

focusing on growth

Quarterly Report
30th September 2016



Arif Habib Corp

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Company Information

Board of Directors

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

Audit Committee

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

Management

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

Bankers

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

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors

Bawaney & Partners
Akhund Forbes

Registrar & Share Transfer Agent

Central Depository Company of Pakistan
Limited

Registered & Corporate Office

Arif Habib Centre
23, M.T. Khan Road
Karachi-74000
Phone: (021) 32460717-9
Fax: (021) 32429653, 32468117
Email: info@arifhabibcorp.com
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 interim condensed unconsolidated and consolidated financial statements for the quarter ended 30th September 2016.

Financial Results

During the quarter, on an unconsolidated basis, AHCL recorded operating revenue of PKR 1,347 million, which includes dividend income, realised capital gain on sale of securities and unrealised gain on remeasurement of investments. After accounting for operating, administrative, financial and other expenses of PKR 79.8 million, the Company earned a profit before tax of PKR 1,268 million. The Company has reported an after-tax profit of PKR 1,147.95 million for the quarter under review as compared with PKR 2,538.93 million for the corresponding quarter ended 30th September 2015. Earnings per share during the quarter ended 30th September 2016 was PKR 2.53 as compared to PKR 5.60 in the corresponding quarter during 2015-16.

During the quarter under review, on a consolidated basis, your Company has earned a profit after tax of PKR 733.79 million as compared with PKR 2,285.13 million in the corresponding quarter ended 30th September 2015. This translates to an earning of PKR 1.41 per share as compared with PKR 4.82 per share in corresponding period. The consolidated earnings per share during the corresponding period last year included PKR 4.03 representing one-time 'Bargain Purchase Gain' being fair valuation gain on acquisition of subsidiaries by Fatima Fertilizer Company Limited.

Performance of Subsidiaries and Associates

During the period under review, fertiliser sales increased significantly as compared to the corresponding period in the previous year due to implementation of Farmers Incentive Plan announced by the Government in June. Fatima Fertilizer particularly benefited due to its diversified product portfolio. Our financial services companies' portfolio have performed well during the period under review.

Development progress at Sachal Energy and Naya Nazimabad remains satisfactory. Power Cement Limited and Aisha Steel Mills also recorded modest profitability.

Future outlook

The Government has indicated to announce an export incentive package in order to arrest the declining trend in Pakistan's exports. Similarly, a policy is under consideration of the Government to remove irritants in real estate taxation issues. Sindh High Court has declared GIDC on natural gas *ultra vires*. These developments will help businesses grow in Pakistan.

The investee companies businesses; fertilisers, financial services, real estate, energy and construction materials are expected to perform satisfactorily on consolidated basis.

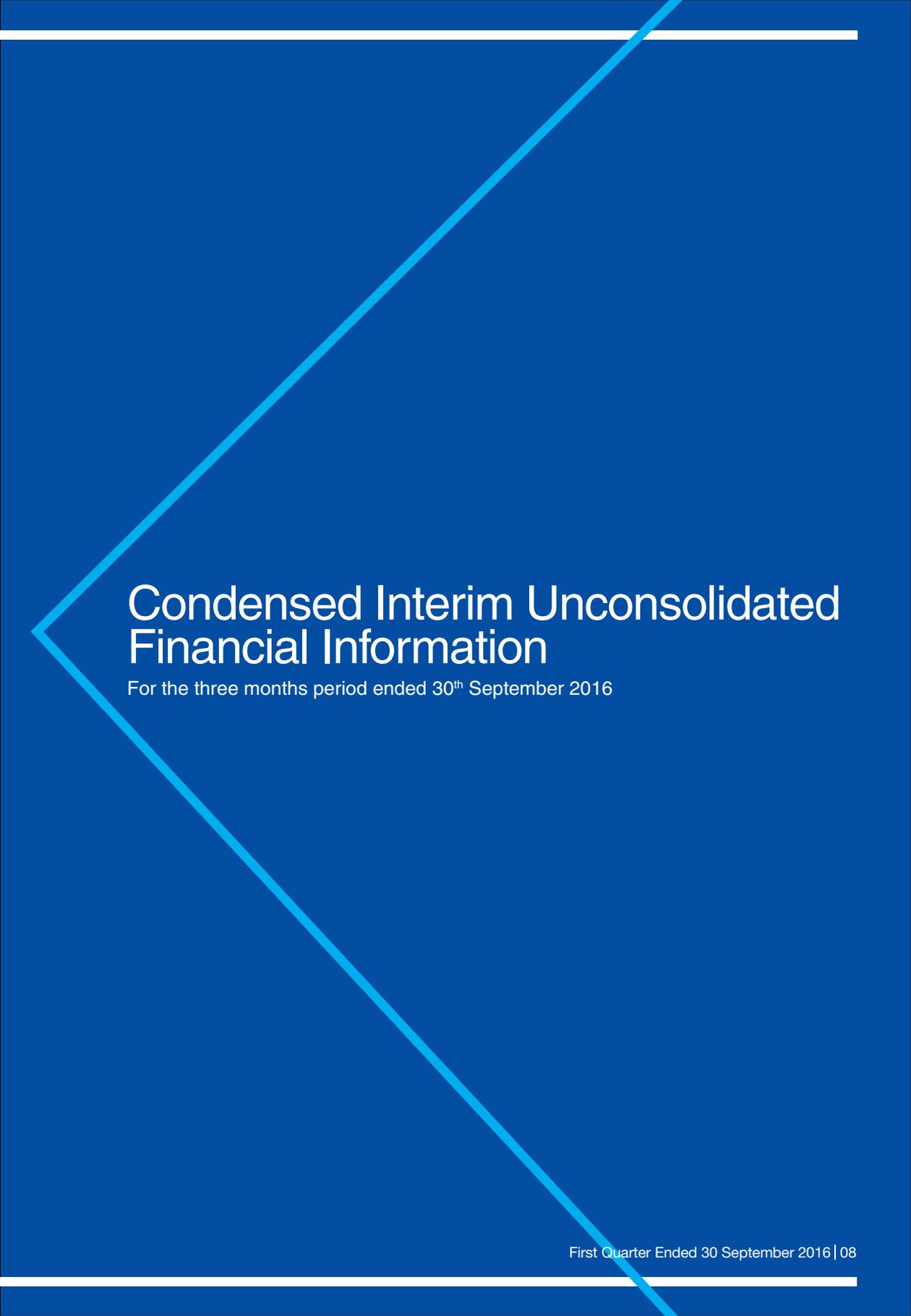
In view of the above, the future outlook of your Company looks stable.

For and on behalf of the Board

Karachi
29th October 2016



Arif Habib
Chief Executive



Condensed Interim Unconsolidated Financial Information

For the three months period ended 30th September 2016

Condensed Interim Unconsolidated Balance Sheet

As at 30th September 2016

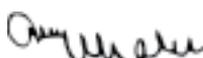
	Note	Unaudited September 2016	Audited June 2016
(Rupees)			
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 1,000,000,000 ordinary shares of Rs. 10 each		10,000,000,000	10,000,000,000
Issued, subscribed and paid up share capital		4,537,500,000	4,537,500,000
Reserves		25,916,324,839	24,525,530,636
		30,453,824,839	29,063,030,636
Non-current liabilities			
Deferred taxation		2,652,920,174	2,623,901,023
Long term loan	5	98,409,289	147,819,191
		2,751,329,463	2,771,720,214
Current liabilities			
Trade and other payables		1,905,459,596	1,905,179,120
Mark-up accrued on borrowings		177,820,135	173,878,386
Short term borrowings	6	2,422,818,384	2,547,610,430
Current maturity of long term loan	5	149,035,318	149,035,318
Provision for taxation		242,153,259	153,988,654
		4,897,286,692	4,929,691,908
		38,102,440,994	36,764,442,758
Contingencies and commitments	7		

Condensed Interim Unconsolidated Balance Sheet

As at 30th September 2016

	Note	Unaudited September 2016	Audited June 2016
(Rupees)			
ASSETS			
Non-current assets			
Operating fixed assets	8	41,658,356	43,437,245
Intangible assets		300,696	353,760
Investment properties		1,646,538,800	1,646,538,800
Long term investments	9	29,120,128,438	28,810,290,871
Long term deposits		2,276,130	1,938,930
		30,810,902,420	30,502,559,606
Current assets			
Loans and advances	10	800,620,769	785,706,360
Prepayments		4,637,842	1,577,137
Advance tax		169,688,658	169,477,037
Mark-up receivable		18,557,652	19,756,811
Trade and other receivables	11	688,568,431	2,461,964
Short term investments		5,554,535,302	5,227,924,435
Cash and bank balances		24,984,022	25,033,510
Asset held for sale		29,945,898	29,945,898
		7,291,538,574	6,261,883,152
		38,102,440,994	36,764,442,758

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



Chief Executive Officer



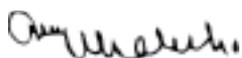
Director

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the three months period ended 30th September 2016

	Note	Three months period ended	
		September 2016	September 2015
(Rupees)			
Operating revenue	12	1,347,096,078	2,720,733,925
Operating and administrative expenses		(21,166,806)	(19,576,974)
Finance cost		(56,896,151)	(82,589,183)
Other income		742,995	837,189
Other charges		(1,737,390)	(52,408,761)
Profit before tax		1,268,038,726	2,566,996,196
Taxation	13	(120,088,405)	(28,061,899)
Profit after tax		1,147,950,321	2,538,934,297
Earnings per share - basic and diluted		2.53	5.60

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


Chief Executive Officer


Director

Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the three months period ended 30th September 2016

	Three months period ended	
	September 2016	September 2015
	(Rupees)	
Profit for the period	1,147,950,321	2,538,934,297
Other comprehensive income		
<i>Items that are or may be reclassified subsequently to profit and loss account</i>		
Unrealised appreciation / (diminution) during the period on remeasurement of investments classified as 'available for sale'	239,939,233	(112,902,149)
Related tax thereon	2,904,649	-
Other comprehensive income for the period	242,843,882	(112,902,149)
Total comprehensive income for the period	1,390,794,203	2,426,032,148

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


Chief Executive Officer

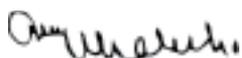

Director

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the three months period ended 30th September 2016

	Note	September 2016	September 2015
(Rupees)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	14	208,034,970	(1,563,029,927)
Income tax paid		(211,621)	(930,753)
Finance cost paid		(52,954,402)	(44,941,750)
Dividend received		520	-
Interest received		19,756,811	7,981,118
Net cash generated from / (used in) operating activities		174,626,278	(1,600,921,312)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(166,665)	(119,500)
Proceeds from sale of property and equipment		30,047	15,000
Acquisition of long term investments		-	(139,500,000)
Proceeds from sale of long term investments		-	670,180,185
Long term deposits		(337,200)	(15,000)
Net cash (used in) / generated from investing activities		(473,818)	530,560,685
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term loan		(49,409,902)	(24,484,240)
Net cash used in financing activities		(49,409,902)	(24,484,240)
Net increase / (decrease) in cash and cash equivalents		124,742,558	(1,094,844,867)
Cash and cash equivalents at beginning of the period		(2,522,576,920)	(1,334,718,351)
Cash and cash equivalents at end of the period	15	(2,397,834,362)	(2,429,563,218)

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



Chief Executive Officer



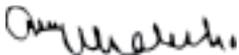
Director

Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)

For the three months period ended 30th September 2016

	Issued, subscribed and paid up share capital	Unrealized (diminution) / appreciation on remeasurement of investments classified as 'available for sale'	Reserves			Total
			General reserve	Unappropriated profit	Sub total	
(Rupees)						
Balance as at 1 July 2015	4,537,500,000	(211,635,998)	4,000,000,000	21,119,067,693	24,907,431,695	29,444,931,695
Total comprehensive income for the three months period ended 30 September 2015						
Profit for the period	-	-	-	2,538,934,297	2,538,934,297	2,538,934,297
Other Comprehensive Income						
Unrealised appreciation / (diminution) during the period on remeasurement of investments classified as 'available for sale'	-	(112,902,149)	-	-	(112,902,149)	(112,902,149)
Other comprehensive income for the period	-	(112,902,149)	-	-	(112,902,149)	(112,902,149)
Balance as at 30 September 2015	4,537,500,000	(324,538,147)	4,000,000,000	23,658,001,990	27,333,463,843	31,870,963,843
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 three months period ended 30 September 2016						
Profit for the period	-	-	-	1,147,950,321	1,147,950,321	1,147,950,321
Other Comprehensive Income						
Unrealised appreciation / (diminution) during the period on remeasurement of investments classified as 'available for sale'	-	239,939,233	-	-	239,939,233	239,939,233
Related tax thereon	-	2,904,649	-	-	2,904,649	2,904,649
Other comprehensive income for the period	-	242,843,882	-	-	242,843,882	242,843,882
Balance as at 30 September 2016	4,537,500,000	183,182,837	4,000,000,000	21,733,142,002	25,916,324,839	30,453,824,839

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


Chief Executive Officer


Director

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30th September 2016

1. STATUS AND NATURE OF BUSINESS

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

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

The Company has following long term investments:

<i>Name of Companies</i>	<i>Shareholding</i>
<i>Subsidiaries</i>	
- Arif Habib Limited, a brokerage house	<u>73.29%</u>
- Pakistan Opportunities Limited	<u>85.00%</u>
- Sachal Energy Development (Private) Limited, a wind power generation company	<u>99.99%</u>
<i>Associates</i>	
- MCB-Arif Habib Savings and Investments Limited	<u>30.09%</u>
- Pakarab Fertilizers Limited	<u>30.00%</u>
- Fatima Fertilizer Company Limited	<u>15.19%</u>
<i>Others</i>	
- Takaful Pakistan Limited	<u>10.00%</u>
- Khabeer Financial Services (Private) Limited	<u>5.00%</u>
- Sunbiz (Private) Limited	<u>4.65%</u>

1.1 Change in the composition of the Group

There were no changes in composition of the Group during the three months period ended 30 September 2016.

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim unconsolidated financial information for the three months period ended 30 September 2016 has been prepared in accordance with the requirements of International Accounting Standards 34 “Interim Financial Reporting” and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, have been followed.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30th September 2016

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 annual audited unconsolidated financial statements of the Company as at and for the year ended 30 June 2016.

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

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

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

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

2.2 Basis of measurement

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

3. ACCOUNTING POLICIES

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

3.2 Amendments and interpretation to approved accounting standards effective during the period

Certain amendments and interpretation to approved accounting standards became effective during the period which were not relevant to the Company's operation and do not have any significant impact on the accounting policies of the Company.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 The preparation of this 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 the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited unconsolidated financial statements as at and for the year ended 30 June 2016.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30th September 2016

		Unaudited 30 September 2016	Audited 30 June 2016
		(Rupees)	
5. LONG TERM LOAN - secured			
<i>From related party:</i>			
Term finance loan	5.1	125,000,000	150,000,000
Less: current portion		(100,000,000)	(100,000,000)
		25,000,000	50,000,000
<i>Others:</i>			
Term finance loan	5.2	121,510,725	145,812,870
Less: current portion		(48,604,290)	(48,604,290)
		72,906,435	97,208,580
Diminishing Musharakah Financing	5.3	933,882	1,041,639
Less: current maturity		(431,028)	(431,028)
		502,854	610,611
		98,409,289	147,819,191

5.1 The Company obtained term finance facility of Rs. 200 million from Summit Bank Limited, related party, under mark-up arrangement at the rate of 3 month KIBOR+2% to be charged on quarterly basis. The loan is repayable in eight equal quarterly instalments after completion of one year grace period ending on 18 November 2017. The loan is secured against ranking charge on an associate's property situated at Naya Nazimabad, Survey # 248, 249, 250 with 30% margin and personal guarantee of Chief Executive Officer of the Company.

5.2 The Company obtained term finance facility of Rs. 243.021 million from a commercial bank under mark-up arrangement at the rate of 6 month KIBOR+2.50% to be charged on semi-annual basis. The loan is repayable in ten equal semi-annual instalments ending on 19 March 2019. The loan is secured against first pari passu charge of Rs. 333.333 million over present and future assets (excluding shares pledged against short term borrowings) of the Company inclusive of 25% margin and pledge of shares of associated undertaking with 30% margin. The market value of pledged shares as collateral amounts to Rs. 300.418 million (30 June 2016: Rs. 250.39 million) at balance sheet date.

5.3 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 effective rate of interest on the borrowing is 10% per annum.

6. SHORT TERM BORROWINGS - secured

		Unaudited 30 September 2016	Audited 30 June 2016
		(Rupees)	
<i>From banking companies</i>			
<i>From related party:</i>			
Term Finance	6.1	360,000,000	360,000,000
<i>Others:</i>			
Running Finance	6.2	2,062,818,384	2,187,610,430
		2,422,818,384	2,547,610,430

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30th September 2016

- 6.1** The Company availed Term Finance Loan of Rs. 360 million from Summit Bank Limited, related party, for a period of six months. The facility carries mark-up at the rate of 3 month KIBOR+2% and is payable on quarterly basis. The facility is secured against charge over receivables of the Company with 25% margin.
- 6.2** Short term running finance facilities are available from various commercial banks, under mark-up arrangements, totaling to Rs. 2,800 million (30 June 2016: Rs. 2,800 million) These facilities have various maturity dates up to 30 September 2017. These arrangements are secured against pledge of marketable securities with minimum 30% margin (30 June 2016: 30% margin).

These running finance facilities carry mark-up ranging from 1 month KIBOR+1% to 3 month KIBOR+ 2.25% per annum (30 June 2016: 1 month KIBOR+1% to 3 month KIBOR + 2.25% per annum) calculated on a daily product basis, and is payable quarterly. The aggregate amount of these facilities which have not been availed as at the balance sheet date amounts to Rs. 737.18 million (30 June 2016: Rs. 612.39 million).

- 6.3** The fair value of shares of associated companies, shares held for trading and other securities pledged as collateral against short term borrowings amount to Rs. 1,730.182 million (30 June 2016: Rs. 1,825.47 million). Further, Chief Executive Officer of the Company has offered his personal investments as collateral against Company's running finance.

7. CONTINGENCIES AND COMMITMENTS

- 7.1** There are no other changes in the status of contingencies and commitments as disclosed in the preceding annual audited unconsolidated financial statements as at and in the year ended 30 June 2016.

8. OPERATING FIXED ASSETS

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

	Three months period ended 30 September 2016		Three months period ended 30 September 2015	
	Additions	Disposals	Additions	Disposals
	(Rupees)			
Office equipment	80,165	-	-	-
Computer and allied equipment	86,500	36,937	119,500	18,396
	<u>166,665</u>	<u>36,937</u>	<u>119,500</u>	<u>18,396</u>

9. LONG TERM INVESTMENTS

		Unaudited 30 September 2016	Audited 30 June 2016
		(Rupees)	
Subsidiaries - at cost	9.1	5,258,140,246	5,258,140,246
At fair value through profit or loss	9.2	23,861,888,192	23,552,050,625
Available for sale	9.3	100,000	100,000
		<u>29,120,128,438</u>	<u>28,810,290,871</u>

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30th September 2016

9.1 Subsidiaries - at cost

	Cost	Provision for Impairment	Carrying amount	
			Unaudited 30 September 2016	Audited 30 June 2016
			(Rupees)	
Arif Habib Limited (AHL)	2,511,675,186	-	2,511,675,186	2,511,675,186
Pakistan Opportunities Limited (POL)	42,500,000	(42,500,000)	-	-
Sachal Energy Development (Private) Limited (SEDPL)	2,746,465,060	-	2,746,465,060	2,746,465,060
	5,300,640,246	(42,500,000)	5,258,140,246	5,258,140,246

9.2 At fair value through profit or loss

	Cost	Unrealised appreciation on remeasurement of investments	Carrying amount	
			Unaudited 30 September 2016	Audited 30 June 2016
			(Rupees)	
<i>Associates:</i>				
MCB - Arif Habib Savings and Investments Limited (MCB-AH)	9.2.1 477,694,882	177,646,170	655,341,052	575,183,634
Pakarab Fertilizers Limited (PFL)	1,324,332,073	10,825,667,927	12,150,000,000	12,150,000,000
Fatima Fertilizer Company Limited (FFCL)	3,512,782,225	7,543,764,915	11,056,547,140	10,826,866,991
	5,314,809,180	18,547,079,012	23,861,888,192	23,552,050,625

9.2.1 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.

9.3 Available for sale - other investments:

	Cost	Unrealised appreciation/ (diminution) on remeasurement of investments	Provision for Impairment	Carrying amount	
				Unaudited 30 September 2016	Audited 30 June 2016
				(Rupees)	
Takaful Pakistan Limited	30,000,000	-	(30,000,000)	-	-
Sunbiz (Private) Limited	1,000,000	-	(1,000,000)	-	-
Al-Khabeer Financial Services (Private) Limited	1,000,000	-	(900,000)	100,000	100,000
	32,000,000	-	(31,900,000)	100,000	100,000
	32,000,000	-	(31,900,000)	100,000	100,000

9.4 Fair value of long term investments pledged with banking companies against various financing facilities amounts to Rs 1,653.282 million (30 June 2016: Rs. 2,563.467 million).

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30th September 2016

9.5 Movement in provision for impairment

	Unaudited 30 September 2016	Audited 30 June 2016
	(Rupees)	
Opening balance	(74,400,000)	(502,409,244)
Reversal on sale of investment	-	287,361,776
Reclassified to short term investment on loss of significant influence	-	140,647,468
Closing balance	<u>(74,400,000)</u>	<u>(74,400,000)</u>

10. LOANS AND ADVANCES

Unsecured

Advance against salaries to employees	2,206,246	1,019,648
	<u>2,206,246</u>	<u>1,019,648</u>

Loans to related parties

- Sachal Energy Development (Private) Limited (SEDPL)	102,000,000	-
- Aisha Steel Mills Limited	467,237,431	545,471,149
	<u>569,237,431</u>	<u>545,471,149</u>

Secured

Loan to Aisha Steel Mills Limited	229,177,092	239,215,563
	<u>800,620,769</u>	<u>785,706,360</u>

10.1 The Company entered into a loan agreement with the said associated concern on 1 July 2013. The loan is repayable within 30 business days notice of demand. The mark-up rate on the said loan is 3 months KIBOR prevailing on the base rate setting date plus 3% per annum. Mark-up is payable on quarterly basis. The effective mark-up charged during the year was 9.05% (30 June 2016: 9.35% to 10.29%) per annum.

10.2 The Company entered into a loan agreement with the said associated concern on 19 January 2011. Under the arrangement, the Company shall disburse loan to the associated company in one or more tranches. The loan is secured against first charge on all present and future fixed assets, accounts receivables and interest in any insurance claim and equitable mortgage of land and building. The mark-up rate in the said loan is 6 month KIBOR + 3.25% per annum (30 June 2016: 6 months KIBOR + 3.25% per annum). The effective rate of mark-up on the loan is 9.31% (30 June 2016: 9.76% to 10.29%) per annum. Mark-up is payable on semi-annually basis.

10.3 Maximum balance due from related party during the year was Rs. 838.415 million (30 June 2016: Rs. 2,805.93 million).

11. TRADE AND OTHER RECEIVABLES

This includes dividend receivable from Arif Habib Limited and Fatima Fertilizer Company Limited, related parties, amounting to Rs. 282.154 million (30 June 2016: Nil) and Rs. 398.75 million (30 June 2016: Nil) respectively.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30th September 2016

12. OPERATING REVENUE

	Three months period ended	
	30 September 2016	30 September 2015
	(Rupees)	
Dividend income	680,904,937	266,503,651
Mark-up on loans and advances	18,557,652	51,185,629
Profit on bank accounts	55,790	894,960
Gain on sale of securities - net	24,534,432	455,898,329
Gain on remeasurement of investments - net	623,043,267	1,918,012,305
Income from reverse repurchase transactions	-	7,889,051
Put option fee	-	20,350,000
	1,347,096,078	2,720,733,925
13. TAXATION		
For the period		
- Current	88,164,605	22,729,516
- Deferred	31,923,800	5,332,383
	120,088,405	28,061,899
14. CASH GENERATED FROM / (USED IN) OPERATIONS		
Profit before tax	1,268,038,726	2,566,996,196
Adjustments for:		
Depreciation and amortization	1,961,681	2,227,002
Dividend income	(680,904,937)	(266,503,651)
Mark-up on loans and advances	(18,557,652)	(51,185,629)
Gain on disposal of long term investment	-	(418,718,861)
Loss on disposal of asset	6,890	21,084
Unrealised gain on remeasurement of investment	(623,043,267)	(1,918,012,305)
Income from reverse repurchase transactions	-	(7,889,051)
Workers' Welfare fund	-	52,387,677
Finance cost	56,896,151	82,589,183
	(1,263,641,134)	(2,525,084,551)
	4,397,592	41,911,645
Changes in working capital		
<i>Decrease / (increase) in current assets</i>		
Loans and advances	(14,914,409)	(1,428,054,062)
Prepayments	(3,060,705)	3,285,525
Trade and other receivables	(5,202,050)	(194,720,028)
Short term investments	226,534,066	211,001,453
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	280,476	(196,454,460)
	203,637,378	(1,604,941,572)
Cash generated from / (used in) operations	208,034,970	(1,563,029,927)
15. CASH AND CASH EQUIVALENTS		
Cash and bank balances	24,984,022	930,436,782
Short term borrowings	(2,422,818,384)	(3,360,000,000)
	(2,397,834,362)	(2,429,563,218)

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30th September 2016

16. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the annual audited unconsolidated financial statements of the Company as at and for the year ended 30 June 2016.

17. FAIR VALUE MEASUREMENT

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

18. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

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

	Three months period ended	
	30 September 2016	30 September 2015
	(Rupees)	

Relationship with the company and the nature of transaction

Transactions with Subsidiaries

Services availed	437,301	2,036,746
Dividend income	282,154,159	265,648,159
Loan extended	102,000,000	1,150,000,000
Loan repayment	-	250,000,000
Mark-up on loan and advance	-	25,318,425
Guarantee commission income	-	66,966

Transactions with Associates

Dividend income	398,750,258	-
Mark-up on loan and advance	-	25,867,205
Mark-up income received	-	7,981,118
Loan extended	-	1,438,370,543
Loan repayment	-	909,800,000
Guarantee commission income	-	675,000

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30th September 2016

	Three months period ended	
	30 September 2016	30 September 2015
	(Rupees)	
<i>Transactions with Other related parties</i>		
Provident fund contribution	407,902	410,874
Payment of rent and maintenance charges	8,985,929	1,635,229
Dividend income / received	520	-
Mark-up accrued on loan	10,303,705	78,010,674
Mark-up paid on loan	10,716,287	-
Mark-up on loan and advance	18,557,652	-
Mark-up income received	19,756,811	-
Loan extended	411,000,000	-
Loan repayment	499,272,189	-
Guarantee commission income	741,964	-
Guarantee commission received	741,964	-
Loan obtained	-	3,000,000,000
Donation paid to Jinnah Foundation [Interest of Directors in Donee: Mr. Nasim Beg (Trustee), Mr. Muhammad Ejaz (Trustee) and Mr. Sirajuddin Cassim (Trustee)]	1,730,500	-
<i>Remuneration of chief executive officer, directors and other key management personnel</i>		
Remuneration	4,884,287	4,950,600

Unaudited 30 September 2016	Audited 30 June 2016
(Rupees)	

Balances as at :

Commission on guarantee receivable from Javedan Corporation Limited	50,000	50,000
Commission on guarantee receivable from Aisha Steel Mills Limited	625,000	625,000
Commission on guarantee receivable from Power Cement Limited	66,964	66,964
Mark-up receivable from Aisha Steel Mills Limited	18,557,652	9,717,359
Mark-up payable to Summit Bank Limited	8,560,911	8,973,453
Mark-up payable to International Complex Projects Limited	125,049,041	125,049,041
Dividend receivable from Arif Habib Limited	282,154,159	-
Dividend receivable from Fatima Fertilizer Company Limited	398,750,258	-
Receivable from Arif Habib Limited against sale listed securities from stock exchange under T+2 settlement method	5,202,050	-
Mark-up receivable from Javedan Corporation Limited	-	39,452

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30th September 2016

19. APPROPRIATION FOR DIVIDEND

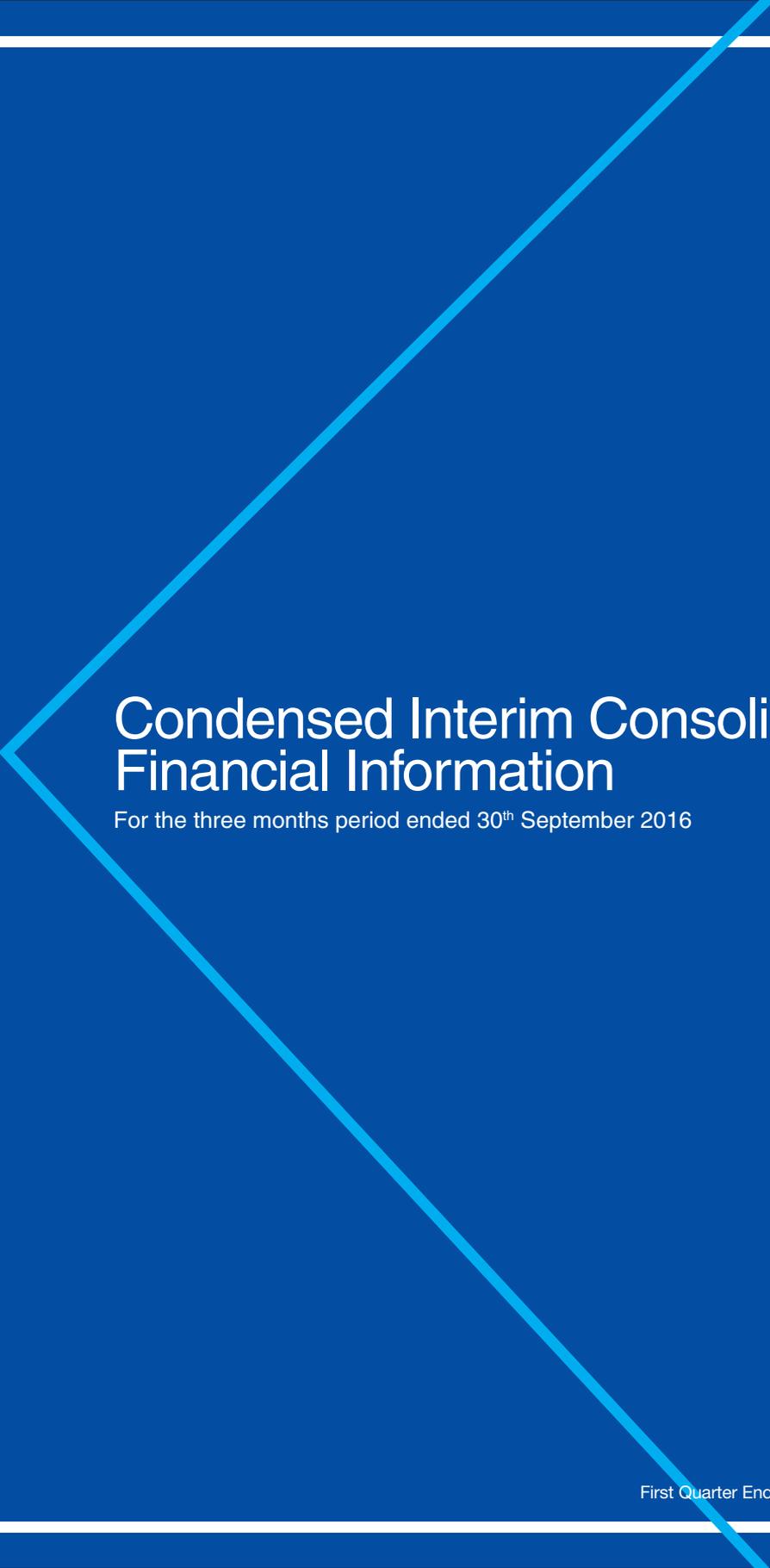
For the year ended 30 June 2016, the Board of Directors of the Company has proposed a cash dividend of Rs. 2.5 per share amounting Rs. 1,134,375,000 at its meeting held on 27 September 2016 for the approval of the members at the annual general meeting to be held on 29 October 2016. This condensed interim unconsolidated financial information does not reflect this appropriation.

20. DATE OF AUTHORISATION FOR ISSUE

This condensed interim unconsolidated financial information has been authorised for issue on 29 October 2016 by the Board of Directors of the Company.


Chief Executive Officer


Director



Condensed Interim Consolidated Financial Information

For the three months period ended 30th September 2016

Condensed Interim Consolidated Balance Sheet

As at 30th September 2016

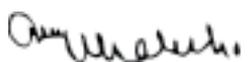
	Note	Unaudited September 2016	Audited June 2016
(Rupees)			
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 1,000,000,000 ordinary shares of Rs. 10 each		10,000,000,000	10,000,000,000
Issued, subscribed and paid-up share capital		4,537,500,000	4,537,500,000
Reserves		16,205,461,193	15,314,417,337
Equity attributable to owners of the Parent		20,742,961,193	19,851,917,337
Non-controlling interest		735,937,352	742,537,812
		21,478,898,545	20,594,455,149
Surplus on revaluation of fixed assets		15,432,500	15,432,500
Non-current liabilities			
Long term loans - secured Liabilities against assets subject to finance lease		6,076,006,369	1,226,229,191
Deferred liability - staff gratuity		1,705,094	1,878,241
Deferred taxation - net		3,421,738	2,310,380
		883,418,122	783,536,683
		6,964,551,323	2,013,954,495
Current liabilities			
Trade and other payables		2,534,932,784	2,310,567,803
Dividend payable to non-controlling interest		102,845,841	-
Mark-up accrued on borrowings		268,588,616	301,112,788
Short term borrowings		4,877,589,770	4,428,479,243
Current portion of long term loans		149,035,318	149,035,318
Current portion of liabilities against assets subject to finance lease		687,187	687,187
Provision for taxation		297,389,128	214,436,239
Payable against sale of securities - net		154,906,701	465,407,950
Liabilities held for sale		13,539,624	13,640,441
		8,399,514,969	7,883,366,969
		36,858,397,337	30,507,209,113
Contingencies and commitments	5		

Condensed Interim Consolidated Balance Sheet

As at 30th September 2016

	Note	Unaudited September 2016	Audited June 2015
(Rupees)			
ASSETS			
Non-current assets			
Property, plant and equipment	6	8,011,120,064	2,147,958,965
Intangible assets - others		4,375,434	4,130,891
Goodwill		910,206,117	910,206,117
Trading right entitlement certificate, membership cards and offices		24,600,000	24,600,000
Investment properties		2,178,505,214	2,178,505,214
Equity accounted investees		16,848,181,727	16,674,180,757
Other long term investments		121,442,551	121,442,551
Long term deposits and prepayments		35,293,385	43,963,390
		28,133,724,492	22,104,987,885
Current assets			
Trade debts		1,005,154,712	618,645,963
Loans and advances		1,766,137,424	2,624,294,005
Deposits and prepayments		290,998,972	162,028,849
Advance tax		195,273,301	194,014,092
Mark-up receivable		18,587,295	19,756,976
Other receivables		544,134,133	169,842,640
Short term investments		4,446,160,935	4,163,587,442
Cash and bank balances		394,760,099	386,112,717
Assets held for sale		63,465,974	63,938,544
		8,724,672,845	8,402,221,228
		36,858,397,337	30,507,209,113

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


Chief Executive Officer

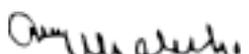

Director

Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the three months period ended 30th September 2016

	Three months period ended	
	September 2016	September 2015
	(Rupees)	
Operating revenue	542,014,612	680,537,732
Operating and administrative expenses	(101,733,404)	(106,559,728)
Other income	44,844,333	46,465,014
Finance cost	(102,240,455)	(131,356,585)
Other charges	(49,055,245)	(71,191,868)
	333,829,841	417,894,565
Share of profit of equity-accounted associates investees		
- net of tax	561,724,980	2,178,818,106
Profit before tax	895,554,821	2,596,712,671
Taxation		
For the period		
- Current	(110,480,198)	(51,740,052)
- Deferred	(51,283,763)	(259,839,216)
	(161,763,961)	(311,579,268)
Profit after tax	733,790,860	2,285,133,403
Profit attributable to:		
Equity holders of the Parent Company	637,545,479	2,188,968,535
Non-controlling interests	96,245,381	96,164,868
	733,790,860	2,285,133,403
Earnings per share - basic & diluted	1.41	4.82

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


Chief Executive Officer


Director

Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the three months period ended 30th September 2016

	<u>Three months period ended</u>	
	<u>September 2016</u>	<u>September 2015</u>
	(Rupees)	
Profit after tax	733,790,860	2,285,133,403
Other comprehensive income		
<i>Items that are or may be reclassified subsequently to profit and loss account</i>		
Unrealised appreciation / (diminution) during the period on remeasurement of investments classified as 'available for sale'	239,939,233	-
Related tax thereon	2,904,649	-
Effect of translation of net assets of foreign subsidiary to presentation currency - net	(371,753)	640,179
Share of other comprehensive income of equity-accounted associates -net of tax	11,026,248	(5,010,430)
Other comprehensive income for the period	253,498,377	(4,370,251)
Total comprehensive income for the period	987,289,237	2,280,763,152
Total comprehensive income attributable to:		
Equity holders of Arif Habib Corporation Limited	891,043,856	2,184,598,284
Non-controlling interests	96,245,381	96,164,868
	987,289,237	2,280,763,152

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


Chief Executive Officer


Director

Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the three months period ended 30th September 2016

	Note	Three months period ended	
		September 2016	September 2015
(Rupees)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	7	711,112,880	(1,395,262,642)
Taxes paid		(28,786,518)	(73,666,560)
Finance cost paid		(134,764,627)	(155,859,616)
Interest received		19,727,333	(7,981,118)
Net cash generated from / (used in) operating activities		567,289,068	(1,632,769,936)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(5,866,652,804)	(101,107,999)
Proceeds from sale of property, plant and equipment		40,047	42,442
Acquisition of intangible assets		(524,850)	(1,600,186)
Long term investments - net		-	413,871,110
Long term deposits		8,670,005	(31,132,459)
Net cash (used in) / generated from investing activities		(5,858,467,602)	280,072,908
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from / (repayment of) long term financing - net		4,849,777,178	(50,480,542)
Deferred liability		1,111,358	3,264,250
Liability against assets subject to finance lease		(173,147)	2,251,796
Net cash generated from / (used in) financing activities		4,850,715,389	(44,964,496)
Net decrease in cash and cash equivalents		(440,463,145)	(1,397,661,524)
Cash and cash equivalents at beginning of the period		(4,042,366,526)	(1,791,998,429)
Cash and cash equivalents at end of the period	8	(4,482,829,671)	(3,189,659,953)

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


Chief Executive Officer

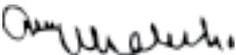

Director

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the three months period ended 30th September 2016

	Equity attributable to owners of the Parent						Non-controlling interests	Total equity
	Issued, subscribed and paid up share capital	Unrealized (diminution) / appreciation on remeasurement of investments classified as 'available for sale'	Exchange difference on translation to presentation currency	General reserve	Unappropriated profit	Total		
	(Rupees)							
Balance as at 1 July 2015	4,537,500,000	115,262,601	46,886,652	4,019,567,665	9,523,954,923	18,243,171,841	1,550,040,084	19,793,211,925
Total comprehensive income for the three months period								
Profit for the three months period ended 30 September 2015	-	-	-	-	2,188,968,535	2,188,968,535	96,164,868	2,285,133,403
Other comprehensive income								
Effect of translation of net assets of foreign subsidiary to presentation currency - net	-	-	640,179	-	-	640,179	-	640,179
Share of other comprehensive income / (loss) of equity-accounted associates -net of tax	-	(5,010,430)	-	-	-	(5,010,430)	-	(5,010,430)
	-	(5,010,430)	640,179	-	2,188,968,535	2,184,598,284	96,164,868	2,280,763,152
Distribution by Subsidiaries	-	-	-	-	-	-	(119,351,841)	(119,351,841)
Balance as at 30 September 2015	4,537,500,000	110,252,171	47,526,831	4,019,567,665	11,712,923,458	20,427,770,125	1,526,853,111	21,954,623,236
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 three months period								
Profit for the three months period ended 30 September 2016	-	-	-	-	637,545,479	637,545,479	96,245,381	733,790,860
Other comprehensive income								
Unrealised appreciation / (diminution) during the period on remeasurement of investments classified as 'available for sale'	-	239,939,233	-	-	-	239,939,233	-	239,939,233
Related tax thereon	-	2,904,649	-	-	-	2,904,649	-	2,904,649
Effect of translation of net assets of foreign subsidiary to presentation currency - net	-	-	(371,753)	-	-	(371,753)	-	(371,753)
Share of other comprehensive income / (loss) of equity-accounted associates -net of tax	-	11,026,248	-	-	-	11,026,248	-	11,026,248
	-	253,870,130	(371,753)	-	637,545,479	891,043,856	96,245,381	987,289,237
Distribution by Subsidiaries	-	-	-	-	-	-	(102,845,841)	(102,845,841)
Balance as at 30 September 2016	4,537,500,000	293,359,980	48,874,467	4,019,567,665	11,843,659,081	20,742,961,193	735,937,352	21,478,898,545

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


Chief Executive Officer


Director

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the three months period ended 30th September 2016

1. STATUS AND NATURE OF BUSINESS

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

This condensed interim consolidated financial information of Arif Habib Corporation Limited for the three months period ended 30 September 2016 comprise of the Parent Company and following subsidiary companies (here-in-after referred to as “the Group”).

<i>Subsidiary Companies</i>	Note	<i>Effective holding</i>
- Arif Habib Limited, a brokerage house	1.1	<u>73.29%</u>
- Arif Habib Commodities (Private) Limited, investment management of commodities [wholly owned subsidiary of Arif Habib Limited	1.2	<u>73.29%</u>
- Arif Habib 1857 (Private) Limited, investments and share brokerage company [wholly owned subsidiary of Arif Habib Limited]	1.3	<u>73.29%</u>
- Arif Habib DMCC, a UAE incorporated member company of Dubai Gold and Commodities Exchange	1.4	<u>100.00%</u>
- Pakistan Opportunities Limited	1.5	<u>85.00%</u>
- Sachal Energy Development (Private) Limited, a wind power generation company	1.6	<u>99.99%</u>

Associates

- MCB-Arif Habib Savings and Investments Limited	1.7	<u>30.09%</u>
- Fatima Fertilizer Company Limited	1.8	<u>15.19%</u>
- Pakarab Fertilizers Limited	1.9	<u>30.00%</u>
- Silkbank Limited	1.10	<u>28.23%</u>

- 1.1** Arif Habib Limited (AHL) was incorporated in Pakistan on 07 September 2004 under the Companies Ordinance, 1984, as a public limited company. The registered office of AHL is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi, Pakistan. It is domiciled in the province of Sindh. AHL holds Trading Right Entitlement Certificates of Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). The principal activities of AHL are investments, share brokerage, interbank brokerage, initial public offering (IPO) underwriting, advisory and consultancy services.
- 1.2** Arif Habib Commodities (Private) Limited (AHCPL) was incorporated on 2 April 2012 as a private limited company under the Companies Ordinance, 1984. The registered office of the AHCPL is located at Arif Habib Centre, 23 M.T. Khan Road, Karachi. The principal activity of AHCPL is to effectively manage investment portfolios in commodities. The AHCPL is a wholly owned Subsidiary of Arif Habib Limited. AHCPL holds license of Pakistan Mercantile Exchange (PMEX).
- 1.3** Arif Habib 1857 (Private) Limited (AH1857) was incorporated on 17 July 2014 as a private limited company in Pakistan under Companies Ordinance, 1984. The registered office of the AH1857 is located at Arif Habib Centre, 23 M.T. Khan road, Karachi. The principal activities of the Company are investment and shares brokerage. The AH1857 is a wholly owned Subsidiary of Arif Habib Limited. AH1857 holds Trading Right Entitlement Certificate (TREC).

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the three months period ended 30th September 2016

- 1.4** Arif Habib DMCC (AHD) was incorporated in Dubai, U.A.E. on 24 October 2005 as a limited liability company. Its registered office is situated at Unit No. AG-15-E, AG Tower (Silver), Plot No. 11, Jumeirah Lake Towers, Dubai, U.A.E. AHD is a wholly owned subsidiary of Parent Company and was granted registration and trading license by the Registrar of Companies of the Dubai Multi Commodities Centre (DMCC) Authority on 26 October 2005. The principal activities of the AHD is trading in gold, metals and other commodities on the Dubai Gold and Commodities Exchange (DGCX). However, no commercial activities were carried out during the period. The Parent Company had classified AHD as 'held for sale'.
- 1.5** Pakistan Opportunities Limited (POL) was incorporated in Pakistan on 6 September 2006 under the Companies Ordinance, 1984 as a public limited company (UnQuoted). The registered office of the POL is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi, Pakistan. The principal purpose of the Subsidiary Company is to make strategic investments by investing in securities and industrial and commercial ventures. Previously POL was registered under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, with the SECP and had license to carry out Private Equity and Venture Capital Fund Management Services, which expired on 3 June 2013. The Subsidiary Company decided not to apply for renewal of license and applied with the SECP to exit from the business which was granted on 18 November 2014. The Memorandum of Association was amended by shareholders of the Company through special resolution dated 5 January 2015 which was approved by the Securities and Exchange Commission of Pakistan (SECP) on 19 January 2015.
- 1.6** Sachal Energy Development (Private) Limited (SEDPL) was incorporated in Pakistan under the Companies Ordinance, 1984 on 20 November 2006. SEDPL's registered office is located in Islamabad, Pakistan. It plans to carry out the business of purchasing, generating, importing, distributing, supplying and dealing in electricity and all other form of energy and the related services. It is in process of establishing 49.5 MW wind power project in Jhampir, Sindh, Pakistan.
- 1.7** MCB-Arif Habib Savings and Investments Limited (MCB-AH) was incorporated in the name of Arif Habib Investment Management Limited (AHIML) on 30 August 2000 as an unquoted public limited company under the requirements of the Companies Ordinance, 1984. MCB-AH is listed on the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). MCB-AH is registered as a Pension Fund Manager under the Voluntary Pension System Rules, 2005 and as an Asset Management Company and an Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. the registered office of MCB-AH has been shifted to 24th Floor, Centre point, Off Shaheed-e-Millat Expressway, near K.P.T. Interchange, Karachi, Pakistan.
- 1.8** Fatima Fertilizer Company Limited (FFCL) and its wholly owned subsidiaries - Fatimafert Limited (FF) (formerly DH Fertilizers Limited) and Buber Sher (Private) Limited (BSPL) were incorporated in Pakistan under the Companies Ordinance, 1984. FFCL is listed on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). The control of FF and BSPL was transferred to FFCL on 1 July 2015. 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.
- 1.9** Pakarab Fertilizers Limited (PFL) was incorporated as a private limited company in Pakistan under the Companies Act, 1913, (now Companies Ordinance, 1984). PFL changed to a non-listed public company from 7 June 2007. PFL Term Finance Certificates were listed at the Karachi Stock Exchange Limited (now merged as Pakistan Stock Exchange Limited) during the period from March 2008 to March 2013. Thereafter PFL is a non-listed public company. PFL on 12 April 2011; incorporated a wholly owned Subsidiary Company, Reliance Sacks Limited (RSL). PFL is principally engaged in the manufacturing and sale of chemical fertilizers while the RSL is principally engaged in the manufacturing and sale of polypropylene sacks, cloth and liners. PFL registered address is E-110, Khayaban-e-Jinnah, Lahore Cantt, while its manufacturing facility is located in Multan.

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the three months period ended 30th September 2016

1.10 Silkbank Limited (Silkbank) was incorporated in Pakistan on 4 April 1994 as a public limited company under the Companies Ordinance, 1984. Silkbank commenced commercial operations on 7 May 1995. Silkbank's shares are quoted on Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). Silkbank is engaged in banking services as described in Banking Companies Ordinance, 1962. Silkbank operates through 88 branches (30 June 2016: 88 branches) including 10 (30 June 2016: 10) Islamic banking branches in Pakistan. Silkbank registered office is located at Silkbank Building, Kaghan Road, F-8 Markaz, Islamabad.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

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

3. ACCOUNTING POLICIES

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

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

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

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the three months period ended 30th September 2016

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 the year ended 30 June 2016 except for the following outstanding commitments of AHL, Subsidiary Company, as at period end:

	Unaudited September 2016	Audited 30 June 2016
	(Rupees)	
- Outstanding Settlements against Marginal Trading contracts	2,306,061,170	1,806,919,064
- Outstanding Settlements against (purchase) / sale of securities in regular market	27,066,503	471,058,025
- Guarantee given by a commercial bank on behalf of the company	100,000,000	100,000,000
	<u>2,433,127,673</u>	<u>2,377,977,089</u>

6. PROPERTY, PLANT AND EQUIPMENT

Capital expenditure incurred during the period amounted to Rs 5,866.4 million. Further, assets having written down value of Rs. 0.037 million were disposed off.

7. CASH GENERATED FROM / (USED IN) OPERATIONS

	Unaudited Three months period ended	
	September 2016	September 2015
	(Rupees)	
Profit before tax	895,554,821	2,596,712,671
Adjustments for:		
Depreciation	4,084,176	28,514,545
Amortisation	363,745	980,722
Dividend income	(50,054,015)	-
Loss on sale of property, plant and equipment	17,128	24,821
Unrealised loss on short term investments	130,214,593	130,214,593
Share of profit of equity-accounted associates - net of tax	(561,724,980)	(2,178,818,106)
Mark-up on loans and advances	(18,557,652)	(27,276,063)
Finance cost	102,240,455	131,356,585
	<u>(393,416,550)</u>	<u>(1,915,002,903)</u>
Operating profit before working capital changes	502,138,271	681,709,768
Changes in working capital:		
<i>Decrease / (increase) in current assets</i>		
Stock in trade	-	71,609,000
Stores and spares	-	(142,585,034)
Trade debts	(386,508,749)	(903,845,099)
Loans and advances	858,156,581	(467,885,167)
Deposits and prepayments	(128,970,123)	204,534,423
Other receivables	(374,291,493)	(305,676,515)
Short term investments	326,352,908	(666,944,788)
Assets and liabilities held for sale	371,753	-
<i>(Decrease) / increase in current liabilities</i>		
Trade and other payables	224,364,981	67,053,000
Payable against sale of securities	(310,501,249)	66,767,770
	<u>208,974,609</u>	<u>(2,076,972,410)</u>
Cash generated from / (used in) operations	<u>711,112,880</u>	<u>(1,395,262,642)</u>

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the three months period ended 30th September 2016

	Unaudited	
	Three months period ended	
	September	September
	2016	2015
	(Rupees)	
8. CASH AND CASH EQUIVALENTS		
Cash and bank balances	394,760,099	1,587,687,291
Short term borrowings	(4,877,589,770)	(4,777,347,244)
	(4,482,829,671)	(3,189,659,953)
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 2016.

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 2016.

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:

	Unaudited	
	Three months period ended	
	September	September
	2016	2015
	(Rupees)	
<i>Transaction with associates</i>		
Mark-up on loan and advance	-	25,867,205
Mark-up income received	-	7,981,118
Loan extended	-	1,438,370,543
Loan repayment	-	909,800,000
Sale of goods	-	5,742,600
Commission on guarantees	-	675,000

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the three months period ended 30th September 2016

	Unaudited	
	Three months period ended	
	September	September
	2016	2015
	(Rupees)	
<i>Transaction with other related party</i>		
Provident fund contribution	1,387,247	2,266,598
Payment of rent and maintenance charges	14,210,489	1,635,229
Dividend income / received	520	-
Mark-up accrued on loan	10,303,705	78,762,674
Mark-up paid on loan	10,716,287	-
Mark-up on loan and advance	18,557,652	-
Mark-up income received	19,756,811	-
Loan extended	411,000,000	-
Loan repayment	499,272,189	-
Guarantee commission income	741,964	-
Guarantee commission received	741,964	-
Brokerage commission and other services income	5,266,518	2,381,645
Loan obtained	-	3,000,000,000
Sale of goods & services	-	38,271,909
Donation paid to Jinnah Foundation		
[Interest of Directors in Donee: Mr. Nasim Beg (Trustee), Mr. Muhammad Ejaz (Trustee) and Mr. Sirajuddin Cassim (Trustee)]	1,730,500	-
<i>Remuneration of chief executive officer, directors and other key management personnel</i>		
Remuneration	7,272,381	9,246,834
Receivable	529,290	61,685
Payable	10,335,501	2,217,301
	Unaudited	Audited
	September	June
	2016	2016
	(Rupees)	

Balances as at

Commission on guarantee receivable from Javedan Corporation Limited	50,000	50,000
Commission on guarantee receivable from Aisha Steel Mills Limited	625,000	625,000
Commission on guarantee receivable from Power Cement Limited	66,964	66,964
Mark-up receivable from Aisha Steel Mills Limited	18,557,652	19,717,359
Mark-up payable to Summit Bank Limited	8,560,911	8,973,453
Mark-up payable to International Complex Projects Limited	125,049,041	125,049,041
Mark-up receivable from Javedan Corporation Limited	-	39,452
Investment in related parties	2,152,984,525	1,093,026,818
Receivable from group companies	9,202,689	8,011,263
Payable to group companies	29,032,323	1,161,242

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the three months period ended 30th September 2016

12. REPORTABLE SEGMENTS

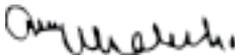
- 12.1** The group has four reportable segments: Capital Market Operations, Brokerage, Material & Construction and others. The capital market operations' segment is principally engaged in trading of equity securities and maintaining strategic and trading portfolios. The brokerage segment is principally engaged in brokerage, underwriting, corporate consultancy, research and corporate finance services. The material & construction segment is principally engaged in manufacturing and sale of construction related materials. Others includes assets of and energy development and multi commodities 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 2016. The group evaluates performance on the basis of profit or loss from operations before tax expense not including non-recurring gains and losses and foreign exchange gains and losses. The group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market price unless disclosed otherwise.
- 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, amortization and remeasurement of equity and debt instruments in profit or loss.

13. APPROPRIATION FOR DIVIDEND

For the year ended 30 June 2016, the Board of Directors of the Parent Company has proposed a cash dividend of Rs. 2.5 per share amounting Rs. 1,134,375,000 at its meeting held on 27 September 2016 for the approval of the members at the annual general meeting to be held on 29 October 2016. This condensed interim consolidation financial information does not reflect this appropriation.

14. DATE OF AUTHORISATION FOR ISSUE

This condensed interim consolidated financial information has been authorised for issue on 29 October 2016 by the Board of Directors of the Parent Company.


Chief Executive Officer


Director



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