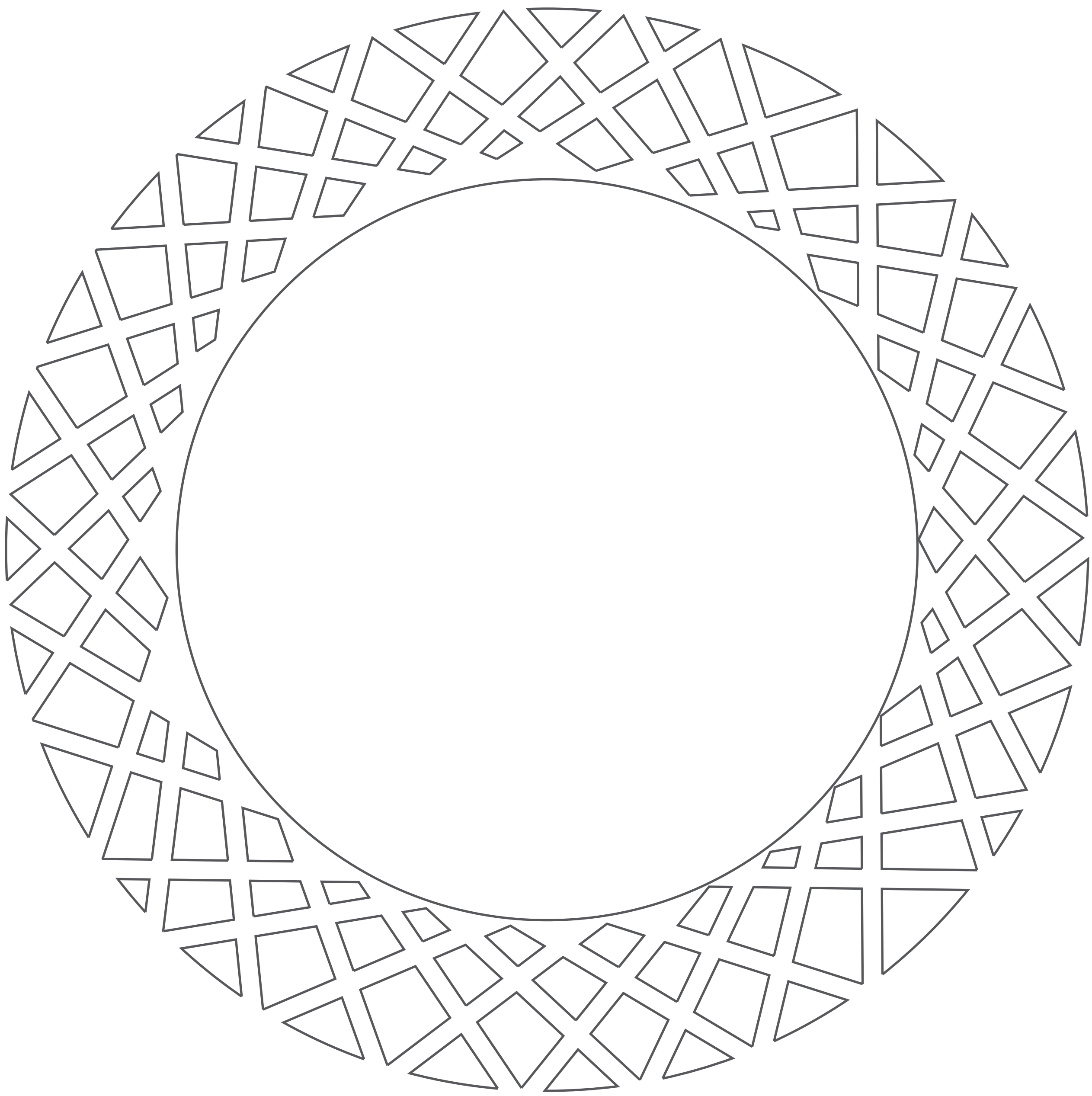
Annual Report 2020

Investing in Tomorrow

Arif Habib Corp



Investing in **Tomorrow**

Arif Habib **Group**

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

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

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

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

Arif Habib Corporation **Limited**

Arif Habib Corporation Limited (AHCL) is the flagship company of the Arif Habib Group. The company took over the sole proprietorship business set up by Mr. Arif Habib in 1990 and was incorporated in 1994 as a public limited company with a paid up capital of PKR 40 million. AHCL was listed in 2001, with an initial public offering (IPO) of one million shares, targeting to raise PKR 80 million in order to finance growth. Since its listing in 2001, the Company has distributed PKR 13 billion as dividend (including specie dividend), PKR 720 million by buying back 2 million shares (having face value of PKR 10 each) at a price of PKR 360 per share in 2005-6 & PKR 1.225 billion by buying back 45.375 million shares (having face value of PKR 10 each) at a price of PKR 27 per share in 2019-20 from its shareholders. Currently the Company's equity is PKR 18 billion built through retained earnings. Thus, by 30th June 2020, the initial investors in the IPO of the Company, have had a compounded all annualized return of 27.15% (2001).

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

Arif Habib Group's **Journey**

1994

Establishment of Arif Habib Securities Limited (Now Arif Habib Corporation Limited)

2001

Establishment of Asset Management Company, Arif Habib Investments (now MCB-Arif Habib Savings and Investments Limited)

Listing of Airf Habib Corporation Limited on Stock Exchange

2004

Establishment of Arif Habib Limited by separating brokerage business from Arif Habib Securities Limited

Acquired Rupali Bank, renamed as Arif Habib Rupali Bank and then Arif Habib Bank

Acquisition of Sukh Chayn Gardens and Thatta Cement

2005

Acquisition of Pakarab Fertilizers Limited

2009

Establishment of REIT Management Company

Divestment of Arif Habib Bank (now Summit Bank) and Thatta Cement

2011

Acquisition of Sachal Energy Development (Pvt) Ltd (to set up Wind Power)

Merger of Arif Habib Investments and MCB Asset Management

Launch of Naya Nazimabad Housing Project

2012

Establishment of Arif Habib Commodities (Pvt) Ltd

2006

Invested in Power Cement Limited

Acquisition of Javedan Cement Limited

Invested in Fatima Fertilizer Company Limited, which was established as a green field project

2007

Became a joint venture partner in Aisha Steel Mills Limited

2008

Acquired stake in ICPL (Dolmen City)

2015

Acquisition of DH Fertilizers

Launch of Dolmen City REIT, South Asia's first listed REIT

2017

Achieved Financial Close for expansion of Aisha Steel and Power Cement (USD 300m)

Incorporation of Black Gold Power Limited for 660MW Coal Power Project

2019

Achieved COD of Aisha Steel's expansion

2020

Achieved COD of Power Cement's expansion

Content

Forward Looking **Statements**

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

Corporate **Strategy**

Our Corporate Strategy aims at creating value for all stakeholders by maintaining and improving our competitive position in the market.

This is achieved by continuously evaluating and acting in the best interests of our stakeholders in response to the changing market conditions, both domestically, as well as internationally. Towards this end, we optimise our financial and human capital while seeking partnerships with other business houses having strong management teams to create and expand viable business enterprises.

Vision

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

Mission

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

Objectives

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

Values

AHCL is values-driven and this principle continues to direct the business and the growth of the Arif Habib Group companies.

The core values which reinforce the way we do business are:

Integrity
We conduct our business fairly, with honesty and with transparency. Everything we do stands the test of public scrutiny

Excellence
We constantly strive to achieve the highest possible standards in our day-to-day work and in the quality of the goods and services we provide

Unity
We work cohesively with our colleagues across the group and with our customers and partners around the world, building strong relationships based on tolerance, understanding and mutual cooperation

Responsibility
We continue to be responsible, as well as sensitive to the geographies, communities and the environment in which we work, always ensuring that what comes from the people goes back to the people many times over

Company **Information**

Board of Directors

Dr. Shamshad Akhtar
Chairperson - Independent Director

Arif Habib
Chief Executive Officer

Sirajuddin Cassim
Independent Director

Asadullah Khawaja
Non-Executive Director

Nasim Beg
Non-Executive Director

Samad A. Habib
Non-Executive Director

Kashif A. Habib
Non-Executive Director

Muhammad Ejaz
Non-Executive Director

Audit Committee

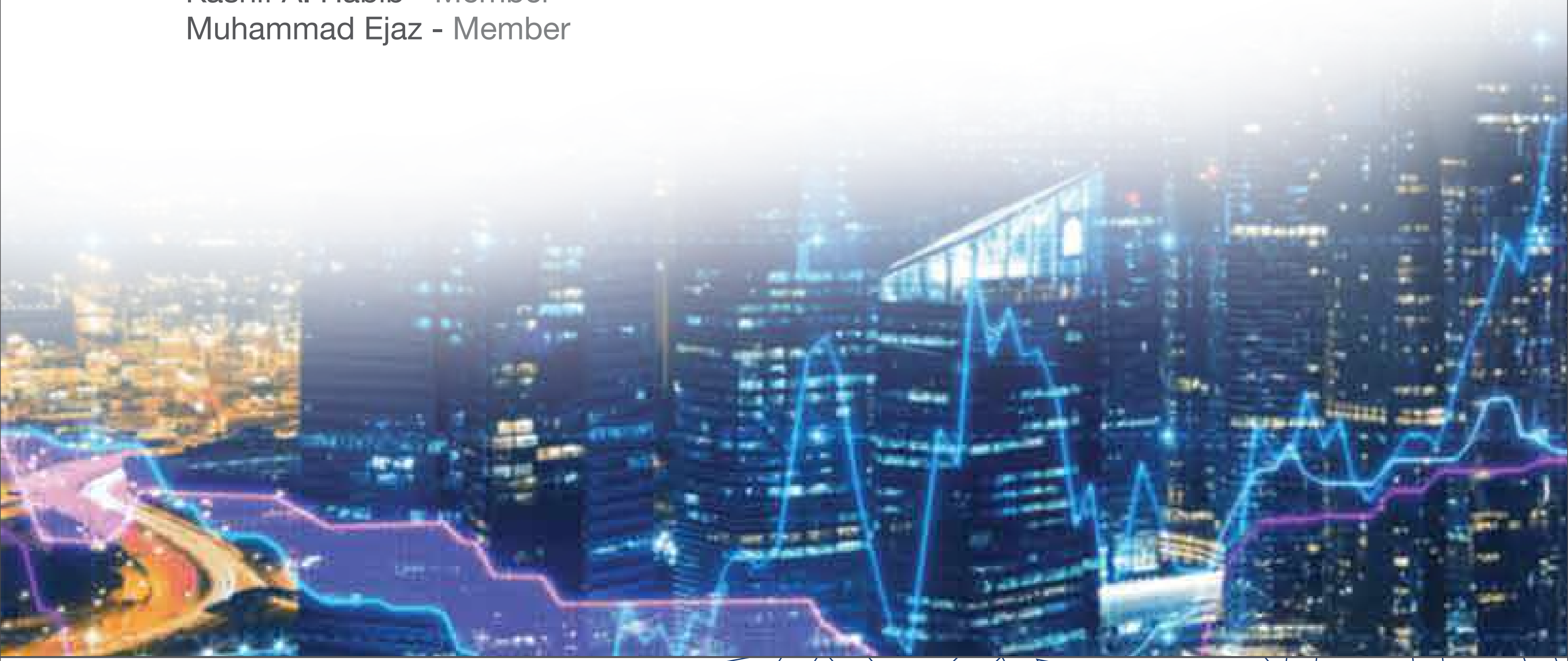
Sirajuddin Cassim - Chairman
Kashif A. Habib - Member
Muhammad Ejaz - Member

Management

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

Bankers

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



Auditors

KPMG Taseer Hadi& Co.
Chartered Accountants

Legal Advisors

Bawaney & Partners
Akhund Forbes Hadi

Registered & Corporate Office

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

Registrar & Share Transfer Agent

CDC Share Registrar Services Limited

Share Registrar Office

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

Corporate Memberships

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

Chairperson's **Message**

The year 2020 has been a difficult year for the world. The COVID-19 pandemic grew at an alarming pace, disrupting economies worldwide, pushing many countries toward steep recession. Pakistan's economic recovery and macroeconomic stabilisation program post 2018 events were interrupted as the country and businesses safeguarded themselves from pandemic through lockdowns and other measures instituted from March 2020 onwards to contain pandemic. Despite setbacks, timely release of liquidity, industry relief and support and business continuity measures supported economic activity, albeit slowly and unevenly.

Support from the International Monetary Fund and Multilateral Banks and debt relief reduced volatility and helped stabilise the exchange rate at current levels (PKR 167/USD). The financial stimulus package of PKR 1,200 billion announced by the Government (which includes the Construction and Ehsaas Packages) is likely to mitigate the impact of the outbreak on the most vulnerable social segments while also extending much needed support to the affected businesses.

The AHCL Management swiftly analysed the unprecedented situation after the onslaught of COVID-19 and formulated a carefully planned strategy to ensure staff safety and manage the outbreak while ensuring business continuity. This is exemplified by improvements in efficient control environment, compliance with health practices and uninterrupted operations.

Despite the country's economic difficulties, AHCL's investment diversification strategy proved to be prudent. During the year under review, AHCL posted a consolidated net profit (attributable to equity holder of the Parent Company) of PKR 2,638.52 million as opposed to PKR 154.45 million posted during 2019 which translates into an EPS of PKR 6.39 during the year ended 30 June 2020. On a unconsolidated basis, the company posted a net loss of PKR 569.88 million as compared with loss of PKR 963.84 million in 2018-19. This translates to loss-per-share of PKR 1.38 as compared with loss-per-share of PKR 2.12 per share recorded in the previous year.

The Boards and Managements of investee companies also acted timely to minimise the impact of economic disruption and to continue achieving business continuity. Fortunately, COVID-19 has had no significant impact on the operation of our investee companies. Irrespective, the AHCL and its investee companies will strive to remain prudent for the benefit of its employees and ensure it takes the needed steps to strengthen the company prospects.

We remain focused on capitalising on short and long term opportunities through our investee companies and portfolio, delivering sustainable value to all our stakeholders.

Review Report by the Chairperson on the overall **Performance of the Board**

During the year under review, the Board of Directors (the Board) of AHCL has performed their duties diligently in upholding the best interest of shareholders' of the Company and has managed the affairs of the Company in an effective and efficient manner. The Board has exercised its powers and has performed its duties as stated in the Companies Act, 2017, the Code of Corporate Governance ("the Code") and the Rule Book of the Pakistan Stock Exchange (the Rule Book) where the Company is listed.

The Board during the year ended 30th June 2020 played an effective role in managing the affairs of the Company and achieving its objectives in the following manner;

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

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

Dr Shamshad Akhtar
Chairperson
Karachi: 30th September 2020

Board of Directors & Key **Management**

Dr. Shamshad Akhtar
Chairperson & Independent Director

Dr. Shamshad Akhtar has a broad based development career, spanning over 40 years, in national and multilateral organisations.

She has served as the Governor of the State Bank of Pakistan , Under Secretary General of the Economic and Social Commission of the Asia and Pacific (UNESCAP), Senior Special Advisor on Economics and Finance and Assistant Secretary General UN, the UN Secretary General's G20 Sherpa, Vice President, Middle East and North Africa (MENA) at The World Bank, and Senior Special Advisor to the President of Asian Development Bank (ADB). Dr. Shamshad Akhtar also served as Federal Finance Minister in the caretaker government prior to the general election of Pakistan in 2018.

In addition to advising on macroeconomics issues including growth policies, public finance, and monetary policy and management, Dr. Shamshad Akhtar has advised various governments and the private sector in specific areas of governance, poverty, privatization, and public-private partnerships in sectors such as energy and agriculture. Over the years she also advised a number of countries on financial sector (both bank and non-bank) policy, legal and regulatory frameworks and conducted assessments of central banks. As Governor of the State Bank of Pakistan, she was nominated Asia's Best Central Bank Governor by the Emerging Market Groups in 2006 and Bankers Trust in 2007. She was also amongst Asian Wall Street Journal's top ten Women Business Leaders in 2008.

Dr. Akhtar was a post-doctoral US Fulbright Fellow at Harvard University, she holds a PhD in Economics and a Masters in Development Economics from the UK, and an MSc in Economics from Quaid-e-Azam University, Islamabad.

Corporate Responsibilities

As Chairperson

Karachi Grammar School
Karandaaz Pakistan
Sui Southern Gas Company Limited

As Director

Pakistan Institute of Corporate Governance

Mr. Arif Habib
Chief Executive

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

Mr. Arif Habib remained the elected President/Chairman of Karachi Stock Exchange for six times in the past and was a Founding Member and Chairman of the Central Depository Company of Pakistan Limited. He has served as a Member of the Privatisation Commission, Board of Investment, Tariff Reforms Commission and Securities & Exchange Ordinance Review Committee. Over the years he has been nominated on the Board of Directors of a number of companies by the Government of Pakistan. He is currently a member of the Think-Tank constituted by the Prime Minister on COVID-19 related economic downturn.

Mr. Habib participates significantly in welfare activities. He remains one of the directors of Pakistan Centre for Philanthropy (PCP), Karachi Education Initiative (KSBL) and Karachi Sports Foundation as well as trustee of Memon Health & Education Foundation (MMI) and Fatimid Foundation.

Corporate Responsibilities

As Chairman

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

As Director

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

As Honorary Trustee/Director

Fatimid Foundation
Habib University Foundation
Karachi Education Initiative
Pakistan Centre for Philanthropy

Mr. Asadullah Khawaja
Non-Executive Director

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

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

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

Corporate Responsibilities

As Director

Pak Elektron Limited
Premier Insurance Limited

Mr. Sirajuddin Cassim
Independent Director

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

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

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

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

Corporate Responsibilities

As Director

Platinum Securities (Private) Limited

Mr. Nasim Beg
Non-Executive Director

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

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

Mr. Beg has also held senior level responsibilities in the automobile industry. During his tenure as the Chief Executive of Allied Precision (a subsidiary of the Allied Engineering Group), he set up a green field project for the manufacture of sophisticated indigenous components for the automotive industry under transfer of technology licenses with Japanese and European manufacturers.

His initiation to the financial services business was with the Abu Dubai Investment Company, UAE, where he was a part of the team that set up the company in 1977. He was the founding Chairman of the Institute of Financial Markets of Pakistan, which was sponsored by the Securities & Exchange Commission of Pakistan (SECP). He has served on several committees set up by the SECP for developing the Capital Markets, including the one that authored the Voluntary Pension System. He has also held the Chairmanship of the Mutual Funds Association of Pakistan. In addition, he has also been a member of the Prime Minister's Economic Advisory Council (EAC).

Corporate Responsibilities

Arif Habib Consultancy (Pvt.) Limited (Chief Executive)

As Director

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

Mr. Samad A. Habib
Non-Executive Director

Starting off with a career at Arif Habib Corporation Limited; Samad built up his experience in sales, marketing and corporate activities working his way up through various executive positions.

Joining Arif Habib Limited in 2004, he led the company as Chairman and Chief Executive playing a key role in the strategic direction of the company where he specialized in capital market operations and corporate finance building achieving a range of significant IPOs and private placements.

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

Corporate Responsibilities

Javedan Corporation Limited (Chief Executive)
Safemix Concrete Limited (Chief Executive)

As Director

Dolmen City REIT/Arif Habib Dolmen REIT Management Limited
Power Cement Limited
Arif Habib Equity (Pvt.) Limited
Arif Habib Foundation
Arif Habib Real Estate Services (Pvt.) Limited
Black Gold Power Limited
Nooriabad Spinning Mills (Pvt.) Limited
Pakarab Fertilizers Limited
Pakistan Opportunities Limited
Rotocast Engineering Company (Pvt.) Limited
Sukh Chayn Gardens (Pvt.) Limited
NN Maintenance Company (Pvt.) Limited

Mr. Muhammad Ejaz
Non-Executive Director

Muhammad Ejaz is the founding Chief Executive of Arif Habib Dolmen REIT Management Limited, which has successfully launched South Asia's first listed REIT fund.

He has been associated with Arif Habib Group since August 2008 and sits on the board of several group companies. He has spear headed several group projects when these were at a critical stage during their execution.

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

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

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

Corporate Responsibilities

Arif Habib Dolmen REIT Management Limited
(Chief Executive)

As Director

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

Mr. Kashif A. Habib

Non-Executive Director

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

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

Corporate Responsibilities

Power Cement Limited (Chief Executive)

As Director

Aisha Steel Mills Limited
Fatima Fertilizer Company Limited
MCB-Arif Habib Savings & Investments Limited
Arif Habib Equity (Pvt.) Limited
Arif Habib Foundation
Arif Habib Real Estate Services (Pvt.) Limited
Black Gold Power Limited
Memon Health and Education Foundation
Nooriabad Spinning Mills (Pvt.) Limited
Pakarab Fertilizers Limited
Fatima Packaging Limited (formely Reliance Sacks Limited)
Rotocast Engineering Company (Pvt.) Limited
Safemix Concrete Limited
Siddqsons Energy Limited

Key **Management**

Mr. Mohsin Madni
Chief Financial Officer

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

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

Mr. Manzoor Raza
Company Secretary

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

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

Directors' **Report**

DEAR FELLOW SHAREHOLDERS,

The Directors of Arif Habib Corporation Limited (AHCL) present herewith the Annual Report of your Company and the audited financial statements for the financial year ended on 30th June 2020 together with auditors' report thereon.

PRINCIPAL ACTIVITIES

AHCL is the holding company of Arif Habib Group, having diversified businesses consisting of financial services, fertilisers, energy, cement, steel and real estate. The Company also continues to be an investor in the securities market.

THE ECONOMY

Financial Year 2020 has been quite challenging for Pakistan. The year started off with a documentation drive, slowing down demand in the economy. Higher interest rates during the early part of the year also contributed to the slowdown. COVID-19's emergence in the 8th month of the financial year under review was responsible for closure of business in large part across the country. The Prime Minister, supported by the Ministry of Finance and particularly the State Bank of Pakistan, in partnership with Banks, responded to COVID-19 impressively. Reduction of interest rates by 625 basis points to 7 percent, one year deferment to repay instalments for bank borrowers, offering TERF financing facility and salary financing facility have provided big relief to borrowers, saving them from bankruptcies. The budget for 2021 was free of new taxes and reduced custom duties on raw materials. A comprehensive Construction Package was announced by the Prime Minister. These measures were appreciated by the Markets, which started to become apparent in June 2020 through the start of a recovery in KSE-100 index, representing investors' positive sentiment.

FINANCIAL RESULTS

During the year under review, the Company posted a consolidated profit-after-tax (attributable to equity holders of the Parent Company) of PKR 2,638.52 million as opposed to PKR 154.45 million posted during 2019. This translates to an earning of PKR 6.39 per share as compared with an earning of PKR 0.34 per share last year.

On unconsolidated basis, the Company has recorded a loss-after-tax of PKR 569.88 million as compared with loss of PKR 963.84 million in 2018-19. This translates to loss-per-share of PKR 1.38 as compared with loss-per-share of PKR 2.12 per share recorded in the previous year.

The Board has recommended declaration of a final Cash Dividend for the year ended 30th June 2020 at PKR 1.50 per share i.e. 15%. This entitlement shall be available to those shareholders whose names appear on the shareholders' register at the close of business on 21st October 2020.

During the year, the Company has adopted IFRS 16 'Leases'. The impact of adoption of IFRS 16 and related accounting policies are disclosed in note 5.1 of unconsolidated financial statements.

PERFORMANCE OF SUBSIDIARIES AND ASSOCIATES

Though the year under review has been tough for businesses in general, diversification of our investment portfolio proved beneficial on a consolidated basis. While some businesses such as Financial Services, Cement and Steel were under pressure, others such as fertilisers and energy performed well.

INVESTEE SEGMENTS AT A GLANCE

FERTILISERS

The Company has a significant investment in the fertiliser sector with a total annual production capacity of 2.57 million tonnes consisting, of plants at Sadiqabad, Shaikhapura and Multan under the name of Fatima Fertilizer Company Limited and Pakarab Fertilizers Limited. Both the companies have done well during the period under review.

Fatima Fertilizer Company Limited generated net profit after tax of PKR 12.17 billion from July 2019 to June 2020. Pakarab Fertilizers Limited incurred a loss of PKR 3 billion from July 2019 to December 2019. However, it generated a profit of PKR 706.76 million from January 2020 to June 2020. Pakarab's turnaround into a profitable entity is due to resumption of supply of natural gas from a dedicated field with which it has a contract of gas supply for seven years.

FINANCIAL SERVICES

Despite a highly volatile trading year, during which the KSE 100 Index dipped significantly close to the 28,000 level, the operating financial performance of the subsidiaries and associates in this sector has been satisfactory.

Arif Habib Limited (AHL) posted after tax profit of PKR 59.86 million (FY19: Loss of PKR 62.46 million). The equity of the company as at the balance sheet date stood at PKR 3.27 billion (June 2019: PKR 2.92 billion), translating into book value per share of PKR 54.99 (June 30, 2019: PKR 44.21).

For our asset management company, MCB-Arif Habib Savings and Investments Limited, the year under review has been one of its most successful years. MCBAH showed significant growth and generated net sales of over PKR 17.6 billion. As on 30th June 2020, the company's assets/funds under management amounted to PKR 65.1 billion compared to PKR 45.6 billion as on 30th June 2019. Moreover, the Company was also managing over PKR 35.5 billion under discretionary and non-discretionary portfolio compared to PKR 26.8 billion as on 30th June 2019. Further, due to active fund management during the year, Company generated an investment income of PKR 126 million.

The increase in AUMs coupled with active fund management resulted in Company earning Profit after tax of PKR 258 million compared to last year profit of PKR 24 million.

The earnings per share of current financial year ended 30th June 2020 is PKR 3.58 as compared to Re. 0.34 per share in the previous financial year ended 30th June 2019.

STEEL

Aisha Steel Mills Limited (ASML) completed its expansion, becoming a state-of-the-art, large scale, cold rolling and galvanizing complex, in June 2019. The sales quantity achieved in the year 2019-20 was 258,453 tons compared to 205,456 tons achieved last year, showing an increase of about 26%. The total production for the period was 277,800 tons compared to 202,167 tons, showing an increase of about 37%. The capacity utilization, after the expansion to 700,000 tons/year, was around 40% compared to 89% recorded for the corresponding period last year when the capacity stood at 226,849 tons/year. The revenue generated during the year was PKR 29.78 billion, compared to PKR 20.23 billion achieved in 2018-19, showing an increase of 47%. Aisha incurred an after tax loss of PKR 616.57 million for the year under review, mainly on account of the higher financing costs incurred for the expansion, but the capacity remained under utilized.

CEMENT

Power Cement has increased its capacity to 3.4 million tons per annum from 0.9 million tons per annum, making it one of the most cost-efficient and the second largest unit in the Southern region, which will help the company acquire a bigger market share, making it a serious player in the cement sector. The new plant is a complete state-of-the-art European cement production line supplied by FLSmidth, Denmark with the latest environmental pollution control systems and technology for the highest levels of energy efficiency and maintainability. The emissions will be in compliance with the World

Bank and IFC Guidelines. Special feature of the new plant is the installation of a comprehensive quality control system. The company is expected to incur loss during FY2020 mainly because of higher financial cost due to delay in completion of expansion by six months.

WIND POWER

Sachal Energy Development (Pvt.) Limited (SEDPL) is the first Pakistani owned Wind project under CPEC to have achieved commercial operations. SEDPL is also the first privately owned Pakistani project to receive SINOSURE backed financing and the first such project to receive financing from ICBC, China. The company is committed to supply clean energy to the national grid through the National Transmission and Despatch Company for 20 years. During the year the Company generated an after tax profit of PKR 1.83 billion with an EPS of PKR 5.72.

FUTURE OUTLOOK

The SBP has taken numerous measures to revive the ailing economy. The cumulative 625bps monetary easing is a major propelling force to stimulate consumer demand as well as economic activity. The announcement of the much awaited construction package by the government is certain to act as a catalyst for the real estate sector. The construction package has also been welcomed with fervour in the stock market with the cement and steel sector posting impressive rallies since its announcement. Economic front continues to post impressive numbers (current account surplus supported by low imports and robust momentum of remittances). The diversified investment portfolio of your Company is likely to do well in view of stability in value of rupee and continuous improvement in investors' sentiment.

RISK MANAGEMENT

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

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

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

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

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

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

CAPITAL MANAGEMENT AND LIQUIDITY

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

HUMAN RESOURCE

Your Company takes great pride in the commitment, competence and ownership shown by its employees in all realms of the business. We ensure long-term employee development by seeking out the right employees, making the most of their talents, developing potential and ensuring employability.

We understand that investment in our employees will ultimately result in a stronger and more effective workforce. Employees are recognized and rewarded based on their performance, which results in enhanced retention and motivation across all levels. All our operational activities are carried out transparently and in lieu with our code of ethics, on which there can be no compromise.

The year 2019-20 presented an unprecedented shift in practices throughout the world. The health and safety of employees' world over became the number one priority. Once it became apparent that the situation was a pandemic, our team continuously tracked the situation with respect to the outbreak within Pakistan and devising and testing remote-working strategies, communicating precautionary measures and stakeholder management protocols. Our teams had started testing remote working when lockdowns started taking place in the world to ensure smooth functioning of the Company, much before local and federal governments had announced lockdowns in Pakistan.

The Company has executed different measures to forestall the spread of the novel Coronavirus (COVID-19) and built up the New Normal for individuals to work in our premises following the SOPs and wellbeing warnings. Everybody is encouraged to carefully follow and adjust the change in the midst of the pandemic. We built up our standard operating procedures (SOPs) for workplaces, normal offices, meeting rooms and to overhaul our cycles as per the safeguards and advices conveyed by the Health Ministry and international health organizations. Our team is continually observing the most recent turns of events and endeavoring to constantly improve the workplace for our people.

MATERIALITY APPROACH ADOPTED

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

CORPORATE SOCIAL RESPONSIBILITY

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

This value has become even more important in these menacing times, where COVID-19 tests us on all fronts. We, at the Arif Habib Group are conscious of the well-being of our employees as well as community at large and have taken steps to ensure the safety of our employees, customers, stakeholders; providing support to our local communities.

Arif Habib Group companies run a sizeable CSR program in Pakistan covering various sectors requiring foremost attention, with a special focus in the areas of education, healthcare, environment, community welfare, sports and relief work.

The group companies focus on energy conservation and all departments and employees adhere to power conservation measures. It is our vision to continue contributing to the economic growth and stability in Pakistan through actively reinvesting in its economy, its people and the sustainability of its environment. The Group continuously endeavours to support initiatives to reduce resource consumption and encourage research into renewable energy.

Your Company takes its contribution towards national economy seriously and has always discharged its obligations in a transparent, accurate and timely manner. Details of the contributions made by group companies are presented on Page 74.

CORPORATE GOVERNANCE

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

The Board would like to state that proper books of accounts of the Company have been maintained and appropriate accounting policies have been adopted and consistently applied except for new accounting standards and amendments to existing standards as stated in note # 4 to the annexed audited financial statements. Preparation of accounts and accounting estimates are based on reasonable and prudent judgment. International Financial Reporting Standards, as applicable in Pakistan, are followed in the preparation of the financial statements. The system of internal controls, including financial controls, is sound in design and has been effectively implemented and monitored. The financial statements of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity. No material payment has remained outstanding on account of any taxes, duties, levies or charges. The Company has no outstanding obligations under gratuity, pension or provident fund.

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

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

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

TRADING IN COMPANY'S SHARE BY DIRECTORS AND EXECUTIVES

All Directors including the Chief Executive, Chief Financial Officer and Executives of the Company were informed by the Company Secretary to immediately inform in writing, any trading in the Company's shares by themselves or by their spouses and to deliver a written record of the price, number of shares and CDC statement within 2 days of such transaction to the Company Secretary. A statement showing the Company's shares bought and sold by its Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor family members is annexed as Annexure-I. Except as disclosed in Annexure–I, there has been no trading in Company's shares by any of other employee whose basic salary exceeds the threshold of PKR 2,400,000 in the year, being the threshold set by the directors for disclosure in annual reports.

COMPOSITION OF BOARD / COMMITTEES

Out of the total eight Directors, seven Directors are male whereas one Director, who is the Chairperson, is female. The composition of existing Board of Directors and its Committees is as follows:

Board of Directors	Category	Audit Committee	Investment & Projects Diversification Committee	Human Resource & Remuneration Committee
Dr. Shamshad Akhtar (Chairperson) / (Female director)	Independent	-	-	-
Mr. Sirajuddin Cassim	Non-executive	Chairman	-	Chairman
Mr. Asadullah Khawaja	Non-executive	-	-	-
Mr. Nasim Beg	Non-executive	-	Member	Member
Mr. Samad A. Habib	Non-executive	-	Member	-
Mr. Kashif A. Habib	Non-executive	Member	Member	Member
Mr. Muhammad Ejaz	Non-executive	Member	-	-
Mr. Arif Habib (Chief Executive)	Executive	-	Chairman	Member

DIRECTORS REMUNERATION POLICY

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

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

The Chief Executive Officer is the only executive director on the Board. Disclosure with respect to remuneration package of chief executive, director and executives is presented in note # 28 to the annexed audited financial statements.

ATTENDANCE AT BOARD MEETINGS

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

PATTERN OF SHAREHOLDING

The shares of the Company are listed on the Pakistan Stock Exchange. There were 3,713 shareholders of the Company as of 30th June 2020. The detailed pattern of shareholding and categories of shareholding of the Company including shares held by directors and executives, if any, are annexed as Annexure-III. Pursuant to a special resolution approved in the EOGM held in July 2019, the Company had purchased (buy-back) 45,375,000 issued ordinary shares (10% of total issued shares) at a purchase price of PKR 27/- per share through tender offer, and subsequently cancelled the same after completion of formalities in accordance with section 88 of the Companies Act, 2017. The paid up capital position of the Company before cancellation of shares amounted to PKR 4,537,500,000 (comprising of 453,750,000 ordinary shares having face value of PKR 10 each). The revised paid up capital position of the Company after cancellation of 45,375,000 shares on 9th August 2019 pursuant to buy back of shares amounts to PKR 4,083,750,000 (comprising of 408,375,000 ordinary shares having face value of PKR 10 each).

FINANCIAL AND BUSINESS HIGHLIGHTS

The key operating and financial data has been given in summarized form under the caption "Financial & Business Highlights – Six years at a glance" on Page 66.

INVESTMENT IN RETIREMENT BENEFITS

The value of investment made by the staff Provident Fund operated by the Company as per their respective unaudited financial statements as of 30th June 2020 amounts to PKR 37.08 million.

AUDIT COMMITTEE

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

AUDITORS

The present external auditors M/s. KPMG Taseer Hadi & Co., shall retire at the conclusion of Annual General Meeting on 28th October 2020 and being eligible, have offered themselves for reappointment for the year ending on 30th June 2021. The external auditors hold satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) as required under their Quality Control Review Program. As suggested by the Audit Committee, the Board recommends reappointment of M/s. KPMG Taseer Hadi & Co., as auditors of the Company for the financial year ending on 30th June 2021 at existing remuneration. Approval to this effect will be sought from the shareholders at the forthcoming Annual General Meeting scheduled on 28th October 2020.

COMPLIANCE WITH SECRETARIAL PRACTICES

During the financial year under review, the secretarial and corporate requirements of the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2017 / Listed Companies (Code of Corporate Governance) Regulations, 2019 (as applicable) have been duly complied with.

ELECTION OF DIRECTORS

In accordance with the provisions of Section 161 of the Companies Act, 2017, the three years term of the present eight directors elected in the Extra Ordinary General Meeting held in September 2019 will be completed in September 2022. During the year under review, Khawaja Jalaluddin Roomi had resigned and was replaced by Mr. Sirajuddin Cassim. The casual vacancy was filled within the prescribed timeframe

POST BALANCE SHEET EVENTS

The Board of Directors has proposed a final cash dividend of PKR 1.50 per share amounting to PKR 612.56 million at its meeting held on 30th September 2020 for the approval of the members at the annual general meeting to be held on 28th October 2020. Effect of the same shall be reflected in the next year's financial statements.

RELATED PARTY TRANSACTIONS

In order to comply with the requirements of listing regulations, the Company presented all related party transactions before the Audit Committee and Board for their review and approval. These transactions have been approved by the Audit Committee and Board of Directors in their respective meetings. The details of related party transactions have been provided in note # 35 of the annexed audited financial statements.

ACKNOWLEDGEMENT

The Directors are grateful to the Company's stakeholders for their continuing confidence and patronage. We wish to place on record our appreciation and thanks for the faith and trust reposed by our Business Partners, Bankers & Financial Institutions. We thank the Ministry of Finance, the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan, the Competition Commission of Pakistan, Central Depository Company of Pakistan and the Management of Pakistan Stock Exchange for their continued support and guidance which has gone a long way in giving present shape to the Company. We acknowledge the hard work put in by employees of the Company during the year. We also appreciate the valuable contribution and active role of the members of the audit and other committees in supporting and guiding the management on matters of great importance.

For and on behalf of the Board

Mr. Arif Habib
Chief Executive

Dr. Shamshad Akhtar
Chairperson

Karachi: 30th September 2020

Annexure I

Statement showing shares bought and sold by Directors, CEO, CFO, Company Secretary and their Spouses and Minor Children

From 1st July 2019 to 30th June 2020

Name	Designation	Shares bought	Shares sold	Remarks
Dr. Shamshad Akhtar	Chairperson (Elected / Appointed during the year)	-	-	-
Mr. Arif Habib	Chief Executive	3,808,500	-	-
Mr. Asadullah Khawaja	Former Chairman	-	-	-
Mr. Nasim Beg	Director	-	-	-
Mr. Samad A. Habib	Director	-	-	-
Mr. Kashif A. Habib	Director	-	-	-
Mr. Muhammad Ejaz	Director	-	-	-
Mr. Sirajuddin Cassim	Director (Retired on completion of term. Subsequently appointed on casual vacancy)	-	-	-
Khawaja Jalaluddin Roomi	Director (Resigned during the year)	965,500	-	
Mr. Mohsin Madni	Chief Financial Officer	-	-	-
Mr. Manzoor Raza	Company Secretary	-	-	-
Mr. Zohaib Yaqoob	Head of Internal Audit	-	-	-
Mrs. Lubna Khawaja	Spouse of Mr. Asadullah Khawaja	-		
Minor children	-	-	-	-

Annexure II

Statement showing attendance at Board Meetings

From 1st July 2019 to 30th June 2020

Name of Directors	Designation	Total	Eligible to attend	Attended	Leaves granted	Remarks
Dr. Shamshad Akhtar	Chairperson (Elected / Appointed during the year)	5	4	4	-	-
Mr. Arif Habib	Chief Executive	5	5	5	-	-
Mr. Asadullah Khawaja	Former Chairman	5	5	5	-	-
Mr. Nasim Beg	Director	5	5	5	-	-
Mr. Samad A. Habib	Director	5	5	5	-	-
Mr. Kashif A. Habib	Director	5	5	5	-	-
Mr. Muhammad Ejaz	Director	5	5	4	1	-
Khawaja Jalaluddin Roomi	Director (Resigned during the year)	5	5	3	2	-
Mr. Sirajuddin Cassim	Director (Retired on completion of term. Subsequently appointed on casual vacancy)	5	1	-	1	-

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

BOARD AUDIT COMMITTEE (BAC)

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

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

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

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

- determination of appropriate measures to safeguard the company's assets
- review of quarterly, half-yearly and annual financial statements of the company
- ensuring coordination between the internal and external auditors of the company
- review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the company

- consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto
- ascertaining that the internal control systems are adequate and effective
- determination of compliance with relevant statutory requirements
- monitoring compliance with the best practices of corporate governance and identification of significant violations thereof

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

Name of Directors	Designation	Total	Eligible to attend	Attended	Leaves granted	Remarks
Mr. Sirajuddin Cassim	Chairman (Appointed during the year)	4	-	-	-	-
Mr. Jalaluddin Roomi	Former Chairman (Resigned during the year)	4	4	-	4	-
Mr. Kashif A. Habib	Director	4	4	4	-	-
Mr. Muhammad Ejaz	Director	4	4	4	-	-

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

Human Resource and Remuneration Committee (HR&RC)

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

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

Name of Directors	Designation	Total	Eligible to attend	Attended	Leaves granted	Remarks
Mr. Sirajuddin Cassim	Chairman (Appointed during the year)	2	-	-	-	
Mr. Jalaluddin Roomi	Former Chairman (Resigned during the year)	2	2	2	-	-
Mr. Arif Habib	Chief Executive	2	2	2	-	-
Mr. Nasim Beg	Director	2	2	2	-	-
Mr. Kashif A. Habib	Director	2	2	2	-	-

Investments & Projects Diversification Committee (IPDC)

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

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

The committee on a required/ directed basis to discharge its responsibilities and regularly reports to the Board. During the year under review, 4 meetings were held.

Name of Directors	Designation	Total	Eligible to attend	Attended	Leaves granted	Remarks
Mr. Arif Habib	Chairman	4	4	4	-	
Mr. Nasim Beg	Director	4	4	4	-	-
Mr. Samad Habib	Director	4	4	4	-	-
Mr. Kashif Habib	Director	4	4	4	-	-

MANAGEMENT COMMITTEES

EXECUTIVE COMMITTEE ON RISK MANAGEMENT (ECRM)

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

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

EXECUTIVE COMMITTEE ON HUMAN RESOURCE (ECHR)

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

Annexure III

Pattern of Shareholding (Symbol : AHCL)

Categories of Shareholders as at 30th June 2020

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children	13	322,309,461	78.92
Associated Companies, undertakings and related parties	6	20,124,684	4.93
Executives	-	-	-
Public Sector Companies and Corporations	3	3,839,089	0.94
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	5	83,186	0.02
Mutual Funds	1	724,292	0.18
Others	57	32,065,894	7.85
General Public - Local	3,627	29,228,365	7.16
General Public - Foreign	1	29	0.00
Total	**3,713**	**408,375,000**	**100.00**

Pattern of **Shareholding** (Symbol : AHCL)

Categories of Shareholders as at 30th June 2020

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
Mr. Muhammad Arif Habib	2	321,949,967	78.84
Mr. Sirajuddin Cassim	1	229,893	0.06
Mr. Asadullah Khawaja	3	81,006	0.02
Mr. Mohammad Kashif	1	35,290	0.01
Mr. Nasim Beg / Mrs. Zari Beg	2	2,078	0.00
Mr.Abdus Samad	1	1,006	0.00
Mr.Muhammad Ejaz	1	121	0.00
Dr. Shamshad Akhtar	1	100	0.00
Mrs. Lubna Khawaja (Spouse of Mr. Asadullah Khawaja)	1	10,000	0.00
Associated Companies, undertakings and related parties			
Mrs. Sharmin Shahid	1	19,961,000	4.89
Mrs. Tasnim Beg	2	128,000	0.03
Mr.Abdul Rahim Khawaja	1	25,000	0.01
Mr.Aba Ali Habib	1	10,624	0.00
Mr.Muhammad Shahzad	1	60	0.00
Executives	-	-	-
Public Sector Companies and Corporations	3	3,839,089	0.94
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	5	83,186	0.02
Mutual Funds			
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	724,292	0.18
Others	**57**	**32,065,894**	**7.85**
General Public			
a. Local	3,627	29,228,365	7.16
b. Foreign	1	29	0.00
Total	**3,713**	**408,375,000**	**100.00**

Shareholders holding 5% or more	Shares Held	Percentage
Mr. Muhammad Arif Habib	321,949,967	78.84

Pattern of **Shareholding** (Symbol : AHCL)

As of June 30, 2020

No. of Shareholders	Shareholdings' Slab			Total Shares Held
772	1	to	100	19,204
787	101	to	500	246,295
556	501	to	1000	438,100
1024	1001	to	5000	2,478,773
219	5001	to	10000	1,608,945
104	10001	to	15000	1,287,595
64	15001	to	20000	1,129,389
31	20001	to	25000	710,571
61	25001	to	50000	2,260,592
43	50001	to	100000	3,017,194
17	100001	to	205000	2,467,029
13	205001	to	500000	4,523,161
14	500001	to	2500000	17,225,837
4	2500001	to	9590000	18,605,348
1	9590001	to	10450000	10,446,000
1	10450001	to	19965000	19,961,000
1	19965001	to	69780000	69,779,967
1	69780001	to	252170000	252,170,000
3,713				**408,375,000**

Group & Associated **Companies**

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

PAFL was principally engaged in the manufacturing and sale of chemical. The plant had undergone extensive modernisation and improved processes were introduced to maximise the output, while minimising the negative impacts on the environment. The company became the first Pakistani company to earn and sell Carbon Credits in the international market.

Fatima Fertilizer Company Limited has acquired manufacturing business of fertilizer and plants of PAFL pursuant to an agreement between Fatima Fertilizer Company Limited and Pakarab Fertilizers Limited.

The site area of PAFL comprises of 302 acres, which includes area for the factory and the housing colony with all amenities including medical centre, school, management and staff clubs for recreation of employees and their families.


Fatima
Fertilizer Company Limited
a JV of Fatima and Arif Habib Groups

Fatima Fertilizer Company Limited (FFCL) was set up as a joint venture between the Fatima and the Arif Habib Groups, as a Greenfield fertiliser complex, having a production capacity of 1.4 million tonnes, a fully integrated production facility located at Sadiqabad, Rahim Yar Khan near the Mari Gas Field, which supplies its feed-stock.

The company now has a total annual capacity of 2.57 million tonnes consisting of plants at Sadiqabad, Shaikhapura and Multan. The Company is listed on the Pakistan Stock Exchange.

ARIF HABIB LIMITED

Arif Habib Limited (AHL) took over the Group's securities brokerage business in 2005 and has since then raised the flag even higher.

AHL is one of the largest listed securities brokerage and investment banking firms in Pakistan that has won accolades both in Pakistan and abroad from reputed ranking firms such as The Asset, Asiamoney, Global Capital, CFA Society and others over the years. Pakistan Stock Exchange (PSX) has also recognized AHL's prominence by conferring the "Top 25 Companies Award" in 2020 (which is the 8th in the past decade).

The firm offers financial services in the domains of equity, fixed income, money market & forex brokerage, investment banking corporate advisory services. AHL holds significant market share in brokerage and investment banking segments and enjoys a strong relationship with top international financial institutions. Besides Equity market, AHL offers Commodities Brokerage through its wholly owned subsidiary, Arif Habib Commodities Limited providing commodities futures brokerage services.

MCB-ARIF HABIB
Savings and Investments Limited

MCB-Arif Habib Savings and Investments Limited (MCBAH) is an Asset Management, Investment Advisory and Pension Fund Management Company in a joint venture with MCB Bank.

It manages Open-end Mutual Funds, Pension Funds as well as Discretionary and Non-discretionary Portfolios for institutional and individual clients. MCBAH has been an industry leader, known for setting international standards of international best practices in delivering its fiduciary responsibilities and in bringing innovative products to market, including the use of technology in creating innovative distribution channels. As of 30th June 2020, it had PKR 107.65 billion under management. The company is listed on the Pakistan Stock Exchange.

SACHAL ENERGY DEVELOPMENT

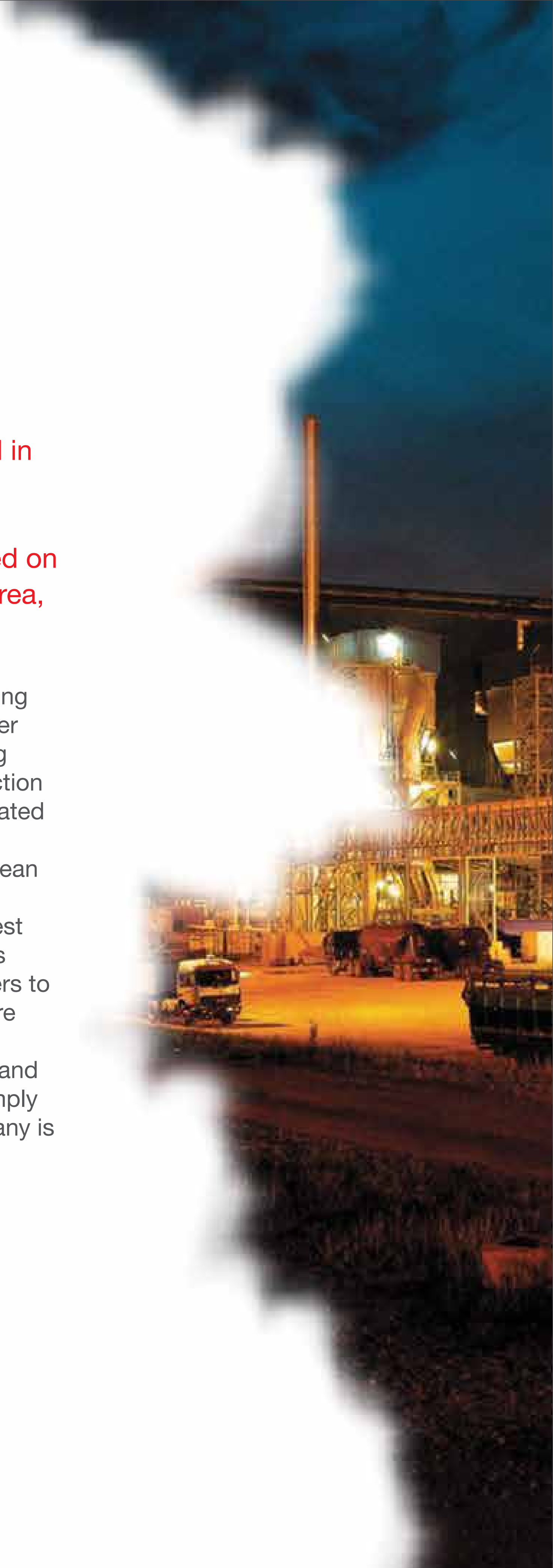
Sachal Energy Development (Pvt.) Limited (SEDPL) has commissioned and operates a 50 MW wind farm at Jhimpir, Sindh.

The Group believes that alternate sources of energy are the way forward. SEDPL is contributing to the national development by reducing dependence on imported fossil fuels and producing 136.5GWh of clean energy per annum. The ground breaking ceremony of SEDPL was performed by the Chinese President as it is part of the CPEC-Energy Priority Projects. SEDPL is the first Pakistani owned Wind project under CPEC to have achieved commercial operations.

SEDPL also holds the honour of being the first privately owned Pakistani project to receive SINOSURE backed financing and the first such project to receive financing from ICBC, China. The company is committed to supply clean energy to the national grid through the National Transmission and Despatch Company for 20 years.

POWER CEMENT

مضبوطی ۔ چٹانوں جیسی



Power Cement Limited (PCL) is engaged in the manufacturing and sale of cement complying with Pakistan's as well as the European Standards. The plant is situated on M-9 Motorway in Nooriabad Industrial Area, Jamshoro, Sindh.

In addition to two existing production lines having total production capacity of 900,000 tons clinker per annum, PCL has installed a third line having production capacity of 7,700 tpd clinker production and 8,500 tpd cement grinding. The new integrated cement plant has been supplied by FLSmidth, Denmark with the state of the art proven European technology. With a production capacity of 3.40 million tons per annum PCL is the second largest cement producer in the South. Power Cement's primary target is the domestic market as it caters to the Southern region of Pakistan. Its products are also exported to markets located in the region. Power Cement plants are environment friendly and the emissions from the PCL cement plants comply with the World Bank/IFC Standards. The company is listed on the Pakistan Stock Exchange.

ARIF HABIB COMMODITIES

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

The company is committed to establishing a strong name for itself in commodity market research and commodity brokerage services of Pakistan Mercantile Exchange, Arif Habib Commodities, with a professional team provides premier services for investors with around the clock services. The Company is committed to serve the national goal of providing a trading platform for agricultural commodities, as agriculture is Pakistan's economy's backbone. In this context, it has played a pioneering role of acting as a market maker of produce such as red chilies and is actively engaged with a not-for-profit entity working on bringing more agricultural crops on to the Exchange. The Company has been ranked a top broker by the PMEX several times.


CREDIT
SUISSE
10 OZ
GOLD

AISHA STEEL MILLS LIMITED
SHAPING THE ECONOMY

Aisha Steel Mills Limited (ASML), a listed entity incorporated in 2005, is a state-of-the-art Cold Rolling mill and produces high quality Cold Rolled Coils (CRC) and galvanized steel.

The plant is located in the Down-Stream Industrial Estate of Pakistan Steel, Bin Qasim, Karachi. The production capacity of ASML is around 700,000MT per annum. The company is listed on the Pakistan Stock Exchange.

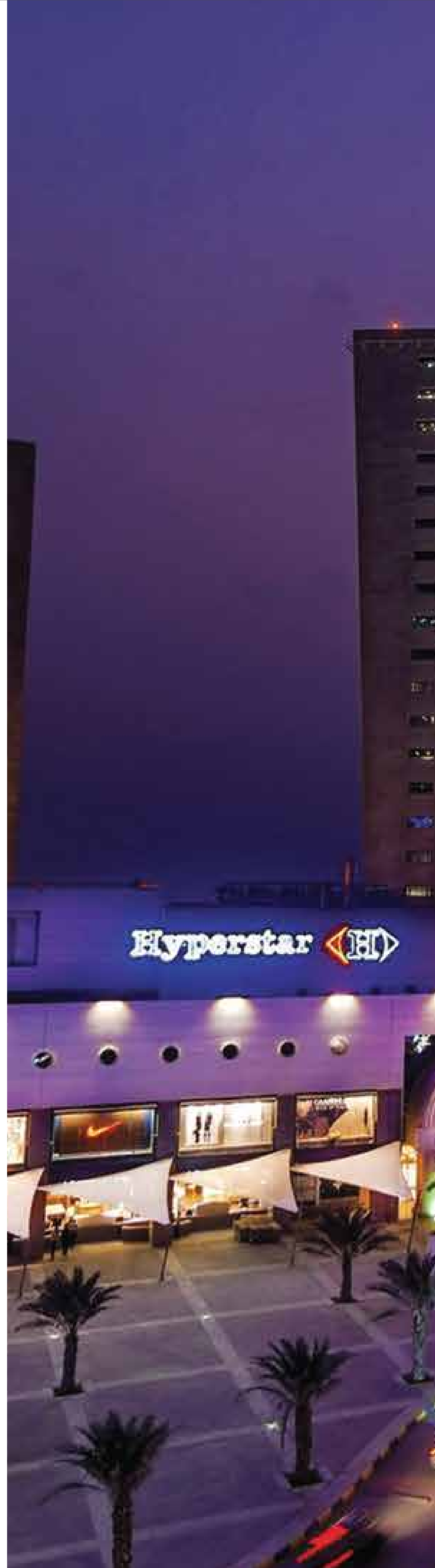
Other Companies Having Group's Shareholding

ARIF HABIB DOLMEN
REIT MANAGEMENT LIMITED

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

The objective of the company is to provide 360 degree real estate advisory, launch and manage Real Estate Investment Trusts (REITs) on carefully selected and commercially viable properties, with the aim of bringing real estate investment within the reach of common investors. The company launched South Asia's first listed REIT– Dolmen City REIT in June 2015 and is working on introducing several new REIT schemes.

AHDRML combines the expertise of two leading groups, bringing together strengths in finance, investment management, property development and complete property management. Leveraging our unique combination of group strengths, first hand industry experience, in-house expertise and close cooperation with real estate experts; our real estate advisory services support our clients throughout their property life cycle from negotiation and acquisition, highest and best use analysis, development recommendations, architect brief, and design evaluation, through to fund raising and execution.




DEBENHAMS

JAVEDAN
CORPORATION LIMITED

The Arif Habib Group has a significant stake in Javedan Corporation Limited (JCL) which started life as a cement manufacturing plant. As the city limits grew to envelop the plant and it was surrounded by a dense residential area, environmental concerns led to the group making a decision to move the cement plant and convert the area measuring over 1,300 acres into a housing scheme. Located just 2km from Sakhi Hasan, North Nazimabad, the group envisioned giving the middle class of Karachi a complete residential lifestyle. Extensive uplift activities in the area transformed the neighbourhood and Naya Nazimabad Phase 1 was met with tremendous success.

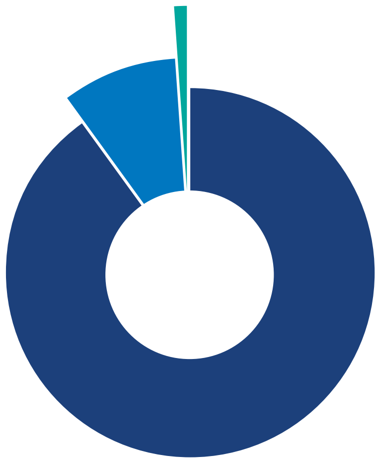
Being the only completely owned real estate development of its time, the design includes a host of amenities such as an international standard cricket ground (with academy) which has been host to several tournaments, football ground and extensive green areas with award winning tree plantation. Further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

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

Financial **Highlights**

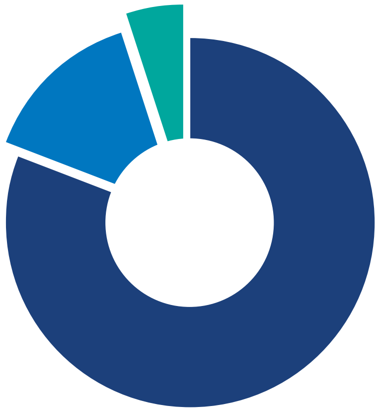
AHCL 2020 at a **Glance**

Operating Revenue

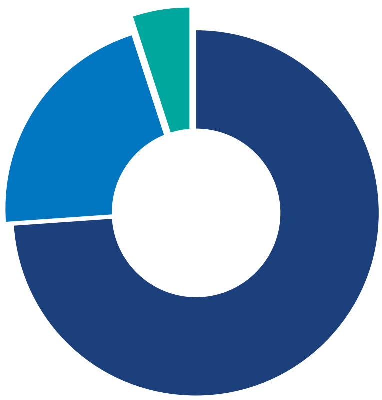


Operating and administrative expenses

Asset



Equity and Liabilities



Key Figures & **Highlights**

On Consolidated Basis

	2020	2019	2018
Operating Revenue (Rs. in million)	5,041.97	4,358.03	3,743.87
Profit after Tax (Rs. in million)	2,916.71	259.96	1,889.09
EBITDA (Rs. in million)	5,777.23	2,711.24	4,187.63
Earnings per Share (Rs.)	6.39	0.34	3.59
Total Assets (Rs. in million)	43,744.53	47,908.18	44,660.30
Total Equity (Rs. in million)	25,357.40	23,306.00	24,078.94
Equity Attributable to Owners of the Parent Company (Rs. in million)	23,272.06	21,528.78	22,335.76
Net Book Value Per Share (Rs.)	62.09	51.36	53.07

On Unconsolidated Basis

	2020	2019	2018
Operating Revenue (Rs. in million)	849.34	1,033.86	1,409.39
(Loss) / Profit after Tax (Rs. in million)	(569.88)	(963.84)	820.99
EBITDA (Rs. in million)	(227.81)	(724.29)	1,071.27
(Loss) / Earnings per Share (Rs.)	(1.38)	(2.12)	1.81
Total Assets (Rs. in million)	18,978.03	26,708.57	38,945.71
Total Equity (Rs. in million)	18,103.04	19,877.95	29,903.46
Net Book Value Per Share (Rs.)	44.33	43.81	65.90
Market Capitalization Year-ended (Rs. in million)	12,251.25	11,212.16	15,717.90

Financial & Business **Highlights**

Six Years at a Glance

Year ended 30th June	2020	2019	2018	2017	2016	2015
Profit or Loss Account (Rs in million)						
Operating Revenue	**849.34**	1,033.86	1,409.39	1,483.00	560.37	1,489.45
Relaised and unrealised gain / (loss) on investments	**(1,001.07)**	(1,657.28)	(237.14)	801.77	1,415.92	3,752.22
Operating & administrative expenses and other charges	**(115.51)**	(126.57)	(118.03)	(144.25)	(133.36)	(329.97)
Other income	**21.27**	20.25	10.35	388.81	3.08	3.00
Finance cost	**(195.85)**	(172.04)	(116.46)	(148.34)	(277.67)	(241.61)
Profit before tax	**(441.81)**	(901.79)	948.12	2,381.00	1,568.34	4,245.08
Profit after tax	**(569.88)**	(963.84)	820.99	2,391.37	1,281.12	4,438.75
EBITDA	**(227.81)**	(724.29)	1,071.27	2,537.48	1,854.53	4,496.27
Balance Sheet (Rs in million)						
Share capital	**4,083.75**	4,537.50	4,537.50	4,537.50	4,537.50	4,537.50
Reserves	**14,019.29**	15,340.45	25,365.96	25,931.98	24,525.53	24,907.43
Operating fixed assets	**61.59**	25.27	30.32	36.59	43.44	50.79
Long term investments	**15,325.67**	16,403.15	27,572.49	28,128.15	28,810.29	31,123.83
Current assets	**3,453.30**	10,114.25	11,158.05	7,574.49	6,261.88	5,755.12
Current liabilities	**759.12**	6,830.62	6,363.88	4,374.72	4,929.69	5,770.01
Non-current liabilities	**115.86**	-	2,678.37	2,890.81	2,771.72	4,378.82
Total assets	**18,978.03**	26,708.57	38,945.71	37,735.01	36,764.44	39,593.76
Total liabilities	**874.99**	6,830.62	9,042.24	7,265.53	7,701.41	10,148.83
Ratios						
Performance						
Return on equity (%)	**(3.00%)**	(3.87%)	2.72%	8.03%	4.38%	16.08%
Return on assets (%)	**(2.49%)**	(2.94%)	2.14%	6.42%	3.36%	12.14%
Return on capital employed (%)	**(1.35%)**	(3.67%)	3.27%	7.58%	5.80%	13.26%
Income/ expense ratio (x)	**(1.31)**	(4.93)	9.93	10.28	4.20	4.51
Earning asset/total asset ratio (%)	**96.14%**	99.57%	99.79%	99.06%	99.35%	95.48%
Break-up value (PKR)	**44.33**	43.81	65.90	67.15	64.05	64.89
Leverage						
Total liabilities to equity ratio (%)	**4.83%**	34.36%	30.24%	23.85%	26.50%	34.47%
Cost of debt (%)	**14.47%**	9.34%	8.08%	10.18%	9.05%	9.22%
Long term debt to equity ratio (%)	**0.64%**	0.00%	1.09%	1.49%	0.51%	6.95%
Interest cover ratio (x)	**(1.26)**	(4.24)	9.14	17.05	6.65	18.57

Year ended 30th June	2020	2019	2018	2017	2016	2015
Liquidity						
Current ratio (x)	**4.55**	1.48	1.75	1.73	1.27	1.00
Cash to current liabilities (%)	**4.64%**	6.25%	0.70%	0.89%	0.51%	35.10%
Valuation						
Price earnings ratio (x)	**(21.75)**	(11.66)	19.14	7.82	13.97	5.44
Break-up value per share (PKR)	**44.33**	43.81	65.90	67.15	64.05	64.89
Cash dividend per share (PKR)	**1.50***	-	2.00	3.00	2.50	4.00
Dividend declared (%)	**15.00%***	-	20.00%	30.00%	25.00%	40.00%
Dividend yield (%)	**5.00%***	-	5.77%	7.28%	6.34%	7.52%
Dividend payout ratio (%)	**(107%)***	-	110.54%	56.92%	88.55%	40.81%
Dividend cover ratio (x)	**(0.93)***	-	0.90	1.76	1.13	2.45
Market value per share (end of year) (PKR)	**30**	24.71	34.64	41.23	39.45	53.22
High (during the year) (PKR)	**36.25**	37.80	41.99	49.70	64.55	53.22
Low (during the year) (PKR)	**19.01**	18.52	31.36	35.74	36.00	22.27
Earnings Per Share (PKR)	**(1.38)**	(2.12)	1.81	5.27	2.82	9.78
*Proposed						
Shareholders' Return						
Arif Habib Corporation Limited - annual total return (%)	**21.41%**	(23.50%)	(5.51%)	11.28%	(20.01%)	111.52%
Karachi Stock Exchange 100 Index - annual return (%)	**1.53%**	(19.10%)	(6.17%)	22.90%	10.00%	15.67%
Shareholders' return differential: AHSL-KSE -100 Index (%)	**19.88%**	(4.40%)	0.66%	(11.62%)	(30.01%)	95.84%

Graph for the year ended on 30th June 2020

Horizontal Analysis of Financial **Statements**

	2020 Rupees in million	% ▲YoY 2020-19	2019 Rupees in million	% ▲YoY 2019-18	2018 Rupees in million	% ▲YoY 2018-17
Balance Sheet						
Total equity	**18,103.04**	(8.93)	19,877.95	(33.53)	29,903.46	(1.86)
Total non-current liabilities	**115.86**	100.00	-	(100.00)	2,678.37	(7.35)
Total current liabilities	**759.12**	(88.89)	6,830.62	7.33	6,363.88	45.47
Total equity and liabilities	**18,978.03**	(28.94)	26,708.57	(31.42)	38,945.71	3.21
Total non-current assets	**15,524.77**	(6.45)	16,594.31	(40.28)	27,787.66	(7.87)
Total current assets	**3,453.26**	(65.86)	10,114.25	(9.35)	11,158.05	47.31
Total assets	**18,978.03**	(28.94)	26,708.57	(31.42)	38,945.71	3.21
Profit and Loss Account						
Operating Revenue	**849.34**	(17.85)	1,033.86	(26.65)	1,409.39	(4.96)
Gain on sale of securities - net	**646.38**	910.80	63.95	18.25	54.08	(92.46)
(Loss) / Gain on remeasurement of investments - net	**(1,647.45)**	(4.29)	(1,721.23)	491.04	(291.22)	11.16
Operating and administrative expenses	**(115.25)**	12.44	(102.49)	(3.50)	(106.21)	(9.01)
Unrealised gain on remeasurement of investment property	**-**	-	-	-	-	(100.00)
Impairment reversal / (loss) on investments	**-**	-	-	-	-	-
Other incomes / (charges) - net	**21.01**	(648.20)	(3.83)	162.38	(1.46)	(100.40)
Finance cost	**(195.85)**	13.84	(172.04)	47.73	(116.46)	(21.49)
(Loss) / profit before tax	**(441.81)**	(51.01)	(901.79)	(195.11)	948.12	(60.18)
Taxation	**(128.06)**	106.38	(62.05)	(51.19)	(127.13)	(1,326.04)
(Loss) / profit after tax	**(569.88)**	(40.87)	(963.84)	(217.40)	820.99	(65.67)

	2017	% ▲YoY 2017-16	2016	% ▲YoY 2016-15	2015	% ▲YoY 2015-14
	Rupees in million		Rupees in million		Rupees in million	
Balance Sheet						
Total equity	30,469.48	4.84	29,063.03	(1.30)	29,444.93	14.35
Total non-current liabilities	2,890.81	4.30	2,771.72	(36.70)	4,378.82	(5.68)
Total current liabilities	4,374.72	(11.26)	4,929.69	(14.61)	5,773.13	85.17
Total equity and liabilities	37,735.01	2.64	36,764.44	(7.15)	39,596.88	18.16
Total non-current assets	30,160.52	(1.12)	30,502.56	(9.86)	33,838.64	12.31
Total current assets	7,574.49	20.96	6,261.88	8.75	5,758.24	70.30
Total assets	37,735.01	2.64	36,764.44	(7.15)	39,596.88	18.16
Profit and Loss Account						
Operating Revenue	1,483.00	164.64	560.37	(62.38)	1,489.45	10.04
Gain on sale of securities - net	717.13	(53.18)	1,531.72	3,131.91	47.39	(90.30)
Loss / Gain on remeasurement of investments - net	(261.98)	(56.41)	(601.02)	(116.22)	3,704.82	1,840.07
Operating and administrative expenses	(116.73)	(0.24)	(117.01)	(18.35)	(143.31)	44.22
Unrealised gain on remeasurement of investment property	346.62	100.00	485.21	100.00	-	-
Impairment reversal / (loss) on investments	-	-	-	(100.00)	(428.01)	(167.64)
Other incomes / (charges) - net	361.29	(2,822.49)	(13.27)	(92.77)	(183.66)	123.13
Finance cost	(148.34)	(46.58)	(277.67)	14.92	(241.61)	15.93
Profit / (loss) before tax	2,381.00	51.82	1,568.35	(63.05)	4,245.08	86.54
Taxation	10.37	(103.61)	(287.22)	(248.30)	193.67	531.50
Profit / (loss) after tax	2,391.37	57.65	1,281.12	(71.14)	4,438.75	92.46

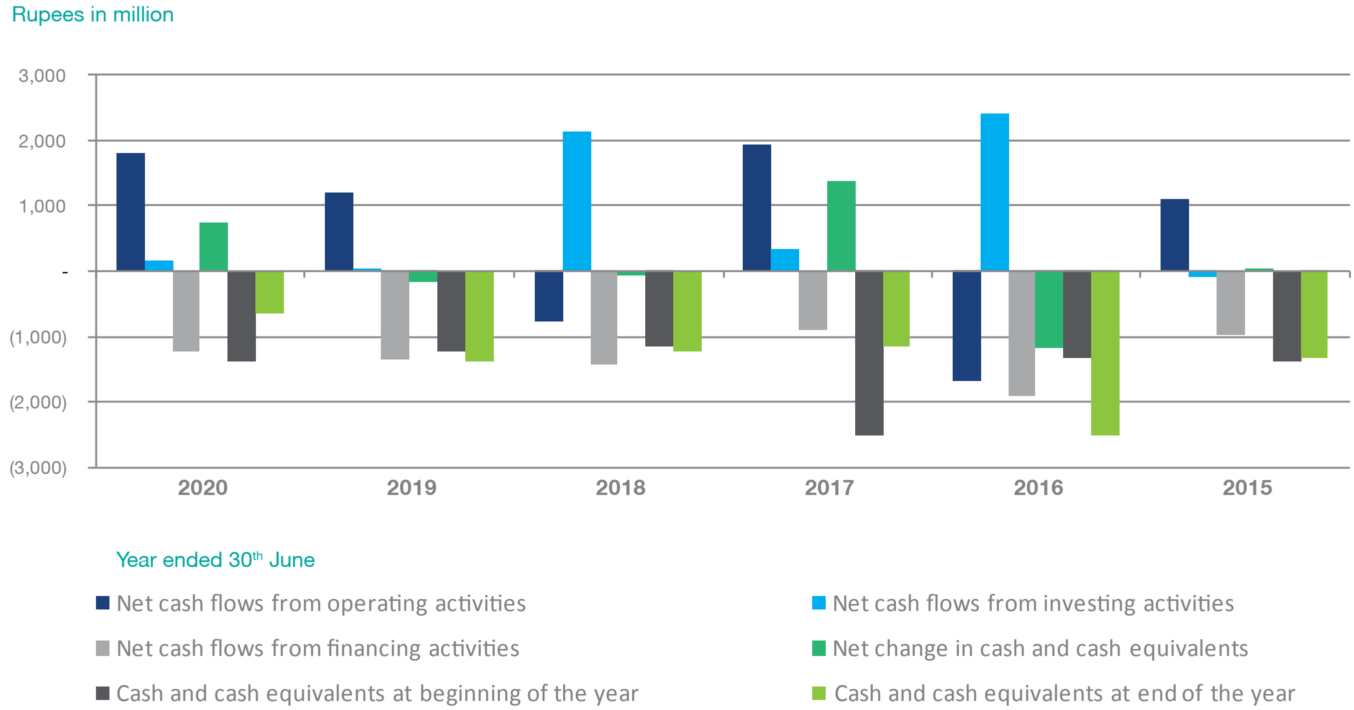
Vertical Analysis of Financial **Statements**

	2020	%▲YoY 2020-19	2019	% ▲YoY 2019-18	2018	% ▲YoY 2018-17
	Rupees in million		Rupees in million		Rupees in million	
Balance Sheet						
Total equity	**18,103.04**	95.39	19,877.95	74.43	29,903.46	76.78
Total non-current liabilities	**115.86**	0.61	-	-	2,678.37	6.88
Total current liabilities	**759.12**	4.00	6,830.62	25.57	6,363.88	16.34
Total equity and liabilities	**18,978.03**	100.00	26,708.57	100.00	38,945.71	100.00
Total non-current assets	**15,524.77**	81.80	16,594.31	62.13	27,787.66	71.35
Total current assets	**3,453.26**	18.20	10,114.25	37.87	11,158.05	28.65
Total assets	**18,978.03**	100.00	26,708.57	100.00	38,945.71	100.00
Profit and Loss Account						
Operating revenue	**849.34**	100.00	1,033.86	100.00	1,409.39	100.00
Gain on sale of securities - net	**646.38**	0.76	63.95	0.06	54.08	0.04
Loss / Gain on remeasurement of investments - net	**(1,647.45)**	(1.94)	(1,721.23)	(1.66)	(291.22)	(0.21)
Operating and administrative expenses	**(115.25)**	(0.14)	(102.49)	(0.10)	(106.21)	(0.08)
Unrealised gain on remeasurement of investment property	-	-	-	-	-	-
Impairment (loss) / reversal on investments	-	-	-	-	-	-
Other incomes / (charges) - net	**21.01**	0.02	(3.83)	(0.00)	(1.46)	(0.00)
Finance cost	**(195.85)**	0.23	(172.04)	(0.17)	(116.46)	(0.08)
(Loss) / profit before tax	**(441.81)**	(51.99)	(901.79)	(87.23)	948.12	0.67
Taxation	**(128.06)**	(15.08)	(62.05)	(6.00)	(127.13)	(0.09)
(Loss) / profit after tax	**(569.88)**	(67.07)	(963.84)	(93.23)	820.99	0.58

	2017	% ▲YoY 2017-16	2016	% ▲YoY 2016-15	2015	% ▲YoY 2015-14
	Rupees in million		Rupees in million		Rupees in million	
Balance Sheet						
Total equity	30,469.48	80.75	29,063.03	79.05	29,444.93	74.36
Total non-current liabilities	2,890.81	7.66	2,771.72	7.54	4,378.82	11.06
Total current liabilities	4,374.72	11.59	4,929.69	13.41	5,773.13	14.58
Total equity and liabilities	37,735.01	100.00	36,764.44	100.00	39,596.88	100.00
Total non-current assets	30,160.52	79.93	30,502.56	82.97	33,838.64	85.46
Total current assets	7,574.49	20.07	6,261.88	17.03	5,758.24	14.54
Total assets	37,735.01	100.00	36,764.44	100.00	39,596.88	100.00
Profit and Loss Account						
Operating revenue	1,483.00	100.00	560.37	100.00	1,489.45	100.00
Gain on sale of securities - net	717.13	0.48	1,531.72	2.73	47.39	0.03
Loss / Gain on remeasurement of investments - net	(261.98)	(0.18)	(601.02)	(1.07)	3,704.82	2.49
Operating and administrative expenses	(116.73)	(0.08)	(117.01)	(0.21)	(143.31)	(0.10)
Unrealised gain on remeasurement of investment property	346.62	0.23	485.21	0.87	-	-
Impairment (loss)/reversal on investments	-	-	-	-	(428.01)	(0.29)
Other incomes / (charges) - net	361.29	0.24	(13.27)	(0.02)	(183.66)	(0.12)
Finance cost	(148.34)	(0.10)	(277.67)	(0.50)	(241.61)	(0.16)
Profit / (loss) before tax	2,381.00	1.61	1,568.35	2.80	4,245.08	2.85
Taxation	10.37	0.01	(287.22)	(0.51)	193.67	0.13
Profit / (loss) after tax	2,391.37	161.25	1,281.12	228.62	4,438.75	298.01

Summary of Cash Flows Statement

Year ended 30th June

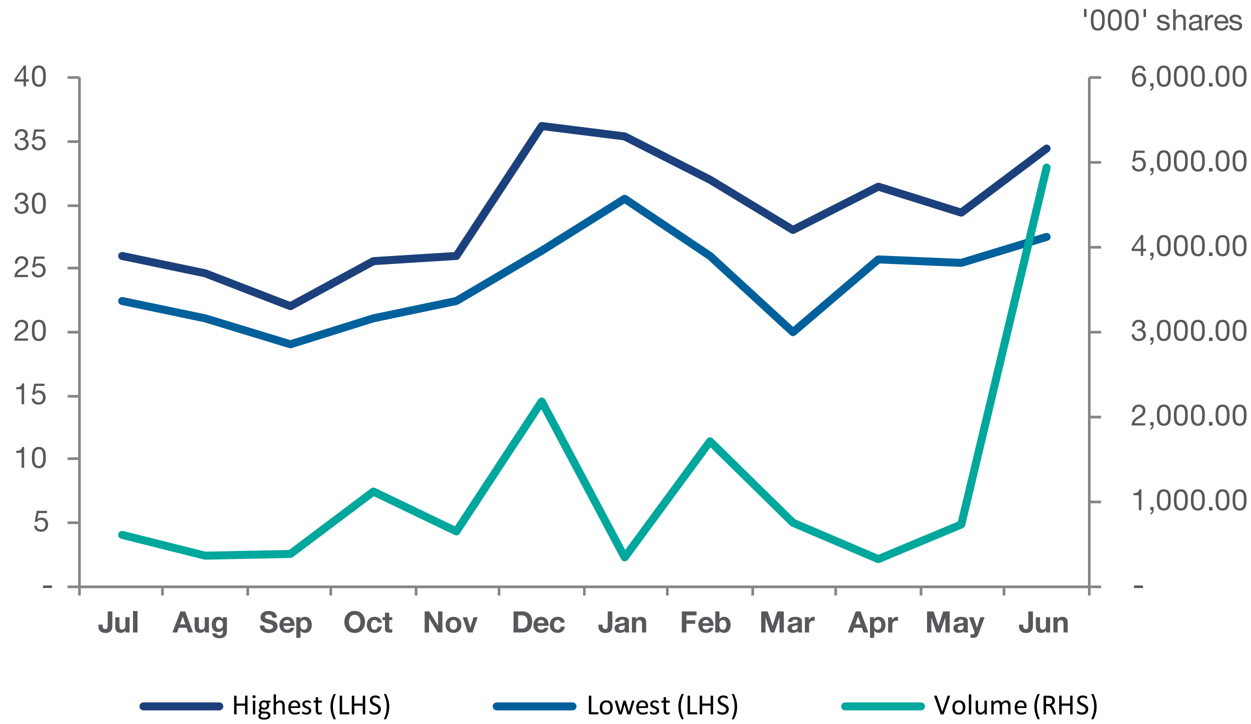


	2020	2019	2018	2017	2016	2015
	Rupees in million					
Net cash flows from operating activities	**1,803.15**	1,207.52	(769.65)	1,936.53	(1,680.29)	1,103.10
Net cash flows from investing activities	**174.72**	(0.45)	2,127.28	341.93	2,406.47	(84.78)
Net cash flows from financing activities	**(1,236.62)**	(1,362.68)	(1,426.68)	(910.62)	(1,914.04)	(981.51)
Net change in cash and cash equivalents	**741.25**	(155.61)	(69.05)	1,367.84	(1,187.86)	36.81
Cash and cash equivalents at beginning of the year	**(1,377.03)**	(1,223.00)	(1,154.74)	(2,522.58)	(1,334.72)	(1,371.53)
Cash and cash equivalents at end of the year	**(635.59)**	(1,377.03)	(1,223.00)	(1,154.74)	(2,522.58)	(1,334.72)

Share Price / Volume Analysis

Month	Highest (LHS)	Lowest (LHS)	Volume (RHS)
AHCL Share Price on the PSX			
July-19	25.94	22.41	604,500.00
August-19	24.70	21.05	368,500.00
September-19	22.05	19.01	392,500.00
October-19	25.53	21.10	1,111,000.00
November-19	26.00	22.51	644,000.00
December-19	36.25	26.35	2,174,000.00
January-20	35.35	30.50	336,000.00
February-20	32.00	26.00	1,713,500.00
March-20	28.00	19.98	746,000.00
April-20	31.50	25.70	328,000.00
May-20	29.40	25.50	732,000.00
June-20	34.50	27.55	4,933,500.00
	36.25	**19.01**	**14,083,500.00**

Share price movement at PSX during FY2020



Sustainability **Report**

Investing in Pakistani Economy, Society & Environment

CEO’s Message

No single entity can solve the world’s problems, but public companies do play a role in alleviating the society’s issues. Serving the common social good is just as important as delivering shareholder value, and the Corona Virus (COVID-19) pandemic has made this more apparent than ever before.

Organisations around the world and in Pakistan stood to the test, and redirected their CSR budgets to help those who suffered the most. As the world came to a standstill, the urgency of caring for our own became greater.

Arif Habib Group's CSR efforts, built upon the belief that businesses have an obligation to protect and best utilise our scarce resources, were directed at the well-being of people. By supporting sustainable measures and providing assistance to institutions and welfare organisations across Pakistan, we reached well beyond our business locations, impacting the lives of marginalised communities.

Our Vision for Sustainability

We believe that Corporate Social Responsibility is more than just philanthropy. It is a philosophy that aims at maximizing the positive impacts and minimizing the negative impacts of our business operations on internal and external stakeholders. This is done through strategic engagement by embedding sustainability in our core activities and through active stakeholder engagement.
As a company, we want to be valued by society and viewed as one that contributes to a better, more sustainable future where the aspirations of people are fulfilled. It is our aim to continue contributing to economic growth and stability in Pakistan through actively reinvesting in its economy, its people and the sustainability of its environment.

Investment in Targeted Areas

Our goal is charitable giving, and to better align our objectives, the Arif Habib Foundation was established. In the current year the Foundation and the Arif Habib family has donated almost PKR 126.5 million in an effort to support different causes in accordance with our CSR targets and towards prevention and treatment of COVID-19. We hope to contribute and empower others in eliminating the dearth of basic necessities, which we do through partnerships with relevant organisation such as HANDS.

To support the efforts of doctors and frontline workers, some Group companies have donated Personal Protection Equipment and donated to Prime Minister’s COVID-19 Pandemic Relief Fund-2020, while others have donated ration packages to affected families.

Investing in Health

The year 2020 has made even more evident the importance of quality health care. It has shown us that while no country in the world can deal with a pandemic, it has also made evident that even the most basic health care remains inaccessible for the masses.

Over the past year, the Group has played its role in investing in the better health of our human capital and the communities in which we work.

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

Group companies support the Memon Medical Institute (a project of the Memon Heath & Education Foundation) to assist in achieving the vision of providing accessible and affordable quality healthcare and education to all with dignity, respect and empathy. Memon Medical Institute is soon to begin its expansion, to which the Group has committed support.

Another hospital that the Group Companies support is the Mukhtar A. Sheikh Hospital which is located in the heart of Southern Punjab. Mukhtar A. Sheikh Hospital opened its doors to general public in November 2018. At its completion, the hospital will include 500 beds and state of the art healthcare facility, providing assessment and treatment of common and complex medical conditions.

The Ali Habib Medical Centre, an initiative of Javedan Corporation Limited, located at Naya Nazimabad is scheduled to commence operations soon. It is designed to cater to the primary healthcare needs of the community, both within Naya Nazimabad and the densely populated areas in the surrounding. Ali Habib Medical Centre will also provide specialized health consultation through consultant clinics and modern diagnostic facilities in a pleasant environment with well trained, dedicated staff. We believe the promotion of good health, disease prevention and management are essential to the wellbeing of residents in the area.

Investing In Education

The Arif Habib Group is committed to reinvesting in the improvement and advancement of our local educational. We believe in investing in our youth through providing them access to quality education within the country. Access to quality education is a critical factor not just to further develop the country and its economy in the coming years, but also be able to hold our own in the world space.

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

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

Investing In the Enabling Environment

A supportive operating environment for business and industry is essential in creating a healthier economy. At the Arif Habib Group we believe that engagement with media and dialogue, capacity building, contributing to professional development and supporting networking opportunities for business is part of our responsibility to the country.

During the year under review Arif Habib Limited sponsored a number of capacity development initiatives that were undertaken by industry experts and associations.

Pakarab Fertilizer Limited is also engaged with The Hunar Foundation, Karachi to build a technical school for local population within its premises, while Fatima Vocational Training Centre – Sadiqabad has been in operation since 2014.

Investing In Culture and Diversity

Many of the Group companies arranged celebratory activities to commemorate the historic events of Independence Day paying tribute to the homeland which has allowed us to grow.

As a Group operating across the country we have the opportunity to support various cultural and sporting events. JCL's housing project, Naya Nazimabad's Cricket Stadium is the Karachi Kings official home ground. As is our tradition, we held our annual send-off ceremony for the Karachi Kings, but this year also found the stars of Quetta Gladiators at the festivities held in honour of both teams as they embarked on the 5th edition of Pakistan Super League was held. JCL also supported a number of other sports including but not limited to football.

Investing In the Environment

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

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

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

Governance & **Management**

Corporate Governance

As a major aspect of our way of thinking, we are committed to creating value for all stakeholders and maintaining uncompromising standards as we grow. Transparency, accountability and adherence to ethical practices, lie at the core of AHCL's business processes. Our Board of Directors has adopted governance principles and approved policies to direct AHCL's governance practices. Currently, our Board has eight directors who effectively represent and safeguard the interests of shareholders, including minority shareholders.

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

Whistle Blowing

There exists a defined code of conduct within the Company which has stipulated a whistle blowing mechanism across the board. The Company believes in the conduct of the affairs of its elements in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behaviour. Our policies and procedures are mature, enabling employees to raise their concerns in confidence about possible improprieties in all matters, without fear of reprisal. No incidences or concerns were reported during the year.

Succession Planning

A company is only as strong as the people it employs. Developing our human resources is a key focus at AHCL. As we continue our journey of growth, the role and development of human resources becomes all the more critical. Talented people are at the heart of our efficiency driven culture. The Company ensures it has at all times a pool of talented people across all its functions, which ensures availability of competent personnel for each department, in terms of an individual's potential, qualification, experience and professional attitude amongst other factors.

We believe in nurturing their strengths by empowering our team through challenging opportunities which enhance their potential and develop their abilities. The Group employs several qualified professionals of varying experience at different levels within the Group companies; this allows the Company to draw upon talent and experience so as to ensure smooth succession planning.

Stakeholder Engagement

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

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

Criteria to Evaluate Board's **Performance**

At a time when accountability and performance assessment have become key metrics, self-evaluation can be a difficult proposition.

However, a high-performing company's success is a function of the capacity of its directors to provide a strategy and the way forward that is commensurate with the overall vision in order to expand and flourish.

The company, hence, endeavours to develop the capacity of its Board of directors to improve both their personal and collective contributions to the overall development of the company as well as the society. A quality Board that really adds value is not just a panel of high-performing individuals but a balanced team that utilises its diverse skill sets and a culture that allows them to function as one unit to make the most effective decisions for the betterment of the company and environment it operates in. While the guidance from the chair is key, the participation of every Board member is also paramount for its effectiveness.

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

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

In accordance with this code, the Board undertook a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors conducted by the Pakistan Institute of Corporate Governance (PICG) in 2015. Since then, the findings and the factors are reassessed and re-evaluated by the Board annually.

In continuance of adhering to the Code, during the financial year under review, the Board undertook an evaluation on the following criteria to assess its performance:

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

Report of the Audit Committee on Adherence to the Best Practices of Code of Corporate **Governance**

The audit committee has concluded its annual review of the conduct and operations of the Company during financial year ended on 30th June 2020, and reports that:

- The Company has adhered in full, without any material departure, with both mandatory and voluntary provisions of the listing regulation of Pakistan Stock Exchange, Company's statement of ethics and values and the international best practices of Governance throughout the year.

- Compliance has been confirmed from the members of the Board, the Management and employees of the Company individually. Equitable treatment of shareholders has also been ensured.

- The Company has issued a "Statement of Compliance with the Best Practices of Code of Corporate Governance" as stipulated in Listed Companies (Code of Corporate Governance) Regulations 2019, and the auditors have provided their review report there on.

- Appropriate accounting policies have been consistently applied except for the adoption of IFRS 16 'Leases' as disclosed in note 5.1 to the audited financial statements. Applicable accounting standards were followed in preparation of financial statements of the Company which have been prepared on a going concern assumption basis, for the financial year ended 30th June 2020, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equities of the Company and its subsidiaries for the year under review.

- The Chief Executive Officer and the Chief Financial Officer have duly endorsed the unconsolidated financial statements and consolidated financial statements of the Company under their respective signatures before presenting the financial statements, for consideration and approval of the Board of Directors. They acknowledge their responsibility for true and fair presentation of the financial statements, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls framework and procedures necessary for the purpose.

- Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with Companies Act, 2017.

- The financial statements comply with the requirements of the Fourth Schedule to the Companies Act, 2017 and applicable "International Accounting Standards/International Financial Reporting Standards (IFRS)" notified by SECP.

- All direct and indirect trading and holdings of the Company's shares by Directors & Executives or their spouse were notified in writing to the Company Secretary along with the price, number of shares, form of share certificate and nature of transaction which were notified by the Company Secretary to the Board with in the stipulated time. All such holdings have been disclosed in the pattern of Shareholdings.

INTERNAL AUDIT

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

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

- The Audit Committee has ensured the achievements of operational, compliance and financial reporting objectives, safeguarding of the assets of the Company and the shareholders wealth through effective financial operational and compliance controls and risk management at all levels within the Company.

- The Head of Internal Audit has direct access to the Chairman of the Audit Committee and the Committee has ensured staffing of personnel with sufficient internal audit acumen.

- Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

EXTERNAL AUDITORS

- The statutory Auditors of the Company, M/s. KPMG Taseer Hadi & Co., Chartered Accountants, have completed their audit assignments of the "Company's Unconsolidated Financial Statements", the "Consolidated Financial Statements" and the "Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations 2019 for the financial year ended 30th June 2020 and shall retire on the conclusion of the 26th Annual General Meeting.

- The Audit Committee has reviewed and discussed Audit observation and Draft Audit Management Letter with the External Auditors. Final Management Letter is required to be submitted within 45 days of the date of Auditors' Report on financial statements under the listing regulations and shall thereof accordingly be discussed in the next Audit Committee Meeting.

- The Audit Firm has been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by the ICAP. The Auditors attended the general meetings of the Company during the year and have confirmed attendance of the Annual General Meeting scheduled on 28th October 2020.

- Being eligible for re-appointment as Auditors of the Company, the Audit Committee recommends reappointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants for the financial year ending on 30th June 2021.

Karachi: 30th September 2020

Chairman - Audit Committee

KPMG

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

To the members of Arif Habib Corporation Limited

Review report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("the Regulations") prepared by the Board of Directors of **Arif Habib Corporation Limited** ("the Company") for the year ended **30 June 2020** in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2020.

KPMG T—H

KPMG Taseer Hadi & Co.
Chartered Accountants
Karachi

Date: 30 September 2020

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, **2019**

ARIF HABIB CORPORATION LIMITED
FOR THE YEAR ENDED 30TH JUNE 2020

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

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

a. Male Directors : 7
b. Female Director : 1

2. The composition of board is as follows:

Category	Names
Independent Directors	Dr. Shamshad Akhtar Mr. Sirajuddin Cassim
Other Non-executive Directors	Mr. Asadullah Khawaja Mr. Nasim Beg Mr. Samad A. Habib Mr. Kashif A. Habib Mr. Muhammad Ejaz
Executive Director	Mr. Arif Habib
Female Director	Dr. Shamshad Akhtar (Also mentioned above in the list of Independent Directors)

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the Board were presided over by the Chairman / Chairperson and, in his / her absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. During the year, Dr. Shamshad Akhtar has been elected as a director who is a Certified Director. Three directors had already completed the directors' training / education program earlier whereas remaining four directors are exempt from attending the directors training program as per criteria mentioned under Code of Corporate Governance.

10. No new appointments of Chief Financial Officer, Company Secretary or Head of Internal Audit were made during the year under review.

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

a) Audit Committee:

Mr. Sirajuddin Cassim	Chairman
Mr. Kashif A. Habib	Member
Mr. Muhammad Ejaz	Member

b) HR and Remuneration Committee:

Mr. Sirajuddin Cassim	Chairman
Mr. Arif Habib	Member
Mr. Nasim Beg	Member
Mr. Kashif A. Habib	Member

c) Investments & Projects Diversification Committee:

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

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committees ware as per following:
    a) Audit Committee – 4 (Four) meetings of the committee were held during the financial year.
    b) HR and Remuneration Committee - 2 (Two) meetings of the committee were held during the financial year.
    c) Investments & Projects Diversification Committee - 4 (Four) meetings of the committee were held during the financial year.

15. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

    Explanation as required under the regulations 6(1) is mentioned below:
    Currently, Company has two eminent and seasoned independent directors out of total eight directors on the Board. Both the independent directors have requisite competencies, skills, knowledge and experience to discharge and execute their duties competently as per laws and regulations; therefore, the appointment of a third independent director is not considered.

For and on behalf of the Board

Mr. Arif Habib
Chief Executive

Dr. Shamshad Akhtar
Chairperson

Karachi: 30th September 2020

Audited Unconsolidated Financial Statements For the Year Ended 30th June 2020

KPMG Taseer Hadi & Co.
Chartered Accountants
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INDEPENDENT AUDITOR'S **REPORT**

To the members of Arif Habib Corporation Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Arif Habib Corporation Limited** (the Company), which comprise the statement of financial position as at **30 June 2020,** and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

KPMG Taseer Hadi & Co.

Following are the Key audit matters:

S No.	Key audit matters	How the matters were addressed in our audit
1.	**Valuation of investments** Refer notes 13, 19 and 33 to the financial statements. We identified valuation of investments in equity securities as key audit matter because of its significance to the financial statements as a whole and involvement of management's judgment and use of assumptions and estimates.	Our audit procedures to assess the valuation of equity investments, amongst others, included the following: • assessed the design and tested operating effectiveness of the relevant controls in place relating to valuation of equity investments; • compared and recalculated the fair valuation of quoted equity investments with available external quoted market prices; • involved our own valuation specialist to assist us in evaluating the valuation techniques, assumptions and methodologies used by management for valuation of unquoted equity investments, in particular, relating to cash flows projections, growth rates, terminal values and discount rates including marketability discount and sensitivity of the valuation; and • considered the Company's disclosures of equity investments in accordance with the requirements of accounting and reporting standards as applicable in Pakistan.

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

Management is responsible for the other information. Other information comprises the information included in the Annual Report for the year ended 30 June 2020, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

KPMG Taseer Hadi & Co.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

KPMG Taseer Hadi & Co.

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

KPMG T-H

Date: 30 September 2020

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

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STATEMENT OF FINANCIAL POSITION

As at 30th June 2020

	Note	2020	2019
		(Rupees)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital		**10,000,000,000**	10,000,000,000
Share capital			
Issued, subscribed and paid up share capital	6	**4,083,750,000**	4,537,500,000
Reserves			
General reserve		**4,000,000,000**	4,000,000,000
Fair value reserve		**20,085,153**	-
Unappropriated profit		**9,999,201,190**	11,340,451,283
		14,019,286,343	15,340,451,283
		18,103,036,343	19,877,951,283
Non-current liabilities			
Deferred taxation - net	7	**101,282,836**	-
Lease liability	8	**14,582,113**	-
		115,864,949	-
Current liabilities			
Trade and other payables	9	**4,647,143**	4,913,614,341
Mark-up accrued on borrowings		**24,059,455**	56,227,631
Short term borrowings	10	**670,828,552**	1,803,620,434
Current portion of lease liability	8	**12,754,406**	-
Taxation - net		**27,772,826**	25,448,976
Unclaimed dividend		**19,062,446**	31,705,915
		759,124,828	6,830,617,297
Contingencies and commitments	11		
		18,978,026,120	26,708,568,580

STATEMENT OF FINANCIAL POSITION

As at 30th June 2020

	Note	2020	2019
		(Rupees)	
ASSETS			
Non-current assets			
Operating fixed assets	12	**61,589,127**	25,273,958
Long term investments	13	**15,325,669,912**	16,403,149,710
Long term loan to related party	14	**134,970,641**	163,404,133
Long term deposits and other receivables	15	**2,537,030**	2,487,030
		15,524,766,710	16,594,314,831
Current assets			
Loans and advances	16	**34,561,656**	35,187,133
Mark-up receivable	17	**21,636,362**	77,012,680
Prepayments and other receivables	18	**649,189,817**	12,421,996
Short term investments	19	**2,712,628,138**	9,563,036,956
Cash and bank balances	20	**35,243,437**	426,594,984
		3,453,259,410	10,114,253,749
		18,978,026,120	26,708,568,580

The annexed notes from 1 to 37 form an integral part of these financial statements.

Chief Executive Officer	Director	Chief Financial Officer

STATEMENT OF PROFIT OR LOSS

For the year ended 30th June 2020

	Note	2020	2019
		(Rupees)	
Revenue			
Operating revenue	21	**849,336,338**	1,033,857,601
Gain on sale of securities - net		**646,379,863**	63,947,457
Loss on remeasurement of investments - net		**(1,647,445,278)**	(1,721,225,928)
		(151,729,077)	(623,420,870)
Operating and administrative expenses	22	**(115,248,011)**	(102,492,959)
Other income	23	**21,271,368**	20,245,478
Finance cost	24	**(195,847,381)**	(172,040,380)
Other charges	25	**(258,383)**	(24,078,582)
Loss before tax		**(441,811,484)**	(901,787,313)
Taxation	26	**(128,063,609)**	(62,053,738)
Loss for the year		**(569,875,093)**	(963,841,051)
Loss per share - basic and diluted	27	**(1.38)**	(2.12)

The annexed notes from 1 to 37 form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30th June 2020

	Note	2020	2019
		(Rupees)	
Loss for the year		**(569,875,093)**	(963,841,051)
Other comprehensive loss			
Items that will not be reclassified to statement of profit or loss			
Investment in associate at FVOCI - net change in fair value		**25,667,927**	(10,420,667,927)
Related tax thereon		**(5,582,774)**	2,266,495,274
Other comprehensive income / (loss)		**20,085,153**	(8,154,172,653)
Total comprehensive loss		**(549,789,940)**	(9,118,013,704)

The annexed notes from 1 to 37 form an integral part of these financial statements.

Chief Executive Officer	Director	Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

For the year ended 30th June 2020

	Issued, subscribed and paid up share capital	Reserves					Total
		Capital Reserves		Revenue Reserves		Sub total	
		Other reserve *	Fair value reserve **	General reserve	Unappropriated profit		
				(Rupees)			
Balance as at 1 July 2018	4,537,500,000	64,036,984	-	4,000,000,000	21,301,928,003	25,365,964,987	29,903,464,987
Adjustment on initial application of IFRS 9, net of tax	-	(64,036,984)	8,154,172,653	-	(8,090,135,669)	-	-
Adjusted balance as at 1 July 2018	4,537,500,000	-	8,154,172,653	4,000,000,000	13,211,792,334	25,365,964,987	29,903,464,987
Total comprehensive loss for the year ended 30 June 2019							
Loss for the year	-	-	-	-	(963,841,051)	(963,841,051)	(963,841,051)
Other comprehensive loss for the year	-	-	(8,154,172,653)	-	-	(8,154,172,653)	(8,154,172,653)
	-	-	(8,154,172,653)	-	(963,841,051)	(9,118,013,704)	(9,118,013,704)
Transactions with owners of the Company recorded directly in equity - Distributions							
Final cash dividend at the rate of Rs. 2 per share for the year ended 30 June 2018	-	-	-	-	(907,500,000)	(907,500,000)	(907,500,000)
Balance as at 30 June 2019	4,537,500,000	-	-	4,000,000,000	11,340,451,283	15,340,451,283	19,877,951,283
Balance as at 1 July 2019	4,537,500,000	-	-	4,000,000,000	11,340,451,283	15,340,451,283	19,877,951,283
Total comprehensive loss for the year ended 30 June 2020							
Loss for the year	-	-	-	-	(569,875,093)	(569,875,093)	(569,875,093)
Other comprehensive income for the year	-	-	20,085,153	-	-	20,085,153	20,085,153
	-	-	20,085,153	-	(569,875,093)	(549,789,940)	(549,789,940)
Transactions with owners of the Company recorded directly in equity - Distributions							
Buy-back of shares at Rs. 27 per share (refer note 6.2.2)	**(453,750,000)**	**-**	**-**	**-**	**(771,375,000)**	**(771,375,000)**	**(1,225,125,000)**
Balance as at 30 June 2020	**4,083,750,000**	**-**	**20,085,153**	**4,000,000,000**	**9,999,201,190**	**14,019,286,343**	**18,103,036,343**

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

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

The annexed notes from 1 to 37 form an integral part of these financial statements.

Chief Executive Officer | Director | Chief Financial Officer

STATEMENT OF CASH FLOWS

For the year ended 30th June 2020

	Note	2020	2019
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash generated from operations	29	**1,919,082,829**	476,206,126
Income taxes paid		**(30,039,697)**	(131,238,746)
Interest received		**137,937,452**	189,268,051
Finance cost paid		**(223,835,437)**	(138,209,818)
Net cash generated from operating activities		**1,803,145,147**	396,025,613
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		**(16,096,482)**	(450,985)
Dividend received		**123,431,567**	811,493,582
Proceeds from sale of operating fixed assets		**77,626**	-
Disposal of long term investments		**67,360,000**	-
Long term deposit		**(50,000)**	-
Net cash generated from investing activities		**174,722,711**	811,042,597
CASH FLOWS FROM FINANCING ACTIVITIES			
Buy-back of shares		**(1,225,125,000)**	-
Payment of lease liability		**(11,494,395)**	-
Repayment of long term loans		**-**	(455,179,583)
Dividend paid		**-**	(907,500,000)
Net cash used in financing activities		**(1,236,619,395)**	(1,362,679,583)
Net increase / (decrease) in cash and cash equivalents		**741,248,463**	(155,611,373)
Cash and cash equivalents at beginning of the year		**(1,377,025,450)**	(1,222,999,632)
Effect of exchange rate fluctuations on cash held		**191,872**	1,585,555
Cash and cash equivalents at end of the year	30	**(635,585,115)**	(1,377,025,450)

The annexed notes from 1 to 37 form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer

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 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 Company also extends loans, advances and guarantees to its associated company / undertaking as allowed under Companies Act, 2017 as its principal business activity. The registered office of the Company is situated at 2nd Floor, 23, M. T. Khan Road, Karachi, Pakistan. The Company is domiciled in the province of Sindh.

These financial statements are separate financial statements of the Company in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated financial statements are prepared separately.

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

Name of Companies	Shareholding
Subsidiaries	
- Arif Habib Limited, a brokerage house	69.44%
- Sachal Energy Development (Private) Limited, a wind power generation company	85.83%
- Black Gold Power Limited, a coal power generation company	100.00%
Associates	
- MCB - Arif Habib Savings and Investments Limited - a pension fund manager, asset management company and investment advisor	30.09%
- Pakarab Fertilizers Limited, a fertilizer company	30.00%
- Fatima Fertilizer Company Limited, a fertilizer company	15.19%
Others	
- Khabeer Financial Services (Private) Limited	5.00%
- Sunbiz (Private) Limited	4.65%

2. IMPACT OF COVID 19 ON THE FINANCIAL STATEMENTS

On 11 March 2020, the World Health Organization (WHO) declared the 2019 Novel Coronavirus (COVID-19) outbreak a pandemic which impacted countries globally including Pakistan. Due to COVID-19 and resulting measures taken to control the spread of virus including travel bans, quarantines, social distancing and closures of non-essential services impacted adversely various businesses and enhanced volatility in the Pakistan Stock Exchange (PSX). From March 2020 onwards till 30 June 2020, the Company was conducting business with some modifications to employee working and cancellation of certain events, among other modifications while following all necessary Standard Operating Procedures (SOPs). Subsequent to year end, the situation has gradually improved in Pakistan and the Company will continue to actively monitor the situation and may take further actions as may be required by federal, provincial or local authorities or that are in the best interests of their employees, customers, partners, and stockholders.

Management based on its assessment considers that there would be no significant impact that will adversely affect the Company's business, results of operations and financial condition in future period.

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

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

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

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

3.2 Basis of measurement

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

3.3 Functional and presentation currency

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

3.4 Use of estimates and judgments

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

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

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

- Provision for taxation (note 5.3)
- Useful lives and residual values of operating fixed assets (note 5.4)
- Useful lives and residual values of intangible assets (note 5.5)
- Fair value of investments (note 5.6)
- Classification of investments (note 5.8.2)
- Impairment (note 5.9)
- Investment property (note 5.10)
- Provisions (note 5.16)

4. AMENDMENTS / INTERPRETATIONS TO EXISTING STANDARDS AND FORTHCOMING REQUIREMENTS

4.1 New standards, amendments or interpretations which became effective during the year

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

The Company has adopted IFRS 16 'Leases' from 1 July 2019. The impact of adoption of IFRS 16 and related accounting policies are disclosed in note 5.1 below. A number of other new standards are effective from 1 July 2019 but they are considered not to be relevant or do not have a significant effect on the Company and are therefore not stated in these financial statements.

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

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

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

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

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

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

- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

  a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  b. any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  c. there is no substantive change to the other terms and conditions of the lease.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 – The amendment partially amends illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below in note 5.1, the significant accounting policies consistently applied in the preparation of these financial statements are the same as those applied in earlier periods presented.

5.1 Changes in significant accounting policies

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

5.1.1 Lease liabilities and right-of-use assets

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

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

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

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

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

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

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

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

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

The impact of adoption of IFRS 16 on the statement of financial position as at 30 June 2020 and statement of profit or loss and other comprehensive income for the year ended 30 June 2020 is as follows:

	Carrying Amount	
	30 June 2020	1 July 2019
	(Rupees)	
Right-of-use asset presented in operating fixed assets	**25,654,839**	38,482,259
Lease liability	**27,336,519**	34,650,794

	Year ended 30 June 2020
Depreciation expense	**12,827,420**
Interest expense presented in finance costs	**4,180,120**

5.2 Staff retirement benefits

Defined contribution plan

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

5.3 Taxation

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

Current

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

Deferred

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

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

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

5.4 Operating fixed assets

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

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

5.5 Intangible assets

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

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

5.6 Fair value measurement

The fair value of financial instruments traded in active markets at the reporting date is based on their quoted market prices or dealer price quotation without any deduction for transaction costs. If there is no active market for a financial asset, the Company establishes fair value using valuation techniques. These include the use of recent arms length transaction, discounted cash flow analysis and other revaluation techniques commonly used by market participants.

5.7 Investments in Subsidiaries and Associates

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

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

Investment in subsidiaries are carried at cost in accordance with IAS 27 - 'Separate Financial Statements'. Investments in associates are accounted for under 'IFRS 9 - Financial instruments' considering each investment individually.

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

Associates classified as at fair value through profit or loss are measured at fair value, and changes therein are recognised in the statement of profit or loss except associates classified at fair value through other comprehensive income, the changes of which are recognised in statement of other comprehensive income.

5.8 Financial Instruments

5.8.1 Recognition and Initial Measurement

Trade receivables and debt securities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

5.8.2 Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as and measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Investment in debt instruments that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL

Financial assets – Business model assessment:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

Gain recognised on remeasurement of investment
- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest / mark-up or dividend income, are recognised in statement of profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at using the effective amortised cost interest method. The amortised cost is reduced by impairment losses Interest / mark-up income, foreign exchange gains and losses and impairment are recognised in statement of profit or loss. Any gain or loss on derecognition is recognised in statement of profit or loss.
Debt investments at FVTPL	These assets are subsequently measured at fair value. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in statement of profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value Interest / mark-up income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in statement of profit or loss. Other net gains and losses are recognised in statement of other comprehensive income. On derecognition, gains and losses accumulated in OCI are reclassified to statement of profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in statement of profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in statement of other comprehensive income and are never reclassified to statement of profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in statement of profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of profit or loss.

Any gain or loss on derecognition is also recognised in statement of profit or loss.

5.8.3 Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in statement of profit or loss.

5.8.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

5.9 Impairment

5.9.1 Non-derivative financial assets

Financial instruments

The Company recognises loss allowances for expected credit losses (ECL) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date;
- financial guarantee contracts issued at market rates; and
- other debt securities, loan to related parties, bank balances and other financial assets measured at amortised cost for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5.9.2 Non-derivative financial assets

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer would enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity instrument, objective evidence of impairment included a significant or prolonged decline in its fair value below its cost.

Financial assets measured at amortised cost

The Company considered evidence of impairment for these assets at both, an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in statement of profit or loss and reflected in an allowance account. When the Company considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through statement of profit or loss.

5.9.3 Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than investment property and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generated units (CGU).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in statement of profit or loss.

Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5.10 Investment property

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

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the statement of profit or loss. When investment property that was previously classified as property plant and equipment is sold, any related amount included in revaluation reserve is transferred to retained earnings.

5.11 Purchase under resale agreement

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

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

5.12 Off Balance Sheet Obligations

The Company issues financial guarantee contracts in return for fees (i.e. commission on guarantee) to associated concerns. Under a financial guarantee contract, the Company undertakes to meet counter party's obligations under the terms of a debt instrument, if the counter party fails to do so. Financial guarantees issued at below market interest rates are initially recognised as liabilities at fair value, while financial guarantees issued at market rates are recorded off-balance sheet. The Company's policy is to issue financial guarantees at market rates, therefore such guarantee contracts are off-balance sheet and are disclosed in note 11.1.3 - 11.1.6 to these financial statements. The commission on guarantee is recognised on time proportion basis.

5.13 Derivative financial instruments

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

5.14 Short term borrowings

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

5.15 Revenue recognition

- Gain/loss on sale of investments are recognised in the statement of profit or loss on the date of transaction. All purchases and sales of securities that require delivery within the timeframe established by regulation or market conventions such as 'T+2' purchases and sales are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the financial assets.

- Dividend income is recognised when the Company's right to receive such dividend is established.

- Put option fee is recognised on time proportion basis over the period of its tenor.

- Interest income on bank deposits and loans are recognised on time proportion basis that takes into account the effective yield.

- Unrealised gains / (losses) arising on remeasurement of investments classified as at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise.

5.16 Provisions

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

5.17 Foreign currency

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

5.18 Mark-up bearing borrowings

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

5.19 Cash and cash equivalents

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

5.20 Dividend and appropriation to reserve

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

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

5.21 Expenses

All expenses are recognised in the statement of profit or loss on an accrual basis.

6. SHARE CAPITAL

6.1 Authorised share capital

2020	2019		Note	2020	2019
(Number of shares)				(Rupees)	
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each		**10,000,000,000**	10,000,000,000

6.2 Issued, subscribed and paid up share capital

2020	2019		Note	2020	2019
5,000,000	5,000,000	Ordinary shares of Rs. 10 each fully paid in cash		**50,000,000**	50,000,000
450,750,000	450,750,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares		**4,507,500,000**	4,507,500,000
455,750,000	455,750,000			**4,557,500,000**	4,557,500,000
(2,000,000)	(2,000,000)	Ordinary shares of Rs. 10 each bought back at Rs. 360 per share	6.2.1	**(20,000,000)**	(20,000,000)
(45,375,000)	-	Ordinary shares of Rs. 10 each bought back at Rs. 27 per share	6.2.2	**(453,750,000)**	-
408,375,000	453,750,000			**4,083,750,000**	4,537,500,000

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

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

6.2.3 At year end, Mr. Arif Habib held 78.84% (2019: 70.11%) of ordinary shares in the Company.

7. DEFERRED TAXATION - NET

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

	Note	2020	2019
		(Rupees)	
Taxable temporary differences			
- Dividend receivable		**95,700,062**	136,219
- Right-of-use asset		**7,439,903**	-
- Associates - at FVOCI		**5,582,774**	-
Deductible temporary differences			
- Accelerated accounting depreciation		**(264,692)**	(424,791)
- Impairment loss on long term investment - unquoted		**(435,000)**	(435,000)
- Unrealised loss on investment in equity securities at FVTPL		**(90,789,262)**	(25,007,080)
- Lease liability		**(7,927,590)**	-
		9,306,195	(25,730,652)
- Unused tax losses		**(145,086,693)**	(139,767,507)
		(135,780,498)	(165,498,159)
Deferred tax asset not recognised	7.1	**237,063,334**	165,498,159
Deferred tax liability		**101,282,836**	-

7.1 Unrecognised deferred tax assets

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

8. LEASE LIABILITY

	2020	2019
	(Rupees)	
Lease liability	**27,336,519**	-
Less: Current portion of lease liability	**(12,754,406)**	-
	14,582,113	-

8.1 Lease liability is payable as follows:

	2020 (Rupees) Less than one year	2020 (Rupees) Between one and two years
Future minimum lease payments	**15,325,860**	15,325,860
Interest	**(2,571,454)**	(743,747)
Present value of minimum lease payment	**12,754,406**	14,582,113

9. TRADE AND OTHER PAYABLES

	Note	2020 (Rupees)	2019 (Rupees)
Trade creditors	9.1	**80,477**	8,847,618
Accrued liabilities		**4,566,666**	4,541,723
Deposit under Option Agreement	19.1.2	**-**	4,900,225,000
		4,647,143	4,913,614,341

9.1 This represents amount payable to Arif Habib Limited against purchase of equity securities including transaction cost under T+2 mechanism.

10. SHORT TERM BORROWINGS - *Secured*

Running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 3,600 million (2019: Rs. 3,000 million). These facilities have various maturity dates up to 31 December 2020, and need to be renewed after that. These arrangements are secured against pledge of marketable securities with minimum 30% margin (2019: 30% margin).

These running finance facilities carry mark-up ranging from 1 month KIBOR + 1% to 3 month KIBOR + 1.75% per annum (2019: 1 month KIBOR + 1% to 3 month KIBOR + 1.75% per annum) calculated on a daily product basis, and is payable quarterly. The aggregate amount of these facilities which have not been availed as at the reporting date amounts to Rs. 2,929 million (2019: Rs. 1,196 million).

The fair value of shares of associated companies, shares held for trading and other assets pledged / charged as collateral against short term borrowings amount to Rs. 4,408 million (2019: Rs. 5,369 million).

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

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

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

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

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

11.1.3 The Company has issued Corporate Guarantee, on behalf of a subsidiary company, namely Sachal Energy Development (Private) Limited (SEDPL), amounting to USD 100 million (current outstanding: USD 70 million) to Industrial Commercial Bank of China in relation to financing agreement of SEDPL.

11.1.4 The Company has issued Guarantees on behalf of an associated concern, Aisha Steel Mills Limited (ASML) to the extent of Rs. 1.3 billion and USD 18.8 million. This include Corporate Guarantee to the extent of USD 8.8 million issued during the year in favour of Hangzhou Cogeneration (Hong Kong) Co. Ltd and Guarantee in the form of pledge of shares issued during the year to the extent of Rs. 625 million in favour of Habib Metropolitan Bank Limited to secure payment obligations of ASML.

11.1.5 The Company has issued Corporate Guarantee on behalf of an associated concern, Power Cement Limited (PCL) to the extent of USD 10.127 million. During the year, Corporate Guarantee to the extent of Rs. 847.68 issued in favour of Tianjin Electric Power Construction Co. Ltd to secure payment obligations of PCL.

11.1.6 The Company has pledged shares with various banks for running finance facilities obtained by Arif Habib Limited, a subsidiary company. These facilities amount to Rs. 1,975 million.

The Company has obtained letters of indemnity from respective related parties.

11.2 Commitments

11.2.1 There were no significant commitments at the reporting date except as otherwise disclosed in these financial statements.

12. OPERATING FIXED ASSETS

	Right-of-use asset	Vehicles	Furniture and office equipment	Computer and allied equipment	Leasehold improvements	Total
	(Rupees)					
Cost						
Balance as at 01 July 2018	-	29,890,893	1,122,059	3,984,453	67,750,472	102,747,877
Additions	-	50,500	-	400,485	-	450,985
Disposals / transfer / written off	-	-	-	(67,925)	-	(67,925)
Balance as at 30 June 2019	-	29,941,393	1,122,059	4,317,013	67,750,472	103,130,937
Balance as at 01 July 2019	**-**	**29,941,393**	**1,122,059**	**4,317,013**	**67,750,472**	**103,130,937**
Additions	**38,482,259**	**15,717,281**	**197,128**	**182,073**	**-**	**54,578,741**
Disposals / transfer / written off	**-**	**(171,533)**	**(90,000)**	**-**	**-**	**(261,533)**
Balance as at 30 June 2020	**38,482,259**	**45,487,141**	**1,229,187**	**4,499,086**	**67,750,472**	**157,448,145**
Depreciation						
Balance as at 01 July 2018	-	17,993,545	584,528	2,893,974	50,952,225	72,424,272
Charge for the year	-	2,386,203	89,431	462,581	2,519,737	5,457,952
Disposals / transfer / written off	-	-	-	(25,245)	-	(25,245)
Balance as at 30 June 2019	-	20,379,748	673,959	3,331,310	53,471,962	77,856,979
Balance as at 01 July 2019	**-**	**20,379,748**	**673,959**	**3,331,310**	**53,471,962**	**77,856,979**
Charge for the year	**12,827,420**	**2,687,449**	**78,814**	**415,103**	**2,141,777**	**18,150,563**
Disposals / transfer / written off	**-**	**(113,907)**	**(34,617)**	**-**	**-**	**(148,524)**
Balance as at 30 June 2020	**12,827,420**	**22,953,290**	**718,156**	**3,746,413**	**55,613,739**	**95,859,018**
Written down value as at 30 June 2019	-	9,561,645	448,100	985,703	14,278,510	25,273,958
Written down value as at 30 June 2020	**25,654,839**	**22,533,851**	**511,031**	**752,673**	**12,136,733**	**61,589,127**
Annual rates of depreciation	**33%**	**20%**	**15%**	**33%**	**15%**	

13. LONG TERM INVESTMENTS

	Note	2020	2019
		(Rupees)	
Subsidiaries - at cost	13.1	**4,953,984,832**	5,058,602,290
Associates - designated at FVTPL	13.2	**9,021,685,080**	10,020,215,347
Associates - at FVOCI	13.3	**1,350,000,000**	1,324,332,073
Other equity securities - at FVOCI	13.4	**-**	-
		15,325,669,912	16,403,149,710

13.1 Subsidiaries - at cost

	Note	2020	2019
Arif Habib Limited (AHL)	13.1.1	**2,157,519,772**	2,262,137,230
Sachal Energy Development (Private) Limited (SEDPL)	13.1.2	**2,746,465,060**	2,746,465,060
Black Gold Power Limited (BGPL)	13.1.3	**50,000,000**	50,000,000
		4,953,984,832	5,058,602,290

13.1.1 Investment in AHL (quoted) represents 41.246 million (2019: 43.246 million) fully paid ordinary shares of Rs. 10 each, representing 69.44% (2019: 65.52%) of AHL's paid up share capital as at 30 June 2020. During the year, Company disposed off 2 million shares of AHL at the rate of Rs. 33.68 per share.

Further, during the year AHL purchased and cancelled 6,600,000 ordinary shares (10% of existing shares i.e. 66,000,000) which was approved by shareholders at the extra ordinary general meeting of AHL held on 3rd July 2019.

Market value per share as at 30 June 2020 is Rs. 32.53 (2019: Rs. 31.63), whereas book value based on net assets as per audited financial statements as at 30 June 2020 is Rs.54.99 (2019: Rs. 44.21) per share.

13.1.2 Investment in SEDPL (unquoted) represents 274.647 million (2019: 274.647 million) fully paid ordinary shares of Rs. 10 each, representing 85.83% (2019: 85.83%) of SEDPL's paid up share capital as at 30 June 2020. Book value based on net assets, as per audited financial statements as at 30 June 2020 is Rs. 21.92 per share (2019: Rs.16.20 per share). The entire shareholding in SEDPL has been pledged in favour of Industrial and Commercial Bank of China (ICBC) to secure project financing of SEDPL.

13.1.3 Investment in BGPL (unquoted) represents 5 million (2019: 5 million) fully paid ordinary shares of Rs. 10 each, representing 100% (2019: 100%) of BGPL's paid up share capital as at 30 June 2020. BGPL has been allocated with supply of coal for its 660 MW Thar Coal based power project to be constructed, commissioned and operated at Thar Block II.

13.2 Associates - designated at FVTPL

	Note	Cost	Unrealised appreciation / (diminution) on remeasurement of investments	Carrying amount 2020	Carrying amount 2019
		(Rupees)			
MCB - Arif Habib Savings and Investments Limited (MCB-AH)	13.2.1	477,694,882	17,114,692	494,809,574	498,059,199
Fatima Fertilizer Company Limited (FFCL)	13.2.2	3,512,782,225	5,014,093,281	8,526,875,506	9,522,156,148
		3,990,477,107	5,031,207,973	9,021,685,080	10,020,215,347

13.2.1 Investment in MCB-AH (quoted) represents 21.664 million (2019: 21.664 million) fully paid ordinary shares of Rs. 10 each, representing 30.09% (2019: 30.09%) of MCB-AH's paid up share capital as at 30 June 2020, having historical cost of Rs. 81.95 million (2019: Rs. 81.95 million). During 2011, the Company lost control over MCB-AH and designated the investment at 'fair value through profit or loss' and accordingly fair value on the date of loss of control was considered as deemed cost. Market value per share as at 30 June 2020 is Rs. 22.84 (2019: Rs. 22.99), whereas book value based on net assets, as per audited financial statements as at 30 June 2020 is Rs. 21.54 per share (2019: Rs. 20.31 per share).

Pursuant to Rule 5(6)(e) of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, the Company, being a promoter of MCB-AH, has placed shares in an account marked as 'Freeze' with Central Depository Company of Pakistan Limited.

13.2.2 Investment in FFCL (quoted) represents 319 million (2019: 319 million) fully paid ordinary shares of Rs. 10 each, representing 15.19% (2019: 15.19%) of FFCL's paid up share capital as at 30 June 2020. Fair value per share as at 30 June 2020 is Rs. 26.73 (2019: Rs. 29.85). Book value based on net assets as per audited financial statements as at 30 June 2020 is Rs. 38.56 per share (30 June 2019: Rs. 31.48 per share). Further, investment in FFCL having fair value of Rs. 2.9 billion (2019: Rs. 2.9 billion) has been pledged in favour of various banks for the borrowing facility availed by Arif Habib Limited, a subsidiary company.

13.3 Associates - at FVOCI

	Note	Cost	Unrealised appreciation / (diminution) on remeasurement of investments	Carrying amount 2020	Carrying amount 2019
			(Rupees)		
Pakarab Fertilizers Limited (PFL)	13.3.1	**1,324,332,073**	**25,667,927**	**1,350,000,000**	1,324,332,073

13.3.1 Investment in PFL (unquoted) represents 135 million (2019: 135 million) fully paid ordinary shares of Rs. 10 each, representing 30% (2019: 30%) of PFL's paid up share capital as at 30 June 2020. Fair value per share as at 30 June 2020 is Rs. 10 (2019: Rs. 9.8), whereas book value based on net assets, as per unaudited financial statements, as at 30 June 2020 is Rs. 12.52 per share (30 June 2019: Rs. 7.55 per share). Details regarding valuation of PFL are disclosed in note 33.2 to these financial statements.

13.4 Other equity securities - at FVOCI

	Note	Shares 2020	Fair value 2020	Shares 2019	Fair value 2019
		(Number)	(Rupees)	(Number)	(Rupees)
Sun Biz (Private) Limited (SBL)	13.4.2	**10,000**	**-**	10,000	-
Al-Khabeer Financial Services (Private) Limited (AKFS)	13.4.3	**5,000**	**-**	5,000	-
			-		-

13.4.1 Investment in SBL (unquoted) and AKFS (unquoted) were fully impaired in previous year and no change in fair value is recognised in current year's financial statements.

13.4.2 Investment in SBL (unquoted) represents 10,000 (2019: 10,000) fully paid ordinary shares of Rs. 100 each.

13.4.3 Investment in AKFS (unquoted) represents 5,000 (2019: 5,000) fully paid ordinary shares of Rs. 200 each.

13.5 Fair value of long term investments pledged with banking companies against various financing facilities amounts to Rs.4,120 million (2019: Rs. 4,357 million).

14. LONG TERM LOAN TO RELATED PARTY

	Note	2020	2019
		(Rupees)	
At amortised cost			
Secured			
Aisha Steel Mills Limited		**163,404,133**	182,359,793
Less: Current portion of long term loan	16	**(28,433,492)**	(18,955,660)
		134,970,641	163,404,133

14.1 In 2017, the Company had converted running finance to a 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 2019: 6 months KIBOR + 3.25% per annum). The rate of mark-up on the loan during the period ranged between 16.38% to 16.74% (30 June 2019: ranged between 10.29% to 14.05%) per annum. Mark-up is payable on semi-annual basis.

14.2 Maximum balance due from related party during the year was Rs. 149.19 million (2019: Rs. 172.88 million).

15. LONG TERM DEPOSITS AND OTHER RECEIVABLES

	Note	2020	2019
		(Rupees)	
Unsecured			
Security deposit with Central Depository Company of Pakistan Limited		**4,090**	4,090
Security deposits with telecommunication companies		**40,500**	40,500
Security deposits for fuel cards		**95,000**	45,000
Secured			
Receivable from employees against leased vehicles	15.1	**2,397,440**	2,397,440
		2,537,030	2,487,030

15.1 This represents security deposits paid by the Company to / on behalf of employees for leased vehicle and is secured against respective employees' provident fund balances. It will be recovered from the respective employees from their final settlement or at the termination of lease agreement.

16. LOANS AND ADVANCES

	Note	2020	2019
		(Rupees)	
At Amortised cost			
Unsecured			
Loans to related parties			
- Black Gold Power Limited (BGPL)	16.1	**5,500,000**	5,500,000
- Javedan Corporation Limited (JCL)		**-**	10,067,474
		5,500,000	15,567,474
Secured			
- Current portion of long term loan to Aisha Steel Mills Limited (ASML)	14	**28,433,492**	18,955,660
- Advance against salaries to employees		**628,164**	663,999
		34,561,656	35,187,133

16.1 During the year ended 30 June 2019, the Company entered into an interest free financing agreement with BGPL to the extent of Rs. 10,000,000 in order to finance its working capital requirements and for any other business as may be mutually agreed between the parties to the agreement. The loan is repayable within 30 business days of notice of demand.

16.2 Maximum balance due from related parties in respect of loans and advances as at the end of any month during the year was Rs. 790 million (2019: Rs. 2,915.96 million).

17. MARK-UP RECEIVABLE

	2020	2019
	(Rupees)	
From related parties:		
- Aisha Steel Mills Limited	**21,441,982**	35,352,227
- Javedan Corporation Limited	**147,616**	40,567,881
Others:		
United Bank Limited - Term Finance Certificates	**-**	1,092,572
Bank's saving account	**46,764**	-
	21,636,362	77,012,680

17.1 The maximum amount due from related parties in respect of mark-up receivable as at the end of any month during the year was Rs. 36.32 million (2019: Rs. 75.92 million). Further, the said receivable from related parties are on account of loans provided to them which are current and not past due.

18. PREPAYMENTS AND OTHER RECEIVABLES

	Note	2020	2019
		(Rupees)	
Prepayments		**4,427,879**	4,543,498
Guarantee commission receivable	18.1	**5,041,526**	5,207,693
Dividend receivable	18.2	**638,000,412**	908,125
Others		**1,720,000**	1,762,680
		649,189,817	12,421,996

18.1 This represents guarantee commission receivable from related parties, namely Arif Habib Limited, Sachal Energy Development (Private) Limited, Aisha Steel Mills Limited and Power Cement Limited. The maximum amount due in respect of guarantee commission receivable as at the end of any month during the year was Rs. 5.39 million (2019: Rs. 5.208 million).

18.2 This represents dividend receivable from Fatima Fertilizer Company Limited.

19. SHORT TERM INVESTMENTS

	Note	2020	2019
		(Rupees)	
Equity securities - at FVTPL	19.1	**2,712,628,138**	9,513,036,956
Corporate debt securities - mandatorily at FVTPL		**-**	50,000,000
		2,712,628,138	9,563,036,956

19.1 Equity securities - at FVTPL

	Note	2020	2019
		(Rupees)	
Investment in related parties	19.1.1 & 19.1.2	**2,424,528,620**	7,331,959,662
Other investments	19.1.3	**288,099,518**	2,181,077,294
		2,712,628,138	9,513,036,956

19.1.1 These include investments in Aisha Steel Mills Limited, Power Cement Limited and Javedan Corporation Limited.

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

19.1.3 Fair value of these investments is determined using quoted market prices prevailing at the reporting date.

19.1.4 Reconciliation of loss on remeasurement of equity securities at FVTPL

	2020	2019
	(Rupees)	
Cost of investment	3,408,696,929	9,560,190,736
Unrealised loss :		
Balance as at 1 July	(47,153,780)	925,397,482
Unrealised loss for the year	(648,915,011)	(972,551,262)
	(696,068,791)	(47,153,780)
Balance as at 30 June	2,712,628,138	9,513,036,956

19.2 Fair value of short term investments pledged with banking companies against various financing facilities amounts to Rs. 306.66 million (2019: Rs. 1,012 million).

20. CASH AND BANK BALANCES

	Note	2020	2019
		(Rupees)	
With banks in:			
Current accounts			
- In local currency	20.1	21,306,514	417,179,759
- In foreign currency		6,768,178	6,576,497
		28,074,692	423,756,256
Deposit accounts	20.2	7,111,149	2,764,103
		35,185,841	426,520,359
Cash in hand (in local and foreign currency)		57,596	74,625
		35,243,437	426,594,984

20.1 This includes unclaimed dividend deposited in separate dividend account amounting to Rs. 19.06 million (2019: Rs. 31.71 million).

20.2 Mark-up on deposit account was at rates ranging from 7.25% to 14% (2019: 4.50% to 10.25%) per annum.

21. OPERATING REVENUE

	Note	2020	2019
		(Rupees)	
Dividend income		**761,431,979**	812,401,707
Mark-up income on loans and advances	21.1	**75,744,454**	216,415,523
Mark-up income on term finance certificates		**6,816,680**	4,682,791
Mark-up income on bank deposits		**5,343,225**	357,580
		849,336,338	1,033,857,601

21.1 This represents mark-up income on loan extended to related parties, namely Aisha Steel Mills Limited, Power Cement Limited and Javedan Corporation Limited.

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

22. OPERATING AND ADMINISTRATIVE EXPENSES

	Note	2020	2019
		(Rupees)	
Salaries and benefits	22.1	**47,087,818**	44,561,732
Rent, rates and taxes		**1,757,772**	16,906,053
Legal and professional charges		**4,704,633**	2,502,156
Depreciation	12	**18,150,563**	5,457,952
Advertisement and business promotion		**13,275,932**	3,285,673
Repairs and maintenance		**5,244,316**	5,538,507
Travelling and conveyance		**5,147,577**	6,337,485
Printing and stationery		**2,736,467**	3,514,037
Insurance		**2,528,081**	2,307,533
Electricity		**4,376,492**	3,392,986
Fees and subscription		**2,365,519**	1,998,166
Auditor's remuneration	22.2	**2,568,664**	1,893,390
Communication		**1,577,725**	1,658,316
Directors' meeting fees		**450,000**	260,000
Custody and settlement charges		**1,361,417**	1,284,212
Entertainment		**610,195**	434,027
Others		**1,304,840**	1,160,734
		115,248,011	102,492,959

22.1 Salaries and benefits include Rs. 2.47 million (2019: Rs. 2.07 million) in respect of provident fund contribution. All investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

22.2 Auditor's remuneration

	2020	2019
	(Rupees)	
Audit fee	**1,402,000**	1,190,000
Certification including interim review	**780,000**	405,000
Out of pocket	**178,500**	174,850
Sales tax	**208,164**	123,540
	2,568,664	1,893,390

23. OTHER INCOME

	Note	2020	2019
		(Rupees)	
Guarantee commission income	23.1	**21,079,496**	17,624,571
Profit on foreign currency translation		**191,872**	1,585,555
Liabilities written back		**-**	1,035,352
		21,271,368	20,245,478

23.1 This pertains to guarantees issued to related parties namely, Arif Habib Limited, Sachal Energy Development (Private) Limited, Aisha Steel Mills Limited and Power Cement Limited.

24. FINANCE COST

	2020	2019
	(Rupees)	
Mark-up on short term borrowings	**191,613,433**	170,826,003
Interest expense on lease	**4,180,120**	-
Mark-up on term musharaka financing - long term loan	**-**	1,165,548
Mark-up on diminishing musharaka financing - long term loan	**-**	5,467
Bank charges	**53,828**	43,362
	195,847,381	172,040,380

25. OTHER CHARGES

	Note	2020	2019
		(Rupees)	
Donations	25.1	**223,000**	23,300,000
Loss on disposal of fixed assets		**35,383**	-
Corporate social responsibility expense		**-**	778,582
		258,383	24,078,582

25.1 This include donation paid to following donees:

Donees	2020	2019
Karachi Union of Journalists	**200,000**	-
Saylani Welfare Trust	**23,000**	-
Prime Minister and Chief Justice of Pakistan Fund for Diamer-Bhasha and Mohmand Dams	**-**	10,000,000
Usman Memorial Hospital Foundation	**-**	10,000,000

25.2 There are no donations to any person, institution or organisation in which a director or his spouse had any interest.

26. TAXATION

	Note	2020	2019
		(Rupees)	
Current			
- for the year	26.1	**30,549,974**	147,791,478
- for prior years		**1,813,573**	1,135,446
		32,363,547	148,926,924
Deferred		**95,700,062**	(86,873,186)
		128,063,609	62,053,738

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

26.2 The Company has been contesting various petitions against levy of “Super Tax” u/s 4B of the Income Tax Ordinance, 2001 introduced through Finance Act, 2015 in the High Court of Sindh and has not paid the Super Tax accordingly. The Company is of the view that the same is imposed against the merit of law and the Company’s legal council is of the view that the Company has a favourable case on merit. However, on prudent basis, a provision has been made in these financial statements.

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

Income tax assessment for the Tax Year 2011, taken as deemed assessment under section 120 of the Income Tax Ordinance, 2001 was subsequently amended under section 122(5A) of the Income Tax Ordinance, 2001. The Company was subsequently allowed relief in its subsequent appeal which was also maintained by the Appellate Tribunal in favour of the Company. Income tax assessment for the Tax Year 2012 was taken as deemed assessment under section 120 of the Income Tax Ordinance, 2001 which was subsequently amended under section 122(1) of the Ordinance. The appeal of the Company was decided in its favour. The Department has preferred an appeal in the Appellate Tribunal against the decision; however, no notice of hearing has been served yet.

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

Income tax assessment for Tax Year 2015, taken as deemed assessment under section 120 of the Income Tax Ordinance, 2001 was subsequently amended under section 122(5A) of the Income Tax Ordinance, 2001. The Company has preferred an appeal against the amended assessment and relief was allowed to the Company. The Department has preferred an appeal in the Appellate Tribunal against the decision; however, no notice of hearing has been served yet.

Income tax return was filed by the Company for the Tax Years 2016, 2017, 2018 and 2019 taken as deemed assessment under section 120 of the Income Tax Ordinance, 2001.

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

	2020	2019
	(Rupees)	
Loss before tax	**(441,811,484)**	(901,787,313)
Tax at the applicable tax rate of 29% (2019: 29%)	**(128,125,330)**	(261,518,321)
Tax effect of income under final tax regime	**(106,464,258)**	(113,736,239)
Tax effect of income taxed at lower rate	**(177,257,394)**	(7,722,827)
Prior year tax effect	**1,813,572**	1,135,446
Tax effect of non-deductible expenses	**22,683,722**	-
Tax effect of minimum tax at 1.5% (2019: 1.25%)	**1,842,473**	2,988,447
Tax effect of super tax at 0% (2019: 2%)	**-**	11,847,535
The effect of exempt income / permanent difference	**477,703,488**	411,329,196
Others	**35,867,336**	17,730,501
	128,063,609	62,053,738

27. LOSS PER SHARE - BASIC AND DILUTED

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

	Note	2020	2019
		(Rupees)	
Loss for the year		**(569,875,093)**	(963,841,051)
		(Number)	
Weighted average number of ordinary shares	27.1	**413,210,041**	453,750,000
		(Rupees)	
Loss per share - basic and diluted		**(1.38)**	(2.12)

27.1 Weighted average number of ordinary shares

Period	Days	Number of shares of shares	Weighted average number
1 July 2019 - 8 August 2019	39	**453,750,000**	**48,350,410**
9 August 2019 - 30 June 2020	327	**408,375,000**	**364,859,631**
	366		**413,210,041**

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

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

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

	Chief Executive		Executive employees	
	2020	2019	**2020**	2019
	----------Rupees----------			
Managerial remuneration	**10,200,000**	8,400,000	**17,301,570**	14,153,484
Contribution to provident fund	**822,582**	677,424	**1,075,938**	836,571
Bonus	**700,000**	2,100,000	**1,026,824**	2,534,853
Other perquisites and benefits	**780,000**	960,000	**3,177,498**	2,345,928
Total	**12,502,582**	12,137,424	**22,581,830**	19,870,836
Number of person(s)	**1**	1	**7**	6

28.3 Besides the above, group insurance and medical facilities under insurance coverage were provided to the above mentioned personnel. The approximate value of these benefits is Rs. 0.48 million.

28.4 The aggregate amount charged to these financial statements in respect of directors' fee paid to three non-executive directors (2019: three) was Rs. 0.45 million (2019: Rs. 0.26 million). The Chief Executive Officer draws salary on account of managerial remuneration.

28.5 The Chief Executive Officer has been provided with free use of Company's maintained vehicles in accordance with the Company's policy. The net book value of these vehicles are Rs. 21.56 million.

29. NET CASH GENERATED FROM OPERATIONS

	2020	2019
	(Rupees)	
Loss before tax	**(441,811,484)**	(901,787,313)
Adjustments for:		
Depreciation	**18,150,563**	5,457,952
Dividend income	**(761,431,979)**	(812,401,707)
Mark-up income on loans and advances	**(75,744,454)**	(216,415,523)
Mark-up income on term finance certificate	**(6,816,680)**	(4,682,791)
Loss on disposal of long term investments	**37,257,458**	-
Loss on remeasurement of investment in associates	**998,530,267**	748,674,666
Loss on remeasurement of short term investments	**648,915,011**	972,551,262
Finance cost	**195,847,381**	172,040,380
Exchange gain	**(191,872)**	(1,585,555)
Loss on disposal of assets	**35,383**	-
	1,054,551,078	863,638,684
	612,739,594	(38,148,629)
Changes in:		
Loans and advances	**29,058,969**	2,184,933,812
Prepayments and Other receivables	**(2,598,874)**	(4,448,405)
Short term investments	**1,301,268,807**	(1,675,396,277)
Unclaimed dividend	**(12,643,469)**	605,584
Trade and other payables	**(8,742,198)**	8,660,041
	1,306,343,235	514,354,755
Net cash generated from operations	**1,919,082,829**	476,206,126

30. CASH AND CASH EQUIVALENTS

	Note	2020	2019
		(Rupees)	
Cash and bank balances	20	**35,243,437**	426,594,984
Short term borrowings	10	**(670,828,552)**	(1,803,620,434)
		(635,585,115)	(1,377,025,450)

31. OPERATING SEGMENTS

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

All non-current assets of the Company as at 30 June 2020 are located in Pakistan.

32. FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

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

32.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company.

Credit risk management

It is the Company's policy to enter into financial contracts with reputable, diverse and creditworthy counterparties and, wherever possible or deemed necessary, obtain collaterals in accordance with internal risk management policies and investment guidelines designed for credit risk management. Management closely monitors the creditworthiness of the Company's counterparties.

In order to mitigate credit risk, the Company measures loss allowances at an amount equal to lifetime Expected Credit Losses (ECLs), except for debt securities, loan to related parties, bank balances and other financial assets measured at amortised costs for which credit risk has not increased significantly since initial recognition.

Exposure to credit risk

The Company's maximum credit exposure (without taking into account collateral and other credit enhancement) at the reporting date is represented by the carrying amount of financial assets as follows:

	2020	2019
	(Rupees)	
Long term deposits and other receivables	**139,590**	89,590
Corporate debt securities - mandatorily at FVTPL	**-**	50,000,000
Loan to related parties (short term and long term)	**168,904,133**	197,927,267
Guarantee commission receivable	**5,041,526**	5,207,693
Mark-up receivable	**21,636,362**	77,012,680
Bank balances	**35,185,841**	426,520,359
	230,907,452	756,757,589

The Company does not take into consideration the value of collateral while testing financial assets for impairment. The Company considers the credit worthiness of counterparties as part of its risk management

Long term deposits

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

Loans, mark-up and other receivables

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

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

	2020	2019
Not past due	(Rupees)	

Bank balances

Bank balances	**195,582,021**	280,147,640

As at 30 June 2020, the Company has placed funds with banks having good credit ratings.

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

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

The Company considers that its bank balances have low credit risk based on the external credit ratings of the counterparties.

32.2 Liquidity risk

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

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	2020			
	Carrying amount	**Contractual cash flow**	**Up to one year**	**More than one year**
	(Rupees)			
Financial liabilities				
Trade and other payables	**4,647,143**	**4,647,143**	**4,647,143**	**-**
Mark-up accrued on borrowings	**24,059,455**	**24,059,455**	**24,059,455**	**-**
Short term borrowings	**670,828,552**	**670,828,552**	**670,828,552**	**-**
Lease Liability	**27,336,519**	**27,336,519**	**12,754,406**	**14,582,113**
	726,871,669	**726,871,669**	**712,289,556**	**14,582,113**

	2019			
	Carrying amount	Contractual cash flow	Up to one year	More than one year
	(Rupees)			
Financial liabilities				
Trade and other payables	4,913,614,341	4,913,614,341	4,913,614,341	-
Mark-up accrued on borrowings	56,227,631	56,227,631	56,227,631	-
Short term borrowings	1,803,620,434	1,803,620,434	1,803,620,434	-
	6,773,462,406	6,773,462,406	6,773,462,406	-

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

32.3 Market risk

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

The Company is exposed to currency risk, interest rate risk and price risk.

a) Foreign exchange risk management

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

Financial assets

	2020		2019	
	(Rupees)	(US Dollars)	(Rupees)	(US Dollars)
Cash in hand	6,751	40	6,560	40
Bank balances	6,768,178	40,101	6,576,497	40,101

The following significant exchange rates were applicable during the year:

	Average rates		Reporting date rates	
	2020	2019	2020	2019
US Dollars to Pakistan Rupee	158.48	162.87	168.77	164.00

Sensitivity analysis

A 10 percent strengthening / (weakening) of the Pakistan Rupee against various foreign currencies at reporting date would have (decreased) / increased the loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2019.

	Effect on profit or loss (net of tax)	
	2020	2019
	(Rupees)	
As at 30 June Effect in US Dollars	677,127	658,306

b) Interest / mark-up rate risk

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

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

	2020	2019	2020	2019
	(Effective interest rate %)		(Rupees)	
Financial assets				
Variable rate financial instruments				
Loans and advances	13.47% to 16.86%	9.17% to 14.13%	33,933,492	34,523,134
Long term loan to related parties	16.38% to 16.74%	10.29% to 14.05%	134,970,641	163,404,133
Bank balances	7.25% to 14.00%	4.5% to 10.25%	7,111,149	2,764,103
Financial liabilities				
Variable rate financial instruments				
Short term borrowings	9.33% to 15.60%	7.92% to 13.79%	670,828,552	1,803,620,434

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

	Increase 100 bps	Decrease 100 bps
	(Rupees)	
As at 30 June 2020		
Cash flow sensitivity - Variable rate financial assets	1,760,153	(1,760,153)
Cash flow sensitivity - Variable rate financial liabilities	6,708,286	(6,708,286)
As at 30 June 2019		
Cash flow sensitivity - Variable rate financial assets	2,006,914	(2,006,914)
Cash flow sensitivity - Variable rate financial liabilities	18,036,204	(18,036,204)

c) Price risk

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

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

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

Sensitivity analysis

The table below summarises the Company's equity price risk as of 30 June 2020 and 2019 and shows the effects of a hypothetical 30% increase and a 30% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Accordingly, the sensitivity analysis prepared is not necessarily an indication of the effect on Company's net assets of future movement in the level of PSX 100 index.

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in shareholders' equity	Hypothetical increase / (decrease) in profit / (loss) before tax
	(Rupees)			(Rupees)	
30 June 2020	**13,084,313,218**	**30% increase**	**17,009,607,183**	**405,000,000**	**3,520,293,965**
		30% decrease	**9,159,019,253**	**(405,000,000)**	**(3,520,293,965)**
30 June 2019	20,907,584,376	30% increase	27,179,859,689	397,299,622	5,874,975,691
		30% decrease	14,635,309,063	(397,299,622)	(5,874,975,691)

32.4 Financial instruments by category

The following table shows the carrying amount of financial assets and financial liabilities.

	Mandatorily at FVTPL - Others	FVOCI - Equity Instruments	Designated at FVTPL	Financial assets at amortized cost	Other financial liabilities
	-------	-------	(Rupees)	-------	-------
30 June 2020					
Financial assets measured at fair value					
Equity securities	2,712,628,138	1,350,000,000	9,021,685,080	-	-
	2,712,628,138	1,350,000,000	9,021,685,080	-	-
Financial assets not measured at fair value					
Cash and bank balances	-	-	-	35,243,437	-
Long term loan to related party	-	-	-	134,970,641	-
Long term deposits and other receivables	-	-	-	2,537,030	
Loans and advances	-	-	-	34,561,656	-
Mark-up receivable	-	-	-	21,636,362	-
Other receivables	-	-	-	644,761,938	-
	-	-	-	873,711,064	-
Financial liabilities not measured at fair value					
Lease liability	-	-	-	-	14,582,113
Trade and other payables	-	-	-	-	4,647,143
Mark-up accrued on borrowings	-	-	-	-	24,059,455
Current portion of lease liability	-	-	-	-	12,754,406
Short term borrowings	-	-	-	-	670,828,552
	-	-	-	-	726,871,669

The following table shows the carrying amount of financial assets and financial liabilities.

	Mandatorily at FVTPL - Others	FVOCI - Equity Instruments	Designated at FVTPL	Financial assets at amortized cost	Other financial liabilities
	(Rupees)				
30 June 2019					
Financial assets measured at fair value					
Equity securities	9,513,036,956	1,324,332,073	10,020,215,347	-	-
Corporate debt securities	50,000,000	-	-	-	-
	9,563,036,956	1,324,332,073	10,020,215,347	-	-
Financial assets not measured at fair value					
Cash and bank balances	-	-	-	426,594,984	-
Long term loan to related party	-	-	-	163,404,133	-
Long term deposits and other receivables	-	-	-	2,487,030	-
Loans and advances	-	-	-	35,187,133	-
Mark-up receivable	-	-	-	77,012,680	-
Other receivables	-	-		7,878,498	
	-	-	-	712,564,458	-
Financial liabilities not measured at fair value					
Lease liability	-	-	-	-	-
Trade and other payables	-	-	-	-	4,913,614,341
Mark-up accrued on borrowings	-	-	-	-	56,227,631
Current portion of lease liability	-	-	-	-	-
Short term borrowings	-	-	-	-	1,803,620,434
	-	-	-	-	6,773,462,406

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

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

	Liability		Equity			
	Short term borrowings used for cash management purpose including related accrued markup	Long term loan and lease liability including related accrued markup	Other reserve	Fair value reserve	Unappropriated profit	Total
	(Rupees)					
Balance as at 1 July 2019	1,859,848,065	-	-		11,340,451,283	13,200,299,348
Adoption of IFRS 16	-	34,650,794	-	-	-	34,650,794
Changes from financing cash flows						
Buy-back of shares	-	-	-	-	(771,375,000)	(771,375,000)
Payment of lease liability	-	(11,494,395)	-	-	-	(11,494,395)
Repayment of long term loans	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-
Total changes from financing activities	-	(11,494,395)	-		(771,375,000)	(782,869,395)
Other changes						
Interest expense	191,613,433	4,180,120	-	-	-	195,793,553
Interest paid	(223,781,609)	-	-	-	-	(223,781,609)
Changes in short term borrowings	(1,132,791,882)	-	-	-	-	(1,132,791,882)
Total loan related other changes	(1,164,960,058)	4,180,120	-		-	(1,160,779,938)
Total equity related other changes	-	-	-	20,085,153	(569,875,093)	(549,789,940)
Balance as at 30 June 2020	694,888,007	27,336,519	-	20,085,153	9,999,201,190	10,741,510,869

	Liability		Equity			
	Short term borrowings used for cash management purpose including related accrued markup	Long term loan and lease liability including related accrued markup	Other reserve	Fair value reserve	Unappropriated profit	Total
	---------- (Rupees) ----------					
Balance as at 1 July 2018	1,282,039,682	463,020,633	64,036,984	-	21,301,928,003	23,111,025,302
Adjustment on initial application of IFRS 9 net of tax	-	-	(64,036,984)	8,154,172,653	(8,090,135,669)	-
Adjusted balance as at 1 July 2018	1,282,039,682	463,020,633	-	8,154,172,653	13,211,792,334	23,111,025,302
Changes from financing cash flows						
Repayment of long term loans	-	(455,179,583)	-	-	-	(455,179,583)
Dividend paid	-	-	-	-	(907,500,000)	(907,500,000)
Total changes from financing activities	-	(455,179,583)	-		(907,500,000)	(1,362,679,583)
Other changes						
Interest expense	170,826,003	1,171,015	-	-	-	171,997,018
Interest paid	(129,154,391)	(9,012,065)	-	-	-	(138,166,456)
Changes in short term borrowings	536,136,771	-	-	-	-	536,136,771
Total loan related other changes	577,808,383	(7,841,050)	-	-	-	569,967,333
Total equity related other changes	-	-	-	8,154,172,653	(963,841,051)	(9,118,013,704)
Balance as at 30 June 2019	1,859,848,065	-	-	-	11,340,451,283	13,200,299,348

33. FAIR VALUE MEASUREMENTS

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

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

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

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

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

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Company determines fair values using valuation techniques unless the instruments do not have a market / quoted price in an active market and whose fair value cannot be reliably measured.

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

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

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

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the management recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

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

	30 June 2020							
	Carrying amount					Fair value		
	Mandatorily / designated at FVTPL	FVOCI - Equity Instruments	Financial assets at amortized cost	Other financial assets	Other financial liabilities	Level 1	Level 2	Level 3
	(Rupees)							
Financial assets measured at fair value								
Associates	9,021,685,080	1,350,000,000	-	-	-	9,021,685,080	-	1,350,000,000
Short term investments	2,712,628,138	-	-	-	-	2,712,628,138	-	-
Financial assets not measured at fair value								
Subsidiaries	-	-	-	4,953,984,832	-	1,341,728,607	-	-
Long term loan to related party	-	-	134,970,641	-	-	-	-	-
Long term deposits and other receivables	-	-	2,537,030	-	-	-	-	-
Other receivables	-	-	644,761,938	-	-	-	-	-
Loans and advances	-	-	33,933,492	-	-	-	-	-
Mark-up receivable	-	-	21,636,362	-	-	-	-	-
Cash and bank balances	-	-	35,243,437	-	-	-	-	-
	11,734,313,218	1,350,000,000	873,082,900	4,953,984,832	-			
Financial liabilities not measured at fair value								
Lease liability	-	-	-	-	14,582,113	-	-	-
Trade and other payables	-	-	-	-	4,647,143	-	-	-
Mark-up accrued on borrowings	-	-	-	-	24,059,455	-	-	-
Short term borrowings	-	-	-	-	670,828,552	-	-	-
Current portion of lease liability	-	-	-	-	12,754,406	-	-	-
	-	-	-	-	726,871,669			

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

33.1 Management assessed that the fair values of loans and advances, other receivables, mark-up receivable, cash and bank balances, trade and other payables, short term" borrowings, mark-up accrued on borrowings and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. For long term deposits and other receivables, long term loan to related party and other non-current liabilities, management consider that their carrying values approximates fair value.

33.2 Measurement of fair values

33.2.1 Associates - at FVOCI

The following tables show the valuation techniques used in measuring Level 3 fair values for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

Type	Date of valuation	Valuation approach and assumptions	Inter-relationship between significant unobservable Inputs and fair value measurement
Unquoted equity securities - Pakarab Fertilizers Limited (PFL)	30 June 2020	Discounted cash flows: The valuation model considers the present value of future cash flow of investee company discounted using a risk-adjusted discount rate. The cash flow projection include specific estimates for 5 years. Inputs used: Long term growth rate 4.5% Long term return on equity 13.55% Weighted average cost of capital 11.08%	The estimated fair value would increase / (decrease) if: - the annual growth rate were higher or lower - the EBITDA margin were higher or lower Generally, a change in the annual growth rate is accompanied by a directionally similar change in EBITDA margin.

33.2.1.1 The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	Unquoted equity securities - at FVOCI (Rupees)
Balance at 1 July 2018	11,745,000,000
Gain / (loss) recognised on remeasurement of investment	(10,420,667,927)
Balance at 30 June 2019	1,324,332,073
Balance at 1 July 2019	**1,324,332,073**
Gain recognised on remeasurement of investment	**25,667,927**
Balance at 30 June 2020	**1,350,000,000**

33.2.2 Investment in subsidiaries - at cost

Investment in a subsidiary company namely Arif Habib Limited is quoted on the Pakistan Stock Exchange and fair value of investment, based on the available market price, is Rs. 1,341.73 million (2019: Rs. 1,367.87 million). The said subsidiary is carried at cost and fair value is determined for disclosure purposes.

34. CAPITAL MANAGEMENT

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

35. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties comprise of group companies (including subsidiaries and associates), directors and their close family members, major shareholders of the Company, companies where directors also hold directorship, key management personnel and staff provident fund. Transactions with related parties are carried out at contractual / agreed rates. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Remuneration of Chief Executive Officer, Directors and Executives is disclosed in note 28 to the financial statements.

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

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

Subsidiaries		**2020**	2019
		(Rupees)	
Name of the related party	**Transactions during the year**		
Arif Habib Limited	Services availed	**2,560,553**	6,525,709
	Guarantee commission income	**2,090,095**	677,331
	Guarantee commission received	**2,048,227**	264,829
	Dividend income / received	-	108,114,711
Sachal Energy Development (Private) Limited	Guarantee commission income	**12,307,871**	12,210,932
	Guarantee commission received	**12,649,190**	11,626,582
	Loan repayment	-	525,000,000
	Mark-up income on loan and advance	-	8,585,884
	Mark-up income received	-	15,130,405
Black Gold Power Limited	Loan extended	-	5,500,000
Associates			
Fatima Fertilizer Company Limited	Dividend income	**638,000,412**	558,250,361
	Dividend received	-	558,250,361
MCB-Arif Habib Savings and Investments Limited	Dividend income / received	**50,910,792**	37,912,292

Associated companies by virtue of common directorship with significant influence and related concern		**2020**	2019
		(Rupees)	
Name of the related party	**Transactions during the year**		
Aisha Steel Mills Limited	Loan extended	**2,075,000,000**	1,927,000,000
	Loan repaid	**2,093,955,660**	2,120,955,612
	Markup on loan	**60,530,813**	100,021,820
	Markup received	**74,441,058**	74,339,955
	Guarantee commission income	**5,023,384**	3,841,081
	Guarantee commission received	**4,915,446**	3,722,956
Power Cement Limited	Loan extended	**416,000,000**	-
	Loan repaid	**416,000,000**	-
	Markup on loan	**14,441,538**	-
	Markup received	**14,441,538**	-
	Guarantee commission income	**1,658,146**	895,227
	Guarantee commission received	**1,632,800**	474,689
Javedan Corporation Limited	Dividend income / received	**-**	17,672,218
	Loan extended	**173,000,000**	1,082,000,000
	Loan repaid	**183,067,474**	2,539,932,526
	Markup on loan	**772,103**	107,807,819
	Markup received	**41,192,368**	96,207,472
Arif Habib Dolmen REIT Management Limited	Transfer of Fixed Assets	**-**	42,680
Mr. Arif Habib	Dividend paid	**-**	631,341,934
Mr. Asadullah Khawaja	Meeting fee paid	**200,000**	100,000
Dr. Shamshad Akhtar	Meeting fee paid	**200,000**	-
Mr. Sirrajuddin Qasim	Meeting fee paid	**-**	75,000
Khawaja Jalaluddin Roomi	Meeting fee paid	**50,000**	85,000
Rotocast Engineering Company (Private) Limited	Payment of rent and sharing of utilities, insurance and maintenance charges	**26,399,797**	28,732,699
Arif Habib Securities Limited - Employee Provident Fund	Company's contribution	**2,468,699**	2,074,725

36. NUMBER OF EMPLOYEES

Number of persons employed by the Company as on the year end are 25 (2019: 24) and average number of employees during the year are 25 (2019: 23).

37. GENERAL

37.1 Corresponding figures

Corresponding figures have been re-arranged and / or re-classified, wherever necessary, for the purpose of comparison and better presentation.

37.2 Date of authorisation for issue

These financial statements have been authorised for issue on 30 September 2020 by the Board of Directors of the Company.

37.3 Non adjusting event after reporting date

The Board of Directors of the Company has proposed a cash dividend of Rs.1.50 (2019: Rs. Nil) per share amounting to Rs. 612,562,500 (2019: Rs. Nil) at its meeting held on 30 September 2020 for the approval of the members at the annual general meeting to be held on 28 October 2020. These unconsolidated financial statements for the year ended 30 June 2020 do not include the effect of the proposed final cash dividend which will be accounted in the year ending 30 June 2021.

Chief Executive Officer	Director	Chief Financial Officer

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Audited Consolidated Financial Statements For the Year Ended 30th June **2020**

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

To the members of Arif Habib Corporation Limited

Opinion

We have audited the annexed consolidated financial statements of **Arif Habib Corporation Limited** and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at **30 June 2020**, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 3**0 June 2020**, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

KPMG Taseer Hadi & Co.

Following are the Key audit matters:

S No.	Key audit matters	How the matters were addressed in our audit
1.	**Impairment assessment of goodwill** Refer notes 5.2.1 and 22 to the consolidated financial statements. The Group has recognized goodwill from past acquisitions. The Group is required to, perform impairment assessment of goodwill at least annually. We identified annual impairment testing of goodwill as a key audit matter because significant judgment involved in determining the assumptions to be used in forecasting and discounting future cash flows	Our audit procedures to assess the impairment assessment of goodwill, amongst others, included the following: • obtained management's cash flow forecasts and testing the mathematical accuracy of the underlying value-in-use calculations, comparison of historical budgets against actual result to assess the quality of management's forecast and agreeing them to the approved budgets and business plans; and • used our own valuation specialist to assist us in evaluating the assumptions and methodologies used by the Group, in particular relating to the forecast revenue growth, profit margins, discount rate as well as assessing the models used, including the accuracy of the underlying calculation of formulas and also assessing the sensitivity of key assumptions and inputs.

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

Management is responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 30 June 2020 but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

KPMG

KPMG Taseer Hadi & Co.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Date: 30 September 2020

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June 2020

	Note	2020	2019
		(Rupees)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital		**10,000,000,000**	10,000,000,000
Issued, subscribed and paid-up share capital	6	**4,083,750,000**	4,537,500,000
Surplus on revaluation	7	**15,432,500**	15,432,500
Other reserves	8	**19,172,874,845**	16,975,848,933
Equity attributable to owners of the Parent Company		**23,272,057,345**	21,528,781,433
Non-controlling interest	9	**2,085,339,281**	1,777,221,910
Total Equity		**25,357,396,626**	23,306,003,343
Non-current liabilities			
Long term loans - secured	10	**9,834,371,868**	10,728,571,018
Land lease liability	11	**10,325,571**	9,936,248
Lease liability	12	**39,690,700**	-
Loan under State Bank of Pakistan scheme	13	**14,985,323**	-
Deferred liability - gratuity	14	**19,043,769**	14,056,165
Deferred taxation - net	15	**1,508,687,660**	1,207,615,955
		11,427,104,891	11,960,179,386
Current liabilities			
Trade and other payables	16	**1,009,462,430**	5,840,217,170
Mark-up accrued on borrowings		**180,310,125**	290,417,576
Short term borrowings	17	**3,436,903,268**	4,711,758,096
Current portion of long term loans - secured	10	**1,854,166,667**	1,645,000,000
Current portion of lease liability	12	**26,029,805**	-
Subordinated loan	18	**300,000,000**	-
Current portion of land lease liability	11	**1,360,000**	1,360,000
Payable against purchase of investment - net		**28,513,698**	30,970,319
Taxation - net		**90,390,071**	76,105,682
Unclaimed dividend		**32,889,754**	46,166,308
		6,960,025,818	12,641,995,151
Contingencies and commitments	19		
		43,744,527,335	47,908,177,880

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June 2020

	Note	2020	2019
		(Rupees)	
ASSETS			
Non-current assets			
Property, plant and equipment	20	**15,599,224,795**	16,158,398,853
Intangible assets - others	21	**2,401,806**	2,412,274
Goodwill	22	**910,206,117**	910,206,117
Trading right entitlement certificate, membership card and offices	23	**8,100,000**	8,100,000
Investment properties	24	**1,678,415,232**	1,726,419,800
Equity accounted investees	25	**13,404,127,610**	12,010,464,481
Other long term investments	26	**45,056,656**	66,046,528
Long term loan to related party	27	**134,970,641**	163,404,133
Long term deposits and other receivables	28	**34,136,280**	34,990,720
		31,816,639,137	31,080,442,906
Current assets			
Trade debts	29	**3,642,791,553**	2,662,752,427
Loans and advances	30	**56,148,802**	47,337,031
Deposits and prepayments	31	**135,448,245**	399,258,768
Accrued mark-up and other receivables	32	**162,207,359**	254,514,039
Advance sales tax		**-**	20,654,047
Short term investments	33	**6,563,712,710**	11,974,137,833
Cash and bank balances	34	**1,367,579,529**	1,469,080,829
		11,927,888,198	16,827,734,974
		43,744,527,335	47,908,177,880

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.

Chief Executive Officer	Director	Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30th June 2020

	Note	2020	2019
		(Rupees)	
Revenue			
Operating revenue	35	**5,041,969,782**	4,358,031,702
Gain / (loss) on remeasurement of investments - net		**405,299,247**	(1,410,620,487)
Gain on remeasurement of investment property	24	**132,000,000**	370,039,859
Loss on sale of investments - net		**(439,760,959)**	(96,033,765)
Gain on sale of investment property		**775,000**	23,315,000
		5,140,283,070	3,244,732,309
Operating and administrative expenses	36	**(1,769,195,271)**	(1,777,142,317)
Other income	37	**41,489,307**	101,567,577
Finance cost	38	**(1,514,495,520)**	(1,432,187,017)
Other charges	39	**(5,871,074)**	(60,599,693)
		1,892,210,512	76,370,859
Share of profit of equity accounted investees - net of tax	25.5	**1,441,134,146**	451,072,100
Profit before tax		**3,333,344,658**	527,442,959
Taxation	40	**(416,630,710)**	(267,483,288)
Profit after tax		**2,916,713,948**	259,959,671
Profit attributable to:			
Equity holders of the Parent Company		**2,638,518,628**	154,448,942
Non-controlling interests	9.1.2	**278,195,320**	105,510,729
		2,916,713,948	259,959,671
Earnings per share - basic and diluted	41	**6.39**	0.34

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.

Chief Executive Officer

Director

Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30th June 2020

	2020	2019
	(Rupees)	
Profit after tax	2,916,713,948	259,959,671
Other comprehensive income		
Items that are or may be reclassified subsequently to consolidated statement of profit or loss		
Share of other comprehensive income / (loss) of equity accounted investees - net of tax	470,738	(8,517,720)
Items that will not be reclassified subsequently to consolidated statement of profit or loss		
Share of other comprehensive income / (loss) of equity accounted investees - net of tax	2,969,037	(17,704,172)
Investment in equity securities at FVOCI - net change in fair value	520,004,560	-
	522,973,597	(17,704,172)
Other comprehensive income / (loss) for the year - net of tax	523,444,335	(26,221,892)
Total comprehensive income	3,440,158,283	233,737,779
Total comprehensive income attributable to:		
Equity holders of the Parent Company	3,015,867,255	128,227,050
Non-controlling interests	424,291,028	105,510,729
	3,440,158,283	233,737,779

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.

Chief Executive Officer	Director	Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30th June 2020

	Equity attributable to owners of the Parent Company							Non-controlling interests	Total equity
		Capital Reserve			Revenue reserves				
	Issued, subscribed and paid-up share capital	Surplus on revaluation	Other reserve *	Fair value reserve **	General reserve	Unappropriated profit	Total		
	(Rupees)								
Balance as at 1 July 2018	4,537,500,000	15,432,500	168,678,393	-	4,019,567,665	13,594,583,030	22,335,761,588	1,743,177,429	24,078,939,017
Adjustment on initial application of IFRS 9, net of tax	-	-	(151,741,709)	(265,673)	-	124,300,177	(27,707,205)	(14,580,959)	(42,288,164)
Adjusted balance as at 1 July 2018	4,537,500,000	15,432,500	16,936,684	(265,673)	4,019,567,665	13,718,883,207	22,308,054,383	1,728,596,470	24,036,650,853
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	154,448,942	154,448,942	105,510,729	259,959,671
Other comprehensive income	-	-	(7,859,233)	(658,487)	-	(17,704,172)	(26,221,892)	-	(26,221,892)
	-	-	(7,859,233)	(658,487)	-	136,744,770	128,227,050	105,510,729	233,737,779
Reclassification adjustment	-	-	(9,077,451)	-	-	9,077,451	-	-	-
Total comprehensive (loss) / income for the year	-	-	(16,936,684)	(658,487)	-	145,822,221	128,227,050	105,510,729	233,737,779
Transactions with owners recorded directly in equity									
Distributions									
Final cash dividend at the rate of Rs. 2 per share for the year ended 30 June 2018	-	-	-	-	-	(907,500,000)	(907,500,000)	-	(907,500,000)
Distribution by subsidiary	-	-	-	-	-	-	-	(56,885,289)	(56,885,289)
Balance as at 30 June 2019	4,537,500,000	15,432,500	-	(924,160)	4,019,567,665	12,957,205,428	21,528,781,433	1,777,221,910	23,306,003,343
Balance as at 1 July 2019	**4,537,500,000**	**15,432,500**	**-**	**(924,160)**	**4,019,567,665**	**12,957,205,428**	**21,528,781,433**	**1,777,221,910**	**23,306,003,343**
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	2,638,518,628	2,638,518,628	278,195,320	2,916,713,948
Other comprehensive income	-	-	-	376,877,889	-	470,738	377,348,627	146,095,708	523,444,335
	-	-	-	376,877,889	-	2,638,989,366	3,015,867,255	424,291,028	3,440,158,283
Gain realised on disposal of equity securities at FVOCI	-	-		(36,245,185)	-	36,245,185	-	-	-
	-	-	-	340,632,704	-	2,675,234,551	3,015,867,255	424,291,028	3,440,158,283
Transactions with owners recorded directly in equity									
Distributions									
Buy-back of shares at Rs. 27 per share (refer note 6.2.2)	(453,750,000)	-	-	-	-	(771,375,000)	(1,225,125,000)	-	(1,225,125,000)
Buy-back of shares by Subsidiary Company at Rs. 35 per share (refer note 9.1.1)	-	-	-	-	-	-	-	(231,000,000)	(231,000,000)
Disposal of subsidiary without change in control (refer note 9.1.3)	-	-	-	-	-	(47,466,343)	(47,466,343)	114,826,343	67,360,000
Balance as at 30 June 2020	4,083,750,000	15,432,500	-	339,708,544	4,019,567,665	14,813,598,636	23,272,057,345	2,085,339,281	25,357,396,626

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

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

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.

Chief Executive Officer

Director

Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30th June 2020

	Note	2020	2019
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	43	4,601,471,673	1,809,016,633
Income tax paid		(101,274,616)	(241,516,969)
Mark-up received		130,139,485	170,547,427
Finance cost paid		(1,451,807,328)	(1,124,159,029)
Land lease rent paid		(1,360,000)	(1,360,000)
Gratuity paid		(1,151,563)	(1,042,499)
Net cash from operating activities		3,176,017,651	611,485,563
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(20,198,709)	(11,672,144)
Acquisition of intangible assets		(546,674)	-
Dividend from equity accounted investee		50,910,792	596,162,653
Acquisition of investment property		(11,943,765)	(163,419,941)
Disposal of equity interest in subsidiary without change in control		67,360,000	-
Proceeds from disposal of investment property		160,250,000	203,855,000
Proceeds from sale of property, plant and equipment		12,864,724	1,058,305
Net cash from investing activities		258,696,368	625,983,873
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term loan		(1,578,500,000)	(1,833,429,583)
Proceeds from long term loan		499,987,261	-
Lease rentals paid		(41,708,075)	-
Buy-back of shares by Subsidiary Company		(231,000,000)	-
Buy-back of shares by Parent Company		(1,225,125,000)	-
Loan received from sponsor - net		300,000,000	-
Loan under State Bank of Pakistan scheme		14,985,323	-
Liability against assets subject to finance lease		-	(1,345,933)
Distribution by subsidiary to non-controlling interest		-	(56,885,289)
Dividend paid		-	(907,500,000)
Net cash used in financing activities		(2,261,360,491)	(2,799,160,805)
Net increase / (decrease) in cash and cash equivalents		1,173,353,528	(1,561,691,369)
Cash and cash equivalents at beginning of the year		(3,242,677,267)	(1,680,985,898)
Cash and cash equivalents at end of the year	44	(2,069,323,739)	(3,242,677,267)

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.

Chief Executive Officer	Director	Chief Financial Officer

1. STATUS AND NATURE OF BUSINESS

Arif Habib Corporation Limited ("the Parent Company") was incorporated in Pakistan on 14 November 1994 as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Parent Company is listed on the Pakistan Stock Exchange Limited. The principal activity of the Parent Company is to make strategic investments in subsidiary companies and associates engaged in diversified sectors and investment in other securities. The Parent Company also extends loans, advances and guarantees to its associated company / undertaking as allowed under Companies Act, 2017 as its principal business activity. The registered office of the Parent Company is situated at 2nd Floor, 23, M. T. Khan Road, Karachi, Pakistan. The Parent Company is domiciled in the province of Sindh.

1.1 These consolidated financial statements of Arif Habib Corporation Limited for the year ended 30 June 2020 comprise of the Parent Company and following subsidiary companies (here-in-after referred to as "the Group"):

Name of Subsidiary Companies	***Effective holding***
- Arif Habib Limited, a brokerage house	69.44%
- Arif Habib Commodities (Private) Limited, investment management of commodities [wholly owned subsidiary of Arif Habib Limited]	69.44%
- Arif Habib 1857 (Private) Limited, investments and share brokerage company [wholly owned subsidiary of Arif Habib Limited]	69.44%
- Sachal Energy Development (Private) Limited, a wind power generation company	85.83%
- Black Gold Power Limited, a coal power generation company	100.00%
Name of Associates	
- MCB - Arif Habib Savings and Investments Limited, a pension fund manager, asset management company and investment advisor	30.09%
- Fatima Fertilizer Company Limited, a fertilizer company	15.19%
- Pakarab Fertilizers Limited, a fertilizer company	30.00%

1.1.1 Arif Habib Limited (AHL) was incorporated in Pakistan on 07 September 2004 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017), as a public limited company. The shares of AHL are quoted on Pakistan Stock Exchange Limited. The registered office of AHL is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi, Pakistan. It is domiciled in the province of Sindh. AHL holds Trading Right Entitlement Certificate of Pakistan Stock Exchange Limited. The principal activities of AHL are investments, share brokerage, inter-bank brokerage, Initial Public Offer (IPO) underwriting, advisory and consultancy services.

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

1.1.3 Arif Habib 1857 (Private) Limited (AH1857) was incorporated on 17 July 2014 as a private limited company in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the AH1857 is located at Arif Habib Centre, 23, M.T. Khan Road, Karachi. The principal activities of AH1857 are investments and shares brokerage. AH1857 is a wholly owned subsidiary of Arif Habib Limited. AH1857 holds Trading Right Entitlement Certificate (TREC).

1.1.4 Sachal Energy Development (Private) Limited (SEDPL) was incorporated in Pakistan on 20 November 2006 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). SEDPL's registered office is located at Plot no 1, Ranjha Plaza, sector F-10/2, Tariq Market, Islamabad, Pakistan. The principal activity of SEDPL upon commencement of commercial operation is to generate and sell electricity upto 49.5 MW. SEDPL has achieved Commercial Operation Date ("COD") for its 49.5 MW wind power generation facility on 11 April 2017. The wind power plant is located in Jhampir, district Thatta, Sindh for which Alternative Energy Development Board ("AEDB") has allocated 680 acres of land to SEDPL under a sublease agreement.

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

As at 30 June 2020, the BGPL has reported accumulated losses of Rs. 53.98 million (2019: Rs. 53.78 million and its total liabilities exceeded its total assets by Rs. 3.98 million (2019: Rs. 3.79 million). BGPL is yet to start its operations and its management does not intend to liquidate, cease operations or wind up said company.

1.1.6 MCB - Arif Habib Savings and Investments Limited (MCB-AH) was incorporated in the name of Arif Habib Investment Management Limited (AHIML) on 30 August 2000 as an unquoted public limited company under the requirements of the repealed Companies Ordinance, 1984 (now Companies Act, 2017). MCB-AH is listed on the Pakistan Stock Exchange Limited. MCB-AH is registered as a pension fund manager under the Voluntary Pension System Rules, 2005 and as an Asset Management Company and an Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. MCB-AH's registered office is situated at 2nd Floor, Adamjee House, I.I Chundrigar Road, Karachi, Pakistan. MCB-AH has been assigned an Asset Manager rating of AM2++ (2019: AM2++) by the Pakistan Credit Rating Agency Limited (PACRA). The rating was determined by PACRA on 8 October 2019. The fund under management is Rs. 107.65 billion (2019: Rs. 78.89 billion).

1.1.7 Fatima Fertilizer Company Limited (FFCL), was incorporated in Pakistan on 24 December 2003 as a public company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). FFCL is listed on Pakistan Stock Exchange. The principal activity of FFCL is manufacturing, producing, buying, selling, importing and exporting fertilizers and chemicals. Registered office of the FFCL is situated at E-110, Khayaban-e-Jinnah, Lahore Cantt. The manufacturing facilities of the FFCL is located at Mukhtargarh, Sadiqabad and near Chichoki Mallian, at Sheikhupura road, Pakistan.

1.1.7.1 Fatima Fertilizer Company Limited (FFCL) and Pakarab Fertilizers Limited (PFL) had entered into an agreement dated 1 December 2018 ('the agreement') for acquisition of production and operating plants including Ammonia, Nitric Acid, Urea, Calcium Ammonium Nitrate, Nitrophos and Clean Development Mechanism along with installed catalyst ('PFL assets') and all costs and benefits associated with ECC approved gas arrangement available with PFL. The agreement was signed pursuant to the approval given by the shareholders in the Extra Ordinary General Meeting held on 19 November 2018. Subsequent to the year end, the regulatory approvals required for transfer of above mentioned PFL assets has been obtained and above mentioned assets have been transferred in the name of the FFCL with effect from 1 September 2020. With completion of this transaction, the FFCL via its three plants in operations at Sadiqabad, Multan and Sheikhupura is operational with cumulative capacity of 2.57 million MT/year.

1.1.7.2 Further, subsequent to the year end, the Board of the FFCL has considered and accorded in principle approval to the proposal to demerge FFCL and transfer its Sheikhupura plant and related operations to Fatimafert Limited, an unlisted public limited company to be incorporated by the company as wholly owned subsidiary, to be implemented, effective 1 October 2020, by way of scheme of arrangement. The proposed restructuring would be subject to receipt of all requisite corporate and regulatory authorization and approvals.

1.1.8 Pakarab Fertilizers Limited (PFL) was incorporated as a private limited company in Pakistan under the Companies Act, 1913, (now Companies Act, 2017). PFL changed to a non-listed public company from 7 June 2007. PFL Term Finance Certificates were listed at the Karachi Stock Exchange Limited (now merged as Pakistan Stock Exchange Limited) during the period from March 2008 to March 2013. Thereafter PFL is a non-listed public company. PFL on 12 April 2011 incorporated a wholly owned subsidiary company, Fatima Packaging Limited (FPL) (formerly Reliance Sacks Limited). PFL is principally engaged in the manufacturing and sale of chemical fertilizers while the FPL is principally engaged in the manufacturing and sale of polypropylene sacks, cloth, liners and cement bags. As explained in note no. 1.1.7.1 above, with effect from 1 September 2020, the fertilizer manufacturing business of PFL has been discontinued and transferred to FFCL. PFL and FPL registered address is E-110, Khayaban-e-Jinnah, Lahore Cantt. Manufacturing facility of PFL is located in Multan while manufacturing facility of FPL is located in Sadiqabad, Rahim Yar Khan.

2. IMPACT OF COVID - 19 ON THE FINANCIAL STATEMENTS

On 11 March 2020 the World Health Organanization (WHO) declared the 2019 Novel Coronavirus (COVID-19) outbreak a pandemic which impact countries globally including Pakistan. Due to COVID-19 and resulting measures taken to control the spread of virus including travel bans, quarantines, social distancing and closures of non- essential services impacted adversely various businesses and enhanced volatility in the Pakistan Stock Exchange (PSX). From March 2020 onwards till 30 June 2020, the Group was conducting business with some modifications to employee working and cancellation of certain events, among other modifications while following all necessary Standard Operating Procedures (SOPs). Subsequent to year end, the situation has gradually improved in Pakistan and the Group will continue to actively monitor the situation and may take further actions as may be required by federal, provincial or local authorities or that are in the best interests of their employees, customers, partners, and stockholders.

Management based on its assessment considers that there would be no significant impact that will adversely affect the Group's business, results of operations and financial condition in future period.

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

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

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

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

3.2 Basis of measurement

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

3.3 Functional and presentation currency

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

3.4 Use of judgments and estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

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

- Classification of Investments (note 5.19.1)
- Fair value of investment (note 5.24)
- Derivate financial instruments (note 5.3)
- Impairment (note 5.21)
- Staff retirement benefits (note 5.5)
- Provision for taxation (note 5.6)
- Useful lives and residual values of property, plant and equipment (note 5.7)
- Lease classification (note 5.1.1)
- Investment property (note 5.8)
- Impairment of investment property (note 5.8)
- Useful lives and residual values of intangible assets (note 5.9)
- Trade and other receivables (note 5.13)
- Provisions (note 5.18)

4. Amendments / interpretation to existing standard and forthcoming requirements

4.1 New standards, amendments or interpretations which became effective during the year

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

The Group has adopted IFRS 16 'Leases' from 1 July 2019. The impact of adoption of IFRS 16 and related accounting policies are disclosed in note 5.1 below. A number of other new standards are effective from 1 July 2019 but they are considered not to be relevant or do not have a significant effect on the Group and are therefore not stated in these financial statements.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto, will be effective for accounting periods beginning on or after 01 July 2020:

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

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

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

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

- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

  a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  b. any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  c. there is no substantive change to the other terms and conditions of the lease.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below in note 5.1, the significant accounting policies applied in the preparation of these consolidated financial statements are the same as those applied in earlier periods presented.

5.1 Change in accounting policies resulting from adoption of standard during the year

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

The accounting polices relating to Group right-of-use assets and lease liabilities are as follows:

5.1.1 Lease liabilities and right-of-use assets

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

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

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

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

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

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

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

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

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

The impact of adoption of IFRS 16 on the statement of financial position as at 30 June 2020 and statement of profit or loss and other comprehensive income for the year ended 30 June 2020 is as follows:

	Carrying Amount	
	30 June 2020	1 July 2019
	(Rupees)	
Right-of-use asset presented in operating fixed assets	67,973,863	100,944,658
Lease liability	65,720,505	97,113,193

	Year ended 30 June 2020
Depreciation expense	32,970,795
Interest expense presented in finance costs	10,315,387

5.1.2 Lessor

The control of SEDPL's (Subsidiary Company) plant due to purchase of total output by CPPA-G and other arrangements under the Energy Purchase Agreement (EPA) was previously classified as a lease under IFRIC 4 "Determining whether an Arrangement Contains a Lease". Such arrangements were to be accounted for as a lease in accordance with the requirements of IAS 17- "Leases", however due to exemption available to the Company from SECP, were not accounted for as a lease in prior years. During the year, IFRS 16 became applicable to the SEDPL. On transition to IFRS 16, SEDPL elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. SEDPL plant's control, due to purchase of total output by CPPAG, falls under the scope of IFRS 16 as finance lease. However, Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O No. 986(I)/2019 dated 2 September 2019 has exempted application of IFRS 16 to the companies that have executed the power purchase agreements before effective date of IFRS 16 i.e. 1 January 2019. Had IFRS 16 been applied, following adjustments to consolidated statement of financial position and consolidated statement of profit of loss would have been made:

	2020	2019
	(Rupees)	
Increase/ (decrease) in accumulated profit at beginning of the year	**(29,101,470)**	172,411,580
Increase/ (decrease) in profit for the year	**582,705,592**	(201,513,050)
Increase/ (decrease) in accumulated profit at end of the year	**553,604,122**	(29,101,470)

5.2 Basis of consolidation and equity accounting

5.2.1 Business Combination

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

5.2.2 Subsidiaries

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

These consolidated financial statements have been prepared using uniform accounting policies for the like transactions and other events in similar circumstances and the accounting policies of subsidiaries have been changed when necessary to align them with the accounting policies adopted by the Parent Company. The assets and liabilities of subsidiary companies have been consolidated on a line-by-line basis. The carrying value of investments held by the Parent Company is eliminated against the subsidiary's shareholders' equity in these consolidated financial statements.

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

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

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

5.2.3 Non-controlling interests

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

5.2.4 Associates

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

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

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

5.2.5 Transactions eliminated on consolidation

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

5.3 Derivative financial instruments

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

5.4 Purchase / Sold under resale / repurchase agreement

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

Transactions of sale under repurchase (repo) of marketable securities are entered into at contracted rates for specified periods of time. Securities sold with a simultaneous commitment to repurchase at a specified future date (repo) continue to be recognised in the consolidated statement of financial position and are measured in accordance with accounting policies for investments. The counterparty liabilities for amounts received under these transactions are recorded as liabilities. The difference between sale and repurchase price is treated as finance cost and accrued over the life of the repo agreement.

5.5 Staff retirement benefits

The Group operates following retirement and other benefit schemes:

5.5.1 Defined contribution plan

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

5.5.2 Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

5.5.3 Gratuity

The subsidiary company, SEDPL, operates an unfunded gratuity scheme under which all employees are entitled to gratuity payment at the time of completion of service or termination, equivalent to one last drawn salary for every one year of service performed with SEDPL. For the purpose of any part of a completed year the gratuity payment will be calculated on monthly prorate basis. The partial month will be deemed as full month if the number of days served are more than fifteen and for any less number of days served that month will not be counted.

5.6 Taxation

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

Current

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

Deferred

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

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

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

5.7 Property, Plant and Equipment

Owned

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

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

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

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

Leased

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

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

Major stores and spares (Capital Spares)

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

5.8 Investment property

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

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

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

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

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

When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

5.9 Intangible assets

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

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

5.9.1 Trading right entitlement certificate, membership card and offices

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

5.10 Biological assets

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

5.11 Discontinued operation

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

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

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

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

5.12 Assets held for sale

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

Such assets, or disposal groups, are generally measured at lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in consolidated statement of profit or loss.

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

5.13 Trade and other receivables

Trade debts and other receivables are stated at original invoice amount as reduced by appropriate provision for impairment. Trade debts are amount receivable from customer for goods transferred for services performed in the ordinary course of business. Other receivables generally arise from the transactions outside the usual operating activities of the Company. If collection is expected in one year or less, they are classified as current assets. If not, presented as non-current assets.

5.14 Fiduciary assets

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

5.15 Trade and other payables

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

5.16 Short term borrowings

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

5.17 Revenue recognition

- Gain / loss on sale of investments are recognised in the consolidated statement of profit or loss on the date of transaction. All purchases and sales of securities that require delivery within the timeframe established by regulation or market conventions such as 'T+2' purchases and sales are recognised at the trade date. Trade date is the date on which the Group commits to purchase or sell the financial assets.

- Brokerage, consultancy and advisory fee, commission etc. are recognised as and when such services are provided.

- Rental income from investment property is recognised on accrual basis.

- Dividend income is recognised when the Group's right to receive such dividend is established.

- Mark-up / interest income is recognised on a time proportion basis over the period of its tenor.

- Revenue from sale of goods is measured at fair value of the consideration received or receivable. Domestic sales are recognised as revenue on dispatch of goods to customers. Export sales are recognised as revenue on the basis of goods shipped to customers.

- Rebate on export is recognised after finalization of export documents.

- Put option fee is recognised on time proportion basis over the period of its tenor.

- Unrealised capital gains / (losses) arising from mark to market of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in consolidated statement of profit or loss for the period in which they arise.

- Reverse repo income is recorded on accrual basis and late payment charges are accrued in the period in which they arise.

- Revenue from the sale of electricity to the National Transmission and Despatch Company (NTDC), the sole customer of SEDPL, subsidiary company, is recorded upon the output delivered and capacity available at the rates as specified under the Energy Purchase Agreement (EPA), as amended from time to time. EPA is a contract over a period of 20 years starting from Commercial Operation Date i.e. 11 April 2017.

5.18 Provisions and contingencies

Provision is recognised when, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Subsequently, provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The un-winding of discount is recognized as finance cost, if any. Where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation can not be measured with sufficient reliability, it is disclosed as contingent liability.

5.19 Financial instruments

5.19.1 Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as and measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Investment in debt instruments that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL.

Financial assets – Business model assessment:

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest / mark-up or dividend income, are recognised in consolidated statement of profit or loss
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses (see (ii) below. Interest / mark-up income, foreign exchange gains and losses and impairment are recognised in consolidated statement of profit or loss.
Debt investments at FVTPL	These assets are subsequently measured at fair value. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in consolidated statement of profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest / mark-up income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in consolidated statement of profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to consolidated statement of profit or loss.

Equity investments at FVOCI	These assets are subsequently measured at fair value Dividends are recognised as income in consolidated statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to consolidated statement of profit or loss

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in consolidated statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in consolidated statement profit or loss. Any gain or loss on derecognition is also recognised in consolidated statement of profit or loss.

5.19.2 Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in consolidated statement of profit or loss.

5.20 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

5.21 Impairment

5.21.1 Exemption from application of Expected Credit Loss (ECL) required under IFRS-9

Although Group has adopted IFRS 9 “Financial Instruments”, SEDPL, a subsidiary company, shall follow relevant requirements of IAS 39 ‘Financial Instruments Recognition and measurement’ in respect of financial assets due from the Government of Pakistan (GoP).

SECP through S.R.O 985 (I)/2019 dated 02 September 2019 has notified that in respect of companies holding financial assets due from the Government of Pakistan (GoP), the requirements contained in IFRS 9 with respect to application of expected credit loss (ECL) model shall not be applicable till 30 June 2021, provided that such companies shall follow relevant requirements of IAS 39 'Financial Instruments Recognition and measurement' in respect of above referred financial assets during the exemption period.

5.21.2 Non-derivative financial assets

Financial instruments

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost except debts due directly / ultimately from Government of Pakistan (GoP) for which exemption is granted by SECP as mentioned in note 5.21.1;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date;
- financial guarantee contracts issued at market rates; and
- other debt securities, loan to related parties, bank balances and other financial assets measured at amortized cost for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables, contract asset and dues from related parties are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non-derivative financial assets

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer would enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

Financial assets measured at amortized cost

The Group considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through consolidated statement of profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified was the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through consolidated statement of profit or loss.

5.22 Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in consolidated statement of profit or loss.

Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5.23 Off balance sheet obligations

The Group issues financial guarantee contracts in return for fees (i.e. commission on guarantee) to associated concerns. Under a financial guarantee contract, the Group undertakes to meet counter party's obligations under the terms of a debt instrument, if the counter party fails to do so. Financial guarantees issued at below market interest rates are initially recognised as liabilities at fair value, while financial guarantees issued at market rates are recorded off-balance sheet. The Group's policy is to issue financial guarantees at market rates, therefore such guarantee contracts are off-balance sheet and are disclosed in note 19.1.3 to these consolidated financial statements. The commission on guarantee is recognised on time proportion basis.

5.24 Fair value measurement

The fair value of financial instruments traded in active markets at the reporting date is based on their quoted market prices or dealer price quotation without any deduction for transaction costs. If there is no active market for a financial asset, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transaction, discounted cash flow analysis and other revaluation techniques commonly used by market participants and are disclosed in note 46 to these consolidated financial statements.

5.25 Foreign currency transaction and foreign operations

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

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

The assets and liabilities of foreign operations, are translated to Pakistan Rupees at exchange rates at the reporting date. The income and expenses of foreign operations, are translated to Pakistan Rupees at exchange rates at the dates of the transactions. Foreign currency differences are recognised in consolidated statement other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity except to the extent that the translation differences is allocated to Non-Controlling Interest (NCI). When a foreign operation is disposed off in its entirety or partially such that control or significant influence is lost, the cumulative amount in translation reserve related to that foreign operation is reclassified to consolidated statement of profit or loss as part of gain or loss on disposal. If group retain control then it is reattributed to NCI. When group retain significant influence the relative portion of cumulative amount is reclassified to consolidated statement of profit or loss.

5.26 Borrowing costs

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

5.27 Cash and cash equivalents

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

5.28 Stock in trade

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

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

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

5.29 Stores, spare parts and loose tools

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

5.30 Mark-up bearing borrowings

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

5.31 Expenses

All expenses are recognised in the consolidated statement of profit or loss on an accrual basis.

5.32 Other income

Other income comprises mainly interest income on bank deposits. Income on bank deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

5.33 Other receivables

Other receivables are stated initially at amortised cost using the effective interest rate method. Provision is made on the basis of lifetime ECLs that result from all possible default events over the expected life of the trade debts and other receivables. Bad debts are written off when considered irrecoverable.

5.34 Other payables

Other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost using the effective interest method.

5.35 Segment reporting

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

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

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

5.36 Dividend and appropriation to reserve

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

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

6. SHARE CAPITAL

6.1 Authorised share capital

2020 (Number of shares)	2019 (Number of shares)		Note	2020 (Rupees)	2019 (Rupees)
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each		**10,000,000,000**	10,000,000,000

6.2 Issued, subscribed and paid-up share capital

2020 (Number of shares)	2019 (Number of shares)		Note	2020 (Rupees)	2019 (Rupees)
5,000,000	5,000,000	Ordinary shares of Rs. 10 each fully paid in cash		**50,000,000**	50,000,000
450,750,000	450,750,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares		**4,507,500,000**	4,507,500,000
455,750,000	455,750,000			**4,557,500,000**	4,557,500,000
(2,000,000)	(2,000,000)	Ordinary shares of Rs. 10 each bought back at Rs. 360 per share	6.2.1	**(20,000,000)**	(20,000,000)
(45,375,000)	-	Ordinary shares of Rs. 10 each bought back at Rs. 27 per share	6.2.2	**(453,750,000)**	-
408,375,000	453,750,000			**4,083,750,000**	4,537,500,000

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

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

6.2.3 At year end, Mr. Arif Habib held 78.84% (2019: 70.11%) of ordinary shares in the Parent Company.

7. SURPLUS ON REVALUATION

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

8. OTHER RESERVES

	2020	2019
	(Rupees)	
Capital reserves		
Fair value reserve	339,708,544	(924,160)
Revenue reserves		
General reserve	4,019,567,665	4,019,567,665
Unappropriated profit	14,813,598,636	12,957,205,428
	19,172,874,845	16,975,848,933

9. NON-CONTROLLING INTERESTS (NCI)

Following are the share of non-controlling interests in respective companies of the group:

	2020	2019
	(Rupees)	
Arif Habib Limited	1,050,002,517	1,003,263,753
Arif Habib Commodities (Private) Limited	24,503,842	23,248,222
Arif Habib 1857 (Private) Limited	15,431,924	14,759,539
Sachal Energy Development (Private) Limited	995,400,998	735,950,396
	2,085,339,281	1,777,221,910

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

	30 June 2020		30 June 2019	
	Arif Habib Limited	Sachal Energy Development (Private) Limited	Arif Habib Limited	Sachal Energy Development (Private) Limited
NCI Percentage	30.56%	14.17%	34.48%	14.17%
	(Rupees)			
Non-current assets	1,924,961,388	15,429,573,686	1,930,670,892	16,093,518,856
Current assets	4,967,700,671	4,061,155,236	3,711,785,971	2,934,793,838
Non-current liabilities	358,429,181	9,545,405,937	-	10,753,923,431
Current liabilities	3,267,804,731	2,930,050,540	2,724,889,709	3,090,102,015
Net assets	3,266,428,147	7,015,272,445	2,917,567,154	5,184,287,248
Intra-group elimination	51,782,075	1,336,893	(2,713,402)	1,336,893
Net assets attributable to NCI	1,050,002,517	995,400,998	1,003,263,753	735,950,396
Revenue	687,563,691	4,098,604,448	178,306,173	3,216,729,353
Profit / (loss)	59,856,433	1,830,985,197	(62,460,529)	903,837,564
Total comprehensive income	59,856,433	1,830,985,197	(62,460,529)	903,837,564
Profit / (loss) allocated to NCI	16,816,713	259,450,602	(21,536,390)	128,073,783
Cash flows from operating activities	(509,744,874)	2,616,748,329	(469,171,838)	1,861,223,971
Cash flows from investing activities	217,353,211	11,998,715	137,851,663	(212,158)
Cash flows from financing activities	544,275,763	(2,495,791,632)	(164,641,379)	(1,772,687,554)
Net increase / (decrease) in cash and cash equivalents	251,884,100	132,955,412	(495,961,554)	88,324,259
Buy-back from NCI	231,000,000	-	-	-
Dividend paid to NCI	-	-	56,885,289	-

9.1.1 Buy-back from NCI

During the year, post Buy-Back and cancellation of shares by AHL, subsidiary company, NCI holding was reduced from 34.48% to 27.20% and the Parent Company's holding in AHL increased from 65.52% to 72.80%.

9.1.2 Profit / (loss) allocated to NCI

	2020	2019
	(Rupees)	
Arif Habib Limited - Standalone	16,816,713	(21,536,390)
Arif Habib 1857 (Private) Limited	672,385	(2,022,764)
Arif Habib Commodities (Private) Limited	1,255,620	996,100
Sachal Energy Development (Private) Limited	259,450,602	128,073,783
	278,195,320	105,510,729

9.1.3 Decrease of equity interest in Subsidiary without change in control

During the year, the Parent Company disposed off 2 million shares of the subsidiary company, AHL, which resulted in decrease in holding from 72.80% to 69.44% and NCI holding was increased from 27.20% to 30.56%. The decrease in equity attributable to owners of the Parent Company is recognised in retained earnings.

	2020 (Rupees)
Consideration received from NCI	**67,360,000**
Change in NCI	**(114,826,343)**
Decrease in equity attributable to owners of the Parent Company	**(47,466,343)**

10. LONG TERM LOANS - secured

	Note	2020 (Rupees)	2019 (Rupees)
Term finance loan - ICBC	10.1	**11,812,500,000**	13,160,000,000
Less: Current portion		**(1,687,500,000)**	(1,645,000,000)
		10,125,000,000	11,515,000,000
Transaction cost			
Balance at 1 July		**(786,428,982)**	(963,959,950)
Less: Amortisation		**162,480,256**	177,530,968
		(623,948,726)	(786,428,982)
		9,501,051,274	10,728,571,018
Term finance loan - ABL	10.2	**499,987,261**	-
Less: Current portion		**(166,666,667)**	-
		333,320,594	-
		9,834,371,868	10,728,571,018

10.1 This represent long term loan facility of USD 100 million (currently outstanding USD 70 million) availed by subsidiary company, SEDPL from Industrial and Commercial Bank of China (ICBC) under facility agreement dated 15 February 2015. The facility agreement has been registered with the State Bank of Pakistan on 29 May 2015. The loan carries mark-up at the rate of six months LIBOR plus 3.75% payable in arrears on semi annual basis. Principal is repayable in 20 bi-annual instalments with a grace period of two years. During the year, 2 semi annual installments of USD 5 million each (2019: 2 semi-annual installment of USD 5 million) have been repaid.

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

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

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

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

10.2 During the year, the subsidiary company, AHL, had signed a facility letter with Allied Bank limited (ABL) whereby the outstanding running finance facility amounting to Rs. 499.99 million had been converted into a long term loan under markup arrangement at the rate of 3 months KIBOR + 1% to be charged on quarterly basis. The loan is repayable in twelve quarterly installments ending on 30 June 2023. The loan is secured against pledge of shares as per ABL's approved shares list with respective margins.

11. LAND LEASE LIABILITY

	2020	2019
	(Rupees)	
Balance at 1 July	**11,296,248**	10,911,705
Charge for the year	**1,749,323**	1,744,543
Paid during the year	**(1,360,000)**	(1,360,000)
Balance at 30 June	**11,685,571**	11,296,248
Less: Current portion shown under current liabilities	**(1,360,000)**	(1,360,000)
	10,325,571	9,936,248

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

12. LEASE LIABILITY

This represent lease liability of Parent Company and AHL, subsidiary company.

	2020	2019
	(Rupees)	
Lease liability	**65,720,505**	-
Less: Current portion of lease liability	**(26,029,805)**	-
	39,690,700	-

12.1 Lease liability is payable as follows:

	2020	
	Less than one year	Between one and two years
	(Rupees)	
Future minimum lease payments	28,601,260	40,434,447
less: Interest	(2,571,455)	(743,747)
Present value of minimum lease payment	26,029,805	39,690,700

13. LOAN UNDER STATE BANK OF PAKISTAN SCHEME

	Note	2020	2019
		(Rupees)	
Loan under State Bank of Pakistan scheme	13.1	14,985,323	-

13.1 The subsidiary company, SEDPL, has availed the concessional loan from Faysal Bank Limited at the mark up rate of 3% payable quarterly in arrears under the State Bank of Pakistan (SBP) incentive scheme - Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns. The scheme was availed as sub-limit of the existing running finance facility of SEDPL of Rs. 1,000 million and it is repayable over a period of 2 years with a grace period of 6 months.

14. DEFERRED LIABILITY - GRATUITY

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

	2020	2019
	(Rupees)	
Balance at beginning of the year	14,056,165	10,154,032
Liability recognised for the year	6,139,167	4,944,632
Gratuity paid during the year	(1,151,563)	(1,042,499)
Balance at end of the year	19,043,769	14,056,165

14.1 This include provision for gratuity of Rs. 13.893 million (2019: Rs. 10.36 million) payable to key management personnel of SEDPL.

15. DEFERRED TAXATION - net

	Note	2020	2019
		(Rupees)	
The liability for deferred taxation comprises of temporary differences relating to:			
- Accelerated tax depreciation		**13,041,743**	2,828,548
- Investment in equity accounted associates		**1,413,711,170**	1,208,339,527
- Dividend receivable		**95,700,062**	136,219
- Right-of-use asset		**19,712,420**	-
- Investment property		**-**	160,686,292
- Unrealised gain on investments		**45,578,682**	-
- Accrued mark-up		**-**	2,689,946
		1,587,744,077	1,374,680,532
Deferred tax asset comprises of temporary differences relating to:			
- Accelerated tax depreciation		**(264,692)**	(424,791)
- Allowance for impairment loss on trade debts		**(274,905,787)**	(119,282,529)
- Unrealised gain on investments		**(157,461,327)**	(46,922,257)
- Intangible assets		**(6,815,000)**	-
- Long term investments		**(49,598)**	-
- Lease liability		**(19,058,946)**	-
- Impairment loss on other 'long term investment'		**(435,000)**	(435,000)
		(458,990,350)	(167,064,577)
		1,128,753,727	1,207,615,955
- Unused tax losses		**(160,757,551)**	(139,767,507)
		967,996,176	1,067,848,448
Deferred tax asset not recognised	15.1	**540,691,484**	139,767,507
Deferred tax liability		**1,508,687,660**	1,207,615,955

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

16. TRADE AND OTHER PAYABLES

	Note	2020	2019
		(Rupees)	
Creditors	16.1	**747,901,751**	594,084,957
Operating and maintenance payable		**179,722,969**	262,794,919
Accrued liabilities		**13,990,050**	23,772,427
Withholding tax payable		**30,788,463**	39,368,405
Deposit under Option Agreement	16.2	**-**	4,900,225,000
Loan from Directors	16.3	**3,862,500**	3,800,000
Payable to provident fund		**-**	272,108
Other liabilities		**33,196,697**	15,899,354
		1,009,462,430	5,840,217,170

16.1 This includes amount of Rs. 12.35 million (2019: Rs. 28.71 million) payable to related parties by AHL.

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

16.3 The said loan was provided to meet working capital requirements of AHCPL which was fully utilised during the year.

17. SHORT TERM BORROWINGS

	Note	2020	2019
		(Rupees)	
Secured - from banking companies			
- Running finance from banks	17.1	**2,506,903,268**	3,712,854,073
- Term finance	17.2	**930,000,000**	998,904,023
		3,436,903,268	4,711,758,096

17.1 Short term running finance facilities are available to Parent Company and its subsidiary company, AHL, from various commercial banks, under mark-up arrangements, amounting to Rs. 8,600 million (2019: Rs. 8,190 million). These facilities have various maturity dates up to 6 May 2021 and need to be renewed after that. These arrangements are secured against pledge of marketable securities with minimum 30% margin (2019: 30% margin).

These running finance facilities carry mark-up ranging from 1 month KIBOR + 0.75% to 1.50% and 3 months KIBOR + 0.55% to 1.75% (2019: 1 month KIBOR + 0.5% to 1.50%, 3 months KIBOR + 0.55% to 2% and 6 months KIBOR + 0.75%) calculated on a daily product basis, and is payable quarterly. The aggregate amount of these facilities which have not been availed at the reporting date amounts to Rs. 6,093 million (2019: Rs. 4,477 million).

17.2 This represent short term finance facility of Rs. 1,000 million (2019: 1,000 million) obtained from Faysal Bank by SEDPL, subsidiary company it carries mark-up at 3 months KIBOR + 2.5% (2019: 3 months KIBOR + 3.5%) payable quarterly in arrears. The facility is repayable on demand over a period of one year and the facility is secured against;

- ranking charge over all present and future current and fixed assets of SEDPL
- personal guarantee of director Mr. Arif Habib.

17.3 The fair value of shares of associated companies, shares held for trading and other securities / assets pledged as collateral against short term borrowings amounts to Rs. 8,785 million (2019: Rs. 11,266.8 million).

18. SUBORDINATED LOAN

During the year, AHL, subsidiary company, has obtained subordinated loan amounted to Rs.1,100,000,000 from the sponsor (Mr. Arif Habib). The details of the loan obtained are as follows:

a. Short term, unsecured, subordinate, interest free loan of Rs. 800,000,000 payable on demand and which had been repaid on 11 May 2020.

b. Long term unsecured, subordinate loan of Rs 300,000,000 which is payable after 13 months of disbursement of loan amount. The interest rate is 6 month KIBOR + 2% payable semi-annually.

19. CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

Parent Company

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

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

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

19.1.3 The Parent Company has issued Corporate Guarantee, on behalf of a subsidiary company, namely Sachal Energy Development (Private) Limited (SEDPL), amounting to USD 100 million (current outstanding: USD 70 million) to Industrial Commercial Bank of China in relation to financing agreement of SEDPL.

The Parent Company has issued Corporate Guarantees on behalf of an associated concern, Aisha Steel Mills Limited (ASML) to the extent of Rs. 1.3 billion and USD 18.8 million. This include Corporate Guarantee to the extent of USD 8.8 million issued during the year in favour of Hangzhou Cogeneration (Hong Kong) Co. Ltd and Guarantee in the form of pledge of shares issued during the year to the extent of Rs. 625 million in favour of Habib Metropolitan Bank Limited to secure payment obligations of ASML.

Further, the Parent Company has issued Corporate Guarantee on behalf of an associated concern, Power Cement Limited (PCL) to the extent of USD 10.127 million. During the year, Corporate Guarantee to the extent of Rs. 847.68 issued in favour of Tianjin Electric Power Construction Co. Ltd to secure payment obligations of PCL.

Further, the Parent Company has pledged shares with various banks for running finance facilities obtained by AHL. These facilities amount to Rs. 1,975 million.

The Parent Company has obtained letters of indemnity from respective related parties.

AHL, Subsidiary Company

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

SEDPL and BGPL , Subsidiary Companies

19.1.5 There are no contingencies as on 30 June 2020.

Associates

19.1.6 The Group's share of associates' contingent liabilities is Rs. 2,809 million (2019: 3,548.07 million).

19.2 Commitments

Parent Company

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

19.2.2 Following commitments are outstanding as at the year end:

AHL, Subsidiary Company	**2020**	2019
	(Rupees)	
- Outstanding settlements against marginal trading contracts	**112,323,212**	183,844,159
- Outstanding settlements against sale/purchase of securities in regular market	**53,073,167**	67,513,807
- Financial guarantee given by a commercial bank on behalf of AHL	**250,000,000**	250,000,000

SEDPL, Subsidiary Company

19.2.3 Commitments relates to operating lease of land as disclosed in note 11 to these consolidated financial statements.

19.2.4 The subsidiary company has entered into Service and Availability Agreement with Goldwind Pakistan (Private) Limited on 01 July 2019 for a period of three (03) years against a fee of USD 978,000 per year to be escalated according to yearly CPI fluctuation released by US Statistic Bureau.

19.2.5 Significant contracts

(a) Energy Purchase Agreement (EPA)

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

(b) Implementation Agreement (IA)

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

(c) Facility Agreement

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

(d) Short Term Finance Facility

SEDPL has entered into short term running finance facility (revolving) of Rs. 1,000 million obtained from Faysal Bank Limited on 9 November 2018.

20. PROPERTY, PLANT AND EQUIPMENT

	Note	2020	2019
		(Rupees)	
Operating fixed assets	20.1	**15,599,224,795**	16,158,398,853

20.1 Operating fixed assets

	Right-of-use asset	Leasehold buildings and improvements	Furniture, fixtures and fittings	Vehicles Owned	Vehicles Leased	Plant and machinery equipment	Office equipment	Computer and allied	Exchange gain	Total
	(Rupees)									
COST										
Balance as at 01 July 2019	-	170,235,651	6,731,170	47,242,953	-	12,491,792,687	8,013,946	37,805,788	5,185,936,700	17,947,758,895
Additions during the year	100,944,658	-	2,173,170	15,717,281	-	-	267,435	2,040,823	231,000,000	352,143,367
Transfer from investment property (Note 24)	-	32,473,333	-	-	-	-	-	-	-	32,473,333
Disposals	-	-	(274,216)	(171,533)	-	(14,547,042)	(574,727)	(627,807)	-	(16,195,325)
Balance as at 30 June 2020	**100,944,658**	**202,708,984**	**8,630,124**	**62,788,701**	**-**	**12,477,245,645**	**7,706,654**	**39,218,804**	**5,416,936,700**	**18,316,180,270**
DEPRECIATION										
Balance as at 01 July 2019	-	133,953,568	1,827,959	28,316,629	-	1,406,260,267	2,850,367	26,267,920	189,883,332	1,789,360,042
Charge for the year	32,970,795	5,442,313	847,562	4,560,385	-	624,521,861	860,347	4,222,513	257,229,640	930,655,416
Disposals / transfers	-	-	(103,354)	(113,907)	-	(1,818,380)	(451,897)	(572,445)	-	(3,059,983)
Balance as at 30 June 2020	**32,970,795**	**139,395,881**	**2,572,167**	**32,763,107**	**-**	**2,028,963,748**	**3,258,817**	**29,917,988**	**447,112,972**	**2,716,955,475**
Written down value as at 30 June 2020	**67,973,863**	**63,313,103**	**6,057,957**	**30,025,594**	**-**	**10,448,281,897**	**4,447,837**	**9,300,816**	**4,969,823,728**	**15,599,224,795**
COST										
Balance as at 01 July 2018	-	170,235,651	4,206,267	47,192,453	2,088,000	12,491,792,687	4,615,546	32,363,748	1,591,686,700	14,344,181,052
Additions during the year	-	-	2,524,903	50,500	-	-	3,473,400	5,623,341	3,594,250,000	3,605,922,144
Disposals	-	-	-	-	(2,088,000)	-	(75,000)	(181,301)	-	(2,344,301)
Balance as at 30 June 2019	-	170,235,651	6,731,170	47,242,953	-	12,491,792,687	8,013,946	37,805,788	5,185,936,700	17,947,758,895
DEPRECIATION										
Balance as at 01 July 2018	-	127,845,247	1,205,673	23,589,256	1,084,508	781,732,105	2,123,042	21,959,183	80,063,334	1,039,602,348
Charge for the year	-	6,108,321	622,286	4,727,373	89,333	624,528,162	770,440	4,364,864	109,819,998	751,030,777
Disposals / transfers	-	-	-	-	(1,173,841)	-	(43,115)	(56,127)	-	(1,273,083)
Balance as at 30 June 2019	-	133,953,568	1,827,959	28,316,629	-	1,406,260,267	2,850,367	26,267,920	189,883,332	1,789,360,042
Written down value as at 30 June 2019	-	36,282,083	4,903,211	18,926,324	-	11,085,532,420	5,163,579	11,537,868	4,996,053,368	16,158,398,853
Rates of depreciation (%)	33	5 - 15	10 - 15	20	20	5	15 - 20	33	5	

21. INTANGIBLE ASSETS - OTHERS

	2020	2019
	(Rupees)	
Cost		
Opening balance	9,108,247	9,108,247
Additions during the year	546,674	-
Closing balance	9,654,921	9,108,247
Amortisation		
Opening balance	6,695,973	6,118,631
Amortisation for the year	557,142	577,342
Closing balance	7,253,115	6,695,973
Written down value as at 30 June	2,401,806	2,412,274
Rates of amortisation (%)	25% - 33%	25% - 33%

21.1 The amortisation charge has been allocated to operating and administrative expenses (note 36).

22. GOODWILL

Goodwill is monitored by the management at individual entity level which are considered cash generating units. The carrying amount of goodwill allocated to the individual cash generating units (CGUs) is as follows:

	Note	2020	2019
		(Rupees)	
Arif Habib Limited	22.1	838,683,576	838,683,576
Sachal Energy Development (Private) Limited	22.2	71,522,541	71,522,541
		910,206,117	910,206,117

22.1 Impairment testing of Goodwill relating to Arif Habib Limited (AHL):

The recoverable amount of the business operations of AHL (cash generating unit) have been determined based on its value in use determined by discounting future cash flows to be generated from continuing use of cash generating units. The calculations uses cash flow projections which require the use of assumptions prepared by management covering period from 2020 to 2024 till terminal period. The Group has applied 15.71% discount rate to cash flow projections and cash flows beyond the four year period are extrapolated using the estimated growth rate of 4%.

The calculation of 'value in use' for the business operations is most sensitive to the following assumptions:

Revenue

Revenue comprises of brokerage, advisory, consultancy, dividend and capital gain. Major revenue depends on the volume of trading of shares and increase in share index. The market index and volume of share is expected to grow in upcoming future which will result in increase in revenue of AHL.

Management used an average of 13% annual growth rate in revenue. Management is of the view that these assumptions are reasonable considering the current market conditions.

Financial charges

Financial cost has projected based on the short term financing arrangement made by the AHL. The finance charges are expected to decrease as revenue generated will be utilised to reduced borrowings. Management expects to reduce finance cost by 16% in upcoming periods.

Discount rate

Discount rates reflect management's estimate of the rate of return required for the business and are calculated after taking into account the prevailing risk free rate, industry risk and business risk. Discount rates are calculated by using the weighted average cost of capital.

Long term growth rate

This is the weighted average growth rate used to extrapolate cash flows beyond four year period. The terminal growth rate is considered by management to be achievable.

Sensitivity to changes in other assumptions

Management believes that reasonable possible changes in other assumptions used to determine the recoverable amount of the cash generating units will not result in an impairment of goodwill.

22.2 Impairment testing of goodwill relating to Sachal Energy Development (Private) Limited (SEDPL):

The recoverable amount of the business operations of SEDPL (cash generating unit) have been determined by dividend discount model which is a quantitative method used for predicting the price of a Company's stock based on the theory that its present-day price is worth the sum of all of its future dividend payments when discounted back to their present value covering period from 2021 to 2037.

The calculation of 'dividend discount model' for the business operations is most sensitive to the following assumptions:

Revenue growth (Tariff rate)

Revenue growth assumptions have been derived from the projections prepared by management taking into account the tariff fixed by regulatory authority. Management is of the view that these assumptions are reasonable considering the current market conditions.

Cost of supply of services and gross margins

Cost of supply of power has been projected on the basis of multiple strategies planned by management to ensure profitable operations. These strategies include cost cutting mechanism such as reducing maintenance cost, and increasing efficiency of power supply etc. resulting in improved gross margins over the forecasted period.

Financial charges

Financial cost has projected based on the long term and short term financing arrangement made by the SEDPL. Finance cost is expected to be reduced due to payments of semi-annually instalments.

Discount rate

Discount rates reflect management's estimate of the rate of return required for the business and are calculated after taking into account the prevailing risk free rate, industry risk and business risk. Discount rate (cost of equity) is calculated by using the Capital Asset Pricing Model (CAPM). The Group has applied discount rate of 15% to estimated future dividends.

Sensitivity to changes in other assumptions

Management believes that reasonable possible changes in other assumptions used to determine the recoverable amount of the cash generating units will not result in an impairment of goodwill.

23. TRADING RIGHT ENTITLEMENT CERTIFICATE, MEMBERSHIP CARD AND OFFICES

	Note	2020	2019
		(Rupees)	
Trading right entitlement certificate			
Cost		**35,500,000**	35,500,000
Impairment		**(30,500,000)**	(30,500,000)
	23.1	**5,000,000**	5,000,000
Membership cards			
- Pakistan Mercantile Exchange Limited		**1,000,000**	1,000,000
Booths			
- Pakistan Stock Exchange Limited - three booths		**2,100,000**	2,100,000
		8,100,000	8,100,000

23.1 This represents TREC received by subsidiary Companies, Arif Habib Limited and M/s. Arif Habib 1857 (Private) Limited, in accordance with the Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012. These have been carried at cost less impairment.

24. INVESTMENT PROPERTIES

	Note	2020	2019
		(Rupees)	
Opening balance		**1,726,419,800**	1,373,500,000
Development charges / additions during the year		**11,943,765**	163,419,941
Disposal during the year		**(159,475,000)**	(180,540,000)
Transfer to property, plant and equipment	24.1 & 20.1	**(32,473,333)**	-
	24.2	**1,546,415,232**	1,356,379,941
Changes in fair value - net		**132,000,000**	370,039,859
		1,678,415,232	1,726,419,800

24.1 On 25 June 2020, the subsidiary company, AHL, has commenced business operations on office premises located at G-05, G-06 on ground floor of LSE Financial Services Limited and at 506, fifth floor of ISE Towers REIT Management Company Limited. Therefore, the said office premises have been reclassified to Property, Plant and Equipment at the fair value at the date of change in use.

24.2 This represents investment in plots of land and residential bungalows situated at Naya Nazimabad, Deh Mangohpir, Gadap Town, Karachi owned by, a subsidiary company, AHL. Further, this includes investment in offices located in the building complex of Pakistan Stock Exchange Limited and LSE Financial Services Limited owned by AHL. The Naya Nazimabad Project is owned and managed by Javedan Corporation Limited (a related party of the Group). As of the reporting date, the fair value of such investment properties was determined by an independent external property valuer having appropriate recognised qualification and relevant experience according to which there was an increase of Rs. 132 million (2019: 370 million) in fair value of the properties and forced sales value of these investment properties are Rs. 1,456.4 million (2019: 1,478.1 million).

25. EQUITY ACCOUNTED INVESTEES

	Note	2020	2019
		(Rupees)	
Fatima Fertilizer Company Limited (FFCL)	25.1	12,937,523,356	11,568,379,073
MCB - Arif Habib Savings and Investments Limited (MCB-AH)	25.2	586,586,859	562,068,013
Pakarab Fertilizers Limited (PFL)	25.3	-	-
		13,524,110,215	12,130,447,086
Less: Allowance for impairment		(119,982,605)	(119,982,605)
		13,404,127,610	12,010,464,481

25.1 Investment in FFCL (quoted) represents 319 million (2019: 319 million) fully paid ordinary shares of Rs. 10 each, representing 15.19% (2019: 15.19%) of FFCL's paid up share capital as at 30 June 2020. Fair value per share as at 30 June 2020 is Rs. 26.73 (2019: Rs. 29.85) which is based on quoted share price on stock exchange at reporting date.

25.2 Investment in MCB-AH (quoted) represents 21.66 million (2019: 21.66 million) fully paid ordinary shares of Rs. 10 each, representing 30.09% (2019: 30.09%) of MCB-AH's paid up share capital as at 30 June 2020. Market value per share as at 30 June 2020 was Rs. 22.84 (2019: Rs. 22.99) which is based on quoted share price on stock exchange at reporting date.

25.3 Investment in PFL (unquoted) represents 135 million (2019: 135 million) fully paid ordinary shares of Rs. 10 each, representing 30% (2019: 30%) of PFL's paid up share capital as at 30 June 2020, having cost of Rs. 1,350 million (2019: Rs. 1,324.33 million). Fair value per share as at 30 June 2020 is Rs. 10 per share (2019: Rs. 9.81 per share) determined using discounted cash flow approach. The fair value determination involved significant assumptions which mainly includes long term growth rates, long term return on equity and weighted average cost of capital. The group has not recognised loss amounting to Rs. 1.22 billion (2019: Rs. 834.16 million) in relation to it interest in PFL, because the Group has no obligation in respect of this loss.

25.4 Summarized financial information of the associates of the Group as of 30 June 2020 is as follows:

	2020		
	MCB - Arif Habib Savings and Investments Limited	Pakarab Fertilizers Limited	Fatima Fertilizer Company Limited
	--(Rupees in '000)--		
Percentage ownership interest	**30.09%**	**30.00%**	**15.19%**
Non-current assets	**947,663**	**19,485,645**	**111,268,224**
Current assets	**1,317,910**	**24,155,324**	**40,458,761**
Non-current liabilities	**89,423**	**7,401,743**	**25,279,073**
Current liabilities	**625,454**	**30,604,158**	**45,476,593**
Net assets	**1,550,696**	**5,635,068**	**80,971,319**
Elimination of revaluation surplus with related deferred taxation*	**-**	**(9,690,996)**	**-**
Elimination of unpaid dividend	**-**	**-**	**4,200,000**
Net assets of equity accounted investee (adjusted)	**1,550,696**	**(4,055,928)**	**85,171,319**
Group's interest in net assets of investee company	**466,604**	**(1,216,778)**	**12,937,523**
Restricting share of loss to carrying amount (refer note 25.3)	**-**	**1,216,778**	**-**
	466,604	**-**	**12,937,523**
Carrying amount of equity accounted investee **	**466,604**	**-**	**12,937,523**
Revenue	**835,520**	**12,334**	**65,783,770**
Profit / (loss) from continuing operations	**257,669**	**(1,357,421)**	**12,173,454**
Loss from discontinuing operations	**-**	**(1,003,934)**	**-**
Other comprehensive income	**-**	**19,645**	**22,645**
Total comprehensive income / (loss)	**257,669**	**(2,341,710)**	**12,196,099**
Group's share of total comprehensive income in equity accounted investee	**75,430**	**-**	**1,369,144**
Dividends received by the Group	**50,910,792**	**-**	**-**

	2019		
	MCB - Arif Habib Savings and Investments Limited	Pakarab Fertilizers Limited	Fatima Fertilizer Company Limited
	--(Rupees in '000)--		
Percentage ownership interest	30.09%	30.00%	15.19%
Non-current assets	885,754	21,963,961	104,382,572
Current assets	1,158,569	28,959,646	37,198,228
Non-current liabilities	42,342	10,882,372	21,186,379
Current liabilities	539,754	36,082,609	44,236,561
Net assets	1,462,227	3,958,626	76,157,860
Elimination of revaluation surplus with related deferred taxation*	-	(6,739,169)	-
Net assets of equity accounted investee (adjusted)	1,462,227	(2,780,543)	76,157,860
Group's interest in net assets of investee company	439,984	(834,163)	11,568,379
Restricting share of loss to carrying amount (refer note 25.3)	-	834,163	-
	439,984	-	11,568,379
Carrying amount of equity accounted investee **	442,085	-	11,568,379
Revenue	715,079	15,923,430	61,692,570
Profit / (loss) from continuing operations	24,235	(5,080,160)	13,350,308
Loss from discontinuing operations	-	(3,640,386)	-
Other comprehensive loss	-	(11,057)	(57,362)
Total comprehensive income / (loss)	24,235	(8,731,603)	13,292,946
Group's share of total comprehensive income / (loss) in equity accounted investee	7,292	(1,785,318)	2,019,216
Dividends received by the Group	37,912,292	-	558,250,361

* The adjustment represent alignment of accounting policy of associates with the Group.

** Group's share of net assets equal the carrying amount of equity accounted investees.

25.5 Group's share of total comprehensive income / (loss) in equity accounted investee

	2020	2019
	(Rupees)	
Fatima Fertilizer Company Limited (FFCL)	1,369,144,283	2,019,216,497
MCB - Arif Habib Savings and Investments Limited (MCB-AH)	75,429,638	7,292,431
Pakarab Fertilizers Limited (PFL)	-	(1,785,318,300)
Silkbank Limited	-	183,659,580
	1,444,573,921	424,850,208
Less: Other comprehensive income	(3,439,775)	26,221,892
	1,441,134,146	451,072,100

25.6 Financial statements of MCB-AH, FFCL and PFL have been audited by their independent auditors.

26. OTHER LONG TERM INVESTMENTS

	Note	2020	2019
		(Rupees)	
Equity securities - at FVOCI	26.1	-	-
Equity securities - designated at FVTPL	26.2	45,056,656	66,046,528
		45,056,656	66,046,528

26.1 Equity securities - at FVOCI

		Shares	Fair value
		2020	
		(Number)	(Rupees)
Sun Biz (Private) Limited (SBL)	26.1.3	10,000	-
Al-Khabeer Financial Services (Private) Limited (AKFS)	26.1.4	5,000	-

		Shares	Fair value
		2019	
		(Number)	(Rupees)
Sun Biz (Private) Limited (SBL)	26.1.3	10,000	-
Al-Khabeer Financial Services (Private) Limited (AKFS)	26.1.4	5,000	-

26.1.2 Investment in SBL (unquoted) and AKFS (unquoted) were fully impaired in previous years and no change in fair value is recognised in current year's financial statements.

26.1.3 Investment in SBL (unquoted) represents 10,000 (2019:10,000) fully paid ordinary shares of Rs. 100 each.

26.1.4 Investment in AKFS (unquoted) represents 5,000 (2019:5,000) fully paid ordinary shares of Rs. 200 each.

26.2 Equity securities - designated at FVTPL

	Note	2020	2019
		(Rupees)	
Pakistan Stock Exchange Limited	26.2.1	-	13,023,998
ISE Towers REIT Management Company Limited	26.2.2	31,620,574	40,936,808
LSE Financial Services Limited	26.2.2	13,436,082	12,085,722
		45,056,656	66,046,528

26.2.1 This represents the investment in ordinary shares of Pakistan Stock Exchange Limited (PSX) received by AHL, subsidiary company. In August 2019, 1,001,846 ordinary shares of (PSX) previously marked as freezed by the Central Depository Company of Pakistan Limited (CDC) were un-freezed and re-classified as 'available' in its Account Balance Report. Since, AHL intended to dispose of the investment in due course of time, it was re-classified as a short term investment.

26.2.2 This represents the investment in 843,975 unquoted ordinary shares of M/s. LSE Financial Services Limited and 3,034,604 unquoted ordinary shares of M/s. ISE Towers REIT Management Company Limited. Management of subsidiary company has carried out the valuation of the aforementioned investments. In this connection, Discounted Free Cash Flow to Equity model for business valuation was used to determine fair value of respective investee companies. Assumptions and inputs used in the valuation technique mainly include risk-free rate, equity risk premium, long term growth rate and projected rates of increase in revenues, other income and expenses. Principal assumptions used in the valuation of above unquoted investments described in note 46 to these consolidated financial statements.

27. LONG TERM LOAN TO RELATED PARTY

	Note	2020	2019
		(Rupees)	
Secured			
Aisha Steel Mills Limited		163,404,133	182,359,793
Less: Current portion of long term loan	30	(28,433,492)	(18,955,660)
		134,970,641	163,404,133

27.1 In 2017, the Parent Company had converted running finance to a 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 (2019: 6 months KIBOR + 3.25% per annum). The rate of mark-up on the loan during the period was ranged between 16.38% to 16.74% per annum (2019: ranged between 10.29% to 14.05% per annum). The mark-up is payable on semi-annual basis.

27.2 Maximum balance due from related party as at the end of any month during the year was Rs. 149.19 million (2019: Rs. 172.88 million).

28. LONG TERM DEPOSITS AND OTHER RECEIVABLES

	Note	2020	2019
		(Rupees)	
Pakistan Stock Exchange Limited		**17,207,961**	17,207,961
ISE Towers REIT Management Company Limited		**-**	150,000
National Clearing Company of Pakistan Limited		**2,173,138**	2,594,578
Receivable from employees against leased vehicles	28.1	**2,397,440**	2,397,440
Pakistan Mercantile Exchange deposit for office		**11,507,205**	11,507,205
Other deposits		**850,536**	1,133,536
		34,136,280	34,990,720

28.1 This represents security deposits paid by the Parent Company on behalf of employees for leased vehicle and is secured against respective employees' provident fund balances. It will be recovered from the respective employees from their final settlement or at the termination of lease agreement.

29. TRADE DEBTS

	Note	2020	2019
		(Rupees)	
Trade debts - secured	29.1	**3,243,404,339**	2,399,342,940
- unsecured	29.2	**979,683,581**	1,062,507,452
		4,223,087,920	3,461,850,392
Less: Allowance for impairment of trade debts	29.3	**(906,321,587)**	(902,969,044)
		3,316,766,333	2,558,881,348
Unbilled receivable			
Regular energy		**63,101,553**	23,126,450
Shortfall energy		**18,779,880**	7,018,480
Bonus energy		**11,105,839**	11,105,839
Late payment charges		**233,037,948**	62,620,310
		326,025,220	103,871,079
		3,642,791,553	2,662,752,427

29.1 This includes trade debts of SEDPL, subsidiary company, from Central Power Purchasing Agency (CPPA) which are secured by a guarantee from Government of Pakistan (GoP) under the Implementation Agreement (IA) dated 11 August 2014. As referred in note 5.21.1, SECP has exempted the applicability of expected credit loss allowance on trade debts due directly / ultimately from GoP. Further, these are subject to mark-up on delay payments under EPA dated 27 February 2014 at the rate of 3 month KIBOR plus 4.5% per annum. This also includes Rs. 1.7 million (2019: Rs. 0.4 million) due from related parties. AHL, subsidiary company, holds capital securities having fair value of Rs. 38,874 million (2019: Rs. 37,076 million) owned by its clients, as collaterals against trade debts. The maximum aggregate amount outstanding at any time during the year amounts to Rs. 3,243 million (2019: Rs. 2,424 million).

29.2 This represents commission, consultancy and other service fee receivable by AHL.

29.3 Movement in allowance for impairment of trade debts during the year was as follows.

	2020	2019
	(Rupees)	
Balance as at 1 July	**902,969,044**	922,829,128
Adjustment on initial application of IFRS 9	**-**	1,625,601
Balance as at 1 July	**902,969,044**	924,454,729
Provision / (reversal) during the year	**3,352,543**	(21,485,685)
Balance as at 30 June	**906,321,587**	902,969,044

30. LOANS AND ADVANCES - considered good

	Note	2020	2019
		(Rupees)	
Unsecured			
Advance:			
- for expenses		**889,667**	1,109,165
- to consultant	30.1	**9,393,760**	-
		10,283,427	1,109,165
Loans to related parties:			
Javedan Corporation Limited (JCL)		**-**	10,067,474
Secured			
Receivable against reverse repo		**52,152,387**	52,152,387
Less: Allowance for impairment	30.2	**(39,711,656)**	(39,711,656)
		12,440,731	12,440,731
Advances / loan to employees	30.3	**4,991,152**	4,764,001
Loans to related parties:			
Aisha Steel Mills Limited (ASML)	27	**28,433,492**	18,955,660
		56,148,802	47,337,031

30.1 This represents advance payment made to consultant by AHL, a subsidiary company, in respect of consultancy services on Corporate Finance Projects.

30.2 Movement in allowance for impairment relating to Receivable against reverse repo agreement is as follows:

	2020	2019
	(Rupees)	
Balance as at 1 July	**39,711,656**	-
Adjustment on initial application of IFRS 9	**-**	39,711,656
Balance as at 1 July	**39,711,656**	39,711,656
Provision during the year	**-**	-
Balance as at 30 June	**39,711,656**	39,711,656

30.3 This includes advance and loans provided to key management personnel amounting to Rs. 4.028 million (2019: Rs. 4.05 million). The loan and advances are secured against staff provident fund of respective employees.

30.4 Maximum balance due from related parties in respect of loans and advances as at the end of any month during the year was Rs. 790 million (2019: Rs. 2,915.96 million).

31. DEPOSITS AND PREPAYMENTS

	Note	2020	2019
		(Rupees)	
Deposits		**1,151,009**	38,869,319
Prepayments	31.1	**60,155,069**	58,540,214
Marginal trading system - exposure deposits	31.2	**69,536,251**	301,754,729
Others		**4,605,916**	94,506
		135,448,245	399,258,768

31.1 This amount include prepayments on account of operational insurance made by SEDPL, subsidiary company, amounting to Rs. 46.8 million (2019: Rs.44.4 million).

31.2 These represent amounts of deposits held at the year end against exposure arising out of the trading in securities by AHL, subsidiary company, in accordance with the regulations of National Clearing Company of Pakistan Limited.

32. ACCRUED MARK-UP AND OTHER RECEIVABLES

	Note	2020	2019
		(Rupees)	
Mark-up receivable			
From related parties:			
Aisha Steel Mills Limited	32.1	**21,441,982**	35,352,227
Javedan Corporation Limited		**147,616**	40,567,881
		21,589,598	75,920,108
Others		**2,766,237**	50,657,640
		24,355,835	126,577,748
Receivable against margin financing	32.2	**39,672,373**	116,163,581
Less: Allowance for impairment	32.3	**(1,917,749)**	(1,917,749)
		37,754,624	114,245,832
Guarantee commission receivable	32.4		
Aisha Steel Mills Limited		**1,095,427**	987,489
Power Cement Limited		**445,884**	420,538
		1,541,311	1,408,027
Other receivables			
Dividend receivable		**91,227,000**	908,125
Others		**7,328,589**	11,374,307
		98,555,589	12,282,432
		162,207,359	254,514,039

32.1 The maximum amount due from related parties in respect of mark-up receivable as at the end of any month during the year was Rs. 36.32 million (2019: Rs. 75.92 million). Further, the said receivable from related parties are on account of loans provided to them which are current and not past due.

32.2 Margin financing facility is provided to clients on mark-up basis ranging from 12% to 18% (2019: 12% to 18.25%) per annum.

32.3 Movement in allowance for impairment relating to receivable against margin financing is as follows:

	2020	2019
	(Rupees)	
Balance as at 1 July	**1,917,749**	-
Adjustment on initial application of IFRS 9	**-**	950,907
Balance as at 1 July	**1,917,749**	950,907
Provision during the year	**-**	966,842
Balance as at 30 June	**1,917,749**	1,917,749

32.4 The maximum amount due from related party in respect of guarantee commission as at the end of any month during the year was Rs. 1.79 million (2019: Rs. 1.82 million).

33. SHORT TERM INVESTMENTS

	Note	2020	2019
		(Rupees)	
Equity securities - at FVTPL	33.1	5,483,967,779	11,602,524,636
Equity securities - at FVOCI	33.2	827,578,375	-
Corporate debt securities - at FVTPL	33.3	252,166,556	371,613,197
		6,563,712,710	11,974,137,833

33.1 Equity securities - at FVTPL

	Note	2020	2019
Investment in quoted equity securities			
- Related parties	33.1.1	2,424,528,620	7,331,959,662
- Others	33.1.2	3,059,439,159	4,270,564,974
		5,483,967,779	11,602,524,636

33.1.1 These include investments related party, namely, in Aisha Steel Mills Limited, Power Cement Limited and Javedan Corporation Limited.

33.1.2 As of 30 June 2020, AHL, subsidiary company, held 7,699,328 ordinary shares (2019: 7,699,328 ordinary shares) of M/s. Safemix Concrete Limited (SCL), its associated company in terms of section 2(4) of the Companies Act, 2017, classified at FVTPL. This gives AHL 30.80% (2019: 29.94%) voting power in SCL. However, since Mr. Arif Habib and his sons, Mr. Samad Habib and Mr. Kashif Habib, by virtue of their direct investment as well as the indirect investment held through the subsidiary company are in a position to exert control over SCL and because of the fact that AHL has not appointed any person on the Board of Directors of SCL, the management is of the view that the Group is not able to exercise significant influence over SCL. Hence, SCL cannot be regarded as an 'associate' of the Group within the meaning of the term 'associate' defined in the International Accounting Standard (IAS) 28 Investments in Associates and Joint Ventures.

33.2 This represent investment in equity securities by AHL.

33.3 Corporate debt securities - at FVTPL

	Note	2020	2019
		(Rupees)	
Term Finance Certificates	33.3.1	252,166,556	371,613,197

33.3.1 This includes Term Finance Certificate (TFCs) amounting to Rs. 228.526 million (2019: 321.61 million) under Market Making agreements.

33.4 Reconciliation of (loss) / gain on remeasurement of equity investments at FVTPL

	2020	2019
	(Rupees)	
Cost of investment	6,303,815,046	13,199,284,347
Unrealised (loss) / gain:		
Balance as at 1 July	(1,225,146,514)	185,473,973
Unrealised gain / (loss) for the year	405,299,247	(1,410,620,487)
	(819,847,267)	(1,225,146,514)
Balance as at 30 June	5,483,967,779	11,974,137,833

34. CASH AND BANK BALANCES

	Note	2020	2019
		(Rupees)	
With banks in:			
Current accounts			
- In local currency	34.1	**68,876,464**	613,428,244
- In foreign currency		**6,768,178**	6,576,497
		75,644,642	620,004,741
Deposit accounts	34.2	**1,291,291,355**	848,298,767
		1,366,935,997	1,468,303,508
Cash in hand		**643,532**	777,321
		1,367,579,529	1,469,080,829

34.1 This includes unclaimed dividend deposited in separate dividend account amounting to Rs. 32.89 million (2019: Rs. 46.17 million).

34.2 The balance in deposit accounts carry mark-up ranging from 7.25% to 14% per annum (2019: 4.50% to 10.25% per annum).

34.3 Bank balances also include customers' bank balances held in designated bank accounts by AHL, subsidiary company, amounting to Rs. 777.251 million (2019: Rs. 595.99 million).

35. OPERATING REVENUE

	Note	2020	2019
		(Rupees)	
Dividend income		**239,287,448**	196,325,399
Mark-up income on loans and advances	35.1	**75,808,975**	207,829,639
Mark-up income on term finance certificates		**54,447,908**	4,682,791
Brokerage income		**346,852,997**	308,800,570
Mark-up income on bank deposits		**76,415,349**	54,707,643
Underwriting, consultancy and placement commission		**155,244,981**	375,510,816
Revenue from sale of energy - net	35.2	**4,054,698,111**	3,184,909,578
Income from reverse repo transaction		**39,214,013**	25,265,266
		5,041,969,782	4,358,031,702

35.1 This represents mark-up income on loan extended to related parties, namely Aisha Steel Mills Limited, Power Cement Limited and Javedan Corporation Limited.

35.2 Revenue from sale of energy - net

	2020	2019
	(Rupees)	
Regular energy	**3,455,699,953**	3,200,802,993
Short fall energy	**767,400,760**	399,502,963
Less: Sales tax	**(496,107,422)**	(516,349,207)
	3,726,993,291	3,083,956,749
Late payment charges	**327,704,820**	100,952,829
	4,054,698,111	3,184,909,578

36. OPERATING AND ADMINISTRATIVE EXPENSES

	Note	2020	2019
		(Rupees)	
Cost of energy's sales	36.1	**1,227,203,030**	1,170,111,556
Salaries and benefits	36.2	**227,372,775**	209,506,535
Printing and stationery		**4,420,004**	5,511,998
Communication		**17,965,411**	16,743,814
Rent, rates and taxes		**12,999,680**	47,519,383
Utilities		**5,551,068**	4,771,627
Legal and professional charges		**14,512,110**	9,769,533
Central Depository Company and clearing house charges		**26,256,659**	29,466,904
Entertainment		**1,378,360**	1,177,620
Travel and conveyance		**38,738,874**	31,284,149
Depreciation	20	**48,903,914**	16,682,617
Amortisation of intangible assets		**557,142**	577,342
Repairs and maintenance		**33,129,573**	27,175,038
Insurance		**8,517,501**	7,223,986
Fees and subscription		**13,240,754**	3,587,693
Advertisement, business promotion and research		**16,910,713**	63,347,032
Meeting expenses		**959,829**	864,127
Auditors' remuneration	36.3	**5,813,976**	4,904,273
Technical assistance / commission and advisory fee		**55,420,466**	116,217,443
Others		**9,343,432**	10,699,647
		1,769,195,271	1,777,142,317

36.1 This includes depreciation expense of Rs. 879.93 million (2019: Rs. 734.35 million) recognised by SEDPL, subsidiary company.

36.2 This includes the Group's contribution to staff retirement benefits amounting to Rs. 14.91 million (2019: Rs. 13.4 million).

36.2.1 Parent Company, AHL and AHCPL have set up provident fund for its employees. All investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

36.3 Auditors' remuneration

	2020	2019
	(Rupees)	
Audit fee	**3,662,000**	3,050,000
Sales tax	**224,964**	139,600
Certifications including half yearly review	**1,648,512**	1,473,083
Out of pocket	**278,500**	241,590
	5,813,976	4,904,273

37. OTHER INCOME

	Note	2020	2019
		(Rupees)	
Profit on exposure deposit		5,017,256	2,564,458
Mark-up on Margin Trading System		23,091,097	46,416,016
Guarantee commission income	37.1	6,681,530	4,736,308
Reversal of allowance for impairment loss in trade debts		-	21,485,685
Exchange gain		5,977,941	-
Others		721,483	26,365,110
		41,489,307	101,567,577

37.1 This pertains to corporate guarantees issued by Parent Company to associated concerns namely Aisha Steel Mills Limited and Power Cement Limited.

38. FINANCE COST

	2020	2019
	(Rupees)	
Mark-up on long term loans	722,452,393	800,345,379
Mark-up on short term borrowings	612,490,449	447,419,402
Interest expense on lease	10,315,387	17,569
Bank charges	5,955,960	5,059,844
Amortisation of transaction cost	162,480,256	177,530,968
Mark-up on loan under State Bank of Pakistan scheme	25,798	-
Mark-up on Margin Trading System securities	775,277	1,813,855
	1,514,495,520	1,432,187,017

39. OTHER CHARGES

	Note	2020	2019
Donations	39.1	223,000	24,878,582
Exchange loss		-	10,634,146
Loan monitoring and processing charges certificates and others		-	9,302,700
Impairment loss on long term investments		-	9,000,000
Impairment loss on other receivables		5,377,456	966,842
Trade debt written-off		-	5,804,510
Loss on disposal of fixed / scrap assets		270,618	12,913
		5,871,074	60,599,693

39.1 This include donations paid to following donees:

Donees	2020	2019
Prime Minister and Chief Justice of Pakistan Fund for Diamer-Bhasha and Mohmand Dams	-	10,000,000
Usman Memorial Hospital Foundation	-	10,000,000

There are no donations to any person, institution or organisation in which a director or his spouse had any interest.

40. TAXATION

	2020	2019
	(Rupees)	
For the year		
- Current	**113,749,759**	232,634,149
- Prior year	**1,809,246**	4,504,944
	115,559,005	237,139,093
Deferred	**301,071,705**	30,344,195
	416,630,710	267,483,288

40.1 Relationship between tax expense and accounting profit

	2020	2019
Profit before taxation	**3,333,344,658**	527,442,959
Tax at the applicable tax rate at 29% (2019: 29%)	**966,669,951**	152,958,458
Tax effect of income under final tax regime	**(227,261,285)**	(239,821,463)
Tax effect of income taxed at lower rate	**(88,803,625)**	61,222,250
Tax effect of minimum tax at 1.5% (2019: 1.25%)	**54,620,892**	3,003,172
Tax effect of super tax at 0% (2019: 2%)	**-**	11,847,535
Prior year tax effect	**1,809,245**	4,504,944
Tax effect of non-deductible expenses	**20,897,389**	34,919,722
Tax effect of exempt income / permanent difference	**(297,061,306)**	283,302,932
Others	**(14,240,551)**	(44,454,262)
	416,630,710	267,483,288

Parent Company

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

40.3 The Parent Company has been contesting in various petitions against levy of “Super Tax” u/s 4B of the Income Tax Ordinance, 2001 introduced through Finance Act, 2015 in the High Court of Sindh and has not paid the Super Tax accordingly. The Parent Company is of the view that the same is imposed against the merit of law and the Parent Company’s legal council is of the view that the Parent Company has a favourable case on merit. However, on prudence basis, a provision has been made in these consolidated financial statements.

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

Income tax assessment for the Tax Year 2011, taken as deemed assessment under section 120 of the Income Tax Ordinance, 2001 was subsequently amended under section 122(5A) of the Income Tax Ordinance, 2001. The Parent Company was subsequently allowed relief in its subsequent appeal which was also maintained by the Appellate Tribunal in favour of the Parent Company. Income tax assessment for the Tax Year 2012 was taken as deemed assessment under section 120 of the Income Tax Ordinance, 2001 which was subsequently amended under section 122(1) of the Ordinance. The appeal of the Parent Company was decided in its favour. The Department has preferred an appeal in the Appellate Tribunal against the decision; however, no notice of hearing has been served yet.

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

Income tax assessment for Tax Year 2015, taken as deemed assessment under section 120 of the Income Tax Ordinance, 2001 was subsequently amended under section 122(5A) of the Income Tax Ordinance, 2001. The Parent Company has preferred an appeal against the amended assessment and relief was allowed to the Parent Company. The Department has preferred an appeal in the Appellate Tribunal against the decision; however, no notice of hearing has been served yet.

Income tax return was filed by the Parent Company for the Tax Years 2016, 2017, 2018 and 2019 taken as deemed assessment under section 120 of the Income Tax Ordinance, 2001.

AHL, Subsidiary Company

40.5 The provision for current year tax represents tax on taxable income at the rate of 29% (2019: 29%) per annum. The rate of tax imposed on the taxable income of a subsidiary company for the tax year 2020 and onwards is 29%. AHL computes current tax expense based on the generally accepted interpretation of the tax laws to ensure that the sufficient provision for the purpose of taxation is available. According to management, the tax provision made in these consolidated financial statements is sufficient.

40.6 Income tax assessments are deemed to be finalized as per tax returns filed up to tax year 2019. Tax returns are subject to further assessment under provisions of the Income Tax Ordinance, 2001 ("the Ordinance") unless selected for an audit by the taxation authorities. The Commissioner of Income Tax may, at any time during a period of six years from the end of the tax year to which they relate, select a deemed assessment order for audit.

40.7 AHL has been contesting Civil Suit No. 284/2016 against levy of "Super Tax" u/s 4B of the Income Tax Ordinance, 2001 through Finance Act, 2015 in the High Court of Sindh and has not paid the Super Tax accordingly. AHL is of the view that the same is imposed against the merit of law and its legal council is of the view that the AHL has a favourable case on merit. However, on prudent basis, a provision was made in these consolidated financial statements.

SEDPL, Subsidiary Company

40.8 Provision for taxation has been booked on interest income at the corporate tax rate of 29% applicable for the tax year 2020. The subsidiary company's income derived from electric power generation is exempt from tax under clause (132) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

BGPL, Subsidiary Company

40.9 Tax charge at applicable rate of 29% (2019: 29%) is NIL due to taxable loss of Rs. 206,131 (2019: Rs. 40,748,604), however, minimum tax at the rate of 1.5% (2019: 1.25%) in accordance with section 113 of the Income Tax Ordinance, 2001 has been provided for current year.

41. EARNINGS PER SHARE - BASIC AND DILUTED

41.1 Basic earnings per share

	Note	2020	2019
		(Rupees)	
Profit after tax attributable to ordinary shareholders		**2,638,518,628**	154,448,942
Weighted average number of ordinary shares	41.2	**413,210,041**	453,750,000
Earnings per share		**6.39**	0.34

41.2 Weighted average number of ordinary shares

Period	Days	Number of shares of shares	Weighted average number
1 July 2019 - 8 August 2019	39	**453,750,000**	**48,350,410**
9 August 2019 - 30 June 2020	327	**408,375,000**	**364,859,631**
	366		**413,210,041**

41.3 Diluted earnings per share

Diluted earnings per share has not been presented as there is no convertible instruments in issue as at 30 June 2020 and 30 June 2019 which would have any effect on the earnings per share if the option to convert is exercised.

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

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

42.2 The aggregate amounts charged in these consolidated financial statements in respect of remuneration including benefits to the Chief Executive Officer, Directors and other Executives of the Parent and respective subsidiaries are given below:

	Chief Executive Officer		Executive employees	
	2020	2019	2020	2019
	(Rupees)			
Managerial remuneration	**10,200,000**	8,400,000	**165,089,294**	112,270,058
Retirement benefits	**822,582**	677,424	**11,259,882**	9,086,234
Commission and bonus	**700,000**	2,100,000	**36,541,559**	53,963,021
Other allowances	**780,000**	960,000	**7,103,890**	6,645,093
Total	**12,502,582**	12,137,424	**219,994,625**	181,964,406
Number of person(s)	**1**	1	**67**	42

42.3 The Chief Executive Officer draws salary on account of managerial remuneration.

42.4 Besides above, group insurance and medical facilities under insurance coverage were provided to the above mentioned personnel.

42.5 The Chief Executive Officer has been provided with free use of Parent Company's maintained vehicles in accordance with the policy. The net book value of these vehicles provided to chief executive officer are Rs. 21.56 million (2019: Rs. 8.2 million).

42.6 Executives as mentioned above include Chief Executive Officers of subsidiary companies.

43. CASH GENERATED FROM OPERATIONS

	2020	2019
	(Rupees)	
Profit before tax	3,333,344,658	527,442,959
Adjustments for:		
Depreciation	930,655,416	751,030,777
Amortisation of intangible assets	557,142	577,342
Mark-up income	(75,808,975)	(207,829,639)
Share of profit of equity-accounted investees - net of tax	(1,441,134,146)	(451,072,100)
Unrealised gain on investment property	(132,000,000)	(370,039,859)
Reversal of allowance for impairment loss in trade debts	-	(21,485,685)
Gain on sale of investment property	(775,000)	(23,315,000)
Provision for gratuity	6,139,167	4,944,632
Unrealised loss on remeasurment of other long term investment	20,989,872	6,343,594
Unrealised loss on remeasurment of short term investment	(405,299,247)	1,410,620,487
Impairment loss on trading rights entitlement certificates and others	-	9,000,000
Loss on sale of property, plant and equipment	270,618	12,913
Impairment loss on other receivables	5,377,456	966,842
Trade debt written-off	-	5,804,510
Amortisation of land lease rent	1,749,323	1,744,543
Amortisation of transaction cost	162,480,256	177,530,968
Interest expense on lease	10,315,387	-
Finance cost	1,341,699,877	1,249,596,205
	425,217,146	2,544,430,530
	3,758,561,804	3,071,873,489
Changes in working capital:		
Decrease / (increase) in current assets		
Long term deposits and other receivables	854,440	11,086,139
Trade debts	(980,039,126)	(831,658,070)
Loans and advances	19,621,721	1,722,387,742
Deposits and prepayments	259,979,058	(329,516,220)
Accrued mark-up and other receivables	32,598,714	93,511,065
Advance sales tax	20,654,047	(20,654,047)
Short term investments	6,335,728,930	(1,893,704,097)
	5,689,397,784	(1,248,547,488)
(Decrease) / increase in current liabilities		
Trade and other payables	(4,830,754,740)	67,655,219
Payable against purchase of investment - net	(2,456,621)	(84,274,725)
Unclaimed dividend	(13,276,554)	2,310,138
	(4,846,487,915)	(14,309,368)
	842,909,869	(1,262,856,856)
Cash generated from operations	4,601,471,673	1,809,016,633

44. CASH AND CASH EQUIVALENTS

	Note	2020	2019
		(Rupees)	
Cash and bank balances	34	**1,367,579,529**	1,469,080,829
Short term borrowings	17	**(3,436,903,268)**	(4,711,758,096)
		(2,069,323,739)	(3,242,677,267)

45. FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

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

45.1 Credit risk

Credit risk reported the financial loss that would be recognised at the reporting date if counterparties fail to meet its contractual obligations. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions. The Group believes that it is not exposed to major concentration of credit risk.

Management has netted off receivable against purchase of investment from AHL, subsidiary company with payable against purchase of investment appearing in said subsidiary's book. The receivable and payable pertain to similar transaction and will settled net.

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

	2020	2019
	(Rupees)	
Trade debts - gross	**3,642,791,553**	2,662,752,427
Long term deposits	**31,738,840**	32,593,280
Loans (long term and short term)	**215,556,520**	244,579,654
Accrued mark-up and other receivables	**124,452,735**	140,268,207
Deposits	**75,293,176**	340,718,554
Bank balances	**1,366,935,997**	1,468,303,508
	5,456,768,821	4,889,215,630

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

Trade debts

The maximum exposure to credit risk for trade debt at the reporting date by geographic region were as follows:

	2020	2019
	(Rupees)	
Domestic (Pakistan)	**3,642,791,553**	2,662,752,427

The maximum exposure to credit risk for trade debt at the reporting date by type of customer were as follows:

	2020	2019
	(Rupees)	
End-user customer / exports	**3,642,791,553**	2,662,752,427

At 30 June, the age analysis of trade debts is as follows:

	2020		2019	
	Gross	Impairment Loss	Gross	Impairment Loss
	(Rupees)			
Neither past due nor impaired	**1,194,683,765**	**-**	1,184,018,230	(4,701,557)
Past due 1 - 30 days	**401,889,106**	**-**	362,257,639	(8,445,241)
Past due 31 - 180 days	**1,662,240,775**	**(5,102,760)**	991,174,660	(12,321,454)
More than 180 days	**964,274,274**	**(901,218,827)**	924,399,863	(877,500,792)
	4,223,087,920	**(906,321,587)**	3,461,850,392	(902,969,044)

No impairment has been recognised except as disclosed in respect of these debts as the security against the same is adequate or counter parties have sound financial standing.

Deposits

These deposits are with counterparties for provision of continued supply of services, Central Depository Company of Pakistan Limited (CDC) for the purpose of effecting transactions, Pakistan Stock Exchange Limited for taking exposure in stock market, National Clearing Company Pakistan Limited for trading in securities in stock market and for the license of trading in Pakistan Mercantile Exchange Limited. Management does not expect to have any credit risk against such deposits, as it is refundable upon termination of agreement / services from counterparties.

Loans, advances, mark-up and other receivables.

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

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

As at 30 June 2020 the Group has placed funds with banks having good credit ratings. The credit ratings to respective banks have been assigned by independent credit rating agencies. At reporting date credit ratings of respective banks were as follows:

	Short term	Long term
PACRA	A1+	AA- to AAA
JCR-VIS	A-1 to A-1+	A to AAA
Moody's	A-1	A-1

Management does not expect to incur impairment therein as the loan extended under agreement and its settlement is carried out through National Clearing Company of Pakistan Limited. Management hold underlying securities subject to lending as pledge.

45.2 Liquidity risk

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

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

	2020			
	Carrying amount	Contractual cash flow	Up to one year	More than one year
	(Rupees)			
Financial liabilities				
Long term loans	**12,003,523,858**	**12,003,523,858**	**2,154,166,667**	**9,849,357,191**
Land lease liability	**11,685,571**	**41,774,822**	**1,360,000**	**40,414,822**
Lease liability	**65,720,505**	**65,720,505**	**26,029,805**	**39,690,700**
Trade and other payables	**1,009,462,430**	**1,009,462,430**	**1,009,462,430**	**-**
Short term borrowings	**3,436,903,268**	**3,436,903,268**	**3,436,903,268**	**-**
	16,527,295,632	**16,557,384,883**	**6,627,922,170**	**9,929,462,713**

	2019			
	Carrying amount	Contractual cash flow	Up to one year	More than one year
	(Rupees)			
Financial liabilities				
Long term loans	12,373,571,018	16,755,735,622	2,465,882,108	14,289,853,514
Land lease liability	11,296,248	43,134,822	1,360,000	41,774,822
Trade and other payables	5,840,217,170	5,841,486,003	5,841,486,003	-
Short term borrowings	4,711,758,096	2,877,945,236	2,877,945,236	-
	22,936,842,532	25,518,301,683	11,186,673,347	14,331,628,336

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

45.3 Market risk

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

The Group is exposed to currency risk, interest rate risk and price risk.

a) Foreign exchange risk management

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

Financial assets

	2020		2019	
	(Rupees)	(US Dollars)	(Rupees)	(US Dollars)
Bank balances	6,768,178	40,101	6,576,497	40,101

The following significant exchange rates were applicable during the year:

	Average rates		Reporting date rate	
	2020	2019	2020	2019
US Dollars to Pakistan Rupee	158.48	162.87	168.77	164.00

Sensitivity analysis

A 10 percent strengthening / (weakening) of the Pakistan Rupee against various foreign currencies at 30 June would have (decreased) / increased the consolidated profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2019.

	Effect on profit and loss	
	2020	2019
	(Rupees)	
As at 30 June		
Effect in US Dollars	676,818	657,650

b) Interest / mark-up rate risk

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

At the reporting date, the interest rate profile of the Group's significant interest-bearing financial instruments was as follows:

	2020	2019	2020	2019
	Effective interest rate (in %)		Carrying amounts (in Rupees)	
Financial assets				
Loans and advances	**13.47% to 16.86%**	9.17% to 14.13%	**28,433,492**	29,023,134
Long term loan to related parties	**16.38% to 16.74%**	10.29% to 14.05%	**134,970,641**	163,404,133
Cash and bank balances	**7.25% to 14.00%**	4.5% to 10.25%	**1,366,935,997**	1,468,303,508
Financial liabilities				
Long term finance	**11.49% to 14.35%**	6.27% to 6.59%	**9,834,371,868**	10,728,571,018
Current portion of long term loans	**11.49% to 14.35%**	6.27% to 6.59%	**1,854,166,667**	1,645,000,000
Loan under State Bank of Pakistan scheme	**3%**	-	**14,985,323**	-
Short term finance	**9.33% to 15.60%**	7.63% to 13.79%	**3,436,903,268**	4,711,758,096

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

	Profit and loss 100 bps	
	Increase	Decrease
	(Rupees)	
As at 30 June 2020		
Cash flow sensitivity-Variable rate financial liabilities	**(132,712,751)**	132,712,751
Cash flow sensitivity-Variable rate financial assets	**13,953,695**	(13,953,695)
As at 30 June 2019		
Cash flow sensitivity-Variable rate financial liabilities	(154,403,291)	154,403,291
Cash flow sensitivity-Variable rate financial assets	14,973,266	(14,973,266)

The above sensitivity is not necessarily indicative of the actual effect of changes in interest rate as those are based on management's best estimate of possible change of interest rate in future.

c) Price risk

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

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

Sensitivity analysis

The table below summarizes the Group's equity price risk as of 30 June 2020 and 2019 and shows the effects of a hypothetical 30% increase and a 30% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Accordingly, the sensitivity analysis prepared is not necessarily indication of the effect on Group's net assets of future movement in the level of PSX 100 index.

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in shareholders' equity	Hypothetical increase / (decrease) in profit / (loss) before tax
	Rupees in million)				
30 June 2020	**6,356.60**	**30% increase**	**8,263.58**	**1,075.85**	**831.13**
		30% decrease	**4,449.62**	**(1,075.85)**	**(831.13)**
30 June 2019	11,668.57	30% increase	15,169.14	-	3,500.57
		30% decrease	8,168.00	-	(3,500.57)

45.4 Financial instruments by categories

The following table shows the carrying amount of financial assets and financial liabilities.

	Mandatorily at FVTPL - Others	FVOCI - Equity Instruments	Designated at FVTPL	Financial assets at amortized cost	Other financial liabilities
	(Rupees)				
30 June 2020					
Financial assets measured at fair value					
Equity securities	5,483,967,779	827,578,375	45,056,656	-	-
Corporate debt securities	252,166,556	-	-	-	-
Financial assets not measured at fair value					
Cash and bank balances	-	-	-	1,367,579,529	-
Long term loan to related party	-	-	-	134,970,641	-
Long term deposits and other receivables	-	-	-	34,136,280	-
Loans and advances	-	-	-	56,148,802	-
Trade Debts	-	-	-	3,642,791,553	-
Deposits and prepayments	-	-	-	135,448,245	-
Accrued mark-up and other receivables	-	-	-	162,207,359	-
	5,736,134,335	827,578,375	45,056,656	5,533,282,409	-
Financial liabilities not measured at fair value					
Loan under State Bank of Pakistan scheme	-	-	-	14,985,323	-
Lease liability	-	-	-	39,690,700	-
Long term loans - secured	-	-	-	11,688,538,535	-
Payable against purchase of investment - net	-	-	-	28,513,698	-
Trade and other payables	-	-	-	1,009,462,430	-
Mark-up accrued on borrowings	-	-	-	180,310,125	-
Short term borrowings	-	-	-	3,436,903,268	-
	-	-	-	16,398,404,079	-

	Mandatorily at FVTPL - Others	FVOCI - Equity Instruments	Designated at FVTPL	Financial assets at amortized cost	Other financial liabilities
	(Rupees)				
30 June 2019					
Financial assets measured at fair value					
Equity securities	11,602,524,636	-	66,046,528	-	-
Corporate debt securities	371,613,197	-	-	-	-
Financial assets not measured at fair value					
Cash and bank balances	-	-	-	1,469,080,829	-
Long term loan to related party	-	-	-	163,404,133	-
Long term deposits and other receivables	-	-	-	34,990,720	-
Loans and advances	-	-	-	47,337,031	-
Trade Debts	-	-	-	2,662,752,427	-
Deposits and prepayments	-	-	-	399,258,768	-
Accrued mark-up and other receivables	-	-	-	254,514,039	-
	11,974,137,833	-	66,046,528	5,031,337,947	-
Financial liabilities not measured at fair value					
Long term loans - secured	-	-	-	12,373,571,018	-
Payable against purchase of investment - net	-	-	-	30,970,319	-
Trade and other payables	-	-	-	5,840,217,170	-
Mark-up accrued on borrowings	-	-	-	290,417,576	-
Short term borrowings	-	-	-	4,711,758,096	-
	-	-	-	23,246,934,179	-

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

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

	Liability				Equity			Total
	Short term borrowings used for cash management purpose including related accrued mark-up	Long term loan including related accrued mark-up	Liabilities against assets subject to finance lease	Land lease liability	Other Reserves	Unappropriated profit	Non controlling interests	
	(Rupees)							
Balance as at 1 July 2019	4,883,687,402	12,492,059,288	-	11,296,248	-	12,957,205,428	1,777,221,910	32,121,470,276
Changes from financing cash flows								
Repayment of long term Loan	-	(1,578,500,000)	-	-	-	-	-	(1,578,500,000)
Proceed from long term loan	-	499,987,261	-	-	-	-	-	499,987,261
Loan under State Bank of Pakistan scheme	-	14,985,323	-	-	-	-	-	14,985,323
Loan received from sponsor - net	300,000,000	-	-	-	-	-	-	300,000,000
Buy-back of shares by Parent Company	-	-	-	-	-	(771,375,000)	-	(771,375,000)
Buy-back of shares by Subsidiary Company	-	-	-	-	-	-	(231,000,000)	(231,000,000)
Land lease liability	-	-	-	389,323	-	-	-	389,323
Total changes from financing activities	300,000,000	(1,063,527,416)	-	389,323	-	(771,375,000)	(231,000,000)	(1,765,513,093)
Other changes								
Interest expense	619,247,484	722,452,393	-	-	-	-	-	1,341,699,877
Interest paid	(697,549,782)	(754,257,546)	-	-	-	-	-	(1,451,807,328)
Transaction cost relating to long term loan	-	162,480,256	-	-	-	-	-	162,480,256
Impact of revaluation of liability	-	231,000,000	-	-	-	-	-	231,000,000
Changes in running finance	(1,274,854,828)	-	-	-	-	-	-	(1,274,854,828)
Total loan related other changes	(1,353,157,126)	361,675,103	-	-	-	-	-	(991,482,023)
Total equity related other changes	-	-	-	-	-	2,627,768,208	539,117,371	3,166,885,579
Balance as at 30 June 2020	3,830,530,276	11,790,206,975	-	11,685,571	-	14,813,598,636	2,085,339,281	32,531,360,739
Difference	-	-	-	-	-	-	-	-
Principal	3,736,903,268	11,703,523,858	-	11,685,571	-	-	-	-
mark-up	93,627,008	86,683,117	-	-	-	-	-	-
	3,830,530,276	11,790,206,975	-	11,685,571	-	14,813,598,636	2,085,339,281	32,531,360,739

	Liability				Equity			Total
	Short term borrowings used for cash management purpose including related accrued mark-up	Long term loan including related accrued mark-up	Liabilities against assets subject to finance lease	Land lease liability	Other Reserves	Unappropriated profit	Non controlling interests	
	(Rupees)							
Balance as at 1 July 2018	2,839,018,294	10,530,495,209	1,365,350	10,911,705	167,318,393	13,594,583,030	1,743,177,429	28,886,869,410
Adjustment on initial application of IFRS 9 net of tax	-	-	-	-	(152,007,382)	124,300,177	(14,580,959)	(42,288,164)
Adjusted balance as at 1 July 2018	2,839,018,294	10,530,495,209	1,365,350	10,911,705	16,671,011	13,718,883,207	1,728,596,470	28,844,581,246
Changes from financing cash flows								
Repayment of long term Loan	-	(1,833,429,583)	-	-	-	-	-	(1,833,429,583)
Liability against assets subject to finance lease	-	-	(1,345,933)	-	-	-	-	(1,345,933)
Land lease liability	-	-	-	384,543	-	-	-	384,543
Distribution by subsidiary to non-controlling interest	-	-	-	-	-	-	(56,885,289)	(56,885,289)
Dividend paid by the Parent Company	-	-	-	-	-	(907,500,000)	-	(907,500,000)
Total changes from financing activities	-	(1,833,429,583)	(1,345,933)	384,543	-	(907,500,000)	(56,885,289)	(2,798,776,262)
Other changes								
Interest expense	447,419,402	800,345,379	17,569	-	-	-	-	1,247,782,350
Interest paid	(345,175,503)	(777,132,685)	(36,986)	-	-	-	-	(1,122,345,174)
Transaction cost relating to long term loan	-	177,530,968	-	-	-	-	-	177,530,968
Impact of revaluation of liability	-	3,594,250,000	-	-	-	-	-	3,594,250,000
Changes in running finance	1,942,425,209	-	-	-	-	-	-	1,942,425,209
Total loan related other changes	2,044,669,108	3,794,993,662	(19,417)	-	-	-	-	5,839,643,353
Total equity related other changes					(16,671,011)	145,822,221	105,510,729	234,661,939
Balance as at 30 June 2019	4,883,687,402	12,492,059,288	-	11,296,248	-	12,957,205,428	1,777,221,910	32,120,110,276
Difference	-	-	-	-	-	-	-	-
Principal	4,711,758,096	12,373,571,018	-	11,296,248	-	-	-	-
mark-up	171,929,306	118,488,270	-	-	-	-	-	-
	4,883,687,402	12,492,059,288	-	11,296,248	-	12,957,205,428	1,777,221,910	32,120,110,276

46. FAIR VALUE MEASUREMENTS

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

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Group determines fair values using valuation techniques unless the instruments do not have a market / quoted price in an active market and whose fair value cannot be reliably measured.

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

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

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

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the management recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between different levels of fair values mentioned above.

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

	30 June 2020							
	Carrying amount					Fair value		
	Mandatorily / designated at FVTPL	FVOCI - Equity Instruments	Financial assets at amortized cost	Other financial assets	Other financial liabilities	Level 1	Level 2	Level 3
	(Rupees)							
Financial assets measured at fair value								
Other investments	6,608,769,366	-	-	-	-	6,563,712,710	-	45,056,656
Financial assets not measured at fair value								
Long term loan to related party	-	-	134,970,641					
Long term deposits and other receivable	-	-	34,136,280	-	-	-	-	-
Trade Debts	-	-	3,642,791,553	-	-	-	-	-
Loans and advances	-	-	56,148,802	-	-	-	-	-
Deposits and prepayments	-	-	135,448,245					
Accrued mark-up and other receivables	-	-	162,207,359	-	-	-	-	-
Cash and bank balances	-	-	1,367,579,529	-	-	-	-	-
	6,608,769,366	-	5,533,282,409	-	-	-	-	-
Financial liabilities not measured at fair value								
Long term loan - secured	-	-	-	-	11,688,538,535	-	-	-
Mark-up accrued on short term borrowings	-	-	-	-	180,310,125	-	-	-
Trade and other payables	-	-	-	-	978,673,967	-	-	-
Short term borrowings	-	-	-	-	3,436,903,268		-	-
	-	-	-	-	16,284,425,895			

	30 June 2019							
	Carrying amount					Fair value		
Level 3		Mandatorily /	FVOCI -	Financial	Other	Other	Level 1	Level 2
	designated at FVTPL	Equity Instruments	assets at amortized cost	financial assets	financial liabilities			
	(Rupees)							
Financial assets measured at fair value								
Other investments	12,040,184,361	-	-	-	-	11,665,548,634	321,613,197	53,022,530
Financial assets not measured at fair value								
Long term loan to related party	-	-	163,404,133					
Long term deposits and other receivable	-	-	34,990,720	-	-	-	-	-
Trade Debts	-	-	2,662,752,427	-	-	-	-	-
Loans and advances	-	-	47,337,031	-	-	-	-	-
Deposits and prepayments	-	-	399,258,768					
Accrued mark-up and other receivables	-	-	254,514,039	-	-	-	-	-
Cash and bank balances	-	-	1,469,080,829	-	-	-	-	-
	12,040,184,361	-	5,031,337,947	-	-			
Financial liabilities not measured at fair value								
Long term loan - secured	-	-	-	-	12,373,571,018	-	-	-
Mark-up accrued on short term borrowings	-	-	-	-	290,417,576	-	-	-
Trade and other payables	-	-	-	-	5,800,848,765	-	-	-
Short term borrowings	-	-	-	-	4,711,758,096	-	-	-
	-	-	-	-	23,176,595,455			

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

	2020	2019
	(Rupees)	
Unlisted equity instruments		
Balance at 1 July	**53,022,530**	52,603,663
Total gains recognised in consolidated statement of profit or loss on remeasurement of investment	**(7,965,874)**	418,867
Balance at 30 June	**45,056,656**	53,022,530

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

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments measured at fair value in the consolidated statement of financial position, as well as the significant unobservable inputs used.

Assets measured at fair value	Date of valuation	Valuation approach and input used	Inter-relationship between significant unobservable Inputs and fair value measurement
Non-financial assets at fair value			
Investment Properties	30 June 2020	The valuation approach is based on the rates per square yard on which the properties would be sold on the date of valuation. In determining the valuation, development progress, market condition, sale price, potential future value, location, identification of plot, approach to area, utilities / services, size of plots and other factors have been considered. Potential values was mainly considered due to inherent value of land which may enhance with passage of time or in some alternative use within sight. Further, the inherent quality of the property itself create condition for its particular suitability for such better use. The consideration of potential value becomes relevant in such situation.	The fair value are subjected to change owing to change in input. However, management does not expect material sensitivity to the fair values arising from non-observable inputs.
Financial assets at fair value			
Equity securities - unquoted (refer note 26.2.2)	30 June 2020	Discounted cash flows: The valuation model considers the present value of future cash flow of investee company discounted using a risk-adjusted discount rate. The cash flow projection include specific estimates for 5 years. Inputs used: Long term growth rate 6% Long term return on equity 10.11%	The estimated fair value would increase / (decrease) if: - number of operating days increase / (decrease) - the annual growth rate were higher or lower - the EBITDA margin were higher or lower Generally, a change in the annual growth rate is accompanied by a directionally similar change in EBITDA margin.
Term Finance Certificates (TFCs)	30 June 2020	Market comparison The fair value is determined considering recent trade in market of respective securities.	Not applicable

The reconciliation of investment property has been disclosed in respective note; hence not disclosed separately. The fair value of investment property amounting to Rs. 1,678.4 million (2019: Rs. 1,726.4 million) has been classified under level 3 in fair value hierarchy.

47. CAPITAL MANAGEMENT

47.1 The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business, safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Group defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes in the Group's approach to capital management during the year.

47.2 The Capital adequacy level of AHL as required by CDC is calculated as follows;

	2020	2019
	(Rupees)	
Total assets	6,892,662,059	5,642,456,863
Less: Total liabilities	(3,626,233,912)	(2,724,889,709)
Less: Revaluation Reserves (created upon revaluation of fixed assets)	(15,432,500)	(15,432,500)
Capital adequacy level	3,250,995,647	2,902,134,654

While determining the value of the total assets of the TREC Holder, Notional value of the TRE certificate as at year ended as determined by Pakistan Stock Exchange has been considered.

47.3 NET CAPITAL BALANCE

Net capital requirements of AHL are set and regulated by Pakistan Stock Exchange Limited. These requirements are put in place to ensure sufficient solvency margins and are based on excess of current assets over current liabilities.

The Net Capital Balance of AHL as required under Third Schedule of Securities and Exchange Rules, 1971 read with the SECP guidelines is calculated as follows;

Description	Valuation	Note	Rupees
CURRENT ASSETS			
Cash and Bank Balances	As per Book Value	39.4(i)	806,181,448
Trade Receivables	Book Value less overdue for more than 14 days	39.4(ii)	97,707,581
Investment in listed securities in the name of broker.	Securities marked to market less 15% discount	39.4(iii)	3,059,080,314
Securities purchased for client	Securities purchased for the client and held by the member where the payment has not been received within 14 days.	39.4(iv)	8,621,518
Listed TFCs/Corporate Bonds of not less than BBB grade assigned by a credit rating company in Pakistan	Marked to market less 10% discount.	39.4(v)	205,673,900
			-
FIBs	Marked to market les 5% discount.		-
Treasury Bill	At market value		-
			4,177,264,761
CURRENT LIABILITIES			
Trade Payables	Book value less overdue for more than 30 days	39.4(vi)	690,637,937
Other Liabilities	As per Book values	39.4(vii)	2,577,166,794
			3,267,804,731
Net capital balance as at 30 June 2020			909,460,030

47.4 Notes to the net capital balance of AHL

	Rupees
(i) Cash and bank balances	
Cash in hand	271,588
Exposure margin deposited to NCCPL	-
Bank balance pertaining to clients	777,251,082
Bank balance pertaining to brokerage house	28,658,778
	806,181,448
(ii) Trade receivables	
Gross value	963,032,121
less: Provision for doubtful debts	(865,324,540)
Book value	97,707,581
Overdue for more than 14 days - gross value	865,324,540
less: Provision for doubtful debts	(865,324,540)
Overdue for more than 14 days - book value	-
	97,707,581
(iii) Investment in Listed Securities in the name of broker	
Securities marked to market	3,598,918,016
Less 15% discount	(539,837,702)
	3,059,080,314
(iv) Securities purchased for client	
Overdue balance for more than 14 days - gross value	865,324,540
Lower of overdue balance and securities held against such balance	8,621,518
(v) Listed TFCs / Corporate Bonds / Others of not less than BBB grade assigned by a credit rating company in Pakistan	
Securities marked to market	228,526,556
less: 10% discount	(22,852,656)
	205,673,900
(vi) Trade payables	
Book value	747,901,751
Less: overdue for more than 30 days	(57,263,814)
	690,637,937
(vii) Other liabilities	
Creditors overdue for more than 30 days	57,263,814
Accrued Liabilities and Other Payables	2,519,902,980
	2,577,166,794

47.5 Liquid Capital of AHL

S.No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1. Assets				
1.1	Property & Equipment	1,785,786,578	100%	-
1.2	Intangible Assets	6,975,504	100%	-
1.3	Investment in Govt. Securities (150,000*99)	-	-	-
1.4	**Investment in Debt. Securities**			
	If listed than:			
	i. 5% of the balance sheet value in the case of tenure upto 1 year.	228,526,556	5%	217,100,228
	ii. 7.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	7.5%	-
	iii. 10% of the balance sheet value, in the case of tenure of more than 3 years.	-	10%	-
	If unlisted than:			
	i. 10% of the balance sheet value in the case of tenure upto 1 year.	-	10%	-
	ii. 12.5% of the balance sheet value, in the case of tenure from 1-3 years.	-	12.5%	-
	iii. 15% of the balance sheet value, in the case of tenure of more than 3 years.	-	15%	-
1.5	**Investment in Equity Securities**			
	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.	3,598,918,016	822,219,703	2,776,698,313
	ii. If unlisted, 100% of carrying value.	45,056,656	100%	-
	iii.Subscription money against Investment in IPO/offer for Sale: Amount paid as subscription money provided that shares have not been allotted or are not included in the investments of securities broker.	-	-	-
	iv.100% Haircut shall be applied to Value of Investment in any asset including shares of listed securities that are in Block, Freeze or Pledge status as on reporting date. (19 July 2017) Provided that 100% haircut shall not be applied in case of investment in those securities which are Pledged in favour of Stock Exchange / Clearing House against Margin Financing requirements or pledged in favour of Banks against Short Term financing arrangements. In such cases, the haircut as provided in schedule III of the Regulations in respect of investment in securities shall be applicable (25 August 2017)	-	-	-
1.6	Investment in subsidiaries	81,558,105	100%	-
1.7	**Investment in associated companies/undertaking**			
	i. If listed 20% or VaR of each securities as computed by the Securitas Exchange for respective securities whichever is higher.	-	-	-
	ii. If unlisted, 100% of net value.	-	100%	-
1.8	i. If listed 15% or VaR of each securities on the cutoff date as computed by the Securities Exchange for respective securities whichever is higher.	2,873,599	100%	-
1.9	Margin deposits with exchange and clearing house.	1,142,542	-	1,142,542
1.10	Deposit with authorized intermediary against borrowed securities under SLB.	-	-	-
1.11	Other deposits and prepayments	13,960,617	100%	-
1.12	Accrued interest, profit or mark-up on amounts placed with financial institutions or debt securities etc.(Nil)	-	-	-
	100% in respect of markup accrued on loans to directors, subsidiaries and other related parties	-	100%	-
1.13	Dividends receivables.	91,227,000	-	91,227,000
1.14	Amounts receivable against Repo financing. Amount paid as purchaser under the REPO agreement. **(Securities purchased under repo arrangement shall not be included in the investments.)**	12,440,731	-	12,440,731
1.15	i. Short Term Loan To Employees: Loans are Secured and Due for repayment within 12 months	-	-	-
	Receivables other than trade receivables	96,683,183	100%	-
1.16	**Receivables from clearing house or securities exchange(s)**			
	i. 100% value of claims other than those on account of entitlements against trading of securities in all markets including MtM gains.	-	-	-
	ii. Receivable on entitlements against trading of securities in all markets including MtM gains.	-	-	-
1.17	**Receivables from customers**			
	i. In case receivables are against margin financing, the aggregate if (i) value of securities held in the blocked account after applying VAR based Haircut, (ii) cash deposited as collateral by the financee (iii) market value of any securities deposited as collateral after applying VaR based haircut. **i. Lower of net balance sheet value or value determined through adjustments**	37,754,624	40,422,828	37,754,624
	ii. Incase receivables are against margin trading, 5% of the net balance sheet value. **ii. Net amount after deducting haircut**	-	5%	-

S.No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
1. Assets				
1.17	iii. Incase receivables are against securities borrowings under SLB, the amount paid to NCCPL as collateral upon entering into contract, **iii. Net amount after deducting haircut**	-	-	-
	iv. Incase of other trade receivables not more than 5 days overdue, 0% of the net balance sheet value. **iv. Balance sheet value**	11,099,518	-	11,099,518
	v. Incase of other trade receivables are overdue, or 5 days or more, the aggregate of (i) the market value of securities purchased for customers and held in sub-accounts after applying VAR based haircuts, (ii) cash deposited as collateral by the respective customer and (iii) the market value of securities held as collateral after applying VaR based haircuts. **v. Lower of net balance sheet value or value determined through adjustments**	72,477,382	32,382,871,865	72,477,382
	vi. 100% haircut in the case of amount receivable form related parties.	-	100%	-
1.18	**Cash and Bank balances**			
	I. Bank Balance-proprietory accounts	28,658,778	-	28,658,778
	ii. Bank balance-customer accounts	777,251,082	-	777,251,082
	iii. Cash in hand	271,588	-	271,588
1.19	Total Assets	**6,892,662,059**		**4,026,121,786**
2. Liabilities				
2.1	**Trade Payables**			
	i. Payable to exchanges and clearing house	28,513,698	-	28,513,698
	ii. Payable against leveraged market products	-	-	-
	iii. Payable to customers	747,901,751	-	747,901,751
2.2	Current Liabilities			
	i. Statutory and regulatory dues	13,301,083	-	13,301,083
	ii. Accruals and other payables	109,041,247	-	109,041,247
	iii. Short-term borrowings	1,836,074,716	-	1,836,074,716
	iv. Current portion of subordinated loans	300,000,000	-	300,000,000
	v. Current portion of long term liabilities	166,666,667	-	166,666,667
	vi. Deferred Liabilities	-	-	-
	vii. Provision for bad debts	-	-	-
	viii. Provision for taxation	53,030,170	-	53,030,170
	ix. Other liabilities as per accounting principles and included in the financial statements	13,275,399	-	13,275,399
2.3	**Non-Current Liabilities**			
	i. Long-Term financing	-	-	-
	a. Long-Term financing obtained from financial institution: Long term portion of financing obtained from a financial institution including amount due against finance lease	333,320,594	-	333,320,594
	b. Other long-term financing	-	-	-
	ii. Staff retirement benefits	-	-	-
	iii. Advance against shares for Increase in Capital of Securities broker: 100% haircut may be allowed in respect of advance against shares if: a. The existing authorized share capital allows the proposed enhanced share capital b. Board of Directors of the company has approved the increase in capital c. Relevant Regulatory approvals have been obtained d. There is no unreasonable delay in issue of shares against advance and all regulatory requirements relating to the increase in paid up capital have been completed. e. Auditor is satisfied that such advance is against the increase of capital.	-	-	-
2.4	Subordinated Loans			
	i. 100% of Subordinated loans which fulfil the conditions specified by SECP are allowed to be deducted: The Schedule III provides that 100% haircut will be allowed against subordinated Loans which fulfil the conditions specified by SECP. In this regard, following conditions are specified: a. Loan agreement must be executed on stamp paper and must clearly reflect the amount to be repaid after 12 months of reporting period b. No haircut will be allowed against short term portion which is repayable within next 12 months. c. In case of early repayment of loan, adjustment shall be made to the Liquid Capital and revised Liquid Capital statement must be submitted to exchange..	-	-	-
	ii. Subordinated loans which do not fulfil the conditions specified by SECP	-	-	-

S.No.	Head of Account	Value in Pak Rupees	Hair Cut / Adjustments	Net Adjusted Value
2.5	**Total Liabilities**	3,626,233,912		3,626,233,912
3. Ranking Liabilities Relating to:				
3.1	**Concentration in Margin Financing**			
	The amount calculated client-to- client basis by which any amount receivable from any of the financees exceed 10% of the aggregate of amounts receivable from total financees.	-	-	-
3.2	**Concentration in securities lending and borrowing**			
	The amount by which the aggregate of: (i) Amount deposited by the borrower with NCCPL (Ii) Cash margins paid and (iii) The market value of securities pledged as margins exceed the 110% of the market value of shares borrowed	-	-	-
3.3	**Net underwriting Commitments**			
	(a) in the case of right issues : if the market value of securities is less than or equal to the subscription price; the aggregate of: (i) the 50% of Haircut multiplied by the underwriting commitments and (ii) the value by which the underwriting commitments exceeds the market price of the securities. In the case of rights issues where the market price of securities is greater than the subscription price, 5% of the Haircut multiplied by the net underwriting	-	-	-
	(b) in any other case : 12.5% of the net underwriting commitments	-	-	-
3.4	**Negative equity of subsidiary**			
	The amount by which the total assets of the subsidiary (excluding any amount due from the subsidiary) exceed the total liabilities of the subsidiary	-	-	-
3.5	**Foreign exchange agreements and foreign currency positions**			
	5% of the net position in foreign currency.Net position in foreign currency means the difference of total assets denominated in foreign currency less total liabilities denominated in foreign currency	-	-	-
3.6	Investment in subsidiaries	-	-	-
3.7	**Repo adjustment**			
	In the case of financier/purchaser the total amount receivable under Repo less the 110% of the market value of underlying securities. In the case of financee/seller the market value of underlying securities after applying haircut less the total amount received ,less value of any securities deposited as collateral by the purchaser after applying haircut less any cash deposited by the purchaser.	-	-	-
3. Ranking Liabilities Relating to:				
3.8	**Concentrated proprietary positions**			
	If the market value of any security is between 25% and 51% of the total proprietary positions then 5% of the value of such security .If the market of a security exceeds 51% of the proprietary position, then 10% of the value of such security	-	61,062,012	61,062,012
3.9	**Opening Positions in futures and options**			
	i. In case of customer positions, the total margin requirements in respect of open positions less the amount of cash deposited by the customer and the value of securities held as collateral/ pledged with securities exchange after applying VaR haircuts	-	-	-
	ii. In case of proprietary positions , the total margin requirements in respect of open positions to the extent not already met	-	-	- -
3.10	**Short sell positions**			
	i. Incase of customer positions, the market value of shares sold short in ready market on behalf of customers after increasing the same with the VaR based haircuts less the cash deposited by the customer as collateral and the value of securities held as collateral after applying VAR based Haircuts	-	-	-
	ii. Incase of proprietory positions, the market value of shares sold short in ready market and not yet settled increased by the amount of VAR based haircut less the value of securities pledged as collateral after applying haircuts	-	-	-
3.11	**Total Ranking Liabilities**	-	61,062,012	61,062,012
		3,266,428,147		338,825,862

48. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The Group considers its Chief Executive Officer, Chief Financial Officer, Company Secretary, Non-executive Director and Departmental Heads to be its key management personnel. Remuneration and benefits to executives of the Group are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Remuneration of chief executive, directors and executives is disclosed in note 42 to these consolidated financial statements.

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

Name of the related party	Transactions during the year	2020	2019
		(Rupees)	
Associates			
Fatima Fertilizer Company Limited	Dividend income	**638,000,412**	558,250,361
	Dividend received	**-**	558,250,361
MCB - Arif Habib Savings and Investments Limited	Dividend income / received	**50,910,792**	37,912,292
Associated companies by virtue of common directorship and other related parties			
Aisha Steel Mills Limited	Mark-up on loan	**83,097,142**	100,021,820
	Mark-up received	**97,007,387**	74,339,955
	Loan and advances extended	**2,075,000,000**	1,927,000,000
	Loan and advances repaid	**2,093,955,660**	2,120,955,612
	Guarantee commission income	**5,023,384**	3,841,081
	Guarantee commission received	**4,915,446**	3,722,956
Power Cement Limited	Guarantee commission income	**1,658,146**	895,227
	Guarantee commission received	**1,632,800**	474,689
	Loan extended	**416,000,000**	-
	Loan repaid	**416,000,000**	-
	Markup on loan	**14,441,538**	-
	Markup received	**14,441,538**	-
Javedan Corporation Limited	Dividend income / received	**-**	17,672,218
	Mark-up on loan	**772,103**	107,807,819
	Mark-up received	**41,192,368**	96,207,472
	Loan extended	**173,000,000**	1,082,000,000
	Loan repaid	**183,067,474**	2,539,932,526
	Purchase of plots	**-**	125,000,000
	Development Charges Paid	**11,934,765**	26,088,000
	Balance receivable at year end	**5,126,734**	-

Name of the related party	Transactions during the year	2020	2019
		(Rupees)	
Arif Habib Dolmen REIT Management Limited	Transfer of Fixed Assets	-	42,680
	Brokerage commission on sale of securities	250,600	-
	Receipt against transfer of security deposit and disposal of fixed assets	527,006	-
Rotocast Engineering Company (Private) Limited	Payment of rent and sharing of utilities, insurance and maintenance charges	65,484,973	71,773,994
Arif Habib Securities Limited - Employees Provident Fund	Contribution paid	2,468,699	2,074,725
Arif Habib Limited - Provident Fund	Contribution paid	6,298,569	6,386,995
Alhamara Islamic Pension Fund	Contribution paid	-	100,644
Key management personnel			
Mr. Arif Habib (CEO of Parent Company)	Dividend paid	-	643,668,934
	Brokerage commission earned	6,563,516	6,313,501
	Loan obtained during the year	1,100,000,000	-
	Loan repaid during the year	800,000,000	-
	Markup on loan charged	12,283,397	-
	Markup payable	12,737,772	-
Mr. Asadullah Khawaja (Director of Parent Company)	Meeting fee paid	200,000	100,000
Mr. Sirajuddin Cassim (Director of Parent Company)	Meeting fee paid	-	75,000
Mr. Khawaja Jalaluddin Roomi (Director of Parent Company)	Meeting fee paid	50,000	85,000
Dr. Shamshad Akhtar (Director of Parent Company)	Meeting fee paid	200,000	-
Zafar Alam (Chairman of subsidiary company)	Dividend paid	10,590	1,500
	Meeting fee paid	100,000	125,000
Muhammad Shahid Ali (CEO of Subsidiary Company)	Brokerage commission earned	7,866,015	8,037,263
	Dividend paid	-	2,196
	Balance payable at year end	3,150,901	25,972,102

Name of the related party	Transactions during the year	2020	2019
		(Rupees)	
Muhammad Haroon (Director of subsidiary company)	Brokerage commission earned	**139,235**	123,632
	Dividend paid	**-**	3,894
	Balance payable at year end	**700,697**	4,239
	Meeting fee paid	**100,000**	75,000
Muhammad Sohail Salat (Director of subsidiary company)	Dividend paid	**-**	1,500
	Meeting fee paid	**-**	125,000
Sharmin Shahid (Director of subsidiary company)	Brokerage commission earned	**728,673**	626,491
	Dividend paid	**-**	2,748
	Meeting Fee Paid	**100,000**	100,000
	Balance receivable at year end	**50,302**	-
Nida Ahsan (Director of subsidiary company)	Brokerage commission earned	**1,730,920**	7,691,785
	Dividend paid	**-**	2,748
	Balance payable at year end	**-**	12,182
	Balance receivable at year end	**65,419**	-
Samad A. Habib (Director of Parent Company)	Brokerage commission earned	**409,718**	46,351
	Dividend paid	**-**	1,302
	Balance receivable at year end	**1,451,078**	-
Kashif A. Habib (Director of Parent Company)	Brokerage commission earned	**6,363**	76,805
	Balance receivable at year end	**19,630**	-
Ahsan Mehnti (Director of Subsidiary Company)	Balance payable at year end	**3,862,500**	-

49. SEGMENT INFORMATION

For management purposes, the Group is organized into following major business segments:

Capital market operations Principally engaged in trading of equity securities and maintaining strategic and trading portfolios.

Brokerage Principally engaged in brokerage, underwriting, corporate consultancy, research and corporate finance services.

Energy Development Principally engaged in energy development.

Others Others includes assets of AHCPL

	2020				
	Capital market operations	Brokerage	Energy Development	Others	Consolidated
	(Rupees)				
Revenues					
Operating revenue	160,425,134	756,585,746	4,098,604,448	26,354,454	5,041,969,782
Loss on remeasurement of investments - net	203,699,665	201,599,582	-	-	405,299,247
Gain on sale of securities - net	(206,234,813)	(233,526,146)	-	-	(439,760,959)
Gain on remeasurement of investment property	-	775,000	-	-	775,000
Unrealised gain on remeasurement of investment property	-	132,000,000	-	-	132,000,000
	157,889,986	857,434,182	4,098,604,448	26,354,454	5,140,283,070
Operating and administrative expenses	(115,248,011)	(344,592,310)	(1,289,965,271)	(19,389,679)	(1,769,195,271)
	42,641,975	512,841,872	2,808,639,177	6,964,775	3,371,087,799
Other income	6,873,402	28,726,572	5,786,069	103,264	41,489,307
	49,515,377	541,568,444	2,814,425,246	7,068,039	3,412,577,106
Finance cost and other charges	(196,105,764)	(363,251,124)	(958,800,388)	(2,209,318)	(1,520,366,594)
	(146,590,387)	178,317,320	1,855,624,858	4,858,721	1,892,210,512
Share of profit from equity accounted associates - net of tax	1,441,134,146	-	-	-	1,441,134,146
Segment results	1,294,543,759	178,317,320	1,855,624,858	4,858,721	3,333,344,658
Taxation	(333,435,252)	(70,143,598)	(12,662,322)	(389,538)	(416,630,710)
Profit after tax	961,108,507	108,173,722	1,842,962,536	4,469,183	2,916,713,948

	2019				
	Capital market operations	Brokerage	Energy Development	Others	Consolidated
	(Rupees)				
Revenues					
Operating revenue	320,994,353	830,459,829	3,217,779,859	12,112,661	4,381,346,702
(Loss) / gain on remeasurement of investments - net	(924,627,940)	(485,992,547)	-	-	(1,410,620,487)
Gain on sale of securities - net	70,473,166	(166,506,931)	-	-	(96,033,765)
Unrealised gain on remeasurement of investment property	-	370,039,859	-	-	370,039,859
	(533,160,421)	548,000,210	3,217,779,859	12,112,661	3,244,732,309
Operating and administrative expenses	(102,492,958)	(396,847,577)	(1,260,667,924)	(17,133,858)	(1,777,142,317)
	(635,653,379)	151,152,633	1,957,111,935	(5,021,197)	1,467,589,992
Other income	5,771,660	87,714,459	-	8,081,458	101,567,577
	(629,881,719)	238,867,092	1,957,111,935	3,060,261	1,569,157,569
Finance cost and other charges	(194,533,407)	(234,222,649)	(1,064,009,188)	(21,466)	(1,492,786,710)
	(824,415,126)	4,644,443	893,102,747	3,038,795	76,370,859
Share of profit from equity accounted associates - net of tax	451,072,100	-	-	-	451,072,100
Segment results	(373,343,026)	4,644,443	893,102,747	3,038,795	527,442,959
Taxation	(179,272,681)	(78,819,836)	(9,240,898)	(149,873)	(267,483,288)
Profit after tax	(552,615,707)	(74,175,393)	883,861,849	2,888,922	259,959,671

	2020 Capital market operations	Brokerage	Energy	Others Development	Consolidated
	---------- (Rupees) ----------				
Other information					
Segment assets	3,915,561,699	6,839,503,098	19,492,309,463	93,025,465	30,340,399,725
Investment in equity accounted associates	13,404,127,610	-	-	-	13,404,127,610
	17,319,689,309	6,839,503,098	19,492,309,463	93,025,465	43,744,527,335
Segment liabilities	2,282,314,124	3,623,918,821	12,474,625,714	6,272,050	18,387,130,709
Capital expenditure	16,096,482	1,500,400	2,546,827	55,000	20,198,709
Depreciation and amortisation	18,150,563	28,291,598	884,529,601	240,796	931,212,558
Expenses other than depreciation and amortisation	(60,792,538)	(541,133,470)	(2,811,417,276)	(7,205,571)	(3,420,548,855)

	2019 Capital market operations	Brokerage	Energy	Others Development	Consolidated
	---------- (Rupees) ----------				
Other information					
Segment assets	10,296,531,706	6,409,402,342	19,101,573,540	90,205,811	35,897,713,399
Investment in equity accounted associates	12,010,464,481	-	-	-	12,010,464,481
	22,306,996,187	6,409,402,342	19,101,573,540	90,205,811	47,908,177,880
Segment liabilities	8,029,385,634	2,707,196,016	13,842,812,316	22,780,571	24,602,174,537
Capital expenditure	450,985	10,727,042	212,158	281,959	11,672,144
Depreciation and amortisation	5,457,952	8,461,273	737,400,485	288,409	751,608,119
Expenses other than depreciation and amortisation	630,195,427	(159,613,906)	(1,960,153,496)	4,732,788	(1,484,839,187)

Reconciliations of reportable segment revenues, profit or loss and assets and liabilities

	2020	2019
	(Rupees)	
Operating revenues		
Total revenue for reportable segments	5,004,712,324	5,121,468,167
Elimination of inter-segment revenue	37,257,468	(740,121,465)
Consolidated revenue	5,041,969,782	4,358,031,702
Profit or loss		
Total profit or loss before tax for reportable segments	3,289,645,305	635,557,669
Elimination of inter-segment revenue / expense	43,699,353	(108,114,710)
Consolidated profit before tax	3,333,344,858	527,442,959

49.1 Geographical segment analysis

	2020 Profit before tax	Total assets employed	Net assets	Contingencies and commitments
	(Rupees)			
Pakistan	3,333,344,658	43,744,527,335	25,357,396,626	42,979,557,125

	2019 Profit before tax	Total assets employed	Net assets	Contingencies and commitments
	(Rupees)			
Pakistan	527,442,959	47,908,177,880	23,306,003,343	44,376,126,695

49.2 CAPACITY AND PRODUCTION

	2020	2019
	(Megawatt hours)	
Sachal Energy Development (Private) Limited		
Annual benchmark energy	136,500	136,500
Actual energy delivered	142,360	132,403

50. NUMBER OF EMPLOYEES

	2020	2019
Parent Company:		
Number of employees as at 30 June	25	24
Average number of employees	25	23
Subsidiary Company, AHL:		
Number of employees as at 30 June	126	118
Average number of employees	123	116
Subsidiary Company, AHCPL:		
Number of employees as at 30 June	13	18
Average number of employees	13	18
Subsidiary Company, AH1857:		
Number of employees as at 30 June	-	-
Average number of employees	-	-
Subsidiary Company, BGPL:		
Number of employees as at 30 June	3	3
Average number of employees	3	3
Subsidiary Company, SEDPL:		
Number of employees as at 30 June	52	35
Average number of employees	44	36

51. GENERAL

Corresponding figures have been re-arranged and / or re-classified, wherever necessary, for the purpose of comparison and better presentation.

51.1 Date of authorisation for issue

These consolidated financial statements have been authorised for issue on 30, September 2020 by the Board of Directors of the Parent Company.

52.2 Non adjusting event after reporting date

The Board of Directors of the Parent Company has proposed a cash dividend of Rs. 1.50 (2019: Rs. Nil) per share amounting to Rs.612,562,500 (2019: Rs. Nil) at its meeting held on 30 September 2020 for the approval of the members at the annual general meeting to be held on 28 October 2020. These consolidated financial statements for the year ended 30 June 2020 do not include the effect of the proposed final cash dividend which will be accounted in the year ending 30 June 2021.

Chief Executive Officer	Director	Chief Financial Officer

Corporate Calendar of Major **Events**

- **RESULTS**

The Company follows the period of 1st July to 30th June as the Financial Year.

For the Financial Year ending on 30th June 2021, Financial Results will be announced as per the following tentative schedule:

1st quarter ending	30th September 2020	Last Week of October, 2020	2nd quarter ending	31st December 2020	Last Week of February, 2021
3rd quarter ending	31st March 2021	Last Week of April, 2021	Year ending	30th June 2021	Last Week of September, 2021

- **ISSUANCE OF ANNUAL REPORT**

21 days before AGM i.e. on or before 7th October 2020.

- **26TH ANNUAL GENERAL MEETING**

The 26th Annual General Meeting of the Shareholders of Arif Habib Corporation Limited ("the Company") will be held on Wednesday 28 October, 2020 on 05:15 P.M at the PSX Auditorium, Stock Exchange Building, Stock Exchange Road, Karachi.

- **CASH DIVIDEND**

A final Cash Dividend for the year ended 30th June 2020 at Rs.1.50 per share i.e. 15% is recommended by the Board of Directors. Subject to the approval by members in the Annual General Meeting, the date of entitlement of cash dividend shall be day end of 21st October 2020, and the company expects to pay the final dividend on or before 19th November 2020, being the statutory limit of 15 working days from the date of General Meeting in which the dividend is approved.

Shareholders' **Information**

REGISTERED & CORPORATE OFFICE

Arif Habib Centre
23, M.T. Khan Road
Karachi-74000
Tel: (021) 32460717-9 Fax No: (021) 32429653, 32468117
Email: info@arifhabibcorp.com
Website: www.arifhabibcorp.com

SHARE REGISTRAR OFFICE

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

LISTING ON STOCK EXCHANGES

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

STOCK CODE

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

INVESTOR SERVICE CENTRE

AHCL share department is operated by CDC Share Registrar Services Limited. It also functions as an Investor Service Centre managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function. Team is headed by Mr. Abdus Samad at Registrar office and Company Secretary at AHCL Registered office. For assistance, queries, complaints and redressal of grievances, shareholders may contact either the registered office or the Share Registrar office.

CONTACT PERSONS:

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

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

STATUTORY COMPLIANCE

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

BOOK CLOSURE DATES

The Share transfer books of the company will remain closed from 22nd October 2020 to 28th October 2020 (both days inclusive). Transfers received in order at the office of our registrar: M/s. CDC Share Registrar Services Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi, by the close of business on Wednesday, 21st October 2020 will be treated in time for the determination of entitlement of shareholders to attend and vote at the meeting.

LEGAL PROCEEDINGS

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

GENERAL MEETINGS & VOTING RIGHTS

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

PROXIES

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

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

WEB PRESENCE

The website of the company has been redesigned to give an investor friendly look. Further, the website has been updated in accordance with statutory guidelines issued by regulator from time to time. Updated information about the Company and its affiliates can be accessed at AHCL web site, www.arifhabibcorp.com

SHAREHOLDING PATTERN

The shareholding pattern of the equity share capital of the Company as on 30th June 2020 alongwith categories of shareholders are given on page 37 to 39 of this report.

Notice of Twenty Sixth Annual General **Meeting**

Notice is hereby given that the Twenty Sixth Annual General Meeting of the Shareholders of **Arif Habib Corporation Limited** ("the Company") will be held on Wednesday, 28th October, 2020 at 05:15 p.m. at PSX Auditorium, Stock Exchange Building, Stock Exchange Road, Karachi to transact the following business:

Ordinary Business

1) To confirm minutes of the Annual General Meeting held on 27th November 2019.

2) To receive, consider and adopt annual audited financial statements of the Company together with the Directors' and the Auditors' Reports thereon for the year ended 30th June 2020 together with the Audited Consolidated Financial Statements of the Company and the Auditors' Reports thereon for the year ended 30th June 2020.

3) To appoint the Auditors for the year ending 30th June 2021 and fix their remuneration. The Board of Directors have recommended for reappointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants as external auditors.

4) To consider and approve final Cash Dividend for the year ended 30th June 2020 at Rs.1.50 per share i.e. 15% as recommended by the Board of Directors.

Special Business

5) To authorize the Board of Directors of the Company to approve those transactions with related parties (if executed) during the financial year ending 30th June 2021 which require approval of shareholders u/s 207 and / or 208 of the Companies Act, 2017, by passing the following special resolutions with or without modification:

"RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to approve the transactions to be conducted with Related Parties on case to case basis for the financial year ending 30th June 2021."

"FURTHER RESOLVED THAT the transactions approved by the Board shall be deemed to have been approved by the shareholders u/s 207 and / or 208 of the Companies Act, 2017 (if triggered) and shall be placed before the shareholders in the next Annual General Meeting for their formal ratification/approval u/s 207 and / or 208 of the Companies Act, 2017 (if required)."

6) To consider and if deemed fit, to pass the following Special Resolutions with or without modification(s):

Investment in Associated Companies & Associated Undertakings

"RESOLVED THAT the consent and approval be and is hereby accorded under Section 199 of the Companies Act, 2017 and the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017, for the following limits of investments / additional investments in associated companies and associated undertakings for a period upto next annual general meeting, and subject to the terms and conditions as mentioned in the Annexure-B of Statement under Section 134(3)."

"FURTHER RESOLVED THAT the consent and approval be and is hereby accorded under Section 199 of the Companies Act, 2017 and the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 for renewal of following equity investments limits in associated companies and associated undertakings as are also mentioned in the Annexure-C of Statement under Section 134(3) against which approval had been sought in previous general meeting(s), upto unutilized amount, and for a period upto next annual general meeting, which shall be renewable in next general meeting(s) for further period(s)."

"FURTHER RESOLVED THAT the consent and approval be and is hereby accorded under Section 199 of the Companies Act, 2017 and the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 for renewal of following sanctioned limits of loans / advances / guarantees in associated companies and associated undertakings, for which approval has been sought in previous general meeting(s), as mentioned in detail in the Annexure-C of statement under Section 134(3), whereas the renewal of limits will be in the nature of loan and/or running finance and/or corporate guarantee for a period upto next annual general meeting, unless specifically approved for a longer period, and shall be renewable in next general meeting(s) for further period(s) as specified."

Amount in million

	Name of Associated Companies & Undertakings	Proposed Fresh Investment		Renewal Requested	
		Equity	Loan/ Advance/ Guarantee	Unutilized Equity Portion	Sanctioned Loan/ Advance/ Guarantee
		PKR	PKR	PKR	PKR / USD
1	Javedan Corporation Ltd.	-	-	681	PKR 2,432
2	Arif Habib Ltd.	-	-	490	PKR 4,500
3	MCB-Arif Habib Savings and Investments Ltd.	-	-	399	-
4	Pakarab Fertilizers Ltd.	-	-	1,000	PKR 1,000
5	Fatima Fertilizer Company Ltd.	-	-	1,800	PKR 1,000
6	Rotocast Engineering Co. (Pvt.) Ltd.	-	300	300	PKR 200
7	Arif Habib Dolmen REIT Management Ltd.	-	-	1,000	PKR 500
8	Aisha Steel Mills Ltd.	-	-	510	PKR 8,250 plus USD 80
9	Power Cement Ltd.	-	-	743	PKR 1,500 plus USD 49
10	Sachal Energy Development (Pvt.) Ltd.	-	-	754	PKR 1,000 plus USD 100
11	Safe Mix Concrete Ltd.	-	-	150	PKR 150
12	Dolmen City REIT	-	-	799	-
13	National Resources (Pvt.)Ltd.	-	-	150	-

"FURTHER RESOLVED THAT the consent and approval be and is hereby accorded under Section 199 of the Companies Act, 2017 and Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 for extending the repayment period of outstanding long term loan amounting to Rs.163.4 million by one year from January 2024 to January 2025, extended to an associated Company namely Aisha Steel Mills Limited."

"FURTHER RESOLVED THAT the consent and approval be and is hereby accorded under Section 199 of the Companies Act, 2017 and Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 to consolidate existing approved sanctioned limits of 'Long Term Loans' and 'Running Finance / Advance' in order to enable the Company to utilize the consolidated limit at its discretion for extending long-term loans or running finance / advances; provided that sum of respective nature of investments so extended does not exceed the approved investment limit in aggregate. Provided further that the limit so utilized to the extent of extending long term loan shall be exhausted and shall not be renewable in next general meeting(s)."

"FURTHER RESOLVED THAT the Chief Executive and/or any two directors jointly and/or any one director and Chief Financial Officer / Company Secretary jointly, be and are hereby authorized to take and do, and/or cause to be taken or done, any/all necessary actions, deeds and things which are or may be necessary for giving effect to the aforesaid resolutions and to do all acts, matters, deeds, and things which are necessary, incidental and/or consequential to the investment of the Company's funds as above, as and when required at the time of investment, including but not limited to negotiating and executing any necessary agreements/documents, and any ancillary matters thereto."

Any Other Business

7) To consider any other business with the permission of the Chair.

A Statement under Section 134(3) of the Companies Act 2017 pertaining to the special business is being sent to the shareholders along with this notice.

By order of the Board

Manzoor Raza
Company Secretary

Karachi: 7th October 2020

Notes:

1. Share transfer books of the company will remain closed from 22nd October 2020 to 28th October 2020 (both days inclusive). Transfers received in order at the office of our registrar: M/s. CDC Share Registrar Services Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi, by the close of business on Wednesday, 21st October 2020 will be treated in time for the determination of entitlement of shareholders to cash dividend and to attend and vote at the meeting.

2. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.

3. Procedure including the guidelines as laid down in Circular No. I- Reference No. 3(5-A) Misc/ARO/LES/96 dated 26th January 2000 issued by Securities & Exchange Commission of Pakistan:

   (i) Members, proxies or nominees shall authenticate their identity by showing their original national identity card or original passport and bring their folio numbers at the time of attending the meeting.

   (ii) In the case of corporate entity, Board of Directors' resolution/power of attorney and attested copy of the CNIC or passport of the nominee shall also be produced (unless provided earlier) at the time of meeting.

   (iii) In order to be effective, the proxy forms must be received at the office of our registrar not later than 48 hours before the meeting, duly signed and stamped and witnessed by two persons with their names, address, NIC numbers and signatures.

   (iv) In the case of individuals, attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.

   (v) In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the CNIC or passport of the proxy shall be submitted alongwith proxy form.

4. Members are requested to submit copies of their CNICs and promptly notify any change in address by writing to the office of the registrar.

5. **Online Participation in the Annual General Meeting**

   In the wake of prevailing situation due to pandemic, SECP has instructed listed companies to modify their usual planning for General Meetings for the safety and wellbeing of the shareholders and public at large. Accordingly, the Company intends to convene this AGM with minimal physical interaction with shareholders while ensuring compliance with quorum requirements and requests the Members to consolidate their attendance and voting at the AGM through proxies.

   The Company has therefore made arrangements to ensure that all participants, including shareholders, can also participate in the AGM proceeding via video link. Accordingly, those members who desire online participation in the AGM are requested to register themselves by sending an email along with following particulars and valid copy of both sides of their CNIC at corporate.affairs@arifhabibcorp.com with subject of 'Registration for AHCL AGM 2020' not less than 48 hours before the time of the meeting:

Name of Shareholder	CNIC No.	Folio No. / CDC Account No.	Cell No.	Email Address

   Video Link to join the AGM will be shared with only those Members whose emails, containing all the required and correct particulars, are received at corporate.affairs@arifhabibcorp.com. The Shareholders can also provide their comments and questions for the agenda items of the AGM on this email address and WhatsApp Number 0311-2706624.

Important:

Payment of Cash Dividend through Electronic Mode (Mandatory):

Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders.

In order to receive dividend directly into their bank account, shareholders are requested to provide their IBAN by filling the Electronic Mode Dividend Form available at Company's website containing prescribed details and send it duly signed along with a copy of CNIC to the Registrar of the Company, M/s. CDC Share Registrar Services Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi, in case of physical shares. In case of book-entry securities, respective shareholders must get their respective records including IBAN updated as per the Electronic Mode Dividend Form with their Broker/Participant/CDC account services.

In the absence of a members' valid bank account details and / or IBAN, the Company will be constrained to withhold the payment of dividend to such members in accordance with the requirements of the Companies (Distribution of Dividends) Regulations, 2017, till provision of prescribed details.

Withholding Tax On Dividend

The Government of Pakistan through Finance Act, 2020 has made certain amendments in tax rates applicable through Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

- For Filers (persons whose names are appearing in ATL) 15%
- For Non-filers (persons whose names are not appearing in ATL) 30%

Shareholders are advised to make sure that their names (and/or the name of their joint holders) are appearing in latest Active Taxpayers List (ATL) provided on the website of FBR, otherwise they (and/or joint holders) shall be treated as non-filers and tax on their cash dividend income will be deducted at the rate of 30% instead of 15%.

Withholding Tax on Dividend in Case of Joint Account Holders

In order to enable the Company to follow the directives of the regulators to determine shareholding proportion in case of Joint account, all shareholders who hold shares with Joint shareholders, are requested to provide shareholding proportions of Principal shareholder and Joint Holder(s) in respect of shares held by them to our Share Registrar, in writing, as follows:

Folio / CDS Account #	Total Shares	Principal Shareholder		Joint Shareholder	
		Name and CNIC #	Shareholding Proportion (%)	Name and CNIC #	Shareholding Proportion (%)

NOTE: In the event of non-receipt of the information by 21st October 2020, each shareholder will be assumed to have equal proportion of shares and the tax will be deducted accordingly.

Unclaimed dividends

Shareholders, who by any reason, could not claim their previous dividends are advised to contact our Share Registrar M/s. CDC Share Registrar Services Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi, to collect/enquire about their unclaimed dividend, if any. The details of the dividend declared by the Company which have remained due for more than three years are available on the Company's website.

Notice to Shareholders for provision of their identification details

The Individual Members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) to the Company / Share Registrar, are once again reminded to send the same at the earliest directly to Company's Share Registrar, M/s. CDC Share Registrar Services Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi. The Corporate Entities are requested to provide their National Tax Number (NTN). Please give Folio Number with the copy of CNIC / NTN details. In case of non-receipt of the copy of a valid CNIC, the Company would be unable to comply with relevant directives of SECP and will be constrained under Section 243(2)(a) of the Companies Act, 2017 to withhold dispatch of future dividend warrants of such shareholders, if any. Members are also requested to update with their Broker / Participant / CDC account services, their bank account details including IBAN; and contact details including phone number(s) & email address, to enable the Company to communicate and / or meet future statutory requirements depending upon such details, if any.

Attention of corporate entities / legal persons is also invited towards SECP Circular # 16 of 2018. Respective shareholders (corporate entities / legal persons) are advised to provide the information pertaining to ultimate beneficial owners and / or other information as prescribed in the subject SECP circular to the share registrar of the company.

CNIC/Passport#/NTN/Exemption/Zakat Declaration

Shareholders are advised to ensure that they have provided their Passport#/NTN/CNIC/Tax exemption certificates (for tax exemption, where applicable) and valid Zakat Declaration under Zakat & Ushr Ordinance, 1980 (for Zakat Exemption) to their respective Participant/CDC Investor Account Services/Company's Share Registrar.

E-Voting

Members can exercise their right to demand a poll subject to meeting requirements of Section 143 - 145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.

Provision of Video Link Facility:

Shareholders may participate in the meeting via video-link facility. If the Company receives a demand (at least 7 days before the date of meeting) from shareholder(s) holding an aggregate 10% or more shareholding residing in any other city, to participate in the meeting through video link, the Company will arrange video link facility in that city.

Shareholders, who wish to participate through video-link facility, are requested to fill in Video Link Facility Form available at Company's website and send a duly signed copy to the Registered Address of the Company. It may be noted that no person other than the member or proxy holder can attend the meeting through video link facility.

Distribution of Annual Report

The audited financial statements of the Company for the year ended 30th June 2020 have been made available on the Company's website (http://www.arifhabibcorp.com) in addition to annual and quarterly financial statements for the prior years.

Further, this is to inform that in accordance with SRO 470(I)/2016 dated 31st May 2016, through which SECP has allowed companies to circulate the annual audited accounts to its members through CD/DVD/USB instead of transmitting the hard copies at their registered addresses, subject to consent of shareholders and compliance with certain other conditions, the Company has obtained shareholders' approval in an Extra Ordinary General Meeting held on 21st September 2016. Accordingly, Annual Report of the Company for the year ended 30th June 2020 is dispatched to the shareholders through CD. However, if a shareholder, in addition, request for hard copy of Annual Audited Financial Statements, the same shall be provided free of cost within seven days of receipt of such request. For convenience of shareholders, a "Standard Request Form for provision of Annual Audited Accounts" have also been made available on the Company's website (http://arifhabibcorp.com/contact.php).

Deposit of Physical Shares in CDC Accounts

As per section 72 of the Companies Act, 2017 every existing Company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the SECP, within a period not exceeding four years from the commencement of the Companies Act, 2017, i.e 30th May 2017. The shareholders having physical shareholding are requested to open CDC sub-account with any of the brokers or investors account directly with CDC to place their physical shares into scrip less form.

Statement under Section 134(3) of the Companies Act, **2017**

This statement sets out the material facts concerning the Special Business given in Agenda item No. 5 and Agenda item No. 6 of the Notice to be transacted at the Annual General Meeting of the Company.

Directors of the Company have no interest in the special business except in their capacity as director / shareholder.

Statement Under Section 134(3) Of The Companies Act, 2017

This statement sets out the material facts concerning the Special Business given in Agenda item No. 5 and Agenda item No. 6 of the Notice to be transacted at the Annual General Meeting of the Company.

Directors of the Company have no interest in the special business except in their capacity as director / shareholder.

ANNEXURE - A

AUTHORIZATION FOR THE BOARD OF DIRECTORS TO APPROVE THOSE TRANSACTIONS WITH RELATED PARTIES (IF EXECUTED) DURING THE FINANCIAL YEAR ENDING 30TH JUNE 2021 WHICH REQUIRE APPROVAL OF SHAREHOLDERS U/S 207 AND / OR 208 OF THE COMPANIES ACT, 2017

The Company shall be conducting transactions with its related parties during the year ending 30th June 2021 on an arm's length basis as per the approved policy with respect to 'transactions with related parties' in the normal course of business. Being the directors of an investment holding Company, many Directors may be deemed to be treated as interested in transactions with related parties due to their common directorships and/or shareholding. In order to promote good corporate governance and transparent business practices, the shareholders desire to authorize the Board of Directors to approve transactions with the related parties from time-to-time on case to case basis, including transactions (if executed) triggering approval of shareholders u/s 207 and / or 208 of the Companies Act, 2017, for the year ending 30th June 2021, which transactions shall be deemed to be approved by the Shareholders. The nature and scope of such related party transactions is explained above. These transactions shall be placed before the shareholders in the next Annual General Meeting for their formal approval/ratification. The Directors are interested in the resolution only to the extent of their shareholding and / or common directorships in such related parties.

ANNEXURE - B

Investments in Associated Companies & Associated Undertakings

The Board of Directors of the Company has approved the specific limits for loans/advances along with other particulars for investments in the following associated companies and associated undertakings subject to the consent of members under Section 199 of the Companies Act, 2017 / Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017. The Board of Directors do hereby undertake / certify that necessary due diligence for the following proposed investment has been carried out. The principle purpose of this special resolution is to make the Company in a ready position to capitalize on the investment opportunities as and when they arrive. It is prudent that the Company should be able to make the investment at the right time when the opportunity is available, and the limit shall be valid till the holding of next annual general meeting with the option of renewal thereon.

1 Loan and advances

Ref. No.	Requirement	Information
I	Name of associated company or associated undertaking	Rotocast Engineering Company (Private) Limited ("Rotocast")
II	Basis of relationship	An associated undertaking due to common control of Mr. Arif Habib & common directorships of Mr. Kashif A. Habib and Mr. Samad A. Habib.
III	Earnings per share (Basic) for the last three years	Year 2019: 34.34 Year 2018: 6.23 Year 2017: 14.27
IV	Break-up value per share, based on the latest audited financial statements	PKR 426.75 per share as at 30th June 2019
V	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	**30th June 2019** **(PKR in Million)** Non-current assets 4,183.76 Current assets 1,584.38 Equity 4,267.52 Non-current liabilities 0.36 Current liabilities 1,500.25 Operating Revenue 966.39 Profit before Tax 467.68 Profit after Tax 343.40
VI	In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, prescribed details thereof	Not applicable
VII	Maximum amount of investment to be made	Fresh limit for running finance facility of PKR 300 million is requested for approval. This is in the addition to PKR 200 million requested for renewal for previously sanctioned limit of loan. Consolidated limit of PKR 500 million (PKR 300 million fresh limit & PKR 200 million renewal of previously sanctioned limit) is also requested in a separate resolution to be utilized as loan / running finance / advance, at the discretion of Company.
VIII	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	AHCL shall charge markup on the loan utilized by Rotocast which will increase profit to the shareholders. Period will be decided at the time of extending the facility. The facility is subject to renewal next year.

IX	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds (I) Justification for investment through borrowing (II) Detail of collateral, guarantees provided and assets pledged for obtaining such funds (III) Cost benefit analysis	The investment may be made from Company's own available liquidity and/or credit lines. Higher rate of return Pledge of listed securities and / or charge over assets of the Company, if and where needed. Company's average borrowing cost ranges from 1 month KIBOR + 1% to 3 months KIBOR + 1.75% and the Company is expected to earn mark-up over and above the borrowing cost.
X	Salient feature of the agreement(s), if any, with associated company or associated undertaking with regards to proposed investment	There is no agreement to date.
XI	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	Directors of the company have no interest in the investee company except in their capacity as sponsor / director / shareholder of holding company.
XII	In case an investment in associated company has already been made, the performance review of such investment including complete information / justification for any impairments / write-offs	The Company has not previously extended loan to Rotocast. Performance of Rotocast can be referred in Point III and V above.
XIII	Any other important details necessary for the members to understand the transaction:	None
XIV	Category-wise amount of investment	Fresh limit for running finance facility of PKR 300 million is requested for approval. This is in the addition to PKR 200 million requested for renewal for previously sanctioned limit of loan. Consolidated limit of PKR 500 million (PKR 300 million fresh limit & PKR 200 million renewal of previously sanctioned limit) is also requested in a separate resolution to be utilized as loan / running finance / advance, at the discretion of Company.
XV	Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	Average borrowing of Company is ranges from 1 month KIBOR + 1% to 3 months KIBOR + 1.75%. Funded facility shall be Conventional in nature.
XVI	Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company	Negotiable; in line with prevailing commercial rates for similar facilities and will be decided at the time of extending the facility.

XVII	Particulars of collateral or security to be obtained in relation to the proposed investment	As Investee is a Group Company, no collateral is required.
XVIII	If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	Not applicable
XIX	Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking	Facility extended in the nature of Running Finance Facility / Advance / Long-term loan shall be for a period of one year and renewable in next general meeting for further period(s) of one year(s). Facility extended in the nature of Long Term Loan shall be for a period as agreed at the time of disbursement, and the portion of facility to the extent of disbursement of long term loan shall be exhausted and shall not be renewable in next annual general meeting.

Following directors of the company have no interest in the investee companies except in their capacity as director / shareholder

Mr. Arif Habib	- Chief Executive and shareholder of Arif Habib Corporation Limited - Siginificant shareholder of Rotocast Engineering Company (Private) Limited.
Mr. Kashif A. Habib	- Director and shareholder of Arif Habib Corporation Limited - Chief Executive and shareholder of Rotocast Engineering Company (Private) Limited
Mr. Samad A. Habib	- Director and shareholder of Arif Habib Corporation Limited - Director and shareholder of Rotocast Engineering Company (Private) Limited
Mr. Nasim Beg	- Director and shareholder of Arif Habib Corporation Limited - Shareholder of Rotocast Engineering Company (Private) Limited

ANNEXURE-C

Statement under Section 134(3) of the Companies Act, 2017, in compliance with Regulation 4(2) of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017, for decision to make investment under the authority of a resolution passed earlier pursuant to provisions of Section 208 of the Companies Ordinance, 1984 (Repealed) / Section 199 of the Companies Act, 2017 is not implemented either fully or partially:

The Company in its previous general meetings had sought approvals under section 208 of the Companies Ordinance, 1984 (repealed) / section 199 of the Companies Act, 2017 for investments in the following Associated Companies and Associated Undertakings in which investment has not been made so far, either fully or partially. Approval of renewal of unutilised portion of equity investments and sanctioned limit of loans, advances, running finance and corporate guarantee are also hereby sought for the companies, in which directors of the company have no interest except in their capacity as director / shareholder, as per following details for a period upto next annual general meeting, unless specifically approved for a longer period. It is also proposed that the already approved respective limits for long-term loans / running finance may be consolidated, and the Company may utilise the consolidated limit at its discretion for extending long-term loans and / or running finance and / or advances; provided that sum of respective natures of investments so extended does not exceed the already approved investment limit in the aggregate. Provided further that the limit so utilised to the extent of extending long term loan shall be exhausted and shall not be renewable in next general meeting(s) :

1 Name of associated company / undertaking : **Javedan Corporation Limited**

S. No.	DESCRIPTION	INVESTMENT IN SECURITIES	LOANS & ADVANCES IN THE NATURE OF	
			RUNNING FINANCE	CORPORATE GUARANTEE
a)	total investment approved;	3,250,000,000	2,231,550,000	200,000,000
b)	amount of investment made to date;	2,568,667,543	-	-
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	Waiting for an appropriate time in the interest of the shareholders for complete utilisation	Facility is in the nature of running finance and availed as & when needed in the interest of the shareholders	Facility is in the nature of Guarantee and availed as & when needed in the interest of the shareholders
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :		FY2020	FY2019 (Restated)
i	Earnings per share - basic & diluted		0.75	1.83
ii	Net Profit		236,700,000	579,880,000
iii	Shareholders Equity		17,523,409,000	17,284,413,000
iv	Total Assets		26,154,969,000	25,283,074,000
v	Break-up value		55.21	59.91
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 681,332,457	Sanctioned 2,231,550,000	Sanctioned 200,000,000

2 Name of associated company / undertaking : **Arif Habib Limited**

S. No.	DESCRIPTION	INVESTMENT IN SECURITIES	LOANS & ADVANCES IN THE NATURE OF	
			RUNNING FINANCE	CORPORATE GUARANTEE
a)	total investment approved;	3,421,676,000	1,500,000,000	3,000,000,000
b)	amount of investment made to date;	2,931,230,887	-	1,975,000,000
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	Waiting for an appropriate time in the interest of the shareholders for complete utilisation	Facility is in the nature of running finance and availed as & when needed in the interest of the shareholders	Facility is in the nature of Guarantee and availed as & when needed in the interest of the shareholders
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :		FY2020	FY2019
i	Earnings per share		1.00	(0.95)
ii	Net profit / (loss)		59,856,433	(62,460,529)
iii	Shareholders Equity		3,266,428,147	2,917,567,154
iv	Total Assets		6,892,662,059	5,642,456,863
v	Break-up value		54.99	44.21
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 490,445,113	Sanctioned 1,500,000,000	Sanctioned 3,000,000,000

3 Name of associated company / undertaking : **MCB - Arif Habib Savings and Investments Limited**

S. No.	DESCRIPTION	INVESTMENT IN SECURITIES	LOANS & ADVANCES IN THE NATURE OF:	
			RUNNING FINANCE	CORPORATE GUARANTEE
a)	total investment approved;	481,200,000	-	-
b)	amount of investment made to date;	81,947,527	-	-
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	Waiting for an appropriate time in the interest of the shareholders for complete utilisation	-	-
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :		FY2020	FY2019
i	Earnings per share		3.58	0.34
ii	Net profit		257,669,113	24,235,396
iii	Shareholders Equity		1,550,695,426	1,462,226,313
iv	Total Assets		2,265,572,401	2,044,323,310
v	Break-up value		21.54	20.31
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 399,252,473	Sanctioned -	Sanctioned -

4 Name of associated company / undertaking : **Pakarab Fertilizers Limited**

S. No.	DESCRIPTION	INVESTMENT IN SECURITIES	LOANS & ADVANCES IN THE NATURE OF: RUNNING FINANCE	CORPORATE GUARANTEE
a)	total investment approved;	2,324,332,000	1,000,000,000	-
b)	amount of investment made to date;	1,324,332,073	-	-
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	Waiting for an appropriate time in the interest of the shareholders for complete utilisation	Facility is in the nature of running finance and availed as & when needed in the interest of the shareholders	-
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :		FY2019	FY2018
i	Loss per share		(10.66)	(18.25)
ii	Net Loss		(4,796,137,000)	(8,212,446,000)
iii	Shareholders Equity		4,226,104,000	5,128,903,000
iv	Total Assets		43,051,033,000	49,980,827,000
v	Break-up value		9.39	11.40
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 999,999,927	Sanctioned 1,000,000,000	Sanctioned -

5 Name of associated company / undertaking : **Fatima Fertilizer Company Limited**

S. No.	DESCRIPTION	INVESTMENT IN SECURITIES	LOANS & ADVANCES IN THE NATURE OF: RUNNING FINANCE	CORPORATE GUARANTEE
a)	total investment approved;	2,500,000,000	1,000,000,000	-
b)	amount of investment made to date;	700,037,106	-	-
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	Waiting for an appropriate time in the interest of the shareholders for complete utilisation	Facility is in the nature of running finance and availed as & when needed in the interest of the shareholders	-
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :		FY2019	FY2018 (Restated)
i	Earnings per share		5.75	5.67
ii	Net profit		12,069,682,000	11,913,555,000
iii	Shareholders Equity		78,008,298,000	69,594,972,000
iv	Total Assets		155,116,305,000	128,208,288,000
v	Break-up value		37.15	33.14
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 1,799,962,894	Sanctioned 1,000,000,000	Sanctioned -

6 Name of associated company / undertaking : **Rotocast Engineering Company (Private) Limited**

S. No.	DESCRIPTION	INVESTMENT IN SECURITIES	LOANS & ADVANCES IN THE NATURE OF:	
			RUNNING FINANCE	CORPORATE GUARANTEE
a)	total investment approved;	300,000,000	200,000,000	-
b)	amount of investment made to date;	-	-	- -
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	Waiting for an appropriate time in the interest of the shareholders for complete utilisation	Facility is in the nature of running finance and availed as & when needed in the interest of the shareholders	
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :		FY2019	FY2018
i	Earnings per share		343.40	62.34
ii	Net profit		343,395,011	62,342,124
iii	Shareholders Equity		4,267,522,472	4,111,006,566
iv	Total Assets		5,768,133,699	5,382,396,898
v	Break-up value		426.75	411.10
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 300,000,000	Sanctioned 200,000,000	Sanctioned -

7 Name of associated company / undertaking : **Arif Habib Dolmen REIT Management Limited**

S. No.	DESCRIPTION	INVESTMENT IN SECURITIES	LOANS & ADVANCES IN THE NATURE OF:	
			RUNNING FINANCE	CORPORATE GUARANTEE
a)	total investment approved;	1,000,000,000	500,000,000	-
b)	amount of investment made to date;	-	-	-
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	Waiting for an appropriate time in the interest of the shareholders for complete utilisation	Facility is in the nature of running finance and availed as & when needed in the interest of the shareholders	-
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :		FY2020	FY2019
i	Earnings per share		1.23	1.88
ii	Net profit		24,509,102	37,625,037
iii	Shareholders Equity		218,899,531	194,390,429
iv	Total Assets		231,871,524	219,586,038
v	Break-up value		10.94	9.72
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 1,000,000,000	Sanctioned 500,000,000	Sanctioned -

8 Name of associated company / undertaking : **Aisha Steel Mills Limited**

S. No.	DESCRIPTION	INVESTMENT IN SECURITIES	LOANS & ADVANCES IN THE NATURE OF:	
			RUNNING FINANCE	CORPORATE GUARANTEE
a)	total investment approved;	4,250,000,000	2,539,206,765 (RF)* & 210,793,235 (LTL)**	PKR 5,500,000,000 plus USD 80,000,000 ***
b)	amount of investment made to date;	3,739,771,642	210,793,235 (LTL)	PKR 2,989,957,000 USD 8,800,000
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	Waiting for an appropriate time in the interest of the shareholders for complete utilisation	Facility is in the nature of running finance and availed as & when needed in the interest of the shareholders	Facility is in the nature of Guarantee and availed as & when needed in the interest of the shareholders
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :		FY2020	FY2019
i	(Loss) / earning per share		(0.89)	0.26
ii	Net (loss) / profit		(616,573,000)	253,698,000
iii	Shareholders Equity		8,097,437,000	8,746,828,000
iv	Total Assets		34,509,399,000	32,730,909,000
v	Break-up value		9.96	10.76
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 510,228,358	Sanctioned 2,539,206,765 (RF)* 163,404,133 (LTL)**	Sanctioned PKR 5,500,000,000 plus USD 80,000,000 ***

*RF = Running Finance

**LTL = Long Term Loan (Extension in repayment period of outstanding long term loan amounting to Rs.163.4 million by one year from January 2024 to January 2025 is also recommended to be approved by shareholders)

***Approval of guarantee limit of any currency equivalent to USD 80 million has already been granted for 5 years by shareholders in EOGM held on 30-Mar-19. The same is disclosed above for completeness of information.

9 Name of associated company / undertaking : **Power Cement Limited**

S. No.	DESCRIPTION	INVESTMENT IN SECURITIES	LOANS & ADVANCES IN THE NATURE OF:	
			RUNNING FINANCE	CORPORATE GUARANTEE
a)	total investment approved;	3,822,000,000	1,000,000,000	PKR 500,000,000 plus USD 49,000,000 *
b)	amount of investment made to date;	3,079,171,251	-	USD 15,150,795
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	Waiting for an appropriate time in the interest of the shareholders for complete utilisation	Facility is in the nature of running finance and availed as & when needed in the interest of the shareholders	Facility is in the nature of Guarantee and availed as & when needed in the interest of the shareholders
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :		FY2019	FY2018
i	Earning per share		0.55	0.32
ii	Net profit		582,106,000	319,907,000
iii	Shareholders Equity		12,221,540,000	11,299,062,000
iv	Total Assets		40,008,403,000	24,517,306,000
v	Break-up value		11.49	10.63
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 742,828,749	Sanctioned 1,000,000,000	Sanctioned PKR 500,000,000 plus USD 49,000,000 *

*Approval of guarantee limit of USD 49 million includes the following :
PKR equivalent of USD 11 million granted by shareholders in EOGM held on 26-Sep-18 will expire in this AGM to be held on 28-Oct-20 and is requested for renewal till next AGM. Any currency equivalent of USD 38 million granted for 5 years by shareholders in EOGM held on 30-Mar-19; same being disclosed above for completeness of information.

10 Name of associated company / undertaking : **Sachal Energy Development (Private) Limited**

S. No.	DESCRIPTION	INVESTMENT IN SECURITIES	LOANS & ADVANCES IN THE NATURE OF:	
			RUNNING FINANCE	CORPORATE GUARANTEE
a)	total investment approved;	3,500,000,000	1,000,000,000	USD 100,000,000
b)	amount of investment made to date;	2,746,465,560	-	USD 70,000,000
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	Waiting for an appropriate time in the interest of the shareholders for complete utilisation	Facility is in the nature of running finance and availed as & when needed in the interest of the shareholders	Facility is in the nature of Guarantee and availed as & when needed in the interest of the shareholders
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :		FY2020	FY2019
i	Earnings per share		5.72	2.82
ii	Net profit		1,830,985,197	903,837,564
iii	Shareholders Equity		7,015,272,445	5,184,287,248
iv	Total Assets		19,490,728,922	19,028,312,694
v	Break-up value		21.92	16.20
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 753,534,440	Sanctioned 1,000,000,000	Sanctioned USD 100,000,000

11 Name of associated company / undertaking : **Safe Mix Concrete Limited**

S. No.	DESCRIPTION	INVESTMENT IN SECURITIES	LOANS & ADVANCES IN THE NATURE OF:	
			RUNNING FINANCE	CORPORATE GUARANTEE
a)	total investment approved;	150,000,000	150,000,000	-
b)	amount of investment made to date;	-	-	-
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	Waiting for an appropriate time in the interest of the shareholders for complete utilisation	Facility is in the nature of running finance and availed as & when needed in the interest of the shareholders	-
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :		FY2019	FY2018
i	Loss per share		(1.19)	0.10
ii	Net (loss) / profit		(29,771,054)	2,415,374
iii	Shareholders Equity		188,148,433	241,056,394
iv	Total Assets		608,474,409	753,508,449
v	Break-up value		7.53	9.64
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 150,000,000	Sanctioned 150,000,000	Sanctioned -

12 Name of associated company / undertaking : **Dolmen City REIT**

S. No.	DESCRIPTION	INVESTMENT IN SECURITIES	LOANS & ADVANCES IN THE NATURE OF: RUNNING FINANCE	CORPORATE GUARANTEE
a)	total investment approved;	1,000,000,000	-	-
b)	amount of investment made to date;	201,492,133	-	-
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	Waiting for an appropriate time in the interest of the shareholders for complete utilisation	-	-
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :		FY2020	FY2019
i	Earnings per share		3.65	3.09
ii	Net profit		8,117,883,000	6,869,588,000
iii	Shareholders Equity		51,282,373,000	46,233,196,000
iv	Total Assets		52,034,420,000	47,022,210,000
v	Break-up value		23.06	20.79
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 798,507,867	Sanctioned -	Sanctioned -

13 Name of associated company / undertaking : **National Resources (Private) Limited**

S. No.	DESCRIPTION	INVESTMENT IN SECURITIES	LOANS & ADVANCES IN THE NATURE OF: RUNNING FINANCE	CORPORATE GUARANTEE
a)	total investment approved;	150,000,000	-	-
b)	amount of investment made to date;	-	-	-
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	Waiting for an appropriate time in the interest of the shareholders for complete utilisation	-	-
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :		FY2020	FY2019
i	Loss per share		(2.45)	(1.72)
ii	Net loss		(88,141,622)	(34,469,559)
iii	Shareholders Equity		237,388,819	165,530,441
iv	Total Assets		247,383,811	171,050,286
v	Break-up value		6.59	8.28
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 150,000,000	Sanctioned -	Sanctioned -

Form of Proxy **26th** Annual General Meeting

The Company Secretary
Arif Habib Corporation Limited
Arif Habib Centre
23, M.T. Khan Road
Karachi.

I/ we ______________________ of ________________ being a member(s) of Arif Habib Corporation Limited holding __________________ ordinary shares as per CDC A/c. No.__________ hereby appoint Mr./Mrs./Miss ____________________ ____________________ of (full address)______________________________ ____ or failing him/her Mr./Mrs./Miss ____________________________________ of (full address) ____

(being member of the company) as my/our Proxy to attend, act vote for me/us and on my/our behalf at the Twenty Sixth Annual General Meeting of the Company to be held on 28 October 2020 and/or any adjournment thereof.

Signed this __________ day of __________ 2020.

Witnesses:

1. Name : ____________________
   Address : ____________________
   CNIC No. : ____________________
   Signature : ____________________

2. Name : ____________________
   Address : ____________________
   CNIC No. : ____________________
   Signature : ____________________

Signature on Rs. 5/- Revenue Stamp

NOTES:

1. A member entitled to attend and vote at the meeting may appoint another member as his / her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.

2. Proxy shall authenticate his/her identity by showing his/her original CNIC / passport and bring folio number at the time of attending the meeting.

3. In order to be effective, the proxy Form must be received at the office of our Registrar M/s. CDC Share Registrar Services Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahra-e-Faisal, Karachi, not later than 48 hours before the meeting duly signed and stamped and witnessed by two persons with their signature, name, address and CNIC number given on the form.

4. In the case of individuals attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy Form.

5. In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the CNIC or passport of the proxy shall be submitted alongwith proxy Form.

پراکسی فارم

26th سالانہ جنرل اجلاس

کمپنی سیکریٹری
عارف حبیب کارپوریشن لمیٹڈ
عارف حبیب سینٹر
23،ایم ٹی خان روڈ
کراچی۔

میں مسمّی / مسمّاۃ۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔ساکن۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔ضلع۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔

بحیثیت ممبر عارف حبیب کارپوریشن لمیٹڈ، مسمّی / مسمّاۃ۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔

ساکن۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔کوبطورِمختار (پراکسی) مقرر کرتا ہوں تا کہ وہ میری جگہ اور میری طرف سے کمپنی کے سالانہ اجلاسِ عام جو بتاریخ 28 اکتوبر، 2020 کو منعقد ہو رہا ہے میں اور ان کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

دستخط:۔۔۔۔۔۔۔۔۔۔۔۔۔۔بروز/ بتاریخ۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔ 2020

گواہان:

1	2
نام:۔۔۔۔۔۔۔۔۔۔	نام:۔۔۔۔۔۔۔۔۔۔
پتہ:۔۔۔۔۔۔۔۔۔۔۔	پتہ:۔۔۔۔۔۔۔۔۔۔۔
شناختی کارڈ نمبر:۔۔۔۔۔۔۔۔۔۔	شناختی کارڈ نمبر:۔۔۔۔۔۔۔۔۔۔۔
دستخط:۔۔۔۔۔۔۔۔۔۔۔	دستخط:۔۔۔۔۔۔۔۔۔۔۔

دستخط ۵ روپے
ریوینیو اسٹیمپ

نوٹ:

- وہ رُکن جسے یہ اجلاس یا اجلاس میں ووٹ کا حق حاصل ہے وہ کسی ناگزیر صورتحال میں اپنی جگہ کسی دوسرے (مخصوص) رُکن کو یہ حق دے سکتا ہے کہ وہ رُکن اُس کی پراکسی استعمال کرتے ہوئے، اُس کے بجائے اجلاس میں شریک ہو سکتا ہے، خطاب کر سکتا ہے یا ووٹ کا اندراج کر سکتا ہے۔
- پراکسی ثابت کرنے کے لئے اُسے اپنا اصل پاسپورٹ اور فولیو نمبر سے دکھانا لازمی ہے تا کہ اجلاس میں شرکت کی اجازت سے قبل اُس کی شناخت کی جاسکے۔
- مئوثر بنانے کے لئے، پراکسی فارم ہمارے رجسٹرار کے دفتر (ایم/ایس) سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ ،سی ڈی سی ہاؤس، B-99، ایس، ایم، سی، ایچ، ایس، شاہراہِ فیصل، کراچی، پاکستان، میں اجلاس سے کم از کم 48 گھنٹے قبل وصول ہونا لازمی ہے۔ فارم میں تمام مطلوبہ معلومات، رُکن کے دستخط اور مہر، نیز دو گواہان کی بنیادی معلومات یعنی نام پتے، دستخط اور شناختی کارڈ نمبر کا اندراج ضروری ہے۔
- انفرادی رُکن کی صورت میں اصل اونر اور پراکسی کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول منسلک کرنا لازمی ہے۔
- پراکسی کے کارپوریٹ ہونے کی صورت میں بورڈ آف ڈائیریکٹر کی قرارداد، پاور آف اٹارنی، شناختی کارڈ اور پاسپورٹ کی تصدیق شدہ نقول، پراکسی فارم کے ساتھ منسلک کرنا ضروری ہے۔

بعدازاں واقعات

بورڈ آف ڈائریکٹرز نے اپنی 30 ستمبر 2020 کو ہونے والی میٹنگ میں 1.5 روپے فی حصص (کل رقم 612.56 ملین روپے) حتمی نقد منافع منقسمہ کی پیشکش کی ہے جو کہ 28 اکتوبر 2020 کو ہونے والے سالانہ اجلاس عام میں ممبران کی منظوری سے مشروط ہے۔ اس اعلان کے اثرات کی عکاسی اگلے سال کے مالیاتی گوشواروں میں کی جائے گی۔

ملحقہ پارٹیوں کے سودے

لسٹنگ ریگولیشنز کی پاسداری کرتے ہوئے کمپنی نے ملحقہ پارٹیوں کے ساتھ تمام سودے آڈٹ کمیٹی اور بورڈ کے روبرو اُن کے جائزے اور منظوری کے لیے پیش کیے۔ ان سودوں کو آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے اپنے متعلقہ اجلاسوں میں منظور کیا۔ ملحقہ پارٹیوں کے ساتھ سودوں کی تفصیل آڈٹ شدہ مالیاتی گوشواروں کے نوٹ نمبر 35 میں پیش کی گئی ہے۔

اعتراف

ڈائریکٹرز کمپنی کے تمام اسٹیک ہولڈرز کے مسلسل اعتماد اور سرپرستی پر ان کے شکرگزار ہیں۔ ہم اپنے کاروباری شراکت داروں، بینکاروں اور مالیاتی اداروں کے اعتماد اور بھروسے پر ان کے لیے ستائش اور تشکر ریکارڈ پر لانا چاہتے ہیں۔ ہم وزارت مالیات، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، کمپیٹیشن کمیشن آف پاکستان، سینٹرل ڈیپازٹری کمپنی آف پاکستان اور پاکستان اسٹاک ایکسچینج کی انتظامیہ کے مسلسل تعاون اور رہنمائی پر اُن کے شکرگزار ہیں جن کے تعاون کی وجہ سے کمپنی طویل سفر طے کر کے آج اس مقام تک پہنچی ہے۔ سال کے دوران ہم کمپنی کے ملازمین کی ان تھک محنت کا اعتراف کرتے ہیں۔ انتہائی اہم معاملات میں انتظامیہ کی تائید اور رہنمائی کے لیے آڈٹ کمیٹی اور دیگر کمیٹیوں کے ممبران کے فعال کردار اور ان کی قابل قدر معاونت بھی قابل تعریف ہے۔

بورڈ آف ڈائریکٹرز کے لیے اور اُن کی طرف سے

جناب عارف حبیب
چیف ایگزیکٹو

ڈاکٹر شمشاد اختر
چیئر پرسن

ریٹائرمنٹ فنڈز سے سرمایہ کاری

کمپنی کے تحت اسٹاف پراویڈنٹ فنڈ سے کی گئی سرمایہ کاری کی مالیت ان کے 30 جون 2020 تک کے متعلقہ غیر آڈٹ شدہ مالیاتی گوشواروں کے مطابق 37.08 ملین روپے ہے۔

آڈٹ کمیٹی

ادارتی نظم وضبط کے ضابطے کے تحت آڈٹ کمیٹی نے تسلسل کے ساتھ اپنے فرائض کو بورڈ کی تعین کردہ ذمے داریوں کے مطابق انجام دیا۔ کمیٹی کی تشکیل اور اس کی ذمے داریوں کے نمایاں خدوخال اس رپورٹ کے ساتھ منسلک کیے گئے ہیں۔

آڈیٹرز

موجودہ بیرونی آڈیٹرز میسرز KPMG تاثیر ہادی اینڈ کمپنی 28 اکتوبر 2020 کو منعقد ہونے والے سالانہ اجلاس عام کے اختتام پر ریٹائر ہوجائیں گے اور اہلیت کے باعث انھوں نے 30 جون 2021 کو ختم ہونے والے مالی سال کے لیے اپنی دوبارہ تقرری کی پیش کش کی ہے۔ بیرونی آڈیٹرز کو انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) کے کوالٹی کنٹرول ریویو پروگرام میں تسلی بخش ریٹنگ حاصل ہے۔ آڈٹ کمیٹی کی تجویز پر بورڈ نے باہمی طے شدہ معاوضے پر میسرز KPMG تاثیر ہادی اینڈ کمپنی کی 30 جون 2021 کو ختم ہونے والے سال کے لیے بطور آڈیٹر دوبارہ تقرری کی سفارش کی ہے۔ اس سلسلے میں 28 اکتوبر 2020 کو منعقد ہونے والے اجلاس عام میں حصص یافتگان سے منظوری لی جائے گی۔

سیکریٹریل طریقوں پر عمل درآمد

جائزہ سال کے دوران کمپنیز ایکٹ 2017، لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017/ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019، (جہاں قابل اطلاق ہو) کے تحت سیکریٹریل اور ادارتی ضوابط کی مکمل پاس داری کی گئی۔

ڈائریکٹرز کے انتخابات

کمپنیز ایکٹ 2017 کی دفعہ 161 کے تحت غیر معمولی اجلاس عام منعقدہ ستمبر 2019 میں منتخب ہونے والے آٹھ ڈائریکٹرز کی تین سالہ مدت ستمبر 2022 کو مکمل ہوگی۔ زیر جائزہ سال کے دوران خواجہ جلال الدین رومی نے استعفیٰ دے دیا اور ان کی جگہ جناب سراج الدین قاسم کو ڈائریکٹر منتخب کیا گیا۔ اس خالی نشست پر تقرری معینہ مدت کے دوران کردی گئی تھی۔

کسی ڈائریکٹر کو سونپی گئی اضافی خدمات کے عوض معاوضے کا تعین بورڈ آف ڈائریکٹرز مارکیٹ کے معیار اور کام کے دائرہ کار کے مطابق طے کرتا ہے اور اس کے لیے کمپنی کے لیے آرٹیکلز آف ایسوسی ایشن کی پاس داری کی جاتی ہے۔ معاوضے کی سطح ذمے داری اور مہارت کے مطابق اور مناسب ہوتی ہے۔ تاہم کسی بھی آزاد ڈائریکٹر کا معاوضہ اس سطح کا نہیں ہوگا جسے اس کی آزادی پر تصفیہ تصور کیا جائے۔

چیف ایگزیکٹو آفیسر بورڈ کا واحد ایگزیکٹو ڈائریکٹر ہے۔ چیف ایگزیکٹو، ڈائریکٹرز اور ایگزیکٹوز کے معاوضے کے پیکیج کی تفصیلات منسلک آڈٹ شدہ مالیاتی گوشواروں کے نوٹ نمبر 28 میں پیش کی گئی ہیں۔

بورڈ کے اجلاس میں حاضری

ان افراد کے نام جو مالیاتی سال کے دوران کمپنی کے ڈائریکٹر رہے مع بورڈ اور کمیٹیوں کے اجلاسوں میں ان کی حاضری سے متعلق بیان کو گوشوارہ-II میں منسلک کیا گیا ہے۔

حصص داری کا ساخت

کمپنی کے حصص پاکستان اسٹاک ایکسچینج میں لسٹڈ ہیں۔ 30 جون 2020 کو کمپنی کے 3,713 حصص یافتگان تھے۔ حصص داری کی تفصیلی ساخت اور کمپنی کی حصص داری کی اقسام بشمول ڈائریکٹرز اور ایگزیکٹیو کی ملکیت میں حصص کی تعداد، اگر کوئی ہو، تو وہ منسلک گوشوارہ-III میں پیش کی گئی ہے۔

جولائی 2019 میں منعقدہ غیر معمولی اجلاس عام (EOGM) میں منظور کی گئی خصوصی قرارداد کے تحت کمپنی نے 45,375,000 عمومی حصص (کل جاری کردہ حصص کا 10 فیصد) 27 روپے فی شیئر کی قیمت پر بذریعہ ٹینڈر آفر خریدے تھے اور بعد ازاں کمپنیز ایکٹ 2017 کے سیکشن 88 کے مطابق رسمی کارروائیوں کی تکمیل کے بعد انھیں منسوخ کر دیا۔ کمپنی کے اداشدہ سرمائے کی پوزیشن حصص کی منسوخی سے قبل 4,537,500,000 روپے (عرفی قدر 10 روپے فی حصص کے حساب سے 453,750,000 عمومی حصص) تھی۔ کمپنی کی ترمیم شدہ اداشدہ سرمائے کی پوزیشن 9 اگست 2019 کو واپس خریدے گئے 45,375,000 حصص کی منسوخی کے بعد 4,083,750,000 روپے ہوگئی (جو کہ عرفی قدر 10 روپے فی حصص کے حساب سے 408,375,000 عمومی حصص پر مشتمل ہے)۔

مالیاتی اور کاروباری جھلکیاں

مالیاتی اور کاروباری اعداد و شمار اختصاری شکل میں ''گزشتہ چھ سالوں کی مالیاتی اور کاروباری جھلکیاں ایک نظر میں'' کے عنوان سے صفحہ نمبر 66 پر دیے گئے ہیں۔

ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکریٹری اوران کے شریک حیات اور کم عمر فیملی ممبران کی کمپنی کے حصص میں خرید وفروخت سے متعلق بیان کو گوشوارہ نمبر 1 میں منسلک کیا گیا ہے۔ گوشوارہ نمبر 1 میں دیئے گئے منکشفات کے علاوہ کسی بھی ایسے ملازم جس کی بنیادی سالانہ تنخواہ 2,400,000 سے زیادہ ہو، اس نے کمپنی کے حصص میں کوئی خرید وفروخت نہیں کی۔ سالانہ رپورٹوں میں حصص کی خرید وفروخت منکشف کیے جانے کے لیے تنخواہ کی اس سطح کو کمپنی کے بورڈ نے طے کیا ہے۔

بورڈ/کمیٹیوں کی تشکیل

کل آٹھ (8) ڈائریکٹرز میں سے سات ڈائریکٹرز مرد ہیں جب کہ ایک ڈائریکٹر خاتون ہیں جو کہ چیئر پرسن ہیں۔ موجودہ بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی تشکیل درج ذیل ہے:

بورڈ آف ڈائریکٹرز	قسم	آڈٹ کمیٹی	سرمایہ کاری اور پروجیکٹ تنوع کمیٹی	افرادی وسائل اور معاوضہ کمیٹی
ڈاکٹر شمشاد اختر (چیئر پرسن/خاتون ڈائریکٹر)	آزاد	-	-	-
جناب سراج الدین قاسم	آزاد	چیئرمین	-	چیئرمین
جناب اسد اللہ خواجہ	نان ایگزیکٹو	-	-	-
جناب نسیم بیگ	نان ایگزیکٹو	-	ممبر	ممبر
جناب صمد اے حبیب	نان ایگزیکٹو	-	ممبر	-
جناب کاشف اے حبیب	نان ایگزیکٹو	ممبر	ممبر	ممبر
جناب محمد اعجاز	نان ایگزیکٹو	ممبر	-	-
جناب عارف حبیب (چیف ایگزیکٹو)	ایگزیکٹو	-	چیئرمین	ممبر

ڈائریکٹرز کے معاوضے کی پالیسی

عارف حبیب کارپوریشن لمیٹڈ کے نان ایگزیکٹو ڈائریکٹرز بشمول آزاد ڈائریکٹرز جو کہ کسی گروپ کمپنی میں ڈائریکٹر، انتظامی عہدے اور اعلیٰ انتظامیہ میں شامل نہ ہوں وہ بورڈ آف ڈائریکٹر اور بورڈ کی کسی ذیلی کمیٹی کے اجلاس میں حاضر ہونے پر بورڈ کی وقتاً فوقتاً منظور کردہ شرح کے مطابق معاوضہ طلب کرسکتے ہیں۔

ادارتی نظم وضبط

AHCL پاکستان اسٹاک ایکسچینج میں لسٹڈ ہے۔ کمپنی کا بورڈ اور انتظامیہ لسٹڈ کمپنیوں کے ادارتی نظم وضبط کے ضابطے پر عمل پیرا ہے اور اس سلسلے میں اپنی ذمے داریوں سے آگاہ ہے اور کاروباری افعال اور کارکردگی کی نگرانی کی جاتی ہے تاکہ مالیاتی اور غیر مالیاتی معلومات کی درستگی، جامعیت اور شفافیت میں بہتری لائی جا سکے۔

بورڈ اس موقع پر اقرار کرتا ہے کہ کمپنی کے کھاتوں کی کتابیں درست انداز میں برقرار رکھی گئی ہیں اور مناسب حساباتی پالیسیوں کو اختیار کیا گیا ہے اور انہیں مالیاتی گوشواروں کی تیاری میں تسلسل کے ساتھ ملحوظ خاطر رکھا گیا ہے سوائے نئے معیارات اور ان ترامیم کے جنہیں آڈٹ شدہ مالیاتی گوشواروں کے نوٹ نمبر 4 میں بیان کیا گیا ہے۔ حسابات کی تیاری اور حساباتی تخمینوں کی بنیاد معقول اور محتاط فیصلوں پر ہے۔
مالیاتی گوشواروں کی تیاری کے دوران عالمی مالیاتی رپورٹنگ معیارات، جو پاکستان میں لاگو ہیں، کو ملحوظ خاطر رکھا گیا ہے۔ اندرونی کنٹرول کے نظام بشمول مالیاتی نظام مضبوط اور موثر انداز میں نافذ العمل ہے اور اس کی نگرانی کی جاتی ہے۔ کمپنی کے مالیاتی گوشوارے کمپنی کے معاملات، اس کے کاروباری نتائج، نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کو شفافیت کے ساتھ پیش کرتے ہیں۔ ٹیکسوں، محصولات، واجبات وغیرہ کی مد میں کوئی قابل ذکر رقم واجب الادا نہیں ہے۔ گریجویٹی، پینشن یا پراویڈنٹ فنڈ کی مد میں بھی کوئی واجبات قابل ادا نہیں ہیں۔

کمپنی کی پالیسی ہے کہ جہاں پر اس نے سرمایہ کاری کی ہے وہاں کے بورڈ میں اپنے ڈائریکٹر نامزد کرتی ہے۔ جب بھی ضرورت پڑتی ہے تو AHCL کے نامزد افراد اور/ یا نمائندے ہر کلیدی سرمایہ کاری کردہ کمپنی کی انتظامیہ کے ساتھ بجٹ اور کاروباری منصوبوں پر کام کرتے ہیں اور بجٹ اور بزنس پلان کے مطابق کارکردگی کا جائزہ لیتے ہیں۔ سرمایہ کاری کردہ کمپنی کی مجموعی کارکردگی کی وقتاً فوقتاً نگرانی بھی کی جاتی ہے۔

بورڈ اس بات کا اعادہ کرتا ہے کہ کمپنی کے چلتے ہوئے ادارے کی صلاحیت میں کوئی شک وشبہ نہیں ہے اور ادارتی نظم وضبط کے بہترین طور طریقوں سے کوئی قابل ذکر انحراف نہیں کیا گیا۔

کمپنی ہمیشہ بہترین ادارتی نظم وضبط اور شفاف اور درست طور طریقوں کے ذریعے آگے بڑھنے کے لیے کوشاں ہے، ان میں سے بہت سے طور طریقے کمپنی میں اُس وقت سے نافذ ہیں جب انہیں قانونی شکل بھی نہیں دی گئی تھی۔

ڈائریکٹرز اور اعلیٰ عہدے داران کی کمپنی کے حصص میں خرید وفروخت

تمام ڈائریکٹرز بشمول چیف ایگزیکٹیو، چیف فنانشل آفیسر اور کمپنی کے اعلیٰ عہدے داران کو کمپنی سیکریٹری کی جانب سے مطلع کر دیا گیا تھا کہ اگر انہوں نے بذات خود یا ان کے شریک حیات نے کمپنی کے حصص میں کوئی خرید وفروخت کی ہے تو تحریری طور پر ان سودوں کی قیمت، حصص کی تعداد اور CDC گوشوارے کی تفصیلات سودے کے 2 دن کے اندر کمپنی سیکریٹری کو ارسال کر دیں۔

مادیت کے لائحہ عمل کا نفاذ

بورڈ آف ڈائریکٹرز کمپنی کے تمام مادی/ اہمیت کے حامل معاملات کی کڑی نگرانی کرتا ہے۔ عام طور پر ان تمام معاملات کو مادی سمجھا جاتا ہے جو پالیسی کے مطابق کمپنی کی کارکردگی اور منافع کو نمایاں طور پر متاثر کرسکتے ہوں خواہ وہ انفرادی معاملات ہوں یا اجتماعی معاملات۔

کارپوریٹ سماجی ذمہ داری

کمپنی کے قیام ہی سے پائیدار اور ذمے دارانہ ترقی ہمارے بنیادی عناصر رہے ہیں جس کی وجہ سے ہم تسلسل کے ساتھ اپنے گروپ کی کمپنیوں کی حوصلہ افزائی کرتے ہیں کہ وہ جس ماحول اور لوگوں کے درمیان کاروبار کرتے ہیں ان کے ساتھ ذمہ دارانہ رویہ اپنائیں اور حساسیت کا مظاہرہ کریں۔

موجودہ حالات میں یہ اقدار اور بھی اہم ہوگئی ہیں جب COVID-19 کی وبا ہمیں ہر محاذ پر آزما رہی ہے۔ عارف حبیب گروپ میں ہم اپنے ملازمین کے ساتھ ساتھ پوری قوم کی صحت و بہبود کے لیے فکر مند رہتے ہیں۔ اسی لیے ہم نے اپنے ملازمین، صارفین اور شراکت داروں کی حفاظت یقینی بنانے کے لیے اقدامات اٹھائے اور مقامی برادریوں کو بھی امداد فراہم کی۔

عارف حبیب گروپ کی کمپنیاں پورے پاکستان میں بڑے پیمانے پر CSR پروگرام چلا رہی ہیں جن میں انتہائی توجہ طلب شعبوں کا احاطہ کیا گیا ہے اور تعلیم، صحت، ماحولیات، سماجی بہبود، کھیل اور ریلیف کے کاموں کو خصوصی اہمیت دی گئی ہے۔

گروپ کی کمپنیاں توانائی کی بچت پر توجہ مرکوز رکھتی ہیں اور تمام شعبہ جات اور ملازمین توانائی میں بچت کے اقدامات کی پابندی کرتے ہیں۔ یہ ہمارا نصب العین ہے کہ معیشت، اپنے لوگوں اور ماحول کی بہتری کے لیے سرمایہ کاری کے ذریعے پاکستان میں معاشی ترقی اور استحکام لایا جائے۔ گروپ تسلسل کے ساتھ وسائل کے کم استعمال کے اقدامات کی تائید کرتا ہے اور قابل تجدید توانائی میں تحقیق کی حوصلہ افزائی کرتا ہے۔

آپ کی کمپنی قومی معیشت میں اپنی شراکت کو بہت اہمیت دیتی ہے اور ہمیشہ اپنی ذمے داریوں سے شفافیت، درستگی اور بروقت انداز میں عہدہ برآں ہوئی ہے۔ گروپ کی کمپنیوں کی جانب سے کی گئی معاونت کی تفصیلات صفحہ نمبر 74 پر پیش کی گئی ہیں۔

افرادی وسائل

آپ کی کمپنی کو اس بات پر فخر ہے کہ اس کے ملازمین کاروبار کے تمام شعبوں میں اپنی اہلیت، وابستگی اور وفاداری رکھتے ہیں۔ ہم اہل ترین ملازمین کے انتخاب، ان کی صلاحیتوں کو بھرپور انداز میں استعمال کر کے، ان کی اہلیتوں کو نکھار کر اور ملازمتی معیار کے ذریعے ملازمین کی طویل مدتی ترقی یقینی بناتے ہیں۔

ہم سمجھتے ہیں کہ ہمارے ملازمین پر سرمایہ کاری سے ہمیں کام کے لیے ایک زیادہ مضبوط اور موثر افرادی قوت حاصل ہوگی۔ ملازمین کی حوصلہ افزائی کی جاتی ہے اور انھیں ان کی کارکردگی کے مطابق نوازا جاتا ہے جس کی وجہ سے طویل مدت ملازمت اور ترغیب ہر سطح پر موجود ہے۔ ہماری کاروباری سرگرمیاں اخلاقی ضابطوں کے مطابق شفافیت کے ساتھ انجام پاتی ہیں جس پر کوئی سمجھوتا نہیں کیا جاتا۔

سال 20-2019 نے پوری دنیا میں طور طریقوں میں ایسی تبدیلیاں پیدا کی جن کی کوئی مثال نہیں ملتی۔ ملازمین کی صحت اور حفاظت دنیا بھر میں اولین ترجیح بن گئی۔ ایک بار جب یہ بات واضح ہوگئی کہ یہ عالمی وبا ہے تو ہماری ٹیم نے پاکستان میں پھیلاؤ کے تناظر میں صورت حال کی مسلسل نگرانی کی اور گھر سے کام کرنے کی حکمت عملی وضع اور اس کی جانچ کی۔ احتیاطی تدابیر اور اور اسٹیک ہولڈر مینجمنٹ پروٹوکول متعلقہ فریقوں تک پہنچائے گئے۔ ہماری ٹیموں نے اسی وقت گھر سے کام کے نظام کی جانچ اور اس پر عمل اسی وقت سے شروع کر دیا تھا جب دنیا کے مختلف ممالک میں لاک ڈاؤن ہونا شروع ہوئے تھے تا کہ کمپنی کا کاروبار ہموار انداز میں چلتا رہے۔ یہ اس سے بہت پہلے ہو گیا تھا جب وفاقی اور صوبائی حکومتوں نے پاکستان میں لاک ڈاؤن کا اعلان کیا تھا۔

کمپنی نے کورونا وائرس (COVID-19) کے پھیلاؤ کو روکنے کے لیے مختلف اقدامات کیے اور کمپنی کے دفاتر کی حدود میں کام کرنے کے لیے ایس او پیز اور بچاؤ کی تدابیر کے تحت نیا ماحول تخلیق کیا۔ ہر کسی کی حوصلہ افزائی کی جاتی ہے کہ وہ وبا کے دوران ان تبدیلیوں کا عادی ہو جائے اور ان پر پوری احتیاط سے عمل کرے۔ وزارت صحت اور عالمی ادارہ صحت کی ہدایات اور مشوروں کے مطابق ہم نے کام کے مقامات، عام دفاتر، میٹنگ روم اور متبادل دنوں میں کام کے اپنے معیاری ضوابط کار (SOPs) نافذ کیے۔ ہماری ٹیم حالات میں تبدیلیوں کا مسلسل مشاہدہ کر رہی ہے اور اپنے لوگوں کے لیے کام کی جگہ کو مستقل بہتر بنانے میں کوشاں ہے۔

اپنی کلیدی سرمایہ کاریوں کے لیے کمپنی نے خطرات سے نمٹنے کے ایسے نظام ترویج کیے ہیں جو اس سرمایہ کاری کے لیے موزوں ہوں۔ کاروباری فیصلے پروجیکٹ کے جامع تجزیوں کے بعد کیے جاتے ہیں جن میں ممکنہ خطرات اور مواقعوں کی نشان دہی ہوتی ہے۔ خطرات سے نمٹنے کے لیے کمپنی کی توجہ بنیادی پہلوؤں جیسے بورڈ اور اعلیٰ انتظامیہ کے ذریعے انتظام کاری، پالیسیوں اور طریقہ کار کی تیاری اور نفاذ، خطرات کی نگرانی، انتظامی معلوماتی نظام اور اندرونی کنٹرول پر ہے۔ کمپنی خود کار عمل کے ذریعے خطرات اور ان کے کنٹرول کی تشخیص اور شناخت کرتی ہے اور جہاں ضروری ہوتا ہے ان طریقوں کو اپنایا جاتا ہے جن سے خطرات کو قابو کیا جا سکے۔ بطور ایک جاری عمل اور سال میں کم از کم ایک مرتبہ انتظامیہ مالیاتی گوشواروں کی رپورٹوں اور اس کے علاوہ خطرات سے نمٹنے، کارپوریٹ سماجی ذمہ داری، شمولیت اور ادارتی نظم وضبط کے ضابطے، حساباتی مینوئل، قانونی تقاضوں اور قواعد وضوابط کی پاسداری کی رپورٹوں کا جائزہ لیتی ہے۔

کاروباری خطرات کے انتظام میں نقطہ آغاز ہی سے سرمایہ کاری سے قبل گہرا تجزیہ کیا جاتا ہے اور اس ضرورت کو پورا کرنے کے لیے ایسے تعلیم یافتہ اور تجربہ کار پیشہ ورانہ اسٹاف کو بھرتی کیا جاتا ہے جو ضرورت پڑے تو سرمایہ کاری کردہ کمپنیوں کے بورڈ میں نمائندگی کر سکیں اور بورڈ ممبروں کے ذریعے ان کمپنیوں کے بجٹ اور دیگر اندرونی کنٹرول کے نظام کو لاگو کر سکیں، تسلسل کے ساتھ سرمایہ کاری کردہ کمپنیوں کی کارکردگی کا جائزہ لیں اور جب اور جیسے ضرورت پڑے اصلاحی اقدامات کریں، بشمول اگر درست لگے تو اس کمپنی میں سے سرمایہ کاری نکال لیں۔

بورڈ نے ایک سرمایہ کاری کمیٹی تشکیل دی ہے جس کی ذمے داری تمام کلیدی سرمایہ کاریوں کی مسلسل اور بلا رکاوٹ نگرانی کرنا ہے۔ جس کے جواب میں کمپنی کا انتظامی عملہ کمیٹی کو کلیدی سرمایہ کاریوں پر بروقت رپورٹ فراہم کرنے کا ذمے دار ہوتا ہے۔ خطرات کے انتظام پر تفصیلی معیاری اور مقداری تجزیے مالیاتی گوشواروں کے نوٹ نمبر 32 میں دیے گئے ہیں۔

سرمائے کا انتظام اور روانیت

کمپنی کی پالیسی ہے کہ سرمائے کی مستحکم سطح برقرار رکھی جائے تاکہ سرمایہ کاروں، قرض دہندگان اور مارکیٹ کا اعتماد بحال رہے، کاروبار میں پائیدار ترقی ہو، کمپنی کی چلتے ہوئے ادارے کی حیثیت کا تحفظ ہو، تاکہ وہ اپنے حصص یافتگان کو بہتر منفعت اور دیگر شراکت داروں کو فوائد فراہم کیے جا سکے اور سرمایے کی ساخت کی بہترین سطح کو برقرار رکھتے ہوئے سرمائے کی لاگت کم کی جا سکے۔ بورڈ آف ڈائریکٹرز سرمائے پر منافع کی نگرانی کرتے ہیں جسے کمپنی خالص منافع بعد از ٹیکس کہتی ہے اور اسے کل حصص یافتگان کی ملکیت کے لحاظ سے تقسیم کیا جاتا ہے۔ سال کے دوران سرمائے کے انتظام سے متعلق کمپنی کے نقطہ نظر میں کوئی تبدیلی نہیں کی گئی اور کمپنی کسی بیرونی سرمایے کے تقاضوں کی تابع نہیں ہے۔

مستقبل کی پیش بینی

اسٹیٹ بینک آف پاکستان نے کمزور معیشت کو بحال کرنے کے لیے متعدد اقدامات کیے ہیں۔شرح سود میں 625 بیسس پوائنٹ کی مجموعی کمی صارفین کی طلب کے ساتھ ساتھ معاشی سرگرمیوں میں اضافے کے لیے اہم قدم ثابت ہوا۔حکومت کی جانب سے تعمیراتی پیکیج کا اعلان یقینی طور پر ریئل اسٹیٹ شعبے کے لیے ایک عمل انگیز کا کام کرے گا۔اس تعمیراتی پیکیج کا اسٹاک مارکیٹ میں بھی بھرپُر جوشی کے ساتھ خیر مقدم کیا گیا اور نتیجتاً سیمنٹ اور اسٹیل کے سیکٹر میں شاندار تیزی دیکھی گئی۔معاشی اشاریئے متاثر کن اعداد وشمار پیش کر رہے ہیں (درآمدات میں کمی اور ترسیلاتِ زر میں قابل قدر اضافے سے کرنٹ اکاؤنٹ سرپلس ہوگیا)۔روپے کی قدر میں استحکام اور سرمایہ کاروں کے جذبات میں مثبت رجحان کے پیش نظر آپ کی کمپنی کا متنوع سرمایہ کاری پورٹ فولیو بہتر کارکردگی کا مظاہرہ کرسکتا ہے۔

خطرات سے نمٹنا

خطرات کے انتظام کا نظام بورڈ نے تشکیل دیا ہے جس میں وسیع پیمانے پر واضح ترتیب شدہ ادارتی اور انضباطی اجزاء شامل کیے گئے ہیں اور یہ ان واقعات اور پیشقدمیوں کو شناخت کرنے کی اہلیت رکھتا ہے جو کہ کمپنی کے چلتے ہوئے ادارے کی حیثیت کو نقصان پہنچا سکتے ہیں۔ خطرات سے نمٹنے کا نظام اس طرح ڈیزائن کیا گیا ہے کہ ادارے میں ہر سطح پر خطرات سے نمٹنے کے لیے متوازن طریقہ کار اختیار کیا جائے، خطرات اور مواقعوں کی ابتدائی مرحلے ہی میں شناخت اور تجزیہ کیا جائے، ان کی شدت کو ناپنے اور ان کی نگرانی اور انتظام کے لیے موزوں تدابیر کی جائیں۔

چونکہ کمپنی کا بنیادی کاروبار سرمایہ کاری ہے، اس لیے جیسے جیسے سرمایہ کاری حکمت عملی میں تبدیلیاں آتی ہیں خطرات سے نمٹنے کے نظام کو بھی اسی لحاظ سے تبدیل کیا جاتا ہے، اس کی روشنی میں کاروباری خطرات کا مجموعی طور پر سالانہ جائزہ لیا جاتا ہے تاکہ یقینی بنایا جائے کہ انتظامیہ خطرات کی شناخت، خطرات کے انتظام، اثاثوں، وسائل، ساکھ اور کمپنی اور حصص یافتگان کے مفادات کے تحفظ کے لیے متعلقہ انتظامی اور اندرونی کنٹرول کا موزوں نظام برقرار رکھتی ہے۔

کمپنی نے ثانوی مارکیٹ میں اپنی سرمایہ کاریوں کا آغاز کیا اور اس کے ساتھ ساتھ ہمیشہ مختلف شعبوں اور کمپنیوں میں تنوع کی پالیسی پر عمل درآمد کیا، جس میں انفرادی سرمایہ کاری فیصلوں کی بنیاد اہم تجزیات پر رکھی گئی اور سرمایہ کاری کی قدر کے لئے وقت پر ثابت شدہ اصولوں کی پیروی کی گئی۔کمپنی خطرات کا مقابلہ تحفظاتی انتخاب کو محتاط انداز میں استعمال کرتے ہوئے کرتی ہے، خطرات کے ارتکاز سے بچتی ہے، مناسب ضمانتوں اور ممکنہ نقدی کے بہاؤ کو یقینی بناتی ہے اور مقابل فریق کی صلاحیت کی تشخیص کرتی ہے۔اس کے علاوہ کمپنی بنیادی کیپٹل مارکیٹ کے انفرااسٹرکچر کی ترقی میں اپنے نمائندوں کے ذریعے مسلسل کردار ادا کر رہی ہے۔

اسٹیل

عائشہ اسٹیل ملز لمیٹڈ (ASML) کی توسیع جون 2019 میں مکمل ہوئی اور اب یہ ایک جدید ترین اور انتہائی بڑے کولڈ رولنگ اور گیلوانائزنگ کمپلیکس کی حیثیت اختیار کر چکی ہے۔ گزشتہ سال کے 205,456 ٹن کے مقابلے میں سال 20-2019 میں 258,453 ٹن کی مصنوعات فروخت کی گئیں یعنی تقریباً 26 فیصد کا اضافہ ہوا۔ گزشتہ سال کی 202,167 ٹن پیداوار کے مقابلے میں اس عرصے کے لیے مجموعی پیداوار 277,800 ٹن رہی جو تقریباً 37 فیصد کا اضافہ ظاہر کرتی ہے۔ توسیع کے بعد سالانہ پیداواری گنجائش 7 لاکھ ٹن تک پہنچنے کے بعد صلاحیت کا استعمال 40 فیصد کے قریب رہا جب کہ گزشتہ سال اسی مدت میں صلاحیت کا استعمال 89 فیصد ریکارڈ کیا گیا تھا جب اس کی گنجائش 226,849 ٹن سالانہ تھی۔ رواں مالی سال کے دوران حاصل ہونے والی آمدنی 29.78 ارب روپے رہی جبکہ اس کے مقابلے میں گزشتہ سال آمدنی 20.23 ارب روپے تھی یعنی آمدنی میں 47 فیصد کا اضافہ ہوا ہے۔ زیر جائزہ سال میں عائشہ اسٹیل ملز کو بعد از ٹیکس 616.57 ملین روپے کا خسارہ ہوا جس کی بنیادی وجہ توسیع کے لیے فنانسنگ کے بڑھتے ہوئے اخراجات رہی جبکہ پیداواری گنجائش پوری طرح استعمال نہیں ہوئی۔

سیمنٹ

پاور سیمنٹ نے اپنی پیداواری گنجائش 0.9 ملین ٹن سالانہ سے بڑھا کر 3.6 ملین ٹن سالانہ کر لی ہے جس کے بعد یہ کم لاگت والی اور جنوبی خطے کی دوسری سب سے بڑی سیمنٹ کمپنی بن گئی ہے۔ اس سے کمپنی کو مارکیٹ میں اپنا حصّہ بڑھانے اور سیمنٹ کے شعبے میں ایک بڑے کھلاڑی کی حیثیت اختیار کرنے میں مدد ملی گی۔ نیا پلانٹ یورپ کا جدید ترین سیمنٹ پروڈکشن لائن ہے جو FLSmidth، Denmark کی جانب سے فراہم کیا گیا ہے۔ یہ پلانٹ ماحولیاتی آلودگی کو قابو کرنے، توانائی کی بچت اور دیکھ بھال میں آسانی کے جدید نظام کا حامل ہے۔ پلانٹ سے گیسوں کا اخراج ورلڈ بینک اور IFC کے رہنما اصولوں کے مطابق ہوتا ہے۔ ایک جامع کوالٹی کنٹرول نظام بھی اس نئے پلانٹ کے خصوصیت میں سے ہے۔ کمپنی کو 30 جون 2020 کو اختتام پزیر ہونے والے مالی سال میں بعد از ٹیکس خسارہ متوقع ہے جس کی بنیادی وجہ توسیع میں چھ ماہ کی تاخیر سے بڑھنے والے مالی اخراجات رہے۔

ہوائی توانائی

سچل انرجی ڈویلپمنٹ (پرائیوٹ) لمیٹڈ (SEDPL) سی پیک کے تحت پہلا پاکستانی ملکیتی ونڈ پروجیکٹ ہے جس نے تجارتی سرگرمیاں شروع کر دی ہیں۔ SEDPL پہلا نجی ملکیت والا پاکستانی منصوبہ ہے جس کو SINOSURE کے تحت اور چین کے ICBC کی جانب سے فائنانسنگ کی سہولت حاصل ہوئی ہے۔ کمپنی نیشنل ٹرانسمیشن اینڈ ڈیسپیچ کمپنی NTDC کے ذریعے 20 سال تک قومی گرڈ کو صاف توانائی کی فراہمی کے لیے پرعزم ہے۔ کمپنی نے رواں مالی سال 1.83 ارب روپے کا منافع حاصل کیا اور اس کی فی حصص آمدنی 5.72 روپے رہی۔

مالیاتی خدمات

اسٹاک مارکیٹ میں انتہائی غیر متوقع کاروباری سال کے باوجود، جس کے دورانKSE-100انڈیکس نمایاں طور پر28,000 کی سطح تک گر گیا، اس شعبے میں ذیلی اور ملحقہ کمپنیوں کی مالیاتی کارکردگی تسلی بخش رہی ہے۔

عارف حبیب لمیٹڈ(AHL) کا بعد از ٹیکس منافع 59.86 ملین روپے رہا(مالی سال2019: 62.46 ملین روپے کا نقصان)۔سال کے اختتام پر کمپنی کی مالیت 3.27 ارب روپے رہی (جون2019: 2.92 ارب روپے) جس کے بعد کمپنی کے فی شیئر کی بک ویلیو 54.99روپے ہوگئی۔(30جون2019:44.21روپے)۔

ہماری اسیٹ مینجمنٹ کمپنی ایم سی بی عارف حبیب سیونگز اینڈ انویسٹمنٹ لمیٹڈ(MCBAH) کے لیے زیر جائزہ سال کامیاب ترین برسوں میں سے ایک رہا۔MCBAH میں نمایاں نمو ہوئی اور30 جون2020ءتک کمپنی کی خالص فروخت آمدن17.6ارب روپے رہی۔کمپنی کے زیر انتظام اثاثوں/فنڈ کی مالیت65.1ارب روپے ہوگئی جو گزشتہ سال45.6ارب روپے تھی۔اس کے ساتھ ساتھ کمپنی کا صوابدیدی وغیر صوابدیدی پورٹ فولیو بھی35.5ارب روپے تک پہنچ گیا جو گزشتہ مالی سال میں26.8ارب روپے تھا۔مزید برآں فنڈ مینجمنٹ میں فعالیت کی وجہ سے کمپنی کو سرمایہ کاری کی صورت میں126 ملین روپے کی آمدنی بھی ہوئی۔

اثاثوں اور فنڈ کی بھرپور فعالیت کے ساتھ مینجمٹ کے ذریعے کمپنی کو258 ملین روپے کا بعد از ٹیکس منافع ہوا جبکہ گزشتہ سال یہ منافع 24 ملین روپے تھا۔

30جون2020ءکو ختم ہونے والے رواں مالی سال کے لیے کمپنی کی فی حصص آمدنی3.58 روپے رہی جبکہ گزشتہ مالی سال میں فی حصص آمدنی0.34روپے تھی۔

انفرادی طور پر کمپنی کو بعد از ٹیکس 569.88 ملین روپے کا نقصان ہوا جبکہ سال 19-2018 میں 963.84 ملین روپے کا نقصان ہوا تھا۔ اس کے نتیجے میں کمپنی کا فی حصص نقصان 1.38 روپے رہا جبکہ اس کے مقابلے میں گزشتہ سال فی حصص نقصان 2.12 روپے رہا تھا۔

بورڈ نے حتمی نقد منافع منقسمہ برائے اختتامی سال 30 جون 2020 کے لئے 1.5 روپے فی حصص یعنی 15 فیصد کا اعلان کیا ہے۔ یہ منافع منقسمہ اُن حصص یافتگان کو دیا جائے گا جن کے نام حصص یافتگان کے رجسٹر میں 21 اکتوبر 2020 کو کتابیں بند ہونے سے پہلے درج ہونگے۔

رواں مالی سال کے دوران کمپنی نے IFRS-16 لیز سسٹم اپنایا ہے۔ IFRS-16 کو اپنانے کے اثرات اور متعلقہ اکاؤنٹنگ پالیسیاں انفرادی مالیاتی گوشواروں کے نوٹ نمبر 5.1 میں بیان کی گئی ہیں۔

ذیلی اور ملحقہ کمپنیوں کی کارکردگی

اگرچہ زیرِ جائزہ سال عمومی طور پر تمام کاروباروں کے لیے سخت رہا تاہم ہمارے سرمایہ کاری پورٹ فولیو کا تنوع مجموعی طور پر فائدہ مند ثابت ہوا۔ جہاں مالیاتی خدمات، سیمنٹ اور اسٹیل کے شعبے دباؤ کا شکار رہے وہیں کھاد اور توانائی کے شعبوں نے بہتر کارکردگی کا مظاہرہ کیا۔

سرمایہ کاری شعبوں کا سرسری جائزہ

فرٹیلائزر

کمپنی نے فرٹیلائزر کے شعبے میں نمایاں سرمایہ کاری کی ہے جس کی سالانہ پیداواری گنجائش 2.7 ملین ٹن ہے۔ فاطمہ فرٹیلائزر کمپنی لمیٹڈ اور پاک عرب فرٹیلائزرز لمیٹڈ کے نام سے کمپنی کے پلانٹ صادق آباد، شیخوپورہ اور ملتان میں واقع ہیں۔ دونوں کمپنیوں نے زیرِ جائزہ عرصے کے دوران بہتر کارکردگی کا مظاہرہ کیا۔

فاطمہ فرٹیلائزر کمپنی لمیٹڈ کو جولائی 2019ء سے جون 2020ء تک 12.17 ارب روپے بعد از ٹیکس خالص منافع ہوا۔ پاک عرب فرٹیلائزرز کو جولائی 2019ء سے دسمبر 2019ء تک 3 ارب روپے کا نقصان ہوا تاہم جنوری 2020ء سے جون 2020ء تک 706.76 ملین روپے کا منافع ہوا۔ پاک عرب کے منافع بخش ادارہ بننے کی وجہ اس کے لیے ایک مختص فیلڈ سے قدرتی گیس کی فراہمی کی بحالی ہے جس سے گیس کی فراہمی کا سات سالہ معاہدہ کیا گیا ہے۔

ڈائریکٹرز رپورٹ

معزز حصص یافتگان

عارف حبیب کارپوریشن لمیٹڈ AHCL کے ڈائریکٹران آپ کی کمپنی کے 30 جون 2020ء کو ختم ہونے والے مالی سال کی سالانہ رپورٹ اور آڈٹ شدہ گوشواروں کے ساتھ ان پر آڈیٹرز کی رپورٹ پیش کر رہے ہیں۔

اہم سرگرمیاں

AHCL عارف حبیب گروپ کی ہولڈنگ کمپنی ہے جس کا کاروبار مالیاتی خدمات، کھاد، توانائی، سیمنٹ، اسٹیل اور رئیل اسٹیٹ جیسے مختلف النوع شعبوں میں پھیلا ہوا ہے۔ کمپنی حصص مارکیٹ میں بھی تسلسل کے ساتھ سرمایہ کاری کرتی ہے۔

معیشت

مالی سال 2020ء پاکستان کے لیے خاصا دشوار ثابت ہوا۔ سال کا آغاز معیشت کو دستاویزی بنانے کی مہم سے ہوا جس سے معیشت میں طلب میں کمی آئی۔ سال کے ابتدائی حصے میں بلند شرح سود نے بھی معاشی سست رفتاری میں کردار ادا کیا۔ زیر نظر مالی سال کے آٹھویں مہینے میں COVID-19 کی وبا آئی تو ملک بھر کے بڑے حصّے میں بیشتر کاروبار بند ہو گئے۔ وزیر اعظم پاکستان نے وزارت خزانہ اور خاص طور پر اسٹیٹ بینک آف پاکستان اور دیگر بینکوں کی شراکت سے COVID-19 کے معاشی اثرات سے نمٹنے کے لیے بھرپور اقدامات کیے۔ شرح سود 625 بیسس پوائنٹ کی کمی کے بعد 7 فیصد پر آنا، بینکوں کے قرضوں کی اقساط کی ادائیگی ایک سال کے لیے مؤخر کر دینا، عارضی ری فائنانس کی سہولت TERF اور تنخواہوں کی فائنانسنگ نے قرض داروں کو بڑا ریلیف فراہم کیا اور انھیں دیوالیہ ہونے سے بچا لیا۔ بجٹ 2021ء میں نئے ٹیکس نہیں لگائے گئے اور خام مال پر کسٹم ڈیوٹیاں کم کی گئیں۔ وزیر اعظم نے تعمیراتی شعبے کے لیے ایک جامع پیکیج کا بھی اعلان کیا۔ ان اقدامات کو مالیاتی مارکیٹوں نے سراہا، جو KSE-100 انڈیکس میں جون 2020ء میں تیزی کے آغاز سے ظاہر ہونا شروع ہوا اور یہ سرمایہ کاروں کے مثبت جذبات کی نمائندگی کرتا ہے۔

مالیاتی نتائج

کمپنی کو رواں مالی سال مجموعی طور پر 2,638.52 ملین روپے بعد از ٹیکس منافع ہوا (جو سرپرست کمپنی کے مالکان سے منسوب کیا جاتا ہے) جو کہ مالی سال 2019ء میں 154.45 ملین روپے تھا۔ جس کے نتیجے میں فی حصص آمدنی 6.39 روپے رہی جبکہ گزشتہ مالی سال فی حصص آمدنی 0.34 روپے رہی تھی۔

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