

# focusing on growth

Quarterly Report  
31<sup>st</sup> March 2017



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 statements for the nine months period ended 31<sup>st</sup> March 2017.

## Financial Results

During the period under review, on unconsolidated basis, AHCL recorded operating revenue of PKR 3,108.59 million, which includes dividend income of PKR 766.71 million, net gain on sale of securities amounting to PKR 698 million and net gain on remeasurement of investments amounting to PKR 1,578.44 million. After accounting for other income amounting to PKR 389.87 million, operating, administrative and financial expenses of PKR 212.57 million, the Company earned a profit before tax of PKR 3,272.05 million. The Company has reported after-tax profit of PKR 3,000.19 million for the nine months under review as compared to the net profit of PKR 724.93 million in the corresponding period ended 31<sup>st</sup> March 2016. This translates into earnings of PKR 6.61 per share as compared to PKR 1.60 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 2,477.04 million as compared with PKR 5,013.07 million in the corresponding period ended 31<sup>st</sup> March 2016. This translates to an earning of PKR 4.85 per share as compared with PKR 10.58 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 16.13 as compared to an EPS of PKR 5.13 in the corresponding period. MCB Arif Habib Savings & Investments Limited, an associate, also performed satisfactorily with an EPS of PKR 2.12 for the nine months under review.

Fatima Fertilizer Company Limited achieved its highest ever sales volume for the first quarter in a year with an EPS of PKR 1.08 as compared to an EPS of PKR 0.54 in the corresponding period. Wind Power project of 50 MW, Sachal Energy Development (Private) Limited has been completed and has started production at the start of the fourth quarter of the current financial year.

## **Economic Review**

During the nine months under review, Pakistan's overall economic conditions remained conducive for growth with SBP's key policy rate at record low of 5.75%. However, Current Account deficit has surged due to higher oil prices in the international market and higher imports of machinery. Moreover, there was decline of 1.4% in exports and workers remittances have been flat with a small decline of 2.3%.

## **Future Outlook**

Policy makers are conscious of rising current account deficit and have initiated measures to arrest this trend. The Government has announced export package and increase in L/C margins for non-essential items. Moreover, proposals for foreign currency declaration and attracting investment from Pakistani Diasporas on non-repatriable basis are being considered by the Government.

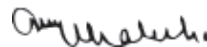
Going forward, large infrastructure projects are nearing completion, which will add to increased economic activity in Pakistan. In view of the above and support to farmers through subsidies will boost the agriculture sector.

All of this collectively will benefit our Group companies providing growth opportunities.

## **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  
28<sup>th</sup> April 2017







# Condensed Interim Unconsolidated Financial Information

For the nine months period and quarter ended 31<sup>st</sup> March 2017

# Condensed Interim Unconsolidated Balance Sheet

As at 31<sup>st</sup> March 2017

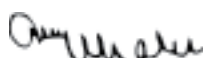
	Note	Unaudited March 2017	Audited June 2016
<b>(Rupees)</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised share capital		10,000,000,000	10,000,000,000
Issued, subscribed and paid up share capital		4,537,500,000	4,537,500,000
Reserves		26,502,498,062	24,525,530,636
		<b>31,039,998,062</b>	<b>29,063,030,636</b>
<b>Non-current liabilities</b>			
Deferred taxation		2,723,787,504	2,623,901,023
Long term loan - secured	5	455,287,340	147,819,191
		<b>3,179,074,844</b>	<b>2,771,720,214</b>
<b>Current liabilities</b>			
Trade and other payables	6	2,681,320,055	1,905,179,120
Mark-up accrued on borrowings		145,967,596	173,878,386
Short term borrowings	7	148,230,634	2,547,610,430
Current maturity of long term loan	5	65,431,028	149,035,318
Provision for taxation		320,974,601	153,988,654
		<b>3,361,923,914</b>	<b>4,929,691,908</b>
		<b>37,580,996,820</b>	<b>36,764,442,758</b>
Contingencies and commitments	8		

# Condensed Interim Unconsolidated Balance Sheet

As at 31<sup>st</sup> March 2017

	Note	Unaudited March 2017	Audited June 2016
(Rupees)			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Operating fixed assets	9	38,117,415	43,437,245
Intangible assets		194,568	353,760
Investment properties		1,646,538,800	1,646,538,800
Long term investments	10	30,165,906,330	28,810,290,871
Long term deposits		2,487,030	1,938,930
		<b>31,853,244,143</b>	<b>30,502,559,606</b>
<b>Current assets</b>			
Loans and advances	11	612,389,996	785,706,360
Prepayments		1,052,570	1,577,137
Advance tax		271,014,138	169,477,037
Mark-up receivable		5,991,716	19,756,811
Other receivables		2,464,430	2,461,964
Short term investments		4,786,667,007	5,227,924,435
Cash and bank balances		48,172,820	25,033,510
Asset held for sale		-	29,945,898
		<b>5,727,752,677</b>	<b>6,261,883,152</b>
		<b>37,580,996,820</b>	<b>36,764,442,758</b>

The annexed notes 1 to 20 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 nine months period and quarter ended 31<sup>st</sup> March 2017

	Note	Nine months period ended		Quarter ended	
		March 2017	March 2016	March 2017	March 2016
		(Rupees)		(Rupees)	
Operating revenue	12	3,108,590,303	1,081,549,200	897,190,489	(2,202,937,964)
Operating and administrative expenses		(97,215,156)	(82,617,067)	(39,928,721)	(23,240,041)
<b>Operating profit</b>		<b>3,011,375,147</b>	<b>998,932,133</b>	<b>857,261,768</b>	<b>(2,226,178,005)</b>
Unrealised gain on remeasurement of investment property		-	226,875,000	-	226,875,000
Finance cost		(115,352,679)	(229,395,043)	(12,658,961)	(66,134,185)
Other charges		(13,834,654)	(3,396)	(9,997,264)	61,269,122
Other income	13	389,865,468	2,347,145	743,970	736,911
<b>Profit / (loss) before tax</b>		<b>3,272,053,282</b>	<b>998,755,839</b>	<b>835,349,513</b>	<b>(2,003,431,157)</b>
Taxation	14	(271,868,193)	(273,823,312)	40,696,242	(192,759,356)
<b>Profit / (loss) after tax</b>		<b>3,000,185,089</b>	<b>724,932,527</b>	<b>876,045,755</b>	<b>(2,196,190,513)</b>
<b>Earnings / (loss) per share - basic and diluted</b>		<b>6.61</b>	<b>1.60</b>	<b>1.93</b>	<b>(4.84)</b>

The annexed notes 1 to 20 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 nine months period and quarter ended 31<sup>st</sup> March 2017

	Nine months period ended		Quarter ended	
	March 2017 (Rupees)	March 2016	March 2017 (Rupees)	March 2016
<b>Profit / (loss) for the period</b>	<b>3,000,185,089</b>	724,932,527	<b>876,045,755</b>	(2,196,190,513)
<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'	106,161,572	(64,749,570)	(308,037,371)	(629,363,540)
Related tax thereon	4,995,765	(25,590,302)	17,867,001	13,653,316
Reclassification adjustments relating to disposal of investment - net	-	206,999,649	-	163,181,797
Other comprehensive income for the period	111,157,337	116,659,777	(290,170,370)	(452,528,427)
<b>Total comprehensive income for the period</b>	<b>3,111,342,426</b>	841,592,304	<b>585,875,385</b>	(2,648,718,940)

The annexed notes 1 to 20 form an integral part of this condensed interim unconsolidated financial information.

  
Chief Executive Officer

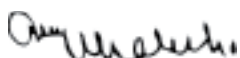
  
Director

# Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the nine months period and quarter ended 31<sup>st</sup> March 2017

	Note	Nine months period ended	
		March 2017	March 2016
(Rupees)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from / (used in) operations	15	2,345,736,887	(861,932,376)
Income tax paid		(101,537,101)	(54,840,677)
Finance cost paid		(143,263,469)	(87,805,789)
Dividend received		766,713,671	336,890,127
Interest received		52,990,453	126,484,506
<b>Net cash generated from / (used in) operating activities</b>		<b>2,920,640,441</b>	<b>(541,204,209)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure incurred		(702,992)	(836,373)
Proceeds from sale of property and equipment		90,587	89,924
Acquisition of long term investments		-	(2,134,465,000)
Proceeds from sale of long term investments		357,737,865	3,732,586,876
Proceed from liquidation of Subsidiary Company		55,812,446	-
Long term deposits - net		(548,100)	(15,000)
<b>Net cash generated from investing activities</b>		<b>412,389,806</b>	<b>1,597,360,427</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term loan		(296,136,141)	(73,927,557)
Proceeds from long term loan		520,000,000	-
Dividend paid		(1,134,375,000)	(1,815,000,000)
<b>Net cash used in financing activities</b>		<b>(910,511,141)</b>	<b>(1,888,927,557)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>2,422,519,106</b>	<b>(832,771,339)</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>	16	<b>(100,057,814)</b>	<b>(2,167,489,690)</b>

The annexed notes 1 to 20 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 nine months period and quarter ended 31<sup>st</sup> March 2017

	Issued, subscribed and paid up share capital	Unrealised appreciation on (diminution) / 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 nine months period ended 31 March 2016</b>						
Profit for the period	-	-	-	724,932,527	724,932,527	724,932,527
<i>Other Comprehensive Income</i>						
Unrealised diminution during the period on remeasurement of investments classified as 'available for sale' - net	-	(64,749,570)	-	-	(64,749,570)	(64,749,570)
Related tax thereon	-	(25,590,302)	-	-	(25,590,302)	(25,590,302)
Reclassification adjustments relating to disposal of investments classified as 'available for sale' - net	-	206,999,649	-	-	206,999,649	206,999,649
Other comprehensive income for the period	-	116,659,777	-	-	116,659,777	116,659,777
<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 March 2016</b>	<b>4,537,500,000</b>	<b>(94,976,221)</b>	<b>4,000,000,000</b>	<b>20,029,000,220</b>	<b>23,934,023,999</b>	<b>28,471,523,999</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 nine months period ended 31 March 2017</b>						
Profit for the period	-	-	-	3,000,185,089	3,000,185,089	3,000,185,089
<i>Other Comprehensive Income</i>						
Unrealised appreciation during the period on remeasurement of investments classified as 'available for sale' - net	-	106,161,572	-	-	106,161,572	106,161,572
Related tax thereon	-	4,995,765	-	-	4,995,765	4,995,765
Other comprehensive income for the period	-	111,157,337	-	-	111,157,337	111,157,337
<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 March 2017</b>	<b>4,537,500,000</b>	<b>51,496,292</b>	<b>4,000,000,000</b>	<b>22,451,001,770</b>	<b>26,502,498,062</b>	<b>31,039,998,062</b>

The annexed notes 1 to 20 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 nine months period and quarter ended 31<sup>st</sup> March 2017

## 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><b>Name of Company</b></i>	Shareholding
<i><b>Subsidiaries</b></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><b>Associates</b></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><b>Others</b></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 nine months period ended 31 March 2017 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.
- the Company has completed the liquidation requirements of Arif Habib DMCC, a subsidiary of the Company and has received the proceed from liquidation of its net assets (refer note 12.2).



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

For the nine months period and quarter ended 31<sup>st</sup> March 2017

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## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

This condensed interim unconsolidated financial information for the nine months period ended 31 March 2017 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 March 2016.

This condensed interim unconsolidated financial information is unaudited and is being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984.

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.

## 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 nine months period and quarter ended 31<sup>st</sup> March 2017

## 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

		<b>Unaudited March 2017</b>	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		(65,000,000)	(100,000,000)
		<b>455,000,000</b>	50,000,000
<i>Others</i>			
Term finance loan	5.3	-	145,812,870
Less: Current portion		-	(48,604,290)
		-	97,208,580
Diminishing Musharakah Financing	5.4	718,368	1,041,639
Less: Current portion		(431,028)	(431,028)
		287,340	610,611
		<b>455,287,340</b>	147,819,191

- 5.1** During the period, the 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 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 Company.
- 5.3** During the period, the Company has made early payment as final settlement of term finance facility with a commercial bank amounting to Rs. 121.51 million and has also paid semi-annual principal instalment of Rs. 24.302 million.

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

For the nine months period and quarter ended 31<sup>st</sup> March 2017

- 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

		<b>Unaudited March 2017</b>	Audited June 2016
		<b>(Rupees)</b>	
<i>Secured - from banking companies</i>			
From related parties:			
Term finance	7.1	-	360,000,000
<i>Others</i>			
Running finance under mark-up arrangement	7.2	<b>148,230,634</b>	2,187,610,430
		<b>148,230,634</b>	<b>2,547,610,430</b>

- 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 up to 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. 2,151.77 million (30 June 2016: Rs. 612.39 million).

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

For the nine months period and quarter ended 31<sup>st</sup> March 2017

- 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. 3,185.52 million (30 June 2016: Rs. 1,825.47 million).

## 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 this 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:

	Nine months period ended March 2017		Nine months period ended March 2016	
	Additions	Disposals	Additions	Disposals
	(Rupees)			
Office equipment	80,165	-	209,842	-
Furniture and fixtures	43,992	-	69,531	-
Computer and allied equipment	578,835	84,968	358,500	93,320
Vehicle	-	9,773	198,500	-
	<b>702,992</b>	<b>94,741</b>	<b>836,373</b>	<b>93,320</b>

## 10. LONG TERM INVESTMENTS

		Unaudited	Audited
		March 2017	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	25,219,328,500	23,552,050,625
Available for sale	10.3	-	100,000
		<b>30,165,906,330</b>	<b>28,810,290,871</b>

### 10.1 Subsidiaries - at cost

	Cost	Provision for Impairment	Carrying amount	
			Unaudited March 2017	Audited June 2016
			(Rupees)	
Arif Habib Limited (AHL)	2,200,112,770	-	2,200,112,770	2,511,675,186
Sachal Energy Development (Private) Limited (SEDPL)	2,746,465,060	-	2,746,465,060	2,746,465,060
Pakistan Opportunities Limited (POL)	42,500,000	(42,500,000)	-	-
	<b>4,989,077,830</b>	<b>(42,500,000)</b>	<b>4,946,577,830</b>	<b>5,258,140,246</b>

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

For the nine months period and quarter ended 31<sup>st</sup> March 2017

## 10.2 At fair value through profit or loss

	Cost	Unrealised appreciation on remeasurement of investments	Carrying amount		
			Unaudited March 2017	Audited June 2016	
(Rupees)					
<b>Associates:</b>					
MCB - Arif Habib Savings and Investments Limited (MCB-AH)	10.2.1	477,694,882	153,815,586	631,510,468	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	8,925,035,807	12,437,818,032	10,826,866,991
		<u>5,314,809,180</u>	<u>19,904,519,320</u>	<u>25,219,328,500</u>	<u>23,552,050,625</u>

**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 March 2017	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)	-	-
	<u>32,000,000</u>	<u>-</u>	<u>(32,000,000)</u>	<u>-</u>	<u>100,000</u>

**10.4** Fair value of long term investments pledged with banking companies against various financing facilities amounts to Rs. 3,185.52 million (30 June 2016: Rs. 1,551.058 million).

## 10.5 Movement in provision for impairment

	Unaudited March 2017	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	<u>(74,500,000)</u>	<u>(74,400,000)</u>

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

For the nine months period and quarter ended 31<sup>st</sup> March 2017

## 11. LOANS AND ADVANCES

		Unaudited March 2017  (Rupees)	Audited June 2016
<i>Unsecured</i>			
Advances:			
- against salaries to employees		917,666	1,019,648
Loan to related party:			
- Aisha Steel Mills Limited	11.1	18,679,095	545,471,149
- Sachal Energy Development (Private) Limited	11.2	382,000,000	-
		400,679,095	545,471,149
<i>Secured</i>			
Loans to related parties:			
- Aisha Steel Mills Limited	11.3	210,793,235	239,215,563
		612,389,996	785,706,360

- 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 9.12% (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% to 9.40% (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. OPERATING REVENUE

	Nine months period ended		Quarter Ended	
	March 2017  (Rupees)	March 2016	March 2017  (Rupees)	March 2016
Dividend income	766,713,671	336,890,127	32,496,251	32,496,250
Mark-up on loans and advances	39,255,358	119,309,274	5,991,716	14,187,640
Profit on bank accounts	336,655	6,122,964	248,435	1,532,167
Income from reverse repurchase transactions	-	16,530,577	-	-
Put option fee	-	59,944,022	-	19,244,022
Gain on sale of securities - net	698,005,518	1,515,228,102	627,361,963	440,556,655
Gain on remeasurement of investments-net	1,578,442,553	(972,475,866)	205,225,576	(2,710,954,698)
Gain on liquidation of Subsidiary Company	25,866,548	-	25,866,548	-
	3,108,590,303	1,081,549,200	897,190,489	(2,202,937,964)

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

For the nine months period and quarter ended 31<sup>st</sup> March 2017

**12.1** The above gain is netted off with transaction cost.

**12.2** This represent proceeds received in excess of cost of investment from liquidation of Arif Habib DMCC, Subsidiary Company.

## **13. 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 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 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.

## **14. TAXATION**

	Nine months period ended		Quarter Ended	
	March 2017	March 2016	March 2017	March 2016
	(Rupees)		(Rupees)	
For the period				
- Current	(166,985,947)	(40,677,254)	(7,994,878)	39,466,836
- Deferred	(104,882,246)	(233,146,058)	48,691,120	(232,226,192)
	<b>(271,868,193)</b>	<b>(273,823,312)</b>	<b>40,696,242</b>	<b>(192,759,356)</b>

**14.1** 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.

Board of Directors of the Company intend 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.

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

For the nine months period and quarter ended 31<sup>st</sup> March 2017

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

	Nine months period ended	
	March 2017	March 2016
	(Rupees)	
Profit before tax	3,272,053,282	998,755,839
<b>Adjustments for:</b>		
Depreciation and amortisation	6,087,273	6,448,635
Dividend income	(766,713,671)	(336,890,127)
Mark-up on loans and advances	(39,225,358)	(119,309,274)
Gain on disposal of long term investments	(46,175,449)	(1,515,228,102)
Gain on liquidation of Subsidiary Company	(25,866,548)	-
Impairment on long term investments	100,000	-
Loss on disposal of asset	4,154	3,396
Unrealised gain / (loss) on remeasurement of investment	(1,578,442,553)	972,475,866
Unrealised gain on remeasurement of investment property	-	(226,875,000)
Income from reverse repurchase transactions	-	(16,530,577)
(Reversal) / provision for workers' welfare fund	(387,631,507)	-
Finance cost	115,352,679	229,395,043
	<b>(2,722,510,980)</b>	<b>(1,006,510,140)</b>
	<b>549,542,302</b>	<b>(7,754,301)</b>
<b>Changes in working capital</b>		
<i>Decrease / (increase) in current assets</i>		
Loans and advances	173,316,364	170,240,297
Prepayments	524,567	10,872,287
Other receivables	(2,466)	1,214,283,882
Short term investments	458,583,678	(2,308,331,788)
Asset held for sale	-	(29,945,898)
	<b>632,422,143</b>	<b>(942,881,220)</b>
<i>Increase in current liabilities</i>		
Trade and other payables	1,163,772,442	88,703,145
<b>Cash generated from / (used in) operations</b>	<b>2,345,736,887</b>	<b>(861,932,376)</b>

## 16. CASH AND CASH EQUIVALENTS

Cash and bank balances	48,172,820	24,774,211
Short term borrowings	(148,230,634)	(2,192,263,901)
	<b>(100,057,814)</b>	<b>(2,167,489,690)</b>

## 17. 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 nine months period and quarter ended 31<sup>st</sup> March 2017

## 18. 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 engages 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.

- 18.1** 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 nine months period and quarter ended 31<sup>st</sup> March 2017

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.

## 19. 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 this condensed interim unconsolidated financial information are given below:

Transaction with:	Nine months period ended	
	March 2017	March 2016
	(Rupees)	
<i>Transactions with Subsidiaries</i>		
Services availed	3,225,068	6,551,038
Loan extended	<b>382,000,000</b>	1,750,000,000
Loan repayment	-	1,750,000,000
Mark-up income on loan and advance	-	41,819,635
Dividend income and received	<b>282,154,159</b>	265,648,159
Subscription of right shares/ fresh equity investment	-	1,997,965,000
<i>Transactions with Associates</i>		
Dividend income	<b>469,158,801</b>	70,411,168
Dividend received	<b>469,158,801</b>	70,411,168
Mark-up on loan and advance	-	13,329,507
Mark-up income received	-	13,329,507
Loan extended	-	1,057,066,621
Loan repayment	-	751,811,009
Guarantee commission income	-	1,550,898

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

For the nine months period and quarter ended 31<sup>st</sup> March 2017

	Nine months period ended	
	March 2017	March 2016
	(Rupees)	
<i>Transactions with Other related parties</i>		
Provident fund contribution	1,295,282	2,479,348
Payment of rent and maintenance charges	17,213,709	4,768,955
Loan extended	1,231,000,000	357,066,621
Loan repayment	1,783,513,304	251,811,009
Dividend income and received	520	817,209
Mark-up on loan and advance	39,225,358	64,160,133
Mark-up income received	52,990,453	55,890,753
Guarantee commission income	2,225,892	675,000
Mark-up accrued on loan	30,895,997	36,337,411
Mark-up paid on loan	20,946,476	28,326,149
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	14,629,839	15,618,578
	<b>Unaudited March 2017</b>	Audited June 2016

(Rupees)

## Balances as at :

Mark-up receivable from Aisha Steel Mills Limited	5,991,716	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	18,923,014	8,973,453
Mark-up payable to International Complex Projects Limited	125,049,041	125,049,041

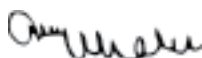
# Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the nine months period and quarter ended 31<sup>st</sup> March 2017

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## 20. DATE OF AUTHORISATION FOR ISSUE

This condensed interim unconsolidated financial information has been authorised for issue on 28<sup>th</sup> April 2017 by the Board of Directors of the Company.



Chief Executive Officer



Director





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# Condensed Interim Consolidated Financial Information

For the nine months period and quarter ended 31<sup>st</sup> March 2017

# Condensed Interim Consolidated Balance Sheet

As at 31<sup>st</sup> March 2017

	Note	Unaudited March 2017	Audited June 2016
<b>(Rupees)</b>			
<b>EQUITY AND LIABILITIES</b>			
Share capital and reserves			
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		16,583,671,533	15,314,417,337
Equity attributable to owners of the Parent		21,121,171,533	19,851,917,337
Non-controlling interest		1,164,170,456	742,537,812
		<u>22,285,341,989</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	10,884,761,546	1,226,229,191
Liabilities against assets subject to finance lease		1,368,782	1,878,241
Deferred liability - Staff gratuity		5,562,108	2,310,380
Deferred taxation - net		1,011,858,874	783,536,683
		<u>11,903,551,310</u>	<u>2,013,954,495</u>
<b>Current liabilities</b>			
Trade and other payables	6	3,634,817,929	2,310,567,803
Mark-up accrued on borrowings		167,233,497	301,112,788
Short term borrowings		275,762,667	4,428,479,243
Current portion of long term loans		65,431,028	149,035,318
Current portion of liabilities against assets subject to finance lease		687,187	687,187
Provision for taxation		446,791,190	214,436,239
Payable against purchase of securities - net		-	465,407,950
Liabilities held for sale		-	13,640,441
		<u>4,590,723,498</u>	<u>7,883,366,969</u>
		<u>38,795,049,297</u>	<u>30,507,209,113</u>
<b>Contingencies and commitments</b>	7		

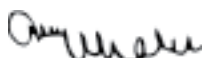


# Condensed Interim Consolidated Balance Sheet

As at 31<sup>st</sup> March 2017

	Note	Unaudited March 2017	Audited June 2016
<b>(Rupees)</b>			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	13,236,837,720	2,147,958,965
Intangible assets - others		4,044,252	4,130,891
Goodwill		910,206,117	910,206,117
Trading right entitlement certificate, membership cards and offices		17,100,000	24,600,000
Investment properties		2,029,258,119	2,178,505,214
Equity accounted investees		17,306,752,713	16,674,180,757
Other long term investments		126,968,920	121,442,551
Long term deposits and prepayments		35,662,761	43,963,390
		<b>33,666,830,602</b>	<b>22,104,987,885</b>
<b>Current assets</b>			
Trade debts		488,530,129	618,645,963
Loans and advances		298,437,267	2,624,294,005
Deposits and prepayments		186,546,680	162,028,849
Advance tax		597,316,024	194,014,092
Mark-up receivable		6,021,590	19,756,976
Other receivables - considered good		224,058,466	169,842,640
Short term investments		2,533,729,404	4,163,587,442
Cash and bank balances		793,579,135	386,112,717
Assets held for sale		-	63,938,544
		<b>5,128,218,695</b>	<b>8,402,221,228</b>
		<b>38,795,049,297</b>	<b>30,507,209,113</b>

The annexed notes 1 to 16 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 nine months period and quarter ended 31<sup>st</sup> March 2017

Note	Nine months period ended		Quarter ended	
	March 2017	March 2016	March 2017	March 2016
	(Rupees)		(Rupees)	
<b>Continuing operations</b>				
Operating revenue	1,968,816,315	1,366,059,639	1,044,484,422	280,888,336
Operating, administrative and other expenses	(395,472,501)	(292,455,361)	(170,402,234)	(93,583,827)
Unrealised gain on remeasurement of investment property	32,279,270	226,875,000	32,279,270	226,875,000
Other income	577,533,700	126,759,210	31,996,970	45,389,811
Finance cost	(240,751,451)	(301,187,652)	(42,072,156)	(111,866,559)
Other charges	(74,021,316)	(6,952,560)	(25,536,361)	60,591,860
	1,868,384,017	1,119,098,276	870,749,911	408,294,621
Share of profit of equity-accounted associates - net of tax	1,070,307,942	3,277,760,469	7,678,552	454,553,990
<b>Profit before tax</b>	2,938,691,959	4,396,858,745	878,428,463	862,848,611
Taxation				
For the period				
- Current	(337,419,947)	(99,433,046)	(91,434,417)	27,411,201
- Prior	8,967,062	-	-	-
- Deferred	(181,815,682)	(244,206,356)	7,274,575	(50,333,544)
	(510,268,567)	(343,639,402)	(84,159,842)	(22,922,343)
<b>Profit after tax from continuing operations</b>	2,428,423,392	4,053,219,343	794,268,621	839,926,268
<b>Discontinued operations</b>				
(Loss) / profit for the period from discontinued operations - net of tax	(1,127,033)	315,223,658	(258,561)	21,054,529
Gain on disposal of subsidiary	49,739,525	644,631,326	49,739,525	-
	48,612,492	959,854,984	49,480,964	21,054,529
<b>Profit for the period</b>	2,477,035,884	5,013,074,327	843,749,585	860,980,797
<b>Profit attributable to:</b>				
Equity holders of the Parent Company	2,199,964,498	4,802,485,628	746,919,546	845,607,669
Non-controlling interests	277,071,386	210,588,699	96,830,039	15,373,128
	2,477,035,884	5,013,074,327	843,749,585	860,980,797
<b>Earnings per share - Basic &amp; Diluted</b>				
From continuing operations	4.74	8.76	1.54	1.83
From discontinued operations	0.11	1.82	0.11	0.03
	4.85	10.58	1.65	1.86

The annexed notes 1 to 16 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 nine months period and quarter ended 31<sup>st</sup> March 2017

	Nine months period ended		Quarter ended	
	March 2017	March 2016	March 2017	March 2016
	(Rupees)		(Rupees)	
<b>Profit after tax</b>	<b>2,477,035,884</b>	<b>5,013,074,327</b>	<b>843,749,585</b>	<b>860,980,797</b>
<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'	106,161,572	(486,757,386)	(308,037,371)	-
Related tax thereon	4,995,765	-	17,867,001	-
Effect of translation of net assets of foreign subsidiary to presentation currency - net	39,779	718,235	-	-
Reclassification of foreign currency translation difference on disposal of foreign operation	(49,285,999)	-	(49,285,999)	-
Share of other comprehensive income of equity-accounted associates -net of tax	33,901,297	(538,132)	(317,674)	(51,861,268)
Reclassification of share of other comprehensive income of equity - accounted investee on loss of significant influence	-	(1,976,494)	-	-
	95,812,414	(488,553,777)	(339,774,043)	(51,861,268)
<i>Items that will never be reclassified subsequently to profit and loss account</i>				
Share of other comprehensive income of equity-accounted associates -net of tax	(2,478,482)	-	(2,478,482)	-
	(2,478,482)	-	(2,478,482)	-
Other comprehensive income for the period	93,333,932	(488,553,777)	(342,252,525)	(51,861,268)
<b>Total comprehensive income for the period</b>	<b>2,570,369,816</b>	<b>4,524,520,550</b>	<b>501,497,060</b>	<b>809,119,529</b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Parent Company	2,293,298,430	4,313,931,851	404,667,021	845,607,669
Non-controlling interests	277,071,386	210,588,699	96,830,039	15,373,128
	<b>2,570,369,816</b>	<b>4,524,520,550</b>	<b>501,497,060</b>	<b>860,980,797</b>

The annexed notes 1 to 16 form an integral part of this condensed interim consolidated financial information.

  
Chief Executive Officer

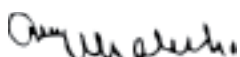
  
Director

# Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the nine months period and quarter ended 31<sup>st</sup> March 2017

	Note	Nine months period ended	
		March 2017	March 2016
(Rupees)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from / (used in) operations</b>	10	6,995,570,831	(4,547,987,751)
Taxes paid		(447,897,592)	(208,977,168)
Finance cost paid		(374,630,742)	(161,919,376)
Interest received		52,960,744	54,815,969
Gratuity paid		(161,749)	(10,872,000)
<b>Net cash generated from / (used in) operating activities</b>		<b>6,225,841,492</b>	<b>(4,874,940,326)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure incurred		(11,101,691,658)	(553,378,334)
Proceeds from sale of assets		158,846	808,080
Acquisition / (proceed) of intangible assets		(758,056)	847,372
Proceeds from disposal of investment property		214,665,136	-
Expenditure on investment property		(9,492,000)	-
Dividend received from equity accounted investee		469,158,801	70,408,543
Acquisition of Investment Property		-	(235,755,000)
Net sale of long term investment		357,737,865	4,224,799,951
Disposal of discontinued operation / acquisition of - net of cash disposed of / acquired		55,812,446	1,551,606,720
Long term deposits		8,300,629	(30,577,679)
<b>Net cash (used in) / generated from investing activities</b>		<b>(10,006,107,991)</b>	<b>5,028,759,653</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceed from long term financing and deferred liabilities - net		9,578,179,793	(75,611,953)
Dividend paid		(1,134,375,000)	(2,099,364,635)
Distribution by Subsidiaries to non-controlling interest		(102,845,841)	-
Liability against assets subject to finance lease		(509,459)	1,686,404
<b>Net cash generated from / (used in) financing activities</b>		<b>8,340,449,493</b>	<b>(2,173,290,184)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>4,560,182,994</b>	<b>(2,019,470,857)</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>	11	<b>517,816,468</b>	<b>(3,811,469,286)</b>

The annexed notes 1 to 16 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 nine months period and quarter ended 31<sup>st</sup> March 2017

	Equity attributable to owners of the Parent							
	Issued, subscribed and paid up share capital	Unrealized (diminution) / appreciation on remeasurement of investments classified as 'available for sale'	Exchange difference on translation to presentation currency	General reserve	Unappropriated profit	Total	Non-controlling interests	Total equity
	(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 nine months period ended 31 March 2016	-	-	-	-	4,802,485,628	4,802,485,628	210,588,699	5,013,074,327
<i>Other comprehensive income</i>								
Unrealised appreciation / (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	-	(538,132)	-	-	-	(538,132)	-	(538,132)
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)
	-	(489,272,012)	718,235	-	4,802,485,628	4,313,931,851	210,588,699	4,524,520,550
<b>Transactions with owners</b>								
Distribution: Final cash dividend for the year ended 30 June 2015	-	-	-	-	(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 March 2016</b>	4,537,500,000	(374,009,411)	47,604,887	4,019,567,665	12,458,527,974	20,689,191,115	665,194,530	21,354,385,645
<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 nine months period</b>								
Profit for the nine months period ended 31 March 2017	-	-	-	-	2,199,964,498	2,199,964,498	277,071,386	2,477,035,884
<i>Other comprehensive income</i>								
Unrealised appreciation / (diminution) during the period on remeasurement of investments classified as 'available for sale'	-	106,161,572	-	-	-	106,161,572	-	106,161,572
Related tax thereon	-	4,995,765	-	-	-	4,995,765	-	4,995,765
Effect of translation of net assets of foreign subsidiary to presentation currency - net	-	-	39,779	-	-	39,779	-	39,779
Reclassification of foreign currency translation difference on disposal of foreign operation	-	-	(49,285,999)	-	-	(49,285,999)	-	(49,285,999)
Share of other comprehensive income / (loss) of equity-accounted associates -net of tax	-	31,422,815	-	-	-	31,422,815	-	31,422,815
	-	142,580,152	(49,246,220)	-	2,199,964,498	2,293,298,430	277,071,386	2,570,369,816
Distribution by Subsidiaries	-	-	-	-	-	-	(102,845,841)	(102,845,841)
<b>Transactions with owners</b>								
Distribution: 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	-	-	-	-	110,330,766	110,330,766	247,407,099	357,737,865
	-	-	-	-	(1,024,044,234)	(1,024,044,234)	247,407,099	(776,637,135)
<b>Balance as at 31 March 2017</b>	4,537,500,000	182,070,002	-	4,019,567,665	12,382,033,866	21,121,171,533	1,164,170,456	22,285,341,989

The annexed notes 1 to 16 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 nine months period and quarter ended 31<sup>st</sup> March 2017

## 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 nine months period ended 31 March 2017 comprise of the Parent and following subsidiary companies (herein-after referred to as “the Group”).

<i>Name of Company</i>		<i>Effective holding</i>
<i>Subsidiaries</i>	Note	
- 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>
- Pakistan Opportunities Limited	1.4	<u>85.00%</u>
- Sachal Energy Development (Private) Limited, a wind power generation company	1.5	<u>100.00%</u>
<i>Associates</i>		
- MCB-Arif Habib Savings and Investments Limited	1.6	<u>30.09%</u>
- Fatima Fertilizer Company Limited	1.7	<u>15.19%</u>
- Pakarab Fertilizers Limited	1.8	<u>30.00%</u>
- Silkbank Limited	1.9	<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. 247.41 million. The resulting gain of Rs. 110.33 has been recognised in equity.

**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 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).

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

For the nine months period and quarter ended 31<sup>st</sup> March 2017

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- 1.4** Pakistan Opportunities Limited (POL) was incorporated in Pakistan on 6 September 2006 under the Companies Ordinance, 1984 as a public limited company (Un-Quoted). 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.
- 1.5** 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 Jhampir, Sindh, Pakistan.
- 1.6** 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 been shifted to 24th Floor, Centre point, Off Shaheed-e-Millat Expressway, near K.P.T. Interchange, Karachi, Pakistan.
- 1.7** Fatima Fertilizer Company Limited (FFCL) and its wholly owned subsidiaries - Fatimafert Limited (FF) 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.
- 1.8** 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 registered address is E-110, Khayaban-e-Jinnah, Lahore Cantt, while its manufacturing facility is located in Multan.
- 1.9** 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 registered office is located at Silkbank Building, Kaghan Road, F-8 Markaz, Islamabad.

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

For the nine months period and quarter ended 31<sup>st</sup> March 2017

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- 1.10** During the period, the Group has completed the liquidation requirements of Arif Habib DMCC (AHD), a Subsidiary of the Group and has received the proceed from liquidation of its net assets. The gain on liquidation of AHD has been recognised in this condensed interim consolidated financial information.

## **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 March 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 this condensed interim 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.



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

For the nine months period and quarter ended 31<sup>st</sup> March 2017

## 5. LONG TERM LOAN - secured

		Unaudited March 2017	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		(65,000,000)	(100,000,000)
		455,000,000	50,000,000
<i>Others</i>			
Term finance loan	5.3	10,478,078,496	1,224,222,870
less: current portion		(48,604,290)	(48,604,290)
		10,429,474,206	1,175,618,580
Diminishing Musharakah Financing	5.4	718,368	1,041,639
less: current portion		(431,028)	(431,028)
		287,340	610,611
		<b>10,884,761,546</b>	<b>1,226,229,191</b>

- 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** During the period, Subsidiary Company, SEDPL availed portion of Sinosure-Backed USD 100.00 million loan facility obtained from a commercial bank. 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 parri passu charge over all assets of the project and corporate guarantee given by the Parent Company. Further, the Parent Company has made early payment as final settlement of term finance facility with a commercial bank amounting to Rs. 121.51 million and has also paid semi-final-annual principal instalment of Rs. 24.302 million.
- 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%.

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

For the nine months period and quarter ended 31<sup>st</sup> March 2017

## 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 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 Rs. 0.5265 per share as per agreement.

## 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 9 and following outstanding commitments of AHL, Subsidiary Company, as at period end:

	<b>Unaudited March 2017</b>	Audited June 2016
	<b>(Rupees)</b>	
Outstanding Settlements against Marginal Trading contracts	<b>1,104,193,883</b>	1,806,919,064
Outstanding Settlements against sale of securities in regular market - net	<b>467,872,876</b>	471,058,025
Guarantee given by a commercial bank on behalf of the company	<b>250,000,000</b>	100,000,000
	<b>1,822,066,759</b>	2,377,977,089

## 8. PROPERTY, PLANT AND EQUIPMENT

Capital expenditure incurred during the period amounted to Rs 11,101.69 million. Further, assets having written down value of Rs. 0.2 million were disposed off.

## 9. 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 Company'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 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, 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 nine months period and quarter ended 31<sup>st</sup> March 2017

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

	Unaudited Nine months period ended	
	March 2017	March 2016
	(Rupees)	
Profit before tax	2,938,691,959	5,063,378,554
<b>Adjustments for:</b>		
Depreciation	12,514,116	13,572,408
Amortization	844,696	847,372
Provision for gratuity	3,413,477	1,843,464
Gain on disposal of investment property	(23,646,771)	-
Loss on sale of property and equipment	41,895	54,855
Gain on loss of control of a Subsidiary disposal of investment	-	(644,631,326)
Unrealised gain on remeasurement of investment property	(32,279,270)	(226,875,000)
Impairment on long term investment	100,000	-
Impairment on trading right entitlement certificate, membership cards and offices	7,500,000	-
Unrealised loss on remeasurement of short term investments	(186,274,905)	1,345,798,480
Unrealised gain on remeasurement of other long term investments	(5,626,369)	-
Share of profit of equity-accounted associates - net of tax	(1,070,307,942)	(3,277,760,469)
Mark-up on loans and advances	(39,225,358)	(64,171,314)
Reversal of workers' welfare fund	(456,911,587)	-
Finance cost	240,751,451	301,187,652
	(1,549,106,567)	(2,550,133,878)
Operating profit before working capital changes	1,389,585,392	2,513,244,676
<b>Changes in working capital:</b>		
<i>Decrease / (increase) in current assets</i>		
Trade debts	130,115,834	(128,196,493)
Loans and advances	2,325,856,738	(1,340,615,291)
Deposits and prepayments	(24,517,831)	216,246,743
Other receivables	(54,215,826)	1,056,358,895
Short term investments	1,912,992,761	(6,907,421,910)
Assets and liabilities held for sale	-	(50,933,759)
<i>Increase in current liabilities</i>		
Trade and other payables	1,781,161,713	137,887,783
Payable against sale of securities	(465,407,950)	(44,558,395)
	5,605,985,439	(7,061,232,427)
<b>Cash generated from / (used in) operations</b>	<b>6,995,570,831</b>	<b>(4,547,987,751)</b>

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

For the nine months period and quarter ended 31<sup>st</sup> March 2017

## 11. CASH AND CASH EQUIVALENTS

	<b>Nine months period ended</b>	
	<b>March 2017</b>	March 2016
	<b>(Rupees)</b>	
Cash and bank balances	793,579,135	440,314,974
Short term borrowings	<b>(275,762,667)</b>	(4,251,784,260)
	<b>517,816,468</b>	<b>(3,811,469,286)</b>

## 12. 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.

## 13. 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.

## 14. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the 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 condensed interim consolidated financial information are given below:

	<b>Nine months period ended</b>	
	<b>March 2017</b>	March 2016
	<b>(Rupees)</b>	
<i>Transaction with associates</i>		
Dividend income	469,158,801	70,411,168
Dividend received	<b>469,158,801</b>	70,411,168
Mark-up on loan and advance	-	13,329,507
Mark-up income received	-	13,329,507
Loan extended	-	1,057,066,621
Loan repayment	-	751,811,009
Commission on guarantees	-	1,550,898

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

For the nine months period and quarter ended 31<sup>st</sup> March 2017

	Nine months period ended	
	March 2017	March 2016
	(Rupees)	
<i>Transaction with Other related party</i>		
Provident fund contribution	3,666,710	4,426,146
Payment of rent and maintenance charges	32,887,389	20,442,815
Loan extended	1,231,000,000	357,066,621
Loan repayment	1,783,513,304	251,811,009
Dividend income and received	520	817,209
Mark-up on loan and advance	39,225,358	64,823,358
Mark-up income received	52,990,453	55,890,753
Guarantee commission income	2,225,892	675,000
Mark-up accrued on loan	30,895,997	36,337,411
Mark-up paid on loan	20,946,476	28,326,149
Brokerage commission and other services income	33,801,748	9,029,532
Sale of goods & services	-	6,171,145
Donation paid to Jinnah Foundation [Interest of Directors in Donee: Mr. Nasim Beg (Trustee), Mr. Muhammad Ejaz (Trustee) and Mr. Sirajuddin Cassim (Trustee)]	3,230,500	-
<i>Remuneration to chief executive officer, directors and other key management personnel</i>		
Remuneration	37,337,739	77,471,647
	<b>Unaudited 30 March 2017</b>	Audited 30 June 2016
	(Rupees)	

## Balances as at

Mark-up receivable from Aisha Steel Mills Limited	5,991,716	17,571,576
Mark-up receivable from Javedan Corporation Limited	-	10,639,670
Payable to Javedan Corporation Limited	-	1,700,179,646
Loan to Aisha Steel Mills Limited, unsecured	18,679,095	545,471,149
Loan to Aisha Steel Mills Limited, secured	210,793,235	239,215,563
Commission on guarantee receivable from Aisha Steel Mills Limited	625,000	625,000
Commission on guarantee receivable from Power Cement Limited	66,964	66,970
Commission on guarantee receivable from Javedan Corporation Limited	50,000	100,002
Loan to Javedan Corporation Limited	-	200,000,000
Mark-up payable to Summit Bank Limited	18,923,014	8,172,889
Mark-up payable to International Complex Projects Limited	125,049,041	-

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

For the nine months period and quarter ended 31<sup>st</sup> March 2017

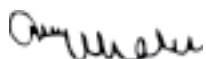
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## 15. REPORTABLE SEGMENTS

- 15.1** 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.
- 15.2** 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.
- 15.3** 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.
- 15.4** 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.

## 16. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim consolidated financial information has been authorised for issue on 28<sup>th</sup> April 2017 by the Board of Directors of the Parent Company.



Chief Executive Officer



Director





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