investments:

<i>Name of Company</i>	<i>Shareholding</i>
<i>Subsidiaries</i>	
- Arif Habib Limited, a brokerage house	<u>64.20%</u>
- Pakistan Opportunities Limited	<u>85.00%</u>
- Sachal Energy Development (Private) Limited, a wind power generation company	<u>100.00%</u>
<i>Associates</i>	
- MCB-Arif Habib Savings and Investments Limited	<u>30.09%</u>
- Pakarab Fertilizers Limited	<u>30.00%</u>
- Fatima Fertilizer Company Limited	<u>15.19%</u>
<i>Others</i>	
- Takaful Pakistan Limited	<u>10.00%</u>
- Khabeer Financial Services (Private) Limited	<u>5.00%</u>
- Sunbiz (Private) Limited	<u>4.65%</u>

### 1.1 Changes in the composition of the Group

Changes in composition of the Group during the six months period ended 31 December 2016 are summarised as under:

- the Company has sold 5 million shares of Arif Habib Limited (AHL), a subsidiary of the Company, resulting in decrease in the Company's holding from 73.29% to 64.20%.
- the Company has incorporated Black Gold Power Limited on 8 December 2016, as a wholly owned subsidiary of the Company. However, at reporting date, the Company has not injected any capital in the subsidiary.

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

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## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

This condensed interim unconsolidated financial information for the six months period ended 31 December 2016 has been prepared in accordance with the requirements of International Accounting Standards 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, have been followed.

This condensed interim unconsolidated financial information does not include all the information required for full annual financial statements and should be read in conjunction with the audited annual unconsolidated financial statements of the Company as at and for the year ended 30 June 2016.

The comparative balance sheet presented in this condensed interim unconsolidated financial information has been extracted from the audited annual unconsolidated financial statements of the Company for the year ended 30 June 2016, whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are extracted from the unaudited condensed interim unconsolidated financial information for the period ended 31 December 2015.

This condensed interim unconsolidated financial information is un-audited and is being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984. The figures for the six months period ended 31 December 2016 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance.

This condensed interim unconsolidated financial information is presented in Pakistan Rupees which is also the Company's functional currency and all financial information presented has been rounded off to the nearest rupee.

This condensed interim unconsolidated financial information has been prepared on the basis of a single reportable segment.

### 2.2 Basis of measurement

These condensed interim unconsolidated financial information have been prepared under the historical cost convention, except for investment property, derivatives, investments classified as 'held for trading', 'available for sale' which are stated at fair value and assets classified as 'held for sale' which are measured at lower of fair value less cost to sell and carrying amount.

## 3. ACCOUNTING POLICIES

### 3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are the same as those applied in the preparation of audited annual unconsolidated financial statements of the Company as at and for the year ended 30 June 2016.

During the period certain new standards, amendments to existing standards and interpretations became effective which were either not relevant or not having significant impact on Company's accounting policies.

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

## 4. ACCOUNTING ESTIMATES AND JUDGEMENTS

- 4.1** The preparation of condensed interim unconsolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience. Actual results may differ from these estimates.
- 4.2** The significant judgements 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 audited annual unconsolidated financial statements as at and for the year ended 30 June 2016.

## 5. LONG TERM LOAN - secured

		Unaudited December 2016	Audited June 2016
		(Rupees)	
<i>From related party:</i>			
Term finance loan	5.1	-	150,000,000
Term musharaka finance	5.2	520,000,000	-
less: current portion		(65,000,002)	(100,000,000)
		454,999,998	50,000,000
Others			
Term finance loan	5.3	121,510,725	145,812,870
less: current portion		(48,604,290)	(48,604,290)
		72,906,435	97,208,580
Diminishing Musharakah Financing	5.4	826,125	1,041,639
less: current portion		(431,028)	(431,028)
		395,097	610,611
		<b>528,301,530</b>	<b>147,819,191</b>

- 5.1** During the period, the Company has made an early payment as final settlement of term finance facility with Summit Bank Limited, a related party, amounting to Rs. 125 million and has also paid semi-annual principal installment of Rs. 25 million.
- 5.2** During the period, the Company has obtained term musharaka finance amounting to Rs. 520 million from Summit Bank Limited, related party, under mark-up arrangement at the rate of 6 months KIBOR + 2% to be charged on semi annually basis. The loan is repayable in eight semi-annually installments after completion of one year grace period ending 18 October 2017. The loan is secured against first Pari passu charge over receivable of the Company, ranking charge on an associate's property situated at Naya Nazimabad, Survey # 248, 249, 250 of Rs. 286 million and personal guarantee of Chief Executive Officer of the Company.
- 5.3** The Company obtained term finance facility of Rs. 243.021 million from a commercial bank under mark-up arrangement at the rate of 6 month KIBOR + 2.50% to be charged on semi-annual basis. The loan is repayable in ten equal semi-annual installments ending on 19 March 2019. The loan is secured against first pari passu charge of Rs. 333.333 million over present and future assets (excluding shares pledged against short term borrowings) of the Company inclusive of 25% margin and pledge of shares of associated undertaking with 30% margin. During the period, the Company has paid an installment of Rs. 24.302 million. The market value of pledged shares as collateral amounts to Rs. 435.7 million (30 June 2016: Rs. 250.39 million) at balance sheet date.

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

- 5.4** The Company has acquired a vehicle under diminishing musharakah financing arrangement entered into with First Habib Modaraba for a period of 4 years with monthly principal repayment. The financing is secured against the respective vehicle and promissory note issued in favour of the lender. The return on the arrangement is 6 months KIBOR + 2%.

## 6. TRADE AND OTHER PAYABLES

Trade and other payables include deposit amounting to Rs. 1.999 billion received from a profit participant procured by the existing sponsor of Silkbank Limited, under the Option Agreement dated 15 December 2015 which has been extended till 31 December 2017. In consideration of extending period of option, sponsor of Silkbank Limited has further procured Rs. 500 million from profit participant and has also provided additional margin of Rs. 650 million also included in trade and other payable. As per the revised terms of the agreement, the Company has granted further one year option to existing sponsor to purchase entire investment in Silkbank Limited at an agreed price not more than Rs. 2.0477 per share.

In the event of exercise of Purchase option, the profit will be shared by the Company with the profit participant in an agreed revised ratio and the deposit amount will be refunded to the profit participant and additional margin will be adjusted against purchase price payable by existing sponsor. In case the option is not exercised, then the Company will adjust deposit amounting to Rs. 1,350 million through sale and repurchase transaction between the Company and profit participant, thereby reducing the Company's purchase price at Re. 0.5265 per share as per agreement.

## 7. SHORT TERM BORROWINGS

		Unaudited December 2016	Audited June 2016
		(Rupees)	
Secured - from banking companies			
<i>From related parties:</i>			
Term finance	7.1	-	360,000,000
<i>Others</i>			
Running finance under mark-up arrangement	7.2	<u>127,042,981</u>	2,187,610,430
		<u>127,042,981</u>	<u>2,547,610,430</u>

- 7.1** During the period, the Company has made final settlement of term finance loan amounting to Rs. 360 million along-with mark-up till the date of repayment.

- 7.2** Short term running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 2,300 million (30 June 2016: Rs. 2,800 million) which represents the aggregate of sale prices of all mark-up agreements between the Company and the banks. These facilities have various maturity dates upto 30 September 2017. These arrangements are secured against pledge of marketable securities with minimum 30% margin (30 June 2016: 30% margin).

These running finance facilities carry mark-up ranging from 1 month KIBOR + 1% to 3 month KIBOR + 2.25% per annum (30 June 2016: 1 month KIBOR + 1% to 3 month KIBOR + 2.25% per annum) calculated on a daily product basis and is payable on quarterly basis. The aggregate amount of these facilities which have not been availed as at the balance sheet date amounts to Rs. 2,172.957 million (30 June 2016: Rs. 612.39 million).

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

**7.3** The fair value of shares of associated companies, shares held for trading and other securities pledged as collateral against short term borrowings amount to Rs. 1,782.12 million (30 June 2016: Rs. 1,825.47 million). Futher, Chief Executive Officer of the Company has offered his personal investments as collateral against Company's running finance.

## 8. CONTINGENCIES AND COMMITMENTS

There are no changes in the status of contingencies and commitments from the preceding audited annual unconsolidated financial statements for the year ended 30 June 2016 except as otherwise disclosed elsewhere in these condensed interim unconsolidated financial information.

## 9. OPERATING FIXED ASSETS

Following is the cost / written down value of property and equipment that have been added / disposed off during the period:

	Six months period ended December 2016		Six months period ended December 2015	
	Additions	Disposals	Additions	Disposals
	(Rupees)			
Office equipment	80,165	-	195,373	-
Computer and allied equipment	269,819	36,937	225,500	18,396
	<u>349,984</u>	<u>36,937</u>	<u>420,873</u>	<u>18,396</u>

## 10. LONG TERM INVESTMENTS

		Unaudited December 2016	Audited June 2016
		(Rupees)	
Subsidiaries - at cost	10.1	4,946,577,830	5,258,140,246
At fair value through profit or loss	10.2	24,535,346,359	23,552,050,625
Available for sale	10.3	-	100,000
		<u>29,481,924,189</u>	<u>28,810,290,871</u>

### 10.1 Subsidiaries - at cost

	Cost	Provision for Impairment	Carrying amount	
			Unaudited December 2016	Audited June 2016
			(Rupees)	
Arif Habib Limited (AHL)	2,200,112,770	-	2,200,112,770	2,511,675,186
Pakistan Opportunities Limited (POL)	42,500,000	(42,500,000)	-	-
Sachal Energy Development (Private) Limited (SEDPL)	2,746,465,060	-	2,746,465,060	2,746,465,060
	<u>4,989,077,830</u>	<u>(42,500,000)</u>	<u>4,946,577,830</u>	<u>5,258,140,246</u>

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

## 10.2 At fair value through profit or loss

	Cost	Unrealised appreciation on remeasurement of investments	Carrying amount		
			Unaudited December 2016	Audited June 2016	
(Rupees)					
<b>Associates:</b>					
MCB - Arif Habib Savings and investments Limited (MCB-AH)	10.2.1	477,694,882	139,733,878	617,428,760	575,183,634
Pakarab Fertilizers Limited (PFL)		1,324,332,073	10,825,667,927	12,150,000,000	12,150,000,000
Fatima Fertilizer Company Limited (FFCL)		3,512,782,225	8,255,135,374	11,767,917,599	10,826,866,991
		5,314,809,180	19,220,537,179	24,535,346,359	23,552,050,625

10.2.1 Before loss of control, MCB-AH was stated at Rs. 81.948 million which is historical cost of investment as per IAS 27. However, due to loss of control the Company has designated remaining equity interest 'at fair value through profit or loss' and accordingly fair value on the date of loss of control is considered as deemed cost.

## 10.3 Available for sale

	Cost	Unrealised appreciation/ (diminution) on remeasurement of investments	Provision for Impairment	Carrying amount	
				Unaudited December 2016	Audited June 2016
(Rupees)					
<b>Other investments:</b>					
Takaful Pakistan Limited	30,000,000	-	(30,000,000)	-	-
Al-Khabeer Financial Services (Private) Limited	1,000,000	-	(1,000,000)	-	100,000
Sun Biz (Private) Limited	1,000,000	-	(1,000,000)	-	-
	32,000,000	-	(32,000,000)	-	100,000

10.4 Fair value of long term investments pledged with banking companies against various financing facilities amounts to Rs. 1,759.653 million (30 June 2016: Rs. 1,551.058 million).

## 10.5 Movement in provision for impairment

	Unaudited December 2016	Audited June 2016
(Rupees)		
Opening balance	(74,400,000)	(502,409,244)
Impairment loss (Other charges)	(100,000)	-
Reversal on sale of investment	-	287,361,776
Reclassified to short term investment on loss of significant influence	-	140,647,468
Closing balance	(74,500,000)	(74,400,000)

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

## 11. LOANS AND ADVANCES

		Unaudited December 2016	Audited June 2016
(Rupees)			
<i>Unsecured</i>			
Advances:			
- against salaries to employees		1,567,331	1,019,648
Loan to related parties:			
Aisha Steel Mills Limited	11.1	18,054,095	545,471,149
Sachal Energy Development (Private) Limited	11.2	162,000,000	-
		<u>180,054,095</u>	545,471,149
<i>Secured</i>			
Loans to related parties:			
Aisha Steel Mills Limited	11.3	229,748,927	239,215,563
		<u>411,370,353</u>	<u>785,706,360</u>

- 11.1** The mark-up rate on the said loan is 3 month KIBOR plus 3% per annum. Mark-up is payable on quarterly basis. The effective mark-up charged during the period was 9.04% to 9.05% (30 June 2016: 9.35% to 10.29%) per annum. The loan is repayable within 30 business days on notice of demand.
- 11.2** The Company has provided interest free loan to its wholly owned Subsidiary Company. The loan is repayable within 30 business days on notice of demand.
- 11.3** The loan is secured against first charge on all present and future fixed assets, accounts receivables and interest in any insurance claim and equitable mortgage of land and building. The mark-up rate in the said loan is 6 month KIBOR + 3.25% per annum (30 June 2016: 6 months KIBOR + 3.25% per annum). The effective rate of mark-up on the loan during the period was 9.31% (30 June 2016: ranged between 9.76% to 10.29%) per annum. Mark-up is payable on semi-annually basis.
- 11.4** Maximum balance due from related party during the period was Rs. 925.823 million (30 June 2016: Rs. 2,805.93 million).

## 12. ASSET HELD FOR SALE

During the last period, the Board of Directors of the Company decided to liquidate Arif Habib DMCC, a subsidiary company subject to approval of the Dubai Multi Commodities Centre Authority. Accordingly the investment is classified as an asset held for sale. Management is in progress for completing the liquidation requirements and it is expected to be completed shortly. Subsequent to period end, the Company has realized portion of sale proceeds against sale of net assets of Subsidiary.

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

## 13. OPERATING REVENUE

	Six months period ended		Quarter ended	
	December	December	December	December
	2016	2015	2016	2015
	(Rupees)		(Rupees)	
Dividend income	734,217,420	304,393,877	53,312,483	37,890,226
Mark-up on loans and advances	33,233,642	105,121,634	14,675,990	53,936,005
Profit on bank accounts	88,220	4,590,797	32,430	3,695,837
Income from reverse repurchase transactions	-	16,530,577	-	8,641,526
Put option fee	-	40,700,000	-	20,350,000
Gain on sale of securities - net	13.1	1,074,671,447	46,109,123	618,773,118
Gain on remeasurement of investments-net				
	<b>1,373,216,977</b>	<b>1,738,478,832</b>	<b>750,173,710</b>	<b>(179,533,473)</b>
	<b>2,211,399,814</b>	<b>3,284,487,164</b>	<b>864,303,736</b>	<b>563,753,239</b>

13.1 The above gain is netted off with transaction cost.

## 14. OTHER INCOME

This includes reversal of provision for Workers' Welfare Fund amounting to Rs. 387.63 million. During the period, the Honourable Supreme Court of Pakistan vide its judgement dated 10 November 2016 while adjudicating the civil appeal filed by the Company declared amendments made vide Finance Act 2006 and 2008 in Workers' Welfare Ordinance, 1971 ("the Ordinance") as unlawful and ultra vires the Constitution of Pakistan. Accordingly, the civil appeal filed by the Company against amendments made in the Ordinance vide Finance Act 2006 and 2008 in the Supreme Court of Pakistan is disposed off in Company's favor. However, the Commissioner Inland Revenue (Peshawar) has filed the Civil Review Petitions (CRPs) against the judgement of the Supreme Court of Pakistan. The Legal counsel which has contested the Company's petition consider that the Department wishes to try for re-argue the appeal through CRPs which generally is not allowed by the Supreme Court in review unless an 'error' is pointed out rather than request for change of opinion. Accordingly based on legal advice, management has reversed the provision created against Workers' Welfare Fund.

## 15. TAXATION

	Six months period ended		Quarter ended	
	December	December	December	December
	2016	2015	2016	2015
	(Rupees)		(Rupees)	
For the period				
- Current	(158,991,069)	(80,144,090)	(70,826,464)	(57,414,574)
- Deferred	(153,573,366)	(919,866)	(121,649,566)	4,412,517
	<b>(312,564,435)</b>	<b>(81,063,956)</b>	<b>(192,476,030)</b>	<b>(53,002,057)</b>

15.1 The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001 at the rate of ten percent on every public company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute cash dividend within six months of the end of said tax year or distributes dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid up capital, so much of its reserves as exceed the threshold shall be treated as income of the said company. However, this tax on undistributed reserves is not applicable to a public company which distributes profit equal to either 40% of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of the tax year.

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

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Board of Directors of the Company intends to distribute sufficient cash dividend for the year ending 30 June 2017 to comply with the above stated requirement. Accordingly, no provision for tax on undistributed reserves has been recognized in these condensed unconsolidated interim financial information.

## 16. CASH GENERATED FROM / (USED IN) OPERATIONS

	Six months period ended	
	December 2016	December 2015
	(Rupees)	
Profit before tax	2,436,703,769	3,002,186,996
<b>Adjustments for:</b>		
Depreciation and amortisation	4,000,223	4,406,262
Dividend income	(734,217,420)	(304,393,877)
Mark-up on loans and advances	(33,233,642)	(105,121,634)
Gain on disposal of long term investments	(46,175,449)	(1,074,671,447)
Impairment on long term investments	100,000	-
Loss on disposal of asset	6,890	3,396
Unrealised gain on remeasurement of investment	(1,373,216,977)	(1,738,478,832)
Income from reverse repurchase transactions	-	(16,530,577)
(Reversal) / provision for workers' welfare fund	(387,631,507)	61,269,122
Finance cost	102,693,718	163,260,858
	(2,467,674,164)	(3,010,256,729)
	(30,970,395)	(8,069,733)
<b>Changes in working capital</b>		
<i>Decrease / (increase) in current assets</i>		
Loans and advances	374,336,007	275,163,508
Prepayments	(3,557,791)	7,410,717
Other receivables	-	(6,859,435)
Short term investments	151,442,551	(3,115,124,660)
	522,220,767	(2,839,409,870)
<i>Increase in current liabilities</i>		
Trade and other payables	1,167,831,361	1,662,529,400
<b>Cash generated from / (used in) operations</b>	<b>1,659,081,733</b>	<b>(1,184,950,203)</b>

## 17. CASH AND CASH EQUIVALENTS

	December	
	2016	2015
	(Rupees)	
Cash and bank balances	233,363,790	55,196,989
Short term borrowings	(127,042,981)	(2,793,706,126)
	<b>106,320,809</b>	<b>(2,738,509,137)</b>

## 18. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. This condensed interim unconsolidated financial information does not include all financial risk management information and disclosures required in the audited annual unconsolidated financial statements; they should be read in conjunction with the Company's audited annual unconsolidated financial statements as at 30 June 2016 as financial risk management objectives and policies are consistent with the prior year.

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

## 19. FAIR VALUE MEASUREMENTS

A number of the Company's accounting policies and disclosure require the measurement of fair values, for both financial, if any and non-financial assets and financial liabilities.

Management engage independent external experts / valuers to carry out valuation of its non-financial assets (i.e. Investment Property) elected to be measured at fair value and financial assets where prices are not quoted or readily available in the market. Involvement of external valuers is decided upon by management. Selection criteria include market knowledge, reputation, relevant experience, independence and whether professional standards are maintained.

When measuring the fair value of an asset or a liability, the Company uses valuation techniques that are appropriate in the circumstances and uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Company determine fair values using valuation techniques unless the fair value cannot be reliably measured.

Valuation techniques used by the Company include discounted cash flow model for valuation of unquoted equity securities. Assumptions and inputs used in valuation techniques include risk-free rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the balance sheet date that would have been determined by market participants acting at arm's length.

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, management recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

- 19.1** The below table shows the carrying amounts and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include the fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

	31 December 2016					Fair value		
	Carrying amount					Level 1	Level 2	Level 3
	At fair value through profit and loss	Loans and Receivables	Available for sale	Other financial assets	Other financial liabilities			
	(Rupees)							
<b>Financial assets measured at fair value</b>								
Long term investments	24,535,346,359	-	-	-	-	12,385,346,359	-	12,150,000,000
Short term investments	4,818,108,559	-	1,062,493,511	-	-	5,880,602,070	-	-
<b>Financial assets not measured at fair value</b>								
Long term investments*	-	-	-	4,946,577,830	-	2,770,951,200	-	-
Long term deposits	-	89,590	-	-	-	-	-	-
Loans and advances	-	411,370,353	-	-	-	-	-	-
Mark-up receivable	-	19,528,183	-	-	-	-	-	-
Other receivable	-	741,964	-	-	-	-	-	-
Cash and bank balances	-	106,320,809	-	-	-	-	-	-
<b>Financial liabilities not measured at fair value</b>								
Long term loan - secured	-	-	-	-	528,301,530	-	-	-
Trade and other payables	-	-	-	-	2,685,378,974	-	-	-
Dividend payable	-	-	-	-	839,177,418	-	-	-
Mark-up accrued on short term borrowings	-	-	-	-	167,171,444	-	-	-
Short term borrowings	-	-	-	-	127,042,981	-	-	-
Current maturity of long term loan	-	-	-	-	114,035,320	-	-	-
<b>30 June 2016</b>								
	Carrying amount					Fair value		
	At fair value through profit and loss	Loans and Receivables	Available for sale	Other financial assets	Other financial liabilities	Level 1	Level 2	Level 3
	(Rupees)							
<b>Financial assets measured at fair value</b>								
Long term investments	23,552,050,625	-	100,000	-	-	11,401,950,625	-	12,150,100,000
Short term investments	4,579,629,868	-	648,294,567	-	-	5,227,924,435	-	-
<b>Financial assets not measured at fair value</b>								
Long term investments*	-	-	-	5,258,140,246	-	1,818,685,093	-	-
Long term deposits	-	89,590	-	-	-	-	-	-
Loans and advances	-	784,686,712	-	-	-	-	-	-
Mark-up receivable	-	19,756,811	-	-	-	-	-	-
Other receivable	-	741,964	-	-	-	-	-	-
Cash and bank balances	-	25,033,510	-	-	-	-	-	-
<b>Financial liabilities not measured at fair value</b>								
Long term loan - secured	-	-	-	-	147,819,191	-	-	-
Trade and other payables	-	-	-	-	1,517,547,613	-	-	-
Mark-up accrued on short term borrowings	-	-	-	-	173,878,386	-	-	-
Short term borrowings	-	-	-	-	2,547,610,430	-	-	-
Current maturity of long term loan	-	-	-	-	149,035,318	-	-	-

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

\* This represents investment in a subsidiary company, Arif Habib Limited, which is quoted on the Pakistan Stock Exchange Limited. It is carried at cost and fair value is determined for disclosure purposes.

Management assessed that the fair values of loans, other receivable and cash & cash equivalent, trade payables, short term borrowing and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. For long term deposit asset and long term liabilities, managements consider that their carrying values approximates fair value.

The fair value of quoted equity securities categorised in level 1 in fair value hierarchy is determined using quotation from the Pakistan Stock Exchange Limited on the reporting date. Unquoted equity securities measured at fair value is derived using discounted cash flow method. The valuation method considers the present value of future cash flows of investee company discounted with risk adjusted discount rate. The significant unobservable input comprises long-term growth rate, long-term return on equity and weighted average cost of capital. Changes in the input would increase or decrease the fair value of investee company.

## 20. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties comprise of group companies (including subsidiaries and associates), directors and their close family members, major shareholders of the Company, companies where directors also hold directorship, key management personnel and staff provident fund. Transactions with related parties are carried out at contractual / agreed rates. 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.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company considers its Chief Executive Officer, Chief Financial Officer, Company Secretary, Non-Executive Directors and Departmental Heads to be its key management personnel. There are no transactions with key management personnel other than their terms of employment / entitlement.

Transactions and balances with related parties during the period other than those disclosed elsewhere in the condensed interim unconsolidated financial information are given below:

<b>Six months period ended</b>	
<b>December</b>	December
<b>2016</b>	2015
<b>(Rupees)</b>	

### Transaction with:

#### *Transactions with Subsidiaries*

Services availed	<b>917,301</b>	5,530,838
Loan extended	<b>162,000,000</b>	1,750,000,000
Loan repayment	-	1,750,000,000
Mark-up income on loan and advance	-	41,819,635
Dividend income	<b>282,154,159</b>	265,648,159
Dividend received	<b>282,154,159</b>	265,648,159
Subscription of right shares/ fresh equity investment	-	1,997,965,000

# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

	Six months period ended	
	December 2016	December 2015
	(Rupees)	
<i>Transactions with Associates:</i>		
Dividend income	436,662,550	37,912,292
Dividend received	436,662,550	37,912,292
Mark-up on loan and advance	-	13,329,507
Mark-up income received	-	8,717,808
Loan extended	-	400,000,000
Loan repayment	-	400,000,000
Commission on guarantee from Power Cement Limited	-	133,931
<i>Transactions with Other related parties</i>		
Provident fund contribution	824,917	1,640,559
Payment of rent and maintenance charges	15,066,038	3,089,189
Loan extended	936,000,000	1,438,169,776
Loan repayment	1,472,883,690	1,134,500,767
Dividend income and received	520	817,209
Mark-up on loan and advance	33,233,643	49,972,492
Mark-up income received	33,462,270	34,911,662
Guarantee commission income	1,483,928	1,350,000
Mark-up accrued on loan	20,574,353	24,936,198
Mark-up paid on loan	20,946,476	25,548,230
Donation paid to Jinnah Foundation [Interest of Directors in Donee: Mr. Muhammad Ejaz (Trustee) Mr. Sirajuddin Cassim (Trustee), and Mr. Nasim Beg (Trustee)]	3,230,500	-
<i>Remuneration to Key management personnel</i>		
Remuneration	9,798,666	10,543,762
	<b>Unaudited December 2016</b>	Audited June 2016
	(Rupees)	

## Balances as at:

Mark-up receivable from Aisha Steel Mills Limited	19,528,184	19,717,359
Mark-up receivable from Javedan Corporation Limited	-	39,452
Commission on guarantee receivable from Aisha Steel Mills Limited	625,000	625,000
Commission on guarantee receivable from Power Cement Limited	66,964	66,964
Commission on guarantee receivable from Javedan Corporation Limited	50,000	50,000
Mark-up payable to Summit Bank Limited	8,601,370	8,973,453
Mark-up payable to International Complex Projects Limited	125,049,041	125,049,041

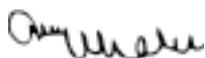
# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

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## 21. DATE OF AUTHORISATION FOR ISSUE

This condensed interim unconsolidated financial information has been authorised for issue on 21<sup>st</sup> February 2017 by the Board of Directors of the Company.

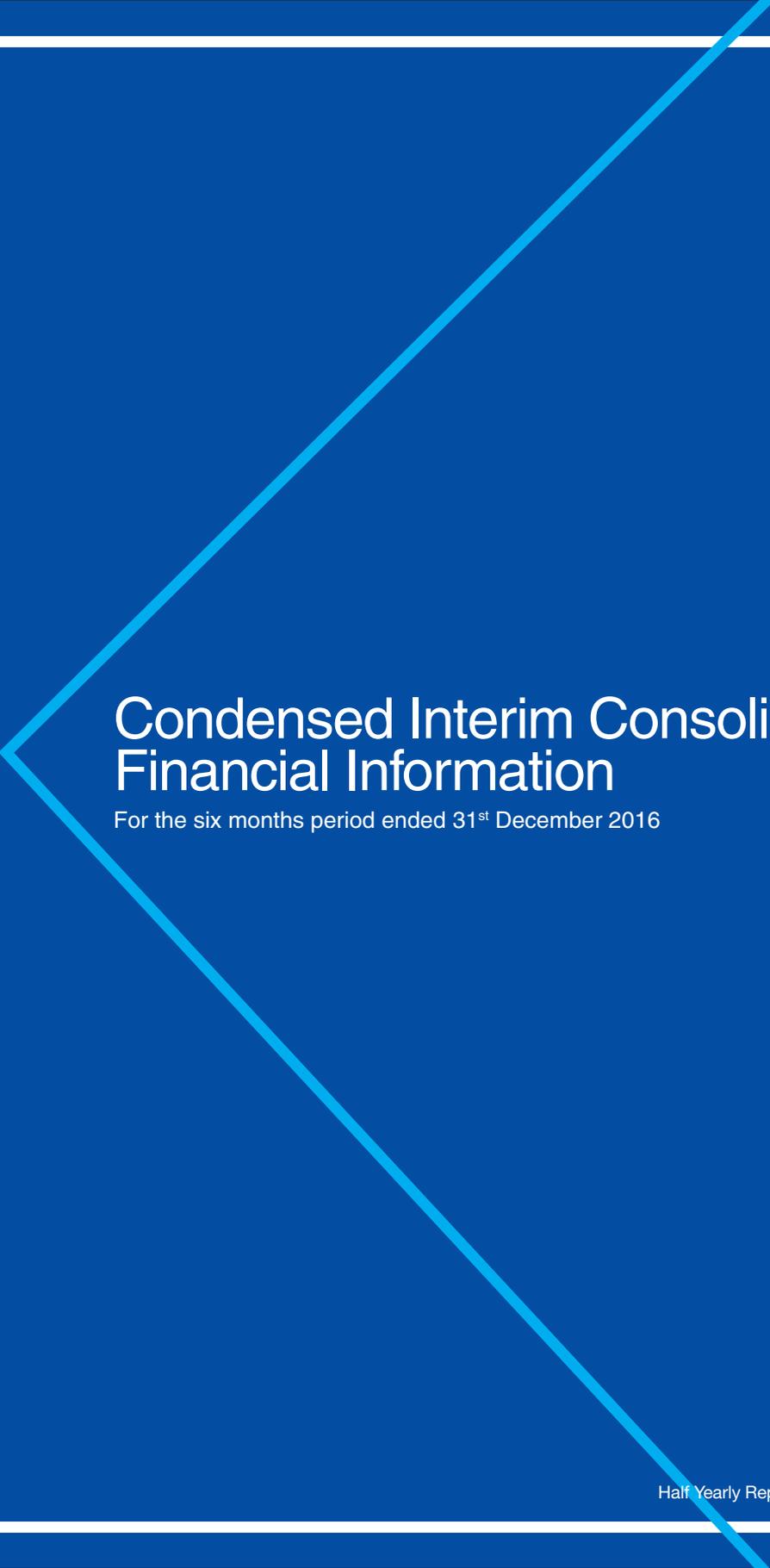


Chief Executive Officer



Director





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# Condensed Interim Consolidated Financial Information

For the six months period ended 31<sup>st</sup> December 2016

# Condensed Interim Consolidated Balance Sheet

As at 31<sup>st</sup> December 2016

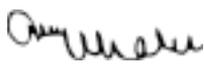
	Note	Unaudited December 2016	Audited June 2016
<b>(Rupees)</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised share capital 1,000,000,000 ordinary shares of Rs. 10 each		<u>10,000,000,000</u>	<u>10,000,000,000</u>
Issued, subscribed and paid-up share capital		4,537,500,000	4,537,500,000
Reserves		16,177,708,189	15,314,417,337
Equity attributable to owners of the Parent		20,715,208,189	19,851,917,337
Non-controlling interest		1,068,636,740	742,537,812
		<u>21,783,844,929</u>	<u>20,594,455,149</u>
Surplus on revaluation of fixed assets		15,432,500	15,432,500
<b>Non-current liabilities</b>			
Long term loans - secured	5	9,601,833,130	1,226,229,191
Liabilities against assets subject to finance lease		1,487,212	1,878,241
Deferred liability - Staff gratuity		4,669,472	2,310,380
Deferred taxation - net		1,037,000,451	783,536,683
		<u>10,644,990,265</u>	<u>2,013,954,495</u>
<b>Current liabilities</b>			
Trade and other payables	6	3,425,199,790	2,310,567,803
Dividend payable		839,177,418	-
Mark-up accrued on borrowings		212,108,459	301,112,788
Short term borrowings - secured		1,898,962,956	4,428,479,243
Current portion of long term loans		114,035,320	149,035,318
Current portion of liabilities against assets subject to finance lease		687,187	687,187
Provision for taxation		391,029,577	214,436,239
Payable against purchase of securities-net		139,180,475	465,407,950
Liabilities held for sale	9	-	13,640,441
		<u>7,020,381,182</u>	<u>7,883,366,969</u>
		<u>39,464,648,876</u>	<u>30,507,209,113</u>
<b>Contingencies and commitments</b>	7		

# Condensed Interim Consolidated Balance Sheet

As at 31<sup>st</sup> December 2016

	Note	Unaudited December 2016	Audited June 2016
<b>(Rupees)</b>			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	11,823,854,990	2,147,958,965
Intangible assets - others		4,174,496	4,130,891
Goodwill		910,206,117	910,206,117
Trading right entitlement certificate, membership cards and offices		24,600,000	24,600,000
Investment properties		2,105,962,729	2,178,505,214
Equity accounted investees		17,334,366,568	16,674,180,757
Other long term investments		121,342,551	121,442,551
Long term deposits and prepayments		35,451,861	43,963,390
		<b>32,359,959,312</b>	<b>22,104,987,885</b>
<b>Current assets</b>			
Trade debts		1,419,724,144	618,645,963
Loans and advances		529,434,662	2,624,294,005
Deposits and prepayments		316,529,243	162,028,849
Advance tax		354,232,683	194,014,092
Mark-up receivable		19,557,975	19,756,976
Other receivables		74,504,616	169,842,640
Short term investments		3,542,663,670	4,163,587,442
Cash and bank balances		792,425,090	386,112,717
Assets held for sale	9	55,617,481	63,938,544
		<b>7,104,689,564</b>	<b>8,402,221,228</b>
		<b>39,464,648,876</b>	<b>30,507,209,113</b>

The annexed notes 1 to 17 form an integral part of this condensed interim consolidated financial information.

  
Chief Executive Officer

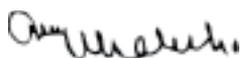
  
Director

# Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

Note	Six months period ended		Quarter ended	
	December 2016	December 2015	December 2016	December 2015
(Rupees)				
<b>Continuing Operations</b>				
	924,331,893	1,085,171,303	382,317,281	404,633,571
Operating revenue				
Operating, administrative and other expenses	(225,070,267)	(198,871,534)	(123,336,863)	(92,311,806)
Other income	545,536,730	81,369,399	500,692,397	34,904,385
Finance cost	(198,679,295)	(189,321,093)	(96,438,840)	(57,964,508)
Other charges	(48,484,955)	(67,544,420)	570,290	3,647,448
	997,634,106	710,803,655	663,804,265	292,909,090
Share of profit of equity-accounted associates - net of tax	1,062,629,390	2,823,206,479	500,904,410	644,388,373
<b>Profit before tax</b>	<b>2,060,263,496</b>	<b>3,534,010,134</b>	<b>1,164,708,675</b>	<b>937,297,463</b>
Taxation				
For the period				
- Current	(245,985,530)	(126,844,247)	(135,505,332)	(75,104,195)
- Prior	8,967,062	-	8,967,062	-
- Deferred	(189,090,257)	(193,872,812)	(137,806,494)	65,966,404
	(426,108,725)	(320,717,059)	(264,344,764)	(9,137,791)
<b>Profit after tax from continuing operations</b>	<b>1,634,154,771</b>	<b>3,213,293,075</b>	<b>900,363,911</b>	<b>928,159,672</b>
<b>Discontinued operations</b>	9			
Profit for the year from discontinued operations - net of tax	(868,472)	294,169,129	(868,472)	294,169,129
Gain on disposal of subsidiary	-	644,631,326	-	644,631,326
	(868,472)	938,800,455	(868,472)	938,800,455
<b>Profit for the period</b>	<b>1,633,286,299</b>	<b>4,152,093,530</b>	<b>899,495,439</b>	<b>1,866,960,127</b>
<b>Profit attributable to:</b>				
Equity holders of the Parent Company	1,453,044,952	3,956,877,959	815,499,473	1,767,909,424
Non-controlling interests	180,241,347	195,215,571	83,995,966	99,050,703
	1,633,286,299	4,152,093,530	899,495,439	1,866,960,127
<b>Earnings per share - basic &amp; diluted</b>				
From continuing operations	3.20	6.93	1.80	2.11
From discontinued operations	(0.00)	1.79	(0.00)	1.79
	3.20	8.72	1.80	3.90

The annexed notes 1 to 17 form an integral part of this condensed interim consolidated financial information.

  
Chief Executive Officer

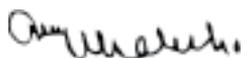
  
Director

# Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

	Six months period ended		Quarter ended	
	December 2016	December 2015	December 2016	December 2015
	(Rupees)		(Rupees)	
<b>Profit after tax</b>	<b>1,633,286,299</b>	4,152,093,530	<b>899,495,439</b>	1,866,960,127
<b>Other comprehensive income</b>				
<i>Items that are or may be reclassified subsequently to profit and loss account</i>				
Unrealised appreciation / (diminution) during the period on remeasurement of investments classified as 'available for sale'	414,198,943	(486,757,386)	174,259,710	(486,757,386)
Related tax thereon	(12,871,236)	-	(15,775,885)	-
Effect of translation of net assets of foreign subsidiary to presentation currency - net	39,779	718,235	411,532	78,056
Share of other comprehensive income of equity-accounted associates - net of tax	34,218,971	51,323,136	23,192,723	56,333,566
Reclassification of share of other comprehensive income of equity-accounted investee on loss of significant influence	-	(1,976,494)	-	(1,976,494)
Other comprehensive income for the period	435,586,457	(436,692,509)	182,088,080	(432,322,258)
<b>Total comprehensive income for the period</b>	<b>2,068,872,756</b>	3,715,401,021	<b>1,081,583,519</b>	1,434,637,869
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Parent Company	1,888,631,409	3,520,185,450	997,587,553	1,335,587,166
Non-controlling interests	180,241,347	195,215,571	83,995,966	99,050,703
	<b>2,068,872,756</b>	3,715,401,021	<b>1,081,583,519</b>	1,434,637,869

The annexed notes 1 to 17 form an integral part of this condensed interim consolidated financial information.

  
Chief Executive Officer

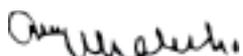
  
Director

# Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

	Note	Six months period ended	
		December 2016	December 2015
(Rupees)			
<b>CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>			
Cash generated from / (used in) operations	7	4,255,122,174	(5,591,028,964)
Taxes paid		(169,141,446)	(174,219,508)
Finance cost paid		(287,683,624)	(140,692,020)
Interest received		33,432,643	33,432,698
<b>Net cash generated from / (used in) operating activities</b>		<b>3,831,729,747</b>	<b>(5,872,507,794)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure incurred		(9,684,250,181)	(447,152,738)
Proceeds from sale of property, plant and equipment		40,047	733,156
Acquisition of intangible assets		(617,056)	-
Proceeds from disposal of investment property		64,618,019	-
Expenditure on investment property		(9,492,000)	-
Dividend received from equity accounted investee		436,662,550	37,912,292
Acquisition of Investment Property		-	(8,880,000)
Proceed from sale of Subsidiary without change in control		357,737,865	4,130,561,056
Disposal of discontinued operation / acquisition of - net of cash disposed of / acquired		-	1,552,185,373
Long term deposits		(5,128,912)	(30,916,618)
<b>Net cash (used in) / generated from investing activities</b>		<b>(8,840,429,668)</b>	<b>5,234,442,521</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceed from long term financing and deferred liabilities - net		8,342,963,033	(25,104,947)
Dividend paid by Parent Company		(295,197,582)	(2,097,292,298)
Distribution by Subsidiaries to non-controlling interest		(102,845,841)	-
Liability against assets subject to finance lease		(391,029)	1,963,069
<b>Net cash generated from / (used in) financing activities</b>		<b>7,944,528,581</b>	<b>(2,120,434,176)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>2,935,828,660</b>	<b>(2,758,499,449)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>(4,042,366,526)</b>	<b>(1,791,998,429)</b>
<b>Cash and cash equivalents at end of the period</b>	12	<b>(1,106,537,866)</b>	<b>(4,550,497,878)</b>

The annexed notes 1 to 17 form an integral part of this condensed interim consolidated financial information.



Chief Executive Officer



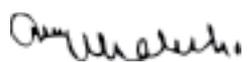
Director

# Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

	Equity attributable to owners of the Parent						Non-controlling interests	Total equity
	Issued, subscribed and paid up share capital	Unrealized appreciation / (diminution) on remeasurement of investments classified as 'available for sale'	Exchange difference on translation to presentation currency	General reserve	Unappropriated profit	Total		
	(Rupees)							
<b>Balance as at 1 July 2015</b>	4,537,500,000	115,262,601	46,886,652	4,019,567,665	9,523,954,923	18,243,171,841	1,550,040,084	19,793,211,925
<b>Total comprehensive income for the six months period</b>								
Profit for the six months period ended 31 December 2015	-	-	-	-	3,956,877,959	3,956,877,959	195,215,571	4,152,093,530
<b>Other comprehensive income</b>								
Unrealised diminution during the period on remeasurement of investments classified as 'available for sale'	-	(486,757,386)	-	-	-	(486,757,386)	-	(486,757,386)
Effect of translation of net assets of foreign subsidiary to presentation currency - net	-	-	718,235	-	-	718,235	-	718,235
Share of other comprehensive income of equity-accounted associates - net of tax	-	51,323,136	-	-	-	51,323,136	-	51,323,136
Reclassification of share of other comprehensive income of equity-accounted investee on loss of significant influence	-	(1,976,494)	-	-	-	(1,976,494)	-	(1,976,494)
	-	(437,410,744)	718,235	-	3,956,877,959	3,520,185,450	195,215,571	3,715,401,021
<b>Transactions with owners</b>								
<b>Distribution:</b>								
Final cash dividend for the year ended 30 June 2015 at the rate of Rs. 4 per share	-	-	-	-	(1,815,000,000)	(1,815,000,000)	(119,351,841)	(1,934,351,841)
Disposal of equity interest in subsidiary with loss of control	-	-	-	-	-	-	(893,040,599)	(893,040,599)
Acquisition of non-controlling interest without change in control	-	-	-	-	(52,912,577)	(52,912,577)	(83,041,813)	(135,954,390)
	-	-	-	-	(1,867,912,577)	(1,867,912,577)	(1,095,434,253)	(2,963,346,830)
<b>Balance as at 31 December 2015</b>	4,537,500,000	(322,148,143)	47,604,887	4,019,567,665	11,612,920,305	19,895,444,714	649,821,402	20,545,266,116
<b>Balance as at 1 July 2016</b>	4,537,500,000	39,489,850	49,246,220	4,019,567,665	11,206,113,602	19,851,917,337	742,537,812	20,594,455,149
<b>Total comprehensive income for the six months period</b>								
Profit for the six months period ended 31 December 2016	-	-	-	-	1,453,044,952	1,453,044,952	180,241,347	1,633,286,299
<b>Other comprehensive income</b>								
Unrealised appreciation / (diminution) during the period on remeasurement of investments classified as 'available for sale'	-	414,198,943	-	-	-	414,198,943	-	414,198,943
Related tax thereon	-	(12,871,236)	-	-	-	(12,871,236)	-	(12,871,236)
Effect of translation of net assets of foreign subsidiary to presentation currency - net	-	-	39,779	-	-	39,779	-	39,779
Share of other comprehensive income of equity-accounted associates - net of tax	-	34,218,971	-	-	-	34,218,971	-	34,218,971
	-	435,546,678	39,779	-	1,453,044,952	1,888,631,409	180,241,347	2,068,872,756
Distribution by Subsidiaries	-	-	-	-	-	-	(102,845,841)	(102,845,841)
<b>Transactions with owners</b>								
<b>Distribution:</b>								
Final cash dividend for the year ended 30 June 2016 at the rate of Rs. 2.5 per share	-	-	-	-	(1,134,375,000)	(1,134,375,000)	-	(1,134,375,000)
Acquisition of non-controlling interest without change in control	-	-	-	-	109,034,443	109,034,443	248,703,422	357,737,865
	-	-	-	-	(1,025,340,557)	(1,025,340,557)	248,703,422	(776,637,135)
<b>Balance as at 31 December 2016</b>	4,537,500,000	475,036,528	49,285,999	4,019,567,665	11,633,817,997	20,715,208,189	1,068,636,740	21,783,844,929

The annexed notes 1 to 17 form an integral part of this condensed interim consolidated financial information

  
Chief Executive Officer

  
Director

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

## 1. STATUS AND NATURE OF BUSINESS

Arif Habib Corporation Limited, (“the Parent Company”) was incorporated in Pakistan on 14 November 1994 as a public limited company under the Companies Ordinance, 1984. The Parent Company is listed on the Pakistan Stock Exchange Limited. The principal activity of the Parent Company is to make strategic investments in subsidiary companies and associates engaged in diversified sectors and investment in other securities. The registered office of the Parent Company is situated at Arif Habib Centre, 2nd Floor, 23, M. T. Khan Road, Karachi, Pakistan. The Parent Company is domiciled in the province of Sindh.

This condensed interim consolidated financial information of Arif Habib Corporation Limited for the six months period ended 31 December 2016 comprise of the Parent and following subsidiary companies (here-in-after referred to as “the Group”).

<i>Name of Company</i>		<i>Effective holding</i>
<i>Subsidiaries</i>	<i>Note</i>	
- Arif Habib Limited, a brokerage house	1.1	<u>64.20%</u>
- Arif Habib Commodities (Private) Limited, investment management of commodities [wholly owned subsidiary of Arif Habib Limited]	1.2	<u>64.20%</u>
- Arif Habib 1857 (Private) Limited, investments and share brokerage company [wholly owned subsidiary of Arif Habib Limited]	1.3	<u>64.20%</u>
- Arif Habib DMCC, a UAE incorporated member company of Dubai Gold and Commodities Exchange	1.4	<u>100.00%</u>
- Pakistan Opportunities Limited	1.5	<u>85.00%</u>
- Sachal Energy Development (Private) Limited, a wind power generation company	1.6	<u>100.00%</u>
<i>Associates</i>		
- MCB-Arif Habib Savings and Investments Limited	1.7	<u>30.09%</u>
- Fatima Fertilizer Company Limited	1.8	<u>15.19%</u>
- Pakarab Fertilizers Limited	1.9	<u>30.00%</u>
- Silkbank Limited	1.10	<u>28.23%</u>

- 1.1** Arif Habib Limited (AHL) was incorporated in Pakistan on 07 September 2004 under the Companies Ordinance, 1984, as a public limited company. The registered office of AHL is situated at Arif Habib Centre, 23, M.T. Khan Road, Karachi, Pakistan. It is domiciled in the province of Sindh. AHL holds Trading Right Entitlement Certificates of Pakistan Stock Exchange Limited. The principal activities of AHL are investments, share brokerage, interbank brokerage, initial public offering (IPO) underwriting, advisory and consultancy services. During the period, the Parent Company has decreased its holding in AHL from 73.29% to 64.20% resulting in increase in non-controlling interest by Rs. 248.703 million. The resulting gain of Rs. 109.034 has been recognised in equity.

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

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- 1.2** Arif Habib Commodities (Private) Limited (AHCPL) was incorporated on 2 April 2012 as a private limited company under the Companies Ordinance, 1984. The registered office of the AHCPL is located at Arif Habib Centre, 23, M.T. Khan Road, Karachi. The principal activity of AHCPL is to effectively manage investment portfolios in commodities. AHCPL is a wholly owned Subsidiary of Arif Habib Limited. AHCPL holds license of Pakistan Mercantile Exchange (PMEX).
- 1.3** Arif Habib 1857 (Private) Limited (AH1857) was incorporated on 17 July 2014 as a private limited company in Pakistan under Companies Ordinance, 1984. The registered office of AH1857 is located at Arif Habib Centre, 23, M.T. Khan Road, Karachi. The principal activities of the Company are investment and shares brokerage. AH1857 is a wholly owned Subsidiary of Arif Habib Limited. AH1857 holds Trading Right Entitlement Certificate (TREC).
- 1.4** Arif Habib DMCC (AHD) was incorporated in Dubai, U.A.E. on 24 October 2005 as a limited liability company. Its registered office is situated at Unit No. AG-15-E, AG Tower (Silver), Plot No. 11, Jumeirah Lake Towers, Dubai, U.A.E. AHD is a wholly owned subsidiary of Parent Company and was granted registration and trading license by the Registrar of Companies of the Dubai Multi Commodities Centre (DMCC) Authority on 26 October 2005. The principal activities of AHD is trading in gold, metals and other commodities on the Dubai Gold and Commodities Exchange (DGCX). However, no commercial activities were carried out during the period. The Parent Company had classified AHD as 'held for sale'.
- 1.5** Pakistan Opportunities Limited (POL) was incorporated in Pakistan on 6 September 2006 under the Companies Ordinance, 1984 as a public limited company (Unquoted). The registered office of POL is situated at Arif Habib Centre, 23, M.T. Khan Road, Karachi, Pakistan. The principal purpose of the Subsidiary Company is to make strategic investments by investing in securities and industrial and commercial ventures. Previously, POL was registered under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, with the SECP and had license to carry out Private Equity and Venture Capital Fund Management Services, which expired on 3 June 2013. The Subsidiary Company decided not to apply for renewal of license and applied with the SECP to exit from the business which was granted on 18 November 2014. The Memorandum of Association was amended by shareholders of the Company through special resolution dated 5 January 2015 which was approved by the Securities and Exchange Commission of Pakistan (SECP) on 19 January 2015.
- 1.6** Sachal Energy Development (Private) Limited (SEDPL) was incorporated in Pakistan under the Companies Ordinance, 1984 on 20 November 2006. SEDPL's registered office is located in Islamabad, Pakistan. It plans to carry out the business of purchasing, generating, importing, distributing, supplying and dealing in electricity and all other form of energy and the related services. It is in process of establishing 49.5 MW wind power project in Jhimpir, Sindh, Pakistan.
- 1.7** MCB-Arif Habib Savings and Investments Limited (MCB-AH) was incorporated in the name of Arif Habib Investment Management Limited (AHIML) on 30 August 2000 as an unquoted public limited company under the requirements of the Companies Ordinance, 1984. MCB-AH is listed on the Pakistan Stock Exchange Limited. MCB-AH is registered as a Pension Fund Manager under the Voluntary Pension System Rules, 2005 and as an Asset Management Company and an Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The registered office of MCB-AH has shifted to 24th Floor, Centre point, Off Shaheed-e-Millat Expressway, near K.P.T. Interchange, Karachi, Pakistan.

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

- 1.8** Fatima Fertilizer Company Limited (FFCL) and its wholly owned subsidiaries - Fatimafert Limited (FF) (formerly DH Fertilizers Limited) and Buber Sher (Private) Limited (BSPL) were incorporated in Pakistan under the Companies Ordinance, 1984. FFCL is listed on Pakistan Stock Exchange Limited. The control of FF and BSPL was transferred to FFCL on 1 July 2015. The principal activity of FFCL and FF is manufacturing, producing, buying, selling, importing and exporting fertilizers and chemicals. Principal activity of BSPL is sale, marketing and distribution of fertilizers and its derivative, insecticides, pesticides, and all kinds of agricultural, fruit growing and other chemicals. Registered offices of FFCL, FF and BSPL are located in Lahore, Pakistan. The manufacturing facility of FFCL is located at Mukhtargarh, Sadiqabad, Pakistan and that of FF is located at Sheikhpura Road.
- 1.9** Pakarab Fertilizers Limited (PFL) was incorporated as a private limited company in Pakistan under the Companies Act, 1913, (now Companies Ordinance, 1984). PFL changed to a non-listed public company from 7 June 2007. PFL Term Finance Certificates were listed at the Karachi Stock Exchange Limited (now merged as Pakistan Stock Exchange Limited) during the period from March 2008 to March 2013. Thereafter, PFL is a non-listed public company. PFL on 12 April 2011 incorporated a wholly owned Subsidiary Company, Reliance Sacks Limited (RSL). PFL is principally engaged in the manufacturing and sale of chemical fertilizers while the RSL is principally engaged in the manufacturing and sale of polypropylene sacks, cloth and liners. PFL's registered address is E-110, Khayaban-e-Jinnah, Lahore Cantt, while its manufacturing facility is located in Multan.
- 1.10** Silkbank Limited (Silkbank) was incorporated in Pakistan on 4 April 1994 as a public limited company under the Companies Ordinance, 1984. Silkbank commenced commercial operations on 7 May 1995. Silkbank's shares are quoted on Pakistan Stock Exchange Limited. Silkbank is engaged in banking services as described in Banking Companies Ordinance, 1962 Silkbank operates through 88 branches (30 June 2016: 88 branches) including 10 (30 June 2016: 10) Islamic banking branches in Pakistan. Silkbank's registered office is located at Silkbank Building, Kaghan Road, F-8 Markaz, Islamabad.

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

This condensed interim consolidated financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

This condensed interim consolidated financial information is unaudited and is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

This condensed interim consolidated financial information does not include all the information required for full financial statements and should be read in conjunction with the annual audited consolidated financial statements as at and for the year ended 30 June 2016.

The comparative balance sheet presented in this condensed interim consolidated financial information has been extracted from the annual audited consolidated financial statements of the Group for the year ended 30 June 2016, whereas the comparative condensed interim consolidated Profit and Loss Account, condensed interim consolidated Statement of Comprehensive Income, condensed interim consolidated Cash Flow statement and condensed interim consolidated Statement of Changes in Equity are extracted from the unaudited condensed interim consolidated financial information for the period ended 31 December 2015.

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

This condensed interim consolidated financial information is presented in Pakistan Rupees which is the Group's functional currency and presentation currency. The financial information of one foreign incorporated subsidiary have been translated into Pakistan Rupees for the purpose of these consolidated financial information.

## 3. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted by the Group in the preparation of this condensed interim consolidated financial information are the same as those applied in preparation of the preceding annual audited consolidated financial statements of the Group as at and for the year ended 30 June 2016.

### 3.1 Amendments and interpretation to approved accounting standards effective during the period

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

## 4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed interim consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience. Actual results may differ from these estimates.

The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 30 June 2016.

## 5. LONG TERM LOAN - secured

	Note	Unaudited December 2016	Audited June 2016
<b>(Rupees)</b>			
<i>From related party:</i>			
Term finance loan	5.1	-	150,000,000
Term musharaka finance	5.2	520,000,000	-
less: current portion		(65,000,002)	(100,000,000)
		<b>454,999,998</b>	<b>50,000,000</b>
<i>Others</i>			
Term finance loan	5.3	9,195,042,325	1,224,222,870
less: current portion		(48,604,290)	(48,604,290)
		<b>9,146,438,035</b>	<b>1,175,618,580</b>
Diminishing Musharakah Financing	5.4	826,125	1,041,639
less: current portion		(431,028)	(431,028)
		<b>395,097</b>	<b>610,611</b>
		<b>9,601,833,130</b>	<b>1,226,229,191</b>

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

- 5.1** During the period, the Parent Company has made early payment as final settlement of term finance facility with Summit Bank Limited, related party, amounting to Rs. 125 million and has also paid semi-annual principal instalment of Rs. 25 million.
- 5.2** During the period, the Parent Company has obtained term musharaka finance amounting to Rs. 520 million from Summit Bank Limited, related party, under mark-up arrangement at the rate of 6 months KIBOR + 2% to be charged on semi annually basis. The loan is repayable in eight semi-annually instalment after completion of one year grace period ending 18 October 2017. The loan is secured against first Pari passu charge over receivable of the Company, ranking charge on an associate's property situated at Naya Nazimabad, Survey # 248, 249, 250 of Rs. 286 million and personal guarantee of Chief Executive Officer of the Parent Company.
- 5.3** This includes term finance facility of Rs. 243.021 million obtained by the Parent Company from a commercial bank under mark-up arrangement at the rate of 6 month KIBOR + 2.50% to be charged on semi-annual basis. The loan is repayable in ten equal semi-annual instalments ending on 19 March 2019. The loan is secured against first pari passu charge of Rs. 333.333 million over present and future assets (excluding shares pledged against short term borrowings) of the Parent Company inclusive of 25% margin and pledge of shares of associated undertaking with 30% margin. During the period, the Parent Company has paid an instalment of Rs. 24.302 million. The market value of pledged shares as collateral amounts to Rs. 435.7 million (30 June 2016: Rs. 250.39 million) at balance sheet date.
- It further includes availed portion of Sinosure-Backed USD 100.00 million loan facility of Subsidiary Company, SEDPL. The facility carries mark-up at LIBOR plus 3.75% payable six monthly in arrears. The facility is payable over a period of 10 years with a grace period of 2 years. This facility is secured against pledge of equity shares, first ranking pari passu charge over all assets of the project and corporate guarantee given by the Parent Company.
- 5.4** The Company has acquired a vehicle under diminishing musharakah financing arrangement entered into with First Habib Modaraba for a period of 4 years with monthly principal repayment. The financing is secured against the respective vehicle and promissory note issued in favour of the lender. The return on the arrangement is 6 months KIBOR + 2%.

## **6. TRADE AND OTHER PAYABLES**

Trade and other payables include deposit amounting to Rs. 1.999 billion received by Parent Company from a profit participant procured by the existing sponsor of Silkbank Limited, under the Option Agreement dated 15 December 2015 which has been extended till 31 December 2017. In consideration of extending period of option, sponsor of Silkbank Limited has further procured Rs. 500 million from profit participant and has also provided additional margin of Rs. 650 million also included in trade and other payable. As per the revised terms of the agreement, the Parent Company has granted further one year option to existing sponsor to purchase entire investment in Silkbank Limited at an agreed price of not more than Rs. 2.0477 per share. In the event of exercise of Purchase option, the profit will be shared by the Parent Company with the profit participant in an agreed revised ratio and the deposit amount will be refunded to the profit participant and additional margin will be adjusted against purchase price payable by existing sponsor. In case the option is not exercised, then the Parent Company will adjust deposit amounting to Rs. 1,350 million through sale and repurchase transaction between the Parent Company and profit participant, thereby reducing the Parent Company's purchase price at Re. 0.5265 per share as per agreement.

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

## 7. CONTINGENCIES AND COMMITMENT

There are no other changes in the status of contingencies and commitments as disclosed in the preceding annual audited consolidated financial statements as at and in the year ended 30 June 2016 other than disclosed in note 10 and following outstanding commitments of AHL, Subsidiary Company, as at period end:

	<b>Unaudited December 2016</b>	Audited June 2016
	(Rupees)	
Outstanding Settlements against Marginal Trading contracts	1,739,216,875	1,806,919,064
Outstanding Settlements against sale / purchase of securities in regular market.	229,107,556	471,058,025
Guarantee given by a commercial bank on behalf of the company	100,000,000	100,000,000
	<b>2,068,324,431</b>	<b>2,377,977,089</b>

## 8. PROPERTY, PLANT AND EQUIPMENT

Capital expenditure incurred during the period amounted to Rs 9,684.25 million. Further, assets having written down value of Rs. 0.057 million were disposed off.

## 9. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

During the last period, the Board of Directors of the Parent Company decided to liquidate Arif Habib DMCC, Subsidiary Company subject to approval of the Dubai Multi Commodities Centre Authority. Accordingly the investment is classified as an 'asset held for sale'. Management is in progress for completing the liquidation requirements and it is expected to be completed shortly. Subsequent to period end, the Parent Company has realized portion of sale proceeds against sale of net assets of Subsidiary.

## 10. OTHER INCOME

This includes reversal of provision for Workers' Welfare Fund amounting to Rs. 387.63 million and Rs. 69.28 million recognised by Parent Company and AHL, Subsidiary Company, respectively. During the period, the Honourable Supreme Court of Pakistan vide its judgement dated 10 November 2016 while adjudicating the civil appeal filed by the Parent Company and AHL declared amendments made vide Finance Act 2006 and 2008 in Workers' Welfare Ordinance, 1971 ("the Ordinance") as unlawful and ultra vires the Constitution of Pakistan. Accordingly, the civil appeal filed by the Parent Company and AHL against amendments made in the Ordinance vide Finance Act 2006 and 2008 in the Supreme Court of Pakistan is disposed off in Parent Company's and AHL's favour. However, the Commissioner Inland Revenue (Peshawar) has filed the Civil Review Petitions (CRPs) against the judgement of the Supreme Court of Pakistan. The Legal counsel which has contested the Parent Company's and AHL's petition consider that the Department wishes to try and re-argue the appeal through CRPs which generally is not allowed by the Supreme Court in review unless an 'error' is pointed out rather than request for change of opinion. Accordingly based on legal advice, the Parent Company and AHL has reversed the provision created against Workers' Welfare Fund.

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

## 11. CASH GENERATED FROM / (USED IN) OPERATIONS

	<b>Six months period ended</b>	
	<b>December 2016</b>	<b>December 2015</b>
	<b>(Rupees)</b>	
Profit before tax	2,060,263,496	3,966,093,262
<b>Adjustments for:</b>		
Depreciation	8,296,981	9,242,340
Amortization	573,452	578,653
Gain on disposal of investment property	(19,001,739)	-
Loss on sale of property and equipment	17,128	54,855
Impairment on disposal of long term investment	100,000	-
Gain on disposal of investment	-	(644,631,326)
Unrealised gain on short term investments - net	(170,797,450)	(564,912,260)
Share of profit of equity-accounted associates - net of tax	(1,062,629,390)	(2,823,206,479)
Mark-up on loans and advances	(33,233,642)	(49,972,493)
(Reversal) / provision of workers' welfare fund	(456,911,587)	61,269,122
Finance cost	198,679,295	189,321,093
	<b>(1,534,906,952)</b>	<b>(3,822,256,495)</b>
Operating profit before working capital changes	<b>525,356,544</b>	<b>143,836,767</b>
<b>Changes in working capital:</b>		
<i>Decrease / (increase) in current assets</i>		
Trade debts	(801,078,181)	(33,808,284)
Loans and advances	2,094,859,343	(1,410,333,450)
Deposits and prepayments	(154,500,394)	204,559,117
Other receivables	95,338,024	30,650,140
Short term investments	1,255,150,117	(6,371,853,916)
Assets and liabilities held for sale	(5,319,378)	(50,933,760)
<i>Increase in current liabilities</i>		
Trade and other payables	1,571,543,574	1,874,256,367
Payable against sale of securities	(326,227,475)	22,598,055
	<b>3,729,765,630</b>	<b>(5,734,865,731)</b>
Cash generated from / (used in) operations	<b>4,255,122,174</b>	<b>(5,591,028,964)</b>

## 12. CASH AND CASH EQUIVALENTS

	<b>Six months period ended</b>	
	<b>December 2016</b>	<b>December 2015</b>
	<b>(Rupees)</b>	
Cash and bank balances	792,425,090	399,503,031
Short term borrowings	(1,898,962,956)	(4,950,000,909)
	<b>(1,106,537,866)</b>	<b>(4,550,497,878)</b>

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

## 13. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. This condensed interim consolidated financial information does not include all financial risk management information and disclosures required in the audited annual consolidated financial statements; they should be read in conjunction with the Group's audited annual consolidated financial statements as at 30 June 2016 as financial risk management objectives and policies are consistent with the prior year.

## 14. FAIR VALUE MEASUREMENT

The accounting policies and disclosure requirement for the measurement of fair values are consistent with those disclosed in the annual audited consolidated financial statements of the Group as at and for the year ended 30 June 2016.

## 15. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Group companies, directors and their close family members, major shareholders of the Group, key management personnel and staff provident fund. Transactions with related parties are on arm's length. Remuneration and benefits to executives of the Group 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 consolidated financial information are given below:

	<b>Six months period ended</b>	
	<b>December 2016</b>	December 2015
	<b>(Rupees)</b>	
<i>Transaction with associates</i>		
Dividend income	436,662,550	37,912,292
Dividend received	436,662,550	37,912,292
Mark-up on loan and advance	-	13,329,507
Mark-up income received	-	8,717,808
Loan extended	-	400,000,000
Loan repayment	-	400,000,000
Commission on guarantees	-	133,931

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

	Six months period ended	
	December 2016	December 2015
	(Rupees)	
<i>Transaction with Other related party</i>		
Provident fund contribution	1,804,262	3,513,137
Payment of rent and maintenance charges	15,066,038	13,556,309
Loan extended	936,000,000	-
Loan repayment	1,472,883,690	-
Dividend income and received	520	-
Mark-up on loan and advance	33,233,643	-
Mark-up income received	33,462,270	-
Guarantee commission income	1,483,928	-
Mark-up accrued on loan	20,574,353	50,609,669
Mark-up paid on loan	20,946,476	-
Brokerage commission and other services income	5,266,518	-
Investment properties sold	62,236,224	-
Sale of goods & services	-	6,171,145
Donation paid to Jinnah Foundation [Interest of Directors in Donee: Mr. Muhammad Ejaz (Trustee) Mr. Sirajuddin Cassim (Trustee), and Mr. Nasim Beg (Trustee)]	3,230,500	-
<i>Remuneration to chief executive officer, directors and other key management personnel</i>		
Remuneration	12,186,760	22,071,045
	<b>Unaudited December 2016</b>	Audited June 2016
	(Rupees)	
<b>Balances as at</b>		
Mark-up receivable from Aisha Steel Mills Limited	19,528,184	19,717,359
Commission on guarantee receivable from Aisha Steel Mills Limited	625,000	625,000
Commission on guarantee receivable from Power Cement Limited	66,964	66,964
Commission on guarantee receivable from Javedan Corporation Limited	50,000	50,000
Mark-up payable to Summit Bank Limited	8,601,370	8,973,453
Loan payable to International Complex Projects Limited	125,049,041	125,049,041
Loan to Aisha Steel Mills Limited	247,803,022	784,686,712
Mark-up receivable from Javedan Corporation Limited	-	39,452
Receivable from group companies	-	8,011,263
Payable to group companies	-	1,161,242
Loan payable to Mr. Arif Habib	300,000	200,000
Receivable from associate	26,908,466	-

# Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period and quarter ended 31<sup>st</sup> December 2016

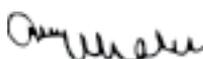
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## 16. REPORTABLE SEGMENTS

- 16.1** The group has three reportable segments: Capital Market Operations, Brokerage and others. The capital market operations' segment is principally engaged in trading of equity securities and maintaining strategic and trading portfolios. The brokerage segment is principally engaged in brokerage, underwriting, corporate consultancy, research and corporate finance services. Others includes assets of energy development entity.
- 16.2** The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in the last published annual audited consolidated financial statements for the year ended 30 June 2016. The group evaluates performance on the basis of profit or loss from operations before tax expense not including non-recurring gains and losses and foreign exchange gains and losses. The group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market price unless disclosed otherwise.
- 16.3** The group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology, professional skills and marketing strategies. Most of the businesses were acquired as individual units, and the management at the time of the acquisition was retained.
- 16.4** The group does not allocate tax expense / tax income or non-recurring gains and losses to reportable segments. In addition, not all reportable segments have material non-cash items other than depreciation, amortization and remeasurement of equity and debt instruments in profit or loss.

## 17. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim consolidated financial information has been authorised for issue on 21<sup>st</sup> February 2017 by the Board of Directors of the Company.



Chief Executive Officer



Director



## Arif Habib Corp

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