

4th October 2018

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

Dear Sir,

ARIF HABIB CORPORATION LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2018

This is with reference to the subject cited above. Please find enclosed the following :

- 15 (Fifteen) copies of financial statements of Arif Habib Corporation Limited for the year ended 30th June 2018 in pursuance of Notice of Pakistan Stock Exchange Limited (PSX) bearing number PSX/N-4403 dated 26th July 2018
- 3 (Three) copies of Annual Report including audited financial statements together with the auditors' report, directors' report and the chairman's review report for the financial year ended 30th June 2018 in accordance with the requirements of section 223(7) of the Companies Act, 2017
- annual Free-Float certificate duly verified by the auditor, in the format specified by the PSX in pursuance of Regulation 5.7.2.(c)(ii) of the Rule Book of PSX

Further, this is to inform you that soft copy of these financial statements have also been electronically transmitted through Pakistan Unified Corporate Action Reporting System (PUCARS) along with being placed on Company's website www.arifhabibcorp.com

Kindly acknowledge the receipt.

Yours' faithfully,



Manzoor Raza
Company Secretary



Arif Habib Corporation Limited

Registered & Corporate Office: Arif Habib Centre, 23, M.T. Khan Road, Karachi - 74000
Phone: +92 21 32460717-9 | Fax: +92 21 32468117, 32429653 | Web: www.arifhabibcorp.com



ESCALATING GROWTH

ANNUAL REPORT 2018



Arif Habib Corp

ESCA G



Arif Habib Corp

A N N U A L R E P O R T 2 0 1 8

L A T I N G R O W T H

The title 'LATIN GROWTH' is rendered in large, bold, blue capital letters. The word 'LATIN' is on the top line and 'GROWTH' is on the bottom line. The letter 'G' in 'LATIN' is partially obscured by three stacks of silver coins. The letter 'O' in 'GROWTH' is partially obscured by three wind turbines. The letter 'H' in 'GROWTH' is partially obscured by a cityscape illustration featuring buildings, cranes, and a truck.

ARIF HABIB GROUP

is structured around Arif Habib Corporation Limited (AHCL), a holding company that primarily manages strategic investments of the Company.

Whatever we do, we do it with a clear intention to ensure that nature and environment is being taken care of wherever we manoeuvre, we strive to help society achieve sustainable growth.

Our definition of sustainability management is the integrated expansion and escalation of our economic, environmental and social performance in a style that signifies value for all our stakeholders.

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FORWARD LOOKING STATEMENTS

Statements in this report that are not historical facts are futuristic plans based on the current beliefs, estimates and expectations of management and includes risks and uncertainties coupled with variations in economic or market conditions, amendments in laws, regulations and policies.



CORPORATE STRUCTURE

VISION



To be Pakistan's leading investment company, which delivers both competitive financial returns, together with having a positive impact on the country's economy and its people through responsible investing.

MISSION

Our mission is to excel in conceiving, developing and executing innovative projects across business sectors, with the aim of maximising returns for stakeholders, while playing a significant role in developing Pakistan's economy and its integration into the world markets.

CORPORATE STRATEGY

Our Corporate Strategy aims at creating value for all stakeholders by maintaining and improving our competitive position in the market. This is achieved by continuously evaluating and acting in the best interests of our stakeholders in response to the changing market conditions, both domestically, as well as internationally. Towards this end, we optimise our financial and human capital while seeking partnerships with other business houses having strong management teams to create and expand viable business enterprises.

OBJECTIVES

- Maintain Industry Leadership
 - Create new businesses to augment profitability for sustained economic growth
 - Maintain operational efficiency and to achieve synergies within our resources
-

VALUES

AHCL is values-driven and this principle continues to direct the business and the growth of the Arif Habib Group companies. The core values which reinforce the way we do business are:

- **Integrity** – We conduct our business fairly, with honesty and with transparency. Everything we do stands the test of public scrutiny
- **Excellence** – We constantly strive to achieve the highest possible standards in our day-to-day work and in the quality of the goods and services we provide
- **Unity** – We work cohesively with our colleagues across the group and with our customers and partners around the world, building strong relationships based on tolerance, understanding and mutual cooperation
- **Responsibility** – We continue to be responsible, as well as sensitive to the geographies, communities and the environment in which we work, always ensuring that what comes from the people goes back to the people many times over

THE ARIF HABIB GROUP



Since initiation, the Arif Habib Group has grown by imagining possibilities and developing a blueprint to convert them into reality. It has made a difference to lives across Pakistan by being a responsible investor supporting the country's growth story and boosting relevant sectors of national importance.

With an entrepreneurial essence and passion to undertake business projects that fuel the growth of society and economy, the Arif Habib Group has built and continues to develop businesses in the areas of financial services, fertilisers, cement, steel, renewable energy and real estate development.

After having found a strong foothold in financial services, the Group, over time, has diversified into emerging business areas, with meaningful contributions to Pakistan's economy. The Group draws strength from its own human capital, as well as, its ability to forge strong partnerships with other business houses and benefit from collective strength. To continuously strive for quality and excellence are an integral part of the Group's business model and these are not merely corporate slogans but the formula for achieving success. An important part of our strategy is to continue raising the bar.

With a strong belief, consistent and unwavering faith in Pakistan's immense growth potential, the Arif Habib Group is committed to serve the country, community and all its stakeholders reach maximum potential through innovation, transforming challenges into opportunities.

ARIF HABIB CORPORATION LIMITED



Arif Habib Corporation Limited (AHCL) is the flagship company of the Arif Habib Group. The company took over the sole proprietorship business set up by Mr. Arif Habib in 1990 and was incorporated in 1994 as a public limited company with a paid up capital of PKR 40 million.

AHCL was listed in 2001, with an initial public offering (IPO) of one million shares, targeting to raise PKR 80 million in order to finance growth. Since its listing in 2001, the Company has distributed PKR 12 billion as dividend (including specie dividend) and PKR 720 million by buying back two million shares (having face value of PKR 10 each) at a price of PKR 360 per share from its shareholders. Currently the Company's equity is PKR 30 billion built through retained earnings. Thus, by 30th June 2018, the initial investors in the IPO of the Company, have had a compounded all annualised return of 31.35% (2001).

The Arif Habib brand, is today seen as the name that assures a commitment to best practices and putting its stakeholders first, which they have come to expect of the Company striving to be the best in its class.

COMPANY INFORMATION



Board of Directors

Asadullah Khawaja
Arif Habib
Khawaja Jalaluddin Roomi
Sirajuddin Cassim
Nasim Beg
Samad A. Habib
Kashif A. Habib
Muhammad Ejaz

Chairman
Chief Executive Officer
Independent Director
Independent Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director

Audit Committee

Khawaja Jalaluddin Roomi
Kashif A. Habib
Muhammad Ejaz

Chairman
Member
Member

Management

Arif Habib
Mohsin Madni
Manzoor Raza

Chief Executive Officer
Chief Financial Officer
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
MCB Bank Limited
MCB Islamic Bank Limited
JS Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
Sindh Bank Limited
Soneri Bank Limited
Summit 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

Registrar & Share Transfer Agent

Central Depository Company of Pakistan Limited

Registered & Corporate Office

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

Share Registrar Department

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

SUBSIDIARIES AND ASSOCIATES







TOTAL ASSETS
(RUPEES IN MILLION)



PAKARAB FERTILIZERS LIMITED

Pakarab Fertilizers Limited (PAFL) was acquired by a consortium of Arif Habib Group and Fatima Group, in 2005 under the Government of Pakistan's privatisation programme.

Pakarab Fertilizers Limited has a rated capacity of 0.9 million tons and is located in Multan. The site area comprises of 302 acres, which includes area for the factory and the housing colony with all amenities including medical centre, school, management and staff clubs for recreation of employees and their families.

Pakarab Fertilizers Limited has undergone extensive modernisation and improved processes have been introduced to maximise the output, while minimising the negative impacts on the environment. The company became the first Pakistani company to earn and sell Carbon Credits in the international market.

The company has been adversely affected by shortage of pipeline natural gas denying it its contracted gas being its raw material.



**TOTAL ASSETS
RUPEES IN MILLION**



FATIMA FERTILIZER COMPANY LIMITED

Fatima Fertilizer Company Limited (FFCL) is a collaboration between the Arif Habib Group and the Fatima Group.

It set up a Greenfield fertiliser complex, a fully integrated production facility located at Sadiqabad, Rahim Yar Khan near the Mari Gas Field, which supplies its feed-stock. The plant has a rated capacity of 1.28 Billion tons and has been in Commercial production since 2011.

The Company is listed on the Pakistan Stock Exchange.



**TOTAL ASSETS
RUPEES IN MILLION**



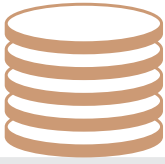
ARIF HABIB LIMITED

Arif Habib Limited (AHL) took over the Group's securities brokerage business in 2005.

AHL is one of the largest securities brokerage and investment banking firms in Pakistan. The firm is engaged in equity, fixed income, money market & forex brokerage, investment banking, corporate advisory services. The company holds a significant market share in brokerage and investment banking and enjoys a strong relationship with top international financial institutions.

AHL has a wholly owned subsidiary in the name of Arif Habib Commodities Limited providing commodities futures brokerage services.

AHL is listed on the Pakistan Stock Exchange and has the distinction of being the only brokerage company that found its place in "Top 25 Companies" of Pakistan Stock Exchange for last several years.



**TOTAL ASSETS
RUPEES IN MILLION**

MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED

MCB-Arif Habib Savings and Investments Limited (MCBAH) is an Asset Management, Investment Advisory and Pension Fund Management Company in a joint venture with MCB Bank. It manages Open-end Mutual Funds, Pension Funds as well as Discretionary and Non-discretionary Portfolios for institutional and individual clients.

MCBAH is an industry leader, known for setting international standards and bringing innovative products to market, including the use of innovative distribution channels.

As of 30th June 2018, it had PKR 82.69 billion under management. The company is listed on the Pakistan Stock Exchange.





TOTAL ASSETS
RUPEES IN MILLION



SACHAL ENERGY DEVELOPMENT (PVT.) LIMITED

Sachal Energy Development (Pvt.) Limited (SEDPL) has commissioned and operates a 50 MW wind farm at Jhimpir, Sindh.

The Group believes that alternate sources of energy are the way forward. SEDPL is contributing to national development by reducing dependence on imported fossil fuels and producing 136.5GWh of clean energy per annum.

The ground breaking ceremony of SEDPL was performed by the Chinese President as it is part of the early harvest projects of CPEC. SEDPL is the first Pakistani owned Wind project under CPEC to have achieved commercial operations. SEDPL also holds the honour of being the first privately owned Pakistani project to receive SINOSURE backed financing and the first such project to receive financing from ICBC, China.

The company is committed to supplying clean energy to the national grid through the National Transmission and Despatch Company for 20 years.





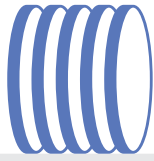
ARIF HABIB COMMODITIES (PVT.) LIMITED

Arif Habib Commodities is a member of the Pakistan Mercantile Exchange (PMEX) and provides a wide range of services to a diversified client base that includes corporations, financial institutions, and high-net-worth individuals.

The company is committed to establishing a strong name for itself in commodity market research and commodity brokerage services of Pakistan Mercantile Exchange. Arif Habib Commodities, with a professional team provides premier services for investors with around the clock services.

The Company is committed to serving the national goal of providing a trading platform for agricultural commodities, as agriculture is Pakistan's economy's backbone.

In this context, it has played a pioneering role of acting as a market maker of produce such as red chilies and is actively engaged with a not-for-profit entity working on bringing more agricultural crops on to the Exchange.



Other Companies Having Group's Shareholding



TOTAL ASSETS
RUPEES IN MILLION



AISHA STEEL MILLS LIMITED

Aisha Steel Mills Limited (ASML), a listed entity incorporated in 2005, is a state-of-the-art Cold Rolling mill and produces high quality Cold Rolled Coils(CRC). The plant is located in the Down-Stream Industrial Estate of Pakistan Steel, Bin Qasim, Karachi.

The existing production capacity of ASML is around 220,000MT per annum.

The company has embarked on the expansion plan to increase CRC production to 700,000 tons per annum. Out of which, 250,000 tons CRC will be galvanized in a continuous line scheduled for commissioning in December 2018. The 500k rolling mill is expected to come on line in March 2019.



TOTAL ASSETS
RUPEES IN MILLION



POWER CEMENT LIMITED

Power Cement Limited (PCL) is engaged in the manufacturing and sale of cement. The plant is situated in Nooriabad Industrial Area, Jamshoro, Sindh.

The plant comprises of two production lines and has a total production capacity of 900,000 tons per annum. PCL plans to triple its production capacity to 3.1 million tons by June, 2019.

Power Cement's primary target is the domestic market as it caters to the Southern region of Pakistan. Its products are also exported to markets located in the region. Power Cement is at an advanced stage of construction of the new plant and most of the equipment has been delivered. The new plant is of European design supplied by FLSmidth, Denmark based on the state of the art and proven technology. The company is listed on the Pakistan Stock Exchange.



TOTAL ASSETS
RUPEES IN MILLION



JAVEDAN CORPORATION LIMITED

The Arif Habib Group has a significant stake in Javedan Corporation Limited (JCL) which started life as a cement manufacturing plant. As the city limits grew to envelop the plant and it was surrounded by a dense residential area, environmental concerns led to the group making a decision to move the cement plant and convert the area measuring over 1300 acres into a housing scheme. Located just 2km from Sakhi Hasan, North Nazimabad, the group envisioned giving the middle class of Karachi a complete residential lifestyle. Extensive uplift activities in the area transformed the neighbourhood and Naya Nazimabad Phase 1 was met with tremendous success.

Being the only completely owned real estate development of its time, the design includes a host of amenities such as an international standard cricket ground (with academy) which has been host to several tournaments, football ground and extensive green areas with award winning tree plantation. Further facilities such as one of the largest mosques, with a pillar-less prayer hall, in the subcontinent (nearing completion), educational facilities, medical center and hospital, and the largest singular commercial precinct of its magnitude are in various stages of planning or construction.

With the number of residents moving into their new homes, Naya Nazimabad is fast transforming from a developing area to bustling community enjoying the enhanced standard of living offered nowhere else within the thickly populated city area.





ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED

Arif Habib Dolmen REIT Management Limited; a joint venture between the Arif Habib Group and the Dolmen Group, was incorporated as a public limited company (non-listed) in 2009 and registered under NBFC Rules with the Securities and Exchange Commission of Pakistan (SECP).

The objective of the company is to launch and manage Real Estate Investment Trusts (REITs) on carefully selected and commercially viable real estate properties, with the aim of bringing real estate investment within the reach of common investors.

The company combines the expertise of two leading groups, bringing together strengths in finance, investments, market opportunities identification, property development and 360-degree property management. The company launched and listed South Asia's first REIT- Dolmen City REIT in June 2015 and is working on introducing new REIT schemes.

GOVERNANCE AND MANAGEMENT



CORPORATE GOVERNANCE

As part of our philosophy we are committed to creating value for all stakeholders and maintaining uncompromising principles while we grow.

Transparency, accountability and adherence to ethical practices, lie at the core of AHCL's business processes. Our Board of Directors has adopted governance principles and approved policies to direct AHCL's governance practices. Currently, our Board has eight directors who effectively represent and safeguard the interests of shareholders, including minority shareholders.

The Board actively participates in key activities including approval of budgets for capital and operational expenditure, investments in new ventures and issuance of further shares. The Board also monitors Company operations by approval of financial statements and dividends, review of internal and external audit reports regarding internal controls and their effectiveness. For the purpose of ensuring standardisation, the Board has devised policies for conducting business and ensures their monitoring and implementation through an independent Internal Audit department, which continuously reports, to the Audit Committee.

WHISTLE BLOWING

There exists a defined code of conduct within the Company which has stipulated a whistle blowing mechanism across the board. Our policies and procedures are mature, enabling employees to raise their concerns in confidence about possible improprieties in all matters, without fear of reprisal. No incidences or concerns were reported during the year.



SUCCESSION PLANNING

A company is only as strong as the people it employs. Developing our human resources is a key focus at AHCL. As we continue our journey of growth, the role and development of human resources becomes all the more critical. Talented people are at the heart of our efficiency driven culture. We believe in nurturing their strengths by empowering our team through challenging opportunities which enhance their potential and develop their abilities.

The Group employs several qualified professionals of varying experience at different levels within the Group companies; this allows the Company to draw upon talent and experience so as to ensure smooth succession planning.

STAKEHOLDER ENGAGEMENT

AHCL is fully committed to developing effective working relationships with all our stakeholders and makes efforts to resolve issues that occur while carrying out its business dealings. We believe that the Company's value depends on the trust placed in us by our stakeholders and promotes dialogue with them. AHCL interacts with its stakeholders on a regular basis through use of internal and external communication. The frequency of engagements is based on business and corporate requirements with the following:

- Shareholders and Investors
- Customers and Suppliers
- Banks and other lenders
- Government functionaries and Elected representatives
- Media

**MR. ASADULLAH
KHAWAJA**



MR. ARIF HABIB



**MR. SIRAJUDDIN
CASSIM**



**BOARD OF
DIRECTORS & KEY
MANAGEMENT**



MR. NASIM BEG



**MR. SAMAD A.
HABIB**

**MR. MUHAMMAD
EJAZ**



**MR. KASHIF A.
HABIB**



**KHAWAJA
JALALUDDIN
ROOMI**



**MR. MOHSIN
MADNI**



**MR. MANZOOR
RAZA**

MR. ASADULLAH KHAWAJA

CHAIRMAN



Mr. Asadullah Khawaja is the Chairman of Arif Habib Corporation Limited. He started his professional career with United Bank Limited and soon switched to investment banking with Investment Corporation of Pakistan (ICP) where he served in various executive positions before taking charge as the Managing Director.

Mr. Khawaja also held the additional charge as Chief Executive of Bankers Equity Limited (BEL) and National Investment Trust Limited (NITL). His foreign assignments include five years at Pakistan Embassy in London as Investment Counsellor. During his professional career he has served as Chairman Packages Limited, Chairman Pakistan Industrial Credit and Investment Corporation (PICIC) and also the Executive Director of Pakistan Credit Rating Agency. Mr. Khawaja has also served on the Board of Directors of prestigious institutions of domestic and international standings and the list of companies can be termed impressive. He has also served as the Chairman of the Board of PICIC Asset Management Company.

Mr. Khawaja completed his Bachelor of Arts in 1964 from Forman Christian College, Lahore. Subsequently, he completed several local and foreign courses on banking, securities, industries management, investment analysis and portfolio management. Moreover, he has participated in various international seminars and workshops on investment oriented issues.

CORPORATE RESPONSIBILITIES

AS DIRECTOR

Dolmen City REIT/Arif Habib Dolmen REIT Management Limited
Pak Elektron Limited
Premier Insurance Limited
Summit Bank Limited

MR. ARIF HABIB

CHIEF EXECUTIVE



Mr. Arif Habib is the Chief Executive of Arif Habib Corporation Limited. He is also the Chairman of Pakarab Fertilizers Limited, Fatima Fertilizer Company Limited, Fatimafert Limited, Aisha Steel Mills Limited, Javedan Corporation Limited and Sachal Energy Development (Pvt.) Limited

Mr. Arif Habib remained the elected President/Chairman of Karachi Stock Exchange for six times in the past and was a Founding Member and Chairman of the Central Depository Company of Pakistan Limited. He has served as a Member of the Privatisation Commission, Board of Investment, Tariff Reforms Commission and Securities & Exchange Ordinance Review Committee. Over the years he has been nominated on the Board of Directors of a number of public sector companies by the Government of Pakistan.

Mr. Habib participates significantly in welfare activities. He is one of the trustees of Fatimid Foundation and Memon Health & Education Foundation as well as a director of Pakistan Centre for Philanthropy, Karachi Education Initiative, Pakistan Business Council and Karachi Sports Foundation.

CORPORATE RESPONSIBILITIES

AS CHAIRMAN

Aisha Steel Mills Limited
Fatima Fertilizer Company Limited
Javedan Corporation Limited
Arif Habib Foundation
Black Gold Power Limited
Fatimafert Limited
Karachi Sports Foundation
Pakarab Fertilizers Limited
Sachal Energy Development (Private) Limited

AS DIRECTOR

Pakistan Engineering Company Limited
AH Aviation (Private) Limited
Arif Habib Real Estate Services (Private) Limited
Fatima Cement Limited
International Builders and Developers (Private) Limited
NCEL Building Management Limited
Pakarab Energy Limited
Pakistan Business Council
Pakistan Opportunities Limited

AS HONORARY TRUSTEE/DIRECTOR

Fatimid Foundation
Karachi Education Initiative
Memon Health & Education Foundation
Pakistan Centre for Philanthropy

MR. SIRAJUDDIN CASSIM

INDEPENDENT
DIRECTOR



Mr. Sirajuddin Cassim, a Fellow Member of the Institute of Chartered Accountants of Pakistan, started as a partner in Daudally Siraj & Company, Chartered Accountants and has remained engaged in financial, investment advisory and corporate consultancy services since 1985. He brings with him vast knowledge of accounting, tax laws, corporate law, and corporate finance.

He has practical experience of preparing prospectus/offer for sale documents of numerous companies and has successfully listed these companies on the stock exchanges of the country.

He was a member of the Karachi Stock Exchange and Islamabad Stock Exchange. He has served on the Board of Directors of the Karachi Stock Exchange in the years 1990 and 1991 and has also held the position of Vice President in 1993 and of President in 1995. He served as the Chairman of the CDC in 1995. He was also the Vice President of Institute of Chartered Secretaries and Managers from 1997 to 2000.

He has also served as the Executive Director Standard Chartered Mercantile Leasing Company Limited from 1989 to 1998. He has vast experience of serving as member of the Taxation & Fiscal and Banking & Fiscal sub-committees of the Karachi Chamber of Commerce & Industries.

CORPORATE RESPONSIBILITIES

AS DIRECTOR

Platinum Securities (Private) Limited

MR. NASIM BEG

NON-EXECUTIVE
DIRECTOR



Mr. Nasim Beg is the Chief Executive Officer of Arif Habib Consultancy (Pvt.) Limited, along with being the Vice Chairman of MCB-Arif Habib Savings & Investments Limited, an Asset Management Company that was conceived and set up by him and which he headed as Chief Executive till June 2011.

Since the time he qualified as a Chartered Accountant in 1970, he has had decades of experience in the business world including manufacturing, as well as financial services (within and outside) the country. Before joining the Arif Habib Group, Mr. Beg served as the Deputy Chief Executive of the National Investment Trust, which he joined during its troubled period and played an instrumental role in its modernisation and turn around. He also served as the acting Chief Executive of NIT for a few months. He has also been associated at top-level positions with other asset management and investment advisory companies.

Mr. Beg has also held senior level responsibilities in the automobile industry. During his tenure as the Chief Executive of Allied Precision (a subsidiary of the Allied Engineering Group), he set up a green field project for the manufacture of sophisticated indigenous components for the automotive industry under transfer of technology licenses with Japanese and European manufacturers. His initiation to the financial services business was with the Abu Dubai Investment Company, UAE, where he was a part of the team that set up the company in 1977. He was the founding Chairman of the Institute of Financial Markets of Pakistan, which was sponsored by the Securities & Exchange Commission of Pakistan (SECP). He has served on several committees set up by the SECP for developing the Capital Markets, including the one that authored the Voluntary Pension System. He has also held the Chairmanship of the Mutual Funds Association of Pakistan. In addition, he has also been a member of the Prime Minister's Economic Advisory Council (EAC).

CORPORATE RESPONSIBILITIES

Arif Habib Consultancy (Private) Limited (Chief Executive)

AS DIRECTOR

Aisha Steel Mills Limited
Dolmen City REIT/Arif Habib Dolmen REIT Management Limited (non-executive Chairman)
MCB-Arif Habib Savings & Investments Limited (Vice Chairman)
Power Cement Limited (non-executive Chairman)
Safemix Concrete Limited
Silkbank Limited
Pakarab Fertilizers Limited
Pakistan Opportunities Limited

MR. SAMAD A. HABIB

NON-EXECUTIVE
DIRECTOR



Starting off with a career at Arif Habib Corporation Limited; Samad built up his experience in sales, marketing and corporate activities working his way up through various executive positions. Joining Arif Habib Limited in 2004, he led the company as Chairman and Chief Executive playing a key role in the strategic direction of the company where he specialized in capital market operations and corporate finance building achieving a range of significant IPOs and private placements.

In 2011 he moved to Javedan Corporation Limited as a part of the driving force behind the transformation of the dilapidated cement plant to a living community. At Naya Nazimabad, Samad Habib has contributed to making a positive impact on society providing a quality lifestyle to the middle class of the city. His dedication and optimism is set to further transform the area with the largest commercial precinct development in the city presently under planning.

CORPORATE RESPONSIBILITIES

Javedan Corporation Limited (Chief Executive)

AS DIRECTOR

Dolmen City REIT/Arif Habib Dolmen REIT Management Limited
 MCB-Arif Habib Savings & Investments Limited
 Power Cement Limited
 Safemix Concrete Limited
 Arif Habib Equity (Pvt.) Limited
 Arif Habib Foundation
 Arif Habib Real Estate Services (Pvt.) Limited
 Black Gold Power Limited
 Nooriabad Spinning Mills (Pvt.) Limited
 Pakarab Fertilizers Limited
 Pakistan Opportunities Limited
 REMMCO Builders & Developers Limited
 Rotocast Engineering Company (Pvt.) Limited
 Sukh Chayn Gardens (Pvt.) Ltd.

MR. MUHAMMAD EJAZ

NON-EXECUTIVE
DIRECTOR



Muhammad Ejaz is the founding Chief Executive of Arif Habib Dolmen REIT Management Limited, which has successfully launched South Asia's first listed REIT fund. He has been associated with Arif Habib Group since August 2008 and sits on the board of several group companies. He has spearheaded several group projects when these were at a critical stage during their execution.

Prior to joining Arif Habib Group, Ejaz has served at senior positions with both local and international banks. He was the Treasurer of Emirates NBD bank in Pakistan and served Faysal Bank Pakistan as Regional Head of Corporate Banking group. He also served Saudi-Pak bank (now Silkbank) as Head of Corporate and Investment Banking. He also had short stints at Engro Chemical and American Express bank.

Ejaz did his graduation in Computer Science from FAST, ICS and did MBA in Banking and Finance from IBA, Karachi where he is a regular visiting faculty member. He has also conducted programs at NIBAF-SBP and IBP. He is a Certified Director and also a Certified Financial Risk Manager.

He actively participates in the group's CSR initiatives especially those which render services in the fields of health and education with emphasis on female literacy.

CORPORATE RESPONSIBILITIES

Dolmen City REIT/Arif Habib Dolmen REIT Management Limited (Chief Executive)

AS DIRECTOR

Aisha Steel Mills Limited
Javedan Corporation Limited
Power Cement Limited
Arif Habib Real Estate Services (Pvt.) Limited
REMMCO Builders & Developers Limited
Sachal Energy Development (Pvt.) Limited

MR. KASHIF A. HABIB

NON- EXECUTIVE
DIRECTOR



Mr. Kashif A. Habib is the Chief Executive of Power Cement Limited and Safemix Concrete Limited. Being a member of the Institute of Chartered Accountants of Pakistan (ICAP) he completed his articleship from A.F. Ferguson & Co. (a member firm of Price Waterhouse Coopers), where he gained experience of a diverse sectors serving clients spanning the Financial, Manufacturing and Services industries.

He has to his credit four years of experience in Arif Habib Corporation Limited as well as over eight years' experience as an Executive Director in cement and fertilizer companies of the group.

CORPORATE RESPONSIBILITIES

Power Cement Limited (Chief Executive)
Safemix Concrete Limited (Chief Executive)

AS DIRECTOR

Fatima Fertilizer Company Limited
Javedan Corporation Limited
Arif Habib Equity (Pvt.) Limited
Arif Habib Foundation
Arif Habib Real Estate Services (Pvt.) Limited
Black Gold Power Limited
Fatimafert Limited
Fatima Cement Limited
Memon Health and Education Foundation
Nooriabad Spinning Mills (Pvt.) Limited
Pakarab Fertilizers Limited
REMMCO Builders & Developers Limited
Reliance Sacks Limited
Rotocast Engineering Company (Pvt.) Limited
Siddiqsons Energy Limited

KHAWAJA JALALUDDIN ROOMI

INDEPENDENT
DIRECTOR



Mr. Roomi manages export oriented composite textiles business and has a vast experience in leading various Government, Semi Government and public limited companies. Mr Roomi possesses versatile knowledge in finance and marketing and leading all other aspects of the business. Over the years, Mr Roomi has successfully launched number of projects and which are all very profitable ventures today. He is the Member Board of Governors CMH Multan Institute of Medical Sciences, a Director on the Board of Punjab Industrial Estate Development & Management Company and a former director of Askari Bank Limited. He is past President of Multan Chamber of Commerce and Industry.

Mr. Roomi is also former president of Dera Ghazi Khan Chamber of Commerce and Industry and Caretaker Minister for Industries, Punjab. Over the years, he has been nominated on various Board of Directors of the organisations of Government of Pakistan.

He has done his Masters in Business Administration in 1990 with a specialisation in marketing and finance. Over his career, he has interacted with a variety of people during and managing more than eight thousand employees, and through his travels across most part of the world for business development has gained much knowledge of the human character and psychology.

CORPORATE RESPONSIBILITIES

AS CHIEF EXECUTIVE

Roomi Fabrics Limited
Roomi Foods (Pvt.) Limited
Roomi Holdings (Pvt.) Limited
Roomi Enterprises (Pvt.) Limited

AS DIRECTOR

Masood Spining Mills Limited
Shakarganj Limited
Orient Power (Pvt.) Limited

OTHER DESIGNATIONS

Multan Industrial Estate Development & Management Company (Chairman Board)
Punjab Industrial Estate Development & Management Company (Director)
CMH Multan Institute of Medical Sciences (Member Board of Governors)

KEY MANAGEMENT

MR. MOHSIN MADNI

CHIEF FINANCIAL
OFFICER



Mr. Mohsin Madni is the Chief Financial Officer of Arif Habib Corporation Limited. His role encompasses a wide range of matters ranging from finance and taxation.

Mr. Madni is an Associate Member of the Institute of Chartered Accountants of Pakistan (ICAP) and holds Master's Degree in Economics & Finance. He is a member of Pakistan Institute of Public Finance Accountants (PIPFA) and Institute for Internal Controls, USA. Mr. Madni completed his Articleship from KPMG Taseer Hadi & Co., Chartered Accountants, where he gained experience of diverse sectors serving clients spanning the Financial, Manufacturing, Trading and Services industries.

MR. MANZOOR RAZA

COMPANY SECRETARY



Mr. Manzoor Raza is the Company Secretary of Arif Habib Corporation Limited. His role encompasses a wide range of matters ranging from corporate law to compliance.

He is a member of Institute of Chartered Secretaries and Managers and has been associated with the Arif Habib Group since 2003. He worked with Arif Habib Investments Limited (now MCB-Arif Habib Savings & Investments Limited) before moving to Arif Habib Corporation Limited in 2011.

BOARD & MANAGEMENT COMMITTEES

The Board of Directors of the Company has constituted committees both at the Board and Management levels. Most of the Board Committees' members are non-executive directors.

BOARD COMMITTEES

BOARD AUDIT COMMITTEE (AC)

The committee is responsible for assisting the Board of Directors in discharging its responsibilities primarily in terms of:

- evaluating and reporting financial and non-financial information to shareholders;
- reviewing the system of internal controls and risk management; and
- reviewing the business plan and determining that it reconciles with the Company's vision, mission, corporate strategy & objectives.

Additionally, the committee has the authority to obtain any information it requires from the management and to meet directly with external auditors.

The Board of Directors has determined the terms of reference of the Audit Committee and provides adequate resources and authority to enable the Audit Committee to carry out its responsibilities effectively. The Board gives due consideration to the recommendations of the Audit Committee. Among other responsibilities, the terms of reference of the Audit Committee includes the following:

- determination of appropriate measures to safeguard the company's assets
- review of quarterly, half-yearly and annual financial statements of the company
- ensuring coordination between the internal and external auditors of the company
- review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the company
- consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto
- ascertaining that the internal control systems are adequate and effective
- determination of compliance with relevant statutory requirements
- monitoring compliance with the best practices of corporate governance and identification of significant violations there of

The Chief Financial Officer of the Company regularly attends the Audit Committee meetings to present financial and other information specifically addressed by the Head of Internal Audit. After each meeting, the Chairman of the Committee reports to the Board. During the financial year under review, the Committee met 4 times.

| S. No. | Name | Designation | Meetings attended during the year |
|--------|--------------------------|-------------|-----------------------------------|
| 1. | Khawaja Jalaluddin Roomi | Chairman | 4 |
| 2. | Mr. Kashif A. Habib | Member | 4 |
| 3. | Mr. Muhammad Ejaz | Member | 4 |

The Internal Audit Department is headed by Mr. Muneer Gader, ACA, having the requisite qualification and the relevant experience to execute the duties of the department in line with the Internal Audit Charter.

HUMAN RESOURCE AND REMUNERATION COMMITTEE (HR&RC)

The responsibilities of the Committee include recommendation of human resource management policies to the Board, along with the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO, CFO, Company Secretary and Head of Internal Audit to the Board. It also considers and approves recommendations of the CEO on matters of key management positions who report directly to CEO. The HR&RC is committed to develop and take decisions on Human Resource strategy and policy. The Committee meets at least once in every six months. During the financial year under review, the Committee met 2 times.

| S. No. | Name | Designation | Meetings attended during the year |
|--------|--------------------------|-----------------|-----------------------------------|
| 1. | Khawaja Jalaluddin Roomi | Chairman | 1 |
| 2. | Mr. Nasim Beg | Member | 2 |
| 3. | Mr. Arif Habib | Member | 2 |
| 4. | Mr. Kashif A. Habib | Member | 2 |
| 5. | Mr. Asadullah Khawaja | Former Chairman | 1 |

The terms of reference of HR&RC provides an overview of the Committee and outlines the Committee's composition and responsibilities. The document also includes recommendation on human resource management, organizational development, training and development matters, management succession, and continuous review of compensation and benefit policies and assessment of corporate culture.

INVESTMENTS & PROJECTS DIVERSIFICATION COMMITTEE (IPDC)

The committee is responsible for assisting the Board of Directors in discharging its responsibilities primarily with regard to:

- reviewing new investment opportunities keeping in view various factors including risk, return, diversification and growth;
- continuous monitoring of the investments already made and recommending corrective strategies, if required; and
- reviewing the key assumptions used by the management of investee companies to determine Fair values of strategic investments.

The Committee meets on a required/directed basis to discharge its responsibilities and regularly reports to the Board. During the year under review, 6 meetings were held.

| S. No. | Name | Designation | Meetings attended during the year |
|--------|---------------------|-------------|-----------------------------------|
| 1. | Mr. Arif Habib | Chairman | 6 |
| 2. | Mr. Nasim Beg | Member | 6 |
| 3. | Mr. Samad A. Habib | Member | 6 |
| 4. | Mr. Kashif A. Habib | Member | 6 |

MANAGEMENT COMMITTEES

EXECUTIVE COMMITTEE ON RISK MANAGEMENT (ECRM)

ECRM is headed by the Chief Executive of the Company and includes Group executives. The purpose of the committee is to assist the Board of Directors in developing and continuous monitoring of risk management policies and other business related matters.

The terms of reference of the ECRM are to assist Board of Directors in developing, reviewing and approving risk management policies, instituting special projects and reviewing the adequacy of operational, administration and financial controls. ECRM meets on required/directed basis.

EXECUTIVE COMMITTEE ON HUMAN RESOURCE (ECHR)

The objective of ECHR is to review, monitor and make recommendations to the HR&RC to oversee the Company's compensation and benefits policies generally, evaluate executive officer performance and review the Company's management succession plan and set compensation for the Company's executive officers. The ECHR is committed to develop and make decisions on Human Resource strategy and policy. The ECHR meets on the advice of the Chairman and/or on the request of the members.

CRITERIA TO EVALUATE BOARD'S PERFORMANCE

A company's success is ultimately reflective of the capacity of its directors to provide direction which is in line with the vision in order to expand and flourish. The company, hence, endeavours to develop the capacity of its Board of directors to improve both their personal and collective contributions to the overall development of the company. A quality Board that really adds value is not just a panel of high performing individuals but a balanced team with harmonizing skill sets and a culture that allows them to function as a single unit to make the most effective decisions for the company. While the guidance from the chair is key, the participation of every Board member is also paramount for its effectiveness.

Performance evaluation continues to gain profile and momentum within Boardrooms. Regulators and institutional investors increasingly endorse performance evaluation as a prerequisite for good corporate governance. The Board of Directors acts as a custodian of the shareholders' money and translates the same into the Company's mission and goals. In order to uphold the trust of stakeholders, the Board of Directors' performance warrants assessment.

The evaluation of the performance examines those key areas where the Board requires clarity in order to provide high level oversight, including: the strategic process; key business drivers and performance milestones; the global economic environment and competitive context in which the Company operates; the risks faced by the business; Board dynamics; capability and alignment; reputation; and information flows.

In accordance with this code, the Board undertook a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors conducted by Pakistan Institute of Corporate Governance (PICG) in 2015. The findings and the factors were reassessed and re-evaluated by the Board during the financial year under review.

In continuance of adhering to the Code, the Board undertook an evaluation on the following criteria to assess its performance:

- Compliance with the legislative system in which Company operates, including Companies Act, 2017, Listing Regulations of the Stock Exchange, the Memorandum and Articles of Association of the Company.
- Active participation in strategic planning process, enterprise risk management system, policy development, financial structure, monitoring and approval.
- Hiring, evaluating, compensating and supporting the Executive Directors and other key positions including Chief Executive.
- Appropriate constitution of Board Committees with members possessing adequate technical knowledge and experience.
- Establishing adequate system of internal controls in the Company and its regular assessment through self-assessment mechanism or/and internal audit activities.
- Ensuring presence of required quorum in Board and Committees' meeting.
- Ensuring orientation and training of Board of Directors to enable them to perform their duties in an effective manner.
- Ensuring adequate information is shared with the Board timely and the Board is kept abreast of developments between meetings.

CHAIRMAN'S REVIEW

The Board of Directors ("the Board") of Arif Habib Corporation Limited ("AHCL") has performed their duties diligently in upholding the best interest of shareholders' of the Company and has managed the affairs of the Company in an effective and efficient manner.

The Board has exercised its powers and has performed its duties as stated in the Companies Act, 2017 and the Code of Corporate Governance ("the Code") and the Rule Book of the Pakistan Stock Exchange (the Rule Book) where the Company is listed.

The Board during the year ended 30th June 2018 played an effective role in managing the affairs of the Company and achieving its objectives in the following manner;

- The Board has ensured that there is adequate representation of non-executive and independent directors on the Board and its committees as required under the Code and that members of the Board and its respective committees has adequate skill experience and knowledge to manage the affairs of the Company;
- The Board has formed an Audit and Human Resource and Remuneration Committee and has approved their respective terms of references and has assigned adequate resources so that the committees perform their responsibilities diligently;
- The Board has developed and put in place the rigorous mechanism for an annual evaluation of its own performance and that of its committees and individual directors. The findings of the annual evaluation are assessed and re-evaluated by the Board periodically;
- The Board has ensured that the directors are provided with orientation courses to enable them to perform their duties in an effective manner;
- The Board has ensured that the meetings of the Board and that of its committee were held with the requisite quorum, all the decision making were taken through Board resolution and that the minutes of all the meetings (including committees) are appropriately recorded and maintained;
- The Board has developed a code of conduct setting forth the professional standards and corporate values adhered through the Company and has developed significant policies for smooth functioning;
- The Board has actively participated in strategic planning process, enterprise risk management system, policy development, and financial structure, monitoring and approval;
- All the significant issues throughout the year were presented before the Board or its committees to strengthen and formalize the corporate decision making process and particularly all the related party transactions executed by the Company were approved by the Board on the recommendation of the Audit Committee;
- The Board has ensured that the adequate system of internal control is in place and its regular assessment through self-assessment mechanism and /or internal audit activities;
- The Board has prepared and approved the director's report and has ensured that the directors report is published with the quarterly and annual financial statement of the Company and the content of the directors report are in accordance with the requirement of applicable laws and regulation;

- The Board has ensured the hiring, evaluation and compensation of the Chief Executive and other key executives including Chief Financial Officer, Company Secretary, and Head of Internal Audit;
- The Board has ensured that adequate information is shared among its members in a timely manner and the Board members are kept abreast of developments between meetings; and
- The Board has exercised its powers in light of the power assigned to the Board in accordance with the relevant laws and regulation applicable on the Company and the Board has always prioritized the Compliance with all the applicable laws and regulation in terms of their conduct as directors and exercising their powers and decision making.

The evaluation of the Board's performance is assessed based on those key areas where the Board requires clarity in order to provide high level oversight, including the strategic process; key business drivers and performing milestones, the global economic environment and competitive context in which the Company operates; the risk faced by the Company's business; Board dynamics; capability and information flows. Based on the aforementioned, it can reasonably be stated that the Board of AHCL has played a key role in ensuring that the Company objectives' are achieved through a joint effort with the management team and guidance and oversight by the Board and its members.

Karachi: 25th September 2018



Asadullah Khawaja
Chairman

CHIEF EXECUTIVE'S PERFORMANCE REVIEW

One of the most significant responsibilities of the Board of Directors is to ensure that the company has a strong leadership and an effective executive management. The Board establishes company policies and then delegates' authority and responsibility to the CEO for the organisation's smooth operations.

Successful companies depend on outstanding CEO leadership. Outstanding CEO leadership depends on excellent Board/CEO relations. Excellent Board/CEO relations depend on clear expectations and open communication. Regular review of CEO performance fosters open communication and clarifies expectations, roles and responsibilities. Effective Boards and CEOs embrace the review process, which is considered as good corporate governance.

The main objective of a review is to bring the CEO and the Board together to discuss how their performance and priorities add to the effectiveness of the company. The focus remains on identifying what works well, and what needs improvement. Given the unique nature of the partnership between the Board and CEO, assessing CEO performance is, in many ways, assessing the performance of the Board as well.

Mr. Arif Habib is the Chief Executive and the primary shareholder of the Company. He has, given his position as primary shareholder, sought out and requested professionals of high standing to join the Board. These include business acquaintances and some executives working for group companies none of whom have any conflicts of interest with the company. The Board Members, despite their relationship with Mr. Arif Habib are committed to carrying out an objective assessment of his performance as the Chief Executive.

The Board wishes to report that Mr. Arif Habib is committed to following best practices and the Code of Corporate Governance in true spirit. All Board meetings are attended by Mr. Arif Habib, where he provides details and explanations for each agenda item. The Board meetings have free and open discussion and Mr. Arif Habib acts on consensus and despite his tremendous convincing ability; he abides by the consensus even where the decision goes against his original proposal. Based on the Board's recommendations, Mr. Arif Habib has embarked on a programme of further strengthening the professional team at the Company and the Group. The Board believes that this will further strengthen the Company. Mr Arif Habib continues to play the leadership role at the Company and the Group level to the entire satisfaction of the Board.

CORPORATE MEMBERSHIPS

Enjoying the status of being one of the most diversified corporate entities, AHCL has associated itself with some well-reputed professional bodies to further strengthen its management practices. These institutions include:

PAKISTAN INSTITUTE OF CORPORATE GOVERNANCE

Good corporate governance is an essential pre-requisite for the integrity and credibility of any company. It builds greater confidence and trust by ensuring transparency, fairness and accountability with respect to shareholders and other stakeholders. Giving due importance to this objective, AHCL has obtained corporate membership of the Pakistan Institute of Corporate Governance (PICG). The PICG aims to becoming the leading provider of knowledge about best practices in corporate governance to all key stakeholders involved in or affected by corporate governance with the objective of bringing about national economic and social transformations by improving the quality of corporate governance in Pakistan that are comparable with the best global practices in good governance. PICG is involved in training and education, creating awareness, undertaking research, publishing guidelines and other resource material. It also serves as a platform to provide value-added services and regular activities that in addition to other benefits also offer networking opportunities.

Being an associate member of the PICG, AHCL aims to take full advantage of these resources at PICG to implement best practices and good corporate governance throughout the Company.

MANAGEMENT ASSOCIATION OF PAKISTAN

Management Association of Pakistan (MAP) was formed in 1964 by a small group of dedicated entrepreneurs and senior professional managers, who were keenly aware of the demands that were likely to be made on managerial talent within the country, as a result of the rapid increase in the tempo of industrial activity.

MAP offers the opportunity to network, learn and get involved with an objective to improve the effectiveness of individuals and organisations in product development and management. Since its inception, the Association has established itself as a major forum for training and communication of ideas in the field of management in Pakistan. Its status and contribution are widely recognised.

The Association organises programmes covering a wide range of management principles and practices. Being an associate member of the MAP, AHCL aims to take full advantage of these resources at MAP to implement best practices of corporate excellence and good corporate governance throughout the Company.

PAKISTAN CENTRE FOR PHILANTHROPY

Pakistan Centre for Philanthropy (PCP) is an independent non-profit support organisation registered under the repealed Companies Ordinance, 1984 with a vision "to link the three sectors of society i.e. government, business and civil society organizations in a synergistic partnership for development" and a mission "to promote the volume and effectiveness of philanthropy for social development in Pakistan". PCP is led by an active and effective Board, comprising of eminent citizens, representatives of civil society organizations and business leaders.

Giving due importance to this objective, AHCL has obtained corporate membership of the PCP. Furthermore, the Board of Directors of PCP invited the CEO of AHCL to be part of their Board.



DIRECTORS' REPORT

DIRECTORS REPORT

DEAR FELLOW SHAREHOLDERS,

It is with great pleasure that the Directors of Arif Habib Corporation Limited (AHCL) present the Annual Report of your Company and the audited financial statements for the financial year ended on 30th June 2018 together with auditors' report thereon.

PRINCIPAL ACTIVITIES

AHCL is a holding company of diversified businesses consisting of financial services, manufacturing, energy and real estate. The Company owns significant interest in fertiliser, securities and commodities brokerage, corporate finance, asset management and energy. It also has shareholdings in cement, steel and real estate development. The Company also continues to be an investor in the securities market.

THE ECONOMY

Performance of Pakistan's economy during the financial year under review remained somewhat mixed. GDP witnessed decade high growth of 5.8%. Large scale manufacturing also grew with the same rate. Remittances and exports increased by 1.4% and 13% respectively. Whereas imports grew by 15% YoY to USD 56 billion resulting in higher trade and current account deficit. Foreign currency reserves declined by 39% and value of rupee viz a viz USD also declined by 16%. Budget deficit shot up to 6.6% of GDP against target of 4.9%. SBP's policy rate increased by rising 175 bps to 7.5%. Above negatives developed worries amongst the investors about sustainability of rising GDP growth momentum in the last few years.

FINANCIAL RESULTS

The Company posted a consolidated profit-after-tax (attributable to equity holders of the Parent Company) of PKR 1.63 billion as opposed to PKR 3.28 billion during 2017. This translates to an earning of PKR 3.59 per share as compared with an earning of PKR 7.22 per share last year.

On unconsolidated basis, the Company has earned a profit after tax of PKR 820.99 million as compared with PKR 2.39 billion in 2016-17.

This translates to an earning of PKR 1.81 per share as compared with PKR 5.27 per share earned in the previous year. Based on the profit during the year under review, the Board has recommended declaration of a final Cash Dividend for the year ended 30th June 2018 at PKR 2.00 per share i.e. 20%. This entitlement shall be available to those shareholders whose names appear on the shareholders' register at the close of business on 18th October 2018.

THE SUMMARY OF FINANCIAL RESULTS IS AS FOLLOWS:-

| | 2018 | 2017 |
|---|-----------------------|----------------|
| Profit after tax | 820,988,305 | 2,391,373,017 |
| Un-appropriated profit brought forward | 20,480,939,698 | 19,450,816,681 |
| Profit available for appropriation | 21,301,928,003 | 21,842,189,698 |
| Appropriations: | | |
| * Final Cash Dividend at PKR 2.00 per share i.e. 20% for the year ended 30 th June 2018 as recommended by the Board of Directors (PKR 3.00 per share i.e. 30% for the year ended 30 th June 2017) | 907,500,000 | 1,361,250,000 |
| * Un-appropriated profit carried forward | 20,394,428,003 | 20,480,939,698 |
| Earnings per share – basic & diluted | 1.81 | 5.27 |

* Subject to the approval by members in the AGM to be held on 25th October, 2018

PERFORMANCE OF SUBSIDIARIES AND ASSOCIATES

Your Company entered into a consolidation phase a couple of years ago and is focusing on strengthening its position in the sectors it is already invested in and improving the performance of its investment portfolio. Investee companies have performed to expectations and this is reflected in the financial results of your Company (both on standalone and consolidated basis).

INVESTEE SEGMENTS AT A GLANCE**FERTILISERS**

The Company has a significant investment in the fertiliser sector. The sector is led by Fatima Fertilizer Company Limited (FFCL) and is followed by Pakarab Fertilizers Limited (PAFL). FFCL's performance has grown impressively, recording a profit after tax of PKR 10.58 billion with an EPS of PKR 5.04 for the year ended 31st December 2017 and profit after tax of PKR 6.34 billion with an EPS of PKR 3.02 for the half year ended 30th June 2018. The Company received a dividend of PKR 717.75 million at PKR 2.25 per share during the year under review.

PAFL recorded a loss after tax of PKR 3.94 billion for the year ended 31st December 2017 and PKR 1.22 billion for the period ended on 30th June 2018. Loss was mainly due to non-supply of pipeline gas by SNGPL, exorbitant cost of RLNG and lower fertiliser prices.

FINANCIAL SERVICES

The operating financial performance of the subsidiaries and associates in this sector has been satisfactory. Arif Habib Limited (AHL) has recorded a profit after tax of PKR 536.26 million as compared with PKR 880.54 million in the previous year, translating into an EPS of PKR 9.75. The company has declared a cash dividend of PKR 3.00 per share i.e 30% and bonus shares in the proportion of 1 ordinary share per 5 ordinary shares.

MCB-Arif Habib Savings and Investments Limited (MCBAH) has recorded a profit after tax of PKR 127.63 million for the year ended 30th June 2018 and has announced a total dividend of PKR 1.75 per share. The funds under management have also increased impressively to PKR 82.69 billion from PKR 73.61 billion last year.

Performance of Silkbank has improved and it has recorded a profit after tax of PKR 1.14 billion with an EPS of PKR 0.13 for the year ended 31st December 2017 and profit after tax of PKR 745.91 million with an EPS of PKR 0.08 for the half year ended 30th June 2018.

STEEL

Aisha Steel Mills Limited operated at a capacity level of close to 99%, about 4% higher than the previous year. The focus in 2017-18 was consolidation of the operations and improvement in the bottom line. The company has recorded a profit after tax of PKR 1.28 billion as compared with PKR 1.02 billion in the previous year.

The company's expansion, details of which have already been reported in last year's annual report, is well under way and progressing as planned. The expansion will optimize cost of production due to economies of scale and also diversify product mix. After successful completion of the project, the company will become the second largest producer of flat products in the country.

CEMENT

Power Cement is expanding its capacity to around 3.4 million tons per annum from the current 0.9 million tons per annum, making it the second largest unit in the Southern region, which will not only help the company to acquire bigger market share but also the new plant will add to the profitability margins through better production efficiency.

The new plant will be a complete state-of-the-art European cement production line supplied by FLSmidth, Denmark with the latest environmental pollution control systems and technology for the highest levels of energy efficiency and maintainability. The emissions will be in compliance with the World Bank/IFC Guidelines. Special feature of the new plant will be the installation of a comprehensive quality control system.

The plant is scheduled to be commissioned in the second quarter of the calendar year 2019.

REAL ESTATE

The Naya Nazimabad housing project has become a well-established brand in the Karachi real estate market and is an ideal place to live due to its prime location, green and clean environment, security and integrated amenities.

Hundreds of families have moved into their houses and many more are expected to join them soon. Basic necessities have been made available at the residents' doorsteps. Market value of plots and houses have gone up impressively mainly because of the projects unique planning, clear title and bankability.

The company has recorded a profit after tax of PKR 703.71 million as compared to PKR 989.56 million last year.

WIND POWER

Your Company's investment in the wind power sector, through Sachal Energy Development (Private) Limited started commercial operation of its 49.5-megawatt wind energy project w.e.f. April 2017 and has posted after tax profit of PKR 852.40 million as compared to PKR 372.84 million last year based on 3 months operations. During the year, Sachal Energy's True up petition was approved by NEPRA, which revised the company's levelized reference tariff.

Sachal Energy's wind power project is the first Pakistani-owned Early Harvest Project of the China-Pakistan Economic Corridor (CPEC), which has been developed over 680 acres of land in the Jhimpir wind corridor in Sindh. The company is committed to supplying electricity to the national grid through the National Transmission and Despatch Company for 20 years under an energy purchase agreement.

COAL POWER

Sindh Engro Coal Mining Company Limited has decided to allocate 3.8 million tonnes per annum of coal from its coal mine currently being developed at Thar Block II to AHCL for 660 MW Thar Coal based power project to be constructed, commissioned and operated at Thar Block II.

The tentative coal delivery is in the year 2022. Internationally renowned Consultants have begun the feasibility study of the project. The company is currently in the process of obtaining registration at the Private Power Infrastructure Board (PPIB) and will move towards obtaining Letter of Intent from the same. For the aforementioned project, AHCL has formed a wholly owned subsidiary with the name "Black Gold Power Limited".

FUTURE OUTLOOK

Pakistan is facing a challenge of twin deficits of fiscal and current account. New government is being watched by the investors expecting corrective measures soon.

Your Company's subsidiaries and associates are expected to perform satisfactorily on the whole. Fertiliser sector is expected to do better due to better market conditions both nationally and internationally, Government's decision to resume supply of gas to closed unit Fatimfert Limited and allocation of gas to another unit Pakarab Fertilizers Limited from Mari Gas Fields. Energy, financial services and real estate businesses are expected to perform satisfactorily, whereas cement and steel are expected to face challenges.

Overall, your Company is expected to perform satisfactorily due to its diversified investment portfolio.

RISK MANAGEMENT

The risk management system established by the Board comprises of a wide range of finely tuned organizational and procedural components and is capable of identifying events and developments impairing the going-concern status of the Company. The risk management system is designed to promote a balanced approach to risks at all organizational levels, identify and analyze the opportunities and risks at an early stage, their measurement and the use of suitable instruments to manage and monitor risks.

With the Company's key business being that of investing, it has evolved its risk management system as its investment strategy has evolved, in light of which an overall annual review of business risks is undertaken regularly to ensure that the management maintains a sound system of risk identification, risk management and related systemic and internal controls to safeguard assets, resources, reputation and interest of the Company and shareholders.

The Company started with secondary market investments, and has always followed a policy of diversification between sectors and companies and at the same time, basing individual investment decisions on fundamental analysis and following the time-tested rule of value investing. The Company manages risk by applying caution with respect to the security selection; avoiding concentration risk, ensuring adequate underlying collateral and potential cash flows and assessing the capacity of the counterparty. In addition, the Company has played a continuing role through its representatives in the development of basic capital market infrastructure.

For its strategic investments, the Company has developed risk management systems suited to such investing. Business decisions are reached after deliberation of comprehensive project analyses, which identifies both potential risks and opportunities. To manage the risk, the Company focuses on core areas like governance by Board and senior management, preparation and implementation of policies and procedures, risk monitoring, management information system, and internal controls. The Company goes through a systematic process of identifying and evaluating risks and controls and, where necessary, improving the ways in which risks are managed. As an ongoing process and at least once each year, the management reviews the financial reporting statements and also statements regarding risk management, corporate social responsibility, integrity and compliance with the code of conduct, the accounting manual, statutory provisions and compliance with other rules and regulations.

For operational risk management, the starting point has always been carrying out an in depth analysis before making the investment, and supplementing that with hiring of qualified and experienced professionals to represent it on the Boards of investee companies wherever required, applying budgetary and other internal controls on such companies through the Board members, continuing review of performance of the investee companies and taking corrective measures as and when needed, including the dis-investment from businesses if that becomes the right option.

The Board has set up an Investment Committee, with the responsibility of vetting and continuous monitoring of all strategic investments. In turn, the Company's management staff is responsible for providing the Committee with timely reports on the strategic investments. The detailed Qualitative Reports and Quantitative analysis on Risk management is presented in note 32 to the financial statements.

CAPITAL MANAGEMENT AND LIQUIDITY

The Company has a policy to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business, safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. There were no changes in Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

HUMAN RESOURCE

Your Company takes great pride in the commitment, competence and ownership shown by its employees in all realms of the business. The Company continues to take new initiatives to further align its HR policies to meet the growing needs of the business. People development continues to be a key focus area in your Company.

At AHCL, the Human Resources Department, in its business partner role, implements strategies to raise the performance of each team member to their maximum potentials. The primary reason for our success is that our organization is built around the people who are willing to go the extra mile.

Employees are recognized and rewarded based on their performance, which results in enhanced retention and motivation across all levels. All our operational activities are carried out transparently and in lieu with our code of ethics, on which there can be no compromise.

MATERIALITY APPROACH ADOPTED

The Board of Directors closely monitors all material matters of the Company. In general, matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company in accordance with the policy.

CORPORATE SOCIAL RESPONSIBILITY

Sustainable and responsible development has remained one of our key concerns since inception which is why we continue to encourage our group companies to demonstrate responsibility and sensitivity toward the people and environment in which they operate.

Today, the Arif Habib Group companies are running a sizeable CSR program in Pakistan covering various sectors requiring foremost attention, with a special focus in the areas of education, healthcare, environment, community welfare, sports and relief work and aims to enhance its scope and contribution in the future.

We, at the Arif Habib Group are conscious of the well-being of our employees as well as community at large. The group companies focus on energy conservation and all departments and employees adhere to power conservation measures. It is our vision to continue contributing to the economic growth and stability in Pakistan through actively investing in its economy, its people and the sustainability of its environment.

The Group continuously endeavours to support initiatives to reduce resource consumption and encourage research into renewable energy. Your Company takes its contribution towards national economy seriously and has always discharged its obligations in a transparent, accurate and timely manner. Details of the contributions made by group companies are presented on (Page 73).

CORPORATE GOVERNANCE

AHCL is listed at the Pakistan Stock Exchange. The Company's Board and management are committed to observe the Code of Corporate Governance prescribed for listed companies and are familiar with their responsibilities and monitor the operations and performance to enhance the accuracy, comprehensiveness and transparency of financial and non-financial information.

The Board would like to state that proper books of accounts of the Company have been maintained and appropriate accounting policies have been adopted and consistently applied. Preparation of accounts and accounting estimates are based on reasonable and prudent judgment. International Financial Reporting Standards, as applicable in Pakistan, are followed in the preparation of the financial statements. The system of internal controls, including financial controls, is sound in design and has been effectively implemented and monitored. The financial statements of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity. No material payment has remained outstanding on account of any taxes, duties, levies or charges. The Company has no outstanding obligations under gratuity, pension or provident fund.

The Company has a policy in place to nominate directors on the board of each strategic investment based on its stake in the company. Wherever required, AHCL nominees and / or representatives work with the management of each strategic investee company on a detailed business plan and budget, and performance is measured against the budget and business plan. Progress of investee companies is monitored periodically.

The Board hereby reaffirms that there is no doubt whatsoever about the Company's ability to continue as a going concern and that there has been no material departure from the best practices of corporate governance.

It has always been the Company's endeavor to excel through better Corporate Governance and fair and transparent practices, many of which have already been in place even before they were mandated by law.

TRADING IN COMPANY'S SHARE BY DIRECTORS AND EXECUTIVES

All Directors including the Chief Executive, Chief Financial Officer and Executives of the Company were delivered written notices by the Company Secretary to immediately inform in writing any trading in the Company's shares by themselves or by their spouses and to deliver a written record of the price, number of shares and CDC statement within 2 days of such transaction to the Company Secretary.

A statement showing the Company's shares bought and sold by its Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor family members is annexed as Annexure-I. There has been no trading in Company's shares by any of other employee except as disclosed in Annexure - I whose basic salary exceeds the threshold of Rs. 1,200,000 in the year which is the threshold set by the directors for disclosure in annual reports.

COMPOSITION OF BOARD / COMMITTEES

All the eight existing directors of the Company are male. Requirement of Code of Corporate Governance for having a female director on the Board shall be applicable on reconstitution of Board after completion of its current term. The composition of existing Board of Directors and its Committees is as follows:

| BOARD OF DIRECTORS | CATEGORY | AUDIT COMMITTEE | INVESTMENTS & PROJECTS DIVERSIFICATION COMMITTEE | HUMAN RESOURCE & REMUNERATION COMMITTEE |
|----------------------------------|---------------------|-----------------|--|---|
| Khawaja Jalaluddin Roomi | Independent | Chairman | - | Chairman |
| Mr. Sirajuddin Cassim | | - | - | - |
| Mr. Asadullah Khawaja (Chairman) | Other Non-executive | - | - | - |
| Mr. Nasim Beg | | - | Member | Member |
| Mr. Samad A. Habib | | - | Member | - |
| Mr. Kashif A. Habib | | Member | Member | Member |
| Mr. Muhammad Ejaz | | Member | - | - |
| Mr. Arif Habib (Chief Executive) | Executive | - | Chairman | Member |

DIRECTORS REMUNERATION POLICY

Those non-executive directors including independent directors of Arif Habib Corporation Limited who do not hold a senior executive or management position or directorship in any group company may claim meeting fee for attending Board of Directors meeting or any of Boards' sub-committee meeting at the rate approve by Board of Directors from time to time.

Payment of remuneration against assignment of extra services by any director shall be determined by the Board of Directors on the basis of standards in the market and scope of the work, and shall be in line as allowed by the Articles of Association of the Company. Levels of remuneration shall also be appropriate and commensurate with the level of responsibility and expertise. However, for an Independent Director, it shall not be at a level that could be perceived to compromise the independence.

ATTENDANCE AT BOARD MEETINGS

A statement showing the names of the persons who were directors of the company during the financial year along with their attendance at Board and Committee(s) meetings is annexed as Annexure-II.

PATTERN OF SHAREHOLDING

The shares of the Company are listed on the Pakistan Stock Exchange. There were 4,239 shareholders of the Company as of 30th June 2018. The detailed pattern of shareholding and categories of shareholding of the Company including shares held by directors and executives, if any, are annexed as Annexure-III.

FINANCIAL AND BUSINESS HIGHLIGHTS

The key operating and financial data has been given in summarized form under the caption "Financial & Business Highlights – Six years at a glance" (Page 83 - 84) and graphic representation of the important statistics is presented on (Page 85 - 86) .

INVESTMENT IN RETIREMENT BENEFITS

The value of investment, made by the staff Provident Fund operated by the Company as per their respective audited financial statements as of 30th June 2017 amounts to PKR 23.62 million.

AUDIT COMMITTEE

As required under the Code of Corporate Governance, the Audit Committee continued to perform as per its terms of reference duly approved by the Board. The Committee composition and salient features of its terms of reference are also attached with this report.

AUDITORS

The present external auditors M/s. KPMG Taseer Hadi & Co., shall retire at the conclusion of Annual General Meeting on 25th October 2018 and being eligible, have offered themselves for reappointment for the year ending on 30th June 2019. The external auditors hold satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) as required under their Quality Control Review Program. As suggested by the Audit Committee, the Board recommends reappointment of M/s. KPMG Taseer Hadi & Co., as auditors of the Company for the financial year ending on 30th June 2019 at a fee to be mutually agreed. Approval to this effect will be sought from the shareholders at the forthcoming Annual General Meeting scheduled on 25th October 2018.

COMPLIANCE WITH SECRETARIAL PRACTICES

The Company Secretary furnished a Secretarial Compliance Certificate, in the prescribed form, as required under prevalent listing regulation of Pakistan Stock Exchange, as part of the annual return filed with the Registrar of Companies to certify the secretarial and corporate requirements of the Companies Act, 2017, and listing regulations have been duly complied with.

ELECTION OF DIRECTORS

In accordance with the provisions of Section 161 of the Companies Act, 2017, the three years term of the present eight directors elected in the Extra Ordinary General Meeting of 2016 will be completed in September 2019.

POST BALANCE SHEET EVENTS

There have been no material changes since 30th June 2018 to the date of this report except the declaration of a final Cash Dividend @ 20% which is subject to the approval of the Members at the 24th Annual General Meeting to be held on 25th October 2018. The effect of such declaration shall be reflected in the next year's financial statements.

RELATED PARTY TRANSACTIONS

In order to comply with the requirements of listing regulations, the Company presented all related party transactions before the Audit Committee and Board for their review and approval. These transactions have been approved by the Audit Committee and Board of Directors in their respective meetings. The details of related party transactions have been provided in note 36 of the annexed audited financial statements.

ACKNOWLEDGEMENT

The Directors are grateful to the Company's stakeholders for their continuing confidence and patronage. We wish to place on record our appreciation and thanks for the faith and trust reposed by our Business Partners, Bankers & Financial Institutions. We thank the Ministry of Finance, the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan, the Competition Commission of Pakistan, Central Depository Company of Pakistan and the Management of Pakistan Stock Exchange for their continued support and guidance which has gone a long way in giving present shape to the Company.

The results of an organization are greatly reflective of the efforts put in by the people who work for and with the company. The Directors fully recognize the collective contribution made by the employees of the company for successful operations of the Company. We also appreciate the valuable contribution and active role of the members of the audit and other committees in supporting and guiding the management on matters of great importance.

For and on behalf of the Board



Arif Habib

Chief Executive



Asadullah Khawaja

Chairman

Karachi: 25th September 2018

ANNEXURES

- | | |
|---------------------|--|
| Annexure-I | Statement showing shares bought and sold by Directors, CEO CFO, Company Secretary and their Spouses and Minor Children |
| Annexure-II | Statement showing attendance at Board Meetings and Board Committees Meetings |
| Annexure-III | Pattern of Shareholding |

ANNEXURE I

STATEMENT SHOWING SHARES BOUGHT AND SOLD BY DIRECTORS, CEO, CFO, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN

From 1st July 2017 to 30th June 2018

| Name | Designation | Shares bought | Shares sold | Remarks |
|--------------------------|---------------------------------|---------------|--------------|--------------------------------|
| Mr. Asadullah Khawaja | Chairman | - | - | - |
| Mr. Arif Habib | Chief Executive | 53,898,000 | - | Shares received vide Gift Deed |
| Mr. Nasim Beg | Director | - | - | - |
| Mr. Samad A. Habib | Director | - | - | - |
| Mr. Kashif A. Habib | Director | - | - | - |
| Mr. Muhammad Ejaz | Director | - | - | - |
| Mr. Sirajuddin Cassim | Director | - | - | - |
| Khawaja Jalaluddin Roomi | Director | - | - | - |
| Mr. Mohsin Madni | CFO | - | - | - |
| Mr. Manzoor Raza | Company Secretary | - | - | - |
| Mr. Muneer Gader | Head of Internal Audit | - | - | - |
| Mrs. Zetun Arif | Spouse of Mr. Arif Habib | - | (53,898,000) | Shares given vide Gift Deed |
| Mrs. Lubna Khawaja | Spouse of Mr. Asadullah Khawaja | - | - | - |
| Minor children | - | - | - | - |

ANNEXURE II

STATEMENT SHOWING ATTENDANCE AT BOARD MEETINGS

From 1st July 2017 to 30th June 2018

| Name of Directors | Designation | Total | Eligible to attend | Attended | Leaves granted | Remarks |
|--------------------------|-----------------|-------|--------------------|----------|----------------|---------|
| Mr. Asadullah Khawaja | Chairman | 4 | 4 | 3 | 1 | - |
| Mr. Arif Habib | Chief Executive | 4 | 4 | 4 | - | - |
| Mr. Nasim Beg | Director | 4 | 4 | 3 | 1 | - |
| Mr. Samad A. Habib | Director | 4 | 4 | 4 | - | - |
| Mr. Kashif A. Habib | Director | 4 | 4 | 3 | 1 | - |
| Mr. Muhammad Ejaz | Director | 4 | 4 | 4 | - | - |
| Mr. Sirajuddin Cassim | Director | 4 | 4 | 3 | 1 | - |
| Khawaja Jalaluddin Roomi | Director | 4 | 4 | 4 | - | - |

STATEMENT SHOWING ATTENDANCE AT AUDIT COMMITTEE

From 1st July 2017 to 30th June 2018

| Name of Directors | Designation | Total | Eligible to attend | Attended | Leaves granted | Remarks |
|--------------------------|-------------|-------|--------------------|----------|----------------|---------|
| Khawaja Jalaluddin Roomi | Chairman | 4 | 4 | 4 | - | - |
| Mr. Kashif A. Habib | Member | 4 | 4 | 4 | - | - |
| Mr. Muhammad Ejaz | Member | 4 | 4 | 4 | - | - |

ANNEXURE II

STATEMENT SHOWING ATTENDANCE AT HR AND REMUNERATION COMMITTEE

From 1st July 2017 to 30th June 2018

| Name of Directors | Designation | Total | Eligible to attend | Attended | Leaves granted | Remarks |
|--------------------------|-----------------|-------|--------------------|----------|----------------|--|
| Khawaja Jalaluddin Roomi | Chairman | 2 | 1 | 1 | - | Appointed as Chairman and member on 26 February 2018 |
| Mr. Arif Habib | Member | 2 | 2 | 2 | - | - |
| Mr. Nasim Beg | Member | 2 | 2 | 2 | - | - |
| Mr. Kashif A. Habib | Member | 2 | 2 | 2 | - | - |
| Mr. Asadullah Khawaja | Former Chairman | 2 | 1 | 1 | - | Resigned as Chairman on 26 February 2018 |

STATEMENT SHOWING ATTENDANCE AT INVESTMENTS & PROJECTS DIVERSIFICATION COMMITTEE

From 1st July 2017 to 30th June 2018

| Name of Directors | Designation | Total | Eligible to attend | Attended | Leaves granted | Remarks |
|---------------------|-------------|-------|--------------------|----------|----------------|---------|
| Mr. Arif Habib | Chairman | 6 | 6 | 6 | - | - |
| Mr. Nasim Beg | Member | 6 | 6 | 6 | - | - |
| Mr. Samad A. Habib | Member | 6 | 6 | 6 | - | - |
| Mr. Kashif A. Habib | Member | 6 | 6 | 6 | - | - |

ANNEXURE III PATTERN OF SHAREHOLDING (SYMBOL : AHCL)

Categories of Shareholders as at 30th June 2018

| Category | Number of shareholders | Number of shares held | Holding % |
|---|------------------------|-----------------------|---------------|
| Directors and their spouse(s) and minor children | 14 | 316,149,861 | 69.67 |
| Associated Companies, undertakings and related parties | 12 | 53,748,063 | 11.85 |
| Executives | - | - | - |
| Public Sector Companies and Corporations | 3 | 3,839,089 | 0.85 |
| Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds | 7 | 725,686 | 0.16 |
| Mutual Funds | 4 | 1,817,442 | 0.40 |
| Others | 68 | 45,596,818 | 10.05 |
| General Public - Local | 4,130 | 31,873,012 | 7.02 |
| General Public - Foreign | 1 | 29 | 0.00 |
| | 4,239 | 453,750,000 | 100.00 |

ANNEXURE III PATTERN OF SHAREHOLDING (SYMBOL : AHCL)

Categories of Shareholders as at 30th June 2018

| Category | Number of shareholders | Number of shares held | Holding % |
|--|------------------------|-----------------------|-------------------|
| Directors and their spouse(s) and minor children | | | |
| Mr. Arif Habib | 2 | 315,670,967 | 69.57 |
| Mr. Asadullah Khawaja | 3 | 81,006 | 0.02 |
| Mr. Sirajuddin Cassim | 2 | 229,893 | 0.05 |
| Mr. Nasim Beg | 2 | 2,078 | 0.00 |
| Mr. Kashif A. Habib | 1 | 35,290 | 0.01 |
| Mr. Samad A. Habib | 1 | 1,006 | 0.00 |
| Mr. Muhammad Ejaz | 1 | 121 | 0.00 |
| Khawaja Jalaluddin Roomi | 1 | 119,500 | 0.03 |
| Ms. Lubna Khawaja | 1 | 10,000 | 0.00 |
| Associated Companies, Undertakings and Related Parties | | | |
| Masood Spinning Mills Limited | 1 | 11,095,500 | 2.45 |
| Roomi Enterprises (Pvt) Limited. | 1 | 69,000 | 0.02 |
| Roomi Fabrics Ltd | 1 | 22,801,000 | 5.03 |
| Ms. Sharmin Shahid | 1 | 16,799,500 | 3.70 |
| Mr. Aba Ali Habib | 1 | 122,879 | 0.03 |
| Ms. Tasnim Beg | 1 | 114,437 | 0.03 |
| Mr. Abdul Rahim Khawaja | 1 | 25,000 | 0.01 |
| Mr. Firozuddin Cassim | 1 | 2,500,000 | 0.55 |
| Mr. Muhammad Shahzad | 1 | 60 | 0.00 |
| Khawaja Hussam Ud Din Roomi | 1 | 142,500 | 0.03 |
| Mr. Salim Beg | 2 | 78,187 | 0.02 |
| Executives | - | - | - |
| Public Sector Companies and Corporations | 3 | 3,839,089 | 0.85 |
| Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds | 7 | 725,686 | 0.16 |
| Mutual Funds | | | |
| CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST | 1 | 724,292 | 0.16 |
| CDC - TRUSTEE AKD OPPORTUNITY FUND | 1 | 75,000 | 0.02 |
| Prudential Stocks Fund Ltd | 1 | 18,150 | 0.00 |
| Safe Way Fund Limited | 1 | 1,000,000 | 0.22 |
| Others | 68 | 45,596,818 | 10.05 |
| General Public | | | |
| a. Local | 4,130 | 31,873,012 | 7.02 |
| b. Foreign | 1 | 29 | 0.00 |
| Total | 4,239 | 453,750,000 | 100.00 |
| Shareholders holding 5% or more | | Shares Held | Percentage |
| Mr. Arif Habib | | 315,670,967 | 69.57 |
| Roomi Fabrics Ltd | | 22,801,000 | 5.03 |

PATTERN OF SHAREHOLDING (SYMBOL : AHCL)

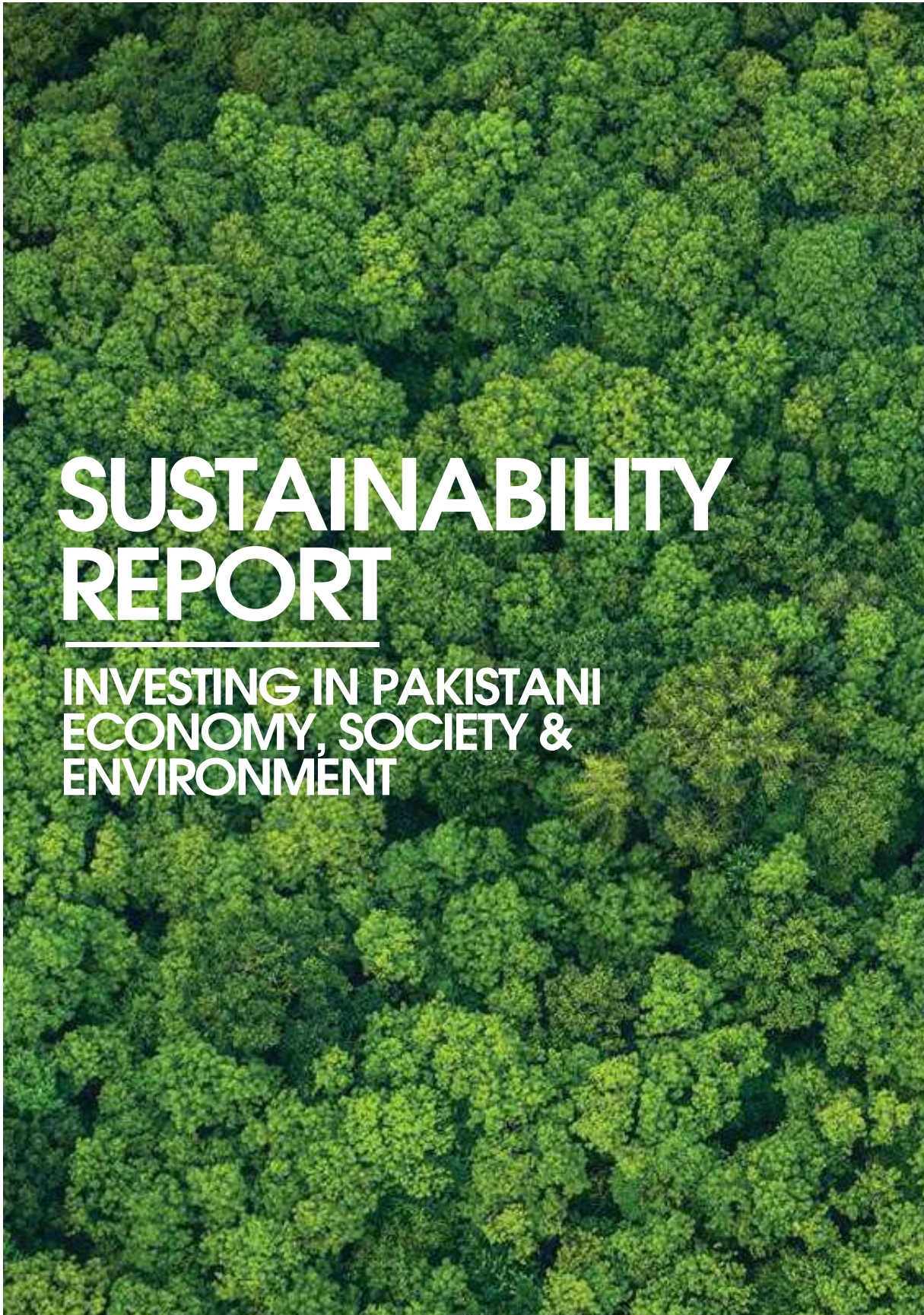
Categories of Shareholders as at 30th June 2018

| Number of Shareholders | | Shareholdings' Slab | | Holding |
|------------------------|--------|---------------------|--------|-----------|
| 856 | 1 | to | 100 | 20,691 |
| 875 | 101 | to | 500 | 275,550 |
| 625 | 501 | to | 1000 | 501,251 |
| 1154 | 1001 | to | 5000 | 2,811,007 |
| 272 | 5001 | to | 10000 | 2,012,009 |
| 110 | 10001 | to | 15000 | 1,356,471 |
| 80 | 15001 | to | 20000 | 1,430,214 |
| 36 | 20001 | to | 25000 | 844,789 |
| 23 | 25001 | to | 30000 | 637,258 |
| 21 | 30001 | to | 35000 | 687,713 |
| 16 | 35001 | to | 40000 | 613,574 |
| 15 | 40001 | to | 45000 | 640,392 |
| 19 | 45001 | to | 50000 | 921,649 |
| 15 | 50001 | to | 55000 | 785,558 |
| 10 | 55001 | to | 60000 | 574,321 |
| 7 | 60001 | to | 65000 | 439,948 |
| 4 | 65001 | to | 70000 | 274,528 |
| 7 | 70001 | to | 75000 | 518,107 |
| 7 | 75001 | to | 85000 | 548,125 |
| 2 | 85001 | to | 95000 | 177,000 |
| 11 | 95001 | to | 100000 | 1,092,100 |
| 1 | 100001 | to | 110000 | 102,000 |
| 3 | 110001 | to | 115000 | 340,187 |
| 4 | 115001 | to | 120000 | 477,952 |
| 2 | 120001 | to | 125000 | 244,099 |
| 1 | 125001 | to | 130000 | 125,625 |
| 1 | 130001 | to | 135000 | 134,954 |
| 1 | 135001 | to | 140000 | 140,000 |
| 2 | 140001 | to | 145000 | 285,500 |
| 1 | 145001 | to | 150000 | 150,000 |
| 1 | 150001 | to | 155000 | 150,755 |
| 2 | 155001 | to | 160000 | 316,517 |
| 1 | 160001 | to | 165000 | 162,079 |
| 2 | 165001 | to | 180000 | 337,000 |
| 1 | 180001 | to | 190000 | 185,000 |
| 2 | 190001 | to | 200000 | 386,758 |
| 2 | 200001 | to | 205000 | 406,500 |
| 1 | 205001 | to | 210000 | 208,071 |
| 1 | 210001 | to | 215000 | 212,500 |
| 1 | 215001 | to | 225000 | 215,500 |
| 1 | 225001 | to | 235000 | 229,393 |
| 2 | 235001 | to | 240000 | 475,206 |
| 1 | 240001 | to | 285000 | 242,000 |
| 1 | 285001 | to | 295000 | 286,500 |
| 1 | 295001 | to | 300000 | 299,500 |
| 1 | 300001 | to | 325000 | 303,600 |
| 1 | 325001 | to | 350000 | 325,605 |
| 1 | 350001 | to | 365000 | 352,000 |
| 1 | 365001 | to | 395000 | 370,000 |
| 1 | 395001 | to | 420000 | 400,000 |
| 1 | 420001 | to | 430000 | 421,500 |

PATTERN OF SHAREHOLDING (SYMBOL : AHCL)

Categories of Shareholders as at 30th June 2018

| Number of Shareholders | | Shareholdings' Slab | | Holding |
|------------------------|-----------|---------------------|-----------|--------------------|
| 1 | 430001 | to | 445000 | 433,165 |
| 1 | 445001 | to | 460000 | 450,000 |
| 1 | 460001 | to | 490000 | 462,975 |
| 1 | 490001 | to | 495000 | 490,193 |
| 2 | 495001 | to | 500000 | 1,000,000 |
| 1 | 500001 | to | 565000 | 500,400 |
| 1 | 565001 | to | 575000 | 565,500 |
| 1 | 575001 | to | 590000 | 577,218 |
| 1 | 590001 | to | 720000 | 592,500 |
| 1 | 720001 | to | 795000 | 724,292 |
| 1 | 795001 | to | 845000 | 800,000 |
| 1 | 845001 | to | 875000 | 847,000 |
| 1 | 875001 | to | 950000 | 878,500 |
| 2 | 950001 | to | 995000 | 1,902,354 |
| 1 | 995001 | to | 1555000 | 1,000,000 |
| 1 | 1555001 | to | 1835000 | 1,558,465 |
| 1 | 1835001 | to | 2130000 | 1,835,500 |
| 1 | 2130001 | to | 2495000 | 2,132,500 |
| 2 | 2495001 | to | 2585000 | 5,000,000 |
| 1 | 2585001 | to | 2875000 | 2,588,722 |
| 1 | 2875001 | to | 3690000 | 2,879,693 |
| 1 | 3690001 | to | 11095000 | 3,691,500 |
| 1 | 11095001 | to | 13630000 | 11,095,500 |
| 1 | 13630001 | to | 16795000 | 13,634,500 |
| 1 | 16795001 | to | 17385000 | 16,799,500 |
| 1 | 17385001 | to | 22800000 | 17,389,500 |
| 1 | 22800001 | to | 63500000 | 22,801,000 |
| 1 | 63500001 | to | 252165000 | 63,500,967 |
| 1 | 252165001 | to | 252170000 | 252,170,000 |
| 4,239 | | | | 453,750,000 |



SUSTAINABILITY REPORT

INVESTING IN PAKISTANI
ECONOMY, SOCIETY &
ENVIRONMENT



CEO'S MESSAGE

Corporate Social Responsibility (CSR) is a well-known term in most developed countries of the world today, but is still an evolving concept, one that is often confused with philanthropy, in countries such as Pakistan where challenges of overpopulation, unemployment and illiteracy weigh heavy. Natural calamities, changes in Government, political strife and dependency on external factors create further holdups in achieving the minimum standards let alone the Millennium Development Goals.

Arif Habib Group's CSR contributions are built upon the awareness that businesses have a duty to safeguard our scarce resources and leave a positive impact on the society. Businesses are persuasive components of society and the most successful, respected, and desirable businesses exist to do much more than make money; they exist to use the power of business to solve social and environmental problems.

We contribute to the well-being of people by supporting sustainable measures and providing assistance to institutions and welfare organisations, across Pakistan, reaching well beyond our business locations, impacting the lives of marginalised communities.

Arif Habib Group companies work towards empowering people by helping them develop the skills they need to succeed in a global economy. For us, sustainability is our responsibility to grow the business in a way that leaves the world better than we found it. That fundamental idea runs through everything we do and our actions must be measured through that lens.



OUR VISION FOR SUSTAINABILITY

The issues facing our society as a whole grow ever more diverse and complex with the passage of time. Sadly, these changes had not been anticipated as well as they should have been to ensure our progress into the future as a country. Today we are faced with strain on the available energy, water and food provisions. Resources such as power, transportation and communications infrastructure, along with fundamental community services like education and healthcare, have not been able to grow as quickly as the population has.

Our businesses at the Arif Habib Group span across the country, and through our daily interaction with stakeholders we are able to understand on-ground reality – the real needs of our society. Our aim is always to undertake worthwhile businesses that draw on this understanding and help in addressing core societal issues. In every business domain, we are driven by a sense of challenge that seeks to build a track record of improved service in Pakistan and worldwide. As a company, we want to be valued by society and viewed as one that contributes to a better, more sustainable future where the aspirations of people are fulfilled.

We strive to ensure that we maximize positive impacts and minimize, as much as we can, the negatives on communities and environment. It is our vision to continue contributing to economic growth and stability in Pakistan through actively investing in its economy, its people and the sustainability of its environment.



ARIF HABIB FOUNDATION

Our goal is charitable giving and to better align our objectives the Arif Habib Foundation was established. In the current year the Foundation has donated almost PKR 91.75 million in an effort to support different causes in line with our CSR objectives.

The Foundation hopes to contribute and empower others in eliminating the dearth of basic necessities that should be available to all regardless of financial income, religion, gender or national origin. We believe that only a nation that has access to basic necessities will be able to contribute positively to the country.



HANDS

HANDS has evolved into one of the largest Non-Profit Organizations of the country with an integrated development model and disaster management expertise. HANDS has access to more than 21 million people in country in more than 15,700 villages in 43 districts of Pakistan.

Arif Habib Group has undertaken a commitment to provide better quality education, health services and livelihood opportunities in the vicinities in which it operates in partnership with HANDS.



INVESTING IN EDUCATION

The Arif Habib Group is dedicated to contributing towards the improvement and development of local educational institutions in order to produce the future flag bearers of Pakistan. We believe that providing our youth access to the quality education, within the country, through the bettering of our institutions and providing better access to higher education will be a critical factor in further developing Pakistan's economy in the coming years.

Group companies have collectively pledged support to Habib University Foundation (HUF), Institute of Business Administration (IBA), Karachi School of Business & Leadership (KSBL), Lahore University of Management Sciences (LUMS), Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (GIKI), Namal Education Foundation and National University of Sciences and Technology (NUST).

Other causes supported by the Group include CARE Foundation, Progressive Education Network, The Citizens Foundation, The Hunar Foundation, and Fatima Fertilizer School amongst others.

INVESTING IN HEALTH

We believe that a healthy population is essential to a healthy economy, thus over the past year, the Group has played its role in contributing to better health for our human resource and the communities in which we work.

Group companies have contributed to various causes which include but are not limited to Shaukat Khanum Memorial Cancer Hospital and Research Centre, Sindh Institute of Urology and Transplantation (SIUT), Aman Foundation, Pakistan Kidney and Liver Transplant and Research Center, The Patients Aid Foundation, Indus Hospital and The Kidney Centre.

Group companies support the Memon Medical Institute (a project of the Memon Health & Education Foundation) to assist in achieving their vision of providing accessible and affordable quality healthcare and education to all with dignity, respect and empathy.

Another hospital that the Group Companies support is the Mukhtar A. Sheikh Hospital which is being established in the heart of Southern Punjab. Mukhtar A. Sheikh Hospital at its completion will be a state of the art 500 bed facility aiming to serve a population of 6.5 million.

INVESTING IN CULTURE AND DIVERSITY

The Arif Habib Group is committed to encouraging and supporting a vibrant local culture, as we believe that it is essential to building identity and national pride. Many of the Group companies arranged celebratory activities to commemorate the historic events of Independence Day and paying tribute to the country which has allowed us to flourish.

As a Group operating across the country we have the opportunity to support various cultural and sporting events. JCL's housing project, Naya Nazimabad's Cricket Stadium is the Karachi Kings official home ground on which along with the annual Flagship Naya Nazimabad Ramadan Cup Karachi Kings hosted a number of events including the Karachi Kings Talent Hunt, Karachi ke Shehzade and the Karachi Kings Send-off Ceremony. JCL also supported a number of other sports including but not limited to Pakistan's national sport, hockey.





INVESTING IN THE ENVIRONMENT

We believe that sustainable use of resources lies at the heart of maintaining a healthy environment. The Group continuously endeavours to support initiatives to reduce resource consumption and encourage research in renewable energy.

Renewable energy is the future of energy in this country and around the world. We believe that in order to address the issue indigenous sources of power generation must be enabled and invested in. For this purpose, the group has set up, SEDPL a special-purpose company that is operating a 50 MW wind farm at Jhimpir, Sindh. We hope to contribute to a more sustainable future for the country's energy needs.

Raising awareness around environmental issues and sustainable resource allocation is critical to environmental sustainability. To recognize the Group's contribution on this front National Forum for Environment & Health (NFEH) recognised the contributions made by Javedan Corporation Limited, Arif Habib Commodities and Fatima Fertilizer at the 14th NFEH Annual Environment Excellence Award.

We also value the importance of a relaxed and peaceful mind as we believe that goes a long way in ascertaining the type of society that is then built. We believe this not only comes from extra-curricular activities but also from the environment around us. To contribute in bettering the environment, Group companies have carried out plantation drives and adopted various areas around Karachi, working towards their beautification and upliftment through restoration of their long forgotten beauty and renovation to include modernity.

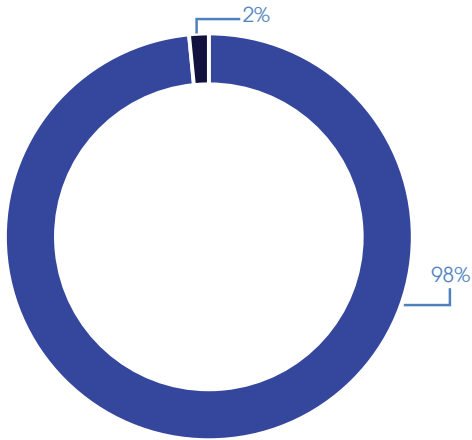
FINANCIAL HIGHLIGHTS





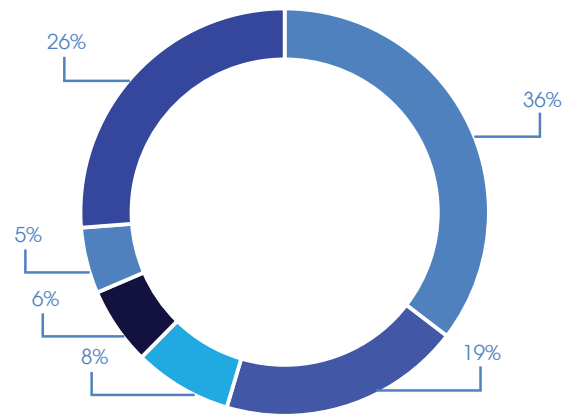
AHCL AT A GLANCE

OPERATING REVENUE



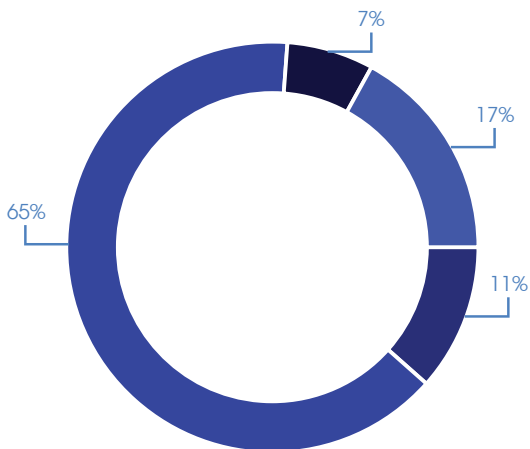
- Dividend
- Others

OPERATING & ADMINISTRATIVE EXPENSES



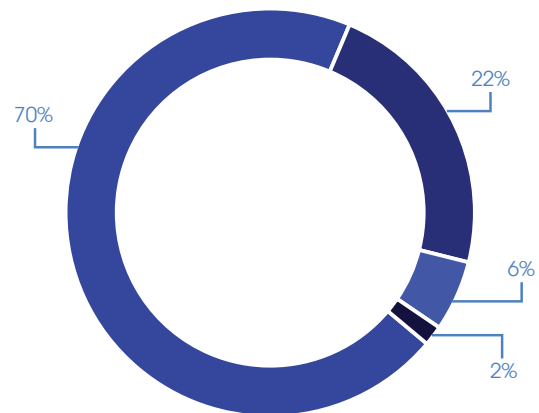
- Others
- Salaries and benefits
- Rent, rates and taxes
- Depreciation
- Advertisement and business promotion
- Legal and professional charges

EQUITY AND LIABILITIES



- Reserves
- Current liabilities
- Paid-up capital
- Non-current liabilities

ASSETS



- Long term investments
- Short term investments
- Loans and advances
- Other assets

KEY FIGURES & HIGHLIGHTS



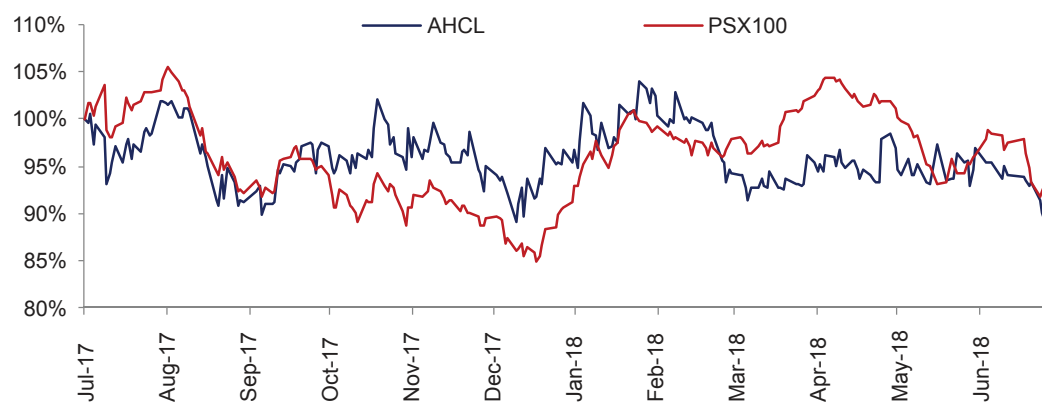
*EBITDA = Earnings before interest, tax, depreciation and amortisation

FINANCIAL & BUSINESS HIGHLIGHTS SIX YEARS AT A GLANCE

| Year ended 30 th June | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| Profit and Loss Account (Rs. in million) | | | | | | |
| Total revenue | 1,172.25 | 2,284.78 | 1,976.30 | 5,241.67 | 2,032.91 | 2,033.22 |
| Operating, administrative expenses & other charges | (118.03) | (144.25) | (133.36) | (329.97) | 534.95 | (226.99) |
| Finance cost | (116.46) | (148.34) | (277.67) | (241.61) | (208.40) | (292.03) |
| Profit before tax | 948.12 | 2,381.00 | 1,568.35 | 4,245.08 | 2,275.65 | 1,514.20 |
| Profit after tax | 820.99 | 2,391.37 | 1,281.12 | 4,438.75 | 2,306.32 | 1,365.74 |
| EBITDA | 1,071.27 | 2,537.48 | 1,854.54 | 4,496.27 | 2,491.64 | 1,813.11 |
| Balance Sheet (Rs. in million) | | | | | | |
| Share capital | 4,537.50 | 4,537.50 | 4,537.50 | 4,537.50 | 4,537.50 | 4,537.50 |
| Reserves | 25,365.96 | 25,931.98 | 24,525.53 | 24,907.43 | 21,213.08 | 20,147.03 |
| Operating fixed assets | 30.32 | 36.59 | 43.44 | 50.79 | 57.42 | 39.59 |
| Long term investments | 27,572.49 | 28,128.15 | 28,810.29 | 31,123.83 | 27,407.13 | 26,649.85 |
| Current assets | 11,470.61 | 7,574.49 | 6,261.88 | 5,755.12 | 3,381.29 | 2,777.40 |
| Current liabilities | 6,676.44 | 4,374.72 | 4,929.69 | 5,770.01 | 3,117.82 | 2,375.15 |
| Deferred liabilities | 2,353.37 | 2,435.63 | 2,623.90 | 2,331.79 | 2,747.68 | 2,910.45 |
| Total assets | 39,258.28 | 37,735.01 | 36,764.44 | 39,593.76 | 33,510.68 | 29,970.12 |
| Total liabilities | 9,354.81 | 7,265.53 | 7,701.41 | 10,148.83 | 7,760.10 | 5,285.59 |
| Ratios | | | | | | |
| Performance | | | | | | |
| Return on equity (%) | 2.72% | 8.03% | 4.38% | 16.08% | 9.15% | 5.58% |
| Return on assets (%) | 2.13% | 6.42% | 3.4% | 12.14% | 7.27% | 4.55% |
| Return on capital employed (%) | 3.27% | 7.58% | 5.8% | 13.26% | 8.17% | 6.55% |
| Income/ expense ratio (x) | 9.93% | 13.44 | 11.18 | 15.89 | 11.19 | 5.77 |
| Earning asset/Total asset ratio (%) | 99.10% | 99.06% | 99.35% | 95.48% | 95.99% | 96.24% |
| Break-up value (PKR) | 65.90 | 67.15 | 64.05 | 64.89 | 56.75 | 54.40 |
| Leverage | | | | | | |
| Total liabilities to equity ratio (%) | 31.28% | 23.85% | 26.50% | 34.47% | 30.14% | 21.41% |
| Cost of debt (%) | 8.08% | 10.18% | 9.05% | 9.22% | 10.83% | 13.93% |
| Long term debt to equity ratio (%) | 1.09% | 1.49% | 0.51% | 6.95% | 7.36% | 2.66% |
| Interest cover ratio (x) | 9.14 | 17.05 | 6.65 | 18.57 | 11.92 | 6.19 |

| Year ended 30 th June | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---------|----------|----------|---------|---------|----------|
| Liquidity | | | | | | |
| Current ratio (x) | 1.72 | 1.73 | 1.27 | 1.00 | 1.08 | 1.17 |
| Cash to current liabilities (%) | 0.67% | 0.89% | 0.5% | 35.10% | 0.74% | 4.09% |
| Valuation | | | | | | |
| Price earning ratio (x) | 19.14 | 7.82 | 13.97 | 5.44 | 5.48 | 7.36 |
| Break-up value per share (PKR) | 65.90 | 67.15 | 64.05 | 64.89 | 56.75 | 54.40 |
| Cash dividend per share (PKR) | 2* | 3 | 2.5 | 4 | 2.5 | 2.5 |
| Dividend declared (%) | 20%* | 30% | 25% | 40% | 25% | 25% |
| Dividend yield (%) | 5.77% | 7.28% | 6.34% | 7.52% | 8.98% | 11.28% |
| Dividend payout ratio (%) | 110.54% | 56.92% | 88.55% | 40.89% | 49.19% | 83.06% |
| Dividend cover ratio (x) | 0.90 | 1.76 | 1.13 | 2.45 | 2.03 | 1.20 |
| Market value per share (end of year) (PKR) | 34.64 | 41.23 | 39.45 | 53.22 | 27.84 | 22.16 |
| High (during the year) (PKR) | 41.99 | 49.70 | 64.55 | 53.22 | 32.00 | 29.11 |
| Low (during the year) (PKR) | 31.36 | 35.74 | 36.00 | 22.27 | 19.16 | 22.01 |
| Earnings Per Share (PKR) | 1.81 | 5.27 | 2.82 | 9.78 | 5.08 | 3.01 |
| *Proposed | | | | | | |
| Shareholders' Return | | | | | | |
| Arif Habib Corporation Limited | | | | | | |
| - annual total return (%) | (5.51%) | 11.28% | (20.01%) | 111.52% | 39.67% | (16.01%) |
| Pakistan Stock Exchange 100 Index | | | | | | |
| - annual return (%) | (6.17%) | 22.90% | 10.00% | 15.67% | 41.20% | 52.20% |
| Shareholders' return differential: | | | | | | |
| AHSL-PSX-100 Index (%) | 0.66% | (11.62%) | (30.01%) | 95.84% | (1.53%) | (68.26%) |

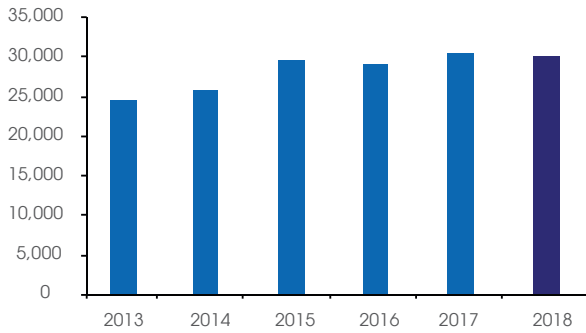
Graph for the year ended on 30th June 2018



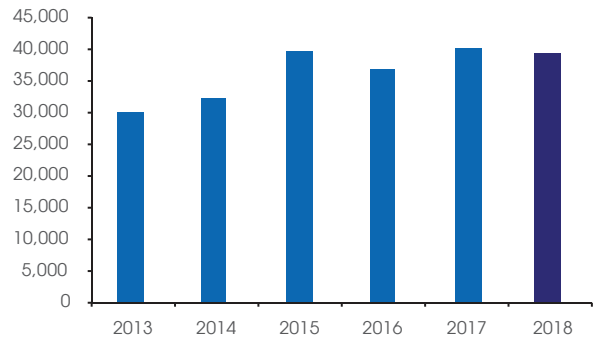
Source: Bloomberg, Arif Habib Limited, Equity Research Division

GRAPHICAL REPRESENTATION

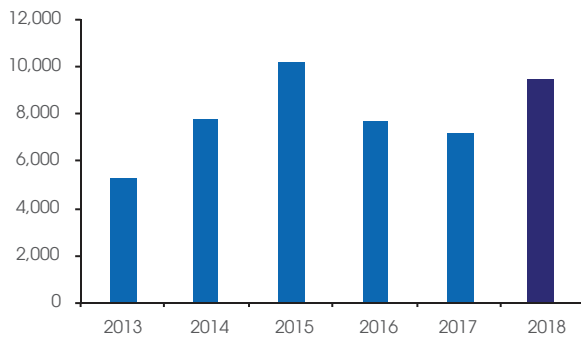
Shareholders equity Rupees in million



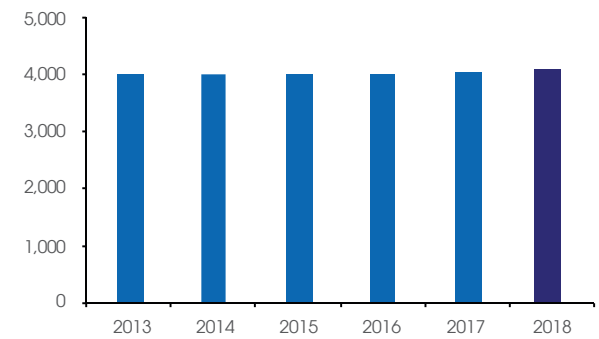
Total assets Rupees in million



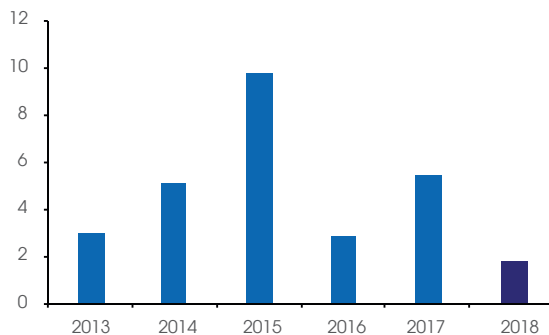
Total liabilities Rupees in million



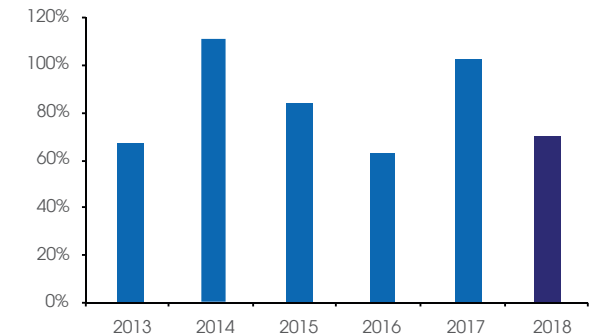
Net turnover Rupees in million



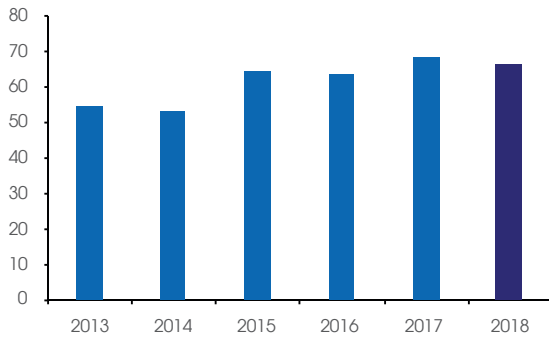
Earnings per share Rupees



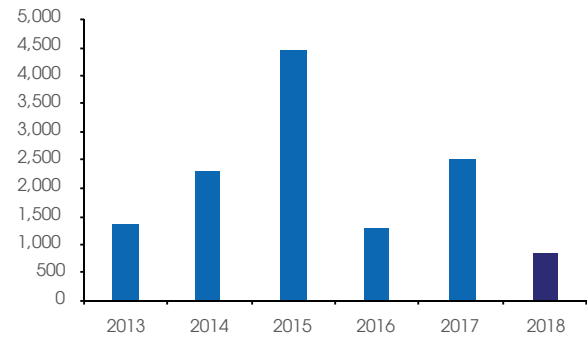
Net margin Percentage



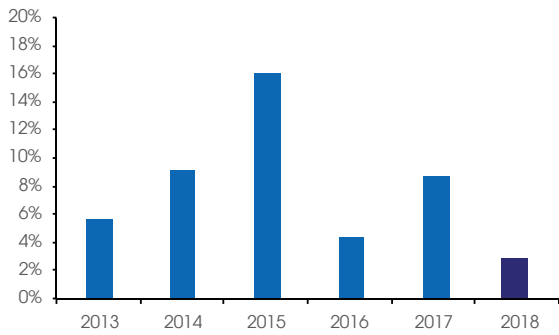
Break-up value per share Rupees



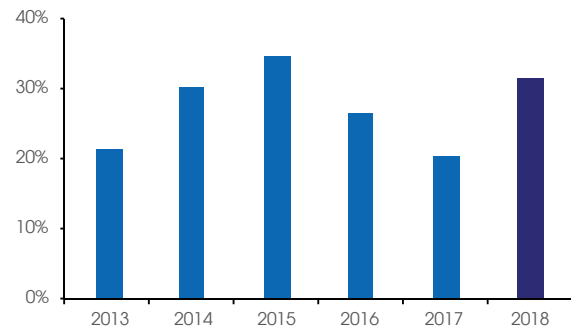
Profit after tax Rupees in million



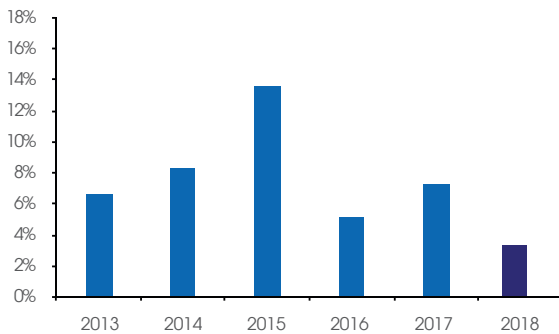
Return on equity Percentage



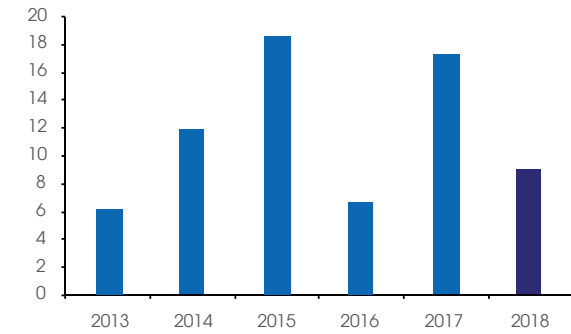
Financial leverage ratio Percentage



Return on capital employed Percentage



Interest cover ratio Times



HORIZONTAL ANALYSIS OF FINANCIAL STATEMENTS

| | 2018 | %Δ YoY 2018-17 | 2017 | %Δ YoY 2017-16 | 2016 | %Δ YoY 2016-15 |
|---|----------------------|-------------------|----------------------|-------------------|----------------------|-------------------|
| | Rupees in million | | Rupees in million | | Rupees in million | |
| Balance Sheet | | | | | | |
| Total equity | 29,903.46 | (1.86) | 30,469.48 | 4.84 | 29,063.03 | (1.30) |
| Total non-current liabilities | 2,678.37 | (7.35) | 2,890.81 | 4.30 | 2,771.72 | (36.70) |
| Total current liabilities | 6,676.44 | 52.61 | 4,374.72 | (11.26) | 4,929.69 | (14.61) |
| Total equity and liabilities | 39,258.28 | 4.04 | 37,735.01 | 2.64 | 36,764.44 | (7.15) |
| Total non-current assets | 22,787.66 | (7.87) | 30,160.52 | (1.12) | 30,502.56 | (9.86) |
| Total current assets | 11,470.61 | 51.44 | 7,574.49 | 21.96 | 6,261.88 | 8.75 |
| Total assets | 39,258.28 | 4.04 | 37,735.01 | 2.64 | 36,764.44 | (7.15) |
| Profit and Loss Account | | | | | | |
| Total revenue | 1,172.25 | (39.52) | 1,938.15 | 29.98 | 1,491.08 | (71.55) |
| Operating and administrative expenses | (106.21) | (9.01) | (116.73) | (0.24) | (117.01) | (18.35) |
| Unrealised gain on remeasurement of investment property | - | (100.00) | 346.62 | (28.56) | 485.21 | 100.00 |
| Impairment reversal / (loss) on investments | - | - | - | - | - | (100.00) |
| Other incomes / (charges) - net | 10.35 | (97.13) | 361.29 | (2,822.49) | (13.27) | (92.77) |
| Finance cost | (116.46) | (21.49) | (148.34) | (46.58) | (277.67) | 14.92 |
| Profit / (loss) before tax | 959.94 | (59.68) | 2,381.00 | 51.82 | 1,568.35 | (63.05) |
| Taxation | (127.13) | (1,326.04) | 10.37 | (103.61) | (287.22) | (248.30) |
| Profit / (loss) after tax | 832.80 | (65.17) | 2,391.37 | 86.66 | 1,281.12 | (71.14) |

| | 2015 | %Δ YoY 2015-14 | 2014 | %Δ YoY 2014-13 | 2013 |
|--|----------------------|-------------------|----------------------|-------------------|----------------------|
| Balance Sheet | Rupees in million | | Rupees in million | | Rupees in million |
| Total equity | 29,444.93 | 14.35 | 25,750.58 | 4.32 | 24,684.53 |
| Total non-current liabilities | 4,378.82 | (5.68) | 4,642.27 | 59.50 | 2,910.45 |
| Total current liabilities | 5,773.13 | 85.17 | 3,117.82 | 31.27 | 2,375.15 |
| Total equity and liabilities | 39,596.88 | 18.16 | 33,510.7 | 11.81 | 29,970.12 |
| Total non-current assets | 33,838.64 | 12.31 | 30,129.39 | 10.80 | 27,192.72 |
| Total current assets | 5,758.24 | 70.30 | 3,381.29 | 21.74 | 2,777.40 |
| Total assets | 39,596.88 | 18.16 | 33,510.7 | 11.81 | 29,970.12 |
| Profit and Loss Account | | | | | |
| Total revenue | 5,241.67 | 157.84 | 2,032.91 | (0.01) | 2,033.02 |
| Operating and administrative expenses | (143.31) | 44.22 | (99.37) | 4.53 | (95.06) |
| Unrealised gain on remeasurement of investment property | - | - | - | - | - |
| Impairment reversal/(loss) on investments | (428.01) | (167.64) | 632.82 | 404.56 | 125.42 |
| Other incomes / (charges) - net | (183.66) | 123.13 | (82.31) | (67.99) | (257.15) |
| Finance cost | (241.61) | 15.93 | (208.40) | (28.64) | (292.03) |
| Profit / (loss) before tax | 4,245.08 | 86.54 | 2,275.7 | 50.29 | 1,514.20 |
| Taxation | 193.67 | 531.50 | 30.67 | (120.66) | (148.46) |
| Profit / (loss) after tax | 4,438.75 | 92.46 | 2,306.3 | 68.87 | 1,365.74 |

VERTICAL ANALYSIS OF FINANCIAL STATEMENTS

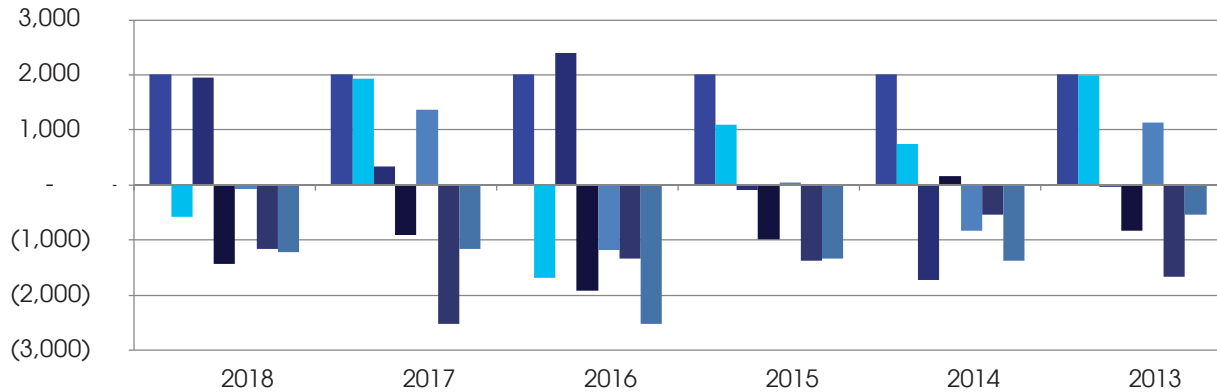
| | 2018 | | 2017 | | 2016 | |
|---|-------------------|---------------|-------------------|---------------|-------------------|---------------|
| | Rupees in million | % | Rupees in million | % | Rupees in million | % |
| Balance Sheet | | | | | | |
| Total equity | 29,903.46 | 76.17 | 30,469.48 | 80.75 | 29,063.03 | 79.05 |
| Total non-current liabilities | 2,678.37 | 6.82 | 2,890.81 | 7.66 | 2,771.72 | 7.54 |
| Total current liabilities | 6,676.44 | 17.01 | 4,374.72 | 11.59 | 4,929.69 | 13.41 |
| Total equity and liabilities | 39,258.28 | 100.00 | 37,735.01 | 100.00 | 36,764.44 | 100.00 |
| Total non-current assets | 27,787.66 | 70.78 | 30,160.52 | 79.93 | 30,502.56 | 83.97 |
| Total current assets | 11,470.61 | 29.22 | 7,574.49 | 20.07 | 6,261.88 | 17.03 |
| Total assets | 39,258.28 | 100.00 | 37,735.01 | 100.00 | 36,764.44 | 100.00 |
| Profit and Loss Account | | | | | | |
| Total revenue | 1,172.25 | 100.00 | 1,938.15 | 100.00 | 1,491.08 | 100.00 |
| Operating and administrative expenses | (106.21) | (9.06) | (116.73) | (6.02) | (117.01) | (7.85) |
| Unrealised gain on remeasurement of investment property | - | - | 346.62 | 17.88 | 485.21 | 32.54 |
| Impairment (loss) / reversal on investments | - | - | - | - | - | - |
| Other incomes / (charges) - net | 10.35 | 0.88 | 361.29 | 18.64 | (13.27) | (0.89) |
| Finance cost | (116.46) | (9.93) | (148.34) | (7.65) | (277.67) | (18.62) |
| Profit / (loss) before tax | 959.94 | 81.89 | 2,381.00 | 122.85 | 1,568.35 | 105.18 |
| Taxation | (127.13) | (10.85) | 10.37 | 0.54 | (287.22) | (19.26) |
| Profit / (loss) after tax | 832.80 | 71.04 | 2,391.37 | 123.38 | 1,281.12 | 85.92 |

| | 2015 | | 2014 | | 2013 |
|---|-------------------|---------------|-------------------|---------------|-------------------|
| | Rupees in million | % | Rupees in million | % | Rupees in million |
| Balance Sheet | | | | | |
| Total equity | 29,444.93 | 74.36 | 25,750.58 | 76.84 | 24,684.53 |
| Total non-current liabilities | 4,378.82 | 11.06 | 4,642.27 | 13.85 | 2,910.45 |
| Total current liabilities | 5,773.13 | 14.58 | 3,117.82 | 9.30 | 2,375.15 |
| Total equity and liabilities | 39,596.88 | 100.00 | 33,510.68 | 100.00 | 29,970.12 |
| Total non-current assets | 33,838.64 | 85.46 | 30,129.39 | 89.91 | 27,192.72 |
| Total current assets | 5,758.24 | 14.54 | 3,381.29 | 10.09 | 2,777.40 |
| Total assets | 39,596.88 | 100.00 | 33,510.68 | 100.00 | 29,970.12 |
| Profit and Loss Account | | | | | |
| Total revenue | 5,241.67 | 100.00 | 2,032.91 | 100.00 | 2,033.02 |
| Operating and administrative expenses | (143.31) | (2.73) | (99.37) | (4.89) | (95.06) |
| Unrealised gain on remeasurement of investment property | - | - | - | - | - |
| Impairment (loss)/reversal on investments | (428.01) | (8.17) | 632.82 | 31.13 | 125.42 |
| Other incomes / (charges) - net | (183.66) | (3.50) | (82.31) | (4.05) | (257.15) |
| Finance cost | (241.61) | (4.61) | (208.40) | (10.25) | (292.03) |
| Profit / (loss) before tax | 4,245.08 | 81.99 | 2,275.65 | 111.94 | 1,514.20 |
| Taxation | 193.67 | 3.69 | 30.67 | 1.51 | (148.46) |
| Profit / (loss) after tax | 4,438.75 | 84.68 | 2,306.32 | 113.45 | 1,365.74 |

SUMMARY OF CASH FLOWS STATEMENT

Year ended 30th June

Rupees in million

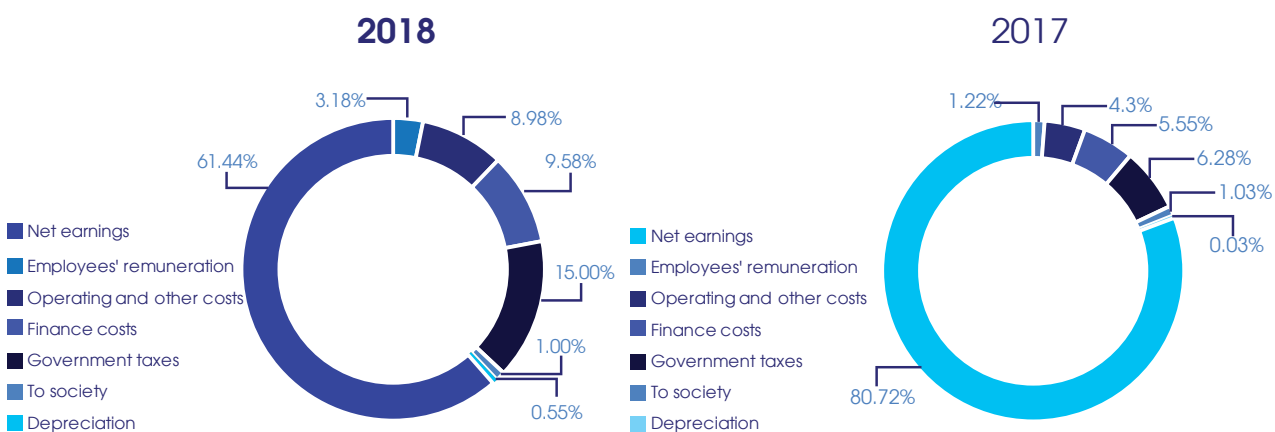


Year ended 30th June

- Net cash flows from investing activities
- Net cash flows from operating activities
- Net change in cash and cash equivalents
- Net cashflows from financing activities
- Cash and cash equivalents at end of the year
- Cash and cash equivalents at beginning of the year

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------------------------|------------|------------|------------|------------|------------|
| | Rupees in million | | | | | |
| Net cash flows from operating activities | (770.17) | 1,922.86 | (1,680.29) | 1,103.10 | 740.87 | 1,988.19 |
| Net cash flows from investing activities | 2,217.28 | 341.93 | 2,406.47 | (84.78) | (1,719.28) | (34.08) |
| Net cash flows from financing activities | (1,425.37) | (896.95) | (1,914.04) | (981.51) | 152.28 | (825.00) |
| Net change in cash and cash equivalents | (68.26) | 1,367.84 | (1,187.86) | 36.81 | (826.14) | 1,129.11 |
| Cash and cash equivalents at beginning of the year | (1,155.74) | (2,522.58) | (1,334.72) | (1,371.53) | (545.39) | (1,674.50) |
| Cash and cash equivalents at end of the year | (1,223.00) | (1,154.74) | (2,522.58) | (1,334.72) | (1,371.53) | (545.39) |

STATEMENT OF VALUE ADDED AND ITS DISTRIBUTION



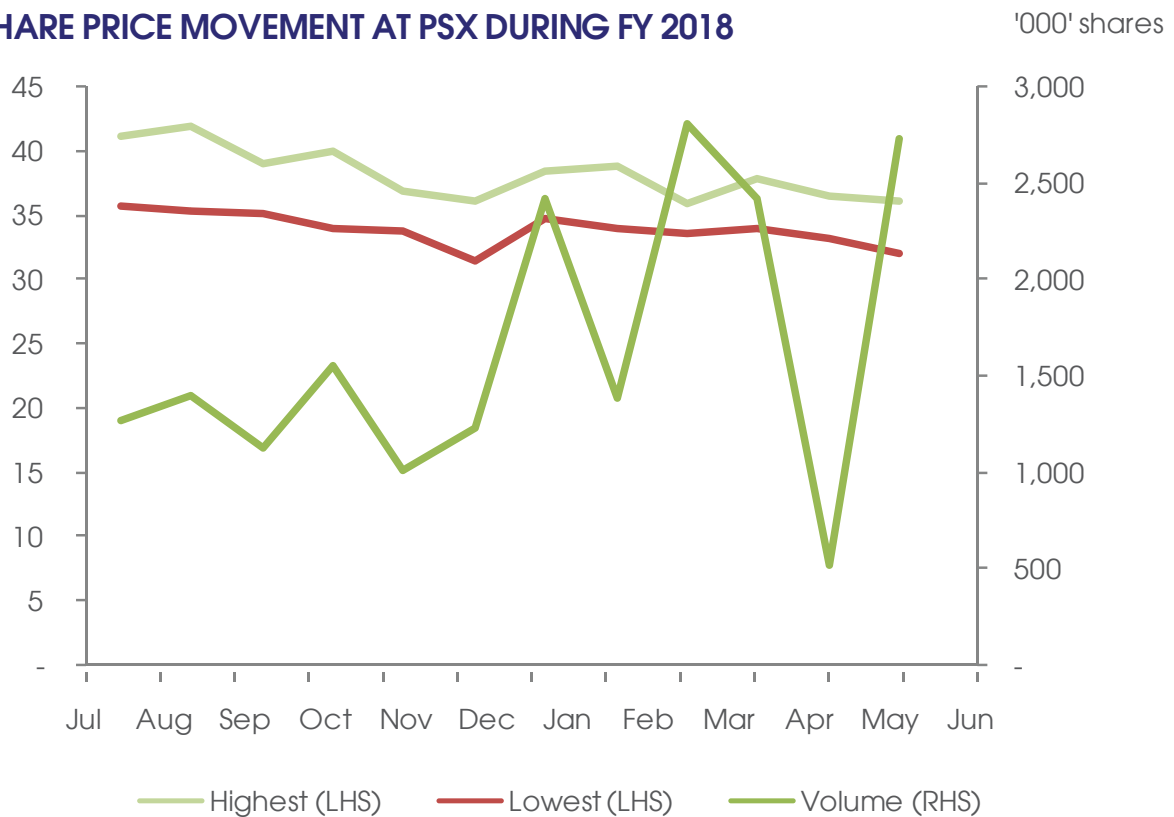
| Value Added | 2018 | | 2017 | |
|---|-------------------|--------|-------------------|--------|
| | Rupees in million | % | Rupees in million | % |
| Operating revenue | 1172.25 | 99.12 | 1,938.15 | 72.50 |
| Unrealised gain re measurement of investment property | - | - | 346.62 | 12.96 |
| Other income | 10.33 | 0.88 | 388.81 | 14.54 |
| | 1182.61 | 100.00 | 2,673.59 | 100.00 |
| Distributed As Follows | | | | |
| Employees' remuneration | 37.60 | 3.18 | 32.61 | 1.22 |
| Operating and other costs | 106.21 | 8.98 | 116.73 | 4.37 |
| Finance costs | 116 | 9.85 | 148.34 | 5.55 |
| Government taxes | 177.45 | 15.00 | 182.40 | 6.82 |
| To Society | 11.79 | 1.00 | 27.41 | 1.03 |
| Retained within the business: | | | | |
| Depreciation | 6.56 | 0.55 | 7.92 | 0.30 |
| Net earnings | 726.54 | 61.44 | 2,158.17 | 80.72 |
| | 733.10 | 61.99 | 2,166.09 | 81.02 |
| | 1,182.61 | 100.00 | 2,673.58 | 100.00 |

SHARE PRICE / VOLUME ANALYSIS

| Month | Highest (LHS) | Lowest (LHS) | Volume (RHS) |
|--------------|---------------|--------------|--------------|
| July-17 | 41.13 | 35.70 | 1,267,500 |
| August-17 | 41.99 | 35.40 | 1,397,000 |
| September-17 | 39.00 | 35.15 | 1,130,500 |
| October-17 | 40.00 | 33.93 | 1,555,500 |
| November-17 | 36.90 | 33.81 | 1,005,000 |
| December-17 | 36.00 | 31.36 | 1,234,000 |
| January- 18 | 38.45 | 34.65 | 2,421,500 |
| February-18 | 38.85 | 34.00 | 1,384,500 |
| March- 18 | 35.81 | 33.50 | 2,806,000 |
| April-18 | 37.71 | 34.00 | 2,421,000 |
| May-18 | 36.50 | 33.05 | 519,500 |
| June-18 | 36.00 | 32.02 | 2,734,500 |

AHCL Share Price on the PSX

SHARE PRICE MOVEMENT AT PSX DURING FY 2018





COMMENTS ON THE RESULTS OF FINANCIAL PERFORMANCE

COMMENTS ON SIX YEARS PROFITABILITY

The return on equity fluctuated from 2.72% to 16.08%. The variation is mainly attributable to Company's nature of business and dependence on performance of its investee companies and capital market.

COMMENTS ON SIX YEARS LIQUIDITY

The company has maintained its current ratio equivalent to or beyond 1.0x throughout the previous six years demonstrating sufficient capacity to pay its short term obligations.

COMMENTS ON SIX YEARS INVESTMENT / MARKET

The company has made consistent annual distributions to its shareholders in the form of cash dividends, The EPS of the Company has not dipped below the level of Rs. 1.81 per share during the six years.

COMMENTS ON SIX YEARS CAPITAL STRUCTURE

With a successful investment history, the company exhibited a healthy equity base. More than 90% of the assets of the Company contributed towards the earnings of the Company during the last 6 years indicating the efficient use of assets. Owing to the nature of the business, the Company endeavors to maintain a diversified portfolio.

COMMENTS ON SIX YEARS CASH FLOWS

The company efficiently manages its cash flows which is reflected in its summary of cash flow statement. The nature of business requires the company to inject cash through equity and loan in some of its strategic investments which is usually resourced from the dividends received from stable investee companies and financing from banks.

COMMENTS ON SIX YEARS BALANCE SHEET ANALYSIS

Currently, total asset base of the company stands at Rs. 39.26 billion, growing from Rs. 29.97 billion in the last six years.

Shareholders' equity have compound growth of 1.13% per year during the last six years. Reiteratively, the growth rate in equity is in addition to earnings distributed the shareholders as dividends.

Sound balance sheet strategy of the company has been witnessed in optimal use of financial leverage. Financial leverage ratio (total liabilities to shareholders equity) of the company hovered in the range of 20-35%. At the end of current year, the ratio stands at 31.28%.

COMMENTS ON SIX YEARS PROFIT AND LOSS ANALYSIS

Owing to the nature of business of the company inherent to implied risk factors sensitive to capital market, dividends and capital appreciation in value of strategic investments are the main contributors for revenues of the company whereas impairment loss and finance cost remained the major expenses in most of the years.

ANALYSIS OF QUARTERLY RESULTS

| | | Quarter ended | | | |
|-------------------|------------------------|---------------|---------------|---------------|-------------|
| | | Jun-18 | Mar-18 | Dec-17 | Sep-17 |
| Operating revenue | Quarter end | 136,032,589 | 809,661,643 | (580,600,842) | 807,159,099 |
| | Contribution to FY2018 | 11.60% | 69.07% | (49.53%) | 68.86% |
| | Year to date | 1,172,252,489 | 1,036,219,900 | 226,558,257 | 807,159,099 |
| Profit after tax | Quarter end | 84,567,309 | 719,139,870 | (639,831,971) | 657,113,097 |
| | Contribution to FY2018 | 10.30% | 87.59% | (77.93%) | 80.04% |
| | Year to date | 820,988,305 | 736,420,996 | 17,281,126 | 657,113,097 |

ANALYSIS OF QUARTERLY RESULTS

Significant portion of the Company's strategic investments are marked to market; and the interim operating results of the Company reflect the fluctuation in the capital market. Moreover, dividend income is essentially seasonal as dividend announcements are generally made periodically and accrued as income by the Company.

OPERATING REVENUES

During the third quarter of the year under review, the company earned 69.07% of its annual operating revenue being Rs. 809.66 million, majorly based on dividend income and gain on remeasurement on investment amounting to Rs. 432.12 million and Rs. 232.57 million, respectively. Whereby, operating revenue in first quarter which represent 68.86% of its annual operating revenue which mainly due to dividend income of Rs. 398.29 million. The revenue further increase in fourth quarter mainly due to dividend from an associated company, however, income is set off with loss on remeasurement on investments. The loss on remeasurement on investment is also arise in second quarter which resulted decrease in operating revenue.

OPERATING AND ADMINISTRATIVE EXPENSES

Operating expenses were more uniformly distributed throughout the four quarters where the first quarter emerged as the most efficient, contributing 21% to total operating expenses for the year while the second quarter had the highest contribution of 29%.

FINANCE COSTS

Finance costs were mainly incurred on the short term borrowings facilities availed by the Company. The major expense contribution of 32% were made in the first and second quarter. However, the Company has efficiently reduced finance cost over the following three and fourth quarters. The third quarter was the most efficient by contributing just 15% of the finance cost and reduced cost by 51% as compared to second quarter.

PROFIT AFTER TAX

The company's profitability principally followed the quarterly trends observed in operating revenues with Rs. 719 million of net income earned during the third quarter. The third quarter was also emerged as the best performing; contributing Rs. 719 million (88%) to profitability as the major share of operating revenues were recorded in the said quarter due gain on remeasurement of investments. Whereas, first quarter was the second quarter and then fourth quarter.

SHAREHOLDERS' INFORMATION

REGISTERED & CORPORATE OFFICE

Arif Habib Centre
23, M.T. Khan Road
Karachi-74000
Tel: (021)32460717-9 Fax No: (021)32429653, 32468117
Email: info@arifhabibcorp.com
Website: www.arifhabibcorp.com
Share Registrar Office
Central Depository Company of Pakistan

SHARE REGISTRAR DEPARTMENT

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

LISTING ON STOCK EXCHANGES

AHCL equity shares are listed on Pakistan Stock Exchange (PSX).

STOCK CODE

The stock code for dealing in equity shares of the Company at the stock exchanges is AHCL.

INVESTOR SERVICE CENTRE

AHCL share department is operated by Central Depository Company of Pakistan (CDC) Registrar Services. It also functions as an Investor Service Centre and has been servicing nearly 4,239 shareholders. The Investor Service Centre is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function. Team is headed by Mr. Abdus Samad at Registrar office and Company Secretary at AHCL Registered office. For assistance, shareholders may contact either the registered office or the Share Registrar office.

CONTACT PERSONS:

Mr. Manzoor Raza
Tel: (021)32467456
Email:manzoor.raza@arifhabibcorp.com

Mr. Mohsin Rajab Ali
Tel: (021) 111-111-500
Email: mohsin_rajabali@cdcpak.com

STATUTORY COMPLIANCE

During the year the Company has complied with all applicable provisions, filed all returns/forms and furnished all the relevant information as required under the Companies Act, 2017 and allied laws and rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the Listing Regulations.

CASH DIVIDEND ANNOUNCEMENT

A final Cash Dividend for the year ended 30th June 2018 at Rs. 2.0 per share i.e. 20% has been recommended by the Board of Directors.

BOOK CLOSURE DATES

The Share transfer books of the company will remain closed from 19th October 2018 to 25th October 2018 (both days inclusive). Transfers received in order at the office of our registrar: M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi, by the close of business on Thursday, 18th October 2018 will be treated in time for the determination of entitlement of shareholders to cash dividend and to attend and vote at the meeting.

DISPATCH OF DIVIDEND WARRANTS

Subject to the approval by members in the AGM, the company expects to dispatch the final dividend warrants on or before 15th November 2018, being the statutory limit of 15 working days from the date of General Meeting in which the dividend is approved.

LEGAL PROCEEDINGS

No case has ever been filed by shareholders against the Company for non-receipt of share / dividend.

GENERAL MEETINGS & VOTING RIGHTS

Pursuant to Section 132 of the Companies Act, 2017 AHCL holds a General Meeting of Shareholders at least once a year. Every shareholder has a right to attend the General Meeting. The notice of such meeting is sent to all the shareholders at least 21 days before the meeting and also published in at least one English and one Urdu newspaper having circulation in all provinces.

PROXIES

Pursuant to Section 137 of the Companies Act, 2017 and according to the Memorandum and Articles of Association of the Company, every shareholder of the Company who is entitled to attend and vote a General Meeting of the Company can appoint another member as his/her proxy to attend and vote at the meeting.

Every notice calling a General Meeting of the Company contains a statement that shareholder entitled to attend and vote is entitled to appoint a proxy. The instrument appointing proxy, duly signed by the shareholder should be deposited at the office of the Share Registrar of the Company not less than 48 hours before the meeting.

WEB PRESENCE

The website of the company has been redesigned to give an investor friendly look. Further, the website has been updated in accordance with SRO 25(I)/2012 of SECP dated 16th January 2012. Updated information about the Company and its affiliates can be accessed at AHCL web site, www.arifhabibcorp.com

SHAREHOLDING PATTERN

The shareholding pattern of the equity share capital of the Company as on 30th June 2018 alongwith categories of shareholders are given on page 69 to 72 of this report.

REPORT OF THE AUDIT COMMITTEE ON ADHERENCE TO THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

The audit committee has concluded its annual review of the conduct and operations of the Company during financial year ended on 30th June 2018, and reports that:

- The Company has adhered in full, without any material departure, with both mandatory and voluntary provisions of the listing regulation of Pakistan Stock Exchange, Company's statement of ethics and values and the international best practices of Governance throughout the year.
- Compliance has been confirmed from the members of the Board, the Management and employees of the Company individually. Equitable treatment of shareholders has also been ensured.
- The Company has issued a "Statement of Compliance with the Best Practices of Code of Corporate Governance" as stipulated in Listed Companies (Code of Corporate Governance) Regulations 2017, and the auditors have provided their review report there on.
- Appropriate accounting policies have been consistently applied. Applicable accounting standards were followed in preparation of financial statements of the Company and consolidated financial statements on a going concern assumption basis, for the financial year ended 30th June 2018, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equities of the Company and its subsidiaries for the year under review.
- The Chief Executive Officer and the Chief Financial Officer have duly endorsed the unconsolidated financial statements and consolidated financial statements of the Company under their respective signatures before presenting the financial statements, for consideration and approval of the Board of Directors. They acknowledge their responsibility for true and fair presentation of the financial statements, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls framework and procedures necessary for the purpose.
- Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with Companies Act, 2017.
- The financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017 and applicable "International Accounting Standards/International Financial Reporting Standards (IFRS)" notified by SECP.
- All direct and indirect trading and holdings of the Company's shares by Directors & Executives or their spouse were notified in writing to the Company Secretary along with the price, number of shares, form of share certificate and nature of transaction which were notified by the Company Secretary to the Board within the stipulated time. All such holdings have been disclosed in the pattern of Shareholdings.

INTERNAL AUDIT

The internal control framework has been effectively implemented through an independent in-house Internal Audit function established by the Board.

- The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and adequacy.

- The Audit Committee has ensured the achievements of operational, compliance and financial reporting objectives, safeguarding of the assets of the Company and the shareholders wealth through effective financial operational and compliance controls and risk management at all levels within the Company.
- The Head of Internal Audit has direct access to the Chairman of the Audit Committee and the Committee has ensured staffing of personnel with sufficient internal audit acumen.
- Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

EXTERNAL AUDITORS

- The statutory Auditors of the Company, M/s. KPMG Taseer Hadi & Co., Chartered Accountants, have completed their audit assignments of the "Company's Separate Financial Statements", the "Consolidated Financial Statements" and the "Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations 2017 for the financial year ended 30th June 2018 and shall retire on the conclusion of the 24th Annual General Meeting.
- The Audit Committee has reviewed and discussed Audit observation and Draft Audit Management Letter with the External Auditors. Final Management Letter is required to be submitted within 45 days of the date of Auditors' Report on financial statements under the listing regulations and shall thereof accordingly be discussed in the next Audit Committee Meeting.
- The Audit Firm has been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by the ICAP. The Auditors attended the general meetings of the Company during the year and have confirmed attendance of the Annual General Meeting scheduled on 25th October 2018.
- Being eligible for re-appointment as Auditors of the Company, the Audit Committee recommends reappointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants for the financial year ending on 30th June 2019.

Karachi, 25th September 2018

Chairman - Audit Committee

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

ARIF HABIB CORPORATION LIMITED FOR THE YEAR ENDED 30TH JUNE 2018

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 8 (Eight) as per the following:

- | | | |
|--------------------|---|---|
| a. Male Directors | : | 8 |
| b. Female Director | : | Nil (Requirement of mandatory female representation on the Board shall be applicable on next reconstitution of the Board to be scheduled in Sep-2019) |

2. The composition of board is as follows:

| Category | Names |
|-------------------------------|--------------------------|
| Independent Directors | Mr. Sirajuddin Cassim |
| | Khawaja Jalaluddin Roomi |
| Other Non-executive Directors | Mr. Asadullah Khawaja |
| | Mr. Nasim Beg |
| | Mr. Samad A. Habib |
| | Mr. Kashif A. Habib |
| | Mr. Muhammad Ejaz |
| Executive Director | Mr. Arif Habib |

- The directors have confirmed that none of them is serving as a director on more than the prescribed number of listed companies as allowed under applicable Code of Corporate Governance, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
- The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
- The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
- The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Board of Directors of the Company consist of eight eminent directors, out of which three directors were already certified earlier under the Directors Training Program, and four directors were already exempt from the directors training program based on their past education and experience. Therefore, the Company is compliant with Regulation 20 of the Code of Corporate Governance, 2017.
10. No new appointments of CFO, Company Secretary or Head of Internal Audit were made during the year under review.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:

a) Audit Committee :

| | |
|--------------------------|----------|
| Khawaja Jalaluddin Roomi | Chairman |
| Mr. Kashif A. Habib | Member |
| Mr. Muhammad Ejaz | Member |

b) HR and Remuneration Committee :

| | |
|--------------------------|----------|
| Khawaja Jalaluddin Roomi | Chairman |
| Mr. Arif Habib | Member |
| Mr. Nasim Beg | Member |
| Mr. Kashif A. Habib | Member |

c) Investments & Projects Diversification Committee :

| | |
|---------------------|----------|
| Mr. Arif Habib | Chairman |
| Mr. Nasim Beg | Member |
| Mr. Samad A. Habib | Member |
| Mr. Kashif A. Habib | Member |

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as per following:
- a) Audit Committee – Meeting is to be held at least once in every quarter – 4 (Four) meetings of the committee were held during the financial year.
- b) HR and Remuneration Committee - Meeting is to be held at least once in every six months – 2 (Two) meetings of the committee were held during the financial year.
- c) Investments & Projects Diversification Committee - Meeting is to be held on a required / directed basis – 6 (Six) meetings of the committee were held during the financial year.
15. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. The Company has continued to present the details of all related party transactions before the Audit Committee and upon their recommendation to the Board for review and approval. The definition of related party used is in accordance with repealed Companies Ordinance, 1984 and applicable financial reporting frame work as the regulations under Section 208 of the Companies Act, 2017 have not yet been announced.
19. We confirm that all other requirements of the Regulations have been complied with.

For and on behalf of the Board



Arif Habib
Chief Executive



Asadullah Khawaja
Chairman

Karachi: 25th September 2018



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

To the members of Arif Habib Corporation Limited Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **Arif Habib Corporation Limited** for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2018.

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Date: 25 September 2018
Karachi

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30TH JUNE 2018**

KPMG Taseer Hadi & Co.
 Chartered Accountants
 Sheikh Sultan Trust Building No. 2, Beaumont Road
 Karachi 75530 Pakistan
 +92 (21) 35685847, Fax +92 (21) 35685095

INDEPENDENT AUDITOR'S REPORT

To the members of Arif Habib Corporation Limited

Report on the audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Arif Habib Corporation Limited** (the Company), which comprise the statement of financial position as at **30 June 2018**, and the statement of profit or loss and other comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of the profit and other comprehensive income, its cash flows and changes in equity for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| Sr No. | Key audit matters | How the matters were addressed in our Audit |
|--------|---|---|
| 01. | <p>Classification, existence and valuation of financial instruments</p> <p>Refer note 4.5, 14, 20 and 34 to the financial statements.</p> <p>The Company classifies investments in listed and unlisted equity securities as at fair value through profit or loss and available for sale.</p> | <p>Our audit procedures to assess the classification, existence and valuation of financial instruments, amongst others, included the following:</p> <ul style="list-style-type: none"> obtaining an understanding of and testing the design and operating effectiveness of controls established by the Company for the classification and valuation of |

| | | |
|--|---|--|
| | <p>Management’s judgment is involved in classification of investments as at fair value through profit or loss and available for sale investments and also in assessing impairment against investments classified as available for sale. Further, the fair value of financial instruments which are not measured by quoted prices (unadjusted) in an active market are determined through the application of valuation techniques which often involve the exercise of judgment by management and the use of assumptions and estimates.</p> <p>We identified the classification, existence and valuation of investments as a key audit matter because of its significance to the financial statements as a whole and involvement of management’s judgment and estimation uncertainty.</p> | <p>investments and also for evaluation of existence of indications of impairment against investment classified as available for sale including determination of their recoverable amounts;</p> <ul style="list-style-type: none"> • comparing, on a sample basis, the ownership of investments of the Company with custodial records and other supporting documents; • comparing, on a sample basis, specific investment buying and selling transactions recorded during the year with underlying documentation; • assessing, on a sample basis, whether investments were recorded within the appropriate classification at the time of purchase by comparing individual items in the portfolio with underlying documentation; • comparing, on a sample basis, the fair valuation of quoted investments with available external quoted market prices; • evaluating management’s assessment of the indicators for impairment including underlying assumptions and, on a sample basis, comparing the fair value of underlying investments with their cost to ensure the Company’s policy for impairment is consistently applied and appropriately recognized; • assessing the reasonableness of cash flow projections prepared by management for valuation of unquoted investments, challenging and, on a sample basis, comparing the assumptions to historical results and checking current year’s results with prior year forecast and other relevant information; and |
|--|---|--|

| | | |
|-------------------|--|---|
| | | <ul style="list-style-type: none"> involving our own valuation specialist to assist us in evaluating the valuation techniques, assumptions and methodologies used by management for valuation of unquoted investments, in particular, relating to cash flows projections, growth rates, terminal values and discount rates including marketability discount and sensitivity of the valuation. |
| <p>02.</p> | <p>Related party transactions and disclosures</p> <p>Refer note 1.2, 7, 10.3, 15, 17, 18, 19, 29 and 36 to the financial statements.</p> <p>Transactions with related parties mainly include those between the subsidiaries and associated companies with significant influence.</p> <p>We identified transactions with related parties and its disclosures as key audit matter due to the nature of such transactions and its significance to the financial statements as a whole.</p> | <p>Our audit procedures in respect of related party transactions and disclosures, amongst others, included the following:</p> <ul style="list-style-type: none"> obtaining an understanding of and testing the design, implementation and operating effectiveness of control over process for identification, recording and disclosure of related party transactions; inspecting minutes of Board of Directors, Audit Committee and Shareholders meetings and significant agreements / arrangements with related parties to understand the nature of the transactions; comparing, on a sample basis, specific transactions with related parties to the underlying supporting documents; obtaining confirmation, on a sample basis, for transactions and balances with related parties; comparing, on a sample basis, the recording and disclosure of related party transactions with the related agreements / arrangements with them; and evaluating the appropriateness of related party disclosures as per applicable accounting and reporting standards. |

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. Other information comprises the information included in the annual report for the year ended 30 June 2018, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

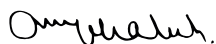
Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

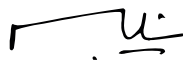
The engagement partner on the audit resulting in this independent auditor's report is **Moneeza Usman Butt**.

STATEMENT OF FINANCIAL POSITIONAs at 30th June 2018

| | Note | 2018 (Rupees) | 2017 |
|--|------|-----------------------|----------------|
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Authorised share capital | | <u>10,000,000,000</u> | 10,000,000,000 |
| Issued, subscribed and paid up share capital | 5 | 4,537,500,000 | 4,537,500,000 |
| Revenue reserves | | | |
| Unrealised appreciation on remeasurement of investments classified as 'available for sale' | | 64,036,984 | 89,788,814 |
| General reserve | | 4,000,000,000 | 4,000,000,000 |
| Unappropriated profit | | 21,301,928,003 | 21,842,189,698 |
| | | 29,903,464,987 | 30,469,478,512 |
| Non-current liabilities | | | |
| Deferred taxation | 6 | 2,353,368,460 | 2,435,632,968 |
| Long term loans | 7 | 325,000,000 | 455,179,583 |
| | | 2,678,368,460 | 2,890,812,551 |
| Current liabilities | | | |
| Trade and other payables | 8 | 4,904,954,300 | 2,652,011,288 |
| Mark-up accrued on borrowings | | 22,397,069 | 144,389,340 |
| Short term borrowings | 9 | 1,267,483,663 | 1,193,616,235 |
| Current maturity of long term loans | 7 | 130,179,583 | 65,431,028 |
| Provision for taxation | | 320,328,300 | 289,478,206 |
| Unclaimed dividend | | 31,100,331 | 29,792,519 |
| | | 6,676,443,246 | 4,374,718,616 |
| Contingencies and commitments | 10 | | |
| | | 39,258,276,693 | 37,735,009,679 |



Chief Executive Officer



Chief Financial Officer

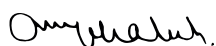


Director

STATEMENT OF FINANCIAL POSITIONAs at 30th June 2018

| | Note | 2018 (Rupees) | 2017 |
|--|------|-----------------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Operating fixed assets | 11 | 30,323,605 | 36,592,671 |
| Intangible assets | 12 | - | 133,326 |
| Investment properties | 13 | - | 1,993,162,500 |
| Long term investments | 14 | 27,572,492,303 | 28,128,147,990 |
| Long term loan to related party | 15 | 182,359,745 | - |
| Long term deposits and other receivables | 16 | 2,487,030 | 2,487,030 |
| | | 27,787,662,683 | 30,160,523,517 |
| Current assets | | | |
| Loans and advances | 17 | 2,201,165,333 | 643,736,475 |
| Prepayments | | 1,617,460 | 1,880,003 |
| Advance tax | | 312,567,502 | 311,410,531 |
| Mark-up receivable | 18 | 45,182,417 | 9,913,724 |
| Trade receivable | | - | 183,073,309 |
| Other receivables | 19 | 5,405,326 | 1,786,964 |
| Short term investments | 20 | 8,860,191,941 | 6,383,805,496 |
| Cash and bank balances | 21 | 44,484,031 | 38,879,660 |
| | | 11,470,614,010 | 7,574,486,162 |
| | | 39,258,276,693 | 37,735,009,679 |

The annexed notes from 1 to 38 form an integral part of these financial statements



Chief Executive Officer



Chief Financial Officer

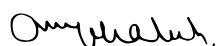


Director

STATEMENT OF PROFIT OR LOSSFor the year ended 30th June 2018

| | Note | 2018 (Rupees) | 2017 |
|---|------|--------------------|---------------|
| Operating revenue | 22 | 1,172,252,489 | 1,938,154,115 |
| Operating and administrative expenses | 23 | (106,214,522) | (116,727,915) |
| Unrealised gain on remeasurement of investment property | | - | 346,623,700 |
| Other income | 24 | 10,353,725 | 388,814,752 |
| Finance cost | 25 | (116,456,580) | (148,335,384) |
| Other charges | 26 | (11,814,624) | (27,525,602) |
| Profit before tax | | 948,120,488 | 2,381,003,666 |
| Taxation | 27 | (127,132,183) | 10,369,351 |
| Profit after tax | | 820,988,305 | 2,391,373,017 |
| Earnings per share - basic and diluted | 28 | 1.81 | 5.27 |

The annexed notes from 1 to 38 form an integral part of these financial statements



Chief Executive Officer



Chief Financial Officer

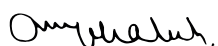


Director

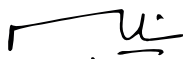
STATEMENT OF COMPREHENSIVE INCOMEFor the year ended 30th June 2018

| | 2018 | 2017 |
|---|---------------------|---------------|
| | (Rupees) | |
| Profit for the year | 820,988,305 | 2,391,373,017 |
| Other comprehensive income | | |
| <i>Items that are or may be reclassified subsequently to profit and loss account</i> | | |
| Unrealised (diminution) / appreciation during the year on remeasurement of investments classified as 'available for sale' | (28,009,252) | 108,103,750 |
| Related tax thereon | 2,257,422 | 1,947,512 |
| | (25,751,830) | 110,051,262 |
| Reclassification adjustments relating to disposal of investments - net | - | 39,398,597 |
| Other comprehensive income | (25,751,830) | 149,449,859 |
| Total comprehensive income | 795,236,475 | 2,540,822,876 |

The annexed notes from 1 to 38 form an integral part of these financial statements



Chief Executive Officer



Chief Financial Officer

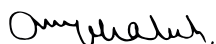


Director

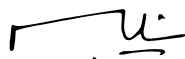
STATEMENT OF CASH FLOWSFor the year ended 30th June 2018

| | Note | 2018 (Rupees) | 2017 |
|---|------|------------------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net cash (used in) / from operations | 30 | (1,551,485,235) | 817,114,687 |
| Income taxes paid | | (177,446,146) | (182,395,134) |
| Dividend received | | 1,154,035,491 | 1,404,714,083 |
| Interest received | | 43,177,340 | 61,801,376 |
| Finance cost paid | | (238,448,851) | (177,824,430) |
| Long term deposits - net | | - | (548,100) |
| Net cash (used in) / from operating activities | | (770,167,401) | 1,922,862,482 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditure incurred | | (497,380) | (1,210,259) |
| Proceeds from sale of operating fixed assets | | 188,026 | 115,387 |
| Acquisition of long term investments | | (40,000,000) | (72,024,461) |
| Proceeds from sale of long term investments | | - | 359,237,865 |
| Proceeds from sale of investment property | | 2,167,586,914 | - |
| Proceed from liquidation of Subsidiary Company | | - | 55,812,446 |
| Net cash from investing activities | | 2,127,277,560 | 341,930,978 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from long term loans | | - | 520,000,000 |
| Repayment of long term loans | | (65,431,028) | (296,243,898) |
| Unclaimed dividend | | 1,307,812 | 13,665,783 |
| Dividend paid | | (1,361,250,000) | (1,134,375,000) |
| Net cash used in financing activities | | (1,425,373,216) | (896,953,115) |
| Net (decrease) / increase in cash and cash equivalents | | (68,263,057) | 1,367,840,345 |
| Cash and cash equivalents at beginning of the year | | (1,154,736,575) | (2,522,576,920) |
| Cash and cash equivalents at end of the year | 31 | (1,222,999,632) | (1,154,736,575) |

The annexed notes from 1 to 38 form an integral part of these financial statements



Chief Executive Officer



Chief Financial Officer

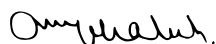


Director


STATEMENT OF CHANGES IN EQUITYFor the year ended 30th June 2018

| | Issued, subscribed and paid up share capital | Revenue reserves | | | Total | |
|--|---|--|----------------------|--------------------------|-----------------------|-----------------------|
| | | Unrealised appreciation / (diminution) on remeasurement of investments classified as 'available for sale' | General reserve | Unappropriated profit | | Sub total |
| ----- (Rupees) ----- | | | | | | |
| Balance as at 1 July 2016 | 4,537,500,000 | (59,661,045) | 4,000,000,000 | 20,585,191,681 | 24,525,530,636 | 29,063,030,636 |
| Total comprehensive income for the year | | | | | | |
| Profit for the year | - | - | - | 2,391,373,017 | 2,391,373,017 | 2,391,373,017 |
| Other comprehensive income | | | | | | |
| Unrealised appreciation during the year on remeasurement of investments classified as available for sale' - net of tax | - | 110,051,262 | - | - | 110,051,262 | 110,051,262 |
| Reclassification adjustments relating to disposal of investments - net | - | 39,398,597 | - | - | 39,398,597 | 39,398,597 |
| | - | 149,449,859 | - | 2,391,373,017 | 2,540,822,876 | 2,540,822,876 |
| Transactions with owners of the Company recorded directly in equity - Distributions | | | | | | |
| Final cash dividend at the rate of Rs. 2.5 per share for the year ended 30 June 2016 | - | - | - | (1,134,375,000) | (1,134,375,000) | (1,134,375,000) |
| Balance as at 30 June 2017 | 4,537,500,000 | 89,788,814 | 4,000,000,000 | 21,842,189,698 | 25,931,978,512 | 30,469,478,512 |
| Balance as at 1 July 2017 | 4,537,500,000 | 89,788,814 | 4,000,000,000 | 21,842,189,698 | 25,931,978,512 | 30,469,478,512 |
| Total comprehensive income for the year | | | | | | |
| Profit for the year | - | - | - | 820,988,305 | 820,988,305 | 820,988,305 |
| Other comprehensive income | | | | | | |
| Unrealised diminution during the year on remeasurement of investments classified as available for sale' - net of tax | - | (25,751,830) | - | - | (25,751,830) | (25,751,830) |
| | - | (25,751,830) | - | 820,988,305 | 795,236,475 | 795,236,475 |
| Transactions with owners of the Company recorded directly in equity - Distributions | | | | | | |
| Final cash dividend at the rate of Rs. 3 per share for the year ended 30 June 2017 | - | - | - | (1,361,250,000) | (1,361,250,000) | (1,361,250,000) |
| Balance as at 30 June 2018 | 4,537,500,000 | 64,036,984 | 4,000,000,000 | 21,301,928,003 | 25,365,964,987 | 29,903,464,987 |

The annexed notes from 1 to 38 form an integral part of these financial statements



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

1. STATUS AND NATURE OF BUSINESS

- 1.1** 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 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 financial statements are prepared separately.

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

Name of Companies

Subsidiaries

| | <i>Shareholding</i> |
|--|---------------------|
| - Arif Habib Limited, a brokerage house | <u>65.52%</u> |
| - Sachal Energy Development (Private) Limited, a wind power generation company | <u>85.83%</u> |
| - Black Gold Power Limited, a coal power generation company | <u>100.00%</u> |

Associates

| | |
|--|---------------|
| - MCB - Arif Habib Savings and Investments Limited | <u>30.09%</u> |
| - Pakarab Fertilizers Limited | <u>30.00%</u> |
| - Fatima Fertilizer Company Limited | <u>15.19%</u> |

Others

| | |
|--|--------------|
| - Khabeer Financial Services (Private) Limited | <u>5.00%</u> |
| - Sunbiz (Private) Limited | <u>4.65%</u> |

1.3 Summary of significant transactions and events in the current reporting period

- The Company sold its entire investment property for Rs. 2,167.59 (Refer note 13.2 to these financial statements).
- During the year the Company has extended loans to its various related parties amounting to Rs. 2.586 billion and also loan of Rs. 859.48 million have been repaid by them. (Refer note 17 to these financial statements)
- Due to the first time application of financial reporting requirements under the Companies Act, 2017 including disclosure and presentation requirements of the Companies Act, 2017 some of the amounts reported for the previous period have been reclassified (Refer note 38 to these financial statements).
- For a detailed discussion about the Company's performance please refer to the Directors' report.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) 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 are notified under the Companies Act, 2017.
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except as otherwise stated in these financial statements.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupee, unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with the accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements, and about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year included in the following notes:

- Provision for taxation (note 4.2)
- Useful lives and residual values of operating fixed assets (note 4.3)
- Useful lives and residual values of intangible assets (note 4.4)
- Classification of investments (note 4.5.1 - 4.5.1.6)
- Fair value of investments (note 4.5.1 - 4.5.1.6)
- Impairment of investments (note 4.5.2)
- Investment property (note 4.7)
- Derivative financial instruments (note 4.9)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

3. Accounting standards, interpretations and amendments to published approved accounting standards

3.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

- Disclosure initiative and amendments to 'IAS 7, 'Statement of Cash Flows' is effective during the year requiring entities to explain changes in their liabilities for which cash flows have been or will be classified as financing activities in the Statement of Cash Flows. The amendment resulted in an additional disclosure which has been included in these financial statements.
- The Companies Act, 2017 ('the Act') has also brought certain changes with regards to preparation and presentation of annual financial statements of the Company. These changes include change in nomenclature of primary financial statements and disclosure requirements in the fourth schedule to the Act have been revised resulting in the elimination of duplicative disclosures with the IFRSs, and incorporation of significant additional disclosures which have been included in these financial statements.

3.2 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 1 July 2017. However, these do not have any significant impact on the Company's financial reporting and therefore have not been detailed in these financial statements.

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

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after 1 July 2018, that may have an impact on the financial statements of the Company.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The amendments are not likely to have an impact on Company's financial statements.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above improvements to standards are not likely to have material / significant impact on Company's financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below are consistently applied for all periods presented in these financial statements.

4.1 Staff retirement benefits

Defined contribution plan

The Company operates a recognised provident fund for all its eligible permanent employees. Equal monthly contributions are made by the Company and employees to the fund at the rate of 12.50% of basic salary.

4.2 Taxation

Income tax expense comprises of current, prior year and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or equity respectively.

Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of prior years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax base and carrying amount of assets and liabilities for financial reporting purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and carried forward unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carried forward unused tax losses can be utilized. Carrying amount of all deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

4.3 Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset including borrowing cost incurred on qualifying assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and its cost can be measured reliably. Cost incurred to replace a component of an item of property and equipment is capitalised and the asset so replaced is retired from use and its carrying amount is derecognised. Normal repairs and maintenance are charged to the profit and loss account in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

Depreciation on all operating fixed assets are charged to the profit and loss account using the reducing balance method over the asset's useful life at the rates specified in respective note. The depreciation is charged full in the month of acquisition and no depreciation is charged in the month of disposal. Gains or losses on disposal of an item of operating fixed assets are recognised in the profit and loss account. The assets' residual value and useful life are reviewed at each financial year end, and adjusted if appropriate. Further, when the written down value of the asset falls below Rs. 10,000 the same is charged directly to the profit and loss account.

4.4 Intangible assets

These are stated at cost less accumulated amortisation and impairment losses, if any. amortisation is charged using the straight line method over assets estimated useful life at the rates stated therein, after taking into account residual value, if any. The residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Amortisation on additions is charged from the month the assets are put to use while no amortisation is charged in the month in which the assets are disposed off. Gain and losses on disposal of such assets, if any, are included in the profit and loss account.

4.5 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and are measured initially at fair value. Financial assets are derecognised when the contractual right to the cash flow from the financial assets expires or is transferred. Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

4.5.1 Investments

All investments are initially recognised at fair value, being the cost of the consideration given including transaction costs associated with the investment, except for those classified as fair value through profit or loss, in which case the transaction costs are charged to the profit and loss account.

All purchases and sales of securities that require delivery within the time frame established by regulation or market conventions such as 'T+2' purchases and sales are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the financial assets.

Management determines appropriate classification of investment in accordance with the requirements of approved accounting standards as applicable in Pakistan.

The Company classifies its investments in the following categories:

4.5.1.1 Subsidiaries and associates

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Company considers its associates to be such entities in which the Company has ownership, of not less than twenty percent but not more than fifty percent, of the voting power and / or has significant influence, but not control or has joint control, over the financial and operating policies.

Investment in subsidiaries are carried at cost in accordance with IAS 27 - 'Separate Financial Statements'. Investments in associates are accounted for under 'IAS 39 - Financial instruments Recognition and Measurement' considering each investment individually.

The Company manages its investment in associates classified at fair value through profit or loss upon initial recognition, with an intention to sell them in the future upon receiving its fair value in accordance with the Company's documented investment strategy.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

Associates classified as at fair value through profit or loss are measured at fair value, and changes therein are recognised in the profit and loss account. Whereas, in the case of available for sale, such gain or loss is recognised directly in other comprehensive income. Where an active market of the quoted investment exists, fair value is determined through Pakistan Stock Exchange Limited's daily quotation. In case of unquoted investment, where active market does not exist, fair value is determined using valuation techniques. The investment in equity instruments that do not have a market / quoted price in an active market and whose fair value cannot be reliably measured are carried at cost less impairment, if any.

4.5.1.2 At fair value through profit or loss

A financial assets is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated at fair value through profit and loss if Company manages such investments and make purchase and sale decisions based on their fair values in accordance with Company's investment strategies. Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking are classified at fair value through profit or loss - held for trading. Financial assets at fair value through profit or loss are measured at fair values with any resulting gains or losses recognised in the profit and loss account. The fair value of such investment, representing listed equity securities are determined on the basis of prevailing market prices at the Pakistan Stock Exchange Limited or redemption / repurchase prices, whichever is applicable, in case of other securities.

4.5.1.3 Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity. At each balance sheet date, these investments are re-measured at fair value and the resulting gains or losses are recognised directly in other comprehensive income until the investment is disposed off or impaired at which time these are transferred to the profit and loss account.

Where active market of the quoted investment exists, fair value of quoted investments is determined using quotations of Pakistan Stock Exchange Limited. The investments for which a quoted market price is not available, are measured at cost, unless fair value can be reliably measured. Such fair value estimates are subjective in nature, and therefore, cannot be determined with precision.

4.5.1.4 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially recognised at fair value plus any directly attributable transactions costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

4.5.1.5 Held to maturity

Held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. These assets are initially recognised at fair value plus any directly attributable transactions costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

4.5.1.6 Financial Liabilities

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss. Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

4.5.2 Impairment

A financial asset, other than that carried at fair value through profit or loss, is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred and that the loss event has a negative effect on the estimated future cash flows of that asset.

In case of investment in equity securities classified as available for sale and measured at fair value, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists, the cumulative loss measured as a difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised, is transferred from other comprehensive income to profit and loss account. Such impairment losses are not subsequently reversed through the profit and loss account unless the investment is disposed off.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the profit and loss account.

The carrying amount of the Company's non-financial assets and investments carried at cost are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in the profit and loss account.

4.5.3 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the statement of assets and liabilities sheet when there is a legally enforceable right to set off the recognised amount and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or winding up of the Company or the counterparties.

4.6 Assets held for sale

Non-current assets or disposal groups comprising assets and liabilities are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and operating fixed assets are no longer amortised or depreciated, and any equity accounting investee is no longer equity accounted.

4.7 Investment property

Investment property comprises land and building, held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes.

Investment property is measured initially at cost. Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the profit and loss accounts in the period in which they arise.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

4.8 Purchase under resale agreement

Transactions of purchase under resale (Reverse-repo) of marketable securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resale at a specified future date (Reverse-repo) are not recognised in the balance sheet. Amounts paid under these agreements in respect of reverse repurchase transactions are included in assets.

The difference between purchase and resale price is treated as income from reverse repurchase transactions in marketable securities and accrued on a time proportion basis over the life of the reverse repo agreement.

4.9 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value with resulting changes in fair value recognised in the profit and loss account. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

4.10 Trade and other receivables

Trade and other receivables are carried at cost, which is the fair value of the consideration to be received, less provision for doubtful debts, if any.

4.11 Trade and other payables

Trade and other payables are carried at cost, which is the fair value of the consideration to be paid, in the future for goods and services received.

4.12 Short term borrowings

Mark-up bearing borrowings are recognised initially at fair value, less any directly attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis.

4.13 Revenue recognition

- Gain / loss on sale of investments are recognised in the profit and loss account on the date of transaction.
- Dividend income is recognised when the Company's right to receive such dividend is established.
- Put Option fee is recognised on time proportion basis over the period of its tenor.
- Interest income on bank deposits and loans are recognised on time proportion basis that takes into account the effective yield.
- Guarantee fee is recognised based on the agreed rate with counter parties.
- Miscellaneous income, if any, is recognised on receipt basis.

4.14 Provisions

Provision is recognised when, as a result of past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Subsequently, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.15 Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument and are measured initially at fair value. Financial assets are derecognised when the contractual right to the cash flow from the financial assets expires or is transferred. Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

4.16 Foreign currency

Foreign currency transactions are translated into Pakistan Rupees using the exchange rates prevailing at the date of the transactions. All the monetary assets and liabilities in foreign currencies, at the balance sheet date, are translated into Pakistan Rupees at the exchange rates prevailing on that date. Foreign exchange gains and losses on translation are recognised in the profit and loss account. Non-monetary assets and liabilities, denominated in foreign currency that are measured at fair value are translated using exchange rate prevailing at the date the fair values are determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

4.17 Mark-up bearing borrowings

Mark-up bearing borrowings including borrowing under Musharakah are recognised initially at fair value, less attributable transaction cost. Subsequent to their initial recognition, mark-up bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of borrowings on an effective interest basis.

4.18 Cash and cash equivalents

Cash and cash equivalent for the purpose of cash flow statement comprises of cash in hand, cash at bank and short term borrowings.

4.19 Dividend and appropriation to reserve

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

The Company measures the liability to distribute non-cash assets as a dividend to the shareholders at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting date and at the settlement date. On settlement of the transaction, the Company recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit and loss account.

4.20 Expenses

All expenses are recognised in the profit and loss account on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

5. SHARE CAPITAL

5.1 Authorised share capital

| 2018 | 2017 | Note | 2018 | 2017 |
|----------------------|----------------------|--------------------------------|-----------------------|-----------------------|
| (Number of shares) | | | (Rupees) | |
| <u>1,000,000,000</u> | <u>1,000,000,000</u> | Ordinary shares of Rs. 10 each | <u>10,000,000,000</u> | <u>10,000,000,000</u> |

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 | (20,000,000) | (20,000,000) |
| <u>453,750,000</u> | <u>453,750,000</u> | | <u>4,537,500,000</u> | <u>4,537,500,000</u> |

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 At year end, Mr. Arif Habib held 69.57% (2017: 57.69%) of ordinary shares in the Company.

6. DEFERRED TAXATION - net

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

| | 2018 | 2017 |
|---|-----------------------------|----------------------|
| | (Rupees) | |
| <i>Taxable temporary differences</i> | | |
| - Accelerated tax depreciation | - | 539,265 |
| - Investment in associates classified as at fair value through profit or loss | 2,266,495,274 | 2,344,650,284 |
| - Unrealised gain on investments | 87,366,512 | 97,643,419 |
| <i>Deductible temporary differences</i> | | |
| - Accelerated tax depreciation | (58,326) | - |
| - Impairment loss on long term investment - unquoted | (435,000) | (7,200,000) |
| | <u>2,353,368,460</u> | <u>2,435,632,968</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

| 7. LONG TERM LOANS - secured | Note | 2018 | 2017 |
|----------------------------------|------|--------------------|--------------------|
| (Rupees) | | | |
| <i>From related party:</i> | | | |
| Term musharaka finance | 7.1 | 455,000,000 | 520,000,000 |
| Less: current portion | | (130,000,000) | (65,000,000) |
| | | 325,000,000 | 455,000,000 |
| <i>Others:</i> | | | |
| Diminishing musharakah financing | 7.2 | 179,583 | 610,611 |
| Less: current maturity | | (179,583) | (431,028) |
| | | - | 179,583 |
| | | 325,000,000 | 455,179,583 |

7.1 In 2017, the Company obtained term musharaka finance amounting to Rs. 520 million from Summit Bank Limited, related party, under mark-up arrangement at the rate of 6 months KIBOR + 2% to be charged on semi annually basis. The loan is repayable in eight semi-annual installments ending on 17 October 2021. The loan is secured against first pari passu charge over receivable of the Company, ranking charge on an associate's property situated at Naya Nazimabad, Survey # 248, 249, 250 of Rs. 286 million and personal guarantee of Chief Executive Officer of the Company.

7.2 In 2013, the Company acquired a vehicle under diminishing musharakah financing arrangement entered into with First Habib Modaraba for a period of 4 years with monthly principal repayment. The financing is secured against the respective vehicle and promissory note issued in favour of the lender. The return on the arrangement is 6 months KIBOR + 2%. and the loan will mature on 10 November 2018.

| 8. TRADE AND OTHER PAYABLES | Note | 2018 | 2017 |
|--|------|----------------------|----------------------|
| (Rupees) | | | |
| Accrued liabilities | | 3,199,415 | 1,477,230 |
| Other liabilities | | 1,529,885 | 1,035,356 |
| Advance guarantee fee - from related parties | | - | 498,702 |
| Deposit from profit participant | 8.1 | 4,900,225,000 | 2,649,000,000 |
| | | 4,904,954,300 | 2,652,011,288 |

8.1 This represents deposit / additional margin, affirming commitment towards exercising of Option granted to the existing sponsor to purchase the entire investment in Silkbank Limited under the Option Agreement dated 15 December 2015 (which has been extended till 31 October 2018 vide latest addendum) and also the amount of deposits received from profit participant procured by the existing sponsor of Silkbank Limited.

9. SHORT TERM BORROWINGS - Secured

Running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 2,800 million (2017: Rs. 2,300 million). These facilities have various maturity dates up to 31 March 2019, and need to be renewed after that. These arrangements are secured against pledge of marketable securities with minimum 30% margin (2017: 30% margin).

These running finance facilities carry mark-up ranging from 1 month KIBOR + 1% to 3 month KIBOR + 2.25% (2017: 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 balance sheet date amounts to Rs. 1,532.52 million (2017: Rs. 1,106.38 million).

The fair value of shares of associated companies, shares held for trading and other assets pledged / charged as collateral against short term borrowings amount to Rs. 4,882.68 million (2017: Rs. 3,982.16 million).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

10. CONTINGENCIES AND COMMITMENTS

10.1 The Company is contesting along with other defendants four suits filed by M/s. Diamond Industries Limited, Mr. Iftikhar Shafi, M/s. Shafi Chemicals Industries Limited and Mr. Nisar Elahi (The Plaintiffs) in the year 2002-2003 for damages jointly against Mr. Saleem Chamdia, Mr. Arif Habib, Mr. Aqeel Karim Dedhi, Mr. A. Ghaffar Usman Moosani, Mr. Shahid Ghaffar, the Pakistan Stock Exchange Limited (PSX), the Securities and Exchange Commission of Pakistan (SECP), the Central Depository Company of Pakistan Limited (CDC), Saleem Chamdia Securities (Private) Limited, Arif Habib Corporation Limited, Moosani Securities Limited and Aqeel Karim Dedhi Securities Limited.

The suits are for recovery of damages amounting to Rs. 10,989,948,199, Rs. 5,606,611,760, Rs.1,701,035,843 and Rs. 428,440,971 against the decision of the PSX in respect of Risk Management System of its Clearing House during the year 2000. The Chief Executive Officer of the Company was the Chairman of the Board of Directors of PSX during the year 2000. The Company has been made party to the suits by the plaintiffs. All the suits at present are pending before the Honourable Sindh High Court, Karachi. Individual liability of respective parties and undertakings is not quantifiable.

The legal advisor of the Company is of the opinion that there are reasonable grounds for a favourable decision and that the suits are likely to be dismissed as these are not based on factual or legal basis and no financial liability is expected to accrue as a consequence of the said suits against the Company. Accordingly, no provision has been recognised there against.

10.2 During the year ended 30 June 2012, the Securities and Exchange Commission of Pakistan ("SECP") issued an order under Section 22 of the Securities and Exchange Ordinance, 1969 ("the Ordinance") regarding non compliance of orders passed by it under Section 18A of the Ordinance for depositing confiscated subscription money amounting to Rs. 3.14 million relating to fictitious applications received by the Company for subscription of shares of Summit Bank Limited that were offered to general public by the Company in 2007. On 2 November 2012, Appellate bench of the SECP dismissed the appeal filed by the Company against the order. The Company has filed a constitutional petition challenging the orders passed by the SECP before Honourable High Court of Sindh which has granted ad interim stay. The petition is being contested vigorously and management is confident that the petition will be decided in the Company's favour.

10.3 The Company had issued Corporate Guarantee, on behalf of a subsidiary company, namely Sachal Energy Development (Private) Limited (SEDPL), amounting to USD 100 million (current outstanding: USD 90 million) to Industrial Commercial Bank of China (ICBC) in relation to financing agreement of SEDPL.

The Company had also issued Corporate Guarantees on behalf of associated concern, Aisha Steel Mills Limited to the extent of Rs. 2.477 billion and USD 10 million for which the Company has obtained letter of indemnity from respective related party.

10.4 There were no significant commitments at the balance sheet date except as otherwise disclosed in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

11. OPERATING FIXED ASSETS

| | Vehicles | Furniture and office equipment | Computer and allied equipment | Leasehold improvements | Total |
|--|-------------------|--------------------------------|-------------------------------|------------------------|--------------------|
| Rupees | | | | | |
| Cost | | | | | |
| Balance as at 01 July 2016 | 30,104,893 | 952,402 | 3,108,489 | 67,750,472 | 101,916,256 |
| Additions | - | 214,157 | 996,102 | - | 1,210,259 |
| Disposals / written off | (76,500) | (60,000) | (315,500) | - | (452,000) |
| Balance as at 30 June 2017 | 30,028,393 | 1,106,559 | 3,789,091 | 67,750,472 | 102,674,515 |
| Balance as at 01 July 2017 | 30,028,393 | 1,106,559 | 3,789,091 | 67,750,472 | 102,674,515 |
| Additions | 63,500 | 15,500 | 418,380 | - | 497,380 |
| Disposals / written off | (201,000) | - | (223,018) | - | (424,018) |
| Balance as at 30 June 2018 | 29,890,893 | 1,122,059 | 3,984,453 | 67,750,472 | 102,747,877 |
| Depreciation | | | | | |
| Balance as at 01 July 2016 | 11,411,561 | 404,018 | 2,163,129 | 44,500,303 | 58,479,011 |
| Charge for the year | 3,754,954 | 96,037 | 582,335 | 3,487,526 | 7,920,852 |
| Disposals / written off | (66,727) | (20,760) | (230,532) | - | (318,019) |
| Balance as at 30 June 2017 | 15,099,788 | 479,295 | 2,514,932 | 47,987,829 | 66,081,844 |
| Balance as at 01 July 2017 | 15,099,788 | 479,295 | 2,514,932 | 47,987,829 | 66,081,844 |
| Charge for the year | 2,976,664 | 105,233 | 508,909 | 2,964,396 | 6,555,202 |
| Disposals / written off | (82,907) | - | (129,867) | - | (212,774) |
| Balance as at 30 June 2018 | 17,993,545 | 584,528 | 2,893,974 | 50,952,225 | 72,424,272 |
| Written down value as at 30 June 2017 | 14,928,605 | 627,264 | 1,274,159 | 19,762,643 | 36,592,671 |
| Written down value as at 30 June 2018 | 11,897,348 | 537,531 | 1,090,479 | 16,798,247 | 30,323,605 |
| Annual rates of depreciation | 20% | 15% | 33% | 15% | |

12. INTANGIBLE ASSETS - computer software

2018 2017
(Rupees)

| | | |
|------------------------------------|------------|-----------|
| Balance as at 1 July | 133,326 | 353,760 |
| Amortisation for the year | (133,326) | (220,434) |
| Written down value as at 30 June | - | 133,326 |
| Annual rate of amortisation | 25% | 25% |

13. INVESTMENT PROPERTIES

2018 2017
(Rupees)

| | | |
|--|-----------------|---------------|
| Opening balance | 1,993,162,500 | 1,646,538,800 |
| Changes in fair value charges to profit and loss account | - | 346,623,700 |
| Disposals of investment property | (1,993,162,500) | |
| Closing balance | - | 1,993,162,500 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

| | Note | 2018 (Rupees) | | | | |
|-------------|--|------------------|---|------------------------|-----------------------|-----------------------|
| 13.1 | Carrying value of investment property as on 01 July 2017 | | 1,993,162,500 | | | |
| | Sale consideration of investment property | | (2,167,586,914) | | | |
| | Difference of sale consideration and carrying value | | (174,424,414) | | | |
| | Gain on disposal charged to profit and loss account | 13.2 | 174,424,414 | | | |
| | Carrying value of investment property as on 30 June 2018 | | - | | | |
| 13.2 | Sale consideration of investment property | | 2,167,586,914 | | | |
| | Cost of investment property | | (1,161,249,482) | | | |
| | Gain on disposal of investment property | | 1,006,337,432 | | | |
| | Less: gain already recorded in profit & loss account as fair value | | (831,913,018) | | | |
| | Gain on disposal charged to profit and loss account | | 174,424,414 | | | |
| 14. | LONG TERM INVESTMENTS | | | | | |
| | | 2018 | 2017 | | | |
| | | (Rupees) | | | | |
| | Subsidiaries | 14.1 | 5,058,602,290 | 5,018,602,290 | | |
| | Associates | 14.2 | 22,513,890,013 | 23,109,545,700 | | |
| | Others | 14.3 | - | - | | |
| | | | <u>27,572,492,303</u> | <u>28,128,147,990</u> | | |
| 14.1 | Subsidiaries - at cost | | | | | |
| | Arif Habib Limited (AHL) | 14.1.1 | 2,262,137,230 | 2,262,137,230 | | |
| | Sachal Energy Development (Private) Limited (SEDPL) | 14.1.2 | 2,746,465,060 | 2,746,465,060 | | |
| | Black Gold Power Limited (BGPL) | 14.1.3 | 50,000,000 | 10,000,000 | | |
| | | | <u>5,058,602,290</u> | <u>5,018,602,290</u> | | |
| 14.2 | Associates - at fair value through profit or loss - designated on initial recognition | Cost | Unrealised appreciation / (diminution) on remeasurement of investments | Carrying amount | | |
| | | | | 2018 | 2017 | |
| | | (Rupees) | | | | |
| | MCB - Arif Habib Savings and Investments Limited (MCB-AH) | 14.2.1 | 477,694,882 | (44,411,542) | 433,283,340 | 617,428,760 |
| | Pakarab Fertilizers Limited (PFL) | 14.2.2 | 1,324,332,073 | 10,420,667,927 | 11,745,000,000 | 11,745,000,000 |
| | Fatima Fertilizer Company Limited (FFCL) | 14.2.3 | 3,512,782,225 | 6,822,824,448 | 10,335,606,673 | 10,747,116,940 |
| | | | <u>5,314,809,180</u> | <u>17,199,080,833</u> | <u>22,513,890,013</u> | <u>23,109,545,700</u> |
| 14.3 | Others - available for sale | Cost | Provision for impairment | Carrying amount | | |
| | | | | 2018 | 2017 | |
| | | (Rupees) | | | | |
| | Takaful Pakistan Limited (TPL) | 14.3.1 | - | - | - | - |
| | Sun Biz (Private) Limited (SBL) | 14.3.2 | 1,000,000 | (1,000,000) | - | - |
| | Al-Khabeer Financial Services (Private) Limited (AKFS) | 14.3.3 | 1,000,000 | (1,000,000) | - | - |
| | | | <u>2,000,000</u> | <u>(2,000,000)</u> | <u>-</u> | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

- 14.1.1** Investment in AHL (quoted) represents 36.038 million (2017: 36.038 million) fully paid ordinary shares of Rs. 10 each, representing 65.52% (2017: 65.52%) of AHL's paid up share capital as at 30 June 2018. Market value per share as at 30 June 2018 is Rs. 61.00 (2017: Rs. 80.41), whereas book value based on net assets as per audited financial statements as at 30 June 2018 is Rs. 57.95 (2017: Rs. 58.20) per share.
- 14.1.2** Investment in SEDPL (unquoted) represents 274.647 million (2017: 274.647 million) fully paid ordinary shares of Rs. 10 each, representing 85.83% (2017: 100%) of SEDPL's paid up share capital as at 30 June 2018. Book value based on net assets, as per audited financial statements as at 30 June 2018 is Rs. 13.38 per share (2017: Rs. 10.83 per share). The entire shareholding in SEDPL has been pledged in favour of Industrial and Commercial Bank of China (ICBC) to secure project financing of SEDPL.
- 14.1.3** Investment in BGPL (unquoted) represents 5 million (2017: 1 million) fully paid ordinary shares of Rs. 10 each, representing 100% (2017: 100%) of BGPL's paid up share capital as at 30 June 2018. During the year, the Company subscribed 4 million right shares of Rs. 10 each. BGPL has been allocated with supply of coal for its 660 MW of Thar Coal based power project to be constructed, commissioned and operated at Thar Block II.
- 14.2.1** Investment in MCB-AH (quoted) represents 21.664 million (2017: 21.664 million) fully paid ordinary shares of Rs. 10 each, representing 30.09% (2017: 30.09%) of MCB-AH's paid up share capital as at 30 June 2018, having historical cost of Rs. 81.95 million (2017: Rs. 81.95 million). During 2011, the Company lost control over MCB-AH and designated the investment at 'fair value through profit or loss' and accordingly fair value on the date of loss of control was considered as deemed cost. Market value per share as at 30 June 2018 is Rs. 20.00 (2017: Rs. 28.50), whereas book value based on net assets, as per audited financial statements as at 30 June 2018 is Rs. 21.82 per share (2017: Rs. 21.94 per share). Pursuant to Rule 5(6)(e) of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, the Company, being a promoter of MCB-AH, has placed shares in an account marked as 'Freeze' with Central Depository Company of Pakistan Limited.
- 14.2.2** Investment in PFL (unquoted) represents 135 million (2017: 135 million) fully paid ordinary shares of Rs. 10 each, representing 30% (2017: 30%) of PFL's paid up share capital as at 30 June 2018. Fair value per share as at 30 June 2018 is Rs. 87 (2017: Rs. 87). Book value based on net assets, as per audited financial statements, as at 30 June 2018 is Rs. 42.29 per share (31 December 2017: Rs. 43.78 per share). Details regarding valuation techniques and inputs used are disclosed in note 34 to these financial statements.
- 14.2.3** Investment in FFCL (quoted) represents 319 million (2017: 319 million) fully paid ordinary shares of Rs. 10 each, representing 15.19% (2017: 15.19%) of FFCL's paid up share capital as at 30 June 2018. Fair value per share as at 30 June 2018 is Rs. 32.40 (2017: Rs. 33.69). Book value based on net assets as per audited financial statements as at 30 June 2018 is Rs. 26.36 per share (31 December 2017: Rs. 25.59 per share). Further, investment in FFCL having fair value of Rs. 183.06 million (2017: Nil) has been pledged in favor of Sindh Bank Limited for the borrowing facility held by Sachal Energy Development (Private) Limited, an associated concern.
- 14.3.1** During the year, the Company sold its entire investment in TPL for Rs. 19.17 million which has been recognised as given on its disposal.
- 14.3.2** Investment in SBL (unquoted) represents 10,000 (2017: 10,000) fully paid ordinary shares of Rs. 100 each.
- 14.3.3** Investment in AKFS (unquoted) represents 5,000 (2017: 5,000) fully paid ordinary shares of Rs. 1 million (2017: Rs 1 million).
- 14.4** Fair value of long term investments pledged with banking companies against various financing facilities amounts to Rs. 4,882.68 million (2017: Rs. 3,982.19 million).
- 14.5** Investments in associated companies have been made in accordance with the requirements of the Companies Act, 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

| 14.6 | Movement in provision for impairment | Note | 2018 | 2017 |
|------|---|------|---------------------|---------------------|
| | | | (Rupees) | |
| | Balance as at 1 July | | (32,000,000) | (74,400,000) |
| | Reversal on sale of investment | | 30,000,000 | 42,500,000 |
| | Provision made during the year | | - | (100,000) |
| | Balance as at 30 June | | <u>(2,000,000)</u> | <u>(32,000,000)</u> |
| 15. | LONG TERM LOAN TO RELATED PARTY | | | |
| | <i>Secured</i> | | | |
| | Aisha Steel Mills Limited | | 201,315,405 | - |
| | Less: Current portion of long term loan | 17 | <u>(18,955,660)</u> | - |
| | | | <u>182,359,745</u> | - |
| 15.1 | As approved by Shareholders during the Annual General Meeting held on 28 October 2017, the Company has converted running finance to long term loan. 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 2017: 6 months KIBOR + 3.25% per annum). The rate of mark-up on the loan during the period was ranged between 9.40% to 9.46% (30 th June 2017: ranged between 9.31% to 9.40%) per annum. Mark-up is payable on semi-annual basis. | | | |
| 15.2 | Maximum balance due from related party during the year was Rs. 182.36 million. | | | |
| 15.3 | Investments in associated companies have been made in accordance with the requirements of the Companies Act, 2017. | | | |
| 16. | LONG TERM DEPOSITS AND OTHER RECEIVABLES | | | |
| | <i>Unsecured</i> | | | |
| | Security deposit with Central Depository Company of Pakistan Limited | | 4,090 | 4,090 |
| | Security deposits with telecommunication companies | | 40,500 | 40,500 |
| | Security deposits for fuel cards | | 45,000 | 45,000 |
| | <i>Secured</i> | | | |
| | Receivable from employees against leased vehicles | 16.1 | <u>2,397,440</u> | 2,397,440 |
| | | | <u>2,487,030</u> | <u>2,487,030</u> |
| 16.1 | This represents security deposits paid by the company to / on behalf of employees for leased vehicle and is secured against respective employees' provident fund balances. It will be recovered from the respective employees from their final settlement or at the termination of lease agreement | | | |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

| 17. LOANS AND ADVANCES - considered good | Note | 2018 | 2017 |
|---|------|----------------------|-------------|
| (Rupees) | | | |
| <i>Unsecured</i> | | | |
| - Advance against salaries to employees | 17.1 | 209,673 | 943,240 |
| - Bid margin in initial public offer | 17.2 | 14,000,000 | - |
| <i>Unsecured</i> | | | |
| Loans to related parties | | | |
| - Sachal Energy Development (Private) Limited (SEDPL) | 17.3 | 525,000,000 | 432,000,000 |
| - Javedan Corporation Limited (JCL) | 17.4 | 1,468,000,000 | - |
| - Aisha Steel Mills Limited (ASML) | 17.5 | 175,000,000 | - |
| | | 2,168,000,000 | 432,000,000 |
| <i>Secured</i> | | | |
| Current portion of long term loan to Aisha Steel Mills Limited (ASML) | | | |
| | 15.1 | 18,955,660 | 210,793,235 |
| | | 2,201,165,333 | 643,736,475 |

- 17.1** This includes advance to key management personnel of Rs. 0.126 million (2017: 0.187 million).
- 17.2** This represents margin money (25% bid money) in respect of bids placed by the Company as an institutional investor in the initial public offering of ordinary shares of At-Tahur Limited. Subsequent to the year end, the Company paid the remaining balance in respect of allotted shares.
- 17.3** The Company entered into a loan agreement with SEDPL. The mark-up rate on the said loan is 3 month KIBOR + 2.25% per annum. The effective mark-up charged during the year was ranged between 8.40% to 8.75%. Markup is payable on quarterly basis. All or part of outstanding loan is convertible into equity at any point of time at the option of the Company or is repayable within 30 business days of notice of demand.
- 17.4** The Company entered into an arrangement with JCL. The loan is repayable within 30 business days of notice of demand. The mark-up rate on the said loan is 3 month KIBOR + 2.25% per annum. The markup is payable on quarterly basis. The effective mark-up charged during the year ranged between 8.59% to 8.75% per annum (2017: Nil).
- 17.5** The Company entered into a loan agreement with ASML. The loan is repayable within 30 business days notice of demand. The mark-up rate on the said loan is 3 months KIBOR + 3% per annum. Markup is payable on quarterly basis. The effective mark-up charged during the year was ranged between 9.16% to 9.50% (2017: ranged between 9.04% to 9.12%).
- 17.6** Maximum balance due from related parties in respect of loans and advances as at the end of any month during the year was Rs. 2,186.96 million (2017: Rs. 1,506.47 million).
- 17.7** Investments in associated companies have been made in accordance with the requirements of the Companies Act, 2017.

| 18. MARK-UP RECEIVABLE - considered good | 2018 | 2017 |
|---|-------------------|-----------|
| (Rupees) | | |
| From related parties: | | |
| - Aisha Steel Mills Limited | 9,670,362 | 9,913,724 |
| - Sachal Energy Development (Private) Limited | 6,544,521 | - |
| - Javedan Corporation Limited | 28,967,534 | - |
| | 45,182,417 | 9,913,724 |

- 18.1** The maximum amount due in respect of markup receivable as at the end of any month during the year was Rs.45.18 million (2017: Rs. 9.91 million). Further, the said receivable from related parties are on account of loans provided to them which are current and not past due.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

| 19. OTHER RECEIVABLES | Note | 2018 | 2017 |
|--|--------|---|----------------------|
| (Rupees) | | | |
| Guarantee commission receivable | 19.1 | 3,672,178 | 66,964 |
| Others | | 1,733,148 | 1,720,000 |
| | | 5,405,326 | 1,786,964 |
| 19.1 | | This represents guarantee commission receivable from Aisha Steel Mills Limited and Sachal Energy Development (Private) Limited, associated concerns. The maximum amount due as at the end of any month during the year was Rs. 3.672 million (2017: Rs. 0.74 million). | |
| 20. SHORT TERM INVESTMENTS | Note | 2018 | 2017 |
| (Rupees) | | | |
| <i>At fair value through profit or loss - designated</i> | | | |
| Investment in related parties and associate | 20.1 | 6,487,388,140 | 5,894,896,137 |
| Other investments | | 1,480,129,870 | 30,715,771 |
| | | 7,967,518,010 | 5,925,611,908 |
| <i>At available for sale</i> | | | |
| Investment in related parties - Javedan Corporation Limited | | 892,673,931 | 458,193,588 |
| | | 8,860,191,941 | 6,383,805,496 |
| 20.1 | | This includes investments in associated concerns, Aisha Steel Mills Limited (ASML), Power Cement Limited (PCL) and Silkbank Limited (Silkbank). Further, shares of ASML having fair value of Rs. 315.4 million (2017: Nil) have been pledged to secure project financing of ASML. | |
| 20.2 | | Fair value of these investments is determined using quoted market prices prevailing at the reporting date. | |
| 20.3 Reconciliation of gain on remeasurement of investments at fair value through profit or loss | Note | 2018 | 2017 |
| (Rupees) | | | |
| Cost of investment | | 7,129,144,090 | 5,391,674,269 |
| Unrealised gain: | | | |
| Balance as at 1 July | | 533,937,639 | 353,408,799 |
| Unrealised gain for the year | | 304,436,281 | 180,528,840 |
| | | 838,373,920 | 533,937,639 |
| Balance as at 30 June | | 7,967,518,010 | 5,925,611,908 |
| 20.4 Reconciliation of gain / (loss) on remeasurement of investments as available for sale | Note | 2018 | 2017 |
| Cost of investment | 20.4.1 | 805,650,369 | 343,160,774 |
| Unrealised gain: | | | |
| Balance as at 1 July | | 115,032,814 | (32,469,533) |
| Unrealised (loss) / gain for the year | | (28,009,252) | 108,103,750 |
| Reclassification adjustment on disposal of investment | | - | 39,398,597 |
| | | 87,023,562 | 115,032,814 |
| Balance as at 30 June | | 892,673,931 | 458,193,588 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

20.4.1 This is net of accumulated impairment amounting to Rs. 72.57 million (2017: Rs. 72.57 million)

20.5 Investments in associated companies have been made in accordance with the requirements of the Companies Act, 2017.

21. CASH AND BANK BALANCES

| | Note | 2018 | 2017 |
|-----------------------|------|-------------------|------------|
| (Rupees) | | | |
| With banks in: | | | |
| Current accounts | | | |
| - In local currency | 21.1 | 33,677,908 | 34,182,902 |
| - In foreign currency | | 4,992,523 | 4,202,018 |
| | | 38,670,431 | 38,384,920 |
| Deposit accounts | 21.2 | 5,728,620 | 443,119 |
| | | 44,399,051 | 38,828,039 |
| Cash in hand | | 84,980 | 51,621 |
| | | 44,484,031 | 38,879,660 |

21.1 This includes unclaimed dividend deposited in separate dividend account amounting to Rs. 31.10 million (2017: Rs. 29.79 million).

21.2 Mark-up on deposit account was at rates ranging from 3.75% to 5.50% (2017: 3.75% to 4.75%) per annum.

22. OPERATING REVENUE

| | Note | 2018 | 2017 |
|--|------|----------------------|---------------|
| (Rupees) | | | |
| Dividend income | | 1,154,035,491 | 1,404,714,083 |
| Gain on sale of securities - net | | 54,077,295 | 717,130,001 |
| Loss on remeasurement of investments - net | 22.1 | (291,219,407) | (261,976,085) |
| Mark-up on loans and advances | 22.2 | 78,446,033 | 51,958,289 |
| Mark-up on bank deposits | | 2,488,663 | 461,279 |
| Gain on liquidation of Subsidiary Company | | - | 25,866,548 |
| Gain on sale of investment property | 13.2 | 174,424,414 | - |
| | | 1,172,252,489 | 1,938,154,115 |

22.1 Loss on remeasurement of investments - net

| | 2018 | 2017 |
|--|----------------------|---------------|
| (Rupees) | | |
| Loss on remeasurement of investment in associates | | |
| - at fair value through profit or loss | (595,655,688) | (442,504,926) |
| Gain on remeasurement of short term investments - at fair value through profit or loss | 304,436,281 | 180,528,841 |
| | (291,219,407) | (261,976,085) |

22.2 This includes mark-up income received from an associated concerns namely Aisha Steel Mills Limited, Sachal Energy Development (Private) Limited and Javedan Corporation Limited.

22.3 Operating revenue is not subject to trade or any other type of discount.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

| 23. OPERATING AND ADMINISTRATIVE EXPENSES | Note | 2018 | 2017 |
|---|------|--------------------|-------------|
| | | (Rupees) | |
| Salaries and benefits | 23.1 | 37,601,156 | 35,307,334 |
| Rent, rates and taxes | | 20,371,990 | 28,004,485 |
| Legal and professional charges | | 8,271,114 | 2,523,287 |
| Depreciation | 11 | 6,555,202 | 7,920,852 |
| Advertisement and business promotion | | 5,568,252 | 15,995,137 |
| Repairs and maintenance | | 5,434,840 | 4,818,486 |
| Travelling and conveyance | | 3,809,540 | 4,228,310 |
| Printing and stationery | | 3,745,352 | 2,385,714 |
| Insurance | | 2,916,879 | 3,117,604 |
| Electricity | | 2,864,742 | 2,553,086 |
| Fees and subscription | | 2,032,671 | 1,125,866 |
| Auditors' remuneration | 23.2 | 1,917,760 | 1,704,760 |
| Communication | | 1,602,898 | 1,594,801 |
| Directors' meeting fees | | 445,000 | 125,000 |
| Custody and settlement charges | | 1,119,774 | 1,389,245 |
| Entertainment | | 424,575 | 2,251,754 |
| Amortisation of intangible assets | | 133,326 | 220,434 |
| Others | | 1,399,451 | 1,461,760 |
| | | 106,214,522 | 116,727,915 |

23.1 Salaries, wages and benefits include Rs. 1.96 million (2017: Rs. 1.75 million) in respect of provident fund contribution. All investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the conditions specified there under

23.2 Auditors' remuneration

| | Note | 2018 | 2017 |
|--|------|------------------|-----------|
| | | (Rupees) | |
| Audit fee | | 1,190,000 | 1,067,000 |
| Certification including interim review | | 455,000 | 355,000 |
| Sales tax | | 137,460 | 113,760 |
| Out of pocket | | 135,300 | 169,000 |
| | | 1,917,760 | 1,704,760 |

24. OTHER INCOME

| | | | |
|---|------|-------------------|-------------|
| Guarantee commission income | 24.1 | 9,562,956 | 1,169,154 |
| Profit on foreign currency translation | | 790,769 | 14,091 |
| Reversal of provision against Workers' Welfare Fund | | - | 387,631,507 |
| | | 10,353,725 | 388,814,752 |

24.1 This pertains to corporate guarantee issued to associated concerns namely Sachal Energy Development (Private) Limited, Aisha Steel Mills Limited and Power Cement Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

| 25. FINANCE COST | Note | 2018 | 2017 |
|---|------|--------------------|---------------------|
| (Rupees) | | | |
| Mark-up on short term borrowings | | 74,623,504 | 109,098,631 |
| Mark-up on term musharikhah financing - long term loan | | 41,748,234 | 39,022,368 |
| Mark-up on diminishing musharakah financing - long term loan | | 50,186 | 102,557 |
| Bank charges | | 34,656 | 111,828 |
| | | <u>116,456,580</u> | <u>148,335,384</u> |
| 26. OTHER CHARGES | | | |
| Donations | 26.1 | 11,791,407 | 27,407,008 |
| Loss on disposal of fixed assets | | 23,217 | 18,594 |
| Impairment loss | | - | 100,000 |
| | | <u>11,814,624</u> | <u>27,525,602</u> |
| 26.1 This includes donation to Aman Foundation amounting to Rs. 9.52 million. Further, there are no donations to any person, institution or organisation in which a director or his spouse had any interest. | | | |
| 27. TAXATION - net | | | |
| Current | | | |
| - for the year | 27.1 | 206,440,748 | 208,120,185 |
| - for the prior years | | 698,521 | (32,168,993) |
| | | <u>207,139,269</u> | <u>175,951,192</u> |
| Deferred | | (80,007,086) | (186,320,543) |
| | | <u>127,132,183</u> | <u>(10,369,351)</u> |

27.1 The provision for current year tax represents tax on taxable income at the rate of 30% (2017: 31%). Finance Act 2018 enacted gradual reduction in the corporate tax rates for companies from 30% (current tax rate) to 25% over a period of five years. 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 the financial statements is sufficient. A comparison of last three years of income tax provision with tax assessed is presented below:

| | 2017 | 2016 | 2015 |
|-----------------------------------|--------------------|-------------------|--------------------|
| (Rupees) | | | |
| Income tax provision for the year | 208,120,185 | 110,879,672 | 222,213,134 |
| Income tax as per tax assessment | <u>176,319,211</u> | <u>44,480,057</u> | <u>126,443,192</u> |

27.2 Income tax assessments of the Company have been finalised up to Tax Year 2005 (Accounting year 2005). However, deemed assessments made under section 120 of the Income Tax Ordinance, 2001 relating to Tax Years 2006 to 2008 have been subsequently amended under section 122 of the Income Tax Ordinance, 2001. The Company has filed appeals in respect of each of the said amendment which have been decided in favour of the Company by Appellate Tribunal during the year and the Department has filed reference application before the High Court of Sindh. Income tax assessment for the Tax Year 2010, taken as deemed assessment under section 120 of the Income Tax Ordinance, 2001, was subsequently amended twice under section 122 (5A) of the Income Tax Ordinance, 2001. The appeals filed by the Company with Commissioner Inland Revenue (Appeals-1) against these amendments were decided in favour of the Company and the relief was maintained by the Appellate Tribunal.

Income tax assessment for the Tax Year 2011, taken as deemed assessment under section 120 of the Income Tax Ordinance, 2001 was subsequently amended under section 122 (5A) of the Income Tax Ordinance, 2001. The Company was subsequently allowed relief in its subsequent appeal which was also maintained by the Appellate Tribunal in favour of the Company. Income tax assessment for the Tax Year 2012 was taken as deemed assessment under section 120 of the Income Tax Ordinance, 2001 which was subsequently amended under section 122 (1) of the Ordinance. The appeal of the Company was decided in its favour. The Department has preferred an appeal in the Appellate Tribunal against the decision; however, appeal effect has not yet been issued.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

Income tax assessment for Tax Year 2013 and 2014 was deemed to have been finalised under section 120 of the Income Tax Ordinance, 2001. However, the assessment was subsequently amended under section 122 (5A) of the Income Tax Ordinance, 2001. The Company has preferred an appeal against the amended assessment and major relief was allowed to the Company. Department has filed an appeal in the Appellate Tribunal against the relief given to the Company.

Income tax assessment for Tax Year 2015, taken as deemed assessment under section 120 of the Income Tax Ordinance, 2001 was subsequently amended under section 122 (5A) of the Income Tax Ordinance, 2001. The Company has preferred an appeal against the amended assessment and relief was allowed to the Company.

Income tax return was filed by the Company for the Tax Years 2016 and 2017 taken as deemed assessment under section 120 of the Income Tax Ordinance, 2001.

27.3 Under section 5A of the Income Tax Ordinance, 2001 as amendment by the Finance Act 2017, tax shall be imposed at the rate of 7.5% of the accounting profit before tax on the every public company, other than schedule bank or modaraba, that drives profit for a tax year but does not distribute at least 40% of its after tax profits within six months of the end of the tax year through cash or bonus shares. The Board of Directors in their meeting held on 25 September 2018 have recommended sufficient cash dividend for the year ended 30 June 2018 for the consideration and approval of the shareholders of the Company in the forthcoming annual general meeting which complies with the above stated requirements. Accordingly, no provision for tax on undistributed profit has been recognised in these financial statements for the year ended 30 June 2018.

27.4 Relationship between tax expense / (income) and accounting profit

| | 2018 | 2017 |
|--|----------------------|---------------|
| | (Rupees) | |
| Profit before taxation | 948,120,488 | 2,381,003,666 |
| Tax at the applicable tax rate | 274,954,942 | 738,111,136 |
| Tax effect of income under final tax regime | (161,564,968) | (259,870,713) |
| Tax effect of income taxed at lower rate | (2,595,027) | (224,314,958) |
| Prior year tax effect | 698,521 | (32,168,993) |
| Tax effect of non-deductible expenses | 34,211,639 | 43,821,016 |
| The effect of exempt income / permanent difference | 28,081,512 | (146,410,896) |
| Others | (46,654,436) | (129,535,943) |
| | 127,132,183 | (10,369,351) |

28. EARNINGS PER SHARE - BASIC AND DILUTED

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

| | 2018 | 2017 |
|--|--------------------|---------------|
| | (Rupees) | |
| Profit after tax | 820,988,305 | 2,391,373,017 |
| | (Number) | |
| Weighted average number of ordinary shares | 453,750,000 | 453,750,000 |
| | (Rupees) | |
| Earnings per share - basic and diluted | 1.81 | 5.27 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

29. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND OTHER EXECUTIVES

29.1 For the purpose of disclosure those employees are considered as executives whose basic salary exceeds twelve hundred thousand rupees in a financial year.

29.2 The aggregate amounts charged in these financial statements in respect of remuneration including benefits to the Chief Executive Officer, Directors and Other Executives of the Company are given below:

| | Chief Executive Officer | | Executives | |
|--------------------------------|-------------------------|------------|-------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| | ----- (Rupees) ----- | | | |
| Managerial remuneration | 8,400,000 | 8,400,000 | 8,048,454 | 5,906,010 |
| Contribution to provident fund | 677,424 | 677,424 | 699,138 | 476,298 |
| Bonus | 700,000 | 1,400,000 | 634,170 | 984,335 |
| Other perquisites and benefits | 960,000 | 960,000 | 1,806,174 | 1,275,384 |
| Total | 10,737,424 | 11,437,424 | 11,187,936 | 8,642,027 |
| Number of person(s) | 1 | 1 | 4 | 3 |

29.3 Besides the above, group insurance and medical facilities under insurance coverage were provided to the above mentioned personnel. The approximate value of these benefits is Rs. 0.43 million

29.4 The aggregate amount charged to these financial statements in respect of directors' fee paid to three directors (2017: two) was Rs. 0.445 million (2017: Rs. 0.13 million). The Chief Executive Officer draws salary on account of managerial remuneration.

29.5 The Chief Executive Officer has been provided with free use of Company's maintained vehicles in accordance with the Company's policy. The approximate value of this benefit is Rs. 10.35 million.

29.6 Comparative figures have been restated to reflect changes in the definition of executive as per Companies Act, 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

| 30. CASH (USED IN) / GENERATED FROM OPERATIONS | 2018 | 2017 | |
|---|------------------------|------------------------|------------------------|
| | (Rupees) | | |
| Profit before tax | 948,120,488 | 2,381,003,666 | |
| Adjustments for: | | | |
| Depreciation | 6,555,202 | 7,920,852 | |
| Amortisation of intangibles | 133,326 | 220,434 | |
| Dividend income | (1,154,035,491) | (1,404,714,083) | |
| Mark-up on loans and advances | (78,446,033) | (51,958,289) | |
| Gain on liquidation of Subsidiary Company | - | (25,866,548) | |
| Impairment loss on investment | - | 100,000 | |
| Loss on remeasurement of investment in associates | 595,655,688 | 442,504,926 | |
| Loss on disposal of assets | 23,217 | 18,594 | |
| Gain on remeasurement of short term investments | (304,436,281) | (180,528,841) | |
| Gain on disposal of long term investment | - | (47,675,449) | |
| Gain on disposal of investment property | (174,424,414) | - | |
| (Reversal) / provision for workers' welfare fund | - | (387,631,507) | |
| Finance cost | 116,456,580 | 148,335,384 | |
| Unrealised gain on remeasurement of investment property | - | (346,623,700) | |
| | (992,518,206) | (1,845,898,227) | |
| | (44,397,718) | 535,105,439 | |
| Changes in working capital | | | |
| <i>(Increase) / decrease in current assets</i> | | | |
| Loans and advances | (1,739,788,603) | 141,969,885 | |
| Prepayments | 262,543 | (302,866) | |
| Trade receivable | 183,073,309 | (183,073,309) | |
| Other receivables | (3,618,362) | 675,000 | |
| Short term investments | (2,199,959,416) | (827,849,873) | |
| | (3,760,030,529) | (868,581,163) | |
| <i>Increase in current liabilities</i> | | | |
| Trade and other payables | 2,252,943,012 | 1,150,590,411 | |
| | (1,507,087,517) | 282,009,248 | |
| Net cash (used in) / from operations | (1,551,485,235) | 817,114,687 | |
| 31. CASH AND CASH EQUIVALENTS | Note | | |
| | | 2018 | |
| | | 2017 | |
| | | (Rupees) | |
| Cash and bank balances | 21 | 44,484,031 | 38,879,660 |
| Short term borrowings | 9 | (1,267,483,663) | (1,193,616,235) |
| | | (1,222,999,632) | (1,154,736,575) |
| 32. OPERATING SEGMENTS | | | |

The financial statements have been prepared on the basis of a single reporting segment, segment information is presented in the consolidated financial statements.

All non-current assets of the Company as at 30 June 2018 are located in Pakistan.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

33. FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

33.1 Credit risk

Credit risk represents the financial loss that would be recognised at the balance sheet date if counterparties fail completely to perform as contracted. The credit risk arises on loans and advances, deposits, mark-up receivable, other receivables and bank balances.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date is:

| | 2018 | 2017 |
|----------------------------------|----------------------|--------------------|
| | (Rupees) | |
| Long term deposits | 89,590 | 89,590 |
| Loans (long term and short term) | 2,369,315,405 | 642,793,235 |
| Trade receivable | - | 183,073,309 |
| Other receivables | 3,672,178 | 66,964 |
| Mark-up receivable | 45,182,417 | 9,913,724 |
| Bank balances | 44,399,051 | 38,828,039 |
| | 2,462,658,641 | 874,764,861 |

The Company does not take into consideration the value of collateral while testing financial assets for impairment. The Company considers the creditworthiness of counterparties as part of its risk management and utilizes collateral under force majeure in extremely difficult situations where recovery appears to be unlikely from customary measures like restructuring or negotiation.

Long term deposits

This include deposit placed with Central Depository Company of Pakistan Limited (CDC) for the purpose of effecting transactions and settlement of listed securities. It is expected that deposits with CDC will be clearly identified as being assets of the Company, hence management believes that it is not materially exposed to credit risk against it. Apart from the above other deposits are with counterparties for provision of continued supply of services. Management does not expect to have any credit risk against such deposits, as it is refundable upon termination of agreement / services from counterparties.

Loans, mark-up, trade receivable and other receivables

The Company extends loans to its related concerns and follows due process of seeking approval from shareholders as per applicable laws and regulations. Wherever possible, management obtains collateral from counterparties. As loans are mainly provided to related concerns, management is not expecting to incur loss against the same. Mark-up receivable mainly pertains to loans extended to related parties for which the management does not expect to incur any credit loss. Other receivable mainly comprises of receivable on account of guarantee extended to counterparty and does not expect to have material credit risk there against, based on the term of arrangement with parties involved.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

The aging analysis of loans, other receivables and mark-up receivable is as follows:

| | 2018 | 2017 |
|--------------|----------------------|-------------|
| | (Rupees) | |
| Not past due | 2,418,170,000 | 835,847,232 |

Cash and bank balances

As at 30 June 2018 the Company has placed funds with banks having good credit ratings.

The credit ratings to respective banks have been assigned by independent credit rating agencies. At reporting date credit ratings of respective banks were as follows:

| | Short term | Long term |
|---------|-------------|-----------|
| PACRA | A1 to A1+ | A to AAA |
| JCR-VIS | A-1 to A-1+ | A- to AAA |

No balances in aforementioned assets are past due and considered impaired in current year as well as in previous year.

33.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Company. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of adequate funds through committed credit facilities. The Company finances its operations through equity, borrowings and working capital with a view of maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit lines.

The following are the contractual maturities of financial liabilities, including estimated interest payments on an undiscounted cash flow basis:

| | 2018 | | | |
|------------------------------|----------------------|------------------------|----------------------|--------------------|
| | Carrying amount | Contractual cash flows | Up to one year | More than one year |
| | ----- (Rupees) ----- | | | |
| Financial liabilities | | | | |
| Long term loan | 455,179,583 | 523,105,647 | 163,742,151 | 359,363,496 |
| Trade and other payables | 4,901,754,885 | 4,901,754,885 | 4,901,754,885 | - |
| Short term borrowings | 1,267,483,663 | 1,376,035,070 | 1,376,035,070 | - |
| | 6,624,418,131 | 6,800,895,602 | 6,441,532,106 | 359,363,496 |
| | | | | |
| | 2017 | | | |
| | Carrying amount | Contractual cash flows | Up to one year | More than one year |
| | ----- (Rupees) ----- | | | |
| Financial liabilities | | | | |
| Long term loan | 520,610,611 | 563,042,611 | 107,863,028 | 455,179,583 |
| Trade and other payables | 2,652,011,288 | 2,652,011,288 | 2,652,011,288 | - |
| Short term borrowings | 1,193,616,235 | 1,299,966,585 | 1,299,966,585 | - |
| | 4,366,238,134 | 4,515,020,484 | 4,059,840,901 | 455,179,583 |

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 June. The rates of mark-up have been disclosed in respective notes to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

33.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is exposed to currency risk, interest rate risk and price risk.

a) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. Currently, the Company's foreign exchange risk exposure is restricted to cash and bank balances in foreign currency. Management believes that the Company's exposure emanating from any fluctuations in the foreign currencies is not required to be hedged.

| Financial assets | 2018 | | 2017 | |
|------------------|-----------|--------------|-----------|--------------|
| | (Rupees) | (US Dollars) | (Rupees) | (US Dollars) |
| Cash in hand | 4,980 | 40 | 4,716 | 45 |
| Bank balances | 4,992,523 | 40,101 | 4,202,018 | 40,096 |

The following significant exchange rates were applicable during the year:

| | Average rates | | Balance sheet date rate | |
|------------------------------|---------------|--------|-------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| US Dollars to Pakistan Rupee | 109.97 | 104.73 | 121.60 | 104.80 / 105.00 |

Sensitivity analysis

A 10 percent strengthening / (weakening) of the Pakistan Rupee against various foreign currencies at 30 June would have (decreased) / increased the profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2017.

| | Effect on profit and loss (net of tax) | |
|----------------------|---|---------|
| | 2018 | 2017 |
| As at 30 June | | |
| Effect in US Dollars | 371,702 | 420,202 |

(Rupees)

b) Interest / mark-up rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the interest rate exposure arises from financial assets and financial liabilities as stated below.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

| | 2018 (Effective interest rate %) | 2017 | 2018 (Rupees) | 2017 |
|--|-------------------------------------|----------------|------------------|---------------|
| Financial assets | | | | |
| <i>Variable rate financial instruments</i> | | | | |
| Loans | 8.40% to 9.50% | 9.04% to 9.40% | 193,955,660 | 210,793,235 |
| Cash and bank balances | 3.75% to 5.50% | 3.75% to 4.75% | 5,728,620 | 443,119 |
| Financial liabilities | | | | |
| <i>Variable rate financial instruments</i> | | | | |
| Long term loan | 8.16% to 8.51% | 8.15% to 8.51% | 325,000,000 | 455,179,583 |
| Current maturity of long term loan | 8.16% to 8.51% | 8.01% to 8.85% | 130,179,583 | 65,431,028 |
| Short term borrowings | 7.16% to 8.92% | 7.20% to 8.37% | 1,267,483,663 | 1,193,616,235 |

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through the profit and loss account. Therefore a change in interest rates at the reporting date would not affect the profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

For cash flow sensitivity analysis of variable rate instruments a hypothetical change of 100 basis points in interest rates would have increased / (decreased) profit for the year by the amounts shown below.

| | Increase 100 bps | Decrease 100 bps |
|---|---------------------|---------------------|
| | (Rupees) | |
| As at 30 June 2018 | | |
| Cash flow sensitivity - Variable rate financial assets | 1,996,843 | (1,996,843) |
| Cash flow sensitivity - Variable rate financial liabilities | 17,226,632 | (17,226,632) |
| As at 30 June 2017 | | |
| Cash flow sensitivity - Variable rate financial assets | 2,112,364 | (2,112,364) |
| Cash flow sensitivity - Variable rate financial liabilities | 17,142,268 | (17,142,268) |

c) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Company is exposed to equity price risk since it has investments in quoted securities.

The Company's strategy is to hold its strategic equity investments for a longer period of time. Thus, management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee company remain viable. The Company manages price risk by monitoring exposure in quoted equity securities and implementing strict discipline in internal risk management and investment policies.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

The carrying value of investments subject to equity price risk are, in almost all instances, based on quoted market prices as of the reporting date except for unquoted associates which are carried at fair value determined through valuation techniques. Market prices are subject to fluctuation and consequently the amount realised in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amount realised in the sale of a particular security may be affected by the relative quantity of the security being sold.

Sensitivity analysis

The table below summarises the Company's equity price risk as of 30 June 2018 and 2017 and shows the effects of a hypothetical 30% increase and a 30% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Accordingly, the sensitivity analysis prepared is not necessarily an indication of the effect on Company's net assets of future movement in the level of PSX 100 index.

| | Fair value | Hypothetical price change | Estimated fair value after hypothetical change in prices | Hypothetical increase / (decrease) in shareholders' equity | Hypothetical increase / (decrease) in profit / (loss) before tax |
|--------------|----------------|---------------------------|--|--|--|
| | (Rupees) | | | (Rupees) | |
| 30 June 2018 | 19,629,081,954 | 30% increase | 25,517,806,540 | 267,802,179 | 5,620,922,407 |
| | | 30% decrease | 13,740,357,368 | (267,802,179) | (5,620,922,407) |
| 30 June 2017 | 17,748,351,196 | 30% increase | 23,072,856,555 | 137,458,076 | 5,187,047,282 |
| | | 30% decrease | 12,423,845,837 | (137,458,076) | (5,187,047,282) |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

33.4 Financial instruments by category

The table below provides reconciliation of the line items in the Company's statement of financial position to the categories of financial

| | At fair value 'through profit or loss' - | Loans and receivables | Available for sale | Other financial assets | Other financial liabilities |
|------------------------------------|--|--------------------------|-----------------------|---------------------------|--------------------------------|
| | ----- (Rupees) ----- | | | | |
| 30 June 2018 | | | | | |
| Financial assets | | | | | |
| Cash and bank balances | - | 44,484,031 | - | - | - |
| Pledged investments | 5,198,080,000 | - | - | 2,746,465,060 | - |
| Non-pledged investments | 25,283,328,023 | - | 892,673,931 | 2,312,137,230 | - |
| Long term loans | - | 182,359,745 | - | - | - |
| Long term deposits | - | 89,590 | - | - | - |
| Loans and advances | - | 2,200,955,660 | - | - | - |
| Mark-up receivable | - | 45,182,417 | - | - | - |
| Other receivables | - | 3,672,178 | - | - | - |
| | 30,481,408,023 | 2,476,743,621 | 892,673,931 | 5,058,602,290 | - |
| Financial liabilities | | | | | |
| Long term loan - secured | - | - | - | - | 325,000,000 |
| Trade and other payables | - | - | - | - | 4,901,754,885 |
| Mark-up accrued on borrowings | - | - | - | - | 22,397,069 |
| Current maturity of long term loan | - | - | - | - | 130,179,583 |
| Short term borrowings | - | - | - | - | 1,267,483,663 |
| | - | - | - | - | 6,646,815,200 |
| 30 June 2017 | | | | | |
| Financial assets | | | | | |
| Cash and bank balances | - | 38,879,660 | - | - | - |
| Pledged investments | 3,982,191,690 | - | 265,866,170 | 2,746,465,060 | - |
| Non-pledged investments | 19,127,354,010 | - | 192,327,418 | 2,272,137,230 | - |
| Long term deposits | - | 89,590 | - | - | - |
| Loans and advances | - | 210,793,235 | - | - | - |
| Mark-up receivable | - | 9,913,724 | - | - | - |
| Trade receivable | - | 183,073,309 | - | - | - |
| Other receivables | - | 66,964 | - | - | - |
| | 23,109,545,700 | 442,816,482 | 458,193,588 | 5,018,602,290 | - |
| Financial liabilities | | | | | |
| Long term loan - secured | - | - | - | - | 455,179,583 |
| Trade and other payables | - | - | - | - | 2,652,011,288 |
| Mark-up accrued on borrowings | - | - | - | - | 144,389,340 |
| Current maturity of long term loan | - | - | - | - | 65,431,028 |
| Short term borrowings | - | - | - | - | 1,193,616,235 |
| | - | - | - | - | 4,510,627,474 |

None of the financial assets and financial liabilities have been netted off in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

33.5 Reconciliation of movements of liabilities to cash flows arising from financing activities

| | Liability | | | Equity | | Total |
|--|--------------------|---|---|---|------------------------|------------------------|
| | Unclaimed dividend | Short term borrowings used for cash management purpose including related accrued markup | Long term loan including related accrued markup | Unrealised appreciation / (diminution) on remeasurement of investments classified as 'available for sale' | Unappropriated profit | |
| ----- (Rupees) ----- | | | | | | |
| Balance as at 1 July 2017 | 29,792,519 | 1,329,402,922 | 529,213,264 | 89,788,814 | 21,842,189,698 | 23,820,387,217 |
| Changes from financing cash flows | | | | | | |
| Repayment of long term loans | - | - | (65,431,028) | - | - | (65,431,028) |
| Unclaimed dividend | 1,307,812 | - | - | - | - | 1,307,812 |
| Dividend paid | - | - | - | - | (1,361,250,000) | (1,361,250,000) |
| Total changes from financing activities | 1,307,812 | - | (65,431,028) | - | (1,361,250,000) | (1,425,373,216) |
| Other changes | | | | | | |
| Interest expense | - | 74,658,160 | 41,798,420 | - | - | 116,456,580 |
| Interest paid | - | (195,888,828) | (42,560,023) | - | - | (238,448,851) |
| Changes in running finance | - | 73,867,428 | - | - | - | 73,867,428 |
| Total loan related other changes | - | (47,363,240) | (761,603) | - | - | (48,124,843) |
| Total equity related other changes | - | - | - | (25,751,830) | 820,988,305 | 795,236,475 |
| Balance as at 30 June 2018 | 31,100,331 | 1,282,039,682 | 463,020,633 | 64,036,984 | 21,301,928,003 | 23,142,125,633 |

34. FAIR VALUE MEASUREMENTS

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

'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) 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, 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 balance sheet date that would have been determined by market participants acting at arm's length.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

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.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

| | 30 June 2018 | | | | | Fair value | | |
|---|---------------------------------------|-----------------------|------------------------------------|------------------------|-----------------------------|----------------|---------|----------------|
| | At fair value through profit and loss | Loans and Receivables | Carrying amount Available for sale | Other financial assets | Other financial liabilities | Level 1 | Level 2 | Level 3 |
| | (Rupees) | | | | | | | |
| Financial assets measured at fair value | | | | | | | | |
| Long term investments | 22,513,890,013 | - | - | - | - | 10,768,890,013 | - | 11,745,000,000 |
| Short term investments | 7,967,518,010 | - | 892,673,931 | - | - | 8,860,191,941 | - | - |
| Financial assets not measured at fair value | | | | | | | | |
| Long term investments | - | - | - | 5,058,602,290 | - | 2,198,332,457 | - | - |
| Long term loan to related party | - | 182,359,745 | - | - | - | - | - | - |
| Long term deposits | - | 89,590 | - | - | - | - | - | - |
| Other receivable | - | 3,672,178 | - | - | - | - | - | - |
| Loans and advances | - | 2,200,955,660 | - | - | - | - | - | - |
| Mark-up receivable | - | 45,182,417 | - | - | - | - | - | - |
| Cash and bank balances | - | 44,484,031 | - | - | - | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | | |
| Long term loan - secured | - | - | - | - | 325,000,000 | - | - | - |
| Trade and other payables | - | - | - | - | 4,901,754,885 | - | - | - |
| Mark-up accrued on borrowings | - | - | - | - | 22,397,069 | - | - | - |
| Short term borrowings | - | - | - | - | 1,267,483,663 | - | - | - |
| Current maturity of long term loan | - | - | - | - | 130,179,583 | - | - | - |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

| | 30 June 2017 | | | | | | | |
|---|---------------------------------------|-----------------------|--------------------|------------------------|-----------------------------|----------------|---------|----------------|
| | Carrying amount | | | | Fair value | | | |
| | At fair value through profit and loss | Loans and Receivables | Available for sale | Other financial assets | Other financial liabilities | Level 1 | Level 2 | Level 3 |
| | (Rupees) | | | | | | | |
| Financial assets measured at fair value | | | | | | | | |
| Long term investments | 23,109,545,700 | - | - | - | - | 11,364,545,700 | - | 11,745,000,000 |
| Short term investments | 5,925,611,908 | - | 458,193,588 | - | - | 6,383,805,496 | - | - |
| Financial assets not measured at fair value | | | | | | | | |
| Long term investments | - | - | - | 5,018,602,290 | - | 2,897,834,637 | - | - |
| Long term deposits | - | 89,590 | - | - | - | - | - | - |
| Trade receivable | - | 183,073,309 | - | - | - | - | - | - |
| Other receivable | - | 66,964 | - | - | - | - | - | - |
| Loans and advances | - | 643,736,475 | - | - | - | - | - | - |
| Mark-up receivable | - | 9,913,724 | - | - | - | - | - | - |
| Cash and bank balances | - | 38,879,660 | - | - | - | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | | |
| Long term loan - secured | - | - | - | - | 455,179,583 | - | - | - |
| Trade and other payables | - | - | - | - | 2,652,011,288 | - | - | - |
| Mark-up accrued on borrowings | - | - | - | - | 144,389,340 | - | - | - |
| Short term borrowings | - | - | - | - | 1,193,616,235 | - | - | - |
| Current maturity of long term loan | - | - | - | - | 65,431,028 | - | - | - |

34.1 The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

| | 2018 | 2017 |
|---|-----------------------|-----------------------|
| Unlisted equity instruments | | |
| | | (Rupees) |
| Opening balance | 11,745,000,000 | 12,150,000,000 |
| Gain / (loss) recognised on remeasurement of investment | - | (405,000,000) |
| Closing balance | <u>11,745,000,000</u> | <u>11,745,000,000</u> |

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

34.3 The following table provides the fair value measurement hierarchy of the Company's assets and liabilities measured at fair value:

| Assets measured at fair value | Date of valuation | Valuation approach and input used | Inter-relationship between significant unobservable Inputs and fair value measurement |
|---------------------------------------|-------------------|--|--|
| Financial assets at fair value | | | |
| Equity securities - unquoted | 30 June 2018 | Discounted cash flows: The valuation model considers the present value of future cash flow of investee company discounted using a risk-adjusted discount rate. The cash flow projection include specific estimates for 5 years. <i>Inputs used:</i> Long term growth rate 5% Long term return on equity 18.1% Weighted average cost of capital 15.2% | The estimated fair value would increase / (decrease) if: - no. of operating days increase / (decrease) - the annual growth rate were higher or lower - the EBITDA margin were higher or lower Generally, a change in the annual growth rate is accompanied by a directionally similar change in EBITDA margin. |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

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. Investment in a subsidiary company namely Arif Habib Limited is quoted on the Pakistan Stock Exchange and fair value of investment, based on the available market price, is Rs. 2,198.33 million (2017: Rs. 2,897.83 million). The said subsidiary is carried at cost and fair value is determined for disclosure purposes.

35. CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business, safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes in Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

36. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties comprise of group companies (including subsidiaries and associates), directors and their close family members, major shareholders of the Company, companies where directors also hold directorship, key management personnel and staff provident fund. Transactions with related parties are carried out at contractual / agreed rates. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Remuneration of chief executive officer, directors and executives is disclosed in note 29 to the financial statements.

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

Transactions and balances with related parties during the year other than those disclosed elsewhere in the financial statements are given below:

| Subsidiaries | | 2018 | 2017 |
|--|--|--------------------|---------------|
| | | (Rupees) | |
| Name of the related party | Transactions during the year | | |
| Arif Habib Limited | Services availed | 7,836,192 | 3,396,864 |
| | Dividend income / received | 360,382,370 | 282,154,159 |
| Sachal Energy Development (Private) Limited | Loan extended | 693,000,000 | 432,000,000 |
| | Loan repayment | 600,000,000 | - |
| | Mark-up income on loan and advance | 11,415,754 | - |
| | Mark-up income received | 4,871,233 | - |
| | Guarantee commission income | 6,313,761 | - |
| | Guarantee commission received | 3,510,947 | - |
| Black Gold Power Limited | Subscription of right shares / fresh equity investment | 40,000,000 | 10,000,000 |
| Associates | | | |
| Fatima Fertilizer Company Limited | Dividend income / received | 717,750,464 | 1,036,750,670 |
| MCB-Arif Habib Savings and Investments Limited | Dividend income / received | 37,912,292 | 70,408,543 |

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 30th June 2018*Associated companies by virtue of common directorship and related concern*

| | | 2018 | 2017 |
|---|---|-----------------------------|---------------|
| | | (Rupees) | |
| Nature of the related party | Transactions during the year | | |
| Aisha Steel Mills Limited | Subscription of right shares | 155,127,056 | 668,712,032 |
| | Markup on loan and advance | 20,035,512 | 51,958,289 |
| | Markup received | 20,278,874 | 61,761,924 |
| | Loan and advances extended | 425,000,000 | 2,126,000,000 |
| | Loan and advances repaid | 259,477,830 | 2,699,893,477 |
| | Guarantee commission income | 3,208,434 | 751,298 |
| | Guarantee commission received | 1,840,368 | 1,875,000 |
| | Power Cement Limited | Guarantee commission income | 40,761 |
| Guarantee commission received | | 107,725 | 267,856 |
| Javedan Corporation Limited | Subscription of right shares | 386,172,255 | 688,939,400 |
| | Dividend income / received | 33,333,833 | - |
| | Markup on loan and advance | 46,994,767 | - |
| | Markup received | 18,027,233 | 39,452 |
| | Loan / advance extended | 1,468,000,000 | - |
| | Guarantee commission income | - | 150,000 |
| | Guarantee commission received | - | 200,000 |
| Dolmen City REIT | Receipts from sale of Investment properties | 2,167,586,914 | - |
| | Dividend income / received | - | 520 |
| Mr. Arif Habib | Dividend paid | 785,318,901 | 654,432,418 |
| Rotocast Engineering Company (Private) Limited | Payment of rent and sharing of utilities, insurance and maintenance charges | 24,679,934 | 22,811,074 |
| Summit Bank Limited | Principal payment of loan | 65,000,000 | - |
| | Mark-up on loan and advance | 41,748,236 | 25,751,397 |
| | Mark-up paid | 42,509,930 | 16,067,737 |
| Employees post retirement benefit fund - Provident fund | Contribution | 1,956,510 | 1,754,357 |

37. NUMBER OF EMPLOYEES

Number of persons employed by the Company as on the year end are 23 (2017: 21) and average number of employees during the year are 22 (2017: 20).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2018

38. GENERAL

38.1 Corresponding figures

Corresponding figures have been re-arranged and / or re-classified, wherever necessary, for the purpose of comparison and better presentation the impact of which is not material. Further, the fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. The following reclassification has been made during the year other than disclosed elsewhere in these financial statements.

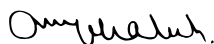
| Description | Reclassified from | Reclassified to | 30 June 2017 (Rupees) |
|--------------------|--------------------------|---|--------------------------|
| Unclaimed Dividend | Trade and other payables | Unclaimed Dividend (presented on face of statement of financial position) | <u>29,792,519</u> |

38.2 Date of authorisation for issue


These financial statements have been authorised for issue on 25 September 2018 by the Board of Directors of the Company.

38.3 Non adjusting event after balance sheet date

The Board of Directors of the Company has proposed a cash dividend of Rs. 2 per share amounting to Rs.907,500,000 at its meeting held on 25 September 2018 for the approval of the members at the annual general meeting to be held on 25 October 2018. The financial statements for the year ended 30 June 2018 do not include the effect of the proposed final cash dividend which will be accounted in the year ending 30 June 2019.



Chief Executive Officer



Chief Financial Officer



Director

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Chartered Accountants
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Karachi 75530 Pakistan
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INDEPENDENT AUDITORS' REPORT

To the members of Arif Habib Corporation Limited

Opinion

We have audited the annexed consolidated financial statements of **Arif Habib Corporation Limited** and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at **30 June 2018**, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at **30 June 2018**, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 3.1.4.2 to the consolidated financial statements, which states that the Holding Company has accounted for its investment in Silkbank Limited using equity method of accounting as per the requirements of IAS 28 'Investment in Associates and Joint Ventures'. The financial information of Silkbank Limited from which its share of profit and other comprehensive income were incorporated are reviewed by their respective external auditors and the underlying financial information of the equity accounted associate is unaudited. Further, significant non-banking assets were held by Silkbank Limited which were acquired in satisfaction of claims amounting to Rs. 9,762 million as at 30 June 2018. The real estate exposure in assets acquired under Debt Property Swap (DPS) transaction exceeds the level prescribed by the State Bank of Pakistan under Regulations for DPS. The auditors of the Bank have included emphasis of matter paragraph pertaining to this matter in their review report to the financial information for the six months period ended 30 June 2018.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



KPMG Taseer Hadi & Co.

Following are the key audit matters:

| Sr No. | Key audit matters | How the matters were addressed in our audit |
|--------|--|--|
| 01. | <p>Valuation of investment properties</p> <p>Refer note 3.9, 20 and 42 to the consolidated financial statements.</p> <p>The Group's investment properties are stated at fair value based on valuations carried out by independent external qualified professional valuer ("the Valuer").</p> <p>We identified the valuation of investment properties as a key audit matter due to significant judgments and inherent estimation uncertainty associated with determining its fair value.</p> | <p>Our audit procedures to assess the valuation of investment properties, amongst others, included the following:</p> <ul style="list-style-type: none"> • obtaining an understanding of the process established by the Group for the determination of fair values of investment properties; • obtaining and inspecting the valuation reports prepared by the external qualified professional valuer engaged by the Group; • involving our own property valuation specialist to assist us in evaluating the appropriateness of the valuation methodology and assessing the reasonableness of key estimates and assumptions adopted in the valuation reports by the valuer of the Group; • conducting site visits to investment properties by our valuation specialist, on a sample basis, to observe the development progress; • comparing, on a sample basis, specific investment properties acquisitions and divestments recorded during the year with underlying documentation; and • comparing, on a sample basis, the values assigned to the properties by the external qualified property valuer with that realized on the most recent property disposal transactions executed by the Group. |
| 02. | <p>Classification, existence and valuation of financial instruments</p> <p>Refer note 3.1.4, 3.2, 3.4, 21, 22, 29 and 42 to the consolidated financial statements.</p> | <p>Our audit procedures to assess the classification, existence and valuation of financial instruments, amongst others, included the following:</p> <ul style="list-style-type: none"> • obtaining an understanding of and testing the design and operating effectiveness of controls established by the Group for the classification and valuation of investments and also for evaluation of existence of indications of impairment against investment classified as available for |

| | | |
|--|---|--|
| | <p>The Group classifies investments in listed and unlisted equity securities as at fair value through profit or loss and available for sale respectively and equity accounted investees if significant influence exist.</p> <p>Management's judgment is involved in classification of investments as at fair value through profit or loss, available for sale investments and equity accounted investees and also in assessing impairment allowance against investments classified as equity accounted investees and available for sale. Further, the fair value of financial instruments which are not measured by quoted prices (unadjusted) in active market are determined through the application of valuation techniques which often involve the exercise of judgment by management and the use of assumptions and estimates.</p> <p>We identified the classification, existence and valuation of financial instruments as a key audit matter because of its significance to the consolidated financial statements and involvement of management's judgment and estimation uncertainty.</p> | <p>sale and equity accounted investees including determination of their recoverable amounts;</p> <ul style="list-style-type: none"> • comparing, on a sample basis, the ownership of investments of the Group with custodial records and other supporting documents; • comparing, on a sample basis, specific investment buying and selling transactions recorded during the year with underlying documentation; • assessing, on a sample basis, whether investments were recorded within the appropriate classification at the time of purchase by comparing individual items in the portfolio with underlying documentation; • comparing, on a sample basis, the fair valuation of quoted investments with available external quoted market prices; • evaluating management's assessment of the indicators for impairment including underlying assumptions and, on a sample basis, comparing the fair value of underlying investments with their cost to ensure the Group's policy for impairment is consistently applied and appropriately recognized; • assessing the reasonableness of cash flow projections prepared by management for valuation of unquoted investments, challenging and, on a sample basis, comparing the assumptions to historical results and checking current year's results with prior year forecast and other relevant information; and • involving our own valuation specialist to assist us in evaluating the valuation techniques, assumptions and methodologies used by management for valuation of unquoted investments, in particular, |
|--|---|--|

| | | |
|-------------------|--|---|
| | | <p>relating to cash flows projections, growth rates, terminal values and discount rates including marketability discount and sensitivity of the valuation.</p> |
| <p>03.</p> | <p>Impairment assessment of goodwill</p> <p>Refer notes 3.4 and 18 to the consolidated financial statements.</p> <p>The Group has recognized goodwill from past acquisitions. The Group is required to, perform impairment assessment of goodwill at least annually.</p> <p>We identified annual impairment testing of goodwill as a key audit matter because of the inherent uncertainty and significant judgment involved in determining the assumptions to be used in forecasting and discounting future cash flows.</p> | <p>Our audit procedures to assess the impairment assessment of goodwill, amongst others, included the following:</p> <ul style="list-style-type: none"> obtaining management’s future cash flow forecasts and testing the mathematical accuracy of the underlying value-in-use calculations, comparison of historical budgets against actual result to assess the quality of management’s forecast and agreeing them to the approved budgets and business plans; using our own valuation specialist to assist us in evaluating the assumptions and methodologies used by the Group, in particular relating to the forecast revenue growth, profit margins, discount rate as well as assessing the integrity of the models used, including the accuracy of the underlying calculation of formulas and also assessing the sensitivity of key assumptions and inputs; and assessing the appropriateness of the disclosures in the consolidated financial statements in accordance with the applicable accounting and reporting standards. |
| <p>04.</p> | <p>Related party transactions and disclosures</p> <p>Refer note 8, 15.1.3, 23, 24.1, 25.2, 26.2, 26.3, 26.4, 26.5, 28.1, 28.3, 32.2, 33.1, 38 and 44 to the consolidated financial statements.</p> <p>Transactions with related parties mainly include those between the Group and related / associated concerns.</p> | <p>Our audit procedures in respect of related party transactions and disclosures, amongst others, included the following:</p> <ul style="list-style-type: none"> obtaining an understanding of and testing the design, implementation and operating effectiveness of control over process for identification, recording and disclosure of related party transactions; |

| | | |
|--|--|---|
| | <p>We identified transactions with related parties and its disclosures as key audit matter due to the nature of such transactions and its significance to the financial statements as a whole.</p> | <ul style="list-style-type: none"> • inspecting minutes of Board of Directors, Audit Committee and Shareholders meetings and significant agreements / arrangements with related parties to understand the nature of the transactions; • comparing, on a sample basis, specific transactions with related parties to the underlying supporting documents; • obtaining confirmation, on a sample basis, for transactions and balances with related parties; • comparing, on a sample basis, the recording and disclosure of related party transactions with the related agreements / arrangements with them; and • evaluating the appropriateness of related party disclosures as per applicable accounting and reporting standards. |
|--|--|---|

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

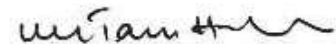
We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is **Moneeza Usman Butt**.

Date: 25 September 2018
Karachi



KPMG Taseer Hadi & Co.
Chartered Accountants

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CONSOLIDATED STATEMENT OF FINANCIAL POSITIONAs at 30th June 2018

| | Note | 2018 (Rupees) | 2017 |
|--|------|-----------------------|----------------|
| 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 | 4 | 4,537,500,000 | 4,537,500,000 |
| Capital reserve | | | |
| Surplus on revaluation | 5 | 15,432,500 | 15,432,500 |
| Revenue reserve | 6 | 17,782,829,088 | 17,656,329,854 |
| Equity attributable to owners of the Company | | 22,335,761,588 | 22,209,262,354 |
| Non-controlling interest | 7 | 1,743,177,429 | 1,130,836,818 |
| Total Equity | | 24,078,939,017 | 23,340,099,172 |
| Non-current liabilities | | | |
| Long term loans - secured | 8 | 9,089,040,050 | 8,801,426,130 |
| Liabilities against assets subject to finance lease | 9 | - | 470,480 |
| Land lease liability | 10 | 9,551,705 | 9,167,163 |
| Deferred liability - Gratuity | 11 | 10,154,032 | 6,857,337 |
| Deferred taxation - net | 12 | 1,177,271,760 | 986,504,840 |
| | | 10,286,017,547 | 9,804,425,950 |
| Current liabilities | | | |
| Trade and other payables | 13 | 5,772,561,951 | 3,665,382,678 |
| Mark-up accrued on borrowings | | 164,980,400 | 392,013,599 |
| Short term borrowings | 14 | 2,769,332,887 | 2,952,849,499 |
| Current portion of long term loans | 8 | 1,346,179,583 | 1,115,431,028 |
| Current portion of liabilities against assets subject to finance lease | 9 | 1,345,933 | 1,345,933 |
| Current portion of land lease liability | 10 | 1,360,000 | 1,360,000 |
| Payable against purchase of investment - net | | 115,245,044 | - |
| Provision for taxation | | 396,065,810 | 457,522,632 |
| Unclaimed dividend | | 43,856,170 | 49,689,655 |
| | | 10,610,927,778 | 8,635,595,024 |
| Contingencies and commitments | 15 | | |
| | | 44,975,884,342 | 41,780,120,146 |



Chief Executive Officer



Chief Financial Officer




Director


CONSOLIDATED STATEMENT OF FINANCIAL POSITIONAs at 30th June 2018

| | Note | 2018 (Rupees) | 2017 |
|---|------|-----------------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 16 | 13,304,578,704 | 12,456,140,468 |
| Intangible assets - others | 17 | 2,989,616 | 3,761,009 |
| Goodwill | 18 | 910,206,117 | 910,206,117 |
| Trading right entitlement certificate, membership card and offices | 19 | 17,100,000 | 17,100,000 |
| Investment properties | 20 | 1,373,500,000 | 2,362,374,219 |
| Equity accounted investees | 21 | 17,034,078,604 | 16,786,341,661 |
| Other long term investments | 22 | 72,390,122 | 84,314,338 |
| Long term loan to related party | 23 | 182,359,745 | - |
| Long term deposits and other receivable | 24 | 46,076,859 | 49,535,059 |
| | | 32,943,279,767 | 32,669,772,871 |
| Current assets | | | |
| Trade debts | 25 | 1,400,735,099 | 1,479,383,278 |
| Loans and advances | 26 | 1,750,769,161 | 346,324,959 |
| Deposits and prepayments | 27 | 69,742,548 | 45,749,075 |
| Advance tax | | 315,582,252 | 577,036,715 |
| Accrued mark-up and other receivables | 28 | 768,675,981 | 199,067,812 |
| Receivable against sale of investment - net | | - | 148,659,303 |
| Short term investments | 29 | 6,638,752,545 | 5,340,218,228 |
| Cash and bank balances | 30 | 1,088,346,989 | 973,907,905 |
| | | 12,032,604,575 | 9,110,347,275 |
| | | 44,975,884,342 | 41,780,120,146 |

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.



Chief Executive Officer



Chief Financial Officer



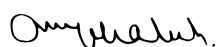
Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30th June 2018

| | Note | 2018 (Rupees) | 2017 |
|---|------|----------------------|---------------|
| Continuing operations | | | |
| Operating revenue | 31 | 3,535,732,648 | 3,185,281,642 |
| Operating and administrative expenses | 32 | (1,559,028,924) | (687,534,154) |
| Unrealised gain on remeasurement of investment property | 20 | 384,990,000 | 378,902,970 |
| Other income | 33 | 141,196,381 | 539,548,576 |
| Finance cost | 34 | (1,055,329,068) | (424,793,688) |
| Other charges | 35 | (68,441,213) | (85,519,303) |
| | | 1,379,119,824 | 2,905,886,043 |
| Share of profit of equity accounted investees - net of tax | 21 | 1,030,564,889 | 1,211,493,374 |
| Profit before tax | | 2,409,684,713 | 4,117,379,417 |
| Taxation | 36 | (520,595,118) | (602,096,767) |
| Profit after tax from continuing operation | | 1,889,089,595 | 3,515,282,650 |
| Discontinued operations | | | |
| Profit from discontinued operations - net of tax | | - | 48,364,670 |
| Profit for the year | | 1,889,089,595 | 3,563,647,320 |
| Profit attributable to: | | | |
| Equity holders of the Parent Company - continuing operation | | 1,629,395,710 | 3,229,533,151 |
| Equity holders of the Parent Company - discontinued operation | | - | 48,400,767 |
| | | 1,629,395,710 | 3,277,933,918 |
| Non-controlling interests - continuing operation | | 259,693,885 | 285,749,499 |
| Non-controlling interests - discontinued operation | | - | (36,097) |
| | | 259,693,885 | 285,713,402 |
| | | 1,889,089,595 | 3,563,647,320 |
| Earnings per share - basic and diluted | | | |
| From continuing operations | | 3.59 | 7.12 |
| From discontinued operations | | - | 0.10 |
| | 37 | 3.59 | 7.22 |

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.



Chief Executive Officer



Chief Financial Officer



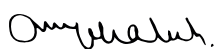
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30th June 2018

| | 2018 (Rupees) | 2017 |
|---|----------------------|---------------|
| Profit after tax for the year | 1,889,089,595 | 3,563,647,320 |
| Other comprehensive income | | |
| Items that are or may be reclassified subsequently to profit or loss | | |
| Unrealised (diminution) / appreciation during the year on remeasurement of investment classified as 'available for sale' - net of tax | (25,751,830) | 110,051,262 |
| Share of other comprehensive income of equity accounted associates - net of tax | (13,468,054) | 18,958,568 |
| Reclassification adjustments relating to disposal of investments - net | - | 39,398,597 |
| Effect of translation of net assets of foreign subsidiary to presentation currency - net | - | (1,911) |
| Reclassification of foreign currency translation difference on disposal of foreign operation | - | (49,244,309) |
| | (39,219,884) | 119,162,207 |
| Items that will not be reclassified subsequently to profit or loss | | |
| Share of other comprehensive income of equity accounted associates - net of tax | (13,697,136) | (11,131,825) |
| Other comprehensive income for the year - net of tax | (52,917,020) | 108,030,382 |
| Total comprehensive income | 1,836,172,575 | 3,671,677,702 |
| Total comprehensive income attributable to: | | |
| Equity holders of the Parent Company | 1,576,478,690 | 3,385,964,300 |
| Non-controlling interests | 259,693,885 | 285,713,402 |
| | 1,836,172,575 | 3,671,677,702 |

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.



Chief Executive Officer



Chief Financial Officer

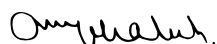


Director

CONSOLIDATED STATEMENT OF CASH FLOWSFor the year ended 30th June 2018

| | Note | 2018 (Rupees) | 2017 |
|---|------|------------------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 39 | 1,253,486,913 | 2,696,247,332 |
| Income tax paid | | (127,573,135) | (539,064,840) |
| Markup received | | 256,890,242 | 61,788,016 |
| Finance cost paid | | (1,142,568,764) | (333,892,877) |
| Gratuity paid | | (1,551,642) | (161,749) |
| Net cash from operating activities | | 238,683,614 | 1,884,915,882 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditure incurred (including exchange gain / loss) | | (1,571,344,769) | (9,991,019,083) |
| Acquisition of intangible assets | | (96,000) | (754,346) |
| Dividend from equity accounted investee | | 755,662,756 | 1,107,159,213 |
| Acquisition of investment property | | (859,120,000) | (12,945,000) |
| Disposal of investment property | | 2,454,285,383 | 244,577,896 |
| Net sale of long term investment - net | | - | 332,741,618 |
| Proceeds from sale of property, plant and equipment and intangibles | | 1,109,693 | 178,348 |
| Long term deposits | | 3,458,200 | 1,018,592,083 |
| Disposal of discontinued operation - net of cash disposed of | | - | 57,312,446 |
| Net cash from / (used in) investing activities | | 783,955,263 | (7,244,156,825) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Change in long term financing | | 378,568,972 | 8,634,945,577 |
| Liability against assets subject to finance lease | | (470,480) | (749,015) |
| Land lease liability | | 384,542 | 1,749,323 |
| Distribution by subsidiary to non-controlling interest | | (189,617,630) | (102,845,841) |
| Disposal of equity interest in subsidiary without change in control | | 453,534,900 | - |
| Unclaimed dividend | | (5,833,485) | 23,940,831 |
| Dividend paid | | (1,361,250,000) | (1,134,375,000) |
| Net cash (used in) / from financing activities | | (724,683,181) | 7,422,665,875 |
| Net increase in cash and cash equivalents | | 297,955,696 | 2,063,424,932 |
| Cash and cash equivalents at beginning of the year | | (1,978,941,594) | (4,042,366,526) |
| Cash and cash equivalents at end of the year | 40 | (1,680,985,898) | (1,978,941,594) |

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.



Chief Executive Officer



Chief Financial Officer



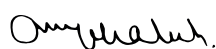
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30th June 2018

| | Equity attributable to owners of the Parent Company | | | | | | | Non-controlling interests | Total equity |
|--|---|--|---|--|-----------------|-----------------------|-----------------|---------------------------|-----------------|
| | Issued, subscribed and paid up share capital | Capital Reserve Surplus on revaluation | Unrealized (diminution) / appreciation on remeasurement of investments classified as 'available for sale' | Exchange difference on translation of foreign operation to presentation currency | General reserve | Unappropriated profit | Total | | |
| | (Rupees) | | | | | | | | |
| Balance as at 1 July 2016 | 4,537,500,000 | 15,432,500 | 39,489,850 | 49,246,220 | 4,019,567,665 | 11,206,346,702 | 19,867,582,937 | 742,537,812 | 20,610,120,749 |
| Total comprehensive income for the year | | | | | | | | | |
| Profit for the year | - | - | - | - | - | 3,277,933,918 | 3,277,933,918 | 285,713,402 | 3,563,647,320 |
| Other comprehensive income | | | | | | | | | |
| Unrealised appreciation during the year on remeasurement of investment classified as 'available for sale' - net of tax | - | - | 110,051,262 | - | - | - | 110,051,262 | - | 110,051,262 |
| Reclassification adjustments relating to disposal of investments - net of tax | - | - | 39,398,597 | - | - | - | 39,398,597 | - | 39,398,597 |
| Effect of translation of net assets of foreign subsidiary to presentation currency - net | - | - | - | (1,911) | - | - | (1,911) | - | (1,911) |
| Reclassification of foreign currency translation difference on disposal of foreign operation | - | - | - | (49,244,309) | - | - | (49,244,309) | - | (49,244,309) |
| Share of other comprehensive income of equity accounted associates - net of tax | - | - | 18,958,568 | - | - | (11,131,825) | 7,826,743 | - | 7,826,743 |
| | - | - | 168,408,427 | (49,246,220) | - | (11,131,825) | 108,030,382 | - | 108,030,382 |
| Total comprehensive income for the year | - | - | 168,408,427 | (49,246,220) | - | 3,266,802,093 | 3,385,964,300 | 285,713,402 | 3,671,677,702 |
| Transactions with owners recorded directly in equity | | | | | | | | | |
| Distributions | | | | | | | | | |
| Final cash dividend at the rate of Rs. 2.50 per share for the year ended 30 June 2016 | - | - | - | - | - | (1,134,375,000) | (1,134,375,000) | - | (1,134,375,000) |
| Changes in ownership interest in subsidiary | | | | | | | | | |
| Disposal of subsidiary | - | - | - | - | - | - | - | (191,843) | (191,843) |
| Disposal of equity interest in subsidiary without loss of control | - | - | - | - | - | 109,792,685 | 109,792,685 | 247,945,180 | 357,737,865 |
| Acquisition of non-controlling interest without change in control | - | - | - | - | - | (19,702,568) | (19,702,568) | (42,321,892) | (62,024,460) |
| | - | - | - | - | - | (1,044,284,883) | (1,044,284,883) | 205,431,445 | (838,853,438) |
| | - | - | - | - | - | - | - | (102,845,841) | (102,845,841) |
| Distribution by Subsidiary | | | | | | | | | |
| Balance as at 30 June 2017 | 4,537,500,000 | 15,432,500 | 207,898,277.00 | - | 4,019,567,665 | 13,428,863,912 | 22,209,262,354 | 1,130,836,818 | 23,340,099,172 |
| Balance as at 1 July 2017 | 4,537,500,000 | 15,432,500 | 207,898,277.00 | - | 4,019,567,665 | 13,428,863,912 | 22,209,262,354 | 1,130,836,818 | 23,340,099,172 |
| Total comprehensive income for the year | | | | | | | | | |
| Profit for the year | - | - | - | - | - | 1,629,395,710 | 1,629,395,710 | 259,693,885 | 1,889,089,595 |
| Other comprehensive income | | | | | | | | | |
| Unrealised diminution during the year on remeasurement of investment classified as 'available for sale' - net of tax | - | - | (25,751,830) | - | - | - | (25,751,830) | - | (25,751,830) |
| Share of other comprehensive income of equity accounted associates - net of tax | - | - | (13,468,054) | - | - | (13,697,136) | (27,165,190) | - | (27,165,190) |
| | - | - | (39,219,884) | - | - | (13,697,136) | (52,917,020) | - | (52,917,020) |
| Total comprehensive income for the year | - | - | (39,219,884) | - | - | 1,615,698,574 | 1,576,478,690 | 259,693,885 | 1,836,172,575 |
| Transactions with owners recorded directly in equity | | | | | | | | | |
| Distributions | | | | | | | | | |
| Final cash dividend at the rate of Rs. 3 per share for the year ended 30 June 2017 | - | - | - | - | - | (1,361,250,000) | (1,361,250,000) | - | (1,361,250,000) |
| Changes in ownership interest in subsidiary | | | | | | | | | |
| Disposal of equity interest in subsidiary without change in control (refer note 7.1) | - | - | - | - | - | (88,729,456) | (88,729,456) | 542,264,356 | 453,534,900 |
| | - | - | - | - | - | (1,449,979,456) | (1,449,979,456) | 542,264,356 | (907,715,100) |
| | - | - | - | - | - | - | - | (189,617,630) | (189,617,630) |
| Distribution by subsidiary | | | | | | | | | |
| Balance as at 30 June 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 |

The annexed notes from 1 to 47 form an integral part of these consolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

1. STATUS AND NATURE OF BUSINESS

1.1 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 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.

1.2 These consolidated financial statements of Arif Habib Corporation Limited for the year ended 30 June 2018 comprise of the Parent Company and following subsidiary companies (here-in-after referred to as “the Group”):

| <i>Name of Subsidiary Companies</i> | <i>Effective holding</i> |
|--|--------------------------|
| - Arif Habib Limited, a brokerage house | <u>65.52%</u> |
| - Arif Habib Commodities (Private) Limited, investment management of commodities [wholly owned subsidiary of Arif Habib Limited] | <u>65.52%</u> |
| - Arif Habib 1857 (Private) Limited, investments and share brokerage company [wholly owned subsidiary of Arif Habib Limited] | <u>65.52%</u> |
| - Sachal Energy Development (Private) Limited, a wind power generation company | <u>85.83%</u> |
| - Black Gold Power Limited, a coal power generation company | <u>100.00%</u> |
| <i>Associates</i> | |
| - Pakarab Fertilizers Limited | <u>30.00%</u> |
| - Fatima Fertilizer Company Limited | <u>15.19%</u> |
| - MCB - Arif Habib Savings and Investments Limited | <u>30.09%</u> |
| - Silkbank Limited | <u>28.23%</u> |

1.2.1 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.

1.2.2 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 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).

1.2.3 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 Company 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

- 1.2.4** 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 is 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 upto 49.5 MW. The wind power plant is located in Jhampir, district Thatta, Sindh province for which Alternative Energy Development Board ("AEDB") has allocated 680 acres of land to the SEDPL under a sublease agreement.
- 1.2.5** 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 23, Arif Habib Centre, 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.
- 1.2.6** 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 24th Floor, Centrepoint, Off Shaheed-e-Millat Expressway, near K.P.T. Interchange, Karachi, Pakistan. MCB-AH has been assigned an Asset Manager rating of AM2++ (2017: AM2++) by the Pakistan Credit Rating Agency Limited (PACRA). The rating was determined by PACRA on 28 December 2017. The fund under management is Rs. 82.69 billion (2017: Rs. 73.61 billion).
- 1.2.7** Fatima Fertilizer Company Limited (FFCL) and its wholly owned subsidiaries - Fatimafert Limited (FF) and Buber Sher (Private) Limited (BSPL) were incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). FFCL is listed on Pakistan Stock Exchange Limited. The control of FF and BSPL was transferred to FFCL on 1 July 2015. On 20 January 2017, the shareholders of BSPL and FF unanimously approved to merge the entire undertaking of BSPL along with its assets and liabilities with FF. The merger has been approved by the Honourable Lahore High Court on 3 April 2017. The principal activity of the FFCL and FF is manufacturing, producing, buying, selling, importing and exporting fertilizers and chemicals. Principal activity of BSPL is sale, marketing and distribution of fertilizers and its derivative, insecticides, pesticides, and all kinds of agricultural, fruit growing and other chemicals. Registered offices of the FFCL, FF and BSPL are located in Lahore, Pakistan. The manufacturing facility of FFCL is located at Mukhtargarh, Sadiqabad, Pakistan and that of FF is located at Sheikhpura Road.
- 1.2.8** 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, Reliance Sacks Limited (RSL). PFL is principally engaged in the manufacturing and sale of chemical fertilizers while the RSL is principally engaged in the manufacturing and sale of polypropylene sacks, cloth and liners. PFL registered address is E-110, Khayaban-e-Jinnah, Lahore Cantt while its manufacturing facility is located in Multan.
- 1.2.9** Silkbank Limited (Silkbank) was incorporated in Pakistan on 4 April 1994 as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). Silkbank commenced commercial operations on 7 May 1995. Silkbank's shares are quoted on Pakistan Stock Exchange Limited. Silkbank is engaged in banking services as described in Banking Companies Ordinance, 1962. Silkbank operates through 123 branches (2017: 123 branches) including 30 (2017: 30) Islamic banking branches in Pakistan. Silkbank's registered office is located at Silkbank Building, Kaghan Road, F-8 Markaz, Islamabad. The short-term and long-term credit ratings of the Silkbank rated by JCR-VIS Credit Rating Company Limited in June 2018 are 'A-2' and 'A-' respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

1.3 Significant transactions and events affecting the Group's financial position and performance:

The financial position and performance of the Group was particularly affected by the following events and transactions during the period:

- a) The Group has sold investment properties having carrying value of Rs. 2,232.98 at sale price for Rs. 2,454.28 million (Refer note 20 to these consolidated financial statements).
- b) The Group extended loans to its various related parties amounting to Rs. 2.586 billion and also loan of Rs. 859.48 million have been repaid (Refer note 26).
- c) The wind power generation facility has been operational throughout the year ended 30 June 2018 after Commercial Operation Date ("COD") on 11 April 2017.
- d) Tariff adjustment at COD under NEPRA Tariff Standards and Procedures Rules, 1998 has been decided by National Electric Power Regulation Authority ("NEPRA") on 01 June 2018 with retrospective effect from COD.
- e) Repayment of long term loan to Industrial and Commercial Bank of China (ICBC) commenced from 15 February 2015 by SEDPL, Subsidiary Company.
- f) During the year 45,353,490 shares of SEDPL were issued by the Group at Rs. 10 each, which were subscribed by its Chief Executive Officer, Mr. Kashif Mateen.
- g) Due to the first time application of financial reporting requirements including disclosure and presentation requirements of the Companies Act, 2017 some of the amounts reported for the previous period have been reclassified (Refer note 47).
- h) For a detailed discussion about the Group's performance please refer to the Directors' report.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) 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 are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017 .

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention unless stated otherwise.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees, which is the Group's functional and presentation currency. All amounts have been rounded to the nearest rupee, unless otherwise disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

2.4 Use of judgements and estimates

The preparation of financial statements in conformity with the accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements, and about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Classification of Investments (note 3.2 - 3.2.4)
- Fair value of investment (note 3.2)
- Derivate financial instruments (note 3.2.2)
- Impairment (note 3.4)
- Staff retirement benefits (note 3.6)
- Provision for taxation (note 3.7)
- Useful lives and residual values of property, plant and equipment (note 3.8)
- Lease classification (note 3.8)
- Investment property (note 3.9)
- Impairment of investment property (note 3.9)
- Useful lives and residual values of intangible assets (note 3.10)
- Trade debts (note 3.14)
- Stock in trade and stores and spares (note 3.25 and 3.26)

2.5 Accounting standards, interpretations and amendments to published approved accounting standards

2.5.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant:

- Disclosure initiative and amendments to 'IAS 7, 'Statement of Cash Flows' is effective during the year requiring entities to explain changes in their liabilities for which cash flows have been or will be classified as financing activities in the Consolidated Statement of Cash Flows. The amendment resulted in an additional disclosure which has been included in these consolidated financial statements.
- The Companies Act, 2017 ('the Act') has also brought certain changes with regards to preparation and presentation of annual financial statements of the company. These changes include change in nomenclature of primary financial statements and expended disclosure requirements in the fourth schedule to the Act resulting in the elimination of duplicative disclosures with the IFRSs and incorporation of significant additional disclosures which have been included in these consolidated financial statements.

2.5.2 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant:

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 1 July 2017. However, these do not have any significant impact on the Group's financial reporting and therefore have not been detailed in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

2.5.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after 1 July 2018, that may have an impact on the financial statements of the Group:

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Group's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Group's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Group's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Group's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Group is in the process of assessing implications of this standard on its revenue recognition policies.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Group is currently in the process of assessing the impact of the standard on its leasing arrangements.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The Group is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The Group is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
 - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above improvements to standards are not likely to have material / significant impact on Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2.6 Exemption from applicability of IFRIC 4 - “Determining whether an arrangement contains a lease”

International Accounting Standards Board (IASB) has issued IFRIC-4 “Determining whether an Arrangement contains a Lease”, which is effective for financial periods beginning on or after 01 January 2006. According to the said interpretation an arrangement conveys the right to use the asset, if the arrangement conveys to the purchaser (lessee) the right to control the use of the underlying asset. The right to control the use of the underlying asset is conveyed when the purchaser has the ability or right to operate the asset or direct others to operate the asset in a manner it determines while obtaining or controlling more than an insignificant amount of the output or other utility of the asset. Such arrangements are to be accounted for as a lease in accordance with the requirements of IAS 17- “Leases”.

The Subsidiary Company's plant's control, due to purchase of total output by National Transmission & Dispatch Company (NTDC), appears to fall under the scope of IFRIC 4. However, Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O No. 24 (I)/2012 has exempted application of IFRIC 4 for all companies. However, impact of IFRIC-4 is mandatory to be disclosed in the financial statements as per requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Had this interpretation been applied, following adjustments to consolidated profit or loss and consolidated statement of financial position would have been made:

| | 2018 | 2017 |
|--|--------------------|----------------------|
| | (Rupees) | |
| Decrease in unappropriated consolidated profit at beginning of the year | (273,170,787) | - |
| Increase / (decrease) in consolidated profit for the year | 445,582,367 | (273,170,787) |
| Increase / (decrease) in unappropriated consolidated profit at end of the year | <u>172,411,580</u> | <u>(273,170,787)</u> |

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below and have been consistently applied to all the periods presented.

3.1 Basis of consolidation and equity accounting

3.1.1 Business Combination

Business combinations are accounted for using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Goodwill arising on acquisition date is measured as the excess of the purchase consideration, including the acquisition date fair value of the acquirer's previously held equity interest in the acquiree in case of step acquisition, over the fair value of the identifiable assets acquired and liabilities assumed including contingent liabilities less impairment losses, if any. Any goodwill that arises is not amortised and tested annually for impairment. Any gain on bargain purchase is recognised immediately in consolidated profit or loss account. Transaction cost are expensed as incurred, except if related to the issue of debt or equity securities. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in consolidated profit and loss account.

3.1.2 Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Parent Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date on which control ceases.

These consolidated financial statements have been prepared using uniform accounting policies for the like transactions and other events in similar circumstances and the accounting policies of subsidiaries have been

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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changed when necessary to align them with the accounting policies adopted by the Parent Company. The assets and liabilities of subsidiary companies have been consolidated on a line-by-line basis. The carrying value of investments held by the Parent Company is eliminated against the subsidiary's shareholders' equity in these consolidated financial statements.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners.

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in consolidated profit or loss. Any retained interest in the former subsidiary is measured at fair value where control is lost.

The financial year of the Parent Company and its subsidiaries are the same and also audited.

3.1.3 Non-controlling interests

Non-controlling interest is that portion of equity in a subsidiary that is not attributable, directly or indirectly, to the Parent Company. Non-controlling interests are measured at their proportionate share of the subsidiaries' identifiable net assets. They are presented as a separate item in the consolidated financial statements.

3.1.4 Associates

The Parent Company considers its associates to be such entities in which the Group has ownership, of not less than twenty percent but not more than fifty percent, of the voting power and / or has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for under the equity method, less impairment losses, if any. Such investments are carried in the balance sheet at cost (including transaction cost), plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The consolidated profit or loss reflects the Group's share of the results of its associate and consolidated other comprehensive income reflect Group's shares in other comprehensive income of equity accounted investee. The equity method for investments in associates is applied from the date when significant influence commence until the date that significant influence ceases. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of investment. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.1.4.1 The Group's share of results of associate MCB - Arif Habib Savings and Investments Limited, Fatima Fertilizer Company Limited and Pakarab Fertilizers Limited are based on audited financial statements of the associate.

3.1.4.2 The financial statements of Silkbank Limited were audited as of 31 December 2017. However, the external auditors of Silkbank Limited have performed a limited review of financial information for the year ended 30 June 2018 which has been used for equity accounting purposes. Further, the share of profit and other comprehensive income recognised for the year ended 30 June 2018 for its investment in Silkbank (equity accounted investee) based on reviewed financial statements is Rs. 382.47 million, which comprises of Rs. 183 million as audited and Rs. 199.47 million as limited review.

3.1.5 Transactions eliminated on consolidation

"Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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3.2 Other Investments

All investments are initially recognized at fair value, being the cost of the consideration given including transaction costs associated with the investment, except for those classified as at fair value through profit or loss, in which case the transaction costs are charged to the consolidated profit and loss account.

All “regular way” purchases and sales of financial assets are recognized on the trade date, that is the date on which the Group commits to purchase / sell an asset. Regular way purchases or sales of financial assets are the contracts which require delivery of assets within the time frame generally established by regulations or market convention.

Investments classified as at fair value through profit or loss are measured at fair value, and changes therein are recognised in the consolidated profit and loss account. Whereas, in the case of available for sale, such gain or loss is recognised directly in consolidated other comprehensive income except for impairment and foreign currency differences on debt instruments which is recognised in consolidated profit and loss account. Where active market of the quoted investment exists, fair value is determined through Pakistan Stock Exchange daily quotation. In case of unquoted investment, where active market does not exist, fair value is determined using valuation techniques. The investments in equity instruments that do not have a market / quoted price in an active market and whose fair value cannot be reliably measured are carried at cost less impairment cost, if any.

The Group classifies its other investments in the following categories:

3.2.1 At fair value through profit or loss

A financial assets is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated at fair value through profit and loss if Group manages such investments and make purchase and sale decisions based on their fair values in accordance with Group’s investment strategies. Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking are classified at fair value through profit or loss - held for trading.

Financial assets at fair value through profit or loss are measured at fair values with any resulting gains or losses recognised in the consolidated profit and loss account. The fair value of such investment, representing listed equity securities are determined on the basis of prevailing market prices at the Pakistan Stock Exchange Limited or redemption / repurchase prices, whichever is applicable, in case of other securities.

3.2.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value with resulting fair values changes recognized in consolidated profit and loss account. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative.

3.2.3 Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity. At each balance sheet date, these investments are re-measured at fair value and the resulting gains or losses are recognised directly in consolidated statement of comprehensive income until the investment is disposed off or impaired at which time these are transferred to the consolidated profit and loss account.

Where active market of the quoted investment exists, fair value of quoted investments is determined using quotations of Pakistan Stock Exchange Limited. The investments for which a quoted market price is not available, are measured at cost, unless fair value can be reliably measured. Such fair value estimates are subjective in nature, and therefore, cannot be determined with precision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

3.2.4 Held-to-maturity investments

Held to maturity are non derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. These assets are initially recognised at fair value plus any directly attributable transactions costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

3.3 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially recognised at fair value plus any directly attributable transactions costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

3.4 Impairment

A financial asset, other than that carried at fair value through profit or loss, is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred and that the loss event has a negative effect on the estimated future cash flows of that asset.

In case of investment in equity securities classified as available for sale and measured at fair value, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists, the cumulative loss measured as a difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized is transferred from equity and recognized in the consolidated profit and loss account. Such impairment losses are not subsequently reversed through the consolidated profit and loss account.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in consolidated profit and loss account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amount are written off. If the amount of impairment loss subsequently decreased and the decrease can be related objectively to an event occurring after the impairment was recognized, then previously recognized impairment loss is reversed through consolidated profit and loss.

The carrying amount of the Group's non-financial assets and investment carried at cost are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in consolidated profit and loss account. Goodwill is tested annually for impairment. Impairment loss in respect of goodwill is not reversed. The recoverable amount of cash generating unit to which goodwill are allocated is based on fair value less cost of disposal using quoted market price, wherever available / applicable.

3.5 Purchase / Sold under resale / repurchase agreement

Transactions of purchase under resale (Reverse-repo) of marketable securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resale at a specified future date (Reverse-repo) are not recognised in the consolidated statement of financial position. Amounts paid under these agreements in respect of reverse repurchase transactions are included in assets. The difference between purchase and resale price is treated as income from reverse repurchase transactions in marketable securities and accrued on a time proportion basis over the life of the reverse repo agreement.

Transactions of sale under repurchase (repo) of marketable securities are entered into at contracted rates for specified periods of time. Securities sold with a simultaneous commitment to repurchase at a specified future date (repo) continue to be recognised in the consolidated statement of financial position and are measured in

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accordance with accounting policies for investments. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as finance cost and accrued over the life of the repo agreement.

3.6 Staff retirement benefits

The Group operates following retirement and other benefit schemes:

3.6.1 Defined contribution plan

The Parent Company and AHL operate recognised provident fund schemes for all eligible permanent employees for which their contributions are charged to consolidated profit and loss account.

3.7 Taxation

Income tax expense comprises of current, prior year and deferred tax. Income tax expense is recognised in consolidated profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. However, in case of SEDPL, a wind power generation company, no tax is payable in accordance with Clause 132 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 on profit or gains derived by it from electric power generation. Further SEDPL is exempt from minimum tax on turnover under Claus (11a) (v) of part IV of second schedule to the Income Tax Ordinance, 2001.

Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of prior years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax base and carrying amount of assets and liabilities for financial reporting purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilized. Carrying amount of all deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. However, in case of SEDPL, no deferred tax has been provided owing to exemption of its income derived from electric power generation as provided under Claus 132 of Part I of second schedule to the Income Tax Ordinance, 2001.

3.8 Property, Plant and Equipment

Owned

Operating fixed assets, except capital work-in-progress, are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and its cost can be measured reliably. Cost incurred to replace a component of an item of operating fixed assets is capitalised, the asset so replaced is retired from use and its carrying amount is derecognised. Normal repairs and maintenance are charged to consolidated profit and loss account during the period in which they are incurred.

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Depreciation on all operating fixed assets are charged to the consolidated profit and loss account using the reducing balance method over the asset's useful life at the rates specified in respective note. The depreciation is charged full in the month of acquisition and no depreciation is charged in the month of disposal. Gains or losses on disposal of an item of operating fixed assets are recognised in the consolidated profit and loss account. The assets' residual value and useful life are reviewed at each financial year end, and adjusted if appropriate. Further, when the written down value of the asset falls below Rs. 10,000 the same is charged directly to the consolidated profit and loss account.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Capital work in progress is stated at cost less impairment and consists of expenditure incurred and advances made in respect of assets in the course of their construction and installation. Transfers are made to relevant asset's category as and when assets are available for intended use.

Leased

Leases in terms of which the Group companies assumes substantially all the risks and rewards of ownership are classified as finance lease. Asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses, if any. The corresponding liability to the lessor is included in the consolidated statement of financial position as liabilities against assets subject to finance lease.

Leased assets which are obtained under Ijarah agreement are not recognized in the consolidated statement of financial position and are treated as operating lease based on Islamic Financial Accounting Standard (IFAS) 2 issued by the Institute of Chartered Accountants of Pakistan and notified by Securities and Exchange Commission of Pakistan vide S.R.O. 43(1) / 2007 dated 22 May 2007. Payments made under operating lease are charged to consolidated profit and loss account on a straight line basis over the lease term.

Major stores and spares (Capital Spares)

Spare parts, stand-by equipment and servicing equipment which qualify as property, plant and equipment when an entity expects to use them during more than one year are classified as fixed assets under category of major stores and spares.

3.9 Investment property

Investment property comprises land and building, held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes.

Investment property is initially measured at its cost, including related transaction costs and borrowing costs, if any and subsequently carried at fair value with any change therein recognised in consolidated profit and loss account.

For the purpose of subsequent measurement, the fair value of the investment property is determined with sufficient regularity based on available active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Valuations wherever needed are performed as of the reporting date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements.

An investment property is derecognised either when disposed and any gain / (loss) on disposal is recognised in consolidated profit and loss account.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in consolidated profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

gain presented in the surplus on revaluation reserve. Any loss is recognised in consolidated profit and loss account. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

3.10 Intangible assets

These are stated at cost less accumulated amortization and impairment losses, if any. Subsequent expenditure is capitalised only if when it increases the future economic benefits embodied in the specific assets to which it relates. Other expenditure is recognised in consolidated profit and loss account. Amortisation is charged using the straight line method over assets estimated useful life at the rates stated in note 16, after taking into account residual value, if any. The residual values, useful lives and amortization methods are reviewed and adjusted, if appropriate, at each consolidated balance sheet date.

Amortization on additions is charged from the month the assets are put to use while no amortisation is charged in the month in which the assets are disposed off.

Gain and losses on disposal of such assets, if any, are included in the consolidated profit and loss account.

3.10.1 Trading right entitlement certificate, membership card and offices

These are held by Arif Habib Limited (AHL), Arif Habib Commodities (Private) Limited (AHCPL) and Arif Habib 1857 (Private) Limited (AH1857) and are stated at cost less impairment losses, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

3.11 Biological assets

Biological assets are measured at fair value less cost to sell, with any change therein recognised in consolidated profit and loss account.

3.12 Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative consolidated statement of profit and loss account and consolidated statement of comprehensive income is re-presented as if the operation had been discontinued from the starts of the comparative year.

3.13 Assets held for sale

Non-current assets, or disposal group comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured

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in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in consolidated profit and loss account.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated and any equity - accounted investee is no longer equity accounted.

3.14 Trade and other receivables

Trade and other receivables are carried at cost, which is the fair value of the consideration to be received, less provision for doubtful debts. A provision for impairment in trade debts and other receivables is made when there is objective evidence that the Group will not be able to collect all amounts due according to original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

3.15 Fiduciary assets

Assets held in trust or in a fiduciary capacity by the Group are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

3.16 Trade and other payables

Trade and other payables are carried at cost, which is the fair value of the consideration to be paid, in consideration for goods and services received.

3.17 Short term borrowings

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

3.18 Revenue recognition

- Gain / loss on sale of investments are recognised on the date of transaction and charged to consolidated profit and loss account in the period in which they arise.
- Brokerage, consultancy and advisory fee, commission etc. are recognized as and when such services are provided.
- Rental income from investment property is recognised on accrual basis.
- Dividend income is recognized when the Group's right to receive such dividend is established.
- Mark-up / interest income is recognised on a time proportion basis over the period of its tenor.
- Revenue from sale of goods is measured at fair value of the consideration received or receivable. Domestic sales are recognised as revenue on dispatch of goods to customers. Export sales are recognised as revenue on the basis of goods shipped to customers.
- Rebate on export is recognized after finalization of export documents.
- Put option fee is recognized on time proportion basis over the period of its tenor.
- Unrealized capital gains / (losses) arising from mark to market of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in consolidated profit and loss account for the period in which they arise.

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- Reverse repo income is recorded on accrual basis and late payment charges are accrued in the period in which they arise.
- Revenue from the sale of electricity to the National Transmission and Dispatch Company (NTDC), the sole customer of SEDPL, Subsidiary Company, is recorded upon the output delivered and capacity available at the rates as specified under the Energy Purchase Agreement (EPA), as amended from time to time. EPA is a contract over a period of 20 years starting from Commercial Operation Date i.e. 11 April 2017.
- Guarantee fee is recognised based on the agreed rate with counterparty.
- Miscellaneous income is recognised on receipt basis.

3.19 Provisions

Provision is recognized when, as a result of past event, the companies have a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Subsequently, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.20 Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. These are measured initially at fair value. Financial assets are derecognized when the contractual right to the cash flow from the financial assets expires or is transferred. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

3.21 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the statement of assets and liabilities sheet when there is a legally enforceable right to set off the recognised amount and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in normal course of business and in the event of default, insolvency or winding up of the Group or the counterparties.

3.22 Foreign currency transaction and foreign operations

Foreign currency transactions are translated into Pakistan Rupees using the exchange rates prevailing at the date of the transactions. All the monetary assets and liabilities in foreign currencies, at the balance sheet date, are translated into Pakistan Rupees at the exchange rates prevailing on that date. Foreign exchange gains and losses on translation are recognised in the consolidated profit and loss account except in case of SEDPL, subsidiary company, which has availed the exemption as allowed by the SECP vide S.R.O 24(1)/2012 dated 16 January 2012 for the power sector companies, such gain or loss to be capitalized as part of plant which is departure from the requirement of International Accounting Standard (IAS) 21 'The Effects of Changes in Foreign Exchange Rates'.

Non-monetary assets and liabilities, denominated in foreign currency that are measured at fair value are translated using exchange rate at the date the fair values are determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations, are translated to Pakistan Rupees at exchange rates at the reporting date. The income and expenses of foreign operations, are translated to Pakistan Rupees at exchange rates at the dates of the transactions. Foreign currency differences are recognised in consolidated other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity

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except to the extent that the translation differences is allocated to Non Controlling Interest (NCI). When a foreign operation is disposed off in its entirety or partially such that control or significant influence is lost, the cumulative amount in translation reserve related to that foreign operation is reclassified to consolidated profit and loss account as part of gain or loss on disposal. If group retain control then it is reattributed to NCI. When group retain significant influence the relative portion of cumulative amount is reclassified to consolidated profit and loss account.

3.23 Borrowing costs

Borrowing costs incurred on short term and long term borrowings are recognized as an expense in the period in which these are incurred, except that those which are directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of that asset.

3.24 Cash and cash equivalents

Cash and cash equivalent for the purpose of consolidated cash flow statement comprises of cash in hand, share transfer stamps, banking instruments, cash at bank and short term running finance.

3.25 Stock in trade

Stock of raw and packing materials, work in process and finished goods are valued at the lower of cost and net realizable value. Cost in relation to work in process and finished goods includes prime cost and appropriate proportion of production overheads incurred in bringing the inventory to their present location and condition. Stocks of raw and packing material are valued at moving average cost.

Stocks in transit are valued at cost comprising invoice value plus other charges directly attributable to the acquisition of related purchase incurred up to the balance sheet date.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.26 Stores, spare parts and loose tools

These are valued at cost determined on moving average basis, less provision for obsolescence. Stores and spares in transit are valued at invoice value plus other charges incurred thereon as on balance sheet date.

3.27 Mark-up bearing borrowings

Mark-up bearing borrowings are recognised initially at fair value, less attributable transactions cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognised in the consolidated profit and loss account over the period of borrowings on an effective interest basis.

3.28 Expenses

All expenses are recognised in the consolidated profit and loss account on an accrual basis.

3.29 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' results are reviewed regularly by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance.

Segment results that are reported to the Group's management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property and equipment, and intangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

3.30 Dividend and appropriation to reserve

Dividend distribution to the shareholders and appropriation to reserves are recognised in the consolidated financial statements in the period in which these are approved.

The Parent Company measures the liability to distribute non-cash assets as a dividend to the shareholders at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting date and at the settlement date. On settlement of the transaction, the Parent Company recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in consolidated profit and loss account.

4. SHARE CAPITAL

4.1 Authorised share capital

| 2018 (Number of shares) | 2017 | Note | 2018 (Rupees) | 2017 |
|----------------------------|----------------------|--------------------------------|-----------------------|-----------------------|
| <u>1,000,000,000</u> | <u>1,000,000,000</u> | Ordinary shares of Rs. 10 each | <u>10,000,000,000</u> | <u>10,000,000,000</u> |

4.2 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 | (20,000,000) | (20,000,000) |
| <u>453,750,000</u> | <u>453,750,000</u> | 4.2.1 | <u>4,537,500,000</u> | <u>4,537,500,000</u> |

4.2.1 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.

4.2.2 At year end, Mr. Arif Habib held 69.57% (2017: 57.69%) of ordinary shares in the Parent.

5. SURPLUS ON REVALUATION

In the year 2015, Arif Habib Limited (AHL), Subsidiary Company, had reclassified Leasehold Land and Offices to Investment Property. Immediately before transfer, AHL re-measured the said assets on respective fair values and recognised surplus in revaluation reserve as per the requirement of IAS 40 'Investment Property'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

6. REVENUE RESERVES

| | 2018 | 2017 |
|--|-----------------------|-----------------------|
| | (Rupees) | |
| Unrealised appreciation on remeasurement of investments classified as 'available for sale' | 168,678,393 | 207,898,277 |
| General reserve | 4,019,567,665 | 4,019,567,665 |
| Unappropriated profit | 13,594,583,030 | 13,428,863,912 |
| | 17,782,829,088 | 17,656,329,854 |

7. NON CONTROLLING INTEREST (NCI)

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra group eliminations.

| | 30 June 2018 | | | | 30 June 2017 | | |
|--|----------------------|--|-----------------------------------|---|--------------------|--|-----------------------------------|
| | Arif Habib Limited | Arif Habib Commodities (Private) Limited | Arif Habib 1857 (Private) Limited | Sachal Energy Development (Private) Limited | Arif Habib Limited | Arif Habib Commodities (Private) Limited | Arif Habib 1857 (Private) Limited |
| NCI Percentage | 34.48% | 34.48% | 34.48% | 14.17% | 34.48% | 34.48% | 34.48% |
| | (Rupees) | | | | | | |
| Non-current assets | 1,595,416,528 | 13,456,389 | 26,007,500 | 13,236,446,419 | 611,581,289 | 13,327,662 | 26,007,500 |
| Current assets | 3,877,950,857 | 69,611,672 | 22,785,072 | 2,006,804,020 | 5,081,402,719 | 34,425,090 | 22,905,661 |
| Non-current liabilities | - | - | - | 8,785,105,787 | 470,480 | - | - |
| Current liabilities | 2,286,051,538 | 18,531,743 | 120,000 | 2,177,694,968 | 2,491,453,777 | 17,916,517 | 120,000 |
| Net assets | 3,187,315,847 | 64,536,318 | 48,672,572 | 4,280,449,684 | 3,201,059,751 | 29,836,235 | 48,793,161 |
| Intra-group elimination | (2,720,113) | - | - | 1,336,893 | - | - | - |
| Net assets attributable to NCI | 1,096,266,391 | 22,252,122 | 16,782,303 | 607,876,613 | 1,103,725,402 | 10,287,534 | 16,823,882 |
| Revenue | 736,206,388 | 16,391,195 | 258,692 | 2,726,782,595 | 1,493,991,521 | 20,384,269 | 2,605 |
| Profit / (loss) | 536,256,096 | 34,700,083 | (120,588) | 852,192,656 | 880,535,448 | 5,339,072 | (331,283) |
| Other Comprehensive Income | - | - | - | - | - | - | - |
| Total comprehensive income | 536,256,096 | 34,700,083 | (120,588) | 852,192,656 | 880,535,448 | 5,339,072 | (331,283) |
| Profit / (loss) allocated to NCI | 182,158,618 | 11,964,589 | (41,579) | 65,612,257 | 284,022,813 | 1,840,912 | (114,226) |
| Cash flows from operating activities | 247,014,532 | (959,607) | 7,700,416 | 1,877,258,258 | 1,022,680,119 | (10,435,729) | (306,347) |
| Cash flows from investing activities | (457,139,956) | (425,819) | - | (14,387,444) | 352,002,651 | (2,873,250) | - |
| Cash flows from financing activities | (470,480) | 256,305 | - | (1,646,571,869) | (375,473,967) | 17,000,000 | - |
| Net (decrease) / increase in cash and cash equivalents | (210,595,904) | (1,129,121) | 7,700,416 | 216,298,945 | 999,208,803 | 3,691,021 | (306,347) |
| Dividend paid to NCI | 189,617,630 | - | - | - | 102,845,841 | - | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

7.1 Decrease of equity interest in Subsidiary without change in control

During the year, the Parent Company renounced rights offered to it to subscribe the shares of Sachal Energy Development (Private) Limited, which resulted in decrease in its shareholding from 100% to 85.83%. The decrease in equity attributable to owners of the Parent Company is recognised in retained earnings.

| | 2018 (Rupees) |
|--|--------------------------------|
| Consideration received from NCI | 453,534,900 |
| Change in NCI | (542,264,356) |
| Decrease in equity attributable to owners of the Parent Company | <u>(88,729,456)</u> |

8. LONG TERM LOANS - secured

| | Note | 2018 | 2017 |
|---|------|------------------------|-----------------|
| | | (Rupees) | |
| Term finance loan | 8.1 | 10,944,000,000 | 10,500,000,000 |
| Less: current portion | | (1,216,000,000) | (1,050,000,000) |
| | | 9,728,000,000 | 9,450,000,000 |
| Transaction cost | | | |
| Balance at 01 July | | 1,103,753,453 | 93,352,928.00 |
| Add: Transfer from prepaid transaction cost | | - | 1,064,829,731 |
| Less: Amortization | | (139,793,503) | (54,429,206) |
| | | (963,959,950) | (1,103,753,453) |
| | | 8,764,040,050 | 8,346,246,547 |
| Term musharaka finance | 8.2 | 455,000,000 | 520,000,000 |
| Less: current portion | | (130,000,000) | (65,000,000) |
| | | 325,000,000 | 455,000,000 |
| Diminishing musharakah financing | 8.3 | 179,583 | 610,611 |
| Less: current portion | | (179,583) | (431,028) |
| | | - | 179,583 |
| | | 9,089,040,050 | 8,801,426,130 |

8.1 This represent long term loan facility of USD 100,000,000 availed by Subsidiary Company, Sachal Energy Development (Private) Limited (SEDPL) from Industrial and Commercial Bank of China (ICBC) under facility agreement dated 15 February 2015. The facility agreement has been registered with the State Bank of Pakistan on 29 May 2015. The loan carries mark-up at the rate of six months LIBOR plus 3.75% payable in arrears on semi annual basis. Principal is repayable in 20 bi-annual instalments with a grace period of two years. During the current year 2 semi annual installments of USD 5,000,000 each (2017: nil) have been repaid.

This loan has been secured against first charge of USD 107,134,400 duly registered with Securities and Exchange Commission of Pakistan, over all present and future current and fixed assets, pledge of all shares of the Subsidiary Company in favour of ICBC and corporate guarantee issued by the Parent Company in the favour of ICBC.

Following are the key conditions as per the facility agreement which can create lender's right to cancel all or part of its commitments and can demand or declare payable payment of all or part of the loan:

- non payment of any due amount in pursuant to facility agreement;
- failure to comply with the terms of facility agreement related to purpose, security, non-disposal, SINOSURE insurance policy, negative pledge and financial covenants of the guarantee;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

- any material misrepresentation given in relation to the facility agreement ;
- in case of insolvency of SEDPL or insolvency legal proceedings against SEDPL;
- in case of material adverse effect due to modification, revocation, suspension, termination or expiry of license or authority;
- SINOSURE insurance policy is terminated, repudiated, invalid or ineffective in any other way; and
- SEDPL suspends or ceases to carry on all or a material part of its business.

8.2 In 2017, the Parent Company obtained term musharaka finance amounting to Rs. 520 million from Summit Bank Limited, related party, under mark-up arrangement at the rate of 6 months KIBOR + 2% to be charged on semi annually basis. The loan is repayable in eight semi-annual instalments ending on 17 October 2021. The loan is secured against first pari passu charge over receivable of the Parent Company, ranking charge on an associate's property situated at Naya Nazimabad, Survey # 248, 249, 250 of Rs. 286 million and personal guarantee of Chief Executive Officer of the Parent Company.

8.3 The Parent Company has acquired a vehicle under diminishing musharakah financing arrangement entered into with First Habib Modaraba for a period of 4 years with monthly principal repayment. The financing is secured against the respective vehicle and promissory note issued in favour of the lender. The return on the arrangement is 6 months KIBOR + 2% and the loan will mature on 10 November 2018.

9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

| | Note | 2018 | 2017 |
|---|------|-------------|-------------|
| (Rupees) | | | |
| Present value of minimum lease payments | 9.1 | 1,345,933 | 1,816,413 |
| Less: Current portion shown under current liabilities | | (1,345,933) | (1,345,933) |
| | | - | 470,480 |

9.1 The above represents finance leases entered into by AHL, subsidiary company with a financial institution for vehicles having a term of 4 years. Monthly payments of leases bearing predetermined mark-up rate include finance charge ranging from 8% to 9% per annum (2017: 8% to 9% per annum) which are used as a discounted factor.

Taxes, repairs and insurance costs are to be borne by the AHL. In case of early termination of lease, the lessee shall pay entire amount of rentals for unexpired period of lease agreement.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

| | Minimum lease payments | Future finance cost | Present value of lease liability | |
|--|------------------------|---------------------|----------------------------------|-----------|
| | | | 2018 | 2017 |
| (Rupees) | | | | |
| Not later than one year | 1,365,350 | 19,417 | 1,345,933 | 1,345,933 |
| Later than one year and not later than five year | - | - | - | 470,480 |
| | 1,365,350 | 19,417 | 1,345,933 | 1,816,413 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

10. LAND LEASE LIABILITY

| | 2018 | 2017 |
|---|------------------|------------------|
| | (Rupees) | |
| Balance at 01 July | 10,527,163 | 8,777,840 |
| Charge for the year | 1,744,542 | 1,749,323 |
| Paid during the year | (1,360,000) | - |
| Balance at 30 June | 10,911,705 | 10,527,163 |
| Less: Current portion shown under current liabilities | (1,360,000) | (1,360,000) |
| | 9,551,705 | 9,167,163 |

This represents lease rental liability against 680 acres of land in Jhampir Area, District Thatta of the Province of Sindh acquired by SEDPL, subsidiary company, under a sub lease agreement dated 20 October 2014 of master lease agreement dated 11 February 2008. Under the terms of the agreement, SEDPL has paid lease rental and incidental expenses amounting to Rs. 5,905,000 for 10 years. SEDPL is required to pay lease rental amounting to Rs. 1,360,000 yearly for ten years (from 1 February 2018 to 31 January 2028), and Rs. 3,145,000 yearly for the next ten years (from 1 February 2028 to 31 January 2038). The lease rentals are being amortized on straight line basis over the useful life of the project.

11. DEFERRED LIABILITY - GRATUITY

This represents deferred liability for employees' gratuity obligation of SEDPL:

| | 2018 | 2017 |
|-----------------------------------|-------------------|------------------|
| | (Rupees) | |
| Balance at beginning of the year | 6,857,337 | 2,310,380 |
| Liability recognised for the year | 4,848,337 | 4,708,706 |
| Gratuity paid during the year | (1,551,642) | (161,749) |
| Balance at end of the year | 10,154,032 | 6,857,337 |

11.1 This include provision for gratuity of Rs. 7.44 million (2017: Rs. 4.81 million) payable to key management personnel of SEDPL.

12. DEFERRED TAXATION - net

The liability for deferred taxation comprises of temporary differences relating to:

| | 2018 | 2017 |
|---|----------------------|----------------------|
| | (Rupees) | |
| - Accelerated tax depreciation | 3,387,540 | 6,631,092 |
| - Investment in equity accounted associates | 1,157,937,363 | 933,980,685 |
| - Investment property | 44,832,675 | 60,935,289 |
| - Unrealised gain on investments | 32,860,023 | 74,252,928 |
| - Accrued markup | 2,117,600 | - |
| | 1,241,135,201 | 1,075,799,994 |

Deferred tax asset comprises of temporary differences relating to:

| | | |
|---|----------------------|---------------------|
| - Accelerated tax depreciation | (58,326) | - |
| - Unused tax credits | (63,370,115) | (82,095,154) |
| - Impairment loss on other 'long term investment' | (435,000) | (7,200,000) |
| | (63,863,441) | (89,295,154) |
| | 1,177,271,760 | 986,504,840 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

12.1 AHL, Subsidiary Company, based on the future projections, has recognized deferred tax assets only to the extent of deferred tax liabilities amounting, in aggregate, to Rs 63.37 million (2017: 82.09 million).

13. TRADE AND OTHER PAYABLES

| | Note | 2018 | 2017 |
|---|------|-----------------------------|----------------------|
| (Rupees) | | | |
| Creditors | 13.1 | 804,867,603 | 830,382,012 |
| Accrued liabilities | | 11,312,853 | 11,267,182 |
| Withholding tax payable | | 23,200,525 | 12,454,171 |
| Advance guarantee fee - from related parties | | - | 498,702 |
| Deposit from profit participant | 13.2 | 4,900,225,000 | 2,649,000,000 |
| Deposit against contractor's performance obligation | 13.3 | - | 135,649,705 |
| Payable to provident fund | | 46,694 | 47,419 |
| Other liabilities | | 32,909,276 | 26,083,487 |
| | | <u>5,772,561,951</u> | <u>3,665,382,678</u> |

13.1 This includes amount of Rs. 0.5 million (2017: Nil million) payable to related parties by AHL. Further, this includes an amount of Rs. 20.8 million (2017: Rs. 53.2 million) payable to related parties by the AHL on account of commission.

13.2 This represents deposit / additional margin, affirming commitment towards exercising of Option granted to the existing sponsor to purchase the entire investment in Silkbank Limited under the Option Agreement dated 15 December 2015 (which has been extended till 31 October 2018 vide addendum) and also the amount of deposits received from profit participant procured by the existing sponsor of Silkbank Limited.

13.3 This represent amount deposited with SEDPL, subsidiary company, by Engineering Procurement and Construction ("EPC") contractor (onshore) against an arrangement for performance related obligation pertaining to post Commercial Operation Date (COD). The amount has been deposited under an arrangement in addition to Novation and Amendment agreement dated 16 February 2015. The amount has been settled in full during the year.

14. SHORT TERM BORROWINGS

| | Note | 2018 | 2017 |
|---|------|-----------------------------|----------------------|
| (Rupees) | | | |
| <i>Secured - from banking companies</i> | | | |
| - Running finance from banks | 14.1 | 2,740,064,559 | 2,601,629,558 |
| - Term finance | 14.2 | 29,268,328 | 351,219,941 |
| | | <u>2,769,332,887</u> | <u>2,952,849,499</u> |

14.1 Short term running finance facilities are available to Parent Company and its subsidiary, AHL, from various commercial banks, under mark-up arrangements, amounting to Rs. 7,590 million (2017: Rs. 6,790 million). These facilities have various maturity dates up to 31 March 2019 and need to be renewed after that. These arrangements are secured against pledge of marketable securities with minimum 30% margin (2017: 30% margin).

These running finance facilities carry mark-up ranging from 1 month KIBOR + 0.5% to 6 month KIBOR + 1.25% (2017: 1 month KIBOR + 0.5% to 6 months KIBOR + 1.25%) calculated on a daily product basis, and is payable quarterly. The aggregate amount of these facilities which have not been availed as at the balance sheet date amounts to Rs. 4,850 million (2017: Rs. 4,188 million).

14.2 This represent short term finance of Rs. 360 million obtained from a commercial bank by SEDPL, subsidiary company, and carries mark-up at 3 months KIBOR + 3% payable quarterly in arrears. The facility is payable over a period of 1.5 years from the date of disbursement including 6 month grace period.

The facility is secured against exclusive charge over advance sales tax and sales tax receivables equivalent to facility amount, pledge of shares of associate company amounting to Rs. 150 million and personal guarantee of directors of subsidiary company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

14.3 The fair value of shares of associated companies, shares held for trading and other securities / assets pledged as collateral against short term borrowings amount to Rs. 10,629 million (2017: Rs. 8,785.56 million).

15. CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

Parent Company

15.1.1 The Parent Company is contesting along with other defendants four suits filed by M/s. Diamond Industries Limited, Mr. Iftikhar Shafi, M/s. Shafi Chemicals Industries Limited and Mr. Nisar Elahi (The Plaintiffs) in the year 2002-2003 for damages jointly against Mr. Saleem Chamdia, Mr. Arif Habib, Mr. Aqeel Karim Dedhi, Mr. A. Ghaffar Usman Moosani, Mr. Shahid Ghaffar, the Pakistan Stock Exchange Limited (PSX), the Securities and Exchange Commission of Pakistan (SECP), the Central Depository Company of Pakistan Limited (CDC), Saleem Chamdia Securities (Private) Limited, Arif Habib Corporation Limited, Moosani Securities Limited and Aqeel Karim Dedhi Securities Limited. The suits are for recovery of damages amounting to Rs. 10,989,948,199, Rs. 5,606,611,760, Rs. 1,701,035,843 and Rs. 428,440,971 against the decision of the PSX in respect of Risk Management System of its Clearing House during the year 2000. The Chief Executive Officer of the Parent Company was the Chairman of the Board of Directors of PSX during the year 2000. The Parent Company has been made party to the suits by the plaintiffs. All the suits at present are pending before the Honourable Sindh High Court, Karachi. Individual liability of respective parties and undertakings is not quantifiable.

The legal advisor of the Parent Company is of the opinion that there are reasonable grounds for a favourable decision and that the suits are likely to be dismissed as these are not based on factual or legal basis and no financial liability is expected to accrue as a consequence of the said suits against the Company. Accordingly, no provision has been recognised there against.

15.1.2 During the year ended 30 June 2012, the Securities and Exchange Commission of Pakistan ("SECP") issued an order under Section 22 of the Securities and Exchange Ordinance, 1969 ("the Ordinance") regarding non-compliance of orders passed by it under Section 18A of the Ordinance for depositing confiscated subscription money amounting to Rs. 3.14 million relating to fictitious applications received by the Parent Company for subscription of shares of Summit Bank Limited that were offered to general public by the Parent Company in 2007. On 2 November 2012, Appellate bench of the SECP dismissed the appeal filed by the Parent Company against the order. The Parent Company has filed a constitutional petition challenging the orders passed by the SECP before Honourable High Court of Sindh which has granted ad interim stay. The petition is being contested vigorously and management is confident that the petition will be decided in Parent Company's favour.

15.1.3 The Parent Company has issued Corporate Guarantee, on behalf of a subsidiary company, namely Sachal Energy Development (Private) Limited (SEDPL), amounting to USD 100 million (current outstanding: USD 90 million) to Industrial Commercial Bank of China (ICBC) in relation to financing agreement of SEDPL.

The Parent Company had also issued Corporate Guarantees on behalf of associated concern, Aisha Steel Mills Limited to the extent of Rs. 2.477 billion and USD 10 million for which the Company has obtained letter of indemnity from respective related party.

AHL, Subsidiary Company

15.1.4 AHL has been contesting a demand of Rs. 45.42 million raised against its non taxable services vide order issued on 12 September 2014 by the Assistant Commissioner, Sindh Revenue Board. AHL has filed an appeal against the impugned order in the appropriate forum and accordingly a stay was granted against the impugned order. During the previous year, Appellate Tribunal of Sindh Revenue Board has remanded the case to the learned Commissioner (Appeals) for decision denovo on merits in terms of note / opinion recorded by the Member Technical. AHL's legal counsel is of the view that the AHL has a favorable case based on merit. Accordingly no provision of the said amount has been made in these consolidated financial statements.

SEDPL, Subsidiary Company

15.1.5 There are no contingencies as on 30 June 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

Associates

15.1.6 The Group's share of associates' contingent liabilities is Rs. 10,895.86 million (2017: Rs. 16,532.70 million).

15.2 Commitments

Parent Company

15.2.1 There were no significant commitments at the balance sheet date except as otherwise disclosed in these consolidated financial statements.

AHL, Subsidiary Company

15.2.2 Following commitments are outstanding as at the year end:

| | 2018 | 2017 |
|---|--------------------|-------------|
| | (Rupees) | |
| - Outstanding settlements against marginal trading contracts | <u>251,249,997</u> | 282,746,717 |
| - Outstanding settlements against sale/purchase of securities in regular market | <u>150,852,380</u> | 381,424,500 |
| - Financial guarantee given by a commercial bank on behalf of AHL | <u>250,000,000</u> | 250,000,000 |

SEDPL, Subsidiary Company

15.2.3 Commitments related to operating lease of land as disclosed in note 10 to these consolidated financial statements. SEDPL has entered into Operation and Maintenance Agreement with Hydrochina International Engineering Company Limited on 28 April 2012 as amended by Amendment Agreement dated 01 July 2017 for USD 1,885,000 per year for a period of two years. Payable recorded under the said contract is USD 2,130,050 as at the balance sheet date.

15.2.4 Significant contracts

(a) Energy Purchase Agreement (EPA)

SEDPL has entered into Energy Purchase Agreement (EPA) on 27 February 2014 with National Transmission and Dispatch Company Limited (through its Central Power Purchasing Agency) on behalf of ex- WAPDA Distribution Companies ("the Power Purchaser") for the sale of its entire energy. The term of EPA is 20 years.

(b) Implementation Agreement (IA)

SEDPL has entered into implementation agreement (IA) with Government of Pakistan on 11 August 2014 to install wind turbines, generate and sell electricity up to 49.5 MW in Sindh Province, Pakistan.

(c) Operation and Maintenance Agreement - Offshore

SEDPL has entered into Operation and Maintenance Agreement with Hydrochina International Engineering Company Limited on 28 April 2012 as amended and novated by Novation and Amendment agreement 01 July 2017.

(d) Operation and Maintenance Agreement - Onshore

SEDPL has entered into Operation and Maintenance Agreement with Hydrochina International Engineering Company Limited on 28 April 2012 as amended by Amendment agreement dated 01 July 2017.

(e) Facility Agreement

SEDPL has entered into Facility Agreement of USD 100 Million with Industrial and Commercial Bank of China (ICBC) on 15 February 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

16. PROPERTY, PLANT AND EQUIPMENT

| | Note | 2018 | 2017 |
|------------------------|------|-----------------------|-----------------------|
| | | | (Rupees) |
| Operating fixed assets | 16.1 | 13,304,578,704 | 12,456,140,468 |

16.1 Operating fixed assets

| COST | Leasehold buildings and improvements | | Vehicles | | Plant and machinery* | Office equipment | Computer and allied equipment | Capital work in progress | Exchange Gains/Loss | Total |
|---------------------------------------|--------------------------------------|-----------|-------------|-----------|----------------------|------------------|-------------------------------|--------------------------|---------------------|----------------|
| | Furniture, fixtures and fittings | Owned | Leased | | | | | | | |
| Balance as at 01 July 2017 | 170,235,651 | 2,356,645 | 34,102,393 | 3,880,500 | 12,491,792,687 | 3,575,598 | 28,990,770 | - | 40,336,700 | 12,775,270,944 |
| Additions during the year | - | 1,849,622 | 13,291,060 | - | - | 1,039,948 | 3,814,139 | - | 1,551,350,000 | 1,571,344,769 |
| Disposals | - | - | (1,993,500) | - | - | - | (441,161) | - | - | (2,434,661) |
| Balance as at 30 June 2018 | 170,235,651 | 4,206,267 | 45,399,953 | 3,880,500 | 12,491,792,687 | 4,615,546 | 32,363,748 | - | 1,591,686,700 | 14,344,181,052 |
| DEPRECIATION | | | | | | | | | | |
| Balance as at 01 July 2017 | 120,711,040 | 934,136 | 18,320,185 | 1,767,870 | 157,197,311 | 1,679,096 | 18,016,629 | - | 504,209 | 319,130,476 |
| Charge for the year | 7,134,207 | 271,537 | 5,687,550 | - | 624,534,794 | 443,946 | 4,122,089 | - | 79,559,125 | 721,753,228 |
| Disposals / transfers | - | - | (1,101,841) | - | - | - | (179,515) | - | - | (1,281,356) |
| Balance as at 30 June 2018 | 127,845,247 | 1,205,673 | 22,905,894 | 1,767,870 | 781,732,105 | 2,123,042 | 21,959,183 | - | 80,063,334 | 1,039,602,348 |
| Written down value as at 30 June 2018 | 42,390,404 | 3,000,594 | 22,494,059 | 2,112,630 | 11,710,060,582 | 2,492,504 | 10,404,565 | - | 1,511,623,366 | 13,304,578,704 |
| COST | | | | | | | | | | |
| Balance as at 01 July 2016 | 170,235,651 | 1,794,306 | 34,178,893 | 3,880,500 | 3,750,000 | 3,083,332 | 23,722,495 | 2,545,247,697 | 40,336,700 | 2,785,892,874 |
| Additions during the year | - | 639,439 | - | - | - | 582,266 | 6,665,688 | 9,942,794,990 | - | 9,991,019,083 |
| Disposals | - | (77,100) | (76,500) | - | - | - | (1,243,413) | - | - | (1,397,013) |
| Transfers | - | - | - | - | 12,488,042,687 | - | - | (12,488,042,687) | - | - |
| Assets of subsidiary disposed off | - | - | - | - | - | (90,000) | (154,000) | - | - | (244,000) |
| Balance as at 30 June 2017 | 170,235,651 | 2,356,645 | 34,102,393 | 3,880,500 | 12,491,792,687 | 3,575,598 | 28,990,770 | - | 40,336,700 | 12,775,270,944 |
| DEPRECIATION | | | | | | | | | | |
| Balance as at 01 July 2016 | 112,374,303 | 803,979 | 14,418,557 | 1,293,834 | 957,134 | 1,430,740 | 15,780,698 | - | - | 147,069,245 |
| Charge for the year | 8,336,737 | 168,017 | 3,968,355 | 474,036 | 156,240,177 | 331,862 | 3,424,177 | - | 504,209 | 173,447,570 |
| Disposals / transfers | - | (37,860) | (66,727) | - | - | - | (1,051,783) | - | - | (1,156,370) |
| Assets of subsidiary disposed off | - | - | - | - | - | (83,506) | (136,463) | - | - | (219,969) |
| Balance as at 30 June 2017 | 120,711,040 | 934,136 | 18,320,185 | 1,767,870 | 157,197,311 | 1,679,096 | 18,016,629 | - | 504,209 | 319,130,476 |
| Effect of movements | | | | | | | | | | |
| Written down value as at 30 June 2017 | 49,524,611 | 1,422,509 | 15,782,208 | 2,112,630 | 12,334,595,376 | 1,896,502 | 10,974,141 | - | 39,832,491 | 12,456,140,468 |
| Rates of depreciation (%) | 5 - 15 | 5 - 20 | 20 | 20 | 5 - 10 | 3 - 33 | 33 | | | 5 |

*This includes lease rentals amounting to Rs. 16.045 million capitalized by SEDPL, subsidiary company, as development cost for the wind power project. The plant is situated in Jhampir, district Thatta, Sindh Province at an area of 680 Acres.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

16.1.1 Depreciation charge has been allocated as follows:

| | Note | 2018 | 2017 |
|---------------------------------------|------|--------------------|--------------------|
| | | (Rupees) | |
| Operating and administrative expenses | 32 | 721,753,228 | 173,342,838 |
| Capital work in progress | | - | 104,732 |
| | | <u>721,753,228</u> | <u>173,447,570</u> |

16.2 Details of disposals of property, plant and equipment

The major disposals during the year of operating fixed assets the book value of which exceeds five hundred thousand rupees are as follows:

| Particulars of assets | Cost | Book value | Sale price | Loss on Disposal | Mode of Disposal | Relationship with the buyer |
|-----------------------|-----------|------------|------------|------------------|---------------------|-----------------------------|
| Vehicle | 1,792,500 | 773,566 | 773,566 | - | Terms of employment | Employee |

17. INTANGIBLE ASSETS - OTHERS

| | 2018 | 2017 |
|---|------------------|------------------|
| | (Rupees) | |
| Cost | | |
| Opening balance | 9,012,247 | 8,632,151 |
| Additions during the year | 96,000 | 754,346 |
| Write off | - | (374,250) |
| Closing balance | <u>9,108,247</u> | <u>9,012,247</u> |
| Amortization | | |
| Opening balance | 5,251,238 | 4,501,260 |
| Amortization for the year | 867,393 | 1,110,701 |
| Write off | - | (360,723) |
| Closing balance | <u>6,118,631</u> | <u>5,251,238</u> |
| Written down value as at 30 June | <u>2,989,616</u> | <u>3,761,009</u> |

17.1 The amortisation charge has been allocated to operating and administrative expenses (note 32).

18. GOODWILL

Goodwill is monitored by the management at individual entity level which are considered cash generating units. The carrying amount of goodwill allocated to the individual cash generating units (CGUs) is as follows:

| | Note | 2018 | 2017 |
|---|------|--------------------|--------------------|
| | | (Rupees) | |
| Arif Habib Limited | 18.1 | 838,683,576 | 838,683,576 |
| Sachal Energy Development (Private) Limited | 18.2 | 71,522,541 | 71,522,541 |
| | | <u>910,206,117</u> | <u>910,206,117</u> |

18.1 Impairment testing of Goodwill relating to Arif Habib Limited (AHL):

The recoverable amount of the business operations of AHL (cash generating unit) have been determined based on its value in use determined by discounting future cash flows (which require use of assumptions) to be generated from continuing use of cash generating units. The calculations uses cash flow projections which

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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require the use of assumptions prepared by management covering period from 2019 to 2023 till terminal period. The Group has applied 17% discount rate to cash flow projections cash flows beyond the five year period are extrapolated using the estimated growth rate of 5%.

The calculation of 'value in use' for the business operations is most sensitive to the following assumptions:

Revenue

Revenue comprises of brokerage, advisory, consultancy, dividend and capital gain. Major revenue depends on the volume of trading of shares and increase in share index. The market index and volume of share is expected to grow in upcoming future which will result in increase in revenue of AHL. Management used 5% annual growth rate in revenue. Management is of the view that these assumptions are reasonable considering the current market conditions.

Financial charges

Financial cost has projected based on the short term financing arrangement made by the AHL. The finance charges are expected to increase but less increase than expected revenue as stock market is expected to increase in upcoming future and AHL has potential to invest further. Management used 12% to 13% annual growth rate in financial charges.

Discount rate

Discount rates reflect management's estimate of the rate of return required for the business and are calculated after taking into account the prevailing risk free rate, industry risk and business risk. Discount rates are calculated by using the weighted average cost of capital.

Long term growth rate

This is the weighted average growth rate used to extrapolate cash flows beyond five year period. The terminal growth rate is considered by management to be reasonably achieved.

Sensitivity to changes in other assumptions

Management believes that reasonable possible changes in other assumptions used to determine the recoverable amount of the cash generating units will not result in an impairment of Goodwill.

18.2 Impairment testing of Goodwill relating to Sachal Energy Development (Private) Limited (SEDPL):

The recoverable amount of the business operations of SEDPL (cash generating unit) have been determined based on value in use determined by discounting future cash flows (which require use of assumptions) to be generated from continuing use of cash generating units. The calculation uses cash flow projections which require the use of assumptions prepared by management covering period from 2019 to 2037 till project life. The Group has applied 12% discount rate to cash flow projections.

The calculation of 'value in use' for the business operations is most sensitive to the following assumptions:

Revenue growth (Tariff rate)

Revenue growth assumptions have been derived from the projections prepared by management taking into account the tariff fixed by regulatory authority. Management is of the view that these assumptions are reasonable considering the current market conditions.

Cost of supply of services and gross margins

Cost of supply of power has been projected on the basis of multiple strategies planned by management to ensure profitable operations. These strategies include cost cutting mechanism such as reducing maintenance cost, and increasing efficiency of power supply etc. resulting in improved gross margins over the forecasted period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

Financial charges

Financial cost has projected based on the long term financing arrangement made by the SEDPL. The training has been arranged in such a way that the cost has been reduced over the period of projection which will result in increase in profit margin over projection period.

Discount rate

Discount rates reflect management's estimate of the rate of return required for the business and are calculated after taking into account the prevailing risk free rate, industry risk and business risk. Discount rates are calculated by using the weighted average cost of capital.

Sensitivity to changes in other assumptions

Management believes that reasonable possible changes in other assumptions used to determine the recoverable amount of the cash generating units will not result in an impairment of Goodwill.

19. TRADING RIGHT ENTITLEMENT CERTIFICATE, MEMBERSHIP CARD AND OFFICES

| | Note | 2018 (Rupees) | 2017 |
|--|------|------------------|--------------|
| <i>Trading right entitlement certificate</i> | | | |
| Cost | | 35,500,000 | 35,500,000 |
| Impairment | | (21,500,000) | (21,500,000) |
| | 19.1 | 14,000,000 | 14,000,000 |
| <i>Membership cards</i> | | | |
| - Pakistan Mercantile Exchange Limited | | 1,000,000 | 1,000,000 |
| <i>Booths</i> | | | |
| - Pakistan Stock Exchange Limited - three booths | | 2,100,000 | 2,100,000 |
| | | 17,100,000 | 17,100,000 |

19.1 This represents TREC received by the Company in accordance with the Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012. These have been carried at cost less impairment.

20. INVESTMENT PROPERTIES

| | Note | 2018 (Rupees) | 2017 |
|-----------------------------|--------|------------------|---------------|
| Opening balance | | 2,362,374,219 | 2,178,505,214 |
| Acquisition during the year | | 859,120,000 | 12,945,000 |
| Disposal during the year | 20.3.1 | (2,232,984,219) | (207,978,965) |
| | | 988,510,000 | 1,983,471,249 |
| Changes in fair value - net | | 384,990,000 | 378,902,970 |
| | | 1,373,500,000 | 2,362,374,219 |

20.1 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. The fair value of such investment properties were determined by an independent external property valuer having appropriate recognised qualification and relevant experience. A gain of Rs. 384.99 million representing change in fair value has been recognised in consolidated profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

20.2 Forced sales value of the above investment properties as at 30 June 2018 is Rs. 1,171 million (2017: Rs. 1,686 million).

20.3 Following is the movement of investment properties disposed off during the year:

| | | 2018 (Rupees) |
|---------------|--|--------------------------|
| 20.3.1 | Carrying value of investment property as on 01 July 2017 | 2,232,984,219 |
| | Sale consideration of investment property | (2,454,285,383) |
| | Difference of sale consideration and carrying value | (221,301,164) |
| | Gain on disposal charged to profit or loss | 221,301,164 |
| | Carrying value of investment property as on 30 June 2018 | - |
| 20.3.2 | Sale consideration of investment property | 2,454,285,383 |
| | Cost of investment property | (1,401,071,201) |
| | Gain on disposal of investment property | 1,053,214,182 |
| | Less: gain already recorded in consolidated profit or loss as fair value changes | (831,913,018) |
| | Gain on disposal charged to consolidated profit or loss | 221,301,164 |

21. EQUITY ACCOUNTED INVESTEEES

| | Note | 2018 | 2017 |
|---|-------------|-----------------------|----------------|
| (Rupees) | | | |
| Pakarab Fertilizers Limited (PFL) | 21.1 | 1,785,318,300 | 3,011,222,100 |
| Fatima Fertilizer Company Limited (FFCL) | 21.2 | 10,107,412,937 | 9,031,050,296 |
| MCB - Arif Habib Savings and Investments Limited (MCB-AH) | 21.3 | 592,687,874 | 595,265,420 |
| Silkbank Limited | 21.4 | 4,668,642,098 | 4,268,786,450 |
| | | 17,154,061,209 | 16,906,324,266 |
| Less: Provision for impairment | | (119,982,605) | (119,982,605) |
| | | 17,034,078,604 | 16,786,341,661 |

21.1 Investment in PFL (unquoted) represents 135 million (2017: 135 million) fully paid ordinary shares of Rs. 10 each, representing 30% (2017: 30%) of PFL's paid up share capital as at 30 June 2018, having cost of Rs. 1,324.33 million (2017: Rs. 1,324.33 million). Fair value per share as at 30 June 2018 is Rs. 87 per share (2017: Rs. 87 per share) determined using discounted cash flow approach. The fair value determination involved significant assumptions which mainly includes long term growth rates, long term return on equity and weighted average cost of capital.

21.2 Investment in FFCL (quoted) represents 319 million (2017: 319 million) fully paid ordinary shares of Rs. 10 each, representing 15.19% (2017: 15.19%) of FFCL's paid up share capital as at 30 June 2018. Fair value per share as at 30 June 2018 is Rs. 32.40 (2017: Rs. 33.69) which is based on quoted share price on stock exchange at reporting date.

21.3 Investment in MCB-AH (quoted) represents 21.66 million (2017: 21.66 million) fully paid ordinary shares of Rs. 10 each, representing 30.09% (2017: 30.09%) of MCB-AH's paid up share capital as at 30 June 2018. Market value per share as at 30 June 2018 was Rs. 20.00 (2017: Rs. 28.50) which is based on quoted share price on stock exchange at reporting date.

21.4 Investment in Silkbank (quoted) represent 2.563 billion (2017: 2.563 billion) ordinary shares issued by Silkbank Limited at a purchase price of Rs. 1.56 per share under an agreement, representing 28.23% shareholding (2017: 28.23%) in Silkbank and accounted for as associates in accordance with the requirement of IAS 28 'Investments in Associates and Joint Ventures.

21.5 Summarized financial information of the associates of the Group as of 30 June 2018 is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

| | 2018 | | | |
|--|--|----------------------------|-------------------|-----------------------------------|
| | MCB - Arif Habib Savings and Investments Limited | Pakarab Fertilizer Limited | Silkbank Limited | Fatima Fertilizer Company Limited |
| | (Rupees in '000) | | | |
| Percentage ownership interest | 30.09% | 30.00% | 28.23% | 15.19% |
| Non-current assets | 954,679 | 43,800,051 | - | 96,537,898 |
| Current assets | 1,294,049 | 19,538,035 | 161,888,560 | 24,595,752 |
| Non-current liabilities | 54,837 | 18,106,677 | - | 25,375,660 |
| Current liabilities | 622,920 | 26,199,402 | 147,997,193 | 29,218,076 |
| Net assets | 1,570,971 | 19,032,007 | 13,891,367 | 66,539,914 |
| Elimination of revaluation surplus with related deferred taxation* | - | (13,080,947) | (47,700) | - |
| Net assets of equity accounted investee (adjusted) | 1,570,971 | 5,951,060 | 13,843,667 | 66,539,914 |
| Group's interest in net assets of investee company | 472,705 | 1,785,318 | 3,908,067 | 10,107,413 |
| Goodwill | - | - | 760,575 | - |
| Carrying amount of equity accounted investee | 472,705 | 1,785,318 | 4,668,642 | 10,107,413 |
| Revenue | 703,021 | 9,776,863 | 8,887,851 | 44,844,081 |
| Profit from continuing operations | 127,628 | (4,074,246) | 1,402,938 | 11,856,317 |
| Other comprehensive income | (10,194) | (12,100) | (48,117) | (45,322) |
| Total comprehensive income | 117,434 | (4,086,346) | 1,354,821 | 11,810,995 |
| Share of total comprehensive income in equity accounted investee | 35,335 | (1,225,904) | 399,856 | 1,794,113 |
| | 2017 | | | |
| | MCB - Arif Habib Savings and Investments Limited | Pakarab Fertilizer Limited | Silkbank Limited | Fatima Fertilizer Company Limited |
| | (Rupees in '000) | | | |
| Non-current assets | 953,465 | 42,707,217 | 7,684,796 | 95,923,466 |
| Current assets | 1,316,475 | 21,546,796 | 139,141,702 | 30,357,581 |
| Non-current liabilities | 49,013 | 19,604,772 | - | 32,909,536 |
| Current liabilities | 641,390 | 23,125,184 | 134,308,362 | 33,917,592 |
| Net Assets | 1,579,537 | 21,524,057 | 12,518,136 | 59,453,919 |
| Elimination of revaluation surplus with related deferred taxation* | - | (11,486,650) | (90,890) | - |
| Net assets of equity accounted investee (adjusted) | 1,579,537 | 10,037,407 | 12,427,246 | 59,453,919 |
| Group's interest in net assets of investee company | 475,283 | 3,011,222 | 3,508,211 | 9,031,050 |
| Goodwill | - | - | 760,575 | - |
| Carrying amount of equity accounted investee | 475,283 | 3,011,222 | 4,268,786 | 9,031,050 |
| Revenue | 793,504 | 22,675,546 | 10,003,806 | 43,899,736 |
| Profit from continuing operations | 202,194 | (1,776,990) | 871,515 | 9,578,634 |
| Other comprehensive income | 62,114 | (19,931) | (25,662) | 15,538 |
| Total comprehensive income | 264,308 | (1,796,921) | 845,853 | 9,594,172 |
| Share of total comprehensive income in equity accounted investee | 79,529 | (539,076) | 221,480 | 1,457,388 |

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For the year ended 30th June 2018

21.5.1 The figures of revenue, profits and other comprehensive income of Silkbank have been adjusted due to different accounting year ends. The financial information included are same as included in their own financial statements adjusted for differences in accounting policies, if any.

* The adjustment represent alignment of accounting policy of associates with the Group.

** Group's share of net assets equal the carrying amount of equity accounted investees.

21.6 Financial statements of MCB-AH, FFCL and PAFL have been audited by their independent auditors and interim financial information of Silkbank for the six months period ended 30 June 2018 has been reviewed by its independent auditor.

21.7 Investments in associated companies have been made in accordance with the requirements of the Companies Act, 2017.

22. OTHER LONG TERM INVESTMENTS

| | Note | 2018 (Rupees) | 2017 |
|---|------|-------------------|-------------------|
| Investments - available-for-sale | 22.1 | - | - |
| Investment at fair value through profit or loss | 22.2 | 72,390,122 | 84,314,338 |
| | | 72,390,122 | 84,314,338 |

22.1 Investments - available-for-sale

| | Note | 2018 (Rupees) | 2017 |
|--|--------|--------------------|--------------|
| Takaful Pakistan Limited (TPL) | 22.1.1 | - | 30,000,000 |
| Sun Biz (Private) Limited (SBL) | 22.1.2 | 1,000,000 | 1,000,000 |
| Al-Khabeer Financial Services (Private) Limited (AKSF) | 22.1.3 | 1,000,000 | 1,000,000 |
| | | 2,000,000 | 32,000,000 |
| Provision for impairment | | (2,000,000) | (32,000,000) |
| | | - | - |

22.1.1 During the year, the Company sold its entire investment in TPL for Rs. 19.17 million realising a gain of the said amount.

22.1.2 Investment in SBL (unquoted) represents 10,000 (2017: 10,000) fully paid ordinary shares of Rs. 100 each.

22.1.3 Investment in AKFS (unquoted) represents 5,000 (2017: 5,000) fully paid ordinary shares of Rs. 1 million (2017: Rs 1 million).

22.2 Investment at fair value through profit or loss

| | Note | 2018 (Rupees) | 2017 |
|--|--------|-------------------|-------------------|
| Pakistan Stock Exchange Limited | 22.2.1 | 19,786,459 | 25,727,405 |
| ISE Towers REIT Management Company Limited | 22.2.2 | 43,910,720 | 47,097,039 |
| LSE Financial Services Limited | 22.2.2 | 8,692,943 | 11,489,894 |
| | | 72,390,122 | 84,314,338 |

22.2.1 This represents the investment in ordinary shares of Pakistan Stock Exchange Limited (PSX) received by AHL, subsidiary company, in pursuance of the promulgation of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012. The total number of shares received by AHL were 4,007,383 out of which 60% shares were held in a separate blocked account in the Central Depository Company of Pakistan Limited (CDC) to strict the sale of such shares by the members of PSX.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

In March 2017, AHL disposed off 1,602,953 shares (i-e 40%) under the share purchase agreement between PSX and an Anchor investor and additional 801,477 shares (i-e 20%) under Initial Public Offering in June 2017 at Rs. 28 per share. Further, as per Section 5(2) of Public Offering Regulations, 2017, AHL is required to retain not less than 25% of the total paid up capital for a period of not less than three financial years from the last date for the public subscription. Given the above, the investment to the extent of 25% has been classified as long term investment while the remaining investment in PSX has been classified under short term investment.

22.2.2 This represents the investment in 843,975 unquoted ordinary shares of M/s. LSE Financial Services Limited and 3,034,604 unquoted ordinary shares of M/s. ISE Towers REIT Management Company Limited. Management of subsidiary company has carried out the valuation of the aforementioned investments. In this connection, Discounted Free Cash Flow to Equity model for business valuation was used to determine fair value of respective investee companies. Assumptions and inputs used in the valuation technique mainly include risk-free rate, equity risk premium, long term growth rate and projected rates of increase in revenues, other income and expenses. Principal assumptions used in the valuation of above unquoted investments described in note 42 to these consolidated financial statements.

23. LONG TERM LOAN TO RELATED PARTY

| | 2018 | 2017 |
|---|---------------------|------|
| | (Rupees) | |
| <i>Secured</i> | 201,315,405 | - |
| Aisha Steel Mills Limited | (18,955,660) | - |
| Less: Current portion of long term loan | 182,359,745 | - |

23.1 As approved by shareholders of the Parent Company during the Annual General Meeting held on 28 October 2017, the Parent Company has converted running finance to long term loan. 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 2017: 6 months KIBOR + 3.25% per annum). The rate of mark-up on the loan during the period was ranged between 9.40% to 9.46% (30 June 2017: ranged between 9.31% to 9.40%) per annum. Mark-up is payable on semi-annual basis.

23.2 Maximum balance due from related party during the year was Rs. 182.36 million.

23.3 Investments in associated companies have been made in accordance with the requirements of the Companies Act, 2017.

24. LONG TERM DEPOSITS AND OTHER RECEIVABLE

| | Note | 2018 | 2017 |
|---|------|-------------------|------------|
| | | (Rupees) | |
| Pakistan Stock Exchange Limited | | 17,207,961 | 17,207,961 |
| LSE Financial Services Limited | | 12,331,941 | 12,761,941 |
| ISE Towers REIT Management Company Limited | | 150,000 | 150,000 |
| National Clearing Company of Pakistan Limited | | 1,307,134 | 4,045,826 |
| Receivable from employees against leased vehicles | 24.1 | 2,870,040 | 3,561,590 |
| Pakistan Mercantile Exchange deposit for office | | 11,507,205 | 11,507,205 |
| Other deposits | | 702,578 | 300,536 |
| | | 46,076,859 | 49,535,059 |

24.1 This represents security deposits paid by the Parent Company and BGPL to / on behalf of employees for leased vehicle and is secured against respective employees' provident fund balances. It will be recovered from the respective employees from their final settlement or at the termination of lease agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25. TRADE DEBTS

| | Note | 2018 (Rupees) | 2017 |
|------------------------------|------|----------------------|---------------|
| Considered good | | | |
| - Secured | 25.1 | 1,376,308,879 | 1,404,600,138 |
| - Unsecured | 25.2 | 24,426,220 | 74,783,140 |
| | | 1,400,735,099 | 1,479,383,278 |
| Considered doubtful | | 863,471,916 | 874,618,000 |
| | | 2,264,207,015 | 2,354,001,278 |
| Provision for doubtful debts | | | |
| - Opening provision | | (874,618,000) | (875,288,868) |
| - Reversal for the year | | 11,146,084 | 670,868 |
| - Provision as at 30 June | | (863,471,916) | (874,618,000) |
| | 25.2 | 1,400,735,099 | 1,479,383,278 |

25.1 This includes receivable by AHL, subsidiary company, against margin financing amounting to Rs. 257.42 million (2017: 559.45 million). The same is provided to client's on mark-up basis ranging from 12% to 14% (2017: 12% to 14%) per annum.

This also includes Rs. 1,118.89 million (2017: 845.14 million) trade debts of SEDPL, subsidiary company, from Central Power Purchasing Agency Limited (CPPA) which are secured by a guarantee from Government of Pakistan (GoP) under the Implementation Agreement (IA) dated 11 August 2014. Further, these are subject to mark-up on delay payments under EPA dated 27 February 2014 at the rate of 3 month KIBOR plus 4.5% per annum.

25.2 This includes Rs. 0.1 million (2017: Rs. 0.5 million) due from related parties. AHL, subsidiary company, holds capital securities having fair value of Rs. 42,456 million (2017: Rs. 33,780 million) owned by its clients, as collaterals against trade debts.

26. LOANS AND ADVANCES - *considered good*

| | Note | 2018 (Rupees) | 2017 |
|--------------------------------------|------|----------------------|-------------|
| Unsecured | | | |
| <i>Advance:</i> | | | |
| - for investment property | | - | 100,000,000 |
| - Bid margin in initial public offer | 26.1 | 14,000,000 | - |
| - for expenses | | 1,187,663 | - |
| - to executives and employees | 26.2 | 5,451,082 | 5,489,983 |
| | | 20,638,745 | 105,489,983 |
| <i>Loans to related parties:</i> | | | |
| Javedan Corporation Limited (JCL) | 26.3 | 1,468,000,000 | - |
| Aisha Steel Mills Limited (ASL) | 26.4 | 175,000,000 | - |
| | | 1,643,000,000 | - |
| Secured | | | |
| Receivable against Reverse repo | | 62,815,648 | 26,007,569 |
| Loan to employees | 26.5 | 5,359,108 | 4,034,172 |
| <i>Loans to related parties:</i> | | | |
| Aisha Steel Mills Limited (ASL) | 23.1 | 18,955,660 | 210,793,235 |
| | | 1,750,769,161 | 346,324,959 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

- 26.1** This represents margin money (25% bid money) in respect of bids placed by the Parent Company as an institutional investor in the initial public offering of ordinary shares of At-Tahur Limited. Subsequent to the year end, the Parent Company paid the remaining balance in respect of allotted shares.
- 26.2** This includes advances made to key management personnel amounting to Rs. 0.5 million (2017: Rs.0.45 million).
- 26.3** The Parent Company entered into an arrangement with Javedan Corporation Limited. The loan is repayable within 30 business days of notice of demand. The mark-up rate on the said loan is 3 month KIBOR + 2.25% per annum. The markup is payable on quarterly basis. The effective mark-up charged during the year ranged between 8.59% to 8.75% per annum (2017: Nil).
- 26.4** The Parent Company entered into a loan agreement with ASL. The loan is repayable within 30 business days notice of demand. The mark-up rate on the said loan is 3 months KIBOR + 3% per annum. Mark-up is payable on quarterly basis. The effective mark-up charged during the year was ranged between 9.16% to 9.50% (2017: ranged between 9.04% to 9.12%).
- 26.5** This includes loan provided to key management personnel amounting to Rs. 0.81 million (2017: Rs. 0.14 million). Loan provided to executive and staff are interest free. These loans have been provided for the purchase of vehicles and for other purposes in accordance with the terms of employment. The loans are repayable over a year and are to be recovered through deduction from monthly payroll. The loans are secured against staff provident fund.
- 26.6** Maximum balance due from related parties in respect of loans and advances as at the end of any month during the year was Rs. 2,187 million (2017: Rs. 1,507 million).
- 26.7** Investments in associated companies have been made in accordance with the requirements of the Companies Act, 2017.

27. DEPOSITS AND PREPAYMENTS

| | Note | 2018 | 2017 |
|--|------|-------------------|-------------------|
| | | (Rupees) | |
| Deposits - future clearing | 27.1 | 55,589,936 | 28,496,602 |
| Prepayments | | 4,145,144 | 7,254,939 |
| Marginal trading system - exposure deposit | 27.2 | 9,965,699 | 9,997,534 |
| Others | | 41,769 | - |
| | | 69,742,548 | 45,749,075 |

- 27.1** These represent amounts of deposits held at the year end against exposure arising out of the trading in securities by AHL, subsidiary company, in accordance with the regulations of Pakistan Stock Exchange Limited.
- 27.2** These represent amounts of deposits held at the year end against exposure arising out of the trading in securities by AHL, subsidiary company, in accordance with the regulations of National Clearing Company of Pakistan Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

28. ACCRUED MARK-UP AND OTHER RECEIVABLES

| | Note | 2018 (Rupees) | 2017 |
|--|------|--------------------|-------------|
| <i>Mark-up receivable</i> | | | |
| From related parties: | | | |
| Aisha Steel Mills Limited | 28.1 | 9,670,362 | 9,913,724 |
| Javedan Corporation Limited | | 28,967,534 | - |
| | | 38,637,896 | 9,913,724 |
| Others | | 21,355,813 | 13,525 |
| | | 59,993,709 | 9,927,249 |
| <i>Unbilled Revenue</i> | | | |
| Regular energy | 28.2 | 515,125,613 | - |
| Shortfall energy | | 55,753,318 | - |
| Bonus energy | | 11,105,839 | - |
| Late payment charges | | 5,136,804 | - |
| | | 587,121,574 | - |
| <i>Guarantee commission receivable</i> | | | |
| Aisha Steel Mills Limited | 28.3 | 869,364 | - |
| Power Cement Limited | | - | 66,964 |
| | | 869,364 | 66,964 |
| <i>Other receivables</i> | | | |
| Dividend Receivable | | 2,024,298 | 7,670,237 |
| Others | | 118,667,036 | 181,403,362 |
| | 28.4 | 120,691,334 | 189,073,599 |
| | | 768,675,981 | 199,067,812 |

28.1 The maximum amount due from related parties in respect of markup receivable as at the end of any month during the year was Rs. 38.64 million (2017: Rs. 9.91 million). Further, the said receivable from related parties are on account of loans provided to them which are current and not past due.

28.2 This represents uninvoiced revenue of SEDPL, subsidiary company. These invoices will be raised subsequent to year end. The decision of NEPRA for one time adjustment of tariff at COD was made on 1 June 2018. However, as per the EPA, invoices can only be made after the gazette notification of the decision. Accordingly, this amount represents unbilled revenue of SEDPL till 30 June 2018 based on the adjustments allowed to the initial tariff.

28.3 The maximum amount due from related party in respect of guarantee commission as at the end of any month during the year was Rs. 0.869 million (2017: Rs. 0.067 million).

28.4 This include provision for doubtful debt of Rs. 59.357 million (2017: Rs. 2.831 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

29. SHORT TERM INVESTMENTS

| | Note | 2018 | 2017 |
|--|------|----------------------|----------------------|
| | | (Rupees) | |
| <i>At fair value through profit or loss - designated</i> | | | |
| Investment in quoted equity securities | | | |
| - Related parties | 29.2 | 1,587,163,140 | 1,587,540,904 |
| - Others | | 3,964,233,698 | 3,093,001,984 |
| Investment in units of mutual funds | | 7,000,000 | - |
| Investment in term finance certificates | | 187,681,776 | 201,481,752 |
| <i>At available for sale</i> | | | |
| Investment in Javedan Corporation Limited, related party | | 892,673,931 | 458,193,588 |
| | | 6,638,752,545 | 5,340,218,228 |

29.1 Fair value of these investments is determined using quoted market prices and repurchase prices prevailing at the balance sheet date. Short term investments include equity securities pledged with various banking companies against short term running finance facilities having a market value of Rs. 5,745.98 million (2017: Rs. 4,803.40 million). Total value of pledged securities with financial institutions by AHL, subsidiary company, indicating separately securities belonging to customers are as under:

| | 2018 | | 2017 | |
|-----------------|----------------------|----------------------|----------------------|----------------------|
| | Number of securities | Amount (Rupees) | Number of securities | Amount (Rupees) |
| Clients | 136,000,000 | 4,414,016,000 | 126,100,000 | 4,280,985,000 |
| Brokerage House | 74,942,000 | 1,331,963,863 | 27,668,000 | 791,933,923 |
| | 210,942,000 | 5,745,979,863 | 153,768,000 | 5,072,918,923 |

29.2 This includes investments in associated concerns, Aisha Steel Mills Limited (ASML) and Power Cement Limited (PCL). Further, shares of ASML having fair value of Rs. 315.4 million (2017: Nil) have been pledged by Parent Company to secure project financing of ASML.

29.3 Reconciliation of gain / (loss) on remeasurement of investments at fair value through profit or loss

| | 2018 | 2017 |
|---------------------------------------|----------------------|----------------------|
| | (Rupees) | |
| Cost of investment | 5,704,035,193 | 4,580,891,479 |
| Unrealised gain: | | |
| Balance as at 1 July | 301,133,161 | 506,009,909 |
| Unrealised (loss) / gain for the year | (259,089,740) | (204,876,748) |
| | 42,043,421 | 301,133,161 |
| Balance as at 30 June | 5,746,078,614 | 4,882,024,640 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

29.4 Reconciliation of gain / (loss) on remeasurement of investments as available for sale

| | Note | 2018 | 2017 |
|---|--------|--------------------|--------------------|
| (Rupees) | | | |
| Cost of investment | 29.4.1 | 805,650,369 | 343,160,774 |
| Unrealised gain: | | | |
| Balance as at 1 July | | 115,032,814 | (32,469,533) |
| Unrealised (loss) / gain for the year | | (25,751,830) | 108,103,750 |
| Reclassification adjustment on disposal of investment | | - | 39,398,597 |
| Balance as at 30 June | | 89,280,984 | 115,032,814 |
| | | 894,931,353 | 458,193,588 |

29.4.1 This is net of accumulated impairment amounting to Rs. 72.57 million (2017: Rs. 72.57 million)

29.4.2 Investments in associated companies have been made in accordance with the requirements of the Companies Act, 2017.

30. CASH AND BANK BALANCES

| | Note | 2018 | 2017 |
|-----------------------|------|---------------|-------------|
| (Rupees) | | | |
| With banks in: | | | |
| Current accounts | | | |
| - In local currency | 30.1 | 274,778,786 | 171,256,061 |
| - In foreign currency | | 4,992,523 | 4,202,018 |
| | | 279,771,309 | 175,458,079 |
| Deposit accounts | 30.2 | 807,960,925 | 796,764,040 |
| | | 1,087,732,234 | 972,222,119 |
| Cash in hand | | 614,755 | 1,685,786 |
| | | 1,088,346,989 | 973,907,905 |

30.1 This includes unclaimed dividend deposited in separate dividend account amounting to Rs. 43.86 million (2017: Rs. 49.69 million).

30.2 The balance in deposit accounts carry mark-up ranging from 2.40% to 6.35% per annum (2017: 2.40% to 5% per annum).

30.3 Bank balances also include customers' bank balances held in designated bank accounts by AHL, subsidiary company, amounting to Rs. 661.625 million (2017: 789.431 million).

31. OPERATING REVENUE

| | Note | 2018 | 2017 |
|--|------|---------------|---------------|
| (Rupees) | | | |
| Dividend income | | 147,525,311 | 106,588,942 |
| Mark-up income on loans and advances | 31.1 | 67,030,279 | 51,958,289 |
| Brokerage income | | 336,741,228 | 418,830,366 |
| Mark-up on bank deposits | | 50,895,648 | 21,818,522 |
| Underwriting, consultancy and placement commission | | 218,033,808 | 365,121,371 |
| Revenue from sale of energy - net | 31.2 | 2,698,269,920 | 722,343,961 |
| Income from reverse repo transaction | | 4,076,856 | 60,155,705 |
| Loss on remeasurement of investments - net | | (283,363,433) | (143,560,212) |
| Gain on sale of investments - net | | 75,221,867 | 1,545,425,767 |
| Gain on sale of investment property | | 221,301,164 | 36,598,931 |
| | | 3,535,732,648 | 3,185,281,642 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

31.1 This include mark-up income received from associated concerns namely Aisha Steel Mills Limited and Javedan Corporation Limited.

31.2 Revenue from sale of energy - net

| | 2018 | 2017 |
|----------------------|----------------------|---------------|
| | (Rupees) | |
| Regular energy | 2,707,938,882 | 788,513,510 |
| Short fall energy | 275,260,220 | 56,628,924 |
| Bonus Energy | 11,105,839 | - |
| Less: Sales tax | (330,644,538) | (122,798,473) |
| | 2,663,660,403 | 722,343,961 |
| Late payment charges | 34,609,517 | - |
| | 2,698,269,920 | 722,343,961 |

32. OPERATING AND ADMINISTRATIVE EXPENSES

| | Note | 2018 | 2017 |
|--|------|----------------------|-------------|
| | | (Rupees) | |
| Cost of energy's sales | 32.1 | 1,055,759,451 | 184,078,032 |
| Salaries and benefits | 32.2 | 176,190,177 | 150,980,968 |
| Printing and stationery | | 7,044,286 | 7,886,419 |
| Communication | | 15,130,360 | 12,654,181 |
| Rent, rates and taxes | | 47,399,751 | 51,058,534 |
| Preliminary expenses of newly incorporated subsidiary (BGPL) | | - | 5,637,795 |
| Utilities | | 3,930,762 | 3,475,104 |
| Legal and professional charges | | 19,767,556 | 10,538,733 |
| Central Depository Company and clearing house charges | | 25,249,348 | 21,166,863 |
| Entertainment | | 1,108,936 | 3,689,169 |
| Travel and conveyance | | 26,861,421 | 21,877,698 |
| Depreciation | | 17,659,309 | 16,703,183 |
| Amortization of intangible assets | | 867,395 | 1,110,701 |
| Repairs and maintenance | | 23,061,774 | 20,976,302 |
| Insurance | | 7,667,492 | 6,789,175 |
| Fees and subscription | | 2,301,215 | 6,183,626 |
| Advertisement, business promotion and research | | 27,562,341 | 29,294,183 |
| Meeting expenses | | 1,415,089 | 125,000 |
| Auditors' remuneration | 32.3 | 4,790,572 | 4,280,872 |
| Technical assistance / commission and advisory fee | | 86,249,246 | 119,497,614 |
| Others | | 9,012,443 | 9,530,002 |
| | | 1,559,028,924 | 687,534,154 |

32.1 This includes depreciation expense of Rs. 704.09 million (2017: 156.64 million) recognized by SEDPL, subsidiary company.

32.2 This includes the Group's contribution to staff retirement benefits amounting to Rs. 12.95 million (2017: Rs. 11.25 million).

32.2.1 This includes the Group's contribution to staff retirement benefits with respect to Key management personnel amounting to Rs. 3.15 million (2017: Rs. 3.73 million).

32.2.2 Parent Company and AHL have set up provident fund for its employees. All investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

32.3 Auditors' remuneration

| | Note | 2018 (Rupees) | 2017 |
|---|--------|------------------|------------------|
| Audit fee | | 2,990,000 | 2,922,360 |
| Certifications including half yearly review | 32.3.1 | 1,443,512 | 923,400 |
| Sales tax | | 152,260 | 203,512 |
| Out of pocket | | 204,800 | 231,600 |
| | | 4,790,572 | 4,280,872 |

32.3.1 This includes fees paid by SEDPL, subsidiary company, for certification of share subscription money, certification on import of shipments for the issuance of exchange entitlement certificate ("ECC"), assurance report on compliance with Central Depository Company ("CDC") regulations and certification of payment made to offshore contractors out of equity & foreign loan for exchange entitlement certificate,

33. OTHER INCOME

| | Note | 2018 (Rupees) | 2017 |
|---|------|--------------------|--------------------|
| Profit on exposure deposit | | 1,404,805 | 8,941,731 |
| Mark-up on Margin Trading System | | 72,726,944 | 29,401,061 |
| Guarantee commission income | 33.1 | 3,249,195 | 1,169,154 |
| Reversal of provision of bad debts | | 11,146,084 | 30,236,570 |
| Exchange gain | | 832,021 | 14,091 |
| Rental income | | - | 993,831 |
| Others | | 51,837,332 | 11,880,551 |
| Reversal of provision against Workers' Welfare Fund | | - | 456,911,587 |
| | | 141,196,381 | 539,548,576 |

33.1 This pertains to corporate guarantee issued to associated concerns namely Aisha Steel Mills Limited and Power Cement Limited.

34. FINANCE COST

| | | 2018 (Rupees) | 2017 |
|---|--|----------------------|--------------------|
| Mark-up on long term loans | | 682,220,638 | 158,584,339 |
| Mark-up on short term borrowings | | 223,239,594 | 231,317,602 |
| Mark-up on finance lease | | 100,765 | 217,344 |
| Bank charges | | 7,223,471 | 8,760,709 |
| Amortization of transaction cost | | 139,793,503 | 12,043,984 |
| Mark-up on margin trading system securities | | 2,751,097 | 13,869,710 |
| | | 1,055,329,068 | 424,793,688 |

35. OTHER CHARGES

| | Note | 2018 (Rupees) | 2017 |
|---|------|-------------------|-------------------|
| Workers' Welfare Fund | | 80,198 | - |
| Donations | 35.1 | 11,791,407 | 77,857,008 |
| Impairment loss on trading rights entitlement certificates and others | | - | 7,500,000 |
| Impairment loss on long term investments | | - | 100,000 |
| Provision for doubtful receivables | | 56,525,996 | - |
| Loss on disposal of fixed / scrap assets | | 43,612 | 62,295 |
| | | 68,441,213 | 85,519,303 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

35.1 This includes donation to Aman Foundation amounting to Rs. 9.52 million. Further, there are no donations to any person, institution or organisation in which a director or his spouse had any interest.

36. TAXATION

| | 2018 | 2017 |
|--------------|--------------------|--------------|
| | (Rupees) | |
| For the year | | |
| - Current | 326,871,916 | 456,168,214 |
| - Prior year | 698,860 | (41,136,055) |
| | <u>327,570,776</u> | 415,032,159 |
| Deferred | 193,024,342 | 187,064,608 |
| | <u>520,595,118</u> | 602,096,767 |

36.1 Relationship between tax expense and accounting profit

| | 2018 | 2017 |
|--|----------------------|---------------|
| | (Rupees) | |
| Profit before taxation | <u>2,409,684,713</u> | 4,117,379,417 |
| Tax at the applicable tax rate | 722,905,414 | 1,276,387,619 |
| Tax effect of income under final tax regime | (139,724,553) | (300,491,708) |
| Tax effect of income taxed at lower rate | (88,592,709) | (249,055,220) |
| Tax effect of unclaimed losses | 2,181,791 | - |
| Tax effect of minimum tax | 1,534,585 | - |
| Prior year tax effect | 698,860 | (41,136,055) |
| Tax effect of non-deductible expenses | 48,309,566 | 54,834,503 |
| The effect of exempt income / permanent difference | (102,999,530) | (51,399,340) |
| Tax effect due to temporary difference | 193,024,342 | - |
| Others | (116,742,648) | (87,043,032) |
| | <u>520,595,118</u> | 602,096,767 |

Parent Company

36.2 The provision for current year tax represents tax on taxable income at the rate of 30% (2017: 31%). Finance Act 2018 enacted gradual reduction in the corporate tax rates for companies from 30% (current tax rate) to 25% over a period of five years. The Parent 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 the financial statements is sufficient. A comparison of last three years of income tax provision with tax assessed is presented below:

| | 2017 | 2016 | 2015 |
|-----------------------------------|--------------------|-------------------|--------------------|
| | (Rupees) | | |
| Income tax provision for the year | 208,120,185 | 110,879,672 | 222,213,134 |
| Income tax as per tax assessment | <u>176,319,211</u> | <u>44,480,057</u> | <u>126,443,192</u> |

36.3 Income tax assessments of the Parent Company have been finalised up to Tax Year 2005 (Accounting year 2005). However, deemed assessments made under section 120 of the Income Tax Ordinance, 2001 relating to Tax Years 2006 to 2008 have been subsequently amended under section 122 of the Income Tax Ordinance, 2001. The Parent Company has filed appeals in respect of each of the said amendment which have been decided in favour of the Company by Appellate Tribunal during the year and the Department has filed reference application before the High Court of Sindh. Income tax assessment for the Tax Year 2010, taken as deemed assessment under section 120 of the Income Tax Ordinance, 2001, was subsequently amended twice under section 122 (5A) of the Income Tax Ordinance, 2001. The appeals filed by the Parent Company with Commissioner Inland Revenue (Appeals-1) against these amendments were decided in favour of the Parent Company and the relief was maintained by Appellate Tribunal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

Income tax assessment for the Tax Year 2011, taken as deemed assessment under section 120 of the Income Tax Ordinance, 2001 was subsequently amended under section 122 (5A) of the Income Tax Ordinance, 2001. The Parent Company was subsequently allowed relief in its subsequent appeal which was also maintained by Appellate Tribunal in favour of the Parent Company. Income tax assessment for the Tax Year 2012 was taken as deemed assessment under section 120 of the Income Tax Ordinance, 2001 which was subsequently amended under section 122 (1) of the Ordinance. The appeal of the Parent Company was decided in favour of the Parent Company. The Department has preferred an appeal in the Appellate Tribunal against the decision; however, appeal effect has not yet been issued.

Income tax assessment for Tax Year 2013 and 2014 was deemed to have been finalised under section 120 of the Income Tax Ordinance, 2001. However, the assessment was subsequently amended under section 122 (5A) of the Income Tax Ordinance, 2001. The Parent Company has preferred an appeal against the amended assessment and major relief was allowed to the Parent Company. Department has filed an appeal in the Appellate Tribunal against the relief given to the Parent Company.

Income tax assessment for Tax Year 2015, taken as deemed assessment under section 120 of the Income Tax Ordinance, 2001 was subsequently amended under section 122 (5A) of the Income Tax Ordinance, 2001. The Parent Company has preferred an appeal against the amended assessment and relief was allowed to the Parent Company.

Income tax return was filed by the Parent Company for the Tax Year 2016 and 2017, taken as deemed assessment under section 120 of the Income Tax Ordinance, 2001 which is subject to audit under section 177 of the Income Tax Ordinance, 2001.

36.4 Under section 5A of Income Tax Ordinance, 2001, a tax shall be imposed at the rate specified therein on the accounting profit before tax on the every public company, other than schedule bank or modaraba, that drives profit for a tax year but does not distribute dividend upto a prescribed amount (requisite dividend) within six months of the end of the tax year. The Board of Directors in their meeting held on 25 September 2018 have recommended sufficient dividend for the year ended 30 June 2018 for the consideration and approval of the shareholders of the Company in the forthcoming annual general meeting which complies with the above stated requirements. Accordingly, no provision for tax on undistributed profit has been recognised in these consolidated financial statements for the year ended 30 June 2018.

AHL, Subsidiary Company

36.5 The provision for current year tax represents tax on taxable income at the rate of 30% (2017: 31%). Finance Act 2018 enacted gradual reduction in the corporate tax rates for companies from 30% (current tax rate) to 25% over a period of five years. AHL 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 the financial statements is sufficient. A comparison of last three years of income tax provision with tax assessed is presented below:

| | 2017 | 2016 | 2015 |
|-----------------------------------|--------------------|-------------------|--------------------|
| | (Rupees) | | |
| Income tax provision for the year | 247,847,016 | 67,055,393 | 224,605,675 |
| Income tax as per tax assessment | <u>207,956,790</u> | <u>68,708,287</u> | <u>165,167,078</u> |

36.6 Income tax assessments are deemed to be finalized as per tax returns file up to tax year 2017. Tax returns are subject to further assessment under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities. The Commissioner of Income Tax may, at any time during a period of five years from date of filing of return, select a deemed assessment order for audit.

36.7 AHL has been contesting Civil Suit No. 284/2016 against levy of "Super Tax" u/s 4B of the Income Tax Ordinance, 2001 through Finance Act, 2015 in the High Court of Sindh and has not paid the Super Tax accordingly. AHL is of the view that the same is imposed against the merit of law and its legal council is of the view that the AHL has a favourable case on merit. However, on prudent basis, a provision was made in the consolidated financial statements in respect of super tax charge for the tax years 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

SEDPL, Subsidiary Company

- 36.8** The provision for the current year has been booked on interest income at the alternate corporate tax rate of 17% applicable for the tax year 2018. The Company's income derived from electric power generation is exempt from tax under clause (132) of Part I of the second schedule of the Income Tax Ordinance, 2001.

As per management's assessment, the provision for income tax made in the financial statements is sufficient. A comparison of the last three years' of income tax provisions with tax assessment is presented below:

| | 2017 | 2016 | 2015 |
|-----------------------------------|---------------|----------|----------|
| | (Rupees) | | |
| Income tax provision for the year | - | - | - |
| Income tax as per tax assessment | <u>20,807</u> | <u>-</u> | <u>-</u> |

36.9 BGPL, Subsidiary Company

Tax charge at applicable rate of 30% (2017: 31%) is NIL due to taxable loss of Rs. 7,278,021 (2017: Rs. 5,736,297), however, minimum tax at the rate of 1.25% (2017: 1%) has been charged. BGPL 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 of BGPL, the tax provision made in the financial statements is sufficient. A comparison of last year of income tax provision with tax assessed is presented below:

| | 2017 (Rupees) |
|-------------------------------------|------------------|
| Income tax provision for the period | - |
| Income tax as per tax assessment | <u>339</u> |

37. EARNINGS PER SHARE - BASIC AND DILUTED

37.1 Basic earnings per share

| | 2018 | 2017 |
|---|------------------------------------|---------------|
| Profit after tax from continuing operations attributable to ordinary shareholders | <i>Rupees</i> <u>1,629,395,710</u> | 3,229,533,151 |
| Profit after tax from discontinued operations attributable to ordinary shareholders | <i>Rupees</i> <u>-</u> | 48,400,767 |
| Weighted average number of ordinary shares | <i>Number</i> <u>453,750,000</u> | 453,750,000 |
| Earnings per share - continuing operations | <i>Rupees</i> <u>3.59</u> | 7.12 |
| Earning per share - discontinued operations | <i>Rupees</i> <u>-</u> | 0.10 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

37.2 Diluted earnings per share

Diluted earnings per share has not been presented as there is no convertible instruments in issue as at 30 June 2018 and 30 June 2017 which would have any effect on the earnings per share if the option to convert is exercised.

38. REMUNERATION OF CHIEF EXECUTIVE OFFICERS, DIRECTORS AND OTHER EXECUTIVES

38.1 For the purpose of disclosure those employees are considered as executives whose basic salary exceeds twelve hundred thousand rupees in a financial year.

38.2 The aggregate amounts charged in these consolidated financial statements in respect of remuneration including benefits to the Chief Executive Officer, Directors and other Executives of the Parent and respective subsidiaries are given below:

| | Chief Executives Officer | | Director and other Executives | |
|-------------------------|--------------------------|------------|-------------------------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | (Rupees) | | | |
| Managerial remuneration | 39,793,767 | 39,056,249 | 67,252,930 | 86,304,740 |
| Retirement benefits | 3,751,878 | 3,687,440 | 5,052,062 | 5,915,449 |
| Commission and bonus | 10,700,000 | 33,216,175 | 9,753,004 | 7,847,862 |
| Other allowance | 3,008,524 | 2,960,650 | 4,191,047 | 3,710,583 |
| Total | 57,254,169 | 78,920,514 | 86,249,043 | 103,778,634 |
| Number of persons | 5 | 5 | 34 | 48 |

38.3 The aggregate amount charged to these financial statements in respect of directors' fee paid to three directors (2017: two) was Rs. 0.445 million (2017: Rs. 0.13 million). The Chief Executive Officer draws salary on account of managerial remuneration.

38.4 Besides above, group insurance and medical facilities under insurance coverage were provided to the above mentioned personnel. The approximate value of these benefits is Rs. 0.43 million.

38.5 The Chief Executive Officer and certain Executives have been provided with free use of respective Group Companies' maintained vehicles in accordance with the policy. The approximate value of these benefits is Rs. 10.35 million.

38.6 Comparative figures have been restated to reflect changes in the definition of executive as per Companies Act, 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

39. CASH GENERATED FROM OPERATIONS

| | Note | 2018 | 2017 |
|---|------|----------------------|----------------------|
| | | (Rupees) | |
| Profit before tax | 39.1 | 2,409,684,713 | 4,165,744,087 |
| Adjustments for: | | | |
| Depreciation | | 721,753,228 | 173,447,570 |
| Amortization of intangible assets | | 867,393 | 1,110,701 |
| Markup income | | (67,030,279) | (51,958,289) |
| Share of profit of equity-accounted associate - net of tax | | (1,030,564,889) | (1,211,493,374) |
| Unrealized gain on investment property | | (384,990,000) | (378,902,970) |
| Reversal of provision of bad debts | | (11,146,084) | (30,236,570) |
| Gain on sale of investment property | | (221,301,164) | (36,598,931) |
| Provision for gratuity | | 4,848,337 | 4,708,706 |
| Unrealised loss on remeasurment of other long term investment | | 11,924,216 | (15,688,908) |
| Unrealised loss on remeasurment of short term investment | | 283,363,433 | 143,560,212 |
| Impairment loss on trading rights entitlement certificates and others | | - | 7,500,000 |
| Loss on sale of property, plant and equipment | | 43,612 | 62,295 |
| Write-off of property, plant and equipment relating to discontinued operation | | - | 24,031 |
| Write-off of intangible assets of discontinued operation | | - | 13,527 |
| Gain on disposal of long term investment | | - | (33,968,293) |
| Impairment loss on investment | | - | 100,000 |
| Provision for doubtful debts receivable | | 56,525,996 | - |
| Finance cost | | 1,055,329,068 | 423,044,365 |
| | | 419,622,867 | (1,005,275,928) |
| | | 2,829,307,580 | 3,160,468,159 |
| Changes in working capital: | | | |
| <i>Increase in current assets</i> | | | |
| Trade debts | | 89,794,263 | (830,500,745) |
| Loans and advances | | (1,586,803,947) | 632,856,869 |
| Deposits and prepayments | | (23,993,473) | 162,011,547 |
| Receivable against sale of investment - net | | 148,659,303 | (148,659,303) |
| Accrued mark-up and other receivables | | (815,994,128) | (19,297,923) |
| Short term investments | | (1,609,907,002) | (1,175,787,021) |
| | | (3,798,244,984) | (1,379,376,576) |
| <i>Increase in current liabilities</i> | | | |
| Trade and other payables | | 2,107,179,273 | 1,380,563,699 |
| Payable against purchase of investment - net | | 115,245,044 | (465,407,950) |
| | | 2,222,424,317 | 915,155,749 |
| | | (1,575,820,667) | (464,220,827) |
| Cash generated from operations | | 1,253,486,913 | 2,696,247,332 |

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For the year ended 30th June 2018

39.1 Profit before tax

| | 2018 | 2017 |
|--|----------------------|----------------------|
| | (Rupees) | |
| Profit before tax from continuing operations | 2,409,684,713 | 4,117,379,417 |
| Profit before tax from discontinued operations | - | 48,364,670 |
| | <u>2,409,684,713</u> | <u>4,165,744,087</u> |

40. CASH AND CASH EQUIVALENTS

| | Note | 2018 | 2017 |
|----------------------------|------|------------------------|------------------------|
| | | (Rupees) | |
| Cash and bank balances | 30 | 1,088,346,989 | 973,907,905 |
| Short term running finance | 14 | (2,769,332,887) | (2,952,849,499) |
| | | <u>(1,680,985,898)</u> | <u>(1,978,941,594)</u> |

41. FINANCIAL INSTRUMENTS

The Group has exposures to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

41.1 Credit risk

Credit risk reported the financial loss that would be recognized at the balance sheet date if counterparties fail to meet its contractual obligations. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Group believes that it is not exposed to major concentration of credit risk.

Management has netted off receivable against purchase of investment from AHL, subsidiary company with payable against purchase of investment appearing in said subsidiary's book. The receivable and payable pertain to similar transaction and will settled net.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date is:

| | 2018 | 2017 |
|---------------------------------------|----------------------|----------------------|
| | (Rupees) | |
| Trade debts - gross | 2,264,207,015 | 2,354,001,278 |
| Long term deposits | 43,206,819 | 45,973,469 |
| Loans (long term and short term) | 1,907,131,053 | 236,800,804 |
| Accrued mark-up and other receivables | 181,554,407 | 199,067,812 |
| Deposits | 65,597,404 | 38,494,136 |
| Bank balances | 1,087,732,234 | 972,222,119 |
| | <u>5,549,428,932</u> | <u>3,846,559,618</u> |

The Group does not take into consideration the value of collateral while testing financial assets for impairment. The Group considers the credit worthiness of counterparties as part of its risk management and utilize collateral under force majeure in extremely difficult situation where recovery appears to be unlikely from customary measures like restructuring or negotiation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

Trade debts

The maximum exposure to credit risk for trade debt at the reporting date by geographic region were as follows:

| | 2018 | 2017 |
|---------------------|----------------------|----------------------|
| | (Rupees) | |
| Domestic (Pakistan) | <u>2,264,207,015</u> | <u>2,354,001,278</u> |

The maximum exposure to credit risk for trade debt at the reporting date by type of customer were as follows:

| | 2018 | 2017 |
|-----------------------------|----------------------|----------------------|
| | (Rupees) | |
| End-user customer / exports | <u>2,264,207,015</u> | <u>2,354,001,278</u> |

At 30 June, the age analysis of trade debts is as follows:

| | 2018 | | 2017 | |
|-------------------------------|----------------------|--------------------|----------------------|--------------------|
| | Gross | Impairment | Gross | Impairment |
| | (Rupees) | | | |
| Neither past due nor impaired | 950,385,572 | - | 1,395,058,611 | - |
| Past due 1 - 30 days | 243,945,983 | - | 75,206,461 | - |
| Past due 31 - 180 days | 206,456,876 | - | 9,118,206 | - |
| More than 180 days | 863,471,916 | 863,471,916 | 874,618,000 | 874,618,000 |
| | <u>2,264,260,347</u> | <u>863,471,916</u> | <u>2,354,001,278</u> | <u>874,618,000</u> |

No impairment has been recognised except as disclosed in respect of these debts as the security against the same is adequate or counter parties have sound financial standing.

Deposits

These deposits are with counterparties for provision of continued supply of services, Central Depository Company of Pakistan Limited (CDC) for the purpose of effecting transactions, Pakistan Stock Exchange Limited for taking exposure in stock market, National Clearing Company Pakistan Limited for trading in securities in stock market and for the license of trading in Pakistan Mercantile Exchange. Management does not expect to have any credit risk against such deposits, as it is refundable upon termination of agreement / services from counterparties.

Loans, advances, mark-up and other receivables.

The Group extends loans and advances to its related concerns and follows due process of seeking approval from shareholders as per applicable laws and regulations. Wherever possible, management obtains collateral from counterparties. As loans are mainly provided to related concerns, management is not expecting to incur loss against the same. Mark-up receivable mainly pertains to loans extended to related parties for which management is not expecting to incur any credit loss. Other receivable mainly comprise of receivable from related concern on guarantee commission etc. and does not expect to have material credit risk there against based on the term of arrangement with parties involved.

The aging analysis of loans, advances, other receivables and mark-up receivable is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

As at 30 June 2018 the Group has placed funds with banks having good credit ratings. The credit ratings to respective banks have been assigned by independent credit rating agencies. At reporting date credit ratings of respective banks were as follows:

| | | |
|---------|-------------|-----------|
| PACRA | Short term | Long term |
| JCR-VIS | A1 to A1+ | A to AAA |
| Moody's | A-1 to A-1+ | A- to AAA |
| | P-1 | A1 |

Management does not expect to incur impairment there-against as the loan extended under agreement and its settlement is carried out through National Clearing Company of Pakistan Limited. Management hold underlying securities subject to lending as pledge.

41.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset or that such obligations will have to be settled in a manner disadvantageous to the Group. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of adequate funds through committed credit facilities. The Group finances its operations through equity, borrowings and working capital with a view of maintaining an appropriate mix between various sources of finance to minimize risk. Management aims to maintain flexibility in funding by keeping regular committed credit lines.

The following are the contractual maturities of financial liabilities, including estimated interest payments on an undiscounted cash flow basis:

| | 2018 | | | |
|---|-----------------------|------------------------|-----------------------|-----------------------|
| | Carrying amount | Contractual cash flows | Up to one year | More than one year |
| | (Rupees) | | | |
| Financial liabilities | | | | |
| Long term loans | 10,435,219,633 | 14,765,637,444 | 2,054,271,474 | 12,711,365,970 |
| Liabilities against assets subject to finance lease | 1,345,933 | 1,345,933 | 1,345,933 | - |
| Land lease liability | 10,911,705 | 44,494,822 | 1,360,000 | 43,134,822 |
| Trade and other payables | 5,772,561,951 | 5,772,561,951 | 5,772,561,951 | - |
| Short term borrowings | 2,769,332,887 | 2,877,945,236 | 2,877,945,236 | - |
| | 18,989,372,109 | 23,461,985,386 | 10,707,484,594 | 12,754,500,792 |
| | 2017 | | | |
| | Carrying amount | Contractual cash flows | Up to one year | More than one year |
| | (Rupees) | | | |
| Financial liabilities | | | | |
| Long term loans | 9,916,857,158 | 10,023,207,508 | 1,221,781,378 | 8,801,426,130 |
| Liabilities against assets subject to finance lease | 1,816,413 | 1,897,993 | 1,345,933 | 470,480 |
| Land lease liability | 10,527,163 | 45,050,000 | 13,600,000 | 31,450,000 |
| Trade and other payables | 3,715,072,333 | 3,715,072,333 | 3,715,072,333 | - |
| Short term borrowings | 2,952,849,499 | 2,952,849,499 | 2,952,849,499 | - |
| | 16,597,122,566 | 16,738,077,333 | 7,904,649,143 | 8,833,346,610 |

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rate effective as at 30 June. The rates of mark-up have been disclosed in respective notes to these consolidated financial statements.

41.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group is exposed to currency risk, interest rate risk and price risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

a) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. Currently, the Group's foreign exchange risk exposure is restricted to cash and bank balances which is denominated in foreign currency. Group's management believes that the Group's exposure emanating from any fluctuations in the foreign currencies is not required to be hedged.

| Financial assets | 2018 | | 2017 | |
|------------------|-----------|------------|-----------|------------|
| | Rupees | US Dollars | Rupees | US Dollars |
| Bank balances | 4,992,523 | 41,057 | 4,202,018 | 41,196 |

The following significant exchange rates were applicable during the year:

| Financial assets | Average rates | | Balance sheet date rate | |
|------------------------------|---------------|--------|-------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| US Dollars to Pakistan Rupee | 109.97 | 104.73 | 121.60 | 104.80 / 105.00 |

Sensitivity analysis

A 10 percent strengthening / (weakening) of the Pakistan Rupee against various foreign currencies at 30 June would have (decreased) / increased the consolidated profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2017.

| As at 30 June | Effect on profit and loss | |
|----------------------|---------------------------|---------|
| | 2018 | 2017 |
| Effect in US Dollars | 499,252 | 420,202 |

(Rupees)

b) Interest / mark-up rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the interest rate exposure arises from financial assets and financial liabilities as stated below.

At the balance sheet date, the interest rate profile of the Group's significant interest-bearing financial instruments was as follows:

| Financial assets | 2018 | | 2017 | |
|-----------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Effective interest rate (in %) | Carrying amounts (in Rupees) | Effective interest rate (in %) | Carrying amounts (in Rupees) |
| Loans and advances | 8.40% to 9.50% | 1,844,315,405 | 9.31% to 9.4% | 210,793,235 |
| Bank balances | 2.40% to 6.35% | 1,087,732,234 | 2.4% to 5% | 972,222,119 |
| Financial liabilities | | | | |
| Long term finance | 6.25% to 8.51% | 9,089,040,050 | 8.01% to 8.85% | 8,801,426,130 |
| Short term finance | 7.16% to 9.92% | 2,769,332,887 | 6.77% to 8.12% | 2,952,849,499 |

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through the consolidated profit and loss account. Therefore a change in interest rates at the reporting date would not affect the consolidated profit and loss account.

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For the year ended 30th June 2018

Cash flow sensitivity analysis for variable rate instruments

For cash flow sensitivity analysis of variable rate instruments a hypothetical change of 100 basis points in interest rates would have decreased / (increased) profit for the year by the amounts shown below.

| | Profit and loss 100 bps | |
|---|-------------------------|--------------|
| | Increase | Decrease |
| | (Rupees) | |
| As at 30 June 2018 | | |
| Cash flow sensitivity-Variable rate financial liabilities | (118,583,729) | 118,583,729 |
| Cash flow sensitivity-Variable rate financial assets | 29,320,476 | (29,320,476) |
| As at 30 June 2017 | | |
| Cash flow sensitivity-Variable rate financial liabilities | (114,030,557) | 114,030,557 |
| Cash flow sensitivity-Variable rate financial assets | 11,830,154 | (11,830,154) |

The above sensitivity is not necessarily indicative of the actual effect of changes in interest rate as those are based on management's best estimate of possible change of interest rate in future.

c) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/mark-up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Group is exposed to equity price risk since it has investments in quoted equity securities.

Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value.

Sensitivity analysis

The table below summarizes the Group's equity price risk as of 30 June 2018 and 2017 and shows the effects of a hypothetical 30% increase and a 30% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Accordingly, the sensitivity analysis prepared is not necessarily indication of the effect on Group's net assets of future movement in the level of PSX 100 index.

| | Fair value | Hypothetical price change | Estimated fair value after hypothetical change in prices | Hypothetical increase / (decrease) in shareholders' equity | Hypothetical increase / (decrease) in profit / (loss) before tax |
|---------------------|-----------------|---------------------------|--|--|--|
| | (Rupees) | | | ----- (Rupees in million) ----- | |
| 30 June 2018 | 6,516.46 | 30% increase | 8,471.40 | 267.80 | 1,687.14 |
| | | 30% decrease | 4,561.52 | (267.80) | (1,687.14) |
| 30 June 2017 | 2,446.69 | 30% increase | 3,180.70 | 137.46 | 596.55 |
| | | 30% decrease | 1,712.68 | (137.46) | (596.55) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

41.4 Financial instruments by categories

The table below provides reconciliation of the line items in the Group's statement of financial position to the categories of financial instruments.

| 30 June 2018 | At fair value through profit and loss | Loans and receivables | Available for Sale | Other financial liabilities |
|--|---|--------------------------|-----------------------|--------------------------------|
| | (Rupees) | | | |
| Financial assets | | | | |
| Cash and bank balances | - | 1,088,346,989 | - | - |
| Investments | 5,818,468,736 | - | 892,673,931 | - |
| Long term deposits | - | 46,076,859 | - | - |
| Loans and advances | - | 1,739,958,971 | - | - |
| Accrued mark-up and other receivables | - | 181,554,407 | - | - |
| Trade debts | - | 1,400,735,099 | - | - |
| Deposits | - | 65,597,404 | - | - |
| | 5,818,468,736 | 4,522,269,729 | 892,673,931 | - |
| Financial liabilities | | | | |
| Long term loan | - | - | - | 10,435,219,633 |
| Liabilities against assets subject to finance lease | - | - | - | 1,345,933 |
| Trade and other payables | - | - | - | 5,738,048,573 |
| Interest / mark-up accrued on borrowings | - | - | - | 164,980,400 |
| Short term borrowings | - | - | - | 2,769,332,887 |
| | - | - | - | 19,108,927,426 |
| | | | | |
| 30 June 2017 | At fair value through profit and loss | Loans and receivables | Available for Sale | Other financial liabilities |
| | (Rupees) | | | |
| Financial assets | | | | |
| Cash and bank balances | - | 973,907,905 | - | - |
| Investments | 4,966,238,978 | - | 458,293,588 | - |
| Long term deposits | - | 49,535,059 | - | - |
| Loans and advances | - | 336,800,804 | - | - |
| Mark-up receivable | - | 9,927,249 | - | - |
| Other receivables | - | 187,420,563 | - | - |
| Trade debts | - | 1,479,383,278 | - | - |
| Deposits | - | 38,494,136 | - | - |
| | 4,966,238,978 | 3,075,468,994 | 458,293,588 | - |
| Financial liabilities | | | | |
| Long term loan | - | - | - | 9,916,857,158 |
| Liabilities against assets subject to finance lease | - | - | - | 470,480 |
| Trade and other payables | - | - | - | 3,652,928,507 |
| Interest / mark-up accrued on borrowings | - | - | - | 392,013,599 |
| Short term borrowings | - | - | - | 2,952,849,499 |
| | - | - | - | 16,915,119,243 |

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For the year ended 30th June 2018

41.5 Reconciliation of movements of liabilities to cash flows arising from financing activities

| | Liability | | | | | | Equity | | | | Total |
|--|--------------------|---|---|---|----------------------|---|------------------------|---------------------------|----------|-----------------------|-------|
| | Unclaimed dividend | Short term borrowings used for cash management purpose including related accrued markup | Long term loan including related accrued markup | Liabilities against assets subject to finance lease | Land lease liability | Unrealised appreciation / (diminution) on remeasurement of investments classified as 'available for sale' | Unappropriated profit | Non controlling interests | | | |
| Balance as at 1 July 2017 | 49,689,655 | 3,113,872,737 | 10,147,821,396 | 1,842,537 | 9,167,163 | 207,898,277 | 13,428,863,912 | 1,130,836,818 | | 28,089,992,495 | |
| <i>Changes from financing cash flows</i> | | | | | | | | | | | |
| Repayment of long term loans | - | - | 378,568,972 | - | - | - | - | - | - | 378,568,972 | |
| Payment of finance lease liability | - | - | - | (470,480) | - | - | - | - | - | (470,480) | |
| Payment of land lease liability | - | - | - | - | 384,542 | - | - | - | - | 384,542 | |
| Distribution by subsidiary to non-controlling interest | - | - | - | - | - | - | (88,729,456) | (189,617,630) | - | (189,617,630) | |
| Disposal of NCI | - | - | - | - | - | - | 542,264,356 | - | - | 453,534,900 | |
| Unclaimed dividend | (5,833,485) | - | - | - | - | - | (1,361,250,000) | - | - | (5,833,485) | |
| Dividend paid by the Parent Company | - | - | - | - | - | - | - | - | - | (1,361,250,000) | |
| Total changes from financing activities | (5,833,485) | - | 378,568,972 | (470,480) | 384,542 | - | (1,449,979,456) | 352,846,726 | - | (724,683,181) | |
| <i>Other changes</i> | | | | | | | | | | | |
| Interest expense | - | 233,214,162 | 822,014,141 | 100,765 | - | - | - | - | - | 1,055,323,068 | |
| Interest paid | - | (324,551,993) | (957,702,803) | (107,472) | - | - | - | - | - | (1,282,362,268) | |
| Transaction cost relating to long term loan | - | - | 139,793,503 | - | - | - | - | - | - | 139,793,503 | |
| Changes in running finance | - | (183,516,612) | - | - | - | - | - | - | - | (183,516,612) | |
| Total loan related other changes | - | (274,854,443) | 4,104,841 | (6,707) | - | - | - | - | - | (270,756,309) | |
| Total equity related other changes | - | - | - | (39,219,884) | - | - | 1,615,698,574 | 259,693,885 | - | 1,836,172,575 | |
| Balance as at 30 June 2018 | 43,856,170 | 2,839,018,294 | 10,530,495,209 | 1,365,350 | 9,551,705 | 168,678,393 | 13,594,583,030 | 1,743,177,429 | - | 28,930,725,580 | |
| Difference | - | - | - | - | - | - | - | - | - | - | |
| Principal | - | 2,769,332,887 | 10,435,219,633 | 1,345,833 | 9,551,705 | - | - | - | - | - | |
| Markup | - | 66,685,407 | 95,275,576 | 19,417 | - | - | - | - | - | - | |
| Balance as at 30 June 2018 | 43,856,170 | 2,839,018,294 | 10,530,495,209 | 1,365,350 | 9,551,705 | 168,678,393 | 13,594,583,030 | 1,743,177,429 | - | 28,930,725,580 | |

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42. FAIR VALUE MEASUREMENTS

A number of the Group's accounting policies and disclosure 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.

The Group management engage independent external experts / valuers to carry out valuation of its non-financial assets (i.e. Investment Property) 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, relevant experience, reputation, independence and whether professional standards are maintained.

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

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

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

For assets and liabilities that are recognised in the consolidated 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.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

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| | 30 June 2018 | | | | | | | |
|---|---------------------------------------|-----------------------|--------------------|------------------------|-----------------------------|---------------|-------------|------------|
| | Carrying amount | | | | | Fair value | | |
| | At fair value through profit and loss | Loans and Receivables | Available for sale | Other financial assets | Other financial liabilities | Level 1 | Level 2 | Level 3 |
| | (Rupees) | | | | | | | |
| Financial assets measured at fair value | | | | | | | | |
| Long term investments | 72,390,122 | - | - | - | - | 19,786,459 | - | 52,603,663 |
| Short term investments | 6,444,070,769 | - | 892,673,931 | - | - | 7,149,062,924 | 187,681,776 | - |
| Financial assets not measured at fair value | | | | | | | | |
| Long term investments | - | - | - | - | - | - | - | - |
| Long term deposits | - | 46,076,859 | - | - | - | - | - | - |
| Accrued mark-up and other receivables | - | 181,554,407 | - | - | - | - | - | - |
| Loans and advances | - | 1,922,318,716 | - | - | - | - | - | - |
| Cash and bank balances | - | 1,088,346,989 | - | - | - | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | | |
| Long term loan - secured | - | - | - | - | 9,089,040,050 | - | - | - |
| Mark-up accrued on short term borrowings | - | - | - | - | 164,980,400 | - | - | - |
| Trade and other payables | - | - | - | - | 5,726,160,901 | - | - | - |
| Current maturity of long term loan | - | - | - | - | 1,346,179,583 | - | - | - |
| Short term borrowings | - | - | - | - | 2,769,332,887 | - | - | - |

| | 30 June 2017 | | | | | | | |
|---|---------------------------------------|-----------------------|--------------------|------------------------|-----------------------------|---------------|-------------|------------|
| | Carrying amount | | | | | Fair value | | |
| | At fair value through profit and loss | Loans and Receivables | Available for sale | Other financial assets | Other financial liabilities | Level 1 | Level 2 | Level 3 |
| | (Rupees) | | | | | | | |
| Financial assets measured at fair value | | | | | | | | |
| Long term investments | 84,314,338 | - | - | - | - | 25,727,405 | - | 58,586,933 |
| Short term investments | 5,138,736,476 | - | 458,193,588 | - | - | 5,395,448,312 | 201,481,752 | - |
| Financial assets not measured at fair value | | | | | | | | |
| Long term investments | - | - | - | - | - | - | - | - |
| Long term deposits | - | 49,535,059 | - | - | - | - | - | - |
| Accrued mark-up and other receivables | - | 199,067,812 | - | - | - | - | - | - |
| Loans and advances | - | 336,800,804 | - | - | - | - | - | - |
| Cash and bank balances | - | 973,907,905 | - | - | - | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | | |
| Long term loan - secured | - | - | - | - | 8,801,426,130 | - | - | - |
| Mark-up accrued on short term borrowings | - | - | - | - | 392,013,599 | - | - | - |
| Trade and other payables | - | - | - | - | 3,652,928,507 | - | - | - |
| Current maturity of long term loan | - | - | - | - | 1,115,431,028 | - | - | - |
| Short term borrowings | - | - | - | - | 2,952,849,499 | - | - | - |

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

| | 2018 | 2017 |
|--|--------------------|--------------|
| | (Rupees) | |
| Unlisted equity instruments | | |
| Balance at 1 July | 58,586,933 | 121,442,551 |
| Total gains recognised in profit and loss account on remeasurement of investment | (5,983,270) | (62,755,618) |
| Balance at 30 June | 52,603,663 | 58,686,933 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

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

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities easured at fair value:

| Assets measured at fair value | Date of valuation | Valuation approach and input used | Inter-relationship between significant unobservable Inputs and fair value measurement |
|--|--------------------------|--|--|
| Non-financial assets at fair value | | | |
| Investment Properties | 30 June 2018 | The valuation approach is based on the rates per square yard on which the properties would be sold on the date of valuation. In determining the valuation, development progress, market condition, sale price, potential future value, location, identification of plot, approach to area, utilities / services, size of plots and other factors have been considered. Potential values was mainly considered due to inherent value of land which may enhance with passage of time or in some alternative use within sight. Further, the inherent quality of the property itself create condition for its particular suitability for such better use. The consideration of potential value becomes relevant in such situation. | The fair value are subjected to change owing to change in input. However, management does not expect material sensitivity to the fair values arising from non-observable inputs. |
| Financial assets at fair value | 30 June 2018 | Discounted cash flows: The valuation model considers the present value of future cash flow of investee company discounted using a risk-adjusted discount rate. The cash flow projection include specific estimates for 5 years. | The estimated fair value would increase / (decrease) if: <ul style="list-style-type: none"> - number of operating days increase / (decrease) - the annual growth rate were higher or lower - the EBITDA margin were higher or lower |
| Equity securities - unquoted (refer note 22.2.2) | | Inputs used: Long term growth rate 8% Long term return on equity 11.93% to 12.23% | Generally, a change in the annual growth rate is accompanied by a directionally similar change in EBITDA margin. |

The reconciliation of investment property has been disclosed in respective note; hence not disclosed separately. The fair value of investment property amounting to Rs. 1,373.5 million has been classified under level 3 in fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

43. CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business, safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Group defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes in the Group's approach to capital management during the year.

44. TRANSACTIONS AND BALANCES 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. Remuneration of chief executive, directors and executives is disclosed in note 38 to these consolidated financial statements.

Transactions with related parties during the year other than those disclosed elsewhere in these consolidated financial statements are given below:

| Nature of the related party | Transactions during the year | 2018 (Rupees) | 2017 |
|--|-------------------------------|--------------------|---------------|
| Associates | | | |
| Fatima Fertilizer Company Limited | Dividend received | <u>717,750,464</u> | 1,036,750,670 |
| MCB-Arif Habib Savings and Investments Limited | Dividend received | <u>37,912,292</u> | 70,408,543 |
| Associated companies by virtue of common directorship and other related parties | | | |
| Aisha Steel Mills Limited | Subscription of right shares | <u>155,127,056</u> | 668,712,032 |
| | Markup on loan and advance | <u>20,035,512</u> | 51,958,289 |
| | Markup received | <u>20,278,874</u> | 61,761,924 |
| | Loan and advances extended | <u>425,000,000</u> | 2,126,000,000 |
| | Loan and advances repaid | <u>259,477,830</u> | 2,699,893,477 |
| | Guarantee commission income | <u>3,208,434</u> | 751,298 |
| | Guarantee commission received | <u>1,840,368</u> | 1,875,000 |
| Power Cement Limited | Guarantee commission income | <u>40,761</u> | 267,856 |
| | Guarantee commission received | <u>107,725</u> | 267,856 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 30th June 2018

| | | 2018 | 2017 |
|--|--|----------------------|-------------|
| | | (Rupees) | |
| Javedan Corporation Limited | Subscription of right shares | 386,172,255 | 688,939,400 |
| | Dividend income / received | 33,333,833 | - |
| | Markup on loan and advance | 46,994,767 | - |
| | Markup received | 18,027,233 | 39,452 |
| | Loan / advance extended | 1,468,000,000 | - |
| | Guarantee commission income | - | 150,000 |
| | Guarantee commission received | - | 200,000 |
| | Receipts from sale of Investment properties | 2,167,586,914 | - |
| | | | |
| Dolmen City REIT | Dividend income / received | - | 520 |
| Mr. Arif Habib | Dividend paid | 785,318,901 | 654,432,418 |
| | Loan received | - | 200,000 |
| | | | |
| Rotocast Engineering Company (Private) Limited | Payment of rent and sharing of utilities, insurance and maintenance charges | 24,679,934 | 22,811,074 |
| | | | |
| Summit Bank Limited | Installment of principal payment of loan | 65,000,000 | - |
| | Mark-up on loan and advance | 41,748,236 | 25,751,397 |
| | Mark-up paid | 42,509,930 | 16,067,737 |
| | | | |
| Arif Habib Securities Limited - Employees Provident Fund | Contribution paid | 1,956,510 | 1,754,357 |
| | | | |
| Arif Habib Limited - Provident Fund | Contribution paid | 6,046,635 | 4,792,381 |
| | | | |
| Alhamra Islamic Pension Fund | Contribution paid | 100,644 | - |
| | | | |
| Key management personnel | Brokerage commission earned during the year on sale and purchase of securities | 17,740,179 | 6,277,786 |
| | | | |
| | Balance receivable at year end | 478,234 | 471,184 |
| | | | |
| | Balance payable at year end | 14,141,705 | 21,654,699 |

45. SEGMENT INFORMATION

For management purposes the Group is organized into following major business segments:

| | |
|----------------------------------|---|
| Capital market operations | Principally engaged in trading of equity securities and maintaining strategic and trading portfolios. |
| Brokerage | Principally engaged in brokerage, underwriting, corporate consultancy, research and corporate finance services. |
| Energy Development | Principally engaged in energy development. |
| Others | Others includes assets of multi commodities entities. |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

| | 2018 | | | | Consolidated |
|---|---------------------------|--------------------|--------------------|-------------------|----------------------|
| | Capital market operations | Brokerage | Energy Development | Others | |
| | (Rupees) | | | | |
| Continuing operations | | | | | |
| Revenues | | | | | |
| Operating revenue | (6,499,767) | 723,396,260 | 2,727,223,093 | 16,391,195 | 3,460,510,781 |
| Gain on sale of securities - net | 69,989,239 | 5,232,628 | - | - | 75,221,867 |
| Unrealised gain on remeasurement of investment property | - | 384,990,000 | - | - | 384,990,000 |
| | 63,489,472 | 1,113,618,888 | 2,727,223,093 | 16,391,195 | 3,920,722,648 |
| Operating and administrative expenses | (106,214,523) | (324,776,709) | (1,109,249,515) | (18,788,177) | (1,559,028,924) |
| | (42,725,051) | 788,842,179 | 1,617,973,578 | (2,396,982) | 2,361,693,724 |
| Other income | 4,039,964 | 97,655,616 | 263,670 | 39,237,131 | 141,196,381 |
| | (38,685,087) | 886,497,795 | 1,618,237,248 | 36,840,149 | 2,502,890,105 |
| Finance cost and other charges | (128,271,204) | (241,422,912) | (754,057,115) | (19,050) | (1,123,770,281) |
| | (166,956,291) | 645,074,883 | 864,180,133 | 36,821,099 | 1,379,119,824 |
| Share of profit from equity accounted associates - net of tax | 1,030,564,889 | - | - | - | 1,030,564,889 |
| Segment results | 863,608,598 | 645,074,883 | 864,180,133 | 36,821,099 | 2,409,684,713 |
| Taxation | (400,162,049) | (116,775,567) | (1,536,486) | (2,121,016) | (520,595,118) |
| Profit after tax | 463,446,549 | 528,299,316 | 862,643,647 | 34,700,083 | 1,889,089,595 |
| Gain / (loss) on disposal of subsidiary | - | - | - | - | - |
| Profit for the year | 463,446,549 | 528,299,316 | 862,643,647 | 34,700,083 | 1,889,089,595 |

| | 2017 | | | | Consolidated |
|---|---------------------------|--------------------|--------------------|------------------|----------------------|
| | Capital market operations | Brokerage | Energy Development | Others | |
| | (Rupees) | | | | |
| Continuing operations | | | | | |
| Revenues | | | | | |
| Operating revenue | 646,250,858 | 627,651,879 | 724,471,839 | 20,386,361 | 2,018,760,937 |
| Gain on sale of securities - net | 650,201,114 | 895,224,653 | - | - | 1,545,425,767 |
| | 1,296,451,972 | 1,522,876,532 | 724,471,839 | 20,386,361 | 3,564,186,704 |
| Operating and administrative expenses | (113,331,050) | (336,218,444) | (219,437,475) | (19,841,808) | (688,828,777) |
| | 1,183,120,922 | 1,186,658,088 | 505,034,364 | 544,553 | 2,875,357,927 |
| Other income | 388,814,752 | 146,984,516 | 280 | 3,749,028 | 539,548,576 |
| | 1,571,935,674 | 1,333,642,604 | 505,034,644 | 4,293,581 | 3,414,906,503 |
| Finance cost and other charges | (175,860,986) | (196,478,214) | (137,927,454) | (46,337) | (510,312,991) |
| | 1,396,074,688 | 1,137,164,390 | 367,107,190 | 4,247,244 | 2,904,593,512 |
| Share of profit from equity accounted associates - net of tax | 1,211,493,374 | - | - | - | 1,211,493,374 |
| Segment results | 2,607,568,062 | 1,137,164,390 | 367,107,190 | 4,247,244 | 4,116,086,886 |
| Taxation | (341,538,975) | (260,357,089) | - | - | (601,896,064) |
| Profit after tax | 2,266,029,087 | 876,807,301 | 367,107,190 | 4,247,244 | 3,514,190,822 |
| Gain / (loss) on disposal of subsidiary | 49,657,201 | - | - | (200,703) | 49,456,498 |
| Profit for the year | 2,315,686,288 | 876,807,301 | 367,107,190 | 4,046,541 | 3,563,647,320 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

| | 2018 | | | | Consolidated |
|---|---------------------------|----------------------|-----------------------|-------------------|-----------------------|
| | Capital market operations | Brokerage | Energy Development | Others | |
| | (Rupees) | | | | |
| Other information | | | | | |
| Segment assets | 11,844,161,680 | 3,993,396,666 | 12,021,179,331 | 83,068,061 | 27,941,805,738 |
| Investment in equity accounted associates | 17,034,078,604 | - | - | - | 17,034,078,604 |
| | 28,878,240,284 | 3,993,396,666 | 12,021,179,331 | 83,068,061 | 44,975,884,342 |
| Segment liabilities | | | | | |
| Capital expenditure | 8,178,713,444 | 2,268,861,901 | 10,430,838,238 | 18,531,742 | 20,896,945,325 |
| Depreciation and amortization | 1,210,259 | 5,151,764 | 1,565,669,794 | 177,535 | 1,572,209,352 |
| Expenses other than depreciation and amortization | 6,688,529 | 8,407,741 | 706,359,866 | 297,092 | 721,753,228 |
| | 99,525,994 | 316,368,968 | 402,889,649 | 18,491,085 | 837,275,696 |

| | 2017 | | | | Consolidated |
|---|---------------------------|----------------------|-----------------------|-------------------|-----------------------|
| | Capital market operations | Brokerage | Energy Development | Others | |
| | (Rupees) | | | | |
| Other information | | | | | |
| Segment assets | 4,694,433,147 | 6,616,374,296 | 13,635,218,290 | 47,752,752 | 24,993,778,485 |
| Investment in equity accounted associates | 16,786,341,661 | - | - | - | 16,786,341,661 |
| | 21,480,774,808 | 6,616,374,296 | 13,635,218,290 | 47,752,752 | 41,780,120,146 |
| Segment liabilities | | | | | |
| Capital expenditure | 5,816,403,039 | 2,440,630,250 | 10,165,071,168 | 17,916,517 | 18,440,020,974 |
| Depreciation and amortization | 1,210,259 | 5,765,110 | 22,480,606,983 | 373,250 | 22,487,955,602 |
| Non-cash expenses other than depreciation | 8,141,286 | 8,644,171 | 787,306 | 241,121 | 17,813,884 |
| | 105,189,764 | 327,574,273 | 218,650,169 | 18,306,064 | 669,720,270 |

| | 2018 | 2017 |
|--|----------------------|----------------------|
| | (Rupees) | |
| Reconciliations of reportable segment revenues, profit or loss and assets and liabilities | | |
| Operating revenues | | |
| Total revenue for reportable segments | 4,655,117,776 | 4,670,787,313 |
| Elimination of inter-segment revenue | (1,119,385,128) | (1,485,505,671) |
| Consolidated revenue | 3,535,732,648 | 3,185,281,642 |
| Profit or loss | | |
| Total profit or loss before tax for reportable segments | 3,517,654,087 | 5,599,488,224 |
| Elimination of inter-segment revenue / expense | (1,107,969,374) | (1,482,108,807) |
| Consolidated profit before tax | 2,409,684,713 | 4,117,379,417 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

45.1 Geographical segment analysis

| | 2018 | | | |
|----------|----------------------------|-----------------------|----------------|-------------------------------|
| | Profit / (Loss) before tax | Total assets employed | Net assets | Contingencies and commitments |
| | (Rupees) | | | |
| Pakistan | 2,409,684,713 | 44,975,884,342 | 24,078,939,017 | 49,593,378,566 |

| | 2017 | | | |
|----------|----------------------------|-----------------------|----------------|-------------------------------|
| | Profit / (Loss) before tax | Total assets employed | Net assets | Contingencies and commitments |
| | (Rupees) | | | |
| Pakistan | 4,117,379,417 | 41,780,120,146 | 23,340,099,172 | 1,024,028,433 |

45.2 CAPACITY AND PRODUCTION

| | Note | 2018 | 2017 |
|--|--------|------------------|---------|
| | | (Megawatt hours) | |
| <i>Sachal Energy Development (Private) Limited</i> | | | |
| Annual benchmark energy | | 136,500 | 136,500 |
| Actual energy delivered | 45.2.1 | 136,311 | 46,982 |

45.2.1 It includes 13,537 megawatt per hour units of shortfall due to low wind speed.

45.2.2 Lower energy generation if due to lower wind speed as compared to the benchmark wind speed as specified in the Energy Purchase Agreement.

46. NUMBER OF EMPLOYEES

| | 2018 | 2017 |
|-------------------------------------|----------|------|
| | (Rupees) | |
| <i>Parent Company:</i> | | |
| Number of employees as at 30 June | 23 | 20 |
| Average number of employees | 22 | 19 |
| <i>Subsidiary Company, AHL:</i> | | |
| Number of employees as at 30 June | 109 | 100 |
| Average number of employees | 105 | 90 |
| <i>Subsidiary Company, AHCPL</i> | | |
| Number of employees as at 30 June | 18 | 18 |
| Average number of employees | 18 | 21 |
| <i>Subsidiary Company, BGPL:</i> | | |
| Number of employees as at 30 June | 1 | - |
| Average number of employees | 1 | - |
| <i>Subsidiary Company, SEDPL:</i> | | |
| Number of employees as at 30 June: | | |
| Head office employees | 10 | 13 |
| Site employees | 23 | 13 |
| | 33 | 26 |
| <i>Average number of employees:</i> | | |
| Head office employees | 11 | 13 |
| Site employees | 22 | 12 |
| | 33 | 25 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2018

47. GENERAL

47.1 Corresponding figures have been re-arranged and / or re-classified, wherever necessary, for the purpose of comparison and better presentation the impact of which is not material.

47.2 The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. The following reclassification has been made during the year other than disclosed elsewhere in these financial statements.

| Description | Reclassified from | Reclassified to | 30 June 2017 (Rupees) |
|--|--------------------------|---|--------------------------|
| Unclaimed Dividend | Trade and other payables | Unclaimed Dividend (presented on face of statement of financial position) | <u>49,689,655</u> |
| Current portion of land lease liability | Land lease liability | Current portion of land lease liability (reclassified from non-current liabilities to current liabilities in the statement of financial position) | <u>1,360,000</u> |
| Accrued mark-up and other receivable | Markup receivable | Accrued mark-up and other receivable (reclassified from the face of statement of financial position and presented in note 28 to these consolidated financial statements) | <u>9,927,249</u> |
| | Other receivable | Accrued mark-up and other receivable (reclassified from the face of statement of financial position and presented in note 28 to these consolidated financial statements) | <u>189,140,563</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

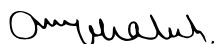
For the year ended 30th June 2018

47.3 Date of authorisation for issue

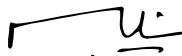
These consolidated financial statements have been authorized for issue on 25 September 2018 by the Board of Directors of the Parent Company.

47.4 Non adjusting event after balance sheet date

The Board of Directors of the Parent Company has proposed a cash dividend of Rs. 2.00 per share amounting to Rs. 907,500,000 at its meeting held on 25 September 2018 for the approval of the members at the annual general meeting to be held on 25 October 2018. These consolidated financial statements do not reflect this application as explained in note 3.30.



Chief Executive Officer



Chief Financial Officer



Director

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CORPORATE CALENDAR OF MAJOR EVENTS

- RESULTS**

The Company follows the period of 1st July to 30th June as the Financial Year.

For the Financial Year ending on 30th June 2018, Financial Results will be announced as per the following tentative schedule:

| | | | | | |
|--------------------------------|---------------------------------|----------------------------|--------------------------------|--------------------------------|------------------------------|
| 1 st quarter ending | 30 th September 2018 | Last Week of October, 2018 | 2 nd quarter ending | 31 st December 2018 | Last Week of February, 2019 |
| 3 rd quarter ending | 31 st March 2019 | Last Week of April, 2019 | Year ending | 30 th June 2019 | Last Week of September, 2019 |

- ISSUANCE OF ANNUAL REPORT**

21 days before AGM i.e. on or before 4th October 2017.

- 24ND ANNUAL GENERAL MEETING**

The 24th Annual General Meeting of the Shareholders of Arif Habib Corporation Limited ("the Company") will be held on Saturday, 25th October 2018 at 10:00 A.M at the PSX Auditorium, 3rd floor, Admin Block, Pakistan Stock Exchange.

- CASH DIVIDEND**

A final Cash Dividend for the year ended 30th June 2018 at Rs.2 per share i.e. 20% is recommended by the Board of Directors. Subject to the approval by members in the AGM, the date of entitlement of cash dividend shall be day end of 18th October 2018, and the company expects to pay the final dividend on or before 15th November 2018, being the statutory limit of 15 working days from the date of General Meeting in which the dividend is approved.

NOTICE OF 24th ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Fourth Annual General Meeting of the Shareholders of Arif Habib Corporation Limited ("the Company") will be held on Thursday, 25th October, 2018 at 10:00 a.m. at PSX Auditorium, Stock Exchange Building, Stock Exchange Road, Karachi to transact the following business:

ORDINARY BUSINESS

- 1) To confirm minutes of the Extra Ordinary General Meeting held on 26th September 2018.
- 2) To receive, consider and adopt annual audited financial statements of the Company together with the Directors' and the Auditors' Reports thereon for the year ended 30th June 2018 together with the Audited Consolidated Financial Statements of the Company and the Auditors' Reports thereon for the year ended 30th June 2018.
- 3) To appoint the Auditors for the year ending 30th June 2019 and fix their remuneration. The Board of Directors have recommended for reappointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants as external auditors.
- 4) To consider and approve final Cash Dividend for the year ended 30th June 2018 at Rs. 2.00 per share i.e. 20% as recommended by the Board of Directors.

SPECIAL BUSINESS

- 5) To authorize the Board of Directors of the Company to approve those transactions with related parties (if executed) during the financial year ending 30th June 2019 which require approval of shareholders u/s 207 and / or 208 of the Companies Act, 2017, by passing the following special resolution with our without modification:

"RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to approve the transactions to be conducted with Related Parties on case to case basis for the financial year ending 30th June 2019."

"FURTHER RESOLVED THAT the transactions approved by the Board shall be deemed to have been approved by the shareholders u/s 207 and / or 208 of the Companies Act, 2017 (if triggered) and shall be placed before the shareholders in the next Annual General Meeting for their formal ratification/approval u/s 207 and / or 208 of the Companies Act, 2017 (if required)."

- 6) To consider and if deemed fit, to pass the following Special Resolutions with or without modification(s):

Investment in Associated Companies & Associated Undertakings

"RESOLVED THAT the consent and approval be and is hereby accorded under Section 199 of the Companies Act, 2017 and the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 for the following limit of investments / additional investments in associated companies and associated undertakings subject to the terms and conditions mentioned in the Annexure-B of Statement under Section 134(3)."

"FURTHER RESOLVED THAT the consent and approval be and is hereby accorded under Section 199 of the Companies Act, 2017 and the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 for renewal of following equity investments limit upto unutilized portion for which approval had been sought in previous general meeting(s), in associated companies and associated undertakings as mentioned in the Annexure-C of Statement under Section 134(3)."

“FURTHER RESOLVED THAT the consent and approval be and is hereby accorded under Section 199 of the Companies Act, 2017 and the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 for renewal of following sanctioned limits of loans / advances / guarantees, for which approval has been sought in previous general meeting(s), in associated companies and associated undertakings as mentioned in the Annexure-C of statement under Section 134(3), whereas the renewal of limits will be in the nature of loan and / or running finance and/or corporate guarantee for a period of one year and shall be renewable in next general meeting(s) for further period(s) of one year.”

----- Rupees in million -----

| | Name of Associated Companies & Undertakings | Proposed Fresh Investment | | Renewal Requested | |
|----|---|---------------------------|--------------------------------|---------------------------------|---|
| | | Equity | Loan/ Advance/ Guarantee | Unutilized Equity Portion | Sanctioned Loan/ Advance/ Guarantee |
| 1 | Javedan Corporation Ltd. | - | - | 737 | 2,432 |
| 2 | Summit Bank Ltd. | - | - | 499 | - |
| 3 | Arif Habib Ltd. | - | 1,500 | 490 | 1,500 |
| 4 | MCB-Arif Habib Savings and Investments Ltd. | - | - | 399 | - |
| 5 | Pakarab Fertilizers Ltd. | - | - | 1,000 | 1,000 |
| 6 | Fatima Fertilizer Company Ltd. | - | - | 1,800 | 1,000 |
| 7 | Rotocast Engineering Co. (Pvt.) Ltd. | - | - | 300 | 200 |
| 8 | Arif Habib Dolmen REIT Management Ltd. | - | - | 1,000 | 500 |
| 9 | Aisha Steel Mills Ltd. | - | - | 591 | 8,250 |
| 10 | Power Cement Ltd. | - | - | 517 | 2,867 |
| 11 | Sachal Energy Development (Pvt.) Ltd. | - | 400 | 754 | 11,100 |
| 12 | Safe Mix Concrete Ltd | - | - | 150 | 150 |
| 13 | Dolmen City REIT | - | - | 799 | - |

“FURTHER RESOLVED THAT the Chief Executive and/or any two directors jointly and/or any one director and Chief Financial Officer / Company Secretary jointly, be and are hereby authorized to take and do, and/or cause to be taken or done, any/all necessary actions, deeds and things which are or may be necessary for giving effect to the aforesaid resolutions and to do all acts, matters, deeds, and things which are necessary, incidental and/or consequential to the investment of the Company’s funds as above, as and when required at the time of investment, including but not limited to negotiating and executing any necessary agreements/documents, and any ancillary matters thereto.”

ANY OTHER BUSINESS

7) To consider any other business with the permission of the Chair.

A Statement under Section 134(3) of the Companies Act 2017 pertaining to the special business is being sent to the shareholders along with this notice.

By order of the Board

Karachi: 4th October 2018

**Manzoor Raza
Company Secretary**

NOTES:

1. Share transfer books of the company will remain closed from 19th October 2018 to 25th October 2018 (both days inclusive). Transfers received in order at the office of our registrar: M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi, by the close of business on Thursday, 18th October 2018 will be treated in time for the determination of entitlement of shareholders to cash dividend and to attend and vote at the meeting.
2. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.
3. Procedure including the guidelines as laid down in Circular No. I- Reference No. 3(5-A) Misc/ARO/LES/96 dated 26th January 2000 issued by Securities & Exchange Commission of Pakistan:
 - (i) Members, proxies or nominees shall authenticate their identity by showing their original national identity card or original passport and bring their folio numbers at the time of attending the meeting.
 - (ii) In the case of corporate entity, Board of Directors' resolution/power of attorney and attested copy of the CNIC or passport of the nominee shall also be produced (unless provided earlier) at the time of meeting.
 - (iii) In order to be effective, the proxy forms must be received at the office of our registrar not later than 48 hours before the meeting, duly signed and stamped and witnessed by two persons with their names, address, NIC numbers and signatures.
 - (iv) In the case of individuals, attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - (v) In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the CNIC or passport of the proxy shall be submitted alongwith proxy form.
4. Members are requested to submit copies of their CNICs and promptly notify any change in address by writing to the office of the registrar.

Important:

PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE (MANDATORY):

Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders.

In order to receive dividend directly into their bank account, shareholders are requested to provide their IBAN by filling the Electronic Mode Dividend Form available at Company's website containing prescribed details and send it duly signed along with a copy of CNIC to the Registrar of the Company, M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi, in case of physical shares. In case of book-entry securities, respective shareholders must get their respective records including IBAN updated as per the Electronic Mode Dividend Form with their Broker/Participant/CDC account services.

In the absence of a members' valid bank account details and / or IBAN, the Company will be constraint to withhold the payment of dividend to such members till provision of prescribed details.

UNCLAIMED DIVIDENDS

Shareholders, who by any reason, could not claim their dividend are advised to contact our Share Registrar M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi, to collect/enquire about their unclaimed dividend, if any.

In this regard, specific notices as prescribed were also sent earlier to the shareholders to submit their claims within 90 days to the Company. In compliance of Section 244(1)(b) of the Companies Act, 2017 Final Notices had also been published on 29th December 2017 and 4th August 2018 in two daily newspapers i.e. (i) Business Recorder and (ii) Daily Nawa-e-Waqt in English and Urdu respectively.

Please note that in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all dividends unclaimed for a period of three years from the date due and payable shall be deposited with the Federal Government.

WITHHOLDING TAX ON DIVIDEND

The Government of Pakistan through Finance Act, 2017 has made certain amendments in tax rates applicable through Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under :

- For filers of Income Tax Returns 15%
- For non-filer of Income Tax Returns 20%

Shareholders are advised to make sure that their names (and/or the name of their joint holders) are appearing in latest Active Tax Payers List (ATL) provided on the website of FBR, otherwise they (and/or joint holders) shall be treated as non-filers and tax on their cash dividend income will be deducted at the rate of 20.0% instead of 15%.

WITHHOLDING TAX ON DIVIDEND IN CASE OF JOINT ACCOUNT HOLDERS

In order to enable the Company to follow the directives of the regulators to determine shareholding proportion in case of Joint account, all shareholders who hold shares with Joint shareholders, are requested to provide shareholding proportions of Principal shareholder and Joint Holder(s) in respect of shares held by them to our Share Registrar, in writing, as follows:

| Folio / CDS Account # | Total Shares | Principal Shareholder | | Joint Shareholder | |
|-----------------------------|-----------------|-----------------------|-----------------------------------|-------------------|-----------------------------------|
| | | Name and CNIC # | Shareholding Proportion (%) | Name and CNIC # | Shareholding Proportion (%) |
| | | | | | |
| | | | | | |
| | | | | | |

NOTE: In the event of non-receipt of the information by 18th October 2018, each shareholder will be assumed to have equal proportion of shares and the tax will be deducted accordingly.

NOTICE TO SHAREHOLDERS FOR PROVISION OF THEIR IDENTIFICATION DETAILS

The Individual Members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) to the Company / Share Registrar, are once again reminded to send the same at the earliest directly to Company's Share Registrar, M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi. The Corporate Entities are requested to provide their National Tax Number (NTN). Please give Folio Number with the copy of CNIC / NTN details. Reference is also made to the Securities and Exchange Commission of Pakistan (SECP) Notifications SRO 779(I)/2011 dated 18th August 2011 and SRO 831(I)/2012 dated 5th July 2012,

SRO 19(I)/2014 dated 10th January 2014 and SRO 275(I)/2016 dated 31st March 2016 which mandates that the dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members.

In case of non-receipt of the copy of a valid CNIC, the Company would be unable to comply with aforementioned directives of SECP and therefore will be constrained under Section 243(2)(a) of the Companies Act, 2017 to withhold dispatch of dividend warrants of such shareholders.

Attention of corporate entities / legal persons is also invited towards SECP Circular # 16 of 2018. Respective shareholders (corporate entities / legal persons) are advised to provide the information pertaining to ultimate beneficial owners and / or other information as prescribed in the subject SECP circular to the share registrar of the company.

SUPPLY OF DOCUMENTS, INFORMATION, NOTICES TO THE MEMBERS ELECTRONICALLY

Section 473 of the Companies Act, 2017 requires that after a date notified by the Commission, the information, notices and accounts or any other document to be provided by the company to its members under this Act, shall only be provided electronically on the email address provided by the members. Members are therefore requested to update their respective records pertaining to email address with their Broker/Participant/CDC account services. Physical shareholders are required to provide their email addresses to the share registrar of the Company.

CNIC/PASSPORT/NTN/EXEMPTION/ZAKAT DECLARATION

Shareholders are advised to ensure that they have provided their Passport/NTN/CNIC/Tax exemption certificates (for tax exemption, where applicable) and valid Zakat Declaration under Zakat & Ushr Ordinance 1980 (for Zakat Exemption) to their respective Participant/CDC Investor Account Services/Company's Share Registrar.

E-VOTING

Members can exercise their right to demand a poll subject to meeting requirements of Section 143 - 145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.

PROVISION OF VIDEO LINK FACILITY:

Shareholders may participate in the meeting via video-link facility. If the Company receives a demand (at least 7 days before the date of meeting) from shareholder(s) holding an aggregate 10% or more shareholding residing in any other city, to participate in the meeting through video link, the Company will arrange video link facility in that city.

Shareholders, who wish to participate through video-link facility, are requested to fill in Video Link Facility Form available at Company's website and send a duly signed copy to the Registered Address of the Company.

DISTRIBUTION OF ANNUAL REPORT

The audited financial statements of the Company for the year ended 30th June 2018 have been made available on the Company's website (<http://www.arifhabibcorp.com>) in addition to annual and quarterly financial statements for the prior years.

Further, this is to inform that in accordance with SRO 470(I)/2016 dated 31st May 2016, through which SECP has allowed companies to circulate the annual audited accounts to its members through CD/DVD/USB instead of transmitting the hard copies at their registered addresses, subject to consent of shareholders and compliance with certain other conditions, the Company has obtained shareholders' approval in an Extra Ordinary General Meeting held on 21st September 2016.

Accordingly, Annual Report of the Company for the year ended 30th June 2018 is dispatched to the shareholders through CD. However, if a shareholder, in addition, request for hard copy of Annual Audited Financial Statements, the same shall be provided free of cost within seven days of receipt of such request. For convenience of shareholders, a "Standard Request Form for provision of Annual Audited Accounts" have also been made available on the Company's website (<http://arifhabibcorp.com/contact.php>).

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement sets out the material facts concerning the Special Business given in Agenda Item No. 5 and Agenda item No. 6 of the Notice to be transacted at the Annual General Meeting of the Company.

Directors of the Company have no interest in the special business except in their capacity as director / shareholder.

ANNEXURE A

AUTHORIZATION FOR THE BOARD OF DIRECTORS TO APPROVE THOSE TRANSACTIONS WITH RELATED PARTIES (IF EXECUTED) DURING THE FINANCIAL YEAR ENDING 30TH JUNE 2019 WHICH REQUIRE APPROVAL OF SHAREHOLDERS U/S 207 AND / OR 208 OF THE COMPANIES ACT, 2017

The Company shall be conducting transactions with its related parties during the year ending 30th June 2019 on an arm's length basis as per the approved policy with respect to 'transactions with related parties' in the normal course of business. Being the directors of an investment holding Company, many Directors may be deemed to be treated as interested in transactions with related parties due to their common directorships and/or shareholding. In order to promote good corporate governance and transparent business practices, the shareholders desire to authorize the Board of Directors to approve transactions with the related parties from time-to-time on case to case basis, including transactions (if executed) triggering approval of shareholders u/s 207 and / or 208 of the Companies Act, 2017, for the year ending 30th June 2019, which transactions shall be deemed to be approved by the Shareholders. The nature and scope of such related party transactions is explained above. These transactions shall be placed before the shareholders in the next AGM for their formal approval/ratification.

The Directors are interested in the resolution only to the extent of their shareholding and / or common directorships in such related parties.

ANNEXURE-B

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017**INVESTMENTS IN ASSOCIATED COMPANIES & ASSOCIATED UNDERTAKINGS**

The Board of Directors of the Company has approved the specific limits for loans/advances along with other particulars for investments in the following associated companies and associated undertakings subject to the consent of members under Section 199 of the Companies Act, 2017 / Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017. The Board of Directors do hereby undertake / certify that necessary due diligence for the following proposed investments have been carried out. The principle purpose of this special resolution is to make the Company in a ready position to capitalize on the investment opportunities as and when they arrive. It is prudent that the Company should be able to make the investment at the right time when the opportunity is available.

1 LOAN AND ADVANCES

| Ref. No. | REQUIREMENT | INFORMATION | | | | | | | | | | | | | | | | | | |
|-------------------------|--|---|----------------|------------------|--------------------|----------|----------------|----------|--------|----------|-------------------------|---|---------------------|----------|-------------------|--------|-------------------|--------|------------------|--------|
| I | Name of associated company or associated undertaking | Arif Habib Limited ("AHL") | | | | | | | | | | | | | | | | | | |
| II | Basis of relationship | Subsidiary Company | | | | | | | | | | | | | | | | | | |
| III | Earnings per share for the last three years | Year 2018: 9.75 Year 2017: 16.01 Year 2016: 7.45 | | | | | | | | | | | | | | | | | | |
| IV | Break-up value of share, based on the latest audited financial statements | PKR 57.95 per share as at 30 th June 2018 | | | | | | | | | | | | | | | | | | |
| V | Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements | <table border="0"> <tr> <td>30th June 2018</td> <td>(PKR in Million)</td> </tr> <tr> <td>Non-current assets</td> <td>1,595.42</td> </tr> <tr> <td>Current assets</td> <td>3,877.95</td> </tr> <tr> <td>Equity</td> <td>3,187.32</td> </tr> <tr> <td>Non-current liabilities</td> <td>-</td> </tr> <tr> <td>Current liabilities</td> <td>2,286.05</td> </tr> <tr> <td>Operating Revenue</td> <td>656.11</td> </tr> <tr> <td>Profit before Tax</td> <td>653.01</td> </tr> <tr> <td>Profit after Tax</td> <td>536.26</td> </tr> </table> | 30th June 2018 | (PKR in Million) | Non-current assets | 1,595.42 | Current assets | 3,877.95 | Equity | 3,187.32 | Non-current liabilities | - | Current liabilities | 2,286.05 | Operating Revenue | 656.11 | Profit before Tax | 653.01 | Profit after Tax | 536.26 |
| 30th June 2018 | (PKR in Million) | | | | | | | | | | | | | | | | | | | |
| Non-current assets | 1,595.42 | | | | | | | | | | | | | | | | | | | |
| Current assets | 3,877.95 | | | | | | | | | | | | | | | | | | | |
| Equity | 3,187.32 | | | | | | | | | | | | | | | | | | | |
| Non-current liabilities | - | | | | | | | | | | | | | | | | | | | |
| Current liabilities | 2,286.05 | | | | | | | | | | | | | | | | | | | |
| Operating Revenue | 656.11 | | | | | | | | | | | | | | | | | | | |
| Profit before Tax | 653.01 | | | | | | | | | | | | | | | | | | | |
| Profit after Tax | 536.26 | | | | | | | | | | | | | | | | | | | |
| VI | In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, prescribed details thereof | Not applicable | | | | | | | | | | | | | | | | | | |

| | | |
|--------------------|---|--|
| <p>VII</p> | <p>Maximum amount of investment to be made</p> | <p>Fresh limit for issuance of Guarantee up to PKR 1.5 billion is requested for approval. This Guarantee may be in the form of pledge of shares or corporate guarantee by Arif Habib Corporation Limited in favour of any bank / financial institution / company etc. in connection with financing or other facilities availed / to be availed by AHL.</p> |
| <p>VIII</p> | <p>Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment</p> | <p>To support the functionality, operations and growth of the Subsidiary Company. This will enhance the credibility of AHL to make further investment(s) in the market and ultimately earn profits. Consequently, it will add value to AHCL's shareholders, in the form of cash dividend or bonus etc. In addition, AHCL shall charge commission on pledge / corporate guarantee utilized by AHL. The facility (pledge / corporate guarantee) shall be renewable in next general meeting(s) for further period(s) of one year(s)</p> |
| <p>IX</p> | <p>Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds</p> <p>(I) Justification for investment through borrowing</p> <p>(II) Detail of collateral, guarantees provided and assets pledged for obtaining such funds</p> <p>(III) Cost benefit analysis</p> | <p>Not applicable, as it will be an un-funded facility.</p> |
| <p>X</p> | <p>Salient feature of agreements (if any) with associated company or associated undertaking with regards to proposed investment</p> | <p>Will be decided with mutual consent at the time of extending the facility</p> |
| <p>XI</p> | <p>Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration</p> | <p>Directors of the company have no interest in the investee company except in their capacity as sponsor / director / shareholder of holding company</p> |

| | | |
|--------------|---|---|
| XII | In case an investment in associated company has already been made, the performance review of such investment including complete information / justification for any impairments / write-offs | The Company has an equity investment in AHL. This is in addition to renewal requested separately for the previously sanctioned limit of loan amounting to Rs. 1,500 million and equity limit of Rs. 490.45 million which was unutilised upto 30 th June 2018 Performance of AHL can be referred in Point III and V above. |
| XIII | Any other important details necessary for the members to understand the transaction | None |
| XIV | Category-wise amount of investment | Fresh Limit of unfunded facility (Pledge / Guarantee) for amount of PKR 1.5 billion is being sought |
| XV | Average borrowing cost of the investing company, the KIBOR for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period | Not applicable as the proposed facility is unfunded. |
| XVI | Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company | Negotiable, in line with prevailing commercial rates for similar unfunded facilities. |
| XVII | Particulars of collateral or security to be obtained in relation to the proposed investment | Letter of Indemnity to be obtained from AHL before execution of unfunded facility. |
| XVIII | If the investment carries conversion feature, terms and conditions, triggering circumstances and other details thereof | Not applicable |
| XIX | Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking | Not applicable |

2 LOAN AND ADVANCES

| Ref. No. | REQUIREMENT | INFORMATION |
|-----------------|--|--|
| I | Name of associated company or associated undertaking | Sachal Energy Development (Private) Limited ("SEDPL") |
| II | Basis of relationship | Subsidiary Company |
| III | Earnings / (loss) per share for the last three years | Year 2018: 2.66 Year 2017: 1.36 Year 2016: (0.05) |
| IV | Break-up value of share, based on the latest audited financial statements | PKR 13.38 per share as at 30 th June 2018 |
| V | Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements | 30 th June 2018 (PKR in Million) Non-current assets 13,236.45 Current assets 2,006.80 Equity 4,280.45 Non-current liabilities 8,785.11 Current liabilities 2,177.69 Operating Revenue 2,698.27 Profit before Tax 853.93 Profit after Tax 852.40 |
| VI | In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, prescribed details thereof | Not applicable |
| VII | Maximum amount of investment to be made | Fresh limit for running finance facility of PKR 400 million is requested for approval. This is in the addition of PKR 600 million requested for renewal for previously sanctioned limit of loan in the nature of running finance. |
| VIII | Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment | To support the working capital requirements of the Subsidiary Company. AHCL shall charge markup on the loan utilized by SEDPL which will increase profit to the shareholders. The facility is subject to renewal next year. |

| | | |
|------|---|--|
| IX | <p>Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds</p> <p>(I) Justification for investment through borrowing</p> <p>(II) Detail of collateral, guarantees provided and assets pledged for obtaining such funds</p> <p>(III) Cost benefit analysis</p> | <p>The investment may be made from Company's own available liquidity and/or credit lines.</p> <p>Higher rate of return / support working capital of subsidiary, if and where needed</p> <p>Pledge of listed securities and / or charge over assets of the Company, if and where needed.</p> <p>Company's average borrowing cost ranges from 1 month KIBOR + 1% to 3 months KIBOR + 2% and the Company is expected to earn mark-up over and above the borrowing cost.</p> |
| X | Salient feature of agreements (if any) with associated company or associated undertaking with regards to proposed investment | The markup on existing facility is 3 months KIBOR + 2.25% per annum. Markup is payable on Quarterly basis. The loan is repayable within 30 business days of notice of demand. |
| XI | Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration | Directors of the company have no interest in the investee company except in their capacity as sponsor / director / shareholder of holding company. |
| XII | In case an investment in associated company has already been made, the performance review of such investment including complete information / justification for any impairments / write-offs | <p>The Company has an equity and loan investment in SEDPL. The Company has also provided guarantee on behalf of SEDPL.</p> <p>Performance of SEDPL can be referred in Point III and V above.</p> |
| XIII | Any other important details necessary for the members to understand the transaction | None |
| XIV | Category-wise amount of investment | <p>Running finance facility for amount of PKR 400 million.</p> <p>This is amount is in addition to PKR 600 million already approved in previous annual general meeting.</p> |
| XV | Average borrowing cost of the investing company, the KIBOR for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period | Average borrowing of Company ranges from 1 month KIBOR + 1% to 3 months KIBOR + 2%. Funded facility shall be Conventional in nature |

| | | |
|--------------|--|---|
| XVI | Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company | The Company shall charge markup at 3 month KIBOR + 2.25% on the loan amount utilized by SEDPL. |
| XVII | Particulars of collateral or security to be obtained in relation to the proposed investment | As Investee is a Subsidiary Company, no collateral is required. |
| XVIII | If the investment carries conversion feature, terms and conditions, triggering circumstances and other details thereof | Not applicable |
| XIX | Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking | The Running Finance Facility is for the period of one year and shall be renewable in next general meeting for further period(s) of one year(s). |

FOLLOWING DIRECTORS OF THE COMPANY HAVE NO INTEREST IN THE INVESTEE COMPANIES EXCEPT IN THEIR CAPACITY AS DIRECTOR / SHAREHOLDER

| | |
|--------------------------|---|
| Mr. Arif Habib | - Chief Executive and shareholder of Arif Habib Corporation Limited, which is the holding company of Arif Habib Limited; and - Chairman and shareholder of Sachal Energy Development (Pvt.) Ltd. |
| Mr. Muhammad Ejaz | - Director and shareholder of Arif Habib Corporation Limited, which is the holding company of Arif Habib Limited; and - Director and shareholder of Sachal Energy Development (Pvt.) Ltd. |
| Mr. Asadullah Khawaja | - Director and shareholder of Arif Habib Corporation Limited, which is the holding company of Arif Habib Limited, |
| Khawaja Jalaluddin Roomi | - Director and shareholder of Arif Habib Corporation Limited, which is the holding company of Arif Habib Limited |
| Mr. Sirajuddin Cassim | - Director and shareholder of Arif Habib Corporation Limited, which is the holding company of Arif Habib Limited |
| Mr. Nasim Beg | - Director and shareholder of Arif Habib Corporation Limited, which is the holding company of Arif Habib Limited |
| Mr. Samad A. Habib | - Director and shareholder of Arif Habib Corporation Limited, which is the holding company of Arif Habib Limited |
| Mr. Kashif A. Habib | - Director and shareholder of Arif Habib Corporation Limited, which is the holding company of Arif Habib Limited |

ANNEXURE C

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT 2017, IN COMPLIANCE WITH REGULATION 4(2) OF COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS, 2017, FOR DECISION TO MAKE INVESTMENT UNDER THE AUTHORITY OF A RESOLUTION PASSED EARLIER PURSUANT TO PROVISIONS OF SECTION 208 OF THE COMPANIES ORDINANCE 1984 (REPEALED) OR SECTION 199 OF THE COMPANIES ACT, 2017 IS NOT FULLY IMPLEMENTED:

The Company in its previous general meetings had sought approvals under section 208 of the Companies Ordinance, 1984 (repealed) and under section 199 of Companies Act, 2017 for investments in the following Associated Companies and Associated Undertakings in which investment has not been made so far, either fully or partially. Approval of renewal of unutilised portion of equity investments and sanctioned limit of loans, advances, running finance and corporate guarantee is also hereby sought for the companies, in which directors of the company have no interest except in their capacity as director/shareholder, as per following details :

1. NAME OF ASSOCIATED COMPANY/UNDERTAKING: JAVEDAN CORPORATION LIMITED

| S. No. | Description | Investment in Securities | Loans & Advances In The Nature of: | |
|--------|---|--|---|---|
| | | | Running Finance | Corporate Guarantee |
| a) | total investment approved; | 3,250,000,000 | 2,231,550,000 | 200,000,000 |
| b) | amount of investment made to date; | 2,513,399,501 | 1,468,000,000 | - |
| c) | reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time; | Waiting for an appropriate time in the interest of the shareholders for complete utilisation | Facility is in the nature of running finance to be availed as when needed in the interest of the shareholders | Facility is in the nature of Guarantee to be availed as when needed in the interest of the shareholders |
| d) | material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company: | | FY2018 | FY2017 (Restated) |
| i | Earnings per share - basic & diluted | | 3.35 & 3.06 | 7.43 & 5.66 |
| ii | Net Profit | | 703,713,000 | 989,557,000 |
| iii | Shareholders Equity | | 13,835,272,000 | 9,777,974,000 |
| iv | Total Assets | | 20,840,488,000 | 14,441,022,000 |
| v | Break-up value | | 51.77 | 48.36 |
| | RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E.: | Unutilised 736,600,499 | Sanctioned 2,231,550,000 | Sanctioned 200,000,000 |

2. NAME OF ASSOCIATED COMPANY / UNDERTAKING : SUMMIT BANK LIMITED

| S. No. | Description | Investment in Securities | Loans & Advances In The Nature of: | |
|--------|---|--|------------------------------------|---------------------|
| | | | Running Finance | Corporate Guarantee |
| a) | total investment approved; | 755,822,522 | - | - |
| b) | amount of investment made to date; | 257,071,472 | - | - |
| c) | reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time; | Waiting for an appropriate time in the interest of the shareholders for complete utilisation | - | - |
| d) | material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company: | | FY2017 | FY2016 |
| i | Earnings per share - basic & diluted | | (0.51) & (0.51) | (1.00) & (1.00) |
| ii | Net Loss | | (1,146,439,000) | (2,174,392,000) |
| iii | Shareholders Equity | | 11,034,525,000 | 12,671,952,000 |
| iv | Total Assets | | 233,049,936,000 | 215,022,348,000 |
| v | Break-up value | | 4.18 | 6.35 |
| | RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E.: | Unutilised 498,751,050 | Sanctioned - | Sanctioned - |

3. NAME OF ASSOCIATED COMPANY / UNDERTAKING : ARIF HABIB LIMITED

| S. No. | Description | Investment in Securities | Loans & Advances In The Nature of: | |
|--------|---|--|---|---------------------|
| | | | Running Finance | Corporate Guarantee |
| a) | total investment approved; | 3,421,676,000 | 1,500,000,000 | - |
| b) | amount of investment made to date; | 2,931,230,887 | - | - |
| c) | reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time; | Waiting for an appropriate time in the interest of the shareholders for complete utilisation | Facility is in the nature of running finance and availed as when needed in the interest of the shareholders | - |
| d) | material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company: | | FY2018 | FY2017 |
| i | Earnings per share | | 9.75 | 16.01 |
| ii | Net Profit | | 536,256,096 | 880,535,448 |
| iii | Shareholders Equity | | 3,187,315,847 | 3,201,059,751 |
| iv | Total Assets | | 5,473,367,385 | 5,692,984,008 |
| v | Break-up value | | 57.95 | 58.20 |
| | RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E.: | Unutilised 490,445,113 | Sanctioned 1,500,000,000 | Sanctioned - |

4. NAME OF ASSOCIATED COMPANY / UNDERTAKING : MCB - ARIF HABIB SAVINGS AND INVESTMENTS LIMITED

| S. No. | Description | Investment in Securities | Loans & Advances In The Nature of: | |
|--------|---|--|------------------------------------|---------------------|
| | | | Running Finance | Corporate Guarantee |
| a) | total investment approved; | 481,200,000 | - | - |
| b) | amount of investment made to date; | 81,947,527 | - | - |
| c) | reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time; | Waiting for an appropriate time in the interest of the shareholders for complete utilisation | - | - |
| d) | material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company: | | FY2018 | FY2017 |
| i | Earnings per share | | 1.77 | 2.81 |
| ii | Net Profit | | 127,628,140 | 202,194,317 |
| iii | Shareholders Equity | | 1,570,971,369 | 1,579,537,437 |
| iv | Total Assets | | 2,248,727,899 | 2,263,773,646 |
| v | Break-up value | | 21.82 | 21.94 |
| | RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E.: | Unutilised 399,252,473 | Sanctioned - | Sanctioned - |

5. NAME OF ASSOCIATED COMPANY / UNDERTAKING : PAKARAB FERTILIZERS LIMITED

| S. No. | Description | Investment in Securities | Loans & Advances In The Nature of: | |
|--------|---|--|---|---------------------|
| | | | Running Finance | Corporate Guarantee |
| a) | total investment approved; | 2,324,332,000 | 1,000,000,000 | - |
| b) | amount of investment made to date; | 1,324,332,073 | - | - |
| c) | reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time; | Waiting for an appropriate time in the interest of the shareholders for complete utilisation | Facility is in the nature of running finance to be availed as when needed in the interest of the shareholders | - |
| d) | material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company: | | FY2017 | FY2016 |
| i | Loss per share | | (8.76) | (4.28) |
| ii | Net Loss | | (3,941,887,000) | (1,927,087,000) |
| iii | Shareholders Equity | | 19,701,914,000 | 22,007,339,000 |
| iv | Total Assets | | 61,483,295,000 | 60,560,581,000 |
| v | Break-up value | | 43.78 | 48.91 |
| | RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E.: | Unutilised 999,999,927 | Sanctioned 1,000,000,000 | Sanctioned - |

6. NAME OF ASSOCIATED COMPANY / UNDERTAKING : FATIMA FERTILIZER COMPANY LIMITED

| S. No. | Description | Investment in Securities | Loans & Advances In The Nature of: | |
|--------|---|--|---|---------------------|
| | | | Running Finance | Corporate Guarantee |
| a) | total investment approved; | 2,500,000,000 | 1,000,000,000 | - |
| b) | amount of investment made to date; | 700,037,106 | - | - |
| c) | reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time; | Waiting for an appropriate time in the interest of the shareholders for complete utilisation | Facility is in the nature of running finance to be availed as when needed in the interest of the shareholders | - |
| d) | material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company: | | FY2017 | FY2016 |
| i | Earnings per share | | 5.04 | 4.66 |
| ii | Net Profit | | 10,576,013,000 | 9,782,143,000 |
| iii | Shareholders Equity | | 53,741,792,000 | 47,374,016,000 |
| iv | Total Assets | | 99,336,477,000 | 110,597,118,000 |
| v | Break-up value | | 25.59 | 22.56 |
| | RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E.: | Unutilised 1,799,962,894 | Sanctioned 1,000,000,000 | Sanctioned - |

7. NAME OF ASSOCIATED COMPANY / UNDERTAKING : ROTOCAST ENGINEERING COMPANY (PRIVATE) LIMITED

| S. No. | Description | Investment in Securities | Loans & Advances In The Nature of: | |
|--------|---|--|---|---------------------|
| | | | Running Finance | Corporate Guarantee |
| a) | total investment approved; | 300,000,000 | 200,000,000 | - |
| b) | amount of investment made to date; | - | - | - |
| c) | reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time; | Waiting for an appropriate time in the interest of the shareholders for complete utilisation | Facility is in the nature of running finance to be availed as when needed in the interest of the shareholders | - |
| d) | material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company: | | FY2017 | FY2016 |
| i | (Loss) / Earnings per share | | 14.27 | (13.65) |
| ii | Net (Loss) / Profit | | 14,267,403 | (13,650,874) |
| iii | Shareholders Equity | | 4,036,178,817 | 3,952,528,001 |
| iv | Total Assets | | 6,104,624,574 | 6,100,237,462 |
| v | Break-up value | | 4,036.18 | 3,952.53 |
| | RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E.: | Unutilised 300,000,000 | Sanctioned 200,000,000 | Sanctioned - |

8. NAME OF ASSOCIATED COMPANY / UNDERTAKING : ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED

| S. No. | Description | Investment in Securities | Loans & Advances In The Nature of: | |
|--------|---|--|---|---------------------|
| | | | Running Finance | Corporate Guarantee |
| a) | total investment approved; | 1,000,000,000 | 500,000,000 | - |
| b) | amount of investment made to date; | - | - | - |
| c) | reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time; | Waiting for an appropriate time in the interest of the shareholders for complete utilisation | Facility is in the nature of running finance to be availed as when needed in the interest of the shareholders | - |
| d) | material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company: | | FY2018 | FY2017 |
| i | Earnings / (Loss) per share | | (6.81) | 0.98 |
| ii | Net Profit / (Loss) | | (136,283,015) | 19,574,929 |
| iii | Shareholders Equity | | 156,804,304 | 496,550,603 |
| iv | Total Assets | | 172,901,459 | 1,540,186,006 |
| v | Break-up value | | 7.84 | 24.83 |
| | RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E.: | Unutilised 1,000,000,000 | Sanctioned 500,000,000 | Sanctioned - |

9. NAME OF ASSOCIATED COMPANY / UNDERTAKING : AISHA STEEL MILLS LIMITED

| S. No. | Description | Investment in Securities | Loans & Advances In The Nature of: | |
|--------|---|--|---|---|
| | | | Running Finance & Long Term | Corporate Guarantee |
| a) | total investment approved; | 3,750,000,000 | 2,539,206,765 & 210,793,235 | 5,500,000,000 |
| b) | amount of investment made to date; | 3,158,959,297 | 175,000,000 & 201,315,405 | 3,477,457,000 |
| c) | reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time; | Waiting for an appropriate time in the interest of the shareholders for complete utilisation | Facility is in the nature of running finance to be availed as when needed in the interest of the shareholders | Facility is in the nature of Guarantee to be availed as when needed in the interest of the shareholders |
| d) | material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company: | | FY2018 | FY2017 (Restated) |
| i | Earnings per share | | 1.57 & 1.54 | 1.74 & 1.31 |
| ii | Net Profit | | 1,283,982,000 | 1,020,149,000 |
| iii | Shareholders Equity | | 8,491,106,000 | 6,700,473,000 |
| iv | Total Assets | | 20,425,788,000 | 18,183,865,000 |
| v | Break-up value | | 10.20 | 9.14 |
| | RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E.: | Unutilised 591,040,703 | Sanctioned 2,539,206,765 (RF)* 210,793,235 (LTL)** | Sanctioned 5,500,000,000 |

*RF = Running Finance

**LTL = Long Term Loan

10. NAME OF ASSOCIATED COMPANY / UNDERTAKING : POWER CEMENT LIMITED

| S. No. | Description | Investment in Securities | Loans & Advances In The Nature of: | |
|--------|---|--|---|---|
| | | | Running Finance | Corporate Guarantee |
| a) | total investment approved; | 3,322,000,000 | 1,000,000,000 | 1,867,300,000* |
| b) | amount of investment made to date; | 2,804,619,545 | - | - |
| c) | reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time; | Waiting for an appropriate time in the interest of the shareholders for complete utilisation | Facility is in the nature of running finance to be availed as when needed in the interest of the shareholders | Facility is in the nature of Guarantee to be availed as when needed in the interest of the shareholders |
| d) | material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company: | | FY2018 | FY2017 |
| i | Earnings per share | | 0.32 | 1.14 |
| ii | Net Profit | | 319,907,000 | 466,793,000 |
| iii | Shareholders Equity | | 11,299,062,000 | 8,394,241,000 |
| iv | Total Assets | | 24,517,306,000 | 11,387,114,000 |
| v | Break-up value | | 10.63 | 22.95 |
| | RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E.: | Unutilised 517,380,455 | Sanctioned 1,000,000,000 | Sanctioned 1,867,300,000* |

*This includes PKR 1,367,300,000 equivalent to USD 11 million being limit of Corporate Guarantee approved by shareholders in their extra ordinary general meeting (EoGM) held on 26th September 2018. USD conversion rate @ Rs.124.3 per dollar prevailing on the date of EoGM has been taken as indicative rate for disclosure purposes only. Actual Corporate Guarantee, however, will be given in USD currency amounting to 11 million.

11. NAME OF ASSOCIATED COMPANY / UNDERTAKING : SACHAL ENERGY DEVELOPMENT (PRIVATE) LIMITED

| S. No. | Description | Investment in Securities | Loans & Advances In The Nature of: | |
|--------|---|--|---|---|
| | | | Running Finance | Corporate Guarantee |
| a) | total investment approved; | 3,500,000,000 | 600,000,000 | 10,500,000,000 |
| b) | amount of investment made to date; | 2,746,465,560 | 525,000,000 | 10,500,000,000 |
| c) | reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time; | Waiting for an appropriate time in the interest of the shareholders for complete utilisation | Facility is in the nature of running finance to be availed as when needed in the interest of the shareholders | Facility is in the nature of Guarantee to be availed as when needed in the interest of the shareholders |
| d) | material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company: | | FY2018 | FY2017 |
| i | Earnings per share | | 2.66 | 1.36 |
| ii | Net Profit | | 852,402,656 | 372,843,487 |
| iii | Shareholders Equity | | 4,280,449,684 | 2,974,512,128 |
| iv | Total Assets | | 15,243,250,439 | 13,569,292,046 |
| v | Break-up value | | 13.38 | 10.83 |
| | RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E.: | Unutilised 753,534,440 | Sanctioned 600,000,000 | Sanctioned 10,500,000,000 |

12. NAME OF ASSOCIATED COMPANY / UNDERTAKING : SAFEMIX CONCRETE LIMITED

| S. No. | Description | Investment in Securities | Loans & Advances In The Nature of: | |
|--------|---|--|---|---------------------|
| | | | Running Finance | Corporate Guarantee |
| a) | total investment approved; | 150,000,000 | 150,000,000 | - |
| b) | amount of investment made to date; | - | - | - |
| c) | reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time; | Waiting for an appropriate time in the interest of the shareholders for complete utilisation | Facility is in the nature of running finance to be availed as when needed in the interest of the shareholders | - |
| d) | material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company: | | FY2017 | FY2016 |
| i | Loss per share | | (0.67) | (1.49) |
| ii | Net Loss | | (16,767,581) | (37,250,757) |
| iii | Shareholders Equity | | 238,694,210 | 256,441,019 |
| iv | Total Assets | | 503,902,449 | 453,987,266 |
| v | Break-up value | | 9.55 | 10.26 |
| | RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E.: | Unutilised 150,000,000 | Sanctioned 150,000,000 | Sanctioned - |

13. NAME OF ASSOCIATED COMPANY / UNDERTAKING : DOLMEN CITY REIT

| S. No. | Description | Investment in Securities | Loans & Advances In The Nature of: | |
|--------|---|--|------------------------------------|---------------------|
| | | | Running Finance | Corporate Guarantee |
| a) | total investment approved; | 1,000,000,000 | - | - |
| b) | amount of investment made to date; | 201,492,133 | - | - |
| c) | reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time; | Waiting for an appropriate time in the interest of the shareholders for complete utilisation | - | - |
| d) | material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company: | | FY2018 | FY2017 |
| i | Earnings per unit | | 2.27 | 1.70 |
| ii | Net Profit | | 5,055,268,000 | 3,787,120,000 |
| iii | Total unit-holders' fund | | 42,232,181,000 | 41,735,498,000 |
| iv | Total Assets | | 42,998,020,000 | 42,399,852,000 |
| v | Net Asset Value per unit | | 18.99 | 18.77 |
| | RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E.: | Unutilised 798,507,867 | Sanctioned - | Sanctioned - |

Form of Proxy
24th Annual General Meeting

The Company Secretary
Arif Habib Corporation Limited
Arif Habib Centre
23, M.T. Khan Road
Karachi.

I/ we _____ of _____ being a member(s)
of Arif Habib Corporation Limited holding _____ ordinary shares as per
CDC A/c. No. _____ hereby appoint Mr./Mrs./Miss _____
_____ of (full address) _____
_____ or failing him/her
Mr./Mrs./Miss _____ of (full address)

(being member of the company) as my/our Proxy to attend, act, vote for me/us and on
my/our behalf at (being member of the company) as my/our Proxy to attend, act, vote
for me/us and on my/our behalf at the Twenty Fourth Annual General Meeting of the
Company to be held on October 25, 2018 and/or any adjournment thereof.

Signed this _____ day of _____ 2018.

Witnesses:

1. Name : _____
Address : _____
CNIC No. : _____
Signature : _____

Signature on
Rs. 5/-
Revenue Stamp

2. Name : _____
Address : _____
CNIC No. : _____
Signature : _____

NOTES:

1. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.
2. Proxy shall authenticate his/her identity by showing his/her original CNIC / passport and bring folio number at the time of attending the meeting.
3. In order to be effective, the proxy form must be received at the office of our Registrar M/s. Central Depository Company of Pakistan, Share Registrar Department, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahra-e-Faisal, Karachi, not later than 48 hours before the meeting duly signed and stamped and witnessed by two persons with their signature, name, address and CNIC number given on the form.
4. In the case of individuals attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy Form.
5. In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the CNIC or passport of the proxy shall be submitted alongwith proxy Form.



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ARIF HABIB CORPORATION LIMITED

Registrar:

Central Depository Company of Pakistan,
Share Registrar Department, CDC
House, 99-B, Block-B, S.M.C.H.S, Main
Shahra-e-Faisal, Karachi.

Fold : Here

Fold : Here

پراکسی فارم
24th سالانہ جنرل اجلاس

کمپنی سیکریٹری
عارف حبیب کارپوریشن لمیٹڈ
عارف حبیب سینٹر
23، ایم ٹی خان روڈ
کراچی۔

میں مسٹی / مسماة _____ ساکن _____ ضلع _____
بحیثیت ممبر عارف حبیب کارپوریشن لمیٹڈ، مسٹی / مسماة _____
ساکن _____ کو بطور مختار (پراکسی) مقرر کرتا ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے
سالانہ اجلاس عام جو بتاریخ 25 اکتوبر، 2018 کو منعقد ہو رہا ہے میں اور ان کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔
دستخط: _____ بروز/بتاریخ _____ 2018

گواہان:

| | |
|-------------------------|-------------------------|
| 1 | 2 |
| نام: _____ | نام: _____ |
| پتہ: _____ | پتہ: _____ |
| شناختی کارڈ نمبر: _____ | شناختی کارڈ نمبر: _____ |
| دستخط: _____ | دستخط: _____ |

دستخط ۵ روپے
ریونینو اسٹیٹ

نوٹ:

- وہ رکن جسے یہ اجلاس یا اجلاس میں ووٹ کا حق حاصل ہے وہ کسی ناگزیر صورت حال میں اپنی جگہ کسی دوسرے (مخصوص) رکن کو یہ حق دے سکتا ہے کہ وہ رکن اُس کی پراکسی استعمال کرتے ہوئے، اُس کے بجائے اجلاس میں شریک ہو سکتا ہے، خطاب کر سکتا ہے یا ووٹ کا اندراج کر سکتا ہے۔
- پراکسی ثابت کرنے کے لئے اُسے اپنا اصل پاسپورٹ اور فوٹو نمبر سے دکھانا لازمی ہے تاکہ اجلاس میں شرکت کی اجازت سے قبل اُس کی شناخت کی جاسکے۔
- موثر بنانے کے لئے، پراکسی فارم ہمارے رجسٹرار کے دفتر (ایم/ایس) سینٹرل ڈیپوزیٹری کمپنی آف پاکستان، شیئر رجسٹرار ڈیپارٹمنٹ، سی ڈی سی ہاؤس، B-99، ایس، ایم، سی، ایچ، ایس، شاہراہ فیصل، کراچی، پاکستان، میں اجلاس سے کم از کم 48 گھنٹے قبل وصول ہونا لازمی ہے۔ فارم میں تمام مطلوبہ معلومات، رکن کے دستخط اور مہر، نیز دو گواہان کی بنیادی معلومات یعنی نام پتے، دستخط اور شناختی کارڈ نمبر کا اندراج ضروری ہے۔
- انفرادی رکن کی صورت میں اصل اور پراکسی کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول منسلک کرنا لازمی ہے۔
- پراکسی کے کارپوریٹ ہونے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد، پاور آف اٹارنی، شناختی کارڈ اور پاسپورٹ کی تصدیق شدہ نقول، پراکسی فارم کے ساتھ منسلک کرنا ضروری ہے۔



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ARIF HABIB CORPORATION LIMITED

Registrar:

Central Depository Company of Pakistan,
Share Registrar Department, CDC
House, 99-B, Block-B, S.M.C.H.S, Main
Shahra-e-Faisal, Karachi.

Fold : Here

Fold : Here



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(based on live feed from KSE)
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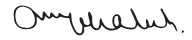
کمپنی کے حصص یافتگان کے مسلسل اعتماد اور سرپرستی پر ڈائریکٹران ان کے مشکور ہیں۔ اس موقع پر ہم اپنی ستائش اور ممنونیت اپنے کاروباری شراکت داروں، بینکاروں اور مالیاتی اداروں کے ہم پر یقین اور بھروسے کے لئے ریکارڈ پر لانا چاہتے ہیں۔ ہم وزارت مالیات، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، کمیشن کمیشن آف پاکستان، سینٹرل ڈپازٹری کمپنی آف پاکستان اور پاکستان اسٹاک ایکسچینج کی انتظامیہ کے مسلسل تعاون اور رہنمائی پر ان کے مشکور ہیں جن کے تعاون کی وجہ سے کمپنی طویل سفر طے کر کے آج اس مقام تک پہنچی ہے۔

ادارے کے نتائج میں ان لوگوں کی کوششوں کی عکاسی ہوتی ہے جنہوں نے کمپنی کے لئے کام کیا۔ ڈائریکٹران کمپنی کے کامیاب کاروباری افعال میں ملازمین کی اجتماعی معاونت کو مکمل طور پر تسلیم کرتے ہیں۔ انتہائی اہم معاملات میں انتظامیہ کی تائید اور رہنمائی کے لئے آڈٹ کمیٹی اور دیگر کمیٹیوں کے ممبران کے فعال کردار اور ان کی قابل قدر معاونت قابل تعریف ہے۔

برائے و منجانب بورڈ



اسد اللہ خواجہ
چیرمین



عارف حبیب
چیف ایگزیکٹو

کراچی

25 ستمبر 2018

مالیاتی اور کاروباری جھلکیاں:

مختصراً اہم مالیاتی اور کاروباری اعداد و شمار، 6 سال کی مختصراً مالیاتی اور کاروباری جھلکیاں، صفحہ نمبر 84 - 83 اور اعداد و شمار کے اظہار کے تصویری خاکے صفحہ نمبر 86 - 85 پر موجود ہیں۔

ریٹائرمنٹ کے فوائد میں سے سرمایہ کاری:

اسٹاف پروویڈنٹ فنڈ سے کی گئی سرمایہ کاری کی نگرانی کمپنی کرتی ہے جس کے متعلقہ آڈٹ شدہ مالیاتی گوشوارے مطابق 30 جون 2017 تک اس کی مالیت 23.62 ملین روپے ہے۔

آڈٹ کمیٹی:

ادارتی نظم و ضبط کے ضابطہ کے تحت آڈٹ کمیٹی بورڈ کی طرف سے تفویض کردہ ذمہ داریوں کو انجام دیتی ہے۔ کمیٹی کی تشکیل اور اس کی ذمہ داریوں کے نمایاں غدوخال بھی اس رپورٹ کے ساتھ منسلک ہیں۔

آڈیٹرز:

موجودہ بیرونی آڈیٹرز میسرز کے پی ایم جی تاثیر ہادی اینڈ کو، 25 اکتوبر 2018 کو ہونے والے سالانہ اجلاس کے اختتام پر ریٹائر ہو جائیں گے اور اہلیت ہونے کے باعث انہوں نے ختم ہونے والے سال 30 جون 2019 کے لئے اپنی دوبارہ تقرری کی پیشکش کی ہے۔ بیرونی آڈیٹرز کو انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) کے کوالٹی کنٹرول پروگرام ریویو میں تسلی بخش درجہ بندی حاصل ہے۔ آڈٹ کمیٹی کی تجویز پر بورڈ نے میسرز کے پی ایم جی تاثیر ہادی اینڈ کو، کو ختم ہونے والے مالیاتی سال 30 جون 2019 کے لئے باہمی طے شدہ معاوضہ پر بطور آڈیٹر تقرری کی سفارش کی ہے۔ اس سلسلے میں آنے والے سالانہ اجلاس عام منعقدہ 25 اکتوبر 2018 میں حصص یافتگان سے منظوری لی جائے گی۔

سیکرٹریٹل مشق پر عملدرآمد:

کمپنی سیکریٹری نے سیکریٹریٹل کمپلائنس سرٹیفکیٹ مقررہ فارم پر فراہم کر دیا ہے جو کہ پاکستان اسٹاک ایکسچینج کے لسٹنگ ریگولیشنز کے مطابق سالانہ ریٹرن کے حصے کے طور پر رجسٹرار آف کمپنیز کو پیش کیا جائے گا تاکہ کمپنیز ایکٹ 2017 اور لسٹنگ ریگولیشنز کے تحت سیکریٹری اور ادارتی ضروریات پر پورا اتراسکے۔

ڈائریکٹران کے انتخابات:

کمپنیز ایکٹ 2017 کی دفعہ 161 کی شقوں کے تحت غیر معمولی اجلاس عام 2016 میں منتخب ہونے والے ڈائریکٹران کی مدت ستمبر 2019 میں مکمل ہو جائے گی۔

بعدازاں واقعات:

30 جون 2018 سے اس رپورٹ کی تاریخ تک کوئی قابل ذکر تبدیلی رونما نہیں ہوئی سوائے 20 فیصد نقد منافع منقسمہ کا اعلان جو کہ 25 اکتوبر 2018 کو منعقد ہونے والے 24 ویں اجلاس عام میں ممبران کی منظوری سے مشروط ہے۔ اس اعلان کے اثرات کی عکاسی اگلے سال کے مالیاتی گوشواروں میں کی جائے گی۔

ملحقہ پارٹی کے سودے:

لسٹنگ ریگولیشنز کے مطلوبات کے مطابق کمپنی نے ملحقہ پارٹی کے تمام سودے آڈٹ کمیٹی اور بورڈ کے جائزے اور منظوری کے لئے پیش کئے۔ یہ سودے آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے اپنے اپنے متعلقہ اجلاسوں میں منظور کئے۔ ملحقہ پارٹی کے سودوں کی تفصیلات مالیاتی گوشواروں کے نوٹ نمبر 36 میں دی گئی ہیں۔

چیف فنانشل آفیسر، کمپنی سیکریٹری اور ان کے شریک حیات اور کم عمر فیملی ممبران کی کمپنی کے حصص میں خرید و فروخت سے متعلق بیان بطور-Annexure-I منسلک کیا گیا ہے۔ اس کے علاوہ ڈائریکٹران کی ہدایات کے مطابق سال کے دوران کمپنی کے ایسے کسی بھی ملازم (جس کی سالانہ تنخواہ 1,200,000 روپے یا اس سے زیادہ ہو) نے کمپنی کے حصص میں کوئی خرید و فروخت نہیں کی سوائے اس کے جس کا تذکرہ Annexure-I میں کیا گیا ہے، اس کے حوالے سے سالانہ رپورٹ میں بھی منکشف کیا گیا ہے۔

بورڈ/کمٹیوں کی تشکیل بندی:

کمپنی کے تمام موجودہ آٹھ ڈائریکٹران مرد ہیں۔ ادارتی نظم و ضبط کے ضابطہ کی مطلوبات کے تحت بورڈ میں ایک خاتون ڈائریکٹر کا ہونا لازمی ہے جو کہ موجودہ ڈائریکٹران کی مدت ختم ہونے کے بعد لاگو ہوگا۔ بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی تشکیل بندی درج ذیل ہے:

| بورڈ آف ڈائریکٹرز | درجہ | آڈٹ کمیٹی | سرمایہ کاری اور تنوع کمیٹی | انسانی وسائل اور معاوضہ کمیٹی |
|-------------------------------|-------------------|-----------|----------------------------|-------------------------------|
| خواجہ جلال الدین رومی | آزاد | چیئرمین | - | چیئرمین |
| جناب سراج الدین قاسم | | - | - | - |
| جناب اسد اللہ خواجہ (چیئرمین) | دیگر نان ایگزیکٹو | - | - | - |
| جناب نسیم بیگ | | - | ممبر | ممبر |
| جناب صد اے حبیب | | - | ممبر | ممبر |
| جناب کاشف اے حبیب | | - | ممبر | ممبر |
| جناب محمد اعجاز | | - | ممبر | - |
| جناب عارف حبیب (چیف ایگزیکٹو) | ایگزیکٹو | - | چیئرمین | ممبر |

ڈائریکٹران کے معاوضہ کی پالیسی:

عارف حبیب کارپوریشن لمیٹڈ کے نان ایگزیکٹو ڈائریکٹران بشمول خود مختار ڈائریکٹران جو کہ کسی گروپ کمپنی میں ڈائریکٹر، انتظامی عہدے اور اعلیٰ انتظامیہ میں شامل نہ ہوں وہ بورڈ آف ڈائریکٹرز اور بورڈ کی کسی ذیلی کمیٹی کے اجلاس میں حاضری ہونے پر و قفا فوقتاً بورڈ کے منظور کردہ نرخ کے مطابق معاوضہ طلب کر سکتے ہیں۔

اس کے علاوہ کسی ڈائریکٹر کو اضافی خدمات سونپنے پر بورڈ آف ڈائریکٹرز مارکیٹ کے اسٹینڈرڈ اور کام کے دائرہ کار کے مطابق معاوضہ کا تعین کرتا ہے اور وہ کمپنی کے قواعد و ضوابط کے مطابق ہوتا ہے۔ معاوضہ کی سطح درست اور ذمہ داری اور مہارت کے مطابق ہوتی ہے۔ تاہم کسی خود مختار ڈائریکٹر کو اس سطح پر نہیں پرکھا جاتا جس سے اس کی خود مختاری متاثر ہوتی ہو۔

بورڈ کے اجلاس میں حاضری:

گوشوارہ میں جو افراد مالیاتی سال کے دوران کمپنی کے ڈائریکٹر رہے ان کے ناموں کے ساتھ ان کی بورڈ اور کمیٹیوں کے اجلاس میں حاضری کی تفصیل بطور Annexure-II منسلک ہے۔

حصص داری کی ساخت:

کمپنی کے حصص پاکستان اسٹاک ایکسچینج میں لسٹڈ ہیں۔ 30 جون 2018 کو کمپنی کے 4,239 حصص یافتگان تھے۔ حصص داری کی مکمل تفصیلات اور کمپنی کی حصص دار کی درجہ بندی بشمول ڈائریکٹران اور ایگزیکٹو کی ملکیت میں حصص، اگر کوئی ہوں، تو انہیں منسلک Annexure-III میں بیان کیا گیا ہے۔

ادارتی سماجی ذمہ داری:

اپنے قیام سے ہی پائیدار اور ذمہ دارانہ ترقی ہمارے بنیادی ستون ہیں جس کی وجہ سے ہماری گروپ کمپنیوں میں تسلسل کے ساتھ ذمہ داری کا مظاہرہ کرنے اور جن لوگوں اور ماحول میں وہ کاروبار کر رہے ہوں وہاں کی حساسیت کا ادراک کیا جاتا ہے۔

آج عارف حبیب گروپ کی کمپنیاں پورے پاکستان میں بڑے پیمانے پر CSR پروگرام چلا رہی ہیں جس میں خصوصی اہمیت تعلیم، صحت، ماحولیات، سماجی بہبود، کھیل اور ریلیف کے کاموں کو دی جاتی ہے اور ہمارا عزم ہے کہ مستقبل میں ہم مزید اس کا دائرہ کار بڑھائیں گے۔ عارف حبیب گروپ میں ہم اپنے ملازمین کے ساتھ ساتھ وسیع معنوں میں معاشرے کی خوشحالی کو بھی اہمیت دیتے ہیں۔ گروپ کی کمپنیوں کی توجہ توانائی کی بچت پر مرکوز ہے اور تمام ملازمین اور شعبہ جات توانائی بچت کے اقدامات پر عمل پیرا ہیں۔ ہمارا نصب العین ہے کہ معیشت، عوام اور پائیدار ماحولیات پر سرمایہ کاری کر کے ہم معاشی ترقی اور پاکستان کے استحکام میں معاونت فراہم کر سکتے ہیں۔ گروپ تسلسل کے ساتھ وسائل کی بچت کے لئے اقدامات کرتا ہے اور قابل تجدید توانائی کی حوصلہ افزائی کرتا ہے۔ آپ کی کمپنی قومی معیشت کے لئے سنجیدگی کے ساتھ تعاون کر رہی ہے اور وہ اپنی ذمہ داریوں سے شفاف، بالکل درست اور برقت انداز میں عہدہ برآں ہوئی ہے۔ گروپ کی جانب سے معاونت کی تفصیل صفحہ نمبر 73 پر دی گئی ہے۔

ادارتی نظم و ضبط:

AHCL پاکستان اسٹاک ایکسچینج میں لسٹڈ ہے۔ کمپنی کا بورڈ اور انتظامیہ لسٹڈ کمپنیوں کے ادارتی نظم و ضبط کے ضابطہ پر عمل پیرا ہے اور اس سلسلے میں اپنی ذمہ داریوں سے آگاہ ہے اور کاروباری افعال اور کارکردگی کی نگرانی کی جاتی ہے تاکہ مالیاتی اور غیر مالیاتی معلومات کی درستگی، جامعیت اور شفافیت میں بہتری لائی جاسکے۔

بورڈ اس موقع پر وضاحت کرنا چاہتا ہے کہ کمپنی میں حسابات کی کتابیں مناسب انداز میں رکھی گئی ہیں اور درست حساباتی پالیسیوں کو اختیار اور تسلسل کے ساتھ نافذ کیا جاتا ہے۔ مالیاتی گوشواروں کی تیاری اور حساباتی تخمینوں کی بنیاد معقول اور مضبوط فیصلوں پر ہے۔ مالیاتی گوشواروں کی تیاری کے دوران عالمی مالیاتی رپورٹنگ معیارات، جو پاکستان میں لاگو ہیں، کو ملحوظ خاطر رکھا گیا ہے۔ اندرونی گرفت کے نظام بشمول مالیاتی نظام کی شکل مضبوط ہے اور موثر انداز میں نافذ العمل ہے اور اس کی نگرانی کی جاتی ہے۔ مالیاتی گوشوارے کمپنی کے معاملات، اس کے کاروباری نتائج، نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کو شفافیت کے ساتھ پیش کرتے ہیں۔ ٹیکسوں، محصولات، واجبات وغیرہ کی مد میں کوئی قابل گرفت ادائیگی نہیں ہے اور گریجویٹی، پینشن اور پراویڈنٹ فنڈ کے تحت کوئی رقم واجب الادا نہیں ہے۔

کمپنی کی پالیسی ہے کہ جہاں پر اس نے سرمایہ کاری کی ہے وہاں کے بورڈ میں اپنے ڈائریکٹر نامزد کرتی ہے۔ جب بھی ضرورت پڑتی ہے تو AHCL کے نامزد افراد اور / یا نمائندے ہر کلیدی سرمایہ شدہ کمپنی کی انتظامیہ کے ساتھ بحث اور کاروباری منصوبوں پر کام کرتے ہیں۔ سرمایہ شدہ کمپنی کی کارکردگی کی باقاعدہ نگرانی کی جاتی ہے۔

بورڈ اس بات کا اعادہ کرتا ہے کہ کمپنی کے چلتے ہوئے ادارے کی حیثیت میں کوئی شک و شبہ نہیں ہے اور ادارتی نظم و ضبط کے بہترین طور طریقوں سے کوئی قابل گرفت انحراف نہیں کیا گیا۔

کمپنی کی ہمیشہ یہ کوشش رہی ہے کہ ادارتی نظم و ضبط کو شفاف اور واضح طور طریقے رائج کر کے ترقی حاصل کی جائے جو کہ اس وقت بھی ہماری کمپنی میں رائج تھے جب وہ قانون کا حصہ نہیں بنے تھے۔

ڈائریکٹران اور اعلیٰ عہدیداران کی کمپنی کے حصص میں خرید و فروخت:

تمام ڈائریکٹران بشمول چیف ایگزیکٹو، چیف فنانشل آفیسر اور کمپنی کے اعلیٰ عہدیدان کو کمپنی سیکریٹری کی جانب سے تحریری نوٹس بھیجے گئے ہیں جس میں ان سے کہا گیا کہ اگر انہوں نے بذات خود یا ان کے شریک حیات نے کمپنی کے حصص میں کوئی خرید و فروخت کی ہے تو تحریری طور پر ان کی قیمت، حصص کی تعداد اور CDC کا گوشوارہ سودے کی تشکیل کے 2 دن کے اندر مطلع کریں۔ ڈائریکٹران، چیف ایگزیکٹو آفیسر،

اپنی کلیدی سرمایہ کاریوں کے لئے کمپنی نے خطرات سے نمٹنے کے نظام ترویج کئے ہیں جو کہ اس سرمایہ کاری سے موزونیت رکھتے ہوں۔ کاروباری فیصلے پر وجیکٹ کے جامع تجزیوں کے بعد کئے جاتے ہیں جس سے ممکنہ خطرات اور موقعوں کی نشاندہی ہوتی ہے۔ خطرات سے نمٹنے کیلئے کمپنی کی توجہ بنیادی پہلوؤں جیسے بورڈ اور اعلیٰ انتظامیہ کا نظم و ضبط، پالیسیوں اور طریقہ کلہ کی تیاری اور نفاذ، خطرات کی نگرانی، انتظامی معلوماتی نظام اور اندرونی گرفت پر ہے۔ کمپنی خودکار عمل کے ذریعے خطرات اور کنٹرولز کی تشخیص اور شناخت کرتی ہے اور جہاں ضروری ہوتا ہے ان طریقوں کو اپنایا جاتا ہے جن سے خطرات کو قابو کیا جاسکے۔ بطور ایک جاری عمل سال میں ایک مرتبہ انتظامیہ مالیاتی رپورٹنگ کے گوشواروں کا جائزہ لیتا ہے اور اس کے علاوہ خطرات سے نمٹنے، ادارتی سماجی ذمہ داری، شمولیت اور ادارتی نظم و ضبط کے ضابطے، حساباتی مینوسل، آئینی تقاضے اور قواعد و ضوابط کی پاسداری شامل ہے۔

کاروباری خطرات کے انتظام میں نقطہ آغاز سے ہی سرمایہ کاری سے قبل گہرا تجزیہ کیا جاتا ہے اور اس ضرورت کو پورا کرنے کے لئے ایسے تعلیم یافتہ اور تجربہ کار پیشہ ورانہ اسٹاف کو بھرتی کیا جاتا ہے جو کہ سرمایہ شدہ کمپنیوں کے بورڈ میں نمائندگی کر سکیں اور جب بھی ضرورت ہو، ان کمپنیوں کے بجٹ اور دیگر اندرونی گرفت کے نظام کو لاگو کر سکیں، تسلسل کے ساتھ سرمایہ شدہ کمپنیوں کی کارکردگی اور اصلاحی اقدامات لیں جب اور جیسے ضرورت پڑے، بشمول اگر درست ہو تو اس کاروبار میں سے سرمایہ کاری نکال لیں۔

بورڈ نے ایک سرمایہ کاری کمیٹی تشکیل دی ہے جس کی ذمہ داری تمام کلیدی سرمایہ کاریوں کی مسلسل اور بلاکاوٹ نگرانی کرنا ہے۔ جس کے جواب میں کمپنی کا انتظامیہ عملہ کمیٹی کو کلیدی سرمایہ کاریوں پر بروقت رپورٹ فراہم کرنے کا ذمہ دار ہوتا ہے۔ خطرات کے انتظام پر تفصیلی معیاری اور مقداری تجزیے مالیاتی گوشواروں کے نوٹ نمبر 32 میں دیئے گئے ہیں۔

سرمائے کا انتظام اور روانیت:

کمپنی کی پالیسی ہے کہ سرمائے کی مستحکم سطح برقرار رکھی جائے تاکہ سرمایہ کاروں، قرض دہندگان اور مارکیٹ کا اعتماد بحال رہے، کاروبار میں پائیدار ترقی ہو، کمپنی کی چلتے ہوئے ادارے کی حیثیت کا تحفظ ہو تاکہ وہ اپنے حصص یافتگان کو بہتر منفعت اور دیگر مستفیدان کو فوائد فراہم کیسے جاسکیں اور سرمائے کی ساخت کی بہترین سطح کو برقرار رکھتے ہوئے سرمائے کی لاگت کم کی جاسکے۔ بورڈ آف ڈائریکٹرز سرمائے پر منافع کی نگرانی کرتا ہے جسے کمپنی خالص منافع بعد از ٹیکس کہتی ہے اور اسے کل حصص یافتگان کی ایکویٹی پر تقسیم کیا جاتا ہے۔ سال کے دوران سرمائے کے انتظام سے متعلق کمپنی کی رسائی میں کوئی تبدیلی نہیں ہوئی اور کمپنی پر کسی بیرونی سرمایہ کے تقاضوں کے ماتحت نہیں ہے۔

انسانی وسائل:

آپ کی کمپنی کو اس بات پر فخر ہے کہ اس کے ملازمین نے کاروبار کے لئے اپنے اہلیت، وابستگی اور وفاداری ظاہر کی۔ کمپنی تسلسل کے ساتھ ایسے نئے اقدامات کر رہی ہے جن سے کاروباری کی بڑھتی ہوئی ضروریات کے پیش نظر ایچ آر کی پالیسیوں سے مطابقت پیدا کی جاسکے۔ لوگوں کی ترقی آپ کی کمپنی کا بنیادی اہم عنصر ہے۔

AHCL میں شعبہ انسانی وسائل اپنے کلیدی کردار کے تحت ایسی حکمت عملیاں نافذ کرتا ہے جس سے ہر ٹیم ممبر کی کارکردگی میں اضافہ ہو تاکہ وہ اپنی مکمل صلاحیتوں کے ساتھ کام کریں۔ ہمارے ادارے کی کامیابی کی بنیادی وجہ یہی ہے کہ اس نے ایسے لوگوں کے درمیان ترقی کی ہے جو اسے ہمیشہ مزید ایک قدم آگے لے جانے کو تیار ہیں۔

ملازمین کی حوصلہ افزائی کی جاتی ہے اور انہیں ان کی کارکردگی کے مطابق نوازا جاتا ہے جس کی وجہ سے طویل مدت ملازمت اور ترغیب ہر سطح پر موجود ہے۔ ہماری کاروباری سرگرمیاں اخلاقی ضابطوں کے مطابق شفافیت کے ساتھ انجام پاتی ہیں جس پر کوئی تصفیہ نہیں کیا جاتا۔

اہم معاملات پر رسائی:

بورڈ آف ڈائریکٹرز کمپنی کے تمام اہم معاملات کی نگرانی کرتا ہے۔ عمومی طور پر ان تمام معاملات کو اہم سمجھا جاتا ہے جو کہ کمپنی کی پالیسی کے تحت انفرادی یا اجتماعی طور پر اس کی منافع کاری اور کارکردگی پر گہرا اثر ڈالتے ہیں۔

سپل انرجی کا ہوائی توانائی کا پروجیکٹ پاکستان کے پروجیکٹ چاہنا پاکستان اکنومک کوریڈور (CPEC) اپنے Early Harvest Project کے تحت تکمیل پانے والا سب سے پہلا پروجیکٹ ہے، جسے سندھ کی پنجھیمیر راہداری کی 680 ایکڑ زمین پر لگایا گیا ہے۔

کمپنی پر عزم ہے کہ قومی گرڈ کو بذریعہ نیشنل ٹرانسمیشن اینڈ ڈسٹریبیوٹن کمپنی کے ذریعے 20 سال کے خریداری معاہدے کے تحت بجلی فراہم کرے گی۔

کوئلہ کی توانائی:

سندھ اینڈرگول مائننگ لمیٹڈ نے فیصلہ کیا ہے کہ سالانہ 3.8 ملین ٹن کوئلہ تھر بلاک II کی کانوں سے نکالا جائے جسے 660 میگا واٹ کوئلے کے بجلی گھر کے لئے مختص کیا جائے گا جس کی تعمیر، تکمیل اور پیداوار تھر بلاک II میں ہوگی۔

ابتدائی طور پر کوئلے کی ترسیل سن 2022 سے شروع ہو جائے گی۔ عالمی شہرت یافتہ مشیروں نے پروجیکٹ کے قابل عمل ہونے پر رپورٹ تیار کر لی ہے۔ اس وقت پرائیویٹ پاور انفراسٹرکچر بورڈ (PPIB) سے رجسٹریشن کے حصول کا عمل جاری ہے اور اس سلسلے میں کمپنی لیٹر آف انٹینٹ کے حصول کے لئے درخواست دائر کرے گی۔ مذکورہ بالا پروجیکٹ کے لئے AHCL نے مکمل ملکیت میں ایک ذیلی کمپنی بنائی ہے جس کا نام "بلیک گولڈ پاور لمیٹڈ" ہے۔

مستقبل کی پیش بینی:

پاکستان کو دو قسم کے خساروں کا سامنا ہے ایک مالیاتی خسارہ اور دوسرا رواں کھاتے کا خسارہ۔ سرمایہ کار توقع کر رہے ہیں کہ نئی حکومت جلد ہی اصلاحی اقدامات اٹھائے گی۔

توقع ہے کہ آپ کی کمپنی کی ذیلی اور ملحقہ کمپنیاں مجموعی طور پر تسلی بخش کارکردگی دکھائیں گی۔ توقع ہے کھاد کے شعبہ بھی قومی اور عالمی سطح پر بہتر بازاری صورتحال، بندش کا شکار فاطمہ فرٹ لمیٹڈ کو گیس کی بحالی کے حکومتی فیصلے اور دوسرے یونٹ پاک عرب فرٹیلائزر لمیٹڈ کو ماری گیس فیلڈز سے گیس کی سپلائی مختص کرنے کی وجہ سے ترقی کرے گا۔ توانائی، مالیاتی خدمات اور جائیداد کی خرید و فروخت کے کاروبار کی کارکردگی تسلی بخش رہے گی جبکہ سیمنٹ اور اسٹیل کو چیلنجز کا سامنا ہوگا۔

مجموعی طور پر کمپنی کی کارکردگی اپنے مختلف النوع کاروبار کی وجہ سے تسلی بخش رہے گی۔

خطرات سے نمٹنا:

خطرات سے نمٹنے کا نظام جسے بورڈ نے ترتیب دیا ہے وسیع پیمانے پر ادارتی اور طریقہ کار کے اجزاء سے مطابقت رکھتا ہے اور کمپنی کی چلتے ہوئے ادارے کی حیثیت کو لاحق پیشہ قدمیوں اور خطرات کو تشخیص کرنے کے قابل ہے۔ خطرات سے نمٹنے کے نظام اس طرح ڈیزائن کیا گیا ہے کہ ادارے میں ہر سطح پر خطرات سے نمٹنے کے لئے متوازن طریقہ کار اختیار کیا جائے، خطرات اور موقعوں کی ابتدائی مرحلے میں ہی شناخت اور تجزیہ کیا جائے، ان کی شدت کو ناپنے اور ان کی نگرانی اور انتظام کے لئے موزوں اوزاروں کا استعمال کیا جائے۔

چونکہ کمپنی کا بنیادی کاروبار سرمایہ کاری ہے، اس لئے خطرات سے نمٹنے کا نظام اس طرح وضع کیا گیا ہے جس سے سرمایہ کاری حکمت عملی وضع ہوتی ہو، جس کو مد نظر رکھتے ہوئے کاروباری خطرات کا مجموعی طور پر سالانہ جائزہ لیا جاتا ہے تاکہ انتظامیہ خطرات کی شناخت، خطرات کے انتظام اور متعلقہ انتظامی اور اندرونی گرفت کے ذریعے اثاثوں، وسائل، نیک نامی اور کمپنی اور حصص یافتگان کا تحفظ کر سکے۔

کمپنی نے ثانوی مارکیٹ میں سرمایہ کاری کا آغاز کر دیا ہے اور شعبوں اور کمپنیوں کے مابین تنوع کی پالیسی پر عمل پیرا رہی ہے، جس میں سرمایہ کاری کے فیصلے میں بنیادی تجزیے اور آزمودہ طریقہ کار اختیار کئے جاتے ہیں۔ کمپنی خطرات کا مقابلہ پر تحفظ انتخاب کے استعمال سے کرتی ہے، خطرات کے اجتماع سے گریز کرتی ہے، ثانوی اور متوقع نقدی کے مناسب بہاؤ کو یقینی بناتی ہے اور فریق مخالف کی صلاحیت کو پرکھتی ہے۔ اس کے علاوہ کمپنی اپنے نمائندہ کے ذریعے بنیادی بازار سرمایہ کی ساخت بنانے میں تسلسل کے ساتھ اپنا کردار ادا کر رہی ہے۔

اختتامی سال 30 جون 2018 میں MCB عارف حبیب سیونگنز اینڈ انویسٹمنٹ لمیٹڈ (MCBAH) کو بعد از ٹیکس منافع 127.63 بلین ہوا اور منافع منقسمہ 1.75 روپے فی حصص کے حساب کا اعلان کیا۔ زیر انتظام فنڈز میں متاثر کن اضافہ ہوا یعنی گزشتہ سال میں 73.61 بلین سے بڑھ کر 82.69 بلین روپے ہو گئے۔

سلک بینک کی کارکردگی بھی بہتر رہی اور 31 دسمبر 2017 کو اس کے بعد از ٹیکس منافع 1.14 بلین روپے کے ساتھ ای پی ایس 0.13 روپے رہی اور ششماہی مدت کے اختتام 30 جون 2018 کو بعد از ٹیکس منافع 745.91 بلین روپے کے ساتھ ای پی ایس 0.08 روپے رہی۔

اسٹیل:

عائشہ اسٹیل ملز لمیٹڈ کی پیداواری گنجائش 99 فیصد رہی یعنی گزشتہ سال کی بہ نسبت 4 فیصد زیادہ۔ 18-2017 میں توجہ آپریشنز کی انضمامیت اور چھٹی سطح تک بہتری پر مرکوز رہی۔ کمپنی کو بعد از ٹیکس منافع 1.28 بلین روپے ہوا جبکہ گزشتہ سال 1.02 بلین روپے تھا۔

کمپنی میں توسیع کی تفصیلات گزشتہ سال کی سالانہ رپورٹ میں دی گئی ہیں جو کہ منصوبے کے مطابق بہت اچھے طریقے سے جاری و ساری ہے۔ توسیع سے پیداواری لاگت میں کمی اور مختلف النوع مصنوعات متعارف ہو گئی۔ پروجیکٹ کی کامیاب تکمیل کے بعد یہ ملک کی دوسری سب سے بڑی فلیٹ مصنوعات بنانے والی کمپنی بن جائی گی۔

سیمنٹ:

پاور سیمنٹ اپنی پیداواری گنجائش 0.9 ملین ٹن سالانہ سے بڑھا کر 3.4 ملین ٹن کر رہی ہے، جس سے یہ جنوبی علاقے میں دوسرا سب سے بڑا یونٹ بن جائے گا جس کے نتیجے میں نہ صرف کمپنی کا مارکیٹ میں حصہ بڑھ جائے گا بلکہ بہتر پیداواری استعداد کی وجہ سے نئے پلانٹ کی شرح منافع میں بھی اضافہ ہو گا۔

نیا پلانٹ اعلیٰ یورپی ٹیکنالوجی کا حامل ہے جس کا پیداواری یونٹ FLSmidth ڈنمارک سے درآمد کیا گیا ہے جس میں آلودگی کو کنٹرول کرنے کا نظام اور توانائی کی بچت اور جدید ٹیکنالوجی اور قابل عمل ہے۔ فضلہ کو ورلڈ بینک / آئی ایف سی کے مطابق ٹھکانے لگایا جائے گا۔ نئے پلانٹ کی نمایاں خصوصیت یہ ہے کہ اسے جامع کوالٹی کنٹرول سسٹم کے تحت تنصیب کیا جائے گا۔

توقع ہے کہ پلانٹ کیلنڈر سال 2019 کی دوسری سہ ماہی میں مکمل ہو جائے گا۔

جائیداد کی خرید و فروخت:

نیا ناظم آباد تعمیری پروجیکٹ کراچی کی جائیداد کی خرید و فروخت کی مارکیٹ میں ایک مستحکم برانڈ بن چکا ہے اور اس کے امتیازی محل وقوع، صاف ستھری فضا، تحفظ اور معیاری بنیادی سہولیات کی وجہ سے رہائش کے لئے بہترین جگہ بن گیا ہے۔ سینکڑوں خاندان اپنے گھروں میں منتقل ہو چکے ہیں اور بہت سارے جلد ہی منتقل ہو جائیں گے۔ بنیادی سہولیات رہائشیوں کے گھروں تک پہنچا دی گئی ہیں۔ پروجیکٹ کی امتیازی منصوبہ بندی، شفاف ملکیت اور قابل مبادلہ ہونے کی وجہ سے گھروں اور پلاٹوں کی بازاری قیمتیں متاثر کن حد تک بہت زیادہ بڑھ گئی ہیں۔

کمپنی کو گزشتہ سال کے 989.56 ملین روپے کے مقابلے میں اس سال 703.71 ملین روپے کا منافع ہوا۔

ہوائی توانائی:

کمپنی نے ہوائی توانائی کے شعبہ میں سرمایہ کاری کی ہے، سچل ڈویلپمنٹ (پرائیویٹ) لمیٹڈ نے اپنے ہوائی توانائی کے 49.5 میگا واٹ کے ذریعے تجارتی پیداوار کا اپریل 2017 سے آغاز کر دیا ہے اور گزشتہ سال کے آخری تین ماہ کے 372.84 ملین روپے کے مقابلے میں اس سال 852.40 ملین روپے کا منافع ریکارڈ کیا ہے۔ سال رواں کے دوران سچل انرجی کی ٹرو آپ کی درخواست نیپرا نے منظور کر لی جس کے باعث کمپنی کے منظور شدہ نرخ میں مثبت تبدیلی آئی۔

مختصراً مالیاتی نتائج درج ذیل ہیں:

| 2017 | 2018 | منافع بعد از ٹیکس |
|----------------|----------------|--|
| 2,391,373,017 | 820,988,305 | غیر مصرف شدہ منافع پچھلے سال سے لایا گیا |
| 19,450,816,681 | 20,480,939,698 | مصارف کے لئے دستیاب منافع |
| 21,842,189,698 | 21,301,928,003 | |

مصارف:

| | | |
|----------------|----------------|--|
| | | * 30 جون 2018 کو ختم ہونے والے سال کیلئے بورڈ آف ڈائریکٹرز کی جانب سے تجویز کردہ حتمی نقد منافع 2 روپے فی حصص، یعنی 20 فیصد (30 جون 2017 کو ختم ہونے والے سال کیلئے 3 روپے فی حصص، یعنی 30 فیصد منافع کی تجویز کی تھی) |
| 1,361,250,000 | 907,500,000 | |
| 20,480,939,698 | 20,394,428,003 | * غیر مصرف شدہ منافع کو آگے لے جایا گیا |
| 5.27 | 1.81 | فی حصص آمدنی - بنیادی اور رفیق |

* 25 اکتوبر 2018 کو منعقد ہونے والے سالانہ اجلاس عام میں ممبران کی منظوری سے مشروط ہے۔

ذیلی اور ملحقہ کمپنیوں کی کارکردگی:

آپ کی کمپنی چند سال قبل ایک انضمامی مرحلے میں داخل ہو چکی ہے اور اپنی پوزیشن کو ان شعبوں کو مستحکم کرنے پر مرکوز کر رہی ہے جس میں اس نے پہلے سے سرمایہ کاری کی ہوئی ہے اور سرمایہ کاری کے پورٹ فولیو میں بہتری لارہی ہے۔ سرمایہ شدہ کمپنیوں کی کارکردگی توقعات کے مطابق ہیں اور جس کی عکاسی کمپنی کے مالیاتی نتائج (انفرادی اور مجموعی دونوں سطح) سے ہوتی ہے۔

جن شعبوں میں سرمایہ کاری کی گئی ان پر ایک نظر:

فرٹیلائزر:

کمپنی نے کھاد کے شعبے میں قابل ذکر سرمایہ کاری کی ہے۔ اس شعبہ میں فاطمہ فرٹیلائزر لمیٹڈ (FFCL) ہمارے سب بڑی کمپنی ہے جس کے بعد پاک عرب فرٹیلائزر (PAFL) کا نمبر آتا ہے۔ FFCL میں شاندار نمو ہوئی، جس کا بعد از ٹیکس منافع 31 دسمبر 2017 کو 10.58 بلین روپے رہا جبکہ ای پی ایف 5.04 پاکستانی روپے رہی اور سال کے ششماہی اختتام 30 جون 2018 میں بعد از ٹیکس منافع 6.34 بلین روپے جبکہ ای پی ایف 3.02 روپے رہی۔ جائزہ سال کے دوران کمپنی کو 2.25 روپے فی حصص کے حساب سے 717.75 ملین روپے کا منافع منقسمہ موصول ہوا۔

31 دسمبر 2017 کو PAFL کا بعد از ٹیکس خسارہ پاکستان روپے میں 3.94 بلین اور 30 جون 2018 کو 1.22 بلین روپے رہا۔ خسارہ کی بنیادی وجوہات میں SNGPL کی جانب سے گیس کی عدم فراہمی، RLNG کی بھاری لاگت اور کھاد کی کم قیمت شامل ہیں۔

مالیاتی خدمات:

ذیلی کمپنیوں اور ملحقہ کمپنیوں کی کاروباری مالیاتی کارکردگی اپنے شعبے میں تسلی بخش رہی۔ عارف حبیب لمیٹڈ (AHL) کو 536.26 ملین پاکستانی روپے کا منافع ہوا جو کہ گزشتہ سال 880.54 ملین پاکستانی روپے تھا، اس طرح ای پی ایف 9.75 پاکستانی روپے رہی۔ کمپنی نے 3 روپے فی حصص یعنی 30 فیصد کے حساب سے منافع منقسمہ اور ہر 5 عمومی شیئرز پر 1 بونس شیئر کا اعلان کیا ہے۔

ڈائریکٹرز رپورٹ 2018

عارف حبیب کارپوریشن لمیٹڈ

معزز حصص یافتگان

عارف حبیب کارپوریشن لمیٹڈ کے ڈائریکٹران مسرت کے ساتھ آپ کی کمپنی کی 30 جون 2018 کو ختم ہونے والے مالی سال کی سالانہ رپورٹ اور آڈٹ شدہ مالیاتی گوشوارے کے ساتھ آڈیٹرز کی رپورٹ پیش کر رہے ہیں۔

بنیادی سرگرمیاں:

AHCL مختلف النوع کاروبار جیسے مالیاتی خدمات، پیداوار، توانائی اور جائیداد کی خرید و فروخت کی ایک بالادست کمپنی ہے۔ کمپنی کا قابل ذکر مفاد کھاد، تمسکات اور اشیائے صرف کی بروکریج، ادارتی سرمایہ کاری، اثاثوں کے انتظام اور توانائی سے ہے۔ اس کی حصص داری سیمینٹ، اسٹیل اور جائیداد کی خرید و فروخت کے ترقیاتی کاموں میں ہے۔ کمپنی تسلسل کے ساتھ بازار حصص میں بھی سرمایہ کاری کر رہی ہے۔

معیشت:

پاکستان کی معیشت جائزہ سال کے دوران ملی جلی رہی۔ GDP میں شرح نمو عشرے کی بلند ترین یعنی 5.8 فیصد رہی۔ بڑے پیداواری شعبوں میں بھی اس شرح سے ترقی ہوئی۔ ترسیلات اور برآمدات میں بالترتیب 1.4 فیصد اور 13 فیصد اضافہ ہوا۔ جبکہ گزشتہ سال کی بہ نسبت درآمدات میں 15 فیصد اضافہ کی وجہ سے تجارت اور رواں کھاتے کے خسارے میں اضافہ ہوا۔ زرمبادلہ کے ذخائر میں 39 فیصد کمی ہوئی اور یو ایس ڈالر کے مقابلے میں روپے کی قدر میں 16 فیصد کمی ہوئی۔ بجٹ خسارہ 4.9 فیصد کے ہدف کے مقابلے میں بڑھ کر جی ڈی پی کا 6.6 فیصد ہو گیا۔ SBP کے پالیسی نرخ 175 بی پی ایچ کے ساتھ 7.5 فیصد ہو گئے۔ ان منفی اشاریوں کی وجہ سے گزشتہ چند سالوں میں بڑھتی ہوئی GDP کی پائیداریت سے متعلق پیدا ہونے والے خدشات نے سرمایہ کاروں کو پریشان کر دیا۔

مالیاتی نتائج:

کمپنی کو گزشتہ سال 2017 کے 3.28 بلین روپے کے مقابلے میں موجودہ سال مجموعی منافع بعد از ٹیکس (جس کو مالکان سے منسوب کیا جاتا ہے) 1.63 بلین روپے ہوا۔ جس کے نتیجے میں گزشتہ سال کی 7.22 فی حصص آمدنی کے مقابلے میں اس سال فی حصص آمدنی 3.59 روپے رہی۔

انفرادی طور پر سال 2016-17 کے 2.39 بلین کے روپے کے مقابلے میں اس سال کمپنی کو بعد از ٹیکس منافع 820.99 ملین روپے ہوا۔

اس طرح گزشتہ سال کی 5.27 فی حصص آمدنی کی بہ نسبت اس سال آمدنی 1.81 فی حصص پاکستانی روپے ہوئی۔ جائزہ سال کے دوران منافع کو مد نظر رکھتے ہوئے بورڈ نے حتمی نقد منافع منقسمہ برائے اختتامی سال 30 جون 2018 کے لئے 2 روپے فی حصص یعنی 20 فیصد کا اعلان کیا ہے۔ یہ منافع منقسمہ ان حصص یافتگان کو دیا جائے گا جن کے نام حصص یافتگان کے رجسٹر میں 18 اکتوبر 2018 کو کتابیں بند ہونے سے قبل درج ہوں گے۔



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