



Arif Habib Corp

Fueling G r o w t h

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HALF YEARLY REPORT
31ST DECEMBER 2017

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Company Information

Board of Directors

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

Audit Committee

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

Management

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

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
BankIslami Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB 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, 32468117
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

Directors' Review Report

Dear Shareholders

The Directors of Arif Habib Corporation Limited (AHCL) are pleased to present the Directors' report of the Company together with the interim condensed unconsolidated and consolidated financial information for the half year ended 31st December 2017.

Financial Results

During the half year, on an unconsolidated basis, AHCL recorded an operating revenue of PKR 226.56 million, which comprises of dividend income, realized capital gain on sale of securities, unrealized loss on remeasurement of investments and gain on disposal of investment property. After accounting for operating, administrative, financial and other expenses of PKR 129.05 million, the Company earned a profit before tax of PKR 100.05 million. The Company has recorded an after-tax profit of PKR 17.28 million for the half year under review as compared with PKR 2,124.14 million for the corresponding period ended 31st December 2016. Earnings per share during the six months ended 31st December 2017 is PKR 0.04 as compared to PKR 4.68 in the corresponding period.

During the half year under review, on a consolidated basis, your Company posted a profit-after-tax (attributable to owners) of PKR 735.97 million as opposed to PKR 1,453.04 million during corresponding period. This translates to an earning of PKR 1.62 per share as compared with PKR 3.20 per share in corresponding period.

During the second quarter of the current financial year, AHCL recorded a loss after tax of PKR 639.83 million (profit after tax for 2QFY17- PKR 976.19 million) on an unconsolidated basis, mainly on account of unrealized diminution on remeasurement of investment in Fatima Fertilizer Company Limited, an associate. However, on a consolidated basis, your Company has recorded a profit after tax for the second quarter amounting to PKR 138.47 million (profit after tax for 2QFY17- PKR 815.5 million).

Performance of Subsidiaries and Associates

Sachal Energy Development (Private) Limited's total production (including net delivered energy, shortfall energy and non-project missed volume) stands at 125,913 MWh as compared to Benchmark production of 113,548 MWh. High plant availability of 99.60% has been ensured as compared to benchmark value of 95% resulting in impressive profit after tax of Rs. 611.33 million. Securities brokerage subsidiary, Arif Habib Limited, recorded a loss after tax due to major decline of 59% in market traded volumes and of 55% in market traded values compared to first half year of FY17. MCB Arif Habib Savings & Investments Limited, an associate, performed satisfactorily. Aisha Steel Mills Limited performed impressively recording before tax profit of PKR 1,179 million in the period under review compared to PKR 165 million in corresponding period in 2016-17, showing an increase of 6.15 times. Power Cement Limited achieved the highest ever capacity utilization 78% along with highest ever dispatches in tones ever since Arif Habib Group took over the company. Pakarab Fertilizers Limited have suffered loss

during the period under review. Whereas financial performance of Fatima Fertilizer Company Limited has been even better. Javedan Corporation Limited is progressing as planned.

The Economy

During first half of fiscal year 2018, the economy continued to show signs of improvement supported by robust industrial growth; Large Scale Manufacturing grew by 7.2% during the first five months of FY18 in comparison to the same period last year. Meanwhile, inflationary reading during the period suggested average CPI at 3.75% as compared to the same period last year which is well below the government's FY18 target of 6.00%. However, Current Account deficit remains the concern clocking to USD 7.41bn (4.4% of GDP) resulting in devaluation of Pak Rupee. On the equity front, the benchmark KSE-100 index declined by 13.09% or 6,094 points in Jul-Dec'17 led primarily by pressure on the external account, political apprehensions as well as foreign outflows (USD 155.17mn) post reclassification to the MSCI Emerging Market.

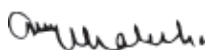
Future outlook

Financial services businesses are expected to remain strained in the short term. However we expect investee companies in the power, fertilizers, cement, steel and real estate sectors to perform soundly. On an overall basis, your Company is expected to do well.

Acknowledgement

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

For and on behalf of the Board



Arif Habib
Chief Executive



Asadullah Khawaja
Chairman

Karachi
26 February 2018

Condensed Interim Unconsolidated Financial Information

For the six months period and quarter ended 31st December 2017



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

Introduction

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim unconsolidated financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matter

The figures for the quarter ended 31 December 2017 and 31 December 2016 in the condensed interim unconsolidated financial information have not been reviewed by us and we do not express a conclusion on them.

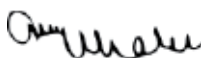
Date: 26 February 2018
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

Condensed Interim Unconsolidated Balance Sheet

As at 31st December 2017

	Note	Unaudited December 2017	Audited June 2017
(Rupees)			
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 1,000,000,000 ordinary shares of Rs. 10 each		10,000,000,000	10,000,000,000
Issued, subscribed and paid up share capital		4,537,500,000	4,537,500,000
Reserves		24,557,828,077	25,931,978,512
		29,095,328,077	30,469,478,512
Non-current liabilities			
Deferred taxation		2,438,368,127	2,435,632,968
Long term loan	5	390,000,000	455,179,583
		2,828,368,127	2,890,812,551
Current liabilities			
Trade and other payables	6	2,690,383,915	2,681,803,807
Mark-up accrued on borrowings		159,804,828	144,389,340
Short term borrowings	7	1,523,903,968	1,193,616,235
Current maturity of long term loan	5	130,395,097	65,431,028
Provision for taxation		367,138,385	289,478,206
		4,871,626,193	4,374,718,616
		36,795,322,397	37,735,009,679
Contingencies and commitments			
	8		



Chief Executive Officer



Chief Financial Officer



Director

Condensed Interim Unconsolidated Balance Sheet

As at 31st December 2017

	Note	Unaudited December 2017	Audited June 2017
(Rupees)			
ASSETS			
Non-current assets			
Operating fixed assets	9	33,431,730	36,592,671
Intangible assets		33,331	133,326
Investment properties	10	-	1,993,162,500
Long term investments	11	27,220,925,326	28,128,147,990
Long term loan	12	191,837,575	-
Long term deposits		2,487,030	2,487,030
		27,448,714,992	30,160,523,517
Current assets			
Loans and advances	13	219,742,214	643,736,475
Prepayments		4,946,656	1,880,003
Advance tax		378,658,594	311,410,531
Mark-up receivable		11,634,192	9,913,724
Trade receivable		104,396,516	183,073,309
Other receivables	14	1,225,482,795	1,786,964
Short term investments		7,352,717,839	6,383,805,496
Cash and bank balances		49,028,599	38,879,660
		9,346,607,405	7,574,486,162
		36,795,322,397	37,735,009,679

The annexed notes 1 to 22 form an integral part of this condensed interim unconsolidated financial information.

Chief Executive Officer

Chief Financial Officer

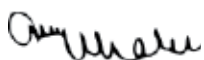
Director

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the six months period and quarter ended 31st December 2017

	Note	Six months period ended		Quarter ended	
		December 2017	December 2016	December 2017	December 2016
(Rupees)					
Operating revenue	15	226,558,257	2,211,399,814	(580,600,842)	864,303,736
Operating and administrative expenses		(53,616,553)	(57,286,435)	(30,949,500)	(36,119,629)
Finance cost		(74,059,336)	(102,693,718)	(36,776,690)	(45,797,567)
Other charges		(1,379,052)	(3,837,390)	(1,379,052)	(2,100,000)
Other income		2,543,399	389,121,498	1,833,680	388,378,503
Profit / (loss) before tax		100,046,715	2,436,703,769	(647,872,404)	1,168,665,043
Taxation	16	(82,765,589)	(312,564,435)	8,040,433	(192,476,030)
Profit / (loss) after tax		17,281,126	2,124,139,334	(639,831,971)	976,189,013
Earnings per share - basic and diluted		0.04	4.68	(1.41)	2.15

The annexed notes 1 to 22 form an integral part of this condensed interim unconsolidated financial information.



Chief Executive Officer



Chief Financial Officer



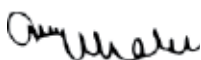
Director

Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the six months period and quarter ended 31st December 2017

	Six months period ended		Quarter ended	
	December 2017	December 2016	December 2017	December 2016
	(Rupees)			
Profit / (loss) for the period	17,281,126	2,124,139,334	(639,831,971)	976,189,013
Other comprehensive income				
<i>Items that are or may be reclassified subsequently to profit and loss account</i>				
Unrealised (diminution) / appreciation during the period on remeasurement of investments classified as 'available for sale'	(32,551,812)	414,198,943	(94,087,794)	174,259,710
Related tax thereon	2,370,251	(12,871,236)	6,985,449	(15,775,885)
Other comprehensive income for the period	(30,181,561)	401,327,707	(87,102,345)	158,483,825
Total comprehensive income for the period	(12,900,435)	2,525,467,041	(726,934,316)	1,134,672,838

The annexed notes 1 to 22 form an integral part of this condensed interim unconsolidated financial information.



Chief Executive Officer



Chief Financial Officer



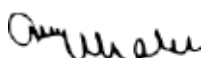
Director

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the six months period ended 31st December 2017

		Six months period ended	
	Note	December 2017	December 2016
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operation	17	(220,218,110)	1,659,081,733
Income tax paid		(67,248,063)	(95,828,521)
Finance cost paid		(58,643,848)	(109,400,660)
Dividend received		431,628,495	734,217,420
Interest received		9,913,724	33,462,270
Net cash generated from operating activities		95,432,198	2,221,532,242
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(293,505)	(349,984)
Proceeds from sale of operating fixed assets		188,027	30,047
Proceeds from sale of long term investments		-	357,737,865
Proceeds from sale of investment property		946,000,000	-
Long term deposits - net		-	(337,200)
Net cash generated from investing activities		945,894,522	357,080,728
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term loan		(215,514)	(174,517,659)
Proceeds from long term loan		-	520,000,000
Dividend paid		(1,361,250,000)	(295,197,582)
Net cash (used in) / generated from financing activities		(1,361,465,514)	50,284,759
Net (decrease) / increase in cash and cash equivalents		(320,138,794)	2,628,897,729
Cash and cash equivalents at beginning of the period		(1,154,736,575)	(2,522,576,920)
Cash and cash equivalents at end of the period	18	(1,474,875,369)	106,320,809

The annexed notes 1 to 22 form an integral part of this condensed interim unconsolidated financial information.



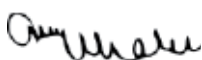


Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)

For the six months period ended 31st December 2017

	Issued, subscribed and paid up share capital	Unrealized appreciation / (diminution) on remeasurement of investments classified as 'available for sale'	Reserves		Sub total	Total
			General reserve	Unappropriated profit		
			(Rupees)			
Balance as at 1 July 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 six months period ended 31 December 2016						
Profit for the period	-	-	-	2,124,139,334	2,124,139,334	2,124,139,334
<i>Other Comprehensive Income</i>						
Unrealised appreciation during the period on remeasurement of investments classified as 'available for sale' - net	-	414,198,943	-	-	414,198,943	414,198,943
Related tax thereon	-	(12,871,236)	-	-	(12,871,236)	(12,871,236)
Other comprehensive income for the period	-	401,327,707	-	-	401,327,707	401,327,707
Transactions with owners - Distribution:						
Final cash dividend for the year ended 30 June 2016 at the rate of Rs. 2.5 per share	-	-	-	(1,134,375,000)	(1,134,375,000)	(1,134,375,000)
Balance as at 31 December 2016	4,537,500,000	341,666,662	4,000,000,000	21,574,956,015	25,916,622,677	30,454,122,677
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 six months period ended 31 December 2017						
Profit for the period	-	-	-	17,281,126	17,281,126	17,281,126
<i>Other Comprehensive Income</i>						
Unrealised diminution during the period on remeasurement of investments classified as 'available for sale' - net	-	(32,551,812)	-	-	(32,551,812)	(32,551,812)
Related tax thereon	-	2,370,251	-	-	2,370,251	2,370,251
Other comprehensive income for the period	-	(30,181,561)	-	-	(30,181,561)	(30,181,561)
Transactions with owners - Distribution:						
Final cash dividend for the year ended 30 June 2017 at the rate of Rs. 3 per share	-	-	-	(1,361,250,000)	(1,361,250,000)	(1,361,250,000)
Balance as at 31 December 2017	4,537,500,000	59,607,253	4,000,000,000	20,498,220,824	24,557,828,077	29,095,328,077

The annexed notes 1 to 22 form an integral part of this condensed interim unconsolidated financial information.



Chief Executive Officer



Chief Financial Officer



Director

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31st December 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

Arif Habib Corporation Limited ("the Company") was incorporated in Pakistan on 14 November 1994 as a public limited company under the 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.

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

The Company has following long term investments in subsidiaries and associates:

Name of Companies	Shareholding
<i>Subsidiaries</i>	
- Arif Habib Limited, a brokerage house	<u>65.52%</u>
- Sachal Energy Development (Private) Limited, a wind power generation company	<u>94.82%</u>
- Black Gold Power Limited, a coal power generation company	<u>100.00%</u>
<i>Associates</i>	
- MCB-Arif Habib Savings and Investments Limited	<u>30.09%</u>
- Pakarab Fertilizers Limited	<u>30.00%</u>
- Fatima Fertilizer Company Limited	<u>15.19%</u>

1.1 Changes in the composition of the Group

Changes in composition of the Group during the six months period ended 31 December 2017 are summarised as under:

- During the period, Sachal Energy Development (Private) Limited (SEDPL) offered 15 million shares through right issue, however, the Company did not subscribe such shares resulting in dilution of Company's shareholding from 100% to 94.82%.

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim unconsolidated financial information for the six months period ended 31 December 2017 has been prepared in accordance with the requirements of International Accounting Standards 34 "Interim Financial Reporting" and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984, have been followed.

This condensed interim unconsolidated financial information does not include all the information required for full annual financial statements and should be read in conjunction with the audited annual unconsolidated financial statements of the Company as at and for the year ended 30 June 2017.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31st December 2017

The comparative Balance Sheet presented in this condensed interim unconsolidated financial information has been extracted from the audited annual unconsolidated financial statements of the Company for the year ended 30 June 2017, whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity are extracted from the unaudited condensed interim unconsolidated financial information for the period ended 31 December 2016.

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

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

2.2 Basis of measurement

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

3. ACCOUNTING POLICIES

3.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are the same as those applied in the preparation of audited annual unconsolidated financial statements of the Company as at and for the year ended 30 June 2017.

During the period certain amendments to approved accounting standards and interpretations became effective which did not have material impact on Company's accounting policies other than increased disclosure which will be included in annual financial statements for the year ending 30 June 2018.

Further during the period, the Securities and Exchange Commission of Pakistan has notified IFRS 9 'Financial Instruments' replacing IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 15 'Revenue from Contracts with Customers' replacing IAS 18 'Revenue' and IAS 11 'Construction Contracts' which are effective from annual reporting period beginning on or after 1 July 2018. Currently management is assessing the impact of these Standards.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.2 The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those were applied to the audited annual unconsolidated financial statements as at and for the year ended 30 June 2017.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31st December 2017

5. LONG TERM LOAN - secured

	Note	Unaudited December 2017	Audited June 2017
<i>From related party:</i>			
		(Rupees)	
Term musharaka finance	5.1	520,000,000	520,000,000
less: current portion		(130,000,000)	(65,000,000)
		390,000,000	455,000,000
Diminishing Musharaka Financing	5.2	395,097	610,611
less: current portion		(395,097)	(431,028)
		-	179,583
		390,000,000	455,179,583

5.1 The Company has obtained term musharaka finance amounting to Rs. 520 million from Summit Bank Limited, related party, under mark-up arrangement at the rate of 6 months KIBOR + 2% to be charged on semi-annual basis. The loan is repayable in eight semi-annual instalment after completion of one year grace period. The loan is secured against First Pari Passu charge over receivable of the Company, ranking charge on an associate's property situated at Naya Nazimabad, Survey # 248, 249, 250 of Rs. 286 million and personal guarantee of Chief Executive Officer of the Company.

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

6. TRADE AND OTHER PAYABLES

Trade and other payables include deposits received from profit participant amounting to Rs. 1.499 billion procured by the existing sponsor of Silkbank Limited, under the Option Agreement dated 15 December 2015 which has been extended till 31 March 2018. In consideration of extending period of option and to affirm the commitment towards it, sponsor of Silkbank Limited has provided additional margin of Rs. 1.150 billion included in trade and other payables. Further, the sponsor deposited Rs. 2.550 billion in Company's account subsequent to period end.

7. SHORT TERM BORROWINGS

Short term running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 2,950 million (30 June 2017: Rs. 2,300 million). These facilities have various maturity dates up to 31 December 2018. These arrangements are secured against pledge of marketable securities with minimum 30% margin (30 June 2017: 30% margin) and First Pari Passu charge over receivable of Company amounting to Rs. 466 million including 25% margin.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31st December 2017

These running finance facilities carry mark-up ranging from 1 month KIBOR + 1% to 3 month KIBOR + 2.25% per annum (30 June 2017: 1 month KIBOR + 1% to 3 month KIBOR + 2.25% per annum) calculated on a daily product basis and is payable on quarterly basis. The aggregate amount of these facilities which have not been availed as at the balance sheet date amounts to Rs. 1,426 million (30 June 2017: Rs. 1,106.38 million).

The fair value of long term and short term investments pledged as collateral against short term borrowings amount to Rs. 4,576,416 million and Rs. 43,967 million (30 June 2017: Rs. 3,982.16 million and Rs. Nil), respectively.

8. CONTINGENCIES AND COMMITMENTS

There are no other changes in the status of contingencies and commitments from the preceding audited annual unconsolidated financial statements for the year ended 30 June 2017 except that the Company has issued Corporate Guarantee on behalf of its associated concern, Aisha Steel Mills Limited, amounting to Rs. 1.8 billion. The Company has also obtained letter of indemnity from the said concern. Further, Power Cement Limited has settled its borrowing and the pledged shares have been released.

9. OPERATING FIXED ASSETS

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

	Six months period ended December 2017		Six months period ended December 2016	
	Additions	Disposals	Additions	Disposals
	(Rupees)			
Office equipment	15,500	-	80,165	-
Vehicle	63,500	118,093	-	-
Computer and allied equipment	214,505	93,151	269,819	36,937
	293,505	211,244	349,984	36,937

10. INVESTMENT PROPERTIES

		Unaudited December 2017
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	10.1	174,424,414
Carrying value of investment property as on 31 December 2017		-

10.1	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 changes	(831,913,018)
	Gain on disposal charged to profit and loss account	174,424,414

For the six months period and quarter ended 31st December 2017

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

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31st December 2017

11.3	Available for sale	Cost	Unrealised appreciation on remeasurement of investments	Provision for impairment	Carrying amount	
					Unaudited December 2017	Audited June 2017
				(Rupees)		
	Other investments:					
	Takaful Pakistan Limited	30,000,000	-	(30,000,000)	-	-
	Al-Khabeer Financial Services (Private) Limited	1,000,000	-	(1,000,000)	-	-
	Sun Biz (Private) Limited	1,000,000	-	(1,000,000)	-	-
		32,000,000	-	(32,000,000)	-	-

11.4 Movement in provision for impairment		Unaudited December 2017	Audited June 2017
		(Rupees)	
Opening balance		(32,000,000)	(74,400,000)
Provision		-	(100,000)
Reversal on sale of investment		-	42,500,000
Closing balance		(32,000,000)	(32,000,000)

12. LONG TERM LOAN - secured

Loan to related party:

Aisha Steel Mills Limited	12.1	210,793,235	-
Less: Current portion of long term loan		(18,955,660)	-
		191,837,575	-

12.1 As approved by Shareholders during the Annual General Meeting held on 28 October 2017, the Company has converted nature of loan from 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 effective rate of mark-up on the loan during the period was 9.40% (30 June 2017: ranged between 9.31% to 9.40%) per annum. Mark-up is payable on semi-annual basis.

13. LOANS AND ADVANCES

Unsecured

Advance against salaries to employees		786,554	943,240
Loan to related parties:			
- Sachal Energy Development (Private) Limited	13.1	200,000,000	432,000,000

Secured

Loans to related party:			
- Aisha Steel Mills Limited - current portion of long term loan	12.1	18,955,660	210,793,235
		219,742,214	643,736,475

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31st December 2017

- 13.1** This represents loan provided to Sachal Energy Development (Private) Limited a Subsidiary Company. The mark-up rate of the said loan is 3 month KIBOR + 2.25% per annum. The loan is repayable within 30 business days on notice of demand. The outstanding portion of the said loan is convertible into ordinary shares at the option of the Company.

14. OTHER RECEIVABLES

This includes Rs. 1.22 billion representing receivable against disposal of investment property (refer note 10) which has been received subsequent to reporting period.

15. OPERATING REVENUE

	Six months period ended		Quarter ended	
	December 2017	December 2016	December 2017	December 2016
	(Rupees)		(Rupees)	
Dividend income	432,124,278	734,217,420	33,829,616	53,312,483
Mark-up on loans and advances	11,634,192	33,233,642	6,639,836	14,675,990
Profit on bank accounts	154,965	88,220	57,803	32,430
Gain / (loss) on sale of securities - net	123,899,469	70,643,555	(3,922,273)	46,109,123
(Loss) / gain on remeasurement of investments-net 15.1	(515,679,061)	1,373,216,977	(791,630,238)	750,173,710
Gain on disposal of investment property 10.1	174,424,414	-	174,424,414	-
	226,558,257	2,211,399,814	(580,600,842)	864,303,736

- 15.1** The loss / gain is netted off with transaction cost.

16. TAXATION

	Six months period ended		Quarter ended	
	December 2017	December 2016	December 2017	December 2016
	(Rupees)		(Rupees)	
For the period				
- Current	77,660,179	158,991,069	63,353,084	70,826,464
- Deferred	5,105,410	153,573,366	(71,393,517)	121,649,566
	82,765,589	312,564,435	(8,040,433)	192,476,030

- 16.1** 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.

Board of Directors of the Company intend to distribute sufficient cash dividend for the year ending 30 June 2018 to comply with the above stated requirement. Accordingly, no provision for tax on undistributed reserves has been recognised in these condensed interim unconsolidated financial information.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31st December 2017

17. CASH (USED IN) / GENERATED FROM OPERATIONS

	Six months period ended	
	December 2017	December 2016
	(Rupees)	
Profit before tax	100,046,715	2,436,703,769
<i>Adjustments for:</i>		
Depreciation	3,243,202	3,894,095
Amortisation	99,995	106,128
Dividend income	(432,124,278)	(734,217,420)
Mark-up on loans and advances	(11,634,192)	(33,233,642)
Gain on disposal of long term investments	-	(46,175,449)
Gain on disposal of investment property	(174,424,414)	-
Impairment on long term investments	-	100,000
Loss on disposal of asset	23,217	6,890
Unrealised loss / (gain) on remeasurement of investment	515,679,061	(1,373,216,977)
Reversal of provision for workers' welfare fund	-	(387,631,507)
Finance cost	74,059,336	102,693,718
	(25,078,073)	(2,467,674,164)
	74,968,642	(30,970,395)
Changes in working capital		
<i>(Increase) / decrease in current assets</i>		
Loans and advances	232,156,686	374,336,007
Prepayments	(3,066,653)	(3,557,791)
Trade receivable	78,676,793	-
Other receivables	(1,613,134)	-
Short term investments	(609,920,552)	151,442,551
	(303,766,860)	522,220,767
<i>Increase in current liabilities</i>		
Trade and other payables	8,580,108	1,167,831,361
Cash (used in) / generated from operations	(220,218,110)	1,659,081,733

18. CASH AND CASH EQUIVALENTS

Cash and bank balances	49,028,599	233,363,790
Short term borrowings	(1,523,903,968)	(127,042,981)
	(1,474,875,369)	106,320,809

19. FINANCIAL RISK MANAGEMENT

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

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31st December 2017

20. FAIR VALUE MEASUREMENTS

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

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

For the six months period and quarter ended 31st December 2017

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

30 June 2017 (Audited)								
	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 receivables	-	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	-	-	-

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31st December 2017

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

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

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

21. TRANSACTIONS WITH RELATED PARTIES

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

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

	Six months period ended	
	December 2017	December 2016
	(Rupees)	
<i>Transactions with Subsidiaries</i>		
Services availed	2,463,692	917,301
Loan extended	168,000,000	162,000,000
Loan repayment	400,000,000	-
Mark-up income on loan and advance	1,645,480	-
Dividend income / received	360,382,370	282,154,159
Guarantee commission income	810,734	-
<i>Transactions with Associates</i>		
Dividend income / received	37,912,292	436,662,550

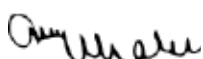
Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period and quarter ended 31st December 2017

	Six months period ended	
	December 2017	December 2016
	(Rupees)	
<i>Transactions with Other related parties</i>		
Provident fund contribution	1,893,144	824,917
Payment of rent and maintenance charges	16,368,436	15,066,038
Loan extended	-	936,000,000
Loan repayment	-	1,472,883,690
Dividend income / received	33,333,833	520
Mark-up on loan and advance	9,988,712	33,233,643
Mark-up income received	9,913,724	33,462,270
Receipts from sale of investment property	946,000,000	-
Guarantee commission income	1,510,467	1,483,928
Guarantee commission received	209,365	1,483,928
Mark-up accrued on loan	8,613,195	8,601,370
Mark-up expense on loan	21,310,740	20,574,353
Mark-up paid on loan	21,300,198	20,946,476
Subscription of right issue	388,463,866	-
Donation paid to Jinnah Foundation [Interest of Directors in Donee: Mr. Muhammad Ejaz (Trustee), Mr. Sirajuddin Cassim (Trustee) and Mr. Nasim Beg (Trustee)]	-	3,230,500
<i>Remuneration to Key management personnel</i>		
Remuneration	13,830,603	9,798,666

22. DATE OF AUTHORISATION FOR ISSUE

This condensed interim unconsolidated financial information has been authorised for issue on 26 February 2018 by the Board of Directors of the Company.



Chief Executive Officer



Chief Financial Officer



Director

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Condensed Interim Consolidated Financial Information

For the six months period and quarter ended 31st December 2017

Condensed Interim Consolidated Balance Sheet

As at 31st December 2017

	Note	Unaudited December 2017	Audited June 2017
(Rupees)			
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 1,000,000,000 ordinary shares of Rs. 10 each		<u>10,000,000,000</u>	<u>10,000,000,000</u>
Issued, subscribed and paid-up share capital		<u>4,537,500,000</u>	4,537,500,000
Reserves		<u>16,937,289,881</u>	17,656,329,854
Equity attributable to owners of the Parent		21,474,789,881	22,193,829,854
Non-controlling interest		1,114,133,855	1,130,836,818
		22,588,923,736	23,324,666,672
Surplus on revaluation of fixed assets		15,432,500	15,432,500
Non-current liabilities			
Long term loans		8,771,991,982	8,801,426,130
Liabilities against assets subject to finance lease		376,450	470,480
Land lease liability		11,401,825	10,527,163
Deferred liability - staff gratuity		8,819,803	6,857,337
Deferred taxation - net		1,205,323,296	986,504,840
		9,997,913,356	9,805,785,950
Current liabilities			
Trade and other payables		3,373,960,990	3,715,072,333
Mark-up accrued on borrowings		290,954,701	392,013,599
Short term borrowings		4,409,668,619	2,952,849,499
Current portion of long term loans		1,179,195,097	1,115,431,028
Current portion of liabilities against assets subject to finance lease		1,100,727	1,345,933
Provision for taxation		429,913,662	457,522,632
Payable against purchase of securities - net		139,180,475	-
		9,823,974,271	8,634,235,024
		42,426,243,863	41,780,120,146

Contingencies and commitments

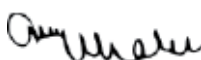
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Condensed Interim Consolidated Balance Sheet

As at 31st December 2017

	Note	Unaudited December 2017	Audited June 2017
(Rupees)			
ASSETS			
Non-current assets			
Property, plant and equipment	6	12,653,592,660	12,456,140,468
Intangible assets		3,353,072	3,761,009
Goodwill		910,206,117	910,206,117
Trading right entitlement certificate, membership cards and offices		17,100,000	17,100,000
Investment properties		1,316,511,719	2,362,374,219
Equity accounted investees		17,175,455,700	16,786,341,661
Other long term investments		81,010,820	84,314,338
Long term loan		191,837,575	-
Long term deposits and prepayments		63,816,467	49,535,059
		32,412,884,130	32,669,772,871
Current assets			
Trade debts		902,114,772	1,479,383,278
Loans and advances		29,602,749	346,324,959
Deposits and prepayments		59,532,867	45,749,075
Advance tax		474,920,795	577,036,715
Mark-up receivable		10,030,947	9,927,249
Receivable against sale of investment - net		-	148,659,303
Other receivables		1,823,871,491	189,140,563
Short term investments		5,782,511,518	5,340,218,228
Cash and bank balances		930,774,594	973,907,905
		10,013,359,733	9,110,347,275
		42,426,243,863	41,780,120,146

The annexed notes 1 to 14 form an integral part of this condensed interim consolidated financial information.



Chief Executive Officer



Chief Financial Officer



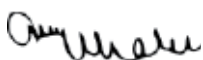
Director

Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the six months period and quarter ended 31st December 2017

	Six months period ended		Quarter ended	
	December 2017	December 2016	December 2017	December 2016
	(Rupees)		(Rupees)	
Continuing Operations				
Operating revenue	1,407,366,939	924,331,893	469,067,417	382,317,281
Operating, administrative and other expenses	(692,715,259)	(225,070,267)	(379,270,598)	(123,336,863)
Unrealised gain on remeasurement of investment property	344,580,000	-	193,867,578	-
Other income	44,247,890	545,536,730	24,210,018	500,692,397
Finance cost	(505,972,969)	(198,679,295)	(266,204,534)	(96,438,840)
Other charges	(1,392,252)	(48,484,955)	(1,392,252)	570,290
	596,114,349	997,634,106	40,277,629	663,804,265
Share of profit of equity-accounted associates - net of tax	451,721,236	1,062,629,390	134,571,714	500,904,410
Profit before tax	1,047,835,585	2,060,263,496	174,849,343	1,164,708,675
Taxation				
For the period				
- Current	(106,645,718)	(245,985,530)	(80,020,762)	(135,505,332)
- Prior	-	8,967,062	-	8,967,062
- Deferred	(221,188,707)	(189,090,257)	14,903,172	(137,806,494)
	(327,834,425)	(426,108,725)	(65,117,590)	(264,344,764)
Profit after tax from continuing operation	720,001,160	1,634,154,771	109,731,753	900,363,911
Discontinued operations				
Loss for the year from discontinued operations - net of tax	-	(868,472)	-	(868,472)
Profit for the period	720,001,160	1,633,286,299	109,731,753	899,495,439
Profit / (loss) attributable to:				
Equity holders of the Parent Company	735,972,778	1,453,044,952	138,467,065	815,499,473
Non-controlling interests	(15,971,618)	180,241,347	(28,735,312)	83,995,966
	720,001,160	1,633,286,299	109,731,753	899,495,439
Earnings per share - basic & diluted				
From continuing operations	1.62	3.20	0.31	1.80
From discontinued operations	-	(0.00)	-	(0.00)
	1.62	3.20	0.31	1.80

The annexed notes 1 to 14 form an integral part of this condensed interim consolidated financial information.



Chief Executive Officer



Chief Financial Officer



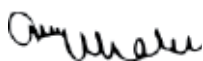
Director

Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the six months period and quarter ended 31st December 2017

	Six months period ended		Quarter ended	
	December 2017	December 2016	December 2017	December 2016
	(Rupees)		(Rupees)	
Profit after tax	720,001,160	1,633,286,299	109,731,753	899,495,439
Other comprehensive income				
<i>Items that are or may be reclassified subsequently to profit and loss account</i>				
Unrealised (diminution) / appreciation during the period on remeasurement of investments classified as 'available for sale'	(32,551,812)	414,198,943	(94,087,794)	174,259,710
Related tax thereon	2,370,251	(12,871,236)	6,985,449	(15,775,885)
Effect of translation of net assets of foreign subsidiary to presentation currency net	-	39,779	-	411,532
Share of other comprehensive income of equity-accounted associates - net of tax	(18,128,572) (48,310,133)	34,218,971 435,586,457	(3,382,544) (90,484,889)	23,192,723 182,088,080
<i>Items that will never be reclassified subsequently to profit and loss accounts</i>				
Share of other comprehensive income of equity-accounted associates - net of tax	(6,566,333)	-	(6,566,333)	-
Other comprehensive income for the period	(54,876,466)	435,586,457	(97,051,222)	182,088,080
Total comprehensive income for the period	665,124,694	2,068,872,756	12,680,531	1,081,583,519
Total comprehensive income attributable to:				
Equity holders of the Parent Company	681,096,312	1,888,631,409	41,415,843	997,587,553
Non-controlling interests	(15,971,618)	180,241,347	(28,735,312)	83,995,966
	665,124,694	2,068,872,756	12,680,531	1,081,583,519

The annexed notes 1 to 14 form an integral part of this condensed interim consolidated financial information.



Chief Executive Officer



Chief Financial Officer



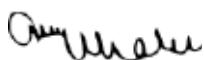
Director

Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the six months period ended 31st December 2017

		Six months period ended	
	Note	December 2017	December 2016
(Rupees)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	7	1,202,109,716	4,255,122,174
Taxes paid		(202,582,655)	(169,141,446)
Finance cost paid		(607,031,867)	(287,683,624)
Interest received		9,885,014	33,432,643
Net cash generated from operating activities		402,380,208	3,831,729,747
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(532,604,705)	(9,684,250,181)
Proceeds from sale of property, plant and equipment		294,127	40,047
Acquisition of intangible assets		(96,000)	(617,056)
Proceeds from sale of investment property		946,000,000	64,618,019
Expenditure on investment property		(822,680,000)	(9,492,000)
Dividend received from equity accounted investee		37,912,292	436,662,550
Net sale of long term investment		-	357,737,865
Long term deposits		(14,281,408)	(5,128,912)
Net cash used in investing activities		(385,455,694)	(8,840,429,668)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from long term financing and deferred liabilities - net		34,329,921	8,342,963,033
Dividend paid		(1,361,250,000)	(295,197,582)
Distribution by Subsidiaries to non-controlling interest		(189,617,630)	(102,845,841)
Liability against assets subject to finance lease		(339,236)	(391,029)
Net cash (used in) / generated from financing activities		(1,516,876,945)	7,944,528,581
Net (decrease) / increase in cash and cash equivalents		(1,499,952,431)	2,935,828,660
Cash and cash equivalents at beginning of the period		(1,978,941,594)	(4,042,366,526)
Cash and cash equivalents at end of the period	8	(3,478,894,025)	(1,106,537,866)

The annexed notes 1 to 14 form an integral part of this condensed interim consolidated financial information.



Chief Executive Officer



Chief Financial Officer



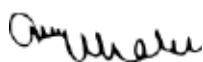
Director

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

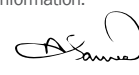
For the six months period ended 31st December 2017

	Equity attributable to owners of the Parent						Non-controlling interests	Total equity
	Issued, subscribed and paid up share capital	Unrealized appreciation / (diminution) on remeasurement of investments classified as 'available for sale'	Exchange difference on translation to presentation currency	General reserve	Unappropriated profit	Total		
	(Rupees)							
Balance as at 1 July 2016	4,537,500,000	39,489,850	49,246,220	4,019,567,665	11,206,113,602	19,851,917,337	742,537,812	20,594,455,149
Total comprehensive income for the six months period								
Profit for the six months period ended 31 December 2016	-	-	-	-	1,453,044,952	1,453,044,952	180,241,347	1,633,286,299
<i>Other comprehensive income</i>								
Unrealised appreciation / (diminution) during the period on remeasurement of investments classified as 'available for sale'	-	414,198,943	-	-	-	414,198,943	-	414,198,943
Related tax thereon	-	(12,871,236)	-	-	-	(12,871,236)	-	(12,871,236)
Effect of translation of net assets of foreign subsidiary to presentation currency - net	-	-	39,779	-	-	39,779	-	39,779
Share of other comprehensive income / (loss) of equity-accounted associates - net of tax	-	34,218,971	-	-	-	34,218,971	-	34,218,971
	-	435,546,678	39,779	-	1,453,044,952	1,888,631,409	180,241,347	2,068,872,756
Distribution by Subsidiaries	-	-	-	-	-	-	(102,845,841)	(102,845,841)
Transactions with owners								
Distribution:								
Final cash dividend for the year ended 30 June 2016 at the rate of Rs. 2.5 per share	-	-	-	-	(1,134,375,000)	(1,134,375,000)	-	(1,134,375,000)
Acquisition of non-controlling interest without change in control	-	-	-	-	109,034,443	109,034,443	248,703,422	357,737,865
	-	-	-	-	(1,025,340,557)	(1,025,340,557)	248,703,422	(776,637,135)
Balance as at 31 December 2016	4,537,500,000	475,036,528	49,285,999	4,019,567,665	11,633,817,997	20,715,208,189	1,068,636,740	21,783,844,929
Balance as at 1 July 2017	4,537,500,000	207,898,277	-	4,019,567,665	13,428,863,912	22,193,829,854	1,130,836,818	23,324,666,672
Total comprehensive income for the six months period								
Profit for the six months period ended 31 December 2017	-	-	-	-	735,972,778	735,972,778	(15,971,618)	720,001,160
<i>Other comprehensive income</i>								
Unrealised appreciation / (diminution) during the period on remeasurement of investments classified as 'available for sale'	-	(32,551,812)	-	-	-	(32,551,812)	-	(32,551,812)
Related tax thereon	-	2,370,251	-	-	-	2,370,251	-	2,370,251
Share of other comprehensive income / (loss) of equity-accounted associates - net of tax	-	(6,566,333)	-	-	(18,128,572)	(24,694,905)	-	(24,694,905)
	-	(36,747,894)	-	-	717,844,206	681,096,312	(15,971,618)	665,124,694
Distribution by Subsidiaries	-	-	-	-	-	-	(189,617,630)	(189,617,630)
Transactions with owners								
Distribution:								
Final cash dividend for the year ended 30 June 2017 at the rate of Rs. 3 per share	-	-	-	-	(1,361,250,000)	(1,361,250,000)	-	(1,361,250,000)
Disposal of equity interest in subsidiary without change in control	-	-	-	-	(38,886,285)	(38,886,285)	188,886,285	150,000,000
	-	-	-	-	(1,400,136,285)	(1,400,136,285)	188,886,285	(1,211,250,000)
Balance as at 31 December 2017	4,537,500,000	171,150,383	-	4,019,567,665	12,746,557,833	21,474,789,881	1,114,133,855	22,588,923,736

The annexed notes 1 to 14 form an integral part of this condensed interim consolidated financial information.


Chief Executive Officer


Chief Financial Officer


Director

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period and quarter ended 31st December 2017

1. STATUS AND NATURE OF BUSINESS

Arif Habib Corporation Limited ("the Parent Company") was incorporated in Pakistan on 14 November 1994 as a public limited company under the 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.

This condensed interim consolidated financial information of Arif Habib Corporation Limited for the six months period ended 31 December 2017 comprise of the Parent and following subsidiary companies (here-in-after referred to as "the Group").

Name of Companies	Note	Effective holding
Subsidiaries		
- Arif Habib Limited, a brokerage house	1.1	<u>65.52%</u>
- Arif Habib Commodities (Private) Limited, investment management of commodities [wholly owned subsidiary of Arif Habib Limited]	1.2	<u>65.52%</u>
- Arif Habib 1857 (Private) Limited, investments and share brokerage company [wholly owned subsidiary of Arif Habib Limited]	1.3	<u>65.52%</u>
- Sachal Energy Development (Private) Limited, a wind power generation company	1.4	<u>94.82%</u>
- Black Gold Power Limited, a coal power generation company	1.5	<u>100.00%</u>
Associates		
- MCB-Arif Habib Savings and Investments Limited	1.6	<u>30.09%</u>
- Fatima Fertilizer Company Limited	1.7	<u>15.19%</u>
- Pakarab Fertilizers Limited	1.8	<u>30.00%</u>
- Silkbank Limited	1.9	<u>28.23%</u>

1.1 Arif Habib Limited (AHL) was incorporated in Pakistan on 07 September 2004 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) as a public limited company. The registered office of AHL is situated at Arif Habib Centre, 23, M.T. Khan Road, Karachi, Pakistan. It is domiciled in the province of Sindh. AHL holds Trading Right Entitlement Certificates of Pakistan Stock Exchange Limited. The principal activities of AHL are brokerage of shares, equity and debt securities, forex and other financial instruments, corporate finance services and securities investments.

1.2 Arif Habib Commodities (Private) Limited (AHCPL) was incorporated on 2 April 2012 as a private limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the AHCPL is located at Arif Habib Centre, 23, M.T. Khan Road, Karachi. The principal activity of AHCPL is to effectively manage investment portfolios in commodities. AHCPL is a wholly owned Subsidiary of Arif Habib Limited. AHCPL holds license of Pakistan Mercantile Exchange (PMEX).

1.3 Arif Habib 1857 (Private) Limited (AH1857) was incorporated on 17 July 2014 as a private limited company in Pakistan under 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 the Company are investment and shares brokerage. AH1857 is a wholly owned Subsidiary of Arif Habib Limited. AH1857 holds Trading Right Entitlement Certificate (TREC).

1.4 Sachal Energy Development (Private) Limited (SEDPL) was incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) on 20 November 2006. SEDPL's registered office is

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period and quarter ended 31st December 2017

located in Islamabad, Pakistan. The principal activity of the SEDPL is to generate and sell electricity upto 49.5 MW in Jhampir Sindh province for which Alternative Energy Development Board ("AEDB") has allocated 680 acres of land to the SEDPL under a sublease agreement. SEDPL has achieved financial close on 13 December 2015 and commenced its commercial operation on 11 April 2017. During the period, SEDPL has offered 15 million shares through right issue, however, the Parent Company did not subscribe such shares resulting in dilution of Parent Company's shareholding from 100% to 94.82% and the resulting gain / lose recognised in these condensed interim consolidated changes of equity.

- 1.5** Black Gold Power Limited (BGPL) is a public unlisted limited company, incorporated on 8 December 2016 in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). BGPL's registered office is situated at Arif Habib Centre, 23, M.T Khan Road, Karachi. The principle activity of the 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. Currently, the Subsidiary Company is planning to establish 660 MW Thar Coal based power project at Thar Block II.
- 1.6** 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, Centrepont, Off Shaheed-e-Millat Expressway, near K.P.T. Interchange, Karachi, Pakistan. MCB-AH has been assigned an Asset Manager rating of AM2++ (30 June 2017: AM2++) by the Pakistan Credit Rating Agency Limited (PACRA). The rating was determined by PACRA on 23 June 2017.
- 1.7** Fatima Fertilizer Company Limited (FFCL) and its wholly owned subsidiaries - Fatimafert Limited (FF) and Buber Sher (Private) Limited (BSPL) were incorporated in Pakistan under the 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 into 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.
- 1.8** 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.
- 1.9** 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 88 branches including 10 Islamic banking branches in Pakistan. Silkbank 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 are 'A-2' and 'A-' respectively.

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period and quarter ended 31st December 2017

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim consolidated financial information for the six months period ended 31 December 2017 has been prepared in accordance with the requirements of International Accounting Standards 34 "Interim Financial Reporting" and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984, have been followed.

This condensed interim consolidated financial information does not include all the information required for full annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Group as at and for the year ended 30 June 2017.

The comparative balance sheet presented in this condensed interim consolidated financial information has been extracted from the audited annual consolidated financial statements of the Group for the year ended 30 June 2017, whereas the comparative condensed interim consolidated profit and loss account, condensed interim consolidated statement of comprehensive income, condensed interim consolidated cash flow statement and condensed interim consolidated statement of changes in equity are extracted from the unaudited condensed interim consolidated financial information for the period ended 31 December 2016.

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

3. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted by the Group in the preparation of this condensed interim consolidated financial information are the same as those applied in preparation of the preceding annual audited consolidated financial statements of the Group as at and for the year ended 30 June 2017.

During the period certain amendments to approved accounting standards and interpretations became effective which did not have material impact on Group's accounting policies other than increased disclosure which will be included in annual financial statements for the year ending 30 June 2018.

Further during the period, the Securities and Exchange Commission of Pakistan has notified IFRS 9 'Financial Instruments' replacing IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 15 'Revenue from Contracts with Customers' replacing IAS 18 'Revenue' and IAS 11 'Construction Contracts' which are effective from annual reporting period beginning on or after 1 July 2018. Currently management is assessing the impact of these Standards.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 30 June 2017.

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period and quarter ended 31st December 2017

5. CONTINGENCIES AND COMMITMENT

There are no other changes in the status of contingencies and commitments as disclosed in the preceding annual audited consolidation financial statements as at and in for the year ended 30 June 2017 except for the following:

Parent Company

The Parent Company has issued Corporate Guarantee on behalf of its associated concern, Aisha Steel Mills Limited, amounting to Rs. 1.8 billion. The Parent Company has also obtained letter of indemnity from the said concern. Further, Power Cement Limited has settled its borrowing and the pledged shares have been released.

AHL, Subsidiary Company

AHL has following outstanding commitments:

	Unaudited December 2017	Audited June 2017
	(Rupees)	
- Outstanding Settlements against Marginal Trading contracts	177,430,450	282,746,717
- Outstanding Settlements against sale/(purchase) of securities in regular market.	32,198,200	381,424,500
- Guarantee given by a commercial bank on behalf of AHL	250,000,000	250,000,000
	<u>459,628,650</u>	<u>914,171,217</u>

6. PROPERTY, PLANT AND EQUIPMENT

Capital expenditure incurred during the period amounted to Rs 532.60 million. Further, assets having written down value of Rs. 0.33 million were disposed off.

7. CASH GENERATED FROM OPERATIONS

	Six months period ended December 2017	December 2016
	(Rupees)	
Profit before tax	1,047,835,585	2,060,263,496
Adjustments for:		
Depreciation	8,545,867	8,296,981
Amortization	503,939	573,452
Mark-up on loans and advances	(9,988,712)	(33,233,642)
Unrealised loss / (gain) on investments	620,307,397	(170,797,450)
Gain on disposal of investment property	(224,044,336)	(19,001,739)
Unrealised gain on remeasurement of investment properties	(344,580,000)	-
Loss on sale of property and equipment	37,841	17,128
Impairment on disposal of long term investment	-	100,000
Share of profit of equity-accounted associates - net of tax	(451,721,236)	(1,062,629,390)
Reversal of provision of workers' welfare fund	-	(456,911,587)
Finance cost	505,972,969	198,679,295
	<u>105,033,729</u>	<u>(1,534,906,952)</u>
Operating profit before working capital changes	1,152,869,314	525,356,544

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period and quarter ended 31st December 2017

	Six months period ended	
	December 2017	December 2016
	(Rupees)	
Changes in working capital:		
<i>Decrease in current assets</i>		
Trade debts	577,268,506	(801,078,181)
Loans and advances	124,884,635	2,094,859,343
Deposits and prepayments	(13,783,792)	(154,500,394)
Receivable against sale of investment - net	148,659,303	-
Other receivables	(143,564,092)	95,338,024
Short term investments	(442,293,290)	1,255,150,117
Assets and liabilities held for sale	-	(5,319,378)
<i>Increase in current liabilities</i>		
Trade and other payables	(341,111,343)	1,571,543,574
Payable against sale of securities	139,180,475	(326,227,475)
	49,240,402	3,729,765,630
Cash generated from operations	1,202,109,716	4,255,122,174
8. CASH AND CASH EQUIVALENTS		
Cash and bank balances	930,774,594	792,425,090
Short term borrowings	(4,409,668,619)	(1,898,962,956)
	(3,478,894,025)	(1,106,537,866)

9. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements of the Group as at and for the year ended 30 June 2017.

10. FAIR VALUE MEASUREMENT

The accounting policies and disclosure requirement for the measurement of fair values are consistent with those disclosed in the annual audited consolidated financial statements of the Group as at and for the year ended 30 June 2017.

11. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the Group companies, directors and their close family members, major shareholders of the Group, key management personnel and staff provident fund Transactions with related parties are carried out at rates agreed under the agreement / contract.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The Group considers its Chief Executive Officer, Chief Financial Officer, Company Secretary, Non-executive Director and Departmental Heads to be its key management personnel. Remuneration and benefits to executives of the Group are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules.

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

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period and quarter ended 31st December 2017

	Six months period ended	
	December 2017	December 2016
	(Rupees)	
Transaction with associates		
Dividend income / received	37,912,292	436,662,550
Transaction with other related party		
Provident fund contribution	4,815,502	1,804,262
Payment of rent and maintenance charges	26,817,556	15,066,038
Loan extended	-	936,000,000
Loan repayment	-	1,472,883,690
Dividend income / received	33,333,833	520
Mark-up on loan / advance	9,988,712	33,233,643
Mark-up income received	9,913,724	33,462,270
Receipts from sale of investment property	946,000,000	62,236,224
Guarantee commission income	1,510,467	1,483,928
Guarantee commission received	209,365	-
Mark-up accrued on loan	8,613,195	8,601,370
Mark-up expense on loan	21,310,740	20,574,353
Mark-up paid on loan	21,300,198	20,946,476
Subscription of right issue	388,463,866	-
Brokerage commission and other services income	11,920,695	5,266,518
Donation paid to Jinnah Foundation [Interest of Directors in Donee: Mr. Nasim Beg (Trustee), Mr. Muhammad Ejaz (Trustee) and Mr. Sirajuddin Cassim (Trustee)]	-	3,230,500
<i>Remuneration to chief executive officer, directors and other key management personnel</i>		
- Remuneration	17,768,297	12,186,760

12. REPORTABLE SEGMENTS

12.1 The group has four reportable segments: Capital Market Operations, Brokerage, Energy Development and Others. The capital market operations' segment is principally engaged in trading of equity securities and maintaining strategic and trading portfolios. The brokerage segment is principally engaged in brokerage, underwriting, corporate consultancy, research and corporate finance services. The energy development is principally engaged in energy development. Others includes assets of multicommodities entities.

12.2 The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in the annual audited consolidated financial statements for the year ended 30 June 2017. The group evaluates performance on the basis of profit or loss from operations before tax expense not including non-recurring gains and losses and foreign exchange gains and losses. The group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market price unless disclosed otherwise.

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period and quarter ended 31st December 2017

12.3 The group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology, professional skills and marketing strategies. Most of the businesses were acquired as individual units, and the management at the time of the acquisition was retained.

12.4 The group does not allocate tax expense / tax income or non-recurring gains and losses to reportable segments. In addition, not all reportable segments have material non-cash items other than depreciation, amortisation and remeasurement of equity and debt instruments in profit or loss.

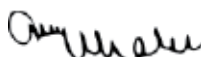
13. GENERAL

13.1 The investment turnover during the period 31 December 2017 reported by AHL, subsidiary company, is as follows:

	Unaudited December 2017 Rupees
Institution	53,907,602,054
Retail	34,579,639,563
Proprietary	13,388,826,418
	<u>101,876,068,035</u>

14. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim consolidated financial information has been authorised for issue on 26 February 2018 by the Board of Directors of the Parent Company.



Chief Executive Officer



Chief Financial Officer



Director



Arif Habib Corp

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