Arif Habib Corp

HALF YEARLY REPORT

31ST DECEMBER 2019

Reinvesting in our Nation

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Company Information

Board of Directors

Dr. Shamshad Akhtar	Chairperson - Independent Director
Arif Habib	Chief Executive Officer
Khawaja Jalaluddin Roomi	Independent Director
Asadullah Khawaja	Non-Executive 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
Bank Islami Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
MCB Islamic Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
Sindh Bank Limited
Summit Bank Limited
Soneri Bank Limited
The Bank of Khyber
The Bank of Punjab
United Bank Limited

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors

Bawaney & Partners
Akhund Forbes Hadi

Registered & Corporate Office

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

Registrar & Share Transfer Agent

CDC Share Registrar Services Limited

Share Registrar Office

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.cdcrsl.com
Email: info@cdcrsl.com

Corporate Memberships

Pakistan Institute of Corporate Governance
Management Association of Pakistan
Pakistan Centre for Philanthropy

Directors' Review Report

Dear Shareholders

The Directors of Arif Habib Corporation Limited (AHCL) present herewith the Directors' report of the Company together with condensed interim consolidated and unconsolidated financial statements for the half year ended 31st December 2019.

The Economy

Stabilization measures have brought partial improvement in economic indicators. The Current Account Deficit observed a decline of 75% during the first six months of the current fiscal year. State Bank of Pakistan's foreign exchange reserves have increased from USD 7.3 bn in June 2019 to USD 11.3 bn in December 2019 on the back of decline in Current Account deficit, resumption of lending in multilateral institutions and a better supply of foreign currency in interbank and kerb market. Major concerns, however, include the low GDP growth of 2.4% expected in FY20, high discount rate of 13.25%, decline in Large Scale Manufacturing (down by 3.3% in first six months) and rising inflationary pressure due to lagged impact of currency depreciation along with supply disruption of key commodities, leading to increased prices of perishable and non-perishable food items.

Financial Results

During the half year under review, on a consolidated basis, your Company posted a profit-after-tax (attributable to AHCL's ownership) of PKR 1,730.87 million as opposed to loss after tax of PKR 180.47 million during corresponding period in 2018-19. This translates to an earning of PKR 4.14 per share as compared with loss of PKR 0.40 per share in the corresponding period.

During the half year under review, on an unconsolidated basis, AHCL recorded operating revenue of PKR 132.76 million. After accounting for realised net capital gain of PKR 688.74 million on sale of securities, and net unrealised loss on re-measurement of investments amounting to PKR 1.63 billion, and operating, administrative, financial and other expenses of PKR 191.86 million, the Company recorded a loss before tax of PKR 992.09 million. The Company has reported an after-tax loss of PKR 1.01 billion for the half year under review as compared with profit of PKR 989.25 million for the corresponding period ended 31st December 2018. During the second quarter of the current financial year, AHCL recorded a profit after tax of PKR 340.22 million as compared to a loss after tax of PKR 514.54 million in the corresponding quarter. Loss per share during the half year ended 31st December 2019 remained PKR 2.41 as compared to Earnings per share of PKR 2.18 in the corresponding quarter during 2018-19.

Performance of Subsidiaries and Associates

During the half year under review, Securities brokerage subsidiary, Arif Habib Limited, recorded profit after tax of PKR 323.21 million compared to PKR 71.22 million last year. The second quarter of the current financial year saw improvement in investor's sentiment and the KSE-100 index posted a return of 27% to close at 40,735 points. Our asset management company, MCB-Arif Habib Savings & Investments Limited, an associate, has recorded a profit after tax of PKR 149.78 million as compare to PKR 14.28 million in the comparative period. Our Wind Power Project Company, Sachal Energy is progressing efficiently and actual power generation of 76,689 MWh has surpassed power generation benchmark of 66,330 MWh. Sachal Energy has posted an after tax profit of PKR 930.64 million during the period. Fertilizers and real estate have done well. However, Pakarab Fertilizers Limited (an associate) remained a loss making entity due to non-supply of its raw material i.e. natural gas. Power Cement has started production from its new 7,700 TPD Clinker Production Plant and is expected to complete the trial run soon. Aisha Steel Mills has suffered during the period due to slowdown in the economy, and is yet to capitalize on its expanded facilities.

Subsequent to the balance sheet date, certain letters were written to different government departments, agencies and banks bearing allegations on Javedan Corporation Limited (JCL - our associated company dealing in real estate sector, in which AHCL has a shareholding of 7.45%) in connection with title of land owned by it and the legality of developmental activities. Through public announcement at stock exchange and press releases in media, JCL has denied all the allegations and published a position paper. The announcement explains that ownership title of land is absolute, lawful, clean and clear as concluded in previous investigations conducted by courts and several government agencies including Board of Revenue, NAB and FIA; and that the land owned by JCL has been in its possession since its nationalization. Similarly, the developmental activities conducted by JCL bear perfect requisite approvals of relevant authorities.

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Future Outlook

Cyclical sectors including cements and steel are expected to remain under pressure amid slowdown in the economy and the higher interest rate regime. Financial services should perform well as inflation is expected to decrease. Fertilizer, power and real estate sectors are expected to continue their good performance in the quarter and going forward. On an overall basis, your Company is expected to do well.

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

Mr. Arif Habib
Chief Executive

Dr. Shamshad Akhtar
Chairperson

Karachi: 22nd February 2020

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Condensed Interim Unconsolidated Financial Statements

For the six months period ended 31st December 2019

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
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Karachi 75530 Pakistan
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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Arif Habib Corporation Limited

Report on review of Condensed Interim Unconsolidated Financial Statements

Introduction

We have reviewed the accompanying condensed interim unconsolidated statement of financial position of **Arif Habib Corporation Limited** as at 31 December 2019 and the related condensed interim unconsolidated statement of profit or loss and other comprehensive income, condensed interim unconsolidated statement of changes in equity, and condensed interim unconsolidated statement of cash flows, and notes to the condensed interim unconsolidated financial statements for the six-months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements 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 interim financial statements 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 interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting

KPMG Taseer Hadi & Co.

Other Matter

The figures for the quarter ended 31 December 2019 and 31 December 2018 in the interim financial statements have not been reviewed and we do not express a conclusion on them.

The engagement partner on the review resulting in this independent auditor's review report is **Mohammad Mahmood Hussain**

Date: 22 February 2020

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2019

	Note	31 December 2019 (Unaudited)	30 June 2019 (Audited)
		(Rupees)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital		**10,000,000,000**	10,000,000,000
Share capital			
Issued, subscribed and paid up share capital	5	**4,083,750,000**	4,537,500,000
Reserves			
General reserve		**4,000,000,000**	4,000,000,000
Unappropriated profit		**9,562,629,912**	11,340,451,283
		13,562,629,912	15,340,451,283
		17,646,379,912	19,877,951,283
Non-current liabilities			
Lease liability		**17,781,966**	-
Current liabilities			
Trade and other payables		**4,951,739**	4,913,614,341
Mark-up accrued on borrowings		**60,014,396**	56,227,631
Short term borrowings	6	**900,140,822**	1,803,620,434
Current portion of lease liability		**15,325,860**	-
Taxation - net		**19,971,601**	25,448,976
Unclaimed dividend		**31,252,678**	31,705,915
		1,031,657,096	6,830,617,297
Contingencies and commitments	7		
		18,695,818,974	26,708,568,580

The annexed notes 1 to 24 form an integral part of these condensed interim unconsolidated financial statements.

Chief Executive Officer

Chief Financial Officer

Director

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2019

	Note	31 December 2019 (Unaudited)	30 June 2019 (Audited)
		(Rupees)	
ASSETS			
Non-current assets			
Operating fixed assets	8	**55,109,615**	25,273,958
Investment properties	9	**153,868,060**	-
Long term investments	10	**15,341,544,873**	16,403,149,710
Long term loan to related party	11	**149,187,387**	163,404,133
Long term deposits and other receivables		**2,487,030**	2,487,030
		15,702,196,965	16,594,314,831
Current assets			
Loans and advances	12	**29,892,164**	35,187,133
Mark-up receivable	13	**25,260,595**	77,012,680
Prepayments, trade and other receivables	14	**31,504,581**	12,421,996
Short term investments	15	**2,865,917,233**	9,563,036,956
Cash and bank balances		**41,047,436**	426,594,984
		2,993,622,009	10,114,253,749
		18,695,818,974	26,708,568,580

The annexed notes 1 to 24 form an integral part of these condensed interim unconsolidated financial statements.

Chief Executive Officer	Chief Financial Officer	Director

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the six months period and quarter ended 31st December 2019

		Six months period ended		Quarter ended	
		31 December	31 December	**31 December**	31 December
	Note	**2019**	2018	**2019**	2018
		(Rupees)			
Operating revenue	16	**132,759,317**	302,698,251	**95,287,748**	131,149,173
(Loss) / gain on remeasurement of investments - net		**(1,632,413,862)**	750,840,084	**548,182,920**	(624,895,000)
Gain / (loss) on sale of securities - net		**688,736,422**	17,663,027	**(164,508,063)**	(759,815)
		(810,918,123)	1,071,201,362	**478,962,605**	(494,505,642)
Operating and administrative expenses		**(53,973,278)**	(50,901,709)	**(29,146,433)**	(25,549,495)
Finance cost		**(137,315,415)**	(64,220,228)	**(100,598,607)**	(22,756,154)
Other income		**10,692,952**	8,455,730	**5,400,520**	4,789,616
Other charges		**(574,175)**	(16,800,000)	**(574,175)**	(11,000,000)
(Loss) / profit before tax		**(992,088,039)**	947,735,155	**354,043,910**	(549,021,675)
Taxation	17	**(14,358,332)**	41,510,218	**(13,825,382)**	34,483,609
(Loss) / profit for the period		**(1,006,446,371)**	989,245,373	**340,218,528**	(514,538,066)
Other comprehensive income		**-**	-	**-**	-
Total comprehensive (loss) / income		**(1,006,446,371)**	989,245,373	**340,218,528**	(514,538,066)
(Loss) / earnings per share - basic and diluted	18	**(2.41)**	2.18	**0.83**	(1.13)

The annexed notes 1 to 24 form an integral part of these condensed interim unconsolidated financial statements.

Chief Executive Officer | Chief Financial Officer | Director

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months period ended 31st December 2019

	Note	Six months period ended 31 December 2019	31 December 2018
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash generated from operations	19	**1,871,819,111**	964,649,881
Income tax paid		**(19,835,707)**	(34,351,214)
Finance cost paid		**(133,528,651)**	(63,867,841)
Dividend received		**76,985,000**	202,413,246
Interest received		**107,248,615**	103,145,862
Net cash generated from operating activities		**1,902,688,368**	1,171,989,934
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of operating fixed assets		**57,626**	-
Advances paid for investment properties		**(153,868,060)**	-
Capital expenditure incurred		**(72,263)**	(137,411)
Net cash used in investing activities		**(153,882,697)**	(137,411)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term loan		**-**	(455,179,583)
Buy-back of shares		**(1,225,125,000)**	-
Payment of lease liability		**(5,374,432)**	-
Dividend paid		**-**	(907,500,000)
Net cash used in financing activities		**(1,230,499,432)**	(1,362,679,583)
Net increase / (decrease) in cash and cash equivalents		**518,306,239**	(190,827,060)
Cash and cash equivalents at beginning of the period		**(1,377,025,450)**	(1,222,999,632)
Effect of exchange rate fluctuations on cash held		**(374,175)**	602,110
Cash and cash equivalents at end of the period	20	**(859,093,386)**	(1,413,224,582)

The annexed notes 1 to 24 form an integral part of these condensed interim unconsolidated financial statements.

Chief Executive Officer	Chief Financial Officer	Director

CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months period ended 31st December 2019

		Reserves					Total
		Capital Reserves		Revenue Reserves		Sub total	
	Issued, subscribed and paid up share capital	Other reserve *	Fair value reserve **	General reserve	Unappropriated profit		
	(Rupees)						
Balance as at 1 July 2018	4,537,500,000	64,036,984	-	4,000,000,000	21,301,928,003	25,365,964,987	29,903,464,987
Adjustment on initial application of IFRS 9, net of tax	-	(64,036,984)	8,154,172,653	-	(8,090,135,669)	-	-
Adjusted balance as at 1 July 2018	4,537,500,000	-	8,154,172,653	4,000,000,000	13,211,792,334	25,365,964,987	29,903,464,987
Total comprehensive income for the six months period ended 31 December 2018							
Profit for the period	-	-	-	-	989,245,373	989,245,373	989,245,373
Other comprehensive income for the period	-	-	-	-	-	-	-
	-	-	-	-	989,245,373	989,245,373	989,245,373
Transactions with owners of the Company recorded directly in equity							
Final cash dividend at the rate of Rs. 2 per share for the year ended 30 June 2018	-	-	-	-	(907,500,000)	(907,500,000)	(907,500,000)
Balance as at 31 December 2018	4,537,500,000	-	8,154,172,653	4,000,000,000	13,293,537,707	25,447,710,360	29,985,210,360
Balance as at 1 July 2019	**4,537,500,000**	-	-	**4,000,000,000**	**11,340,451,283**	**15,340,451,283**	**19,877,951,283**
Total comprehensive (loss) for the six months period ended 31 December 2019							
Loss for the period	-	-	-	-	(1,006,446,371)	(1,006,446,371)	(1,006,446,371)
Other comprehensive income for the period	-	-	-	-	-	-	-
	-	-	-	-	(1,006,446,371)	(1,006,446,371)	(1,006,446,371)
Transactions with owners of the Company recorded directly in equity							
Buy-back of shares at Rs. 27 per share (refer note 5.2.2)	(453,750,000)	-	-	-	(771,375,000)	(771,375,000)	(1,225,125,000)
Balance as at 31 December 2019	**4,083,750,000**	-	-	**4,000,000,000**	**9,562,629,912**	**13,562,629,912**	**17,646,379,912**

* Other reserve comprises of unrealised appreciation / (diminution) on remeasurement of equity investments previously classified as 'available for sale' under IAS 39.
** Fair value reserve comprises of the cumulative net change in the fair value of equity securities designated at FVOCI.
The annexed notes 1 to 24 form an integral part of these condensed interim unconsolidated financial statements.

Chief Executive Officer | Chief Financial Officer | Director

NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months period ended 31st December 2019

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 repealed Companies Ordinance, 1984 (now Companies Act, 2017). 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.

These condensed interim unconsolidated financial statements are separate financial statements 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 statements are prepared separately.

The Company has following long term investments and its underlying shareholding in respective investee companies:

Name of Companies	Effective holding
Subsidiaries	
- Arif Habib Limited, a brokerage house	72.80%
- Sachal Energy Development (Pvt) Limited, a wind power generation company	85.83%
- Black Gold Power Limited, a coal power generation company	100.00%
Associates	
- MCB-Arif Habib Savings and Investments Limited - an asset management company a pension fund manager and investment advisor	30.09%
- Pakarab Fertilizers Limited - a fertilizer company	30.00%
- Fatima Fertilizer Company Limited - a fertilizer company	15.19%
Others	
- Khabeer Financial Services (Private) Limited	5.00%
- Sunbiz (Private) Limited	4.65%

1.1 Change in the composition of the Group

During the period, post Buy-Back and cancellation of shares by Arif Habib Limited (AHL), the Company's shareholding in AHL has increased from 65.52% to 72.80%.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

These condensed interim unconsolidated financial statements are unaudited and do not include all the statements 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 2019.

The comparative statement of financial position presented in these condensed interim unconsolidated financial statements has been extracted from the audited annual unconsolidated financial statements of the Company for the year ended 30 June 2019, whereas the comparative condensed interim unconsolidated statement of profit or loss and other comprehensive income, condensed interim unconsolidated statement of cash flows and condensed interim unconsolidated statement of changes in equity are extracted from the unaudited condensed interim unconsolidated financial statements for the six months period ended 31 December 2018.

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

These condensed interim unconsolidated financial statements have been prepared on the basis of a single reportable segment.

2.2 Basis of measurement

These condensed interim unconsolidated financial statements have been prepared under the historical cost convention, except as stated otherwise 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 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim unconsolidated financial statements 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 2019 except for the adoption of IFRS 16 'Leases' as of 1 July 2019 as referred to in note 3.4 to these condensed interim unconsolidated financial statements.

3.2 New standards, interpretations and amendments adopted by the Company

International Accounting Standards Board (IASB) introduced IFRS 16 'Leases' which had a mandatory effective date for annual reporting periods beginning on or after 1 January 2019. By virtue of SRO 434(I)/2018, SECP made mandatory for all classes of companies to adopt IFRS 16 'Leases' for annual reporting periods beginning on or after 1 January 2019.

The Company has adopted IFRS 16 'Leases' from 1 July 2019. The impact of adoption of IFRS 16 and related accounting policies are disclosed in note 3.4 below. A number of other new standards are effective from 1 July 2019 but they do not have a significant effect on the Company and are therefore not stated in these condensed interim unconsolidated financial statements.

3.3 Standards, interpretations and amendments to published approved accounting and reporting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2020:

- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments are not likely to affect the financial statements of the Company.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2020) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated - i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The standard is not likely to have any effect on Company's financial statements.

3.4 Change in accounting policy

The Company has adopted IFRS 16 'Leases' from 1 July 2019. The standard introduces a single, on-balance sheet accounting model for lessees. As a result, the Company as a lessee has recognised right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligations to make lease payments. The accounting polices relating to Company's right-of-use assets and lease liabilities are as follows:

Lease liabilities and right-of-use assets

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

From 1 July 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Company.

The lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liabilities are subsequently measured at amortised cost using the effective interest rate method. They are remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the respective right-of-use asset, or is recorded in profit or loss if the carrying amount of that right-of-use asset has been reduced to zero.

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the corresponding lease liability.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. On adoption of IFRS 16, the Company recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 14.33%.

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the condensed interim unconsolidated statement of financial position immediately before the date of initial application, accordingly, there is no impact on the opening balances of unappropriated profit as on 1 July 2019. The recognised right-of-use assets relates to the office space acquired on rental basis.

The Company has applied judgement to determine the lease term for office space acquired on rental basis in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The impact of adoption of IFRS 16 on the condensed interim unconsolidated statement of financial position as at 31 December 2019 and condensed interim unconsolidated statement of profit or loss and other comprehensive income for the six months period ended 31 December 2019 is as follows:

	Carrying Amount	
	31 December 2019	1 July 2019
	(Rupees)	
Right-of-use asset presented in operating fixed assets	**32,068,549**	38,482,259
Lease liability	**33,107,826**	34,650,794

	Six months period ended 31 December 2019
Depreciation expense	**6,413,710**
Interest expense presented in finance costs	**2,288,498**

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 The preparation of these condensed interim unconsolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported 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 the 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 2019 except as disclosed in note 3.4.

5. SHARE CAPITAL

5.1 Authorised share capital

31 December 2019	30 June 2019		Note	Unaudited 31 December 2019	Audited 30 June 2019
(Number of shares)				(Rupees)	
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each		**10,000,000,000**	10,000,000,000

5.2 Issued, subscribed and paid up share capital

31 December 2019	30 June 2019		Note	31 December 2019	30 June 2019
5,000,000	5,000,000	Ordinary shares of Rs. 10 each fully paid in cash		**50,000,000**	50,000,000
450,750,000	450,750,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares		**4,507,500,000**	4,507,500,000
455,750,000	455,750,000			**4,557,500,000**	4,557,500,000
(2,000,000)	(2,000,000)	Ordinary shares of Rs. 10 each bought back at Rs. 360 per share	5.2.1	**(20,000,000)**	(20,000,000)
(45,375,000)	-	Ordinary shares of Rs. 10 each bought back at Rs. 27 per share	5.2.2	**(453,750,000)**	-
408,375,000	453,750,000			**4,083,750,000**	4,537,500,000

5.2.1 During financial year 2005-2006, the Company bought back two million shares of Rs. 10 each from its shareholders through tender notice at a price of Rs. 360 per share in accordance with section 95-A of the repealed Companies Ordinance, 1984 and Companies (Buy-back of shares) Rules, 1999. The acquisition resulted in reduction of capital and unappropriated profit by Rs. 20 million and Rs. 700 million respectively, in the relevant year.

5.2.2 During the period, the Company purchased and cancelled 45,375,000 ordinary shares (10% of existing shares i.e. 453,750,000). The buy-back and cancellation of shares were approved by shareholders at the extra ordinary general meeting held on 3 July 2019. The shares were acquired at a purchase price of Rs. 27 per share. The purchase of shares were made in cash out of the distributable profits as required under Section 88(8) of the Companies Act, 2017 read with Listed Companies (Buy-Back of Shares) Regulations, 2019. Pursuant to Buy Back of Shares the ordinary share capital of the Company has been reduced by 45,375,000 ordinary shares amounting to Rs. 453,750,000.

5.2.3 Mr. Arif Habib held 77.9% (30 June 2019: 70.11%) of ordinary shares in the Company.

6. SHORT TERM BORROWINGS

6.1 Running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 3,600 million (30 June 2019: Rs. 3,000 million). These facilities have various maturity dates up to 30 September 2020, and need to be renewed after that. These arrangements are secured against pledge of marketable securities with minimum 30% margin (30 June 2019: 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 2019: 1 month KIBOR + 1% to 3 month KIBOR + 2.25% per annum) calculated on a daily product basis, and is payable quarterly. The aggregate amount of these facilities which have not been availed as at the reporting date amounts to Rs. 2,700 million (30 June 2019: Rs. 1,196 million).

7. CONTINGENCIES AND COMMITMENTS

7.1 There is no other change in the status of contingencies and commitments as disclosed in the preceding audited annual unconsolidated financial statements of the Company as at and for the year ended 30 June 2019 except for the following:

- The Company has issued Corporate Guarantee to the extent of USD 8.8 million in favour of Hangzhou Cogeneration (Hong Kong) Co. Ltd to secure payment obligations of Aisha Steel Mills Limited, an associated concern. The Company has also obtained deed of indemnity from the said associated concern.

- The Company has issued Guarantee in the form pledge of shares to the extent of PKR 625 million in favour of Habib Metropolitan Bank Limited to secure payment obligations of Aisha Steel Mills Limited, associated concern. The Company has also obtained deed of indemnity from the said associated concern.

- The Company has pledged shares with various banks for running finance facilities obtained by Arif Habib Limited. These facilities amount to Rs. 2,475 million.

8. OPERATING FIXED ASSETS

Following is the cost / written down value of operating fixed assets that have been added / disposed off during the period:

	Six months period ended December 2019		Six months period ended December 2018	
	Additions	**Disposals**	Additions	Disposals
	(Unaudited)		(Unaudited)	
	(Rupees)			
Vehicle	**-**	**57,626**	50,500	-
Computer equipment	**72,263**	**-**	86,911	-
Right-of-use asset - Building	**38,482,259**	**-**	-	-
	38,554,522	**57,626**	137,411	-

9. INVESTMENT PROPERTIES

This represents advances paid to Javedan Corporation Limited (JCL), an associated concern, for the purchase of commercial plots and flats situated at Naya Nazimabad, Deh Manghopir, Gadap Town, Karachi in terms of the Memorandum of Understanding (MoU) and an addendum to the MoU signed between JCL and the Company.

10. LONG TERM INVESTMENTS

	Note	**31 December 2019 (Unaudited)**	30 June 2019 (Audited)
		(Rupees)	
Subsidiaries - at cost	10.1	**5,058,602,290**	5,058,602,290
Associates - designated at FVTPL	10.2	**8,958,610,510**	10,020,215,347
Associates - at FVOCI	10.3	**1,324,332,073**	1,324,332,073
Other equity securities - at FVOCI	10.4	**-**	-
		15,341,544,873	16,403,149,710

10.1 Subsidiaries - at cost

	Carrying amount	
	31 December 2019 Unaudited	30 June 2019 Audited
	(Rupees)	
Arif Habib Limited (AHL)	**2,262,137,230**	2,262,137,230
Sachal Energy Development (Private) Limited (SEDPL)	**2,746,465,060**	2,746,465,060
Black Gold Power Limited (BGPL)	**50,000,000**	50,000,000
	5,058,602,290	5,058,602,290

10.2 Associates - designated at FVTPL

	Note	Cost	Unrealised appreciation / (diminution) on remeasurement of investments	Carrying amount 31 December 2019 Unaudited	Carrying amount 30 June 2019 Audited
		(Rupees)			
MCB - Arif Habib Savings and Investments Limited(MCB-AH)	10.2.1	**477,694,882**	**(1,299,850)**	**476,395,032**	498,059,199
Fatima Fertilizer Company Limited (FFCL)		**3,512,782,225**	**4,969,433,253**	**8,482,215,478**	9,522,156,148
		3,990,477,107	**4,968,133,403**	**8,958,610,510**	10,020,215,347

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, during 2011 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 Associates - at FVOCI

	Cost	Unrealised appreciation / (diminution) on remeasurement of investments	Carrying amount 31 December 2019 Unaudited	Carrying amount 30 June 2019 Audited
	(Rupees)			
Pakarab Fertilizers Limited (PFL)	**1,324,332,073**	-	**1,324,332,073**	1,324,332,073

10.4 Other equity securities - at FVOCI

The Company has designated below investment as equity securities at FVOCI.

	31 December 2019	
	Shares (Number)	**Fair value (Rupees)**
Sun Biz (Private) Limited (SBL)	**10,000**	**-**
Al-Khabeer Financial Services (Private) Limited (AKFS)	**5,000**	**-**
		-

10.4.1 Investment in SBL (unquoted) and AKFS (unquoted) were fully impaired in previous years and no change in fair value is recognised in current period.

10.5 Fair value of long term investments pledged with banking companies against various financing facilities amounts to Rs. 3,830 million (30 June 2019: Rs. 4,357 million).

11. LONG TERM LOAN TO RELATED PARTY

	31 December 2019 Unaudited	30 June 2019 Audited
	(Rupees)	
Secured		
Aisha Steel Mills Limited (ASML)	**172,881,963**	182,359,793
Less: Current portion of long term loan	**(23,694,576)**	(18,955,660)
	149,187,387	163,404,133

11.1 The Company entered into loan agreement with ASML. 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 2019: 6 months KIBOR + 3.25% per annum). The rate of mark-up on the loan during the period was 16.38% per annum (30 June 2019: ranged between 10.29% to 14.05% per annum). Mark-up is payable on semi-annual basis.

11.2 Maximum balance due from related party in respect of long term loan as at the end of any month during the period was Rs. 149.18 million (30 June 2019: Rs. 172.88 million).

12. LOANS AND ADVANCES - considered good

	Note	31 December 2019 Unaudited	30 June 2019 Audited
		(Rupees)	
At amortised cost			
Unsecured			
Loans to related parties			
- Black Gold Power Limited (BGPL)	12.1	**5,500,000**	5,500,000
- Javedan Corporation Limited (JCL)		**-**	10,067,474
		5,500,000	15,567,474
Secured			
Current portion of long term loan to Aisha Steel Mills Limited (ASML)	11	**23,694,576**	18,955,660
Advance against salaries to employees		**697,588**	663,999
		29,892,164	35,187,133

12.1 The Company entered into an interest free financing agreement with BGPL, a wholly owned subsidiary, to the extent of Rs. 10,000,000 in order to finance its working capital requirements and for any other business as may be mutually agreed between the parties to the agreement. The loan is repayable within 30 business days of notice of demand.

12.2 Maximum balance due from related parties in respect of loans and advances as at the end of any month during the period was Rs. 790.14 million (30 June 2019: Rs. 2,915.96 million).

13. MARK-UP RECEIVABLE

	Note	31 December 2019 Unaudited	30 June 2019 Audited
		(Rupees)	
From related parties:			
- Aisha Steel Mills Limited		**18,814,094**	35,352,227
- Javedan Corporation Limited		**-**	40,567,881
- Power Cement Limited		**5,141,076**	-
Others:			
Against term finance certificates		**1,305,425**	1,092,572
		25,260,595	77,012,680

13.1 The maximum amount due from related parties in respect of mark-up receivable as at the end of any month during the period was Rs. 35.02 million (30 June 2019: Rs. 75.92 million). Further, the said receivable from related parties are on account of loans provided to them which are current and not past due.

14. PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	Note	31 December 2019 Unaudited	30 June 2019 Audited
Prepayments		**4,935,220**	4,543,498
Trade receivable	14.1	**19,452,857**	-
Guarantee commission receivable from related parties:			
- Arif Habib Limited		**602,271**	412,502
- Sachal Energy Development (Private) Limited		**3,001,463**	3,387,164
- Aisha Steel Mills Limited		**1,395,312**	987,489
- Power Cement Limited		**393,327**	420,538
		5,392,373	5,207,693
Dividend receivable		**-**	908,125
Others		**1,724,131**	1,762,680
		31,504,581	12,421,996

14.1 This represents amount receivable from Arif Habib Limited, a brokerage house, against sale of equity securities under T+2 mechanism.

14.2 The maximum amount due from related party as at the end of any month during the period was Rs. 5.39 million (30 June 2019: Rs. 5.208 million).

15. SHORT TERM INVESTMENTS	Note	Unaudited 31 December 2019	Audited 30 June 2019
		(Rupees)	
Equity securities - at FVTPL	15.1 & 15.2	**2,815,917,233**	9,513,036,956
Corporate debt securities - mandatorily at FVTPL		**50,000,000**	50,000,000
		2,865,917,233	9,563,036,956

15.1 This includes investments in associated concerns, Aisha Steel Mills Limited, Power Cement Limited and Javedan Corporation Limited.

15.2 Silkbank Limited's sponsor has exercised the option granted to him to purchase Company's entire investment in Silkbank Limited. Accordingly, the Company has derecognised its investment in Silkbank Limited and also set off relevant deposits and margin against this investment. The shares will be transferred as per the option agreement in due course in line with regulatory approvals.

15.3 Fair value of short term investments pledged with banking companies against various financing facilities amounts to Rs. 325.24 million (30 June 2019: Rs. 1,012 million).

	Six months period ended		Quarter ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
		(Rupees)		
16. OPERATING REVENUE				
Mark-up on loans and advances	**51,762,143**	98,420,931	**16,740,906**	35,005,712
Mark-up on term finance certificates	**3,734,387**	1,678,686	**1,412,055**	1,678,686
Dividend income	**76,985,000**	202,413,246	**76,985,000**	94,298,535
Mark-up on bank deposits	**277,787**	185,388	**149,787**	166,240
	132,759,317	302,698,251	**95,287,748**	131,149,173
17. TAXATION				
- Current	**12,544,759**	44,153,833	**12,011,809**	14,591,148
- Prior	**1,813,573**	1,135,447	**1,813,573**	1,135,447
- Deferred	**-**	(86,799,498)	**-**	(50,210,204)
	14,358,332	(41,510,218)	**13,825,382**	(34,483,609)

17.1 The provision for current tax represents tax on taxable income at the rate of 29% (30 June 2019: 29%) per annum or minimum tax at the rate of 1.5% (2019: 1.25%) per annum, whichever is higher. The rate of tax imposed on the taxable income of a company for the tax year 2020 and onwards is 29%. The Company computes current tax expense based on the generally accepted interpretation of the tax laws to ensure that the sufficient provision for the purpose of taxation is available. According to management, the tax provision made in these condensed unconsolidated interim financial statements is sufficient.

17.2 DEFERRED TAXATION - NET

Net deferred tax liability / (asset) comprises of taxable / (deductible) temporary differences in respect of the following:

	31 December 2019 Unaudited	30 June 2019 Audited
	(Rupees)	
Taxable temporary differences		
- Dividend receivable	**-**	136,219
- Right-of-use asset - building	**9,299,879**	-
Deductible temporary differences		
- Accelerated accounting depreciation	**(80,022)**	(424,791)
- Impairment loss on long term investment - unquoted	**(435,000)**	(435,000)
- Unrealised loss on investments in equity securities at FVTPL	**(65,557,977)**	-
- Lease liability	**(9,601,270)**	-
- Capital losses carried forward (losses: Rs. 213,687,457)	**(34,387,044)**	-
	(100,761,434)	(723,572)
- Unused tax losses (losses: Rs. 500,298,941)	**(145,086,693)**	-
	(245,848,127)	(723,572)
Deferred tax asset not recognised	**245,848,127**	723,572
Deferred tax (asset) / liability	**-**	-

17.3 Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the above items, because it is not probable that future taxable profits under normal tax regime will be available against which the Company can use the benefits therefrom.

18. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

Basic (loss) / earnings per share is calculated by dividing the (loss) / profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. There is no dilutive effect on the basic earnings per share of the Company:

	Six months period ended		Quarter ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	(Rupees)			
(Loss) / profit for the period	**(1,006,446,371)**	989,245,373	**340,218,528**	(514,538,066)
	(Number)			
Weighted average number of ordinary shares	**417,992,527**	453,750,000	**408,375,000**	453,750,000
	(Rupees)			
(Loss) / earnings per share - basic and diluted	**(2.41)**	2.18	**0.83**	(1.13)

19. NET CASH GENERATED FROM OPERATIONS

	Note	Six months period ended	
		31 December 2019	31 December 2018
		(Rupees)	
(Loss) / profit before tax		**(992,088,039)**	947,735,155
Adjustments for:			
Depreciation		**8,661,239**	2,694,355
Dividend income		**(76,985,000)**	(202,413,246)
Mark-up on loans and advances		**(51,762,143)**	(98,420,931)
Mark-up on term finance certificates		**(3,734,387)**	(1,678,686)
Loss / (gain) on remeasurement of investments - net		**1,632,413,862**	(750,840,084)
Exchange loss / (gain)		**374,175**	(602,110)
Finance cost		**137,315,415**	64,220,228
		1,646,283,161	(987,040,474)
		654,195,122	(39,305,319)
Effect on cash flow due to working capital changes			
Decrease / (increase) in current assets			
Loans and advances		**19,511,715**	1,191,040,537
Prepayments, trade and other receivables		**(19,082,585)**	(3,602,773)
Short term investments		**6,126,310,698**	(228,313,031)
		6,126,739,828	959,124,733
(Decrease) / increase in current liabilities			
Trade and other payables		**(4,908,662,602)**	40,150,916
Unclaimed dividend		**(453,237)**	4,679,551
		(4,909,115,839)	44,830,467
Net cash generated from operations		**1,871,819,111**	964,649,881

20. CASH AND CASH EQUIVALENTS

Cash and bank balances		**41,047,436**	97,330,823
Short term borrowings	6	**(900,140,822)**	(1,510,555,405)
		(859,093,386)	(1,413,224,582)

21. FINANCIAL INSTRUMENTS

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. These condensed interim unconsolidated financial statements do not include all financial risk management statements 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 and for the year ended 30 June 2019 as financial risk management objectives and policies are consistent with the prior year.

22. FAIR VALUE MEASUREMENTS

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

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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 determines fair values using valuation techniques unless the instruments do not have a market / quoted price in an active market and whose fair value cannot be reliably measured.

Valuation techniques used by the Company include discounted cash flow model 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 reporting date that would have been determined by market participants acting at arm's length.

Valuation models for valuing securities for which there is no active market requires significant unobservable inputs and a higher degree of 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, the 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.

22.1 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.

	31 December 2019 (Unaudited)							
	Carrying amount					Fair value		
	Mandatorily / designated at FVTPL	FVOCI - Equity Instruments	Financial assets at amortized cost	Other financial assets	Other financial liabilities	Level 1	Level 2	Level 3
	(Rupees)							
Financial assets measured at fair value								
Associates	8,958,610,510	1,324,332,073	-	-	-	8,958,610,510	-	1,324,332,073
Short term investments	2,865,917,233	-	-	-	-	2,865,917,233	-	-
Financial assets not measured at fair value								
Subsidiaries*	-	-	-	5,058,602,290*	-	2,460,258,341	-	-
Long term loan to related party	-	-	149,187,387	-	-	-	-	-
Long term deposits and other receivables	-	-	2,487,030	-	-	-	-	-
Trade receivable	-	-	19,452,857	-	-	-	-	-
Other receivables	-	-	5,392,373	-	-	-	-	-
Loans and advances	-	-	29,194,576	-	-	-	-	-
Mark-up receivable	-	-	25,260,595	-	-	-	-	-
Cash and bank balances	-	-	9,794,758	-	-	-	-	-
	11,824,527,743	1,324,332,073	240,769,576	5,058,602,290	-			
Financial liabilities not measured at fair value								
Long term loan - secured	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	4,951,739	-	-	-
Mark-up accrued on short term borrowings	-	-	-	-	60,014,396	-	-	-
Short term borrowings	-	-	-	-	900,140,822	-	-	-
Current maturity of long term loan	-	-	-	-	-	-	-	-
	-	-	-	-	965,106,957			

	30 June 2019 (Audited)							
	Carrying amount					Fair value		
	Mandatorily / designated at FVTPL	FVOCI - Equity Instruments	Financial assets at amortized cost	Other financial assets	Other financial liabilities	Level 1	Level 2	Level 3
	(Rupees)							
Financial assets measured at fair value								
Associates	10,020,215,347	1,324,332,073	-	-	-	10,020,215,347	-	1,324,332,073
Short term investments	9,563,036,956	-	-	-	-	9,563,036,956	-	-
Financial assets not measured at fair value								
Subsidiaries*	-	-	-	5,058,602,290	-	1,367,867,323	-	-
Long term loan to related party	-	-	163,404,133	-	-	-	-	-
Long term deposits and other receivables	-	-	2,487,030	-	-	-	-	-
Other receivables	-	-	7,878,498	-	-	-	-	-
Loans and advances	-	-	34,523,134	-	-	-	-	-
Mark-up receivable	-	-	77,012,680	-	-	-	-	-
Cash and bank balances	-	-	426,594,984	-	-	-	-	-
	19,583,252,303	1,324,332,073	711,900,459	5,058,602,290	-			
Financial liabilities not measured at fair value								
Long term loan - secured	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	4,913,614,341	-	-	-
Mark-up accrued on short term borrowings	-	-	-	-	56,227,631	-	-	-
Short term borrowings	-	-	-	-	1,803,620,434	-	-	-
Current maturity of long term loan	-	-	-	-	-	-	-	-
	-	-	-	-	6,773,462,406			

* 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 and advances, other receivables, mark-up receivable, cash and bank balances, trade and other payables, short term borrowings, mark-up accrued on borrowings and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. For long term deposits and other receivables, long term loan to related party and other non-current liabilities, management 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.

23. TRANSACTIONS 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 with related parties during the period other than those disclosed elsewhere in these condensed interim unconsolidated financial statements are given below:

		Six months period ended	
Subsidiaries		**31 December 2019**	31 December 2018
Name of the related party	**Transactions during the period**	**(Rupees)**	
Arif Habib Limited	Services availed	**2,383,558**	3,685,664
	Dividend income / received	**-**	108,114,711
	Guarantee commission income	**1,077,611**	-
	Guarantee commission received	**887,842**	-
Sachal Energy Development (Private) Limited	Guarantee commission income	**6,135,463**	5,833,893
	Guarantee commission received	**6,521,164**	5,599,564
	Loan repayment	**-**	525,000,000
	Mark-up income on loan and advance	**-**	8,585,884
	Mark-up income received	**-**	15,130,405
Associates			
Name of the related party	**Transactions during the period**		
MCB-Arif Habib Savings and Investment Limited	Dividend income / received	**29,246,625**	37,912,292

NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months period ended 31st December 2019

Associated companies by virtue of common directorship and related concern

Name of the related party	Transactions during the period	Six months period ended 31 December 2019 (Rupees)	31 December 2018 (Rupees)
Aisha Steel Mills Limited	Mark-up on loan and advance	**36,696,118**	37,762,583
	Mark-up received	**53,234,251**	23,687,900
	Loan extended	**1,060,000,000**	1,345,000,000
	Loan repayment	**1,060,000,000**	1,009,477,830
	Guarantee commission income	**2,689,806**	1,897,229
	Guarantee commission received	**2,281,983**	1,738,728
Javedan Corporation Limited	Mark-up on loan and advance	**624,487**	52,072,464
	Mark-up received	**41,192,368**	64,327,557
	Loan extended	**73,000,000**	722,000,000
	Loan repaid	**83,067,474**	1,710,100,000
	Dividend income / received	**-**	17,672,218
	Advance paid for purchase of property	**153,868,060**	-
Power Cement Limited	Mark-up on loan and advance	**14,441,538**	-
	Mark-up received	**9,300,462**	
	Loan extended	**416,000,000**	-
	Loan repaid	**416,000,000**	
	Guarantee commission income	**790,072**	122,499
	Guarantee commission received	**817,283**	-
Rotocast Engineering Company (Private) Limited	Payment of rent and sharing of 'utilities, insurance and maintenance charges	**12,732,479**	16,427,709

Others

Name of the related party	Transactions during the period	31 December 2019	31 December 2018
Mr. Arif Habib	Dividend paid	**-**	631,341,934
Employees retirement benefit fund - Provident fund	Company's Contribution	**1,093,944**	988,038

NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months period ended 31st December 2019

Name of the related party	Transactions during the period	Six months period ended 31 December 2019 (Rupees)	Six months period ended 31 December 2018 (Rupees)
Remuneration of chief executive officer, directors, key management personnel and executives			
Managerial Remuneration		**12,340,944**	9,577,458
Contribution to provident fund		**826,710**	787,290
Bonus		**1,726,824**	3,192,486
Other perquisites and benefits		**1,914,942**	1,881,221
Mr. Asadullah Khawaja	Meeting fee paid	**100,000**	50,000
Dr. Shamshad Akhtar	Meeting fee paid	**100,000**	-
Khawaja Jalaluddin Roomi	Meeting fee paid	**50,000**	35,000
Mr. Sirajuddin Cassim	Meeting fee paid	**-**	25,000

24. DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements have been authorised for issue on 22 February 2020 by the Board of Directors of the Company.

Chief Executive Officer	Chief Financial Officer	Director

Condensed Interim Consolidated Financial Statements

For the six months period ended 31st December 2019

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2019

	Note	31 December 2019 Unaudited	30 June 2019 Audited
		(Rupees)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital	5	**10,000,000,000**	10,000,000,000
Share capital			
Issued, subscribed and paid-up share capital	5	**4,083,750,000**	4,537,500,000
Capital reserves			
Surplus on revaluation of fixed assets		**15,432,500**	15,432,500
Revenue reserves		**17,935,339,672**	16,975,848,933
Equity attributable to owners of the Parent Company		**22,034,522,172**	21,528,781,433
Non-controlling interest		**1,772,191,943**	1,777,221,910
Total Equity		**23,806,714,115**	23,306,003,343
Non-current liabilities			
Long term loans - secured		**9,394,756,488**	10,728,571,018
Lease liability		**63,592,564**	9,936,248
Deferred liability - gratuity		**16,954,435**	14,056,165
Deferred taxation - net		**1,318,158,465**	1,207,615,955
		10,793,461,952	11,960,179,386
Current liabilities			
Trade and other payables		**1,324,452,362**	5,840,217,170
Mark-up accrued on borrowings		**305,681,330**	290,417,576
Short term borrowings	6	**3,757,426,929**	4,711,758,096
Current portion of long term loans		**1,553,500,000**	1,645,000,000
Current portion of lease liability		**33,603,120**	1,360,000
Payable against purchase of investment - net		**-**	30,970,319
Taxation - net		**58,908,643**	76,105,682
Unclaimed dividend		**45,713,071**	46,166,308
		7,079,285,455	12,641,995,151
Contingencies and commitments	7		
		41,679,461,522	47,908,177,880

The annexed notes 1 to 21 form an integral part of these condensed interim consolidated financial statements.

Chief Executive Officer	Chief Financial Officer	Director

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2019

	Note	31 December 2019 Unaudited	30 June 2019 Audited
		(Rupees)	
ASSETS			
Non-current assets			
Property, plant and equipment	8	15,113,975,014	16,158,398,853
Intangible assets - others		2,607,679	2,412,274
Goodwill		910,206,117	910,206,117
Trading right entitlement certificate, membership cards and offices		8,100,000	8,100,000
Investment properties	9	1,853,312,860	1,726,419,800
Equity accounted investees	10	12,758,411,788	12,010,464,481
Other long term investments		101,528,296	66,046,528
Long term loan to related party		149,187,387	163,404,133
Long term deposits and other receivables		33,747,142	34,990,720
		30,931,076,283	31,080,442,906
Current assets			
Trade debts		2,510,727,975	2,662,752,427
Stores and spares		1,175,312	-
Loans and advances		102,071,298	47,337,031
Deposits and prepayments		100,044,529	399,258,768
Accrued mark-up and other receivables		354,617,674	254,514,039
Advance sales tax		25,763,579	20,654,047
Short term investments	11	5,376,190,327	11,974,137,833
Receivable against sale of securities		385,620	-
Cash and bank balances		2,277,408,925	1,469,080,829
		10,748,385,239	16,827,734,974
		41,679,461,522	47,908,177,880

The annexed notes 1 to 21 form an integral part of these condensed interim consolidated financial statements.

Chief Executive Officer

Chief Financial Officer

Director

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the six months period and quarter ended 31st December 2019

	Note	Six months period ended		Quarter ended	
		31 December 2019	31 December 2018	**31 December 2019**	31December 2018
		(Rupees)		**(Rupees)**	
Operating revenue	12	**2,447,917,240**	1,832,531,024	**686,719,880**	711,241,589
(Loss) / gain on remeasurement of investments - net		**(11,560,584)**	(969,950,808)	**1,486,414,329**	(666,801,148)
Unrealised gain on remeasurement of investment property		**132,500,000**	241,698,360	**-**	124,598,360
Gain / (loss) on sale of investments - net		**396,745,475**	136,859,856	**(362,469,821)**	25,179,554
Gain on sale of investments property		**775,000**	-	**-**	-
		2,966,377,131	1,241,138,432	**1,810,664,388**	194,218,355
Operating and administrative expenses		**(801,728,161)**	(862,676,765)	**(394,208,407)**	(467,056,116)
Other income		**73,740,091**	54,400,493	**35,872,962**	29,041,988
Finance cost		**(901,459,488)**	(651,280,748)	**(476,608,241)**	(358,033,393)
Other charges		**(824,788)**	(16,800,000)	**(824,788)**	(10,924,528)
		1,336,104,785	(235,218,588)	**974,895,914**	(612,753,694)
Share of profit / (loss) of equity-accounted associates investees - net of tax		**777,193,932**	125,162,540	**445,027,350**	(5,402,997)
Profit / (loss) before tax		**2,113,298,717**	(110,056,048)	**1,419,923,264**	(618,156,691)
Taxation	13	**(156,462,945)**	(2,116,915)	**(92,865,297)**	26,306,376
Profit / (loss) after tax		**1,956,835,772**	(112,172,963)	**1,327,057,967**	(591,850,315)
Profit / (loss) attributable to:					
Equity holders of the Parent Company		**1,730,865,739**	(180,468,577)	**1,191,673,892**	(541,980,436)
Non-controlling interests		**225,970,033**	68,295,614	**135,384,075**	(49,869,879)
		1,956,835,772	(112,172,963)	**1,327,057,967**	(591,850,315)
Earnings / (loss) per share - basic & diluted	16	**4.14**	(0.40)	**2.92**	(1.19)

The annexed notes 1 to 21 form an integral part of these condensed interim consolidated financial statements.

Chief Executive Officer | Chief Financial Officer | Director

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months period and quarter ended 31st December 2019

	Six months period ended		Quarter ended	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
	(Rupees)		**(Rupees)**	
Profit / (loss) after tax	**1,956,835,772**	(112,172,963)	**1,327,057,967**	(591,850,315)
Other comprehensive income				
Items that will not be reclassified subsequently to consolidated statement of profit or loss				
Share of other comprehensive income of equity-accounted associates - net of tax	**-**	(15,703,502)	**-**	-
Other comprehensive income for the period	**-**	(15,703,502)	**-**	-
Total comprehensive income for the period	**1,956,835,772**	(127,876,465)	**1,327,057,967**	(591,850,315)
Total comprehensive income attributable to:				
Equity holders of the Parent Company	**1,730,865,739**	(196,172,079)	**1,191,673,892**	(541,980,436)
Non-controlling interests	**225,970,033**	68,295,614	**135,384,075**	(49,869,879)
	1,956,835,772	(127,876,465)	**1,327,057,967**	(591,850,315)

The annexed notes 1 to 21 form an integral part of these condensed interim consolidated financial statements.

Chief Executive Officer

Chief Financial Officer

Director

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

For the six months period ended 31st December 2019

	Note	Six months period ended 31 December 2019	31December 2018
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	14	**4,673,773,990**	439,715,880
Income tax paid		**(63,117,474)**	(82,188,630)
Finance cost paid		**(886,195,734)**	(626,030,173)
Mark-up received		**165,379,842**	75,161,059
Dividend received		**94,568,503**	78,347,797
Gratuity paid		**-**	(132,936)
Net cash generated from / (used in) operating activities		**3,984,409,127**	(115,127,003)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		**(4,870,537)**	(1,559,114,243)
Proceeds from sale of property, plant and equipment		**57,626**	562,419
Proceeds from disposal of investment property		**156,480,000**	148,655,000
Acquisition of intangible assets		**(489,433)**	-
Advances paid for investment properties		**(153,868,060)**	-
Expenditure incurred on investment properties		**-**	(151,088,000)
Dividend from equity accounted investee		**29,246,625**	37,912,292
Change in long term deposits - net		**1,243,578**	(718,402)
Net cash generated from / (used in) investing activities		**27,799,799**	(1,523,790,934)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in long term financing		**(777,500,000)**	424,320,417
Land lease liability		**(15,924,663)**	(1,360,000)
Buy-back of shares by Parent Company		**(1,225,125,000)**	-
Buy-back of shares by Subsidiary Company		**(231,000,000)**	-
Liability against assets subject to finance lease		**-**	(1,345,933)
Dividend paid		**-**	(907,500,000)
Distribution by subsidiary to non-controlling interest		**-**	(56,885,289)
Net cash used in financing activities		**(2,249,549,663)**	(542,770,805)
Net increase / (decrease) in cash and cash equivalents		**1,762,659,263**	(2,181,688,742)
Cash and cash equivalents at beginning of the period		**(3,242,677,267)**	(1,680,985,898)
Cash and cash equivalents at end of the period	15	**(1,480,018,004)**	(3,862,674,640)

The annexed notes 1 to 21 form an integral part of these condensed interim consolidated financial statements.

Chief Executive Officer	Chief Financial Officer	Director

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months period ended 31st December 2019

	Issued, subscribed and paid up share capital	Capital Reserve: Surplus on revaluation	Revenue reserves: Other reserve *	Revenue reserves: Fair value reserve	Revenue reserves: General reserve	Revenue reserves: Unappropriated profit	Total	Non-controlling interests	Total equity
	Equity attributable to owners of the Parent								
	(Rupees)								
Balance as at 1 July 2018	4,537,500,000	15,432,500	168,678,393	-	4,019,567,665	13,594,583,030	22,335,761,588	1,743,177,429	24,078,939,017
Adjustment on initial application of IFRS 9, net of tax	-	-	(151,741,709)	(265,673)	-	124,300,177	(27,707,205)	(14,580,959)	(42,288,164)
Adjusted balance as at 1 July 2018	4,537,500,000	15,432,500	16,936,684	(265,673)	4,019,567,665	13,718,883,207	22,308,054,383	1,728,596,470	24,036,650,853
Total comprehensive income for the six months period 31 December 2018									
Profit for the six months period ended 31 December 2018	-	-	-	-	-	(180,468,577)	(180,468,577)	68,295,614	(112,172,963)
Other comprehensive income	-	-	-	(15,703,502)	-	-	(15,703,502)	-	(15,703,502)
Reclassification adjustment	-	-	(16,936,684)	-	-	16,936,684	-	-	-
Transactions with owners recorded directly in equity - *Distributions*									
Final cash dividend at the rate of Rs. 2 per share for the year ended 30 June 2018	-	-	-	-	-	(907,500,000)	(907,500,000)	-	(907,500,000)
	-	-	(16,936,684)	(15,703,502)	-	(1,071,031,893)	(1,103,672,079)	68,295,614	(1,035,376,465)
Distribution by Subsidiaries	-	-	-	-	-	-	-	(56,885,289)	(56,885,289)
Balance as at 31 December 2018	4,537,500,000	15,432,500	-	(15,969,175)	4,019,567,665	12,647,851,314	21,204,382,304	1,740,006,795	22,944,389,099
Balance as at 1 July 2019	**4,537,500,000**	**15,432,500**	**-**	**(924,160)**	**4,019,567,665**	**12,957,205,428**	**21,528,781,433**	**1,777,221,910**	**23,306,003,343**
Total comprehensive income for the six months period 31 December 2019									
Profit for the six months period ended 31 December 2019	-	-	-	-	-	1,730,865,739	1,730,865,739	225,970,033	1,956,835,772
Other comprehensive income	-	-	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity									
Buy-back of shares of Rs. 27 per shares (refer note 5.2.2)	(453,750,000)	-	-	-	-	(771,375,000)	(1,225,125,000)	-	(1,225,125,000)
	(453,750,000)	-	-	-	-	959,490,739	505,740,739	225,970,033	731,710,772
Buy-back of shares by Subsidiary Company of Rs. 35 per shares (refer note 1.1)	-	-	-	-	-	-	-	(231,000,000)	(231,000,000)
Balance as at 31 December 2019	**4,083,750,000**	**15,432,500**	**-**	**(924,160)**	**4,019,567,665**	**13,916,696,167**	**22,034,522,172**	**1,772,191,943**	**23,806,714,115**

* Other reserve comprises of unrealised appreciation / (diminution) on remeasurement of equity investments previously as classified as 'available for sale' under IAS 39.

** Fair value reserve comprises of the cumulative net change in the fair value of equity securities designated at FVOCI.

The annexed notes 1 to 21 form an integral part of these condensed interim consolidated financial statements.

Chief Executive Officer | Chief Financial Officer | Director

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months period ended 31st December 2019

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 repealed Companies Ordinance, 1984 (now Companies Act, 2017). 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.

These condensed interim consolidated financial statements of Arif Habib Corporation Limited for the six months period ended 31 December 2019 comprise of the Parent Company and following subsidiary companies (here-in-after referred to as "the Group").

Name of companies		Note	Effective holding
Subsidiaries			
-	Arif Habib Limited, a brokerage house	1.1	72.80%
-	Arif Habib Commodities (Private) Limited, investment management of commodities [wholly owned subsidiary of Arif Habib Limited]	1.2	72.80%
-	Arif Habib 1857 (Private) Limited, investments and share brokerage company [wholly owned subsidiary of Arif Habib Limited]	1.3	72.80%
-	Sachal Energy Development (Private) Limited, a wind power generation Company	1.4	85.83%
-	Black Gold Power Limited, a coal power generation company	1.5	100.00%
Associates			
-	MCB-Arif Habib Savings and Investments Limited - an asset management company a pension fund manager and investment advisor	1.6	30.09%
-	Fatima Fertilizer Company Limited, a fertilizer company	1.7	15.19%
-	Pakarab Fertilizers Limited, a fertilizer company	1.8	30.00%

1.1 Arif Habib Limited (AHL) was incorporated in Pakistan on 07 September 2004 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017), as a public limited company. The shares of AHL are quoted on Pakistan Stock Exchange Limited. 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, inter-bank brokerage, Initial Public Offer (IPO) underwriting, advisory and consultancy services. Post Buy-Back and cancellation of shares by Arif Habib Limited (AHL), the Parent Company's shareholding in AHL has been increased from 65.52% to 72.80%. The entire Buy-back was accepted by Non-Controlling Interest (NCI).

1.2 Arif Habib Commodities (Private) Limited (AHCPL) was incorporated on 2 April 2012 as a private limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of AHCPL is located at Arif Habib Centre, 23, M.T. Khan Road, Karachi. 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 the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the AH1857 is located at Arif Habib Centre, 23, M.T. Khan Road, Karachi. The principal activities of AH1857 are investments and shares brokerage. AH1857 is a wholly owned subsidiary of Arif Habib Limited. AH1857 holds Trading Right Entitlement Certificate (TREC).

1.4 Sachal Energy Development (Private) Limited (SEDPL) was incorporated in Pakistan on 20 November 2006 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). SEDPL's registered office was located at House no 638-A, main double road, sector E-11/3, NPF, Islamabad, Pakistan. The principal activity of SEDPL upon commencement of commercial operation is to generate and sell electricity up to 49.5 MW. SEDPL has achieved Commercial Operation Date ("COD") for its 49.5 MW wind power generation facility on 11 April 2017. The wind power plant is located in Jhampir, district Thatta, Sindh for which Alternative Energy Development Board ("AEDB") has allocated 680 acres of land to SEDPL under a sublease agreement.

1.5 Black Gold Power Limited (BGPL) is a public unlisted limited company, incorporated on 8 December 2016 in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). BGPL's registered office is situated at Arif Habib Centre, 23, M.T. Khan Road, Karachi. The principle activity of BGPL is to carry on all or any of the business of generating, purchasing, importing, transforming, converting, distributing, supplying, exporting and dealing in electricity and all other forms of energy products or services. BGPL has been allocated with supply of coal for its 660 MW Thar Coal based power project to be constructed, commissioned and operated at Thar Block II.

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 repealed Companies Ordinance, 1984 (now Companies Act, 2017). 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. MCB-AH's registered office is situated at 2nd Floor, Adamjee House, I. I. Chundrigar Road, Karachi, Pakistan. MCB-AH has been assigned an Asset Manager rating of AM2++ by the Pakistan Credit Rating Agency Limited (PACRA). The rating was determined by PACRA on 8 October 2018. The fund under management is Rs. 98.83 billion (30 June 2019: Rs. 79.89 billion).

1.7 Fatima Fertilizer Company Limited (FFCL) and its wholly owned subsidiaries - Fatimafert Limited (FF) were incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies, Act 2017). FFCL is listed on Pakistan Stock Exchange Limited. The control of FF was transferred to FFCL on 1 July 2015. Buber Sher (Private) Limited (BSPL) was another wholly owned subsidiary of FFCL which owned "Buber Sher" brand. BSPL now stands dissolved without winding-up by the order of the Court. The principal activity of the FFCL and FF is manufacturing, producing, buying, selling, importing and exporting fertilizers and chemicals. Registered offices of the FFCL and FF are located in E-110, Khayaban-e-Jinnah, Lahore Cantt, Pakistan. The manufacturing facility of FFCL is located at Mukhtargarh, Sadiqabad, Pakistan and Multan, Pakistan and manufacturing facility of FF is located near Chichoki Mallian at Sheikhupura road. Board of Directors of FFCL in their meeting held on 15 October 2018 have decided to amalgamate/merge wholly its owned subsidiary, FF into FFCL with effect from 1 January 2019 subject to receipt of all requisite corporate and regulatory authorizations, consents and approvals.

1.8 Pakarab Fertilizers Limited (PFL) was incorporated as a private limited company in Pakistan under the Companies Act, 1913, (now Companies Act, 2017). 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, Fatima Packaging Limited (FPL) (formerly Reliance Sacks Limited). PFL is principally engaged in the manufacturing and sale of chemical fertilizers while the FPL is principally engaged in the manufacturing and sale of polypropylene sacks, cloth, liners and cement bags. PFL and FPL registered address is E-110, Khayaban-e-Jinnah, Lahore Cantt. Manufacturing facility of PFL is located in Multan while manufacturing facility of FPL is located in Sadiqabad, Rahim Yar Khan.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim consolidated financial statements has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprises of;

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

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and

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

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

These condensed interim consolidated financial statements are unaudited and do not include all the statements required for full annual financial statements and should be read in conjunction with the annual audited consolidated financial statements of the Group as at and for the year ended 30 June 2019.

The comparative statement of financial position presented in these condensed interim consolidated financial statemants has been extracted from the audited annual consolidated financial statements of the Company for the year ended 30 June 2019, whereas the comparative condensed interim consolidated statement of profit or loss, condensed interim consolidated other comprehensive income, condensed interim consolidated statement of cash flow and condensed interim consolidated statement of changes in equity are extracted from the unaudited condensed interim consolidated financial statements for the period ended 31 December 2018.

These condensed interim consolidated financial statements are presented in Pakistan Rupees which is the Group's functional currency and all financial information presented has been rounded off to the nearest rupee.

2.2 Basis of measurement

These condensed interim consolidated financial statements have been prepared under the historical cost convention, except as stated otherwise and should be read in conjunction with the audited annual consolidated financial statements of the Company as at and for the year ended 30 June 2019.

3. ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim consolidated financial statements are the same as those applied in the preparation of audited annual consolidated financial statements of the Company as at and for the year ended 30 June 2019 except for the adoption of IFRS 16 'Leases' as of 1 July 2019 as referred to in note 3.4 to these condensed interim consolidated financial statements.

3.2 New standards, interpretations and amendments adopted by the Company

International Accounting Standards Board (IASB) introduced IFRS 16 'Leases' which had a mandatory effective date for annual reporting periods beginning on or after 1 January 2019. By virtue of SRO 434(I)/2018, SECP made mandatory for all classes of companies to adopt IFRS 16 'Leases' for annual reporting periods beginning on or after 1 January 2019.

The Group has adopted IFRS 16 'Leases' from 1 July 2019. The impact of adoption of IFRS 16 and related accounting policies are disclosed in note 3.4 below. A number of other new standards are effective from 1 July 2019 but they do not have a significant effect on the Group and are therefore not stated in these condensed interim consolidated financial statements.

3.3 Standards, interpretations and amendments to published approved accounting and reporting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2020:

- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments are not likely to affect the financial statements of the Group.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Group.

- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2020) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated - i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The standard is not likely to have any effect on Group's financial statements.

3.4 Change in accounting policy

The Group has adopted IFRS 16 'Leases' from 1 July 2019. The standard introduces a single, on-balance sheet accounting model for lessees. As a result, the Company as a lessee has recognised right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligations to make lease payments. The accounting polices relating to Company's right-of-use assets and lease liabilities are as follows:

Lease liabilities and right-of-use assets

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

From 1 July 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group.

The lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Group Company is reasonably certain to exercise these options.

The lease liabilities are subsequently measured at amortised cost using the effective interest rate method. They are remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the respective right-of-use asset, or is recorded in profit or loss if the carrying amount of that right-of-use asset has been reduced to zero.

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the corresponding lease liability.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. On adoption of IFRS 16, the Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 of AHCL and AHL was 14.33% and 15%, respectively.

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the condensed interim consolidated statement of financial position immediately before the date of initial application, accordingly, there is no impact on the opening balances of unappropriated profit as on 1 July 2019. The recognised right-of-use assets relates to the office space acquired on rental basis. The Company has applied judgement to determine the lease term for office space acquired on rental basis in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The impact of adoption of IFRS 16 on the condensed interim consolidated statement of financial position as at 31 December 2019 and condensed interim consolidated statement of profit or loss and other comprehensive income for the six months period ended 31 December 2019 is as follows:

	Carrying Amount	
	31 December 2019	1 July 2019
	(Rupees)	
Right-of-use asset presented in operating fixed assets	**84,459,260**	100,944,658
Lease liability	**85,019,995**	97,113,193

	Six months period ended 31 December 2019
Depreciation expense	**16,485,398**
Interest expense presented in finance costs	**4,628,440**

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these condensed interim consolidated financial statements 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 audited annual consolidated financial statements as at and for the year ended 30 June 2019 except as disclosed in note 3.4.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months period ended 31st December 2019

5. SHARE CAPITAL

5.1 Authorised share capital

31 December 2019	30 June 2019		Note	Unaudited 31 December 2019	Audited 30 June 2019
(Number of shares)				(Rupees)	
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each		**10,000,000,000**	10,000,000,000

5.2 Issued, subscribed and paid up share capital

5,000,000	5,000,000	Ordinary shares of Rs. 10 each fully paid in cash		**50,000,000**	50,000,000
450,750,000	450,750,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares		**4,507,500,000**	4,507,500,000
455,750,000	455,750,000			**4,557,500,000**	4,557,500,000
(2,000,000)	(2,000,000)	Ordinary shares of Rs. 10 each bought back at Rs. 360 per share	5.2.1	**(20,000,000)**	(20,000,000)
(45,375,000)	-	Ordinary shares of Rs. 10 each bought back at Rs. 27 per share	5.2.2	**(453,750,000)**	-
408,375,000	453,750,000			**4,083,750,000**	4,537,500,000

5.2.1 During financial year 2005-2006, the Parent Company bought back two million shares of Rs. 10 each from its shareholders through tender notice at a price of Rs. 360 per share in accordance with section 95-A of the repealed Companies Ordinance, 1984 and Companies (Buy-back of shares) Rules, 1999. The acquisition resulted in reduction of capital and unappropriated profit by Rs. 20 million and Rs. 700 million respectively, in the relevant year.

5.2.2 During the year, the Parent Company purchased and cancelled 45,375,000 ordinary shares (10% of existing share i.e. 453,750,000). The buy-back and cancellation of shares were approved by shareholders at the extra ordinary general meeting held on 3 July 2019. The shares were acquired at the purchase price of Rs. 27 per share. The purchase of shares were made in cash out of the distributable profits as required under Section 88(8) of the Companies Act, 2017 read with Listed Companies (Buy-Back of Shares) Regulations, 2019. Pursuant to Buy Back of Shares the ordinary share capital of the Parent Company has been reduced by 45,375,000 ordinary shares amounting to Rs. 453,750,000.

5.2.3 Mr. Arif Habib held 77.9% (30 June 2019: 70.11%) of ordinary shares in the Parent Company.

6. SHORT TERM BORROWINGS

Secured - from banking companies			
- Running finance from banks	6.1 & 6.2	**3,757,426,929**	4,711,758,096

6.1 This include short term running finance facilities which are available to Parent Company and its subsidiary, AHL, from various commercial banks, under mark-up arrangements, amounting to Rs. 8,750 million (30 June 2019: Rs. 8,190 million). These facilities have various maturity dates up to 30 September 2020 and need to be renewed after that. These arrangements are secured against pledge of marketable securities with minimum 30% margin (30 June 2019: 30% margin).

These running finance facilities carries mark-up ranging from 1 month KIBOR + 0.5% to 3 months KIBOR + 1.75% (30 June 2019: 1 month KIBOR + 0.5% to 3 months KIBOR + 1.75%) calculated on a daily product basis, and is payable quarterly. The aggregate amount of these facilities which have not been availed at the reporting date amounts to Rs. 5,992 million (30 June 2019: Rs. 4,477 million).

The fair value of shares of associated companies, shares held for trading and other securities / assets pledged as collateral against short term borrowings amounts to Rs. 17,511.7 million (30 June 2019: Rs. 11,266.8 million).

6.2 Further, this also include short term finance facility (revolving) of Rs. 1,000 million obtained from a commercial bank by SEDPL, subsidiary company, during the year (30 June 2019: Rs. 1,000 million) and carries mark-up at 3 months KIBOR + 3.5% payable quarterly in arrears (30 June 2019: 3 months KIBOR + 3.5% payable quarterly in arrears). The facility is repayable on demand within one year and the facility is secured against ranking charge over all present and future current and fixed assets of SEDPL and personal guarantee of director Mr. Arif Habib.

7. CONTINGENCIES AND COMMITMENTS

There are no other changes in the status of contingencies and commitments as disclosed in the preceding annual audited consolidation financial statements as at and in the year ended 30 June 2019 except for the following:

Parent Company

- The Parent Company has issued Corporate Guarantee to the extent of USD 8.8 million in favour of Hangzhou Cogeneration (Hong Kong) Co. Ltd to secure payment obligations of Aisha Steel Mills Limited, associated concern. The Parent Company has also obtained deed of indemnity from the said associated concern.
- The Parent Company has issued Guarantee in the form pledge of shares to the extent of PKR 625 million in favour of Habib Metropolitan Bank Limited to secure payment obligations of Aisha Steel Mills Limited, associated concern. The Parent Company has also obtained deed of indemnity from the said associated concern.
- The Parent Company has pledged shares with various banks for running finance facilities obtained by Arif Habib Limited. These facilities amount to Rs. 2,475 million.

AHL, Subsidiary Company

Following commitments are outstanding as at the year end:

	Unaudited 31 December 2019	Audited 30 June 2019
	(Rupees)	
- Outstanding Settlements against Marginal Trading contracts	**196,838,956**	183,844,159
- Outstanding Settlements against sale / (purchase) of securities in regular market	**31,172,748**	67,513,807
- Financial guarantee given by a commercial bank on behalf of AHL	**250,000,000**	250,000,000

8. PROPERTY, PLANT AND EQUIPMENT

Capital expenditure incurred during the period amounted to Rs. 105.82 million (30 June 2019: 11.67 million) which includes Rs.100.94 million for Right-of-use asset. The exchange loss of Rs. 731.25 million has been derecognised (30 June 2019: exchange gain of Rs. 3,594.25 million was also been recognised). Further, assets having written down value of Rs. 0.05 million (30 June 2019: 1.07 million) were disposed off.

9. INVESTMENT PROPERTIES

	Note	Unaudited 31 December 2019	Audited 30 June 2019
		(Rupees)	
Opening balance		**1,726,419,800**	1,373,500,000
Acquisition during the year	9.2	**153,868,060**	163,419,941
Disposal during the year		**(159,475,000)**	(180,540,000)
		1,720,812,860	1,356,379,941
Changes in fair value - net		**132,500,000**	370,039,859
		1,853,312,860	1,726,419,800

9.1 This represent investment in certain plots of land and residential bungalows situated at Naya Nazimabad, Deh Mangohpir, Gadap Town, Karachi owned by AHL. Further, this include the investment in offices located in the building complex of Pakistan Stock Exchange Limited, ISE Towers REIT Management Company Limited and LSE Financial Services Limited owned by AHL.

9.2 This represent advances paid by the Parent Company to Javedan Corporation Limited (JCL), an associated concern, for the purchase of commercial plots and flats situated at Naya Nazimabad, Deh Manghopir, Gadap Town, Karachi in terms of the Memorandum of Understanding (MoU) and an addendum to the MoU signed between JCL and the Parent Company.

10. EQUITY ACCOUNTED INVESTEES

	Note	Unaudited 31 December 2019	Audited 30 June 2019
Fatima Fertilizer Company Limited (FFCL)	10.1	**12,300,505,326**	11,568,379,073
MCB - Arif Habib Savings and Investments Limited (MCB-AH)	10.2	**577,889,067**	562,068,013
Pakarab Fertilizers Limited (PFL)	10.3	**-**	-
		12,878,394,393	12,130,447,086
Less: Provision for impairment		**(119,982,605)**	(119,982,605)
		12,758,411,788	12,010,464,481

10.1 Investment in FFCL (quoted) represents 319 million (30 June 2019: 319 million) fully paid ordinary shares of Rs. 10 each, representing 15.19% (30 June 2019: 15.19%) of FFCL's paid up share capital as at 31 December 2019. Fair value per share as at 31 December 2019 is Rs. 26.59 (30 June 2019: Rs. 29.85) which is based on quoted share price on stock exchange at reporting date.

10.2 Investment in MCB-AH (quoted) represents 21.66 million (30 June 2019: 21.66 million) fully paid ordinary shares of Rs. 10 each, representing 30.09% (30 June 2019: 30.09%) of MCB-AH's paid up share capital as at 31 December 2019. Market value per share as at 31 December 2019 was Rs. 21.99 (30 June 2019: Rs. 22.99) which is based on quoted share price on stock exchange at reporting date.

10.3 Investment in PFL (unquoted) represents 135 million (30 June 2019: 135 million) fully paid ordinary shares of Rs. 10 each, representing 30% (30 June 2019: 30%) of PFL's paid up share capital as at 31 December 2019, having cost of Rs. 1,324.33 million (30 June 2019: Rs. 1,324.33 million). The Group's has not recognised loss amounting to Rs. 1,179 million in relation to its interest in PFL, because the Group has no obligation in respect of this loss.

11. SHORT TERM INVESTMENTS

	Note	Unaudited 31 December 2019	Audited 30 June 2019
		(Rupees)	
Equity securities - at FVTPL	11.1 & 11.2	**5,326,190,327**	11,602,524,636
Corporate debt securities - mandatorily at FVTPL		**50,000,000**	371,613,197
		5,376,190,327	11,974,137,833

11.1 This includes investments in associated concerns, Aisha Steel Mills Limited (ASML), Power Cement Limited (PCL) and Javedan Corporation Limited (JCL).

11.2 Silkbank Limited's sponsor has exercised the option granted to him to purchase Parent Company's entire investment in Silkbank Limited. Accordingly, the Parent Company has derecognised its investment in Silkbank Limited and also set off relevant deposits and margin against this investment. The shares will be transferred as per the option agreement in due course in line with regulatory approvals.

11.3 Fair value of short term investments pledged with various banking companies against various finance facilities amounts of Rs. 6,268.56 million (30 June 2019: Rs. 6,909.79 million).

12. OPERATING REVENUE

	Six months period ended		Quarter ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
		(Rupees)		
Dividend income	**94,568,503**	78,347,797	**89,712,778**	77,835,497
Mark-up income on loans and advances	**74,328,472**	89,835,047	**29,259,454**	35,005,712
Mark-up income on term finance certificates	**3,734,387**	1,678,686	**1,412,055**	1,678,686
Brokerage income	**165,020,710**	140,950,888	**113,084,876**	90,033,646
Mark-up on bank deposits	**38,389,649**	23,051,384	**23,650,862**	16,290,462
Underwriting, consultancy and placement commission	**58,531,927**	94,141,858	**29,403,052**	58,185,092
Revenue from sale of energy - net	**2,013,343,592**	1,404,525,364	**400,196,803**	432,212,494
	2,447,917,240	1,832,531,024	**686,719,880**	711,241,589

13. TAXATION

- Current	**44,111,189**	80,546,266	**30,467,233**	32,769,067
- Prior	**1,809,246**	1,135,447	**1,809,246**	1,135,447
- Deferred	**110,542,510**	(79,564,798)	**60,588,818**	(60,210,890)
	156,462,945	2,116,915	**92,865,297**	(26,306,376)

14. CASH GENERATED FROM OPERATIONS

	Six months period ended	
	31 December 2019	31 December 2018
	(Rupees)	
Profit / (loss) before tax	**2,113,298,717**	(110,056,048)
Adjustments for:		
Depreciation	**406,009,325**	396,990,131
Amortisation	**294,028**	304,786
Dividend income	**(94,568,503)**	(78,347,797)
Loss on sale of property, plant and equipment	**-**	11,885
Unrealised (gain) / loss on remeasurement of other long term investment	**(35,481,768)**	6,191,409
Unrealised gain on short term investments	**(11,560,584)**	(976,142,217)
Unrealised gain on re-measurement of investment property	**(132,500,000)**	(241,698,360)
Gain on sale of investment property	**(775,000)**	(11,315,000)
Share of profit of equity-accounted associates - net of tax	**(777,193,932)**	(125,162,540)
Mark-up on loans and advances	**(74,328,472)**	(89,835,047)
Mark-up income on term finance certificates	**(3,734,387)**	(1,678,686)
Amortisation of land lease rent	**879,441**	879,441
Finance cost	**901,459,488**	651,280,748
Adjustment and written off from property, plant and equipment	**12,993,897**	-
Amortization of transaction cost	**83,435,470**	90,970,471
Provision for gratuity	**2,898,270**	2,397,700
	277,827,273	(375,153,076)
Operating profit before working capital changes	**2,391,125,990**	(485,209,124)
Changes in working capital:		
Decrease / (increase) in current assets		
Trade debts	**152,024,452**	238,838,461
Stores and spares	**(1,175,312)**	-
Loans and advances	**(40,517,521)**	737,613,890
Deposits and prepayments	**299,214,239**	(876,926,432)
Accrued mark-up and other receivables	**(183,722,432)**	(380,536,545)
Advance sales tax	**(5,109,532)**	-
Short term investments	**6,609,508,090**	876,701,579
Receivable against sale of securities	**(385,620)**	-
(Decrease) / increase in current liabilities		
Trade and other payables	**(4,515,764,808)**	314,323,305
Payable against sale of securities - net	**(30,970,319)**	7,035,838
Unclaimed dividend	**(453,237)**	7,874,908
	2,282,648,000	924,925,004
Cash generated from operations	**4,673,773,990**	439,715,880

15. CASH AND CASH EQUIVALENTS

Cash and bank balances	**2,277,408,925**	1,495,728,753
Short term borrowings	**(3,757,426,929)**	(5,358,403,393)
	(1,480,018,004)	(3,862,674,640)

16. EARNINGS PER SHARE - BASIC & DILUTED

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the year. There is no dilutive effect on the basic earnings per share of the Parent Company:

	Six months period ended		Quarter ended	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
	(Rupees)		**(Rupees)**	
Profit / (loss) after tax attributable to ordinary shareholders	**1,730,865,739**	(180,468,577)	**1,191,673,892**	(541,980,436)
	(Number)		**(Number)**	
Weighted average number of ordinary shares	**417,992,527**	453,750,000	**408,375,000**	453,750,000
	(Rupees)		**(Rupees)**	
Earnings / (loss) per share - basic & diluted	**4.14**	(0.40)	**2.92**	(1.19)

17. FINANCIAL INSTRUMENTS

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

18. 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 2019.

19. 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 carried out at rates agreed under the agreement / contract.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The Group considers its Chief Executive Officer, Chief Financial Officer, Company Secretary, Non-executive Director and Departmental Heads to be its key management personnel. 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 statements are given below:

Name of the related party	Transactions during the period	Six months period ended 31 December 2019	Six months period ended 31 December 2018
Associates		(Rupees)	
MCB-Arif Habib Savings and Investment Limited	Dividend income / received	**29,246,625**	37,912,292
Associated companies by virtue of common directorship and related concern			
Aisha Steel Mills Limited	Mark-up on loan and advance	**59,262,447**	37,762,583
	Mark-up received	**75,800,580**	23,687,900
	Loan extended	**1,360,000,000**	1,345,000,000
	Loan repayment	**1,360,000,000**	1,009,477,830
	Guarantee commission income	**2,689,806**	1,897,229
	Guarantee commission received	**2,281,983**	1,738,728
Javedan Corporation Limited	Mark-up on loan and advance	**624,487**	52,072,464
	Mark-up received	**41,192,368**	64,327,557
	Dividend income / received	**-**	17,672,218
	Loan extended	**73,000,000**	722,000,000
	Loan repaid	**83,067,474**	1,710,100,000
	Advance paid for purchase of property	**153,868,060**	-
	Purchase of plots	**-**	125,000,000
	Development charges paid	**-**	26,088,000
Power Cement Limited	Mark-up on loan and advance	**14,441,538**	-
	Mark-up received	**9,300,462**	-
	Loan extended	**416,000,000**	-
	Loan repaid	**416,000,000**	-
	Guarantee commission income	**790,072**	122,499
	Guarantee commission received	**817,283**	-
Rotocast Engineering Company (Private) Limited	Payment of rent and sharing of utilities, insurance and maintenance charges	**25,734,441**	16,427,709
Arif Habib Securities Limited - Employees Provident fund	Company's Contribution	**1,093,944**	988,038
Arif Habib Limited - Provident fund	Company's Contribution	**2,919,804**	3,165,867

Name of the related party	Transactions during the period	Six months period ended	
		31 December 2019	31 December 2018
		(Rupees)	
Remuneration of chief executive officer, directors, key management personnel and executives			
- Managerial Remuneration		**58,308,791**	33,738,749
- Contribution to provident fund		**2,820,742**	787,290
- Gratuity		**2,208,676**	1,984,679
- Bonus		**4,137,155**	4,799,929
- Other perquisites and benefits		**24,284,050**	2,441,758
- Brokerage commission		**8,815,677**	7,797,375
Mr. Arif Habib	Brokerage commission earned	**4,607,829**	3,946,103
(Chief Executive Officer of Parent Company)	Purchase consideration against shares bought by AHL	**130,070,292**	-
	Dividend Paid	**-**	631,341,934
Samad A. Habib (Director of Parent Company)	Brokerage commission earned	**187,350**	24,385
Kashif A. Habib (Director of Parent Company)	Brokerage commission earned	**6,363**	74,765
Dr. Shamshad Akhtar (Director of Parent Company)	Meeting fee paid	**100,000**	-
Asadullah Khawaja (Director of Parent Company)	Meeting fee paid	**100,000**	25,000
Khawaja Jalaluddin Roomi (Director of Parent Company)	Meeting fee paid	**50,000**	35,000
Sirajuddin Cassim (Director of Parent Company)	Meeting fee paid	**-**	25,000
Zafar Alam (Chairman of subsidiary company)	Meeting fee paid	**50,000**	25,000
Muhammad Shahid Ali (CEO of Subsidiary Company)	Brokerage commission earned	**3,092,229**	3,523,395
Muhammad Haroon	Brokerage commission earned	**97,160**	76,965
(Director of Subsidiary Company)	Meeting fee paid	**50,000**	25,000
Muhammad Sohail Salat (Director of Subsidiary Company)	Meeting fee paid	**50,000**	50,000

Name of the related party	Transactions during the period	Six months period ended	
		31 December 2019	31 December 2018
		(Rupees)	
Sharmin Shahid (Director of Subsidiary Company)	Brokerage commission earned	301,533	400,491
	Meeting fee paid	50,000	50,000
Nida Ahsan (Director of Subsidiary Company)	Brokerage commission earned	1,340,170	3,794,815

		Unaudited	Audited
		31 December 2019	30 June 2019
Balances as at:			
Aisha Steel Mills Limited	Loan (long-term and short-term)	172,881,963	182,359,793
	Mark-up receivable	18,814,094	35,352,227
	Commission on guarantee receivable	1,395,312	987,489
Javedan Corporation Limited	Loan	-	10,067,474
	Mark-up receivable	-	40,567,881
Power Cement Limited	Mark-up receivable	5,141,076	-
	Commission on guarantee receivable	393,327	420,538
Arif Habib Dolmen REIT Management Limited	Receivable against transfer of assets	-	42,680
Key Management Personnel			
Zafar Alam (Chairman of subsidiary company)	Balance payable	3,381	-
Muhammad Shahid Ali (Chief Executive Officer of Subsidiary Company)	Balance payable	27,119,363	25,972,102
Sharmin Shahid (Director of Subsidiary Company)	Balance payable	6,519	-
Nida Ahsan (Director of Subsidiary Company)	Balance receivable	5,707	-
	Balance payable	-	12,182
Muhammad Haroon (Director of Subsidiary Company)	Balance payable	17,745	4,239
Muhammad Sohail Salat (Director of Parent Company)	Balance payable	1,099	-

20. REPORTABLE SEGMENTS

20.1 The group has four reportable segments: Capital Market Operations, Brokerage, Energy Development 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. The energy development is principally engaged in energy development . Others includes assets of multi commodities entities.

20.2 The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in the annual audited consolidated financial statements for the year ended 30 June 2019. 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.

20.3 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.

20.4 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, amortisation and remeasurement of equity and debt instruments in profit or loss.

21. DATE OF AUTHORISATION FOR ISSUE

21.1 These condensed interim consolidated financial statements has been authorised for issue on 22 February 2020 by the Board of Directors of the Parent Company.

Chief Executive Officer	Chief Financial Officer	Director

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