



Arif Habib Corp

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ANNUAL  
REPORT

# Arif Habib Group

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is structured around Arif Habib Corporation Limited (AHCL), a holding company that primarily manages strategic investments of the Company. Whatever we do, we do it with a clear intention to ensure that nature and environment is being taken care of; wherever we manoeuvre, we strive to help society achieve sustainable growth. Our definition of sustainability management is the integrated expansion and escalation of our economic, environmental and social performance in a style that signifies value for all our stakeholders.





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# **Forward Looking Statements**

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

# Corporate Structure

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# Vision

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

# Mission

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

# Corporate Strategy

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

# Objectives

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

# Values

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

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



# The Arif Habib Group

**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 resource, 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. The Group's commitment to serve the community and all stakeholders is what drives the team to reach its maximum potential by being able to innovate and provide solutions and thereby converting 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 10 billion as dividend (including specie dividend) and PKR 720 million by buying back 2 million shares (having face value of PKR 10 each) at a price of PKR 360 per share from its shareholders.

Currently the Company's equity is PKR 30 billion built through retained earnings. Thus, by 30<sup>th</sup> June 2017, the initial investors in the IPO of the Company, have had a compounded all annualised return of 32.72%.

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

# Company Information

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## Board of Directors

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

## Audit Committee

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

## Management

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

**Bankers**

Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Bank Al Habib Limited  
Bank Islami Pakistan Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
MCB 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

**Registrar & Share Transfer Agent**

Central Depository Company of  
Pakistan Limited

**Registered & Corporate Office**

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

**Share Registrar Department**

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



# Subsidiaries and Associates

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# Pakarab Fertilizers Limited

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

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

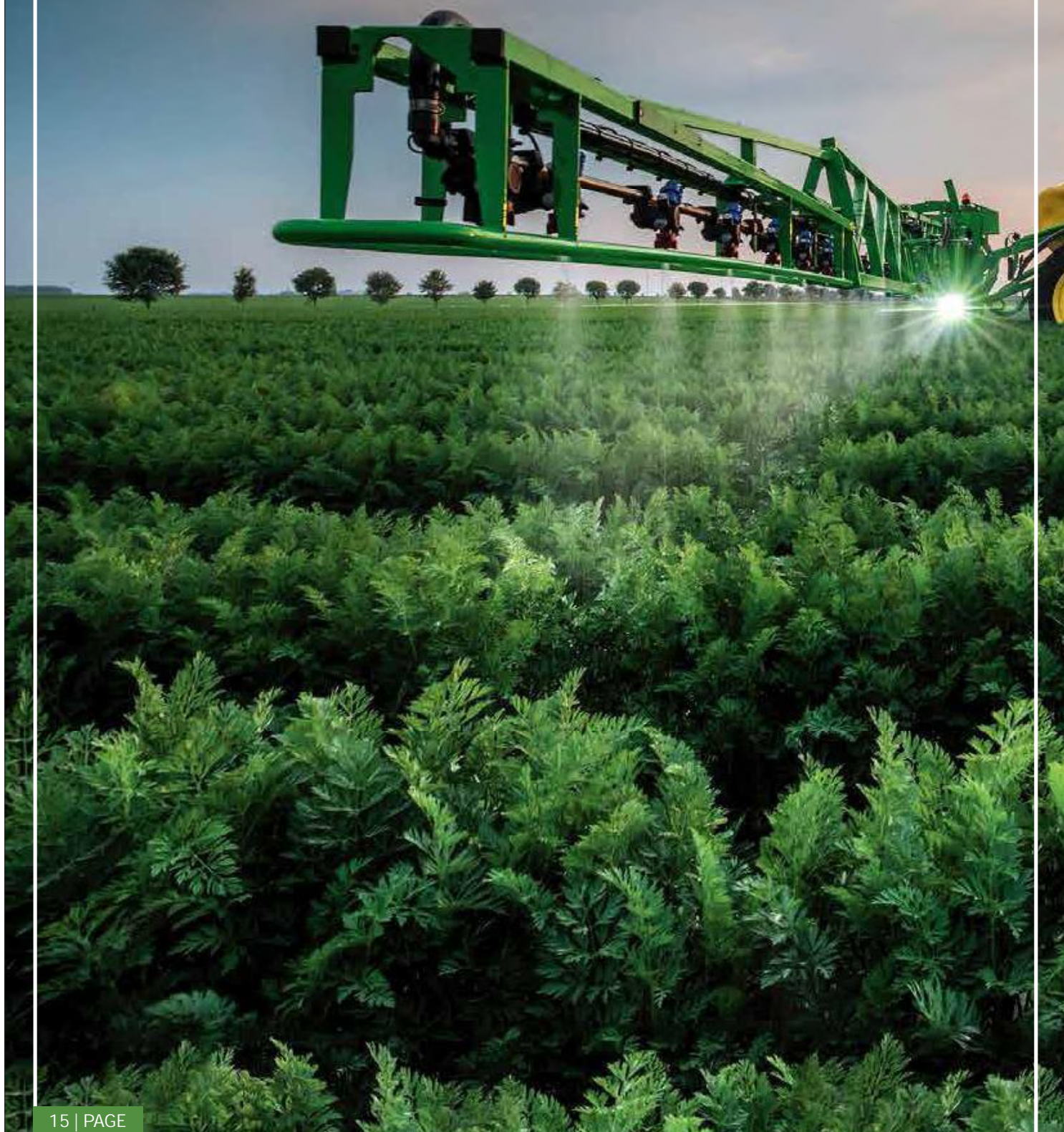
Pakarab Fertilizers Limited has undergone extensive modernisation and improved processes have been introduced to maximise the output, while minimising the negative impacts on the environment. The company became the first Pakistani company to earn and sell Carbon Credits in the international market.

**Total Assets**  
**63,488** Rupees in million

The company has been adversely affected by shortage of pipeline natural gas denying it its contracted gas being its raw material. Presently, the company is using LNG which is not competitive with pipeline gas.











# Fatima Fertilizer Company Limited

**102,825** <sup>Total Assets</sup>  
Rupees in million

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



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

AHL is engaged in providing equity and debt brokerage, as well as corporate finance services to a large number of institutional, corporate, high-net-worth and retail clients. AHL also provides financial and investment solutions relating to raising of equity and debt through the market, mergers and acquisitions, financial advisory and structured finance.

The company holds a significant market share and also works closely with some leading international financial services companies in providing foreign investors access to Pakistan's capital market. The Company is listed on the Pakistan Stock Exchange.



**5,693** **Total Assets**  
Rupees in million

MCB

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# MCB-Arif Habib Savings and Investments Limited

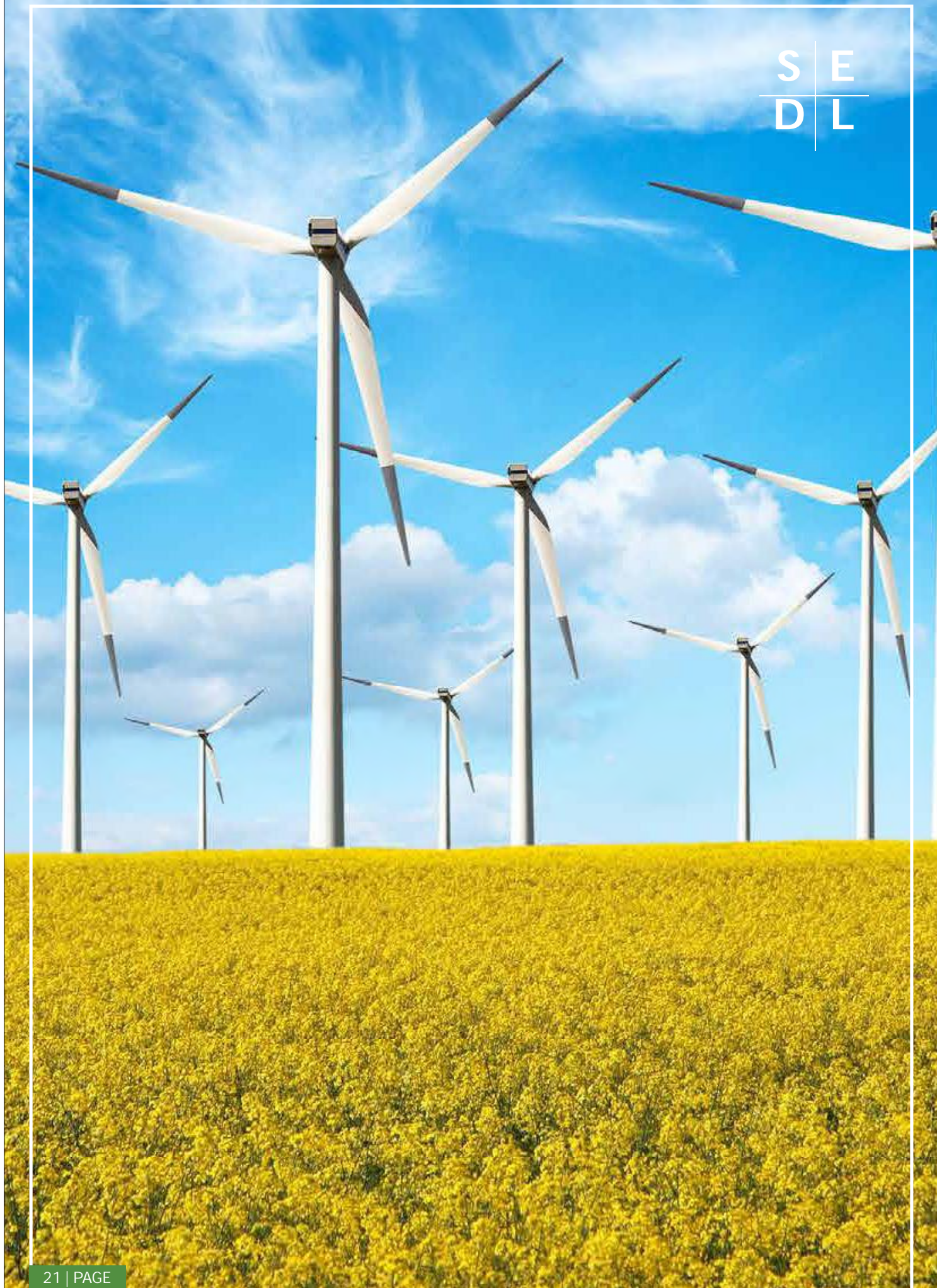
MCB-Arif Habib Savings and Investments Limited (MCBAH) is a joint-venture Asset Management, Investment Advisory and Pension Fund Management Company; it is managing Open-end Mutual Funds, Pension Funds as well as Discretionary and Non-discretionary Portfolios for institutional and individual clients.

MCBAH is an industry leader, known for setting international standards and bringing innovative products to market.

Total Assets  
**2,270** Rupees in million

The Company enjoys a wide distribution network through MCB and other banks and in addition, has its own institutional and retail marketing teams. It takes pride in being a leader in its retail market share. As of 30<sup>th</sup> June 2017, it had PKR 73.61 billion under management. The company is listed on the Pakistan Stock Exchange.







# Sachal Energy Development (Pvt.) Limited

Sachal Energy Development (Pvt.) Limited (SEDPL) has commissioned and operates a 50 MW wind farm at Jhimpir, Sindh. The Group believes that alternate sources of energy are the way forward. SEDPL is contributing to the national development by reducing dependence on imported fossil fuels and producing 136.5 GWh yearly of clean energy.

SEDPL was launched by the Chinese President and is part of the early harvest projects of CPEC and the first Wind project under CPEC to have achieved commercial operations. SEDPL also holds the honour of being the first privately owned Pakistani project to receive SINOSURE backed financing and the first such project to receive financing from ICBC, China. The company is committed to supplying electricity to the national grid through the National Transmission and Dispatch Company for 20 years.

Total Assets  
**13,560** Rupees in million





# Arif Habib Commodities (Pvt.) Limited

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

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

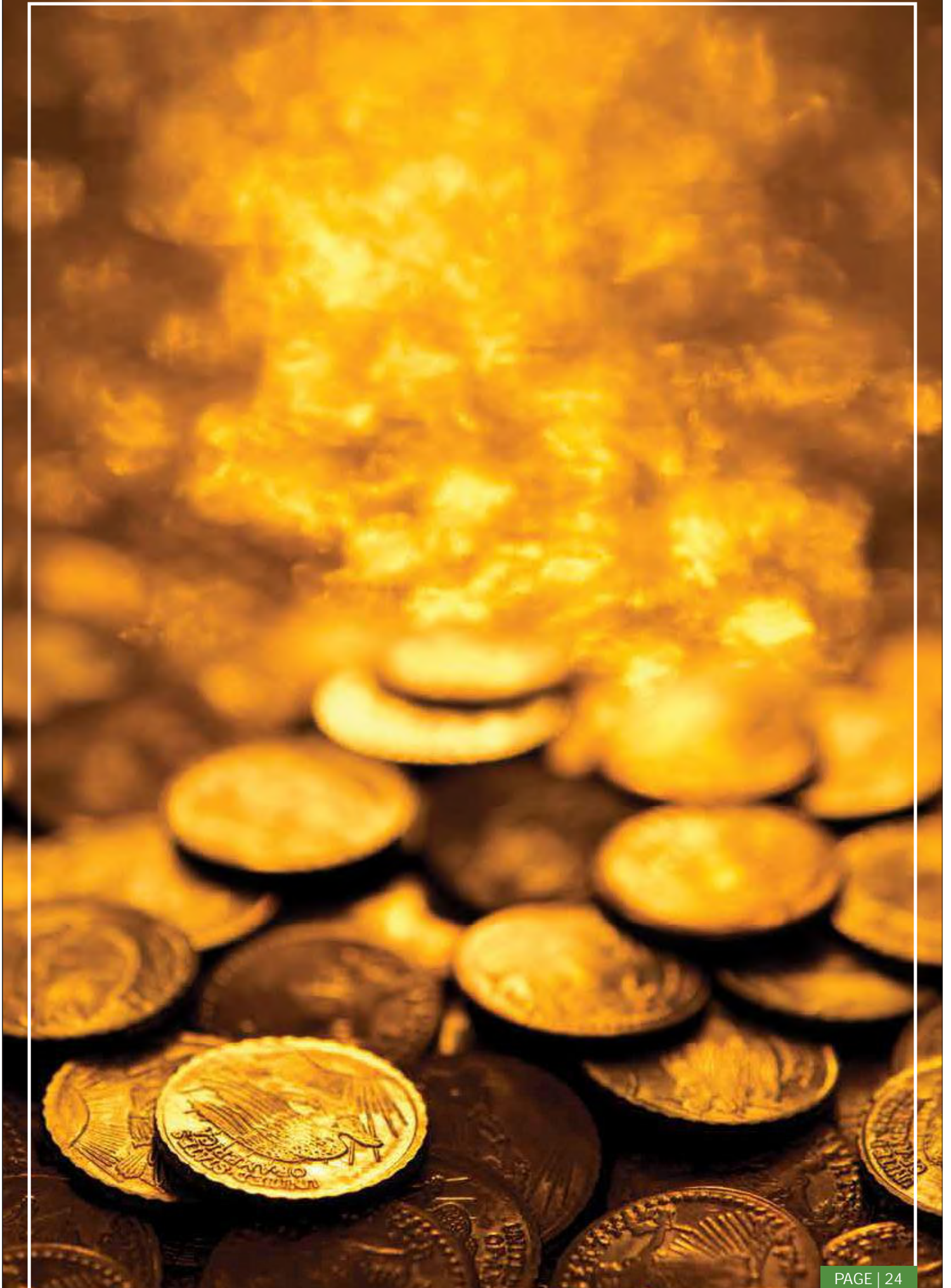
The Company is committed to serve the national goal of providing a trading platform for agricultural commodities, as agriculture is Pakistan's economy's backbone.

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.

Total Assets

**4.8**  
Rupees in million









# Aisha Steel Mills Limited



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

The existing production capacity of ASML is around 220,000MT per annum. The company has initiated expansion plans to increase production capacity to 700,000 tons per annum including the addition of a galvanizing line.

**Total Assets**  
**15,591**  
Rupees in million



# Power Cement Limited

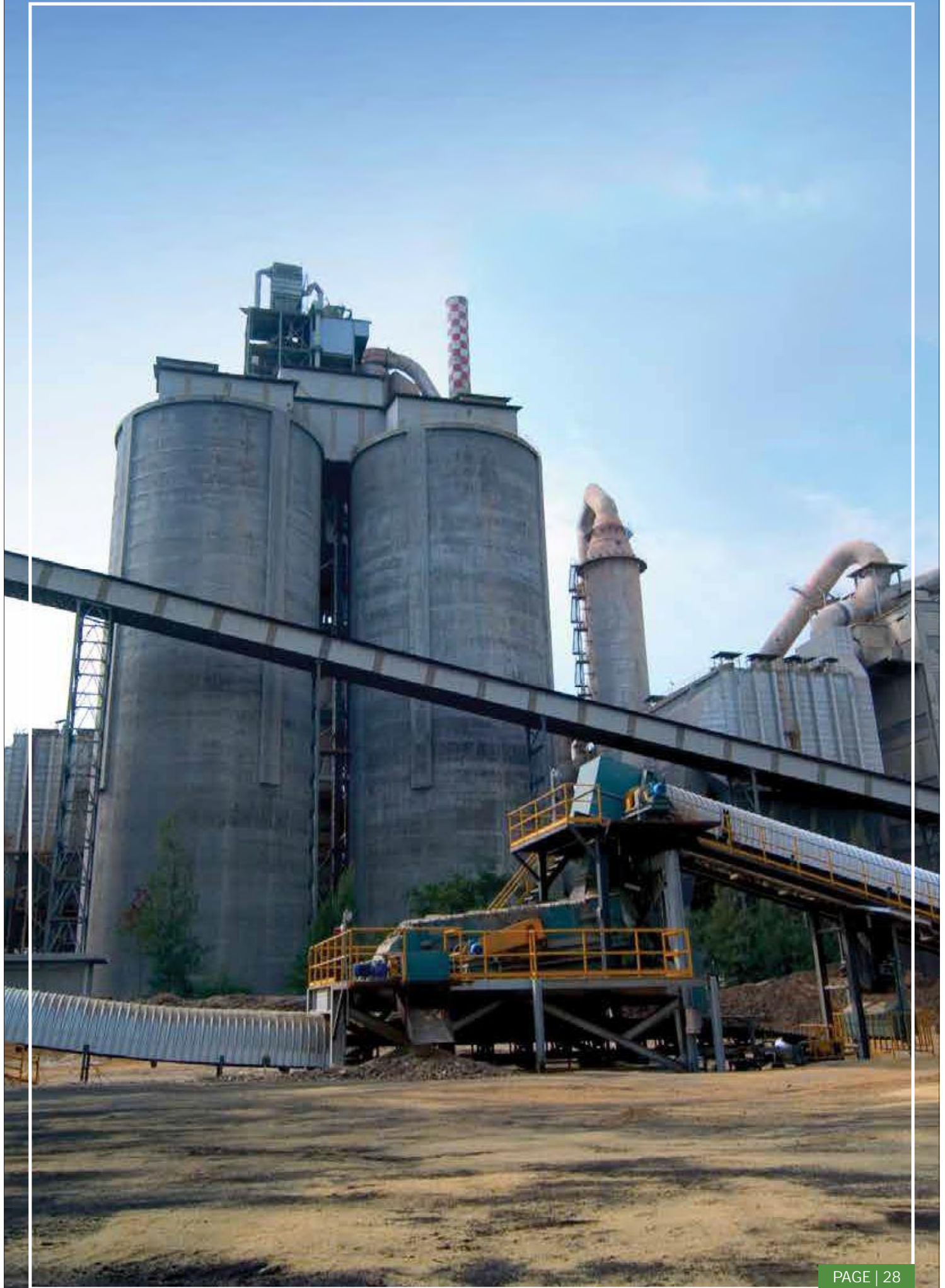
**Power Cement Limited (PCL) is engaged in the manufacturing and sale of cement. The plant is situated in Nooriabad Industrial Area, Jamshoro, Sindh.**

The plant comprises of two production lines and has a total production capacity of 3000 tons of clinker per day. PCL plans to triple its production to 3.1 million tons from current 900,000 tons.

Power Cement's primary target is the domestic market as it caters to the Southern region of Pakistan. Its products are also exported to markets located in the region. Power Cement is at an advanced stage of ordering new plant and equipment, which would take its capacity in excess of 10,000 tons per day. The company is listed on the Pakistan Stock Exchange.

**Total Assets**  
**7,126**  
Rupees in million











# Javedan Corporation Limited

**Javedan Corporation Limited (JCL) owns land measuring over 1300 acres at Manghopir, near SITE, North Nazimabad, North Karachi and New Karachi.**

The Arif Habib Group has a significant stake in the project and is developing a project that offers families not only housing but complete lifestyle needs, ranging from homes to educational facilities, medi-care facilities, sports and entertainment, as well as shopping facilities. The project, Naya Nazimabad, is in fact a city within a city with all basic and high-end amenities.

Naya Nazimabad aims to accommodate the housing demand of the middle income group and is an endeavour not only to alleviate the housing problem of the city but also to provide a quality lifestyle for the progressive middle class.

After the successful sale of housing units and plots in Naya Nazimabad, development of phase one is nearing completion and handover of property is underway, while plans for Commercial Area Development are under finalisation.





# Arif Habib Dolmen REIT Management Limited

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

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

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



**Total Assets**  
**1,540**  
Rupees in million





# Governance & Management

## Corporate Governance

**As part of AHCL's mission we are committed to maintaining our uncompromising principles while we grow.**

In this regard, our Board of Directors has adopted governance principles and policies to lead AHCL's governance practices. Currently, our Board has eight directors effectively representing and safeguarding the interests of shareholders including minority shareholders.

The Board actively participates in key activities including approval of budgets for capital and operational expenditure, investments in new ventures and issuance of further shares.

The Board also monitors Company Operations by approval of financial statements and dividends, review of internal and external audit reports regarding internal controls and their effectiveness. For the purpose of ensuring standardisation, the Board has devised policies for conducting business and ensures their monitoring and implementation through an independent Internal Audit department, which continuously reports to the Audit committee.

### Whistle Blowing

There exists a defined code of conduct within the Company which has stipulated a whistle blowing mechanism across the board. Our policies and procedures are mature, enabling employees to raise their concerns in confidence about possible

improprieties in all matters, without fear of reprisal. No incidences or concerns were reported during the year.

### Succession Planning

A company is only as strong as the people it employs. We believe in nurturing their strengths by empowering our people through challenging opportunities which enhance their potential and develop their abilities.

The Group has employed several qualified professionals of varying experience at various levels within the Group companies; this gives the Company a strong ability to draw upon talent and experience so as to ensure smooth succession planning.

### Stakeholder Engagement

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







# Board of Directors & Management

**Left to Right (sitting):** Mr. Muhammad Ejaz, Mr. Sirajuddin Cassim, Mr. Asadullah Khawaja, Mr. Arif Habib, Mr. Nasim Beg.

**Left to Right (standing):** Mr. Manzoor Raza, Mr. Kashif Habib, Mr. Samad Habib, Mr. Mohsin Madni.

**Not in the Picture:** Khawaja Jalaluddin Roomi



## Mr. Asadullah Khawaja

Chairman

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

# Board of Directors Profile

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

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

### Corporate Responsibilities

#### As Director

Arif Habib Dolmen REIT Management Limited  
Pak Elektron Limited  
Summit Bank Limited



## Mr. Arif Habib

Chief Executive

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

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

Mr. Habib participates significantly in welfare activities. He is one of the trustees of Fatimid Foundation and Memon Health & Education Foundation as well as a director of Pakistan Centre for Philanthropy, Karachi Education Initiative and Karachi Sports 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  
Fatimafert Limited  
Javedan Corporation Limited  
Karachi Sports Foundation  
Pakarab Fertilizers Limited  
Sachal Energy Development (Private) Limited

#### As Director

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

#### As Honorary Trustee/Director

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





## Mr. Sirajuddin Cassim

Independent Director

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

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

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

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

### Corporate Responsibilities

#### As Director

Platinum Securities (Private) Limited





## Mr. Nasim Beg

Non-Executive Director

Mr. Nasim Beg, a Fellow Member of the Institute of Chartered Accountants of Pakistan, 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.

With over forty-five years of experience in the business world including industry and the financial services (in and outside the country), Mr. Nasim Beg is one of the most highly experienced professionals of the country.

Before joining the Arif Habib Group, Mr. Beg served as the Deputy Chief Executive of NIT, 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 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

Arif Habib Dolmen REIT Management Limited  
(non-executive Chairman)

MCB-Arif Habib Savings & Investments Limited  
(Vice Chairman)

Pakarab Fertilizers Limited

Pakistan Opportunities Limited

Power Cement Limited (non-executive Chairman)

Safemix Concrete Limited

Silkbank Limited



## Mr. Samad A. Habib

Non-Executive Director

**Mr. Samad A. Habib is the Chief Executive of Javedan Corporation Limited. Mr. Samad A. Habib has more than 15 years of experience, including 9 years of working in the financial services industry in various senior management roles.**

He began his career with Arif Habib Corporation Limited (the holding company of Arif Habib Group) and has served the company in various executive positions including Executive Sales and Business Promotions, Company Secretary, Head of Marketing, etc.

In September 2004, he was appointed the Chairman and Chief Executive of Arif Habib Limited. As Chairman he was responsible for the strategic direction of the company and was actively involved in capital market operations and corporate finance activities such as serving corporate clients, institutional clients, high net worth individuals, and raising funds for clients through IPO's, private placements etc. He resigned from that position in January 2011.

Mr. Samad A. Habib holds a Master's degree in Business Administration.

### Corporate Responsibilities

Javedan Corporation Limited (Chief Executive)

#### As Director

Arif Habib Equity (Pvt.) Limited

Arif Habib Foundation

Arif Habib Dolmen REIT Management Limited

Arif Habib Real Estate Services (Pvt.) Limited

MCB-Arif Habib Savings & Investments Limited

International Complex Projects Limited

Nooriabad Spinning Mills (Pvt.) Limited

Pakarab Fertilizers Limited

Pakistan Opportunities Limited

Parkview Company Limited

Power Cement Limited

REMMCO Builders & Developers Limited

Rotocast Engineering Company (Pvt.) Limited

Safemix Concrete Limited

Sweetwater Dairies Pakistan (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 Bank in Pakistan and served Faysal Bank Pakistan as Regional Head of Corporate Banking group. He also served Saudi-Pak bank as Head of Corporate and Investment Banking. He also had short stints at Engro Chemical and Shoaib Capital.

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 and is the Managing Trustee for Jinnah Foundation Memorial Trust, which renders 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  
Arif Habib Real Estate Services (Pvt.) Limited  
Javedan Corporation Limited  
Power Cement Limited  
REMMCO Builders & Developers Limited  
Sachal Energy Development (Pvt.) Limited





## Mr. Kashif A. Habib

Non- Executive Director

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

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

### Corporate Responsibilities

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

### As Director

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



## Khawaja Jalaluddin Roomi

Independent Director

**Mr. Roomi manages export oriented composite textiles business and has a vast experience in leading various Government, Semi Government and public limited companies. Mr Roomi possesses versatile knowledge in finance and marketing and leading all other aspects of the business. Over the years, Mr Roomi has successfully launched number of projects and which are all very profitable ventures today.**

He is the Chairman of the Board of Management of Nishter Medical College & Allied Hospitals, a Member of the Board of Governors CMH Multan Institute of Medical Sciences, a Director on the Board of Punjab Industrial Estate Development & Management Company and a former director of Askari Bank Limited. He is currently President of Multan Chamber of Commerce and Industry.

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

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

### Corporate Responsibilities

#### As Chief Executive

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

#### As Director

Masood Spinning Mills Limited  
Roomi Enterprises (Pvt.) Limited

#### Other Designations

Multan Chamber of Commerce & Industry (President)  
Punjab Industrial Estate Development & Management Company (Director)  
Nishter Medical College and Allied Hospitals (Chairman Board of Management)  
CMH Multan Institute of Medical Sciences (Member Board of Governors)



Mr. Madni is an Associate Member of the Institute of Chartered Accountants of Pakistan (ICAP) and holds a 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. 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. Manzoor Raza**

**Company Secretary**

**Mr. Manzoor Raza is the Company Secretary of Arif Habib Corporation Limited and Aisha Steel Mills 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 Saving) before moving to Arif Habib Corporation Limited in 2011.

# Board & Management Committees

Keeping in view the reporting requirements, the Board of Directors of the Company have constituted committees both at the Board and Management levels. Most of the Board Committees' members are non-executive directors.

## Board Committees

### Board Audit Committee (AC)

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

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

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

The Board of Directors has determined the terms of reference of the Audit Committee and provides adequate resources and authority to enable the Audit Committee 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.

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

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

### Human Resource and Remuneration Committee (HR&RC)

The responsibilities of the Committee include recommendation of human resource management policies to the Board, along with the selection, evaluation, compensation (including retirement benefits) and succession planning of the CEO, CFO, Company Secretary and Head of Internal Audit to the Board. It also considers and approves recommendations of the CEO on matters of key management positions who report directly to CEO. THE HR&RC is committed to develop and take decisions on Human Resource strategy and policy. The Committee meets at least once in every six months. During the financial year under review, the Committee met 4 times.

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

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

#### Investments & Projects Diversification Committee (IPDC)

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

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

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

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

#### Management Committees

##### Executive Committee on Risk Management (ECRM)

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

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

##### Executive Committee on Human Resource (ECHR)

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



# Criteria to Evaluate Board's Performance

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

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

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

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

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

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

# Chairman's Review

## **Review Report by the Chairman on the overall performance of Board and effectiveness of the role played by the Board in achieving the Company's objectives:**

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

The Board has exercised its powers and has performed its duties as stated in the Companies Act 2017 (previously Companies Ordinance 1984) and the Code of Corporate Governance ("the Code") contained in the Rule Book of the Pakistan Stock Exchange (the Rule Book) where the Company is listed.

The Board during the year ended 30 June 2017 played an effective role in managing the affairs of the Company and achieving its objectives in the following manner;

- The Board has ensured that there is adequate representation of non-executive and independent directors on the Board and its committees as required under the Code and that members of the Board and its respective committees has adequate skill experience and knowledge to manage the affairs of the Company;
- The Board has formed an Audit and Human Resource and Remuneration Committee and has approved their respective terms of references and has assigned adequate resources so that the committees perform their responsibilities diligently;
- The Board has developed and put in place the rigorous mechanism for an annual evaluation of its own performance and that of its committees and individual directors. The findings of the annual evaluation are assessed and re-evaluated by the Board periodically;
- The Board has ensured that the directors are provided with orientation courses to enable them to perform their duties in an effective manner;
- The Board has ensured that the meetings of the Board and that of its committee were held with the requisite quorum, all the decision making were taken through Board resolution and that the minutes of all the meetings (including committees) are appropriately recorded and maintained;
- The Board has developed a code of conduct setting forth the professional standards and corporate values adhered through the Company and has developed significant policies for smooth functioning;
- The Board has actively participated in strategic planning process, enterprise risk management

system, policy development, and financial structure, monitoring and approval;

- All the significant issues throughout the year were presented before the Board or its committees to strengthen and formalize the corporate decision making process and particularly all the related party transactions executed by the Company were approved by the Board on the recommendation of the Audit Committee;
- The Board has ensured that the adequate system of internal control is in place and its regular assessment through self-assessment mechanism and /or internal audit activities;
- The Board has prepared and approved the director's report and has ensured that the directors report is published with the quarterly and annual financial statement of the Company and the content of the directors report are in accordance with the requirement of applicable laws and regulation;
- The Board has ensured the hiring, evaluation and compensation of the Chief Executive and other key executives including Chief Financial Officer, Company Secretary, and Head of Internal Audit;
- The Board has ensured that adequate information is shared among its members in a timely manner and the Board members are kept abreast of developments between meetings; and
- The Board has exercised its powers in light of the power assigned to the Board in accordance with the relevant laws and regulation applicable on the Company and the Board has always prioritized the Compliance with all the applicable laws and regulation in terms of their conduct as directors and exercising their powers and decision making.

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



**Asadullah Khawaja**  
Chairman

Karachi: 15<sup>th</sup> September 2017

# Chief Executive Performance Review

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

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

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

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

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



# Corporate Memberships

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

## **Pakistan Institute of Corporate Governance.**

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

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

## **Management Association of Pakistan**

Management Association of Pakistan (MAP) was formed in 1964 by a small group of dedicated

entrepreneurs and senior professional managers, who were keenly aware of the demands that were likely to be made on managerial talent within the country, as a result of the rapid increase in the tempo of industrial activity.

MAP offers the opportunity to network, learn and get involved with an objective to improve the effectiveness of individuals and organisations in product development and management. Since its inception, the Association has established itself as a major forum for training and communication of ideas in the field of management in Pakistan. Its status and contribution are widely recognised. The Association organises programmes covering a wide range of management principles and practices. Being an associate member of the MAP, AHCL aims to take full advantage of these resources at MAP to implement best practices of corporate excellence and good corporate governance throughout the Company.

## **Pakistan Centre for Philanthropy**

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

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



# Directors' Report

## Dear Fellow Shareholders

It is with great pleasure that the Directors present the Annual Report of your Company and the audited financial statements for the financial year ended on 30<sup>th</sup> June 2017 together with auditors' report thereon.



## Principal activities

Arif Habib Corporation Limited (AHCL) is a holding company of diversified businesses consisting of financial services, manufacturing and real estate. The Company owns significant interest in fertiliser, securities and commodities brokerage, corporate finance, asset management, cement, steel, wind power and real estate development. It also continues to manage a securities market portfolio.

## The Economy

The economy has continued to consolidate and grow in a significantly improved law and order environment. Most macro-economic indicators are showing improvements; however, the current account deficit has grown to 4%, putting pressure on foreign exchange reserves.

Development activity has picked up pace, both on account of the federal as well provincial governments focusing on power generation and infrastructure development, as well as the China Pakistan Economic Corridor (CPEC) projects rolling out. Despite this spending, the inflation rate has remained around 4.2% and the corresponding interest rates remain low, facilitating a decent growth in bank lending to the private sector.

We have witnessed a decline in exports, as well as in home remittances and on the other hand, the GDP growth of 4.7% and development spending have driven up imports considerably, both on account of plant and machinery, as well as on account of petroleum products and consumer goods.

The factors impeding competitiveness include high taxes on energy, low investment in human development resulting in low labour productivity, our low ranking on ease of doing business and the lack of attention of the policy makers towards the impediments that are holding back industrial activity and efficiency.

The recent census brings home the focus on the high growth rate of the population and the need to facilitate rapid creation of jobs. With the revised head count the per-capita income has come down. There is urgent need to take policy measures that will help consolidate and build on the economic gains.

## Financial Results

The Company posted a consolidated profit-after-tax (attributable to owners) of PKR 3.28 billion as opposed to PKR 3.54 billion during 2016. This translates to an earning of PKR 7.22 per share as compared with an earning of PKR 7.81 per share last year.

The consolidated EPS during the corresponding year includes PKR 4.03 representing one time Bargain Purchase Gain being fair valuation gain on acquisition of subsidiaries by Fatima Fertilizer Company Limited during last year. However, during the year under review financial performance of our brokerage house has **monumentally increased posting a profit after tax** which is 115% higher than the last year.

Further, our wind power project commenced its commercial operations during April 2017 and has contributed earnings of PKR 372.84 million from its three months operation.

Additionally, the Company's share of profit from Fatima **Fertilizer Company Limited has increased by 79% after** excluding one-time bargain gain. The earnings on consolidated basis represents the actual performance of the Company, its subsidiaries and share of profit from associates.

On unconsolidated basis, the Company has earned a **profit after tax of PKR 2.39 billion as compared with** PKR 1.28 billion in 2015-16.

This translates to an earning of PKR 5.27 per share as compared with PKR 2.82 per share earned in the previous year. Based on the profit during the year under review, the Board has recommended declaration of a final Cash Dividend for the year ended 30<sup>th</sup> June 2017 at PKR 3.00 per share i.e. 30%. This entitlement shall be available to those shareholders whose names appear on the shareholders' register at the close of business on 20<sup>th</sup> October 2017.

The Summary of Financial Results is as follows:-

	2017	2016
<b>Profit after tax</b>	<b>2,391,373,017</b>	1,281,123,988
Un-appropriated profit brought forward	<b>19,450,816,681</b>	19,304,067,693
Profit available for appropriation	<b>21,842,189,698</b>	20,585,191,681
<b>Appropriations:</b>		
* Final Cash Dividend at PKR 3.00 per share i.e. 30% for the year ended 30 <sup>th</sup> June 2017 as recommended by the Board of Directors (PKR 2.5 per share i.e. 25% for the year ended 30 <sup>th</sup> June 2016)	<b>1,361,250,000</b>	1,134,375,000
* Un-appropriated profit carried forward	<b>20,480,939,698</b>	19,450,816,681
Earnings per share – basic & diluted	<b>5.27</b>	2.82

\* Subject to the approval by members in the AGM to be held on 28<sup>th</sup> October 2017

### Performance of Subsidiaries and Associates

Your Company entered into a consolidation phase a couple of years ago and is focusing on strengthening its position in the sectors it is already invested in and improving the performance of its investment portfolio. Investee companies have performed to expectations and this is reflected in the improved financial results of your Company (both on standalone and consolidated basis). The external auditors have modified their opinion on the consolidated financial statements due to un-audited status of one of our associates which is fully explained in note 3.1.4.2. In this regard, we would like to inform that our associated company in the banking sector, Silkbank Limited, has a year end of 31<sup>st</sup> December and accordingly was audited as of 31<sup>st</sup> December 2016 and financial information for the period end 30<sup>th</sup> June 2017 were reviewed by its external auditor. Consequently, share of results in consolidated financial statement is based on limited reviewed financial information as of 30<sup>th</sup> June 2017.

### Investee Segments at a Glance

#### Fertilisers

A significant portion of the Company's investment is in the fertiliser sector. The sector is led by Fatima Fertilizer Company Limited (FFCL) and is followed by Pakarab Fertilizers Limited (PAFL). FFCL has performed well, recording a profit after tax of PKR 9.78 billion with an EPS of PKR 4.66 for the year ended 31<sup>st</sup> December 2016 and profit after tax of PKR 4.29 billion with an EPS of PKR 2.04 for the half year ended 30<sup>th</sup> June 2017.

PAFL recorded a loss after tax of PKR 1.93 billion for the year ended on 31<sup>st</sup> December 2016 and a loss of PKR 812.44 million for the half year ended 30<sup>th</sup> June 2017. Loss was mainly due to non-supply of pipeline gas by SNGPL, exorbitant cost of RLNG and lower fertiliser prices.

#### Financial Services

There has been a marked improvement in the operating financial performance of the subsidiaries and associates in this sector. Arif Habib Limited (AHL) has recorded a profit after tax of PKR 881 million as compared with PKR 409 million in the previous year, a significant increase of 115%, translating into an EPS of PKR 16.01. The company has declared a dividend of PKR 10.00 per share i.e 100%.

MCB-Arif Habib Savings and Investments Limited (MCBAH) has recorded a profit after tax of PKR 202.19 million for the year ended 30<sup>th</sup> June 2017 and has announced a total dividend of PKR 3.25 per share. The funds under management have also increased impressively to PKR 73.61 billion from PKR 42.36 billion last year. Going forward, the company's focus is to aggressively increase its market share following a "phased growth" strategy of increasing its retail footprint throughout Pakistan. MCBAH plans to add new branches in the next fiscal year across a number of existing and new cities.

Performance of Silkbank has improved and it has recorded a profit after tax of PKR 738.55 million with an EPS of PKR 0.09 for the year ended 31<sup>st</sup> December 2016

and profit after tax of PKR 478.26 million with an EPS of PKR 0.05 for the half year ended 30<sup>th</sup> June 2017.

Arif Habib Commodities (Private) Limited has performed well and has started making profit.

### Steel

Aisha Steel Mills Limited operated at a capacity level of 95% compared to 89% during the previous year. During the current financial year, the company sold 214,314 tons CRC compared to 181,259 tons last year, registering an increase of 18% in terms of volume and 46% in terms of revenue.

The company has initiated expansion of its production facilities to increase capacity from existing 220,000 tons to 700,000 tons per annum. The product mix envisaged includes 450,000 MT CRC and 250,000 MT Galvanized coils. Planned completion time is end of CY18.

### Cement

A significant investment has been made in improving the reliability of cement production facilities at Power Cement Limited, positioning the company to achieve improved capacity utilisation.

Power Cement has installed a pollution control bag house system making it the cleanest air discharging plant in the South Zone. The emission levels are now even better than the discharge limits allowed by the World Bank/IFC Guidelines.

The company is currently expanding its production facilities raising its capacity to around 3.4 million tons per annum from the current 0.9 million tons per annum. The ground breaking for the new plant, being procured from FLSmidth has taken place and the management is confident that the plant will be commissioned by the last quarter of FY19.

### Real Estate

The Naya Nazimabad housing project is progressing as per schedule and has achieved the milestones that had been set for it. Handing over of possession of plots and houses has begun as planned. Residents have started moving into the houses and those who had plots have begun construction of their houses and soon the entire project will be populous. Sold plots and houses have recorded healthy growth in market value endorsing good development work done by the Company. The management is working on initiating plans to launch the Commercial Development, which has Company's

significant investment.

### Wind power

Your Company's investment in the wind power sector, through Sachal Energy Development (Private) Limited has started commercial operation of its 49.5-megawatt wind energy project w.e.f. April 2017 and has posted **after tax profit of PKR 372.84 million based on three months operations**

This investment is set to contribute fully to the Company's revenue in the current financial year.

Sachal Energy's wind power project is the first Pakistani-owned Early Harvest Project of the China-Pakistan Economic Corridor (CPEC), which has been developed over 680 acres of land in the Jhimpir wind corridor in Sindh.

The company is committed to supplying electricity to the national grid through the National Transmission and Despatch Company for 20 years under an energy purchase agreement.

### Coal Power

Sindh Engro Coal Mining Company Limited has decided to allocate 1.9 million tonnes per annum of coal from its coal mine currently being developed at Thar Block II to AHCL for 330 MW Thar Coal based power project to be constructed, commissioned and operated at Thar Block II. Your Company feels developing a 660MW project would be a more prudent decision and has applied for such allocation, which it is hopeful shall be accepted.

The indicative coal delivery is in the year 2022. Coal delivery start date will be communicated once the feasibility of phase IV is completed by third quarter 2017. For the aforementioned project, AHCL has formed a wholly owned subsidiary with the name "Black Gold Power Limited".

### Future Outlook

For the coming year, GDP growth and inflation are expected to touch 5.5% and 5.0%, respectively. The China Pakistan Economic Corridor (CPEC) projects are anticipated to spur activity majorly in the construction and power sectors resulting in a ripple effect for overall economic growth. Higher growth is putting pressure on trade deficit accounts as imports of machinery, oil and automobiles are increasing at a faster pace whereas

exports and remittances have remained stagnant. At the Portfolio level, investee companies are expected to give a mixed performance. Secondary market investment portfolio is expected to receive a dent due to a decline of 2.82% in first 5 days of current financial year. Brokerage and asset management businesses' growth is expected to be challenging. Whereas, fertilisers, power, steel, real estate and cement are expected to do better.

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

### Risk Management

The risk management system established by the Board comprises of a wide range of finely tuned organisational 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 organisational 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. 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, applying budgetary and other internal controls on such companies through the Board members, continuing review of performance of the investee companies and taking corrective measures as and when needed, including the dis-investment from businesses if that becomes the right option.

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

### Capital Management and Liquidity

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

### Human Resource

Your Company takes great pride in the commitment, competence and ownership shown by its employees in all realms of the business. The Company continues to take new initiatives to further align its HR policies to



meet the growing needs of the business. People development continues to be a key focus area in your Company.

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

### Corporate Social Responsibility

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

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

We, at the Arif Habib Group are conscious of the well-being of our employees as well as community at large. The group companies focus on energy conservation and all departments and employees adhere to power conservation measures. It is our vision to continue contributing to the economic growth and stability in Pakistan through actively investing in its economy, its people and the sustainability of its environment. The Group continuously endeavours to support initiatives to reduce resource consumption and encourage research into renewable energy. Your Company takes its contribution towards national economy seriously and has always discharged its obligations in a transparent, accurate and timely manner. Details of the contributions made by group companies are presented on (Page 69).

### Corporate Governance

AHCL is listed at the Pakistan Stock Exchange. The

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

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

The Company has a policy in place to nominate directors on the board of each strategic investment based on its stake in the company. AHCL nominees 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.

In compliance with the Code, the Board hereby reaffirm 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 as detailed in the listing regulations and transfer pricing.

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 Shares by Directors and Executives All Directors including the Chief Executive, Chief Financial Officer and Executives of the Company were delivered written notices by the Company Secretary to immediately inform in writing any trading in the Company's shares by themselves or by their spouses and to deliver a written record of

the price, number of shares and CDC statement within 2 days of such transaction to the Company Secretary.

A statement showing the Company's shares bought and sold by its Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor family members is annexed as Annexure-I.

### **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 meetings is annexed as Annexure-II.

### **Pattern of Shareholding**

The shares of the Company are listed on the Pakistan Stock Exchange. There were 4,706 shareholders of the Company as of 30th June 2017. The detailed pattern of shareholding and categories of shareholding of the Company including shares held by directors and executives, if any, are annexed as Annexure-III.

### **Financial and Business Highlights**

The key operating and financial data has been given in summarised form under the caption "Financial & Business Highlights – Six years at a glance" (Page 79 - 80) and graphic representation of the important statistics is presented on (Page 81 - 82) .

### **Investment in Retirement Benefits**

The value of investment, made by the staff Provident Fund operated by the Company as per their respective audited financial statements as of 30<sup>th</sup> June 2016 amounts to PKR 19.10 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 28<sup>th</sup> October 2017 and being eligible, have offered themselves for reappointment for the year

ending on 30<sup>th</sup> June 2018. 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 30<sup>th</sup> June 2018 at a fee to be mutually agreed.

Approval to this effect will be sought from the shareholders at the forthcoming Annual General Meeting scheduled on 28<sup>th</sup> October 2017.

### **Compliance with Secretarial Practices**

The Company Secretary furnished a Secretarial Compliance Certificate, in the prescribed form, as required under prevalent listing regulation of Pakistan Stock Exchange, as part of the annual return filed with the Registrar of Companies to certify the secretarial and corporate requirements of the Companies Ordinance, 1984 and listing regulations have been duly complied with.

### **Election of Directors**

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

### **Post Balance Sheet Events**

There have been no material changes since 30<sup>th</sup> June 2017 to the date of this report except the declaration of a final Cash Dividend @ 30% which is subject to the approval of the Members at the 23rd Annual General Meeting to be held on 28<sup>th</sup> October 2017. The effect of such declaration shall be reflected in the next year's financial statements.

### **Related Party Transactions**

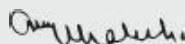
In order to comply with the requirements of listing regulations, the Company presented all related party transactions before the Audit Committee and Board for their review and approval. These transactions have been approved by the Audit Committee and Board of Directors in their respective meetings. The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

## Acknowledgement

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

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

For and on behalf of the Board



**Arif Habib**  
Chief Executive



**Asadullah Khawaja**  
Chairman

Karachi: 15<sup>th</sup> September 2017

# Annexures

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- Annexure - I Statement showing shares bought and sold by Directors, CEO, CFO, Company Secretary and their Spouses and Minor Children
- Annexure - II Statement showing attendance at Board Meetings
- Annexure - III Categories of Shareholders as at 30<sup>th</sup> June 2017



# Annexure I

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

From 1<sup>st</sup> July 2016 to 30<sup>th</sup> June 2017

Name	Designation	Shares bought	Shares sold	Remarks
Mr. Asadullah Khawaja	Chairman	-	-	-
Mr. Arif Habib	Chief Executive	-	-	-
Mr. Nasim Beg	Director	-	-	-
Mr. Samad Habib	Director	-	-	-
Mr. Kashif Habib	Director	-	-	-
Mr. Muhammad Ejaz	Director	-	-	-
Mr. Sirajuddin Cassim	Director	-	-	-
Khawaja Jalaluddin Roomi	Director	-	-	-
Mr. Mohsin Madni	CFO	-	-	-
Mr. Manzoor Raza	Company Secretary	-	-	-
Mr. Muneer Gader	Head of Internal Audit	-	-	-
Mrs. Zetun Arif	Spouse of Mr. Arif Habib	-	* 20,000,000	-
Mrs. Lubna Khawaja	Spouse of Mr. Asadullah Khawaja	10,000	-	-
Minor children	-	-	-	-

\* Shares transferred vide gift deed.

# Annexure II

## Statement showing attendance at Board Meetings

From 1<sup>st</sup> July 2016 to 30<sup>th</sup> June 2017

Name	Designation	Total	Eligible to attend	Attended	Leaves granted	Remarks
Mr. Asadullah Khawaja	Chairman	5	5	5	-	-
Mr. Arif Habib	Chief Executive	5	5	5	-	-
Mr. Nasim Beg	Director	5	5	4	1	-
Mr. Samad Habib	Director	5	5	4	1	-
Mr. Kashif Habib	Director	5	5	4	1	-
Mr. Sirajuddin Cassim	Director	5	5	1	4	-
Mr. Muhammad Ejaz	Director	5	5	4	1	-
Khawaja Jalaluddin Roomi	Director	5	4	4	-	-

# Annexure III

# Pattern of Shareholding

Categories of Shareholders as at 30<sup>th</sup> June 2017

Category	Number of shareholders	Number of shares held	Holding %
Directors and their Spouse(s) and minor children	15	316,149,861	69.67
Associated Companies, Undertakings and Related Parties	3	43,405,500	9.57
Executives	-	-	-
Public Sector Companies and Corporations	3	3,839,089	0.85
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	8	1,116,186	0.25
Mutual Funds	3	952,729	0.21
Others	79	32,903,981	7.25
General Public - Local	4,593	55,382,525	12.21
General Public - Foreign	2	129	0.00
	<b>4,706</b>	<b>453,750,000</b>	<b>100.00</b>

# Pattern of Shareholding

Categories of Shareholders as at 30<sup>th</sup> June 2017

Category	Number of shareholders	Number of shares held	Holding %
<b>Directors and their Spouse(s) and minor children</b>			
Mr. Arif Habib	2	261,772,967	57.69
Mr. Asadullah Khawaja	3	81,006	0.02
Mr. Nasim Beg	2	2,078	0.00
Mr. Samad A. Habib	1	1,006	0.00
Mr. Kashif A. Habib	1	35,290	0.01
Mr. Muhammad Ejaz	1	121	0.00
Mr. Sirajuddin Cassim	2	229,893	0.05
Khawaja Jalaluddin Roomi	1	119,500	0.03
Mrs. Zetun Arif	1	53,898,000	11.88
Mrs. Lubna Khawaja	1	10,000	0.00
	<b>15</b>	<b>316,149,861</b>	<b>69.67</b>
<b>Associated Companies, Undertakings and Related Parties</b>			
Mahmood Textile Mills Ltd.	1	12,709,500	2.80
Roomi Fabrics Ltd	1	20,735,500	4.57
Masood Spinning Mills Ltd.	1	9,960,500	2.20
	<b>3</b>	<b>43,405,500</b>	<b>9.57</b>
<b>Executives</b>	-	-	0.00
<b>Public Sector Companies and Corporations</b>	3	3,839,089	0.85
<b>Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds</b>	8	1,116,186	0.25
<b>Mutual Funds</b>			
CDC - Trustee AKD Index Tracker Fund	1	28,437	0.01
CDC - Trustee National Investment (Unit) Trust	1	724,292	0.16
CDC - Trustee AKD Opportunity Fund	1	200,000	0.04
	<b>3</b>	<b>952,729</b>	<b>0.21</b>
Others	79	32,903,981	7.25
<b>Genral Public</b>			
Local	4,593	55,382,525	12.21
Foreign	2	129	0.00
	<b>4,595</b>	<b>55,382,654</b>	<b>12.21</b>
	<b>4,706</b>	<b>453,750,000</b>	<b>100.00</b>
<b>Shareholders holding 5% or more</b>			
Mr. Arif Habib	1	261,772,967	57.69
Mrs. Zetun Arif	1	53,898,000	11.88



# Pattern of Shareholding

Categories of Shareholders as at 30<sup>th</sup> June 2017

Number of Shareholders	Shareholdings' Slab		Holding
971	1	to 100	21,838
938	101	to 500	299,376
681	501	to 1,000	551,435
1,288	1,001	to 5,000	3,158,638
308	5,001	to 10,000	2,298,009
119	10,001	to 15,000	1,477,892
97	15,001	to 20,000	1,728,702
45	20,001	to 25,000	1,047,808
25	25,001	to 30,000	697,392
21	30,001	to 35,000	686,076
17	35,001	to 40,000	653,183
14	40,001	to 45,000	595,892
29	45,001	to 50,000	1,416,611
12	50,001	to 55,000	623,093
11	55,001	to 60,000	636,321
7	60,001	to 65,000	436,948
9	65,001	to 70,000	619,248
7	70,001	to 75,000	519,107
8	75,001	to 80,000	626,312
3	80,001	to 85,000	242,600
4	85,001	to 90,000	353,611
10	90,001	to 100,000	996,300
5	100,001	to 115,000	567,137
4	115,001	to 120,000	472,000
2	120,001	to 125,000	241,820
2	125,001	to 130,000	254,077
1	130,001	to 140,000	134,954
1	140,001	to 145,000	143,000
3	145,001	to 150,000	450,000
1	150,001	to 155,000	153,017
1	155,001	to 160,000	158,500
1	160,001	to 165,000	162,079
1	165,001	to 170,000	168,500
1	170,001	to 175,000	173,000
1	175,001	to 190,000	175,625
2	190,001	to 195,000	386,758
2	195,001	to 200,000	396,500
1	200,001	to 205,000	201,500
1	205,001	to 210,000	207,500
1	210,001	to 215,000	212,500
2	215,001	to 225,000	435,500
1	225,001	to 230,000	229,393
2	230,001	to 240,000	475,206
1	240,001	to 250,000	240,071
1	250,001	to 275,000	255,000
2	275,001	to 300,000	594,500
2	300,001	to 305,000	605,600

# Pattern of Shareholding

Categories of Shareholders as at 30<sup>th</sup> June 2017

Number of Shareholders		Shareholdings' Slab		Holding
1	305,001	to	325,000	315,879
2	325,001	to	350,000	651,000
1	350,001	to	360,000	352,000
1	360,001	to	365,000	360,048
1	365,001	to	375,000	370,000
1	375,001	to	400,000	400,000
1	400,001	to	425,000	421,500
1	425,001	to	450,000	450,000
1	450,001	to	475,000	462,975
1	475,001	to	490,000	483,165
1	490,001	to	495,000	490,193
1	495,001	to	500,000	500,000
1	500,001	to	575,000	565,500
1	575,001	to	590,000	577,218
1	590,001	to	600,000	592,500
1	600,001	to	705,000	700,400
1	705,001	to	725,000	724,292
1	725,001	to	850,000	847,000
1	850,001	to	900,000	878,500
1	900,001	to	950,000	906,500
1	950,001	to	1,000,000	950,867
1	1,000,001	to	1,500,000	1,102,987
1	1,500,001	to	1,750,000	1,537,965
1	1,750,001	to	2,000,000	1,835,500
5	2,000,001	to	2,500,000	11,703,500
2	2,500,001	to	5,000,000	5,468,415
1	5,000,001	to	10,000,000	9,960,500
1	10,000,001	to	15,000,000	12,709,500
1	15,000,001	to	17,000,000	16,799,500
1	17,000,001	to	20,000,000	17,046,000
1	20,000,001	to	50,000,000	20,735,500
1	50,000,001	to	75,000,000	53,898,000
1	75,000,001	to	100,000,000	99,602,967
1	100,000,001	to	200,000,000	162,170,000
<b>4,706</b>				<b>453,750,000</b>



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# Sustainability Report

Investing in Pakistani Economy,  
Society and Environment

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# CEO's Message



CSR is a relatively new business term, and something which has only become prevalent in the world of global business in the recent years. Arif Habib Group has always believed in and been aware of our duty towards and as part of the community from the day our businesses initiated.

Guided by our vision to give back to society from where we earn evokes trust among our partners, employees, shareholders, and the community. We remain committed to protecting our heritage through a strong bond of trust and it is reflected in the manner we conduct our business.

In the 70<sup>th</sup> year of our country's existence, it is my hope that we set an example for other companies and people in individual capacities to yearn to want to develop the nation which is our home. We hope to do this by demonstrating that these contributions go a long way in creating awareness to save our planet and our country enabling us to take great pride in making the world a safer and more sustainable place for future generations.



# Our Vision for Sustainability



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

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

one that contributes to a better, more sustainable future where the aspirations of people are fulfilled.

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



# Arif Habib Foundation

**Our goal is charitable giving and to better align our objectives the Arif Habib Foundation was established. In the current year the Foundation has donated almost PKR 70,634,079 in cash and grants to several groups and individuals. Some of the esteemed and devoted organisations that Arif Habib Foundation works with include The Citizens Foundation, The Cardiovascular Foundation, Jinnah Foundation, The Kidney Centre, Fatimid Foundation, Marie Adelaide Leprosy Centre and Hunar Foundation.**

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



## HANDS

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

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



## Jinnah Foundation

**Arif Habib Group, has assumed responsibility of the Jinnah Foundation Memorial Trust, which renders services in the fields of health and education with emphasis on female literacy. The Group aims to augment Jinnah Foundation's commitment to serve Pakistan in the field of education with future plans for the establishment of institutions for higher education. Subject to regulatory approvals the foundation will be renamed to reflect this change.**

Jinnah Foundation is the first institution dedicated to the memory of the Founder of Pakistan and the first institution to recognise the need of rendering services in the field of human development as a Nation Building Exercise. The foundation is fulfilling this vision through the Jinnah Foundation Secondary School. The school has an enrolment of over 1300 students being taught by a dedicated team of 96 teachers (including 27 former students who graduated from Jinnah Foundation School), 3 head mistresses and one principal. The school is located at Bhitai Colony, Korangi, Karachi. The school has libraries, a home economics section, computer division and physics and chemistry laboratories for hands on learning. Success rate for students in the matriculation examination ranges between 95-100%.



## Investing in Education

In our pledge to support the Pakistani economy, the Arif Habib Group is dedicated to contributing towards the improvement and development of local educational institutions in order to produce the future leaders of Pakistan. We believe that improving institutions and providing better access to higher education will be a critical factor in further developing Pakistan's economy in the coming years.

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

Other causes supported by the Group include CARE Foundation, Progressive Education Network, The Citizens Foundation and Fatima Fertilizer School 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, channelize people capability through experiential learning, contributing to professional development and supporting networking opportunities for business is part of our responsibility to the country.

Being an active member of Pakistan's economy, we work tirelessly on nurturing the development and advancement of events and projects that result in direct and indirect enhancement of the sector, whether it is for the professional development of our own employees or that of rising stars in their respective areas of expertise and interest. During the year under review, Arif Habib Limited contributed and participated in a number of initiatives in order to help create this environment.

Arif Habib Foundation had earlier established a Journalists Welfare Fund through which it facilitate the health and education needs of the members of the Karachi Press Club. This year, the Foundation took another step towards aiding their learning by setting up the Arif Habib Journalism Skills Building Workshop Series. The **Workshops offer both mid-career** journalists and aspiring young reporters the opportunity to acquire practical skills that will help improve the quality of their work.

We respect and recognise the value of women in building and contributing to the economic growth of Pakistan. To empower these women, Fatima Fertilizer began the Fatima Vocational Centre in 2014 to empower and build the lives of women. The Group has also created a parenting portal, [www.mothers.pk](http://www.mothers.pk), which is

a platform that allows Pakistani parents to seek information & expert advice and shop. Mothers.PK aims to help parents raise happy & physically and mentally healthy children in the ever changing environment, enabling them to achieve their potentials, becoming helpful members of our community.



## Investing in Health

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

Group companies have contributed to various causes which include but are not limited to Shaukat Khanum Memorial Cancer Hospital and Research Centre, Patients Behbud Society (Agha Khan University), Multan Diabetic Foundation, Sindh Institute of Urology and Transplantation (SIUT), Aman Foundation, Cancer Foundation, Layton Rehmatullah Benevolent Trust (LRBT), Patients Welfare Society, Fatimid Foundation and The Kidney Centre.

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

Another hospital that the Group Companies are supporting is the Mukhtar A. Sheikh Hospital which is being established in the heart of Southern Punjab. Mukhtar A. Sheikh

Hospital at its completion will be a state of the art 500 bed facility aiming to serve a population of 6.5 million.



## Investing in Culture and Diversity

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

As a Group operating across the country we have the opportunity to support various cultural and sporting events. To lead by example, the Group set up the Karachi Sports Foundation (KSF) with an aim to encourage and revive sporting activities and emerging athletes all over the country. As its first initiative, KSF organised a unique and the first cricket superstar talent hunt at Naya Nazimabad Cricket Stadium.

The idea was to discover young cricketers from across the nation who participated in a talent hunt reality TV show. The coaches and selectors for the show were not local experts but were renowned international cricket legends including Sir Andy Roberts from West Indies, Dany Morrison from New Zealand, Damien Martyn from Australia and Jonty Rhodes from South Africa.

The selected candidates will be going to Australia for further learning in the field of bowling and batting. The show will soon telecast on a TV channel in Pakistan. JCL's housing project, Naya Nazimabad partnered with the Karachi Kings offering Naya Nazimabad Lawai Cricket Stadium as their home ground on which the annual Flagship Naya Nazimabad Ramadan Cup was also hosted. It also supported a number of other sports including but not limited to Pakistan's national sport, hockey. JCL also lay down the foundation stone of its Gymkhana which fill further our cause of being able to provide sporting facilities to our youth.



## Investing in the Environment

We believe that sustainable use of resources lies at the heart of maintaining a healthy environment. The Group continuously endeavours to support initiatives to reduce resource consumption and encourage research into renewable energy. Renewable energy is the future of energy in this country and around the world. We believe that in order to address the issue indigenous sources of power generation must be enabled and invested in. SEDPL is a special-purpose company that has been acquired to commission and operate a 50 MW wind farm at Jhimpir, Sindh through which we hope to contribute to a more sustainable future for the country's energy needs.

Raising awareness around environmental issues and sustainable resource allocation is critical to environmental sustainability.

Power Cement in its obligation to environmental responsibility and mitigating any adverse impacts has installed, environmental friendly, state of the art efficient bag houses, replacing all the electric precipitators at its existing plant. This up gradation has resulted in achieving much better control of dust emissions than the emission limit value of 300 mg/Nm<sup>3</sup> specified by the Environmental Quality Standards applicable in Pakistan.

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 adopted various areas around Karachi and are working towards their beautification and upliftment through restoration of their long forgotten beauty and renovation to include modernity.

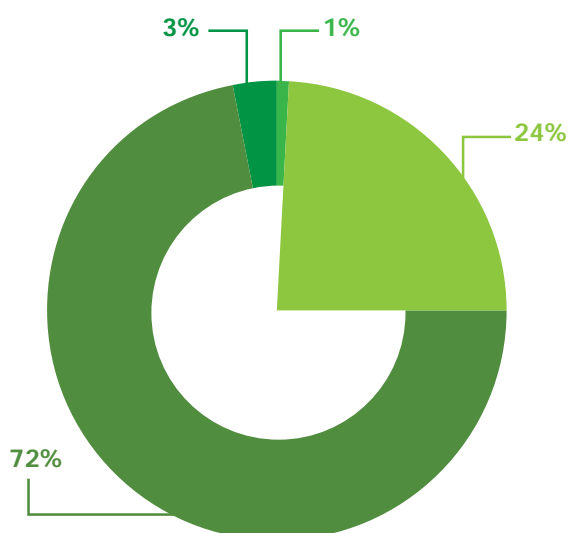




# Financial Highlights

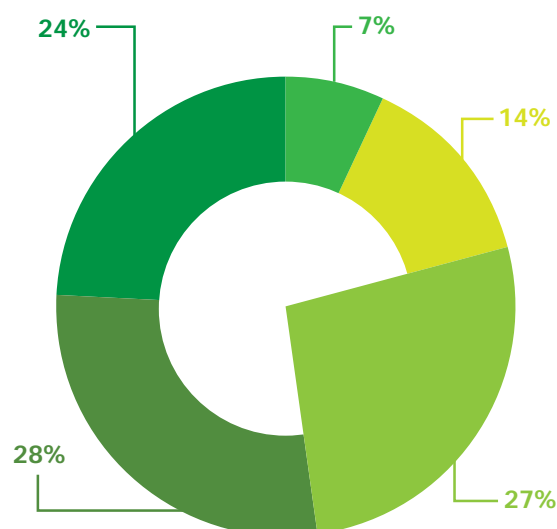
# AHCL at a Glance

## Operating Revenue



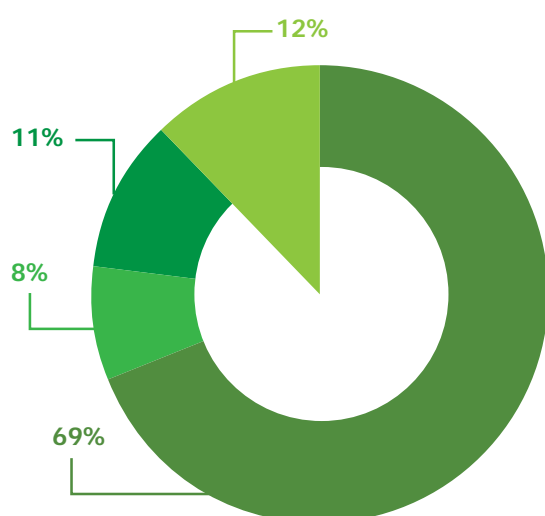
- Dividend
- Realised / unrealised gain on investment
- Mark-up on loans and advances
- Others

## Operating & Administrative Expenses



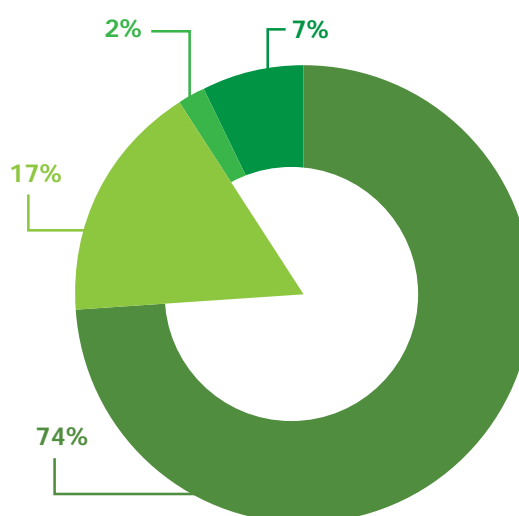
- Salaries and benefits
- Rent, rates and taxes
- Depreciation
- Advertisement and business promotion
- Others

## Equity and Liabilities



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

## Assets



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

# Key Figures & Highlights

## Total Revenue

(Rs. in million)

**2017**  
**2,284.78**

2016  
1,976.30

2015  
5,241.67

## Profit after Tax

(Rs. in million)

**2017**  
**2,391.37**

2016  
1,281.12

2015  
4,438.75

## EBITDA

(Rs. in million)

**2017**  
**2,537.48**

2016  
1,854.54

2015  
4,496.49

## Total Assets

(Rs. in million)

**2017**  
**37,735.01**

2016  
36,764.44

2015  
39,596.88

## Total Equity

(Rs. in million)

**2017**  
**30,469.48**

2016  
29,063.03

2015  
29,444.93

## Net Assets per Share

(Rs.)

**2017**  
**67.15**

2016  
64.05

2014  
64.89

## Return on Equity

(%)

**2017**  
**8.03%**

2016  
4.38%

2015  
16.08%

## Dividend Payout Ratio

(%)

**2017**  
**56.92%**

2016  
88.55%

2015  
40.89%

## Market Capitalization

Year-end - (Rs. in million)

**2017**  
**18,708.11**

2016  
17,900.44

2015  
24,148.58

## Number of Shareholders

No. of individuals

**2017**  
**4,706**

2016  
5,260

2015  
5,266

## Market Price per Share

(year end) (Rs.)

**2017**  
**41.23**

2016  
39.45

2015  
53.22

## Earnings per Share

(Rs.)

**2017**  
**5.27**

2016  
2.82

2015  
9.78



# Financial & Business Highlights

Six years at a glance

Year ended 30<sup>th</sup> June

2017

2016

2015

2014

2013

2012

Rupees in million

## Profit and Loss Account

Total revenue	2,284.78	1,976.30	5,241.67	2,032.91	2,033.22	4,417.37
Operating, administrative expenses & other charges	(144.25)	(133.36)	(329.97)	(265.49)	(226.99)	(122.38)
Finance cost	(148.34)	(277.67)	(241.61)	(208.40)	(292.03)	(300.76)
Operating profit	2,140.52	1,842.94	4,483.69	2,484.06	1,806.23	4,295.00
Profit before tax	2,381.00	1,568.35	4,245.08	2,275.65	1,514.20	3,994.23
Profit after tax	2,391.37	1,281.12	4,438.75	2,306.32	1,365.74	4,254.31
EBITDA	2,537.48	1,854.54	4,496.49	2,491.64	1,813.11	4,302.87

## Balance Sheet

Share capital	4,537.50	4,537.50	4,537.50	4,537.50	4,537.50	4,125.00
Reserves	25,931.98	24,525.53	24,907.43	21,213.08	20,147.03	20,120.02
Property and equipment	36.59	43.44	50.79	57.42	39.59	46.21
Long term investments	28,128.15	28,810.29	31,123.83	27,407.13	26,649.85	26,596.46
Current assets	7,574.49	6,261.88	5,755.12	3,381.29	2,777.40	3,424.82
Current liabilities	4,374.72	4,929.69	5,770.01	3,117.82	2,375.15	2,336.02
Deferred liabilities	2,435.63	2,623.90	2,331.79	2,747.68	2,910.45	2,832.88
Total assets	37,735.01	36,764.44	39,593.76	33,510.68	29,970.12	30,070.46
Total liabilities	7,265.53	7,701.41	10,148.83	7,760.10	5,285.59	5,825.44

## Ratios

Performance						
Return on equity (%)	8.03%	4.38%	16.08%	9.15%	5.58%	18.76%
Return on Assets (%)	6.42%	3.36%	12.14%	7.27%	4.55%	15.26%
Return on capital employed (%)	7.58%	5.80%	13.26%	8.17%	6.55%	15.49%
Income/ expense ratio (x)	13.44	11.18	15.89	11.19	5.77	36.09
Earning Asset/Total Asset Ratio (%)	100.76%	99.35%	95.48%	95.99%	96.24%	97.17%
Break-up value (PKR)	67.15	64.05	64.89	56.75	54.40	58.78

## Leverage

Total liabilities to equity ratio (%)	23.85%	26.50%	34.47%	30.14%	21.41%	24.03%
Cost of debt (%)	10.18%	9.05%	9.22%	10.83%	13.93%	12.32%
Long term debt to equity ratio (%)	1.49%	0.51%	6.95%	7.36%	2.66%	2.71%
Interest cover ratio (x)	17.05	6.65	18.57	11.92	6.19	14.28

## Year ended 30<sup>th</sup> June

2017

2016

2015

2014

2013

2012

### Liquidity

Current ratio (x)	1.73	1.27	1.00	1.08	1.17	1.47
Cash to current liabilities (%)	0.89%	0.51%	35.10%	0.74%	4.09%	0.48%

### Valuation

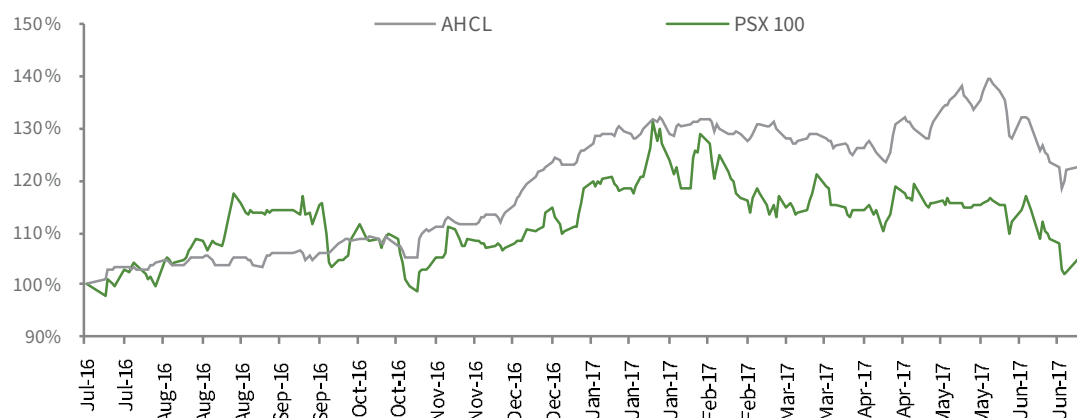
Price earning ratio (x)	7.82	13.97	5.44	5.48	7.36	3.30
Break-up value per share (PKR)	67.15	64.05	64.89	56.75	54.40	58.78
Cash dividend per share (PKR)	3*	2.5	4	2.5	2.5	2.0
Specie dividend per share (PKR)	-	-	-	-	-	1.0
Dividend Declared (%)	30%*	25%	40%	25%	25%	40%
Dividend yield (%)	7.28%	6.34%	7.52%	8.98%	11.28%	12.93%
Dividend payout ratio (%)	56.92%	88.55%	40.89%	49.19%	83.06%	38.78%
Dividend cover ratio (x)	1.76	1.13	2.45	2.03	1.20	2.58
Bonus shares issued (%)	-	-	-	-	-	10.00%
Market value per share (end of year) (PKR)	41.23	39.45	53.22	27.84	22.16	30.93
High (during the year) (PKR)	49.70	64.55	53.22	32.00	29.11	36.09
Low (during the year) (PKR)	35.74	36.00	22.27	19.16	22.01	20.72
Earnings Per Share (PKR)	5.27	2.82	9.78	5.08	3.01	9.38

\*Proposed

### Shareholders' Return

Arif Habib Corporation Limited - annual total return (%)	11.28%	(20.01%)	111.52%	39.67%	(16.01%)	36.43%
Pakistan Stock Exchange 100 Index - annual return (%)	22.90%	10.00%	15.67%	41.20%	52.20%	22.41%
Shareholders' return differential: AHSL-PSX-100 Index (%)	(11.62%)	(30.01%)	95.85%	(1.53%)	(68.21%)	14.02%

Graph for the year ended 30<sup>th</sup> June 2017

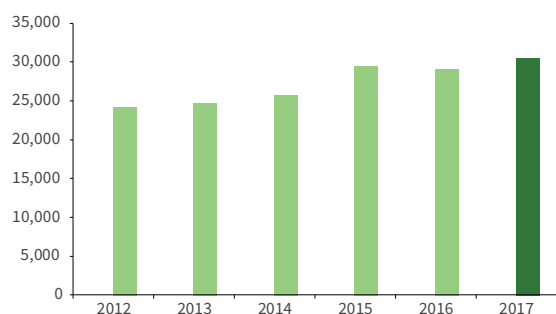


Source: Bloomberg,  
Arif Habib Limited,  
Equity Research Division

# Graphical Representation

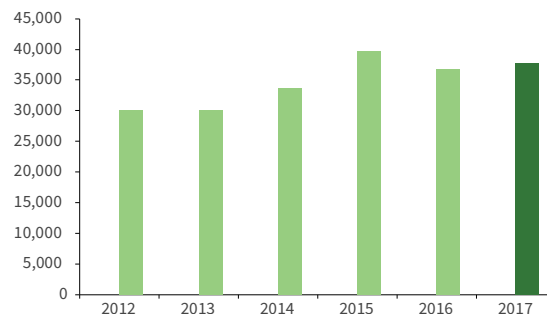
**Shareholders equity**

Rupees in million



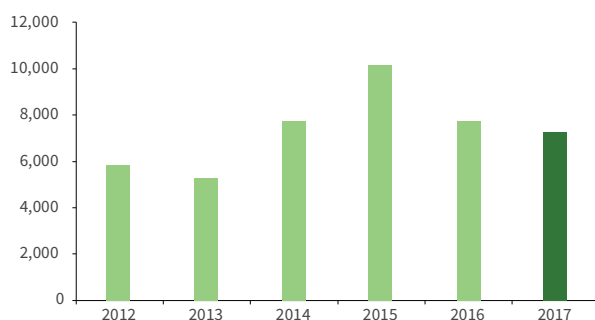
**Total assets**

Rupees in million



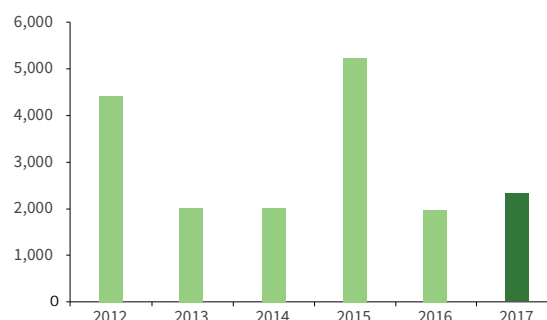
**Total liabilities**

Rupees in million



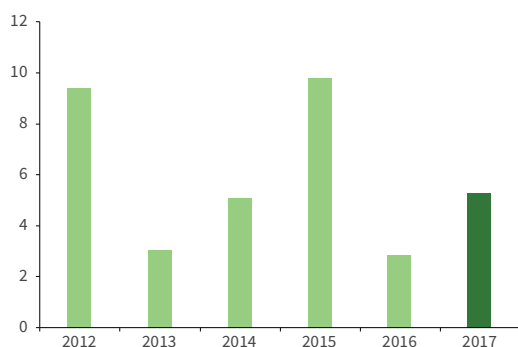
**Net turnover**

Rupees in million



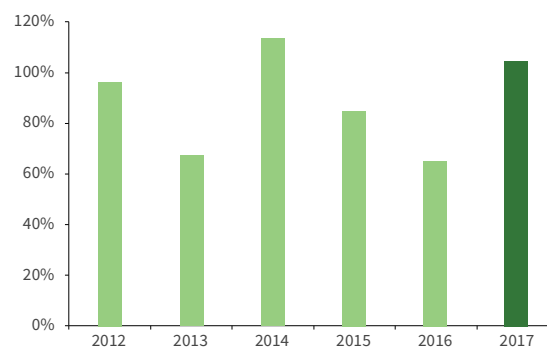
**Earnings per share**

Rupees



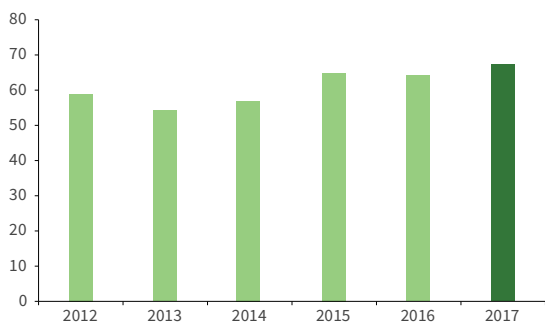
**Net margin**

Percentage

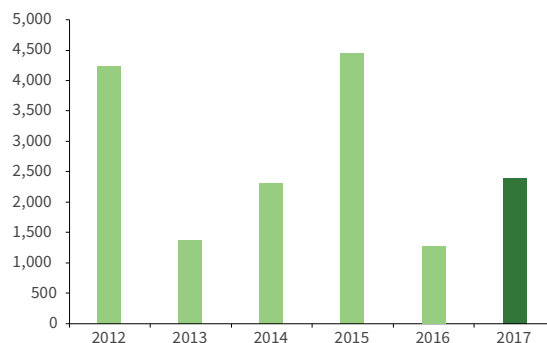


**Break-up value per share**

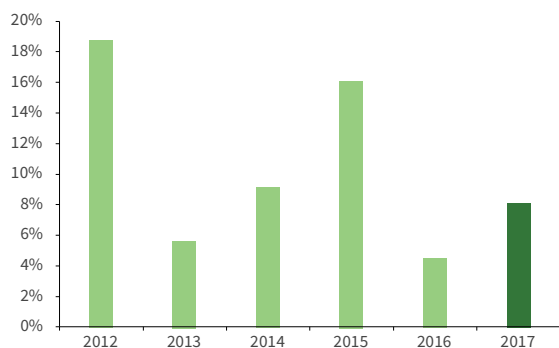
Rupees

**Profit after tax**

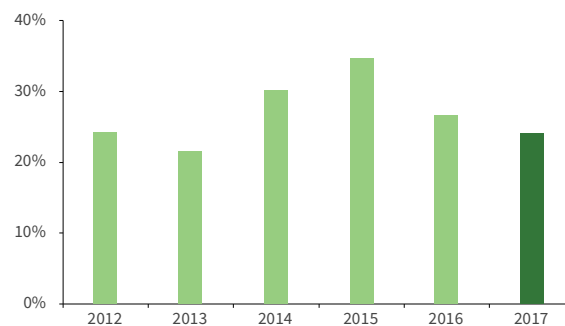
Rupees in million

**Return on equity**

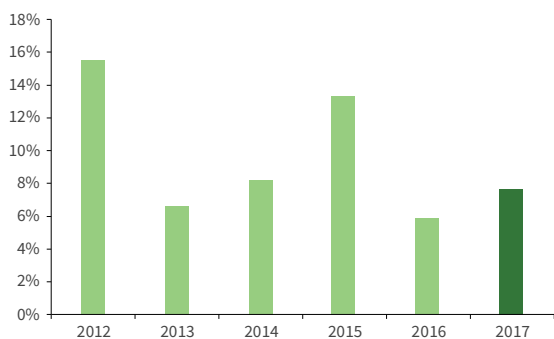
Percentage

**Financial leverage ratio**

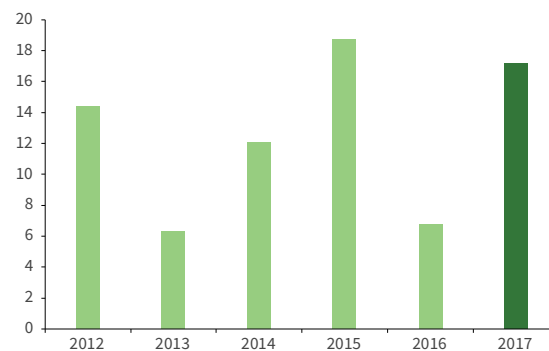
Percentage

**Return on capital employed**

Percentage

**Interest cover ratio**

Times





# Horizontal Analysis of Financial Statements

	2017 Rupees in million	%D YoY 2017-16	2016 Rupees in million	%D YoY 2016-15	2015 Rupees in million	%D YoY 2015-14
<b>Balance Sheet</b>						
Total equity	30,469.48	4.8	29,063.03	(1.3)	29,444.9	14.3
Total non-current liabilities	2,890.81	4.3	2,771.72	(36.7)	4,378.8	(5.7)
Total current liabilities	4,374.72	(11.3)	4,929.69	(14.6)	5,773.1	85.2
Total equity and liabilities	37,735.01	2.6	36,764.44	(7.2)	39,596.9	18.2
Total non-current assets	30,160.52	(1.1)	30,502.56	(9.9)	33,838.6	12.3
Total current assets	7,574.49	21.0	6,261.88	8.7	5,758.2	70.3
Total assets	37,735.01	2.6	36,764.44	(7.2)	39,596.9	18.2
<b>Profit and Loss Account</b>						
Total revenue	1,938.15	30.0	1,491.08	(71.6)	5,241.7	157.8
Operating and administrative expenses	(116.73)	(0.2)	(117.01)	(18.4)	(143.3)	44.2
Unrealised gain on remeasurement of investment property	346.62	(28.6)	485.21	100.0	-	-
Impairment reversal / (loss) on investments	-	-	-	(100.0)	(428.0)	(167.6)
Operating profit / (loss)	2,168.05	16.6	1,859.29	(60.2)	4,670.3	82.0
Other incomes / (charges) - net	361.29	(2,822.5)	(13.27)	(92.8)	(183.7)	123.1
Finance cost	(148.34)	(46.6)	(277.67)	14.9	(241.6)	15.9
Profit / (loss) before tax	2,381.00	51.8	1,568.35	(63.1)	4,245.1	86.5
Taxation	10.37	(103.6)	(287.22)	(248.3)	193.7	531.5
Profit / (loss) after tax	2,391.37	86.7	1,281.12	(71.1)	4,438.8	92.5

	2014 Rupees in million	%D YoY 2014-13	2013 Rupees in million	%D YoY 2013-12	2012 Rupees in million
<b>Balance Sheet</b>					
Total equity	25,750.58	4.3	24,684.5	1.8	24,245.0
Total non-current liabilities	4,642.27	59.5	2,910.4	(16.6)	3,489.4
Total current liabilities	3,117.82	31.3	2,375.1	1.7	2,336.0
Total equity and liabilities	33,510.7	11.8	29,970.1	(0.3)	30,070.5
Total non-current assets	30,129.39	10.8	27,192.7	2.1	26,645.6
Total current assets	3,381.29	21.7	2,777.4	(18.9)	3,424.8
Total assets	33,510.7	11.8	29,970.1	(0.3)	30,070.5

#### Profit and Loss Account

Total revenue	2,032.91	(0.0)	2,033.0	(54.0)	4,417.0
Operating and administrative expenses	(99.37)	4.5	(95.1)	11.4	(85.3)
Unrealised gain on remeasurement of investment property	-	-	-	-	-
Impairment reversal / (loss) on investments	632.82	404.6	125.4	-	-
Operating profit / (loss)	2,566.4	24.4	2,063.4	(52.4)	4,331.6
Other incomes / (charges) - net	(82.31)	(68.0)	(257.2)	601.8	(36.6)
Finance cost	(208.40)	(28.6)	(292.0)	(2.9)	(300.8)
Profit / (loss) before tax	2,275.7	50.3	1,514.2	(62.1)	3,994.2
Taxation	30.67	(120.7)	(148.5)	(157.1)	260.1
<b>Profit / (loss) after tax</b>	<b>2,306.3</b>	<b>68.9</b>	<b>1,365.7</b>	<b>(67.9)</b>	<b>4,254.3</b>

# Vertical Analysis of Financial Statements

	2017 Rupees in million	%	2016 Rupees in million	%	2015 Rupees in million	%
<b>Balance Sheet</b>						
Total equity	30,469.5	80.7	29,063.0	79.1	29,444.9	74.4
Total non-current liabilities	2,890.8	7.7	2,771.7	7.5	4,378.8	11.1
Total current liabilities	4,374.7	11.6	4,929.7	13.4	5,773.1	14.6
Total equity and liabilities	37,735.0	100.0	36,764.4	100.0	39,596.9	100.0
Total non-current assets	30,160.5	79.9	30,502.6	83.0	33,838.6	85.5
Total current assets	7,574.5	20.1	6,261.9	17.0	5,758.2	14.5
Total assets	37,735.0	100.0	36,764.4	100.0	39,596.9	100.0
<b>Profit and Loss Account</b>						
Total revenue	1,938.2	100.0	1,491.1	100.0	5,241.7	100.0
Operating and administrative expenses	(116.7)	(6.0)	(117.0)	(7.8)	(143.3)	(2.7)
Unrealised gain on remeasurement of investment property	346.6	17.9	485.2	32.5	-	-
Impairment (loss)/reversal on investments	-	-	-	-	(428.0)	(8.2)
Operating profit / (loss)	2,168.0	111.9	1,859.3	124.7	4,670.3	89.1
Other incomes / (charges) - net	361.3	18.6	(13.3)	(0.9)	(183.7)	(3.5)
Finance cost	(148.3)	(7.7)	(277.7)	(18.6)	(241.6)	(4.6)
Profit / (loss) before tax	2,381.0	122.8	1,568.3	105.2	4,245.1	81.0
Taxation	10.4	0.5	(287.2)	(19.3)	193.7	3.7
Profit / (loss) after tax	2,391.4	123.4	1,281.1	85.9	4,438.8	84.7

	2014 Rupees in million	%	2013 Rupees in million	%	2012 Rupees in million
<b>Balance Sheet</b>					
Total equity	25,750.6	76.8	24,684.5	82.4	24,245.0
Total non-current liabilities	4,642.3	13.9	2,910.4	9.7	3,489.4
Total current liabilities	3,117.8	9.3	2,375.1	7.9	2,336.0
Total equity and liabilities	33,510.7	100.0	29,970.1	100.0	30,070.5
Total non-current assets	30,129.4	89.9	27,192.7	90.7	26,645.6
Total current assets	3,381.3	10.1	2,777.4	9.3	3,424.8
Total assets	33,510.7	100.0	29,970.1	100.0	30,070.5

#### Profit and Loss Account

Total revenue	2,032.9	100.0	2,033.0	100.0	4,417.0
Operating and administrative expenses	(99.4)	(4.9)	(95.1)	(4.7)	(85.3)
Unrealised gain on remeasurement of investment property	-	-	-	-	-
Impairment (loss)/reversal on investments	632.8	31.1	125.4	6.2	-
Operating profit / (loss)	2,566.4	126.2	2,063.4	101.5	4,331.6
Other incomes / (charges) - net	(82.3)	(4.0)	(257.2)	(12.6)	(36.6)
Finance cost	(208.4)	(10.3)	(292.0)	(14.4)	(300.8)
Profit / (loss) before tax	2,275.7	111.9	1,514.2	74.5	3,994.2
Taxation	30.7	1.5	(148.5)	(7.3)	260.1
<b>Profit / (loss) after tax</b>	<b>2,306.3</b>	<b>113.4</b>	<b>1,365.7</b>	<b>67.2</b>	<b>4,254.3</b>



# Summary of Cash flows Statement

Year ended 30<sup>th</sup> June

2017

2016

2015

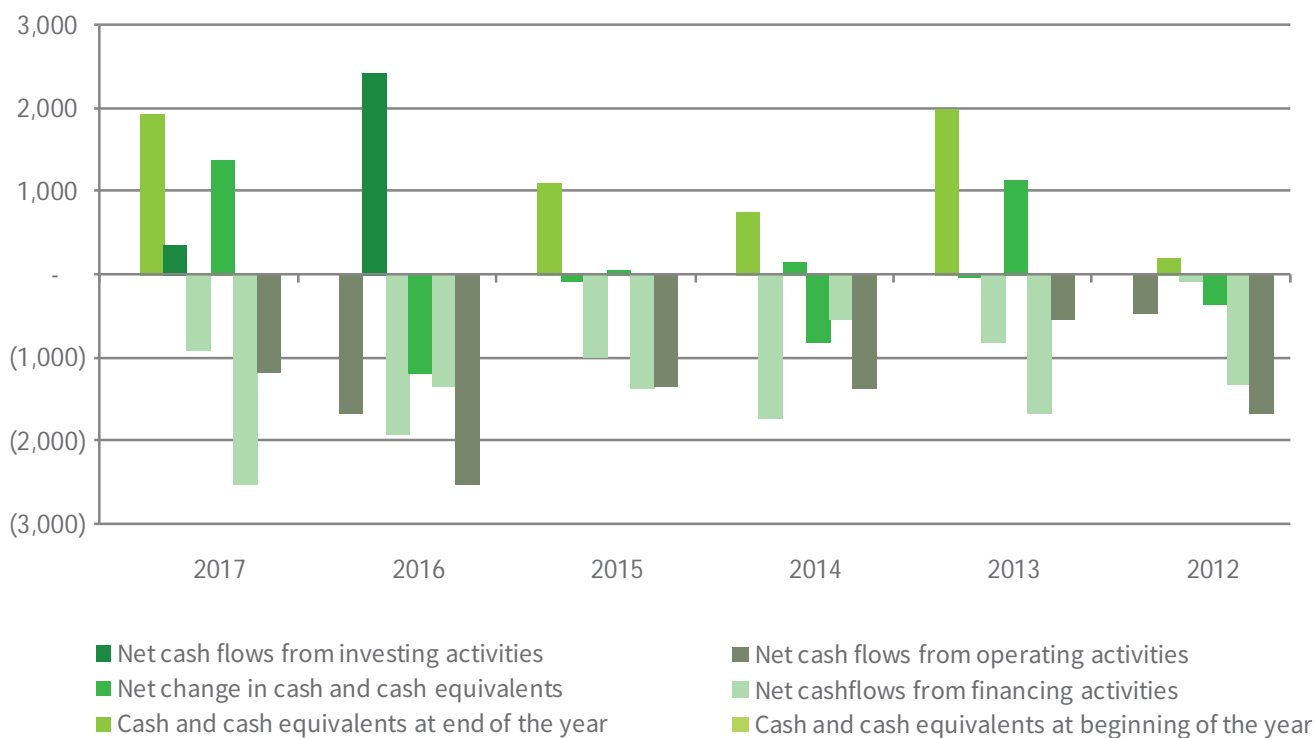
2014

2013

2012

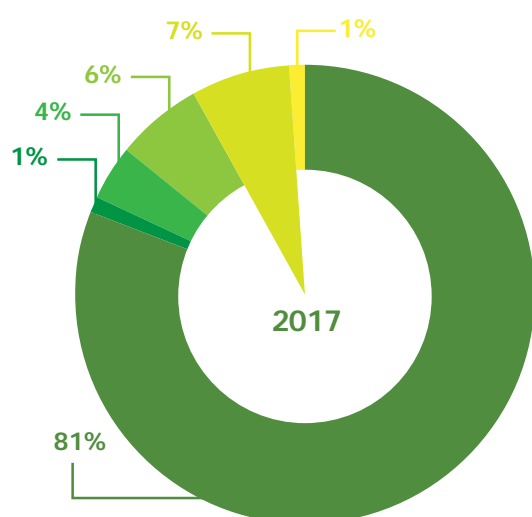
Rupees in million

Net cash flows from operating activities	1,936.53	(1,680.29)	1,103.10	740.87	1,988.19	(464.90)
Net cash flows from investing activities	341.93	2,406.47	(84.78)	(1,719.28)	(34.08)	202.74
Net cashflows from financing activities	(910.62)	(1,914.04)	(981.51)	152.28	(825.00)	(93.45)
Net change in cash and cash equivalents	1,367.84	(1,187.86)	36.81	(826.14)	1,129.11	(355.61)
Cash and cash equivalents at beginning of the year	(2,522.58)	(1,334.72)	(1,371.53)	(545.39)	(1,674.50)	(1,318.89)
Cash and cash equivalents at end of the year	(1,154.74)	(2,522.58)	(1,334.72)	(1,371.53)	(545.39)	(1,674.50)

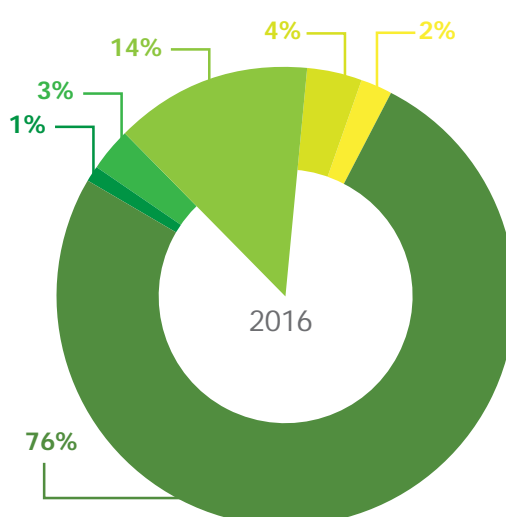


# Statement of Value Added and its Distribution

	2017		2016	
	Rupees in million	%	Rupees in million	%
Value Added				
Operating revenue	1,938.15	72.50	1,491.08	75.33
Unrealised gain re measurement of investment property	346.62	12.96	485.21	24.51
Other income	388.81	14.54	3.08	0.16
	2,673.58	100.00	1,979.37	100.00
Distributed As Follows				
Employees' remuneration	32.61	1.22	31.43	1.59
Operating and other costs	116.73	4.37	77.66	3.92
Finance costs	148.34	5.55	277.67	14.03
Government taxes	182.40	6.82	56.17	2.84
To Society	27.41	1.03	16.30	0.82
Retained within the business:				
Depreciation	7.92	0.30	7.92	0.40
Net earnings	2,158.17	80.72	1,512.22	76.40
	2,166.09	81.02	1,520.14	76.80
	2,673.58	100.00	1,979.37	100.00



■ Employees' remuneration  
 ■ Operating and other cost  
 ■ Finance cost  
 ■ Government taxes  
 ■ To Society  
 ■ Depreciation  
 ■ Net earnings



■ Employees' remuneration  
 ■ Operating and other cost  
 ■ Finance cost  
 ■ Government taxes  
 ■ To Society  
 ■ Depreciation  
 ■ Net earnings

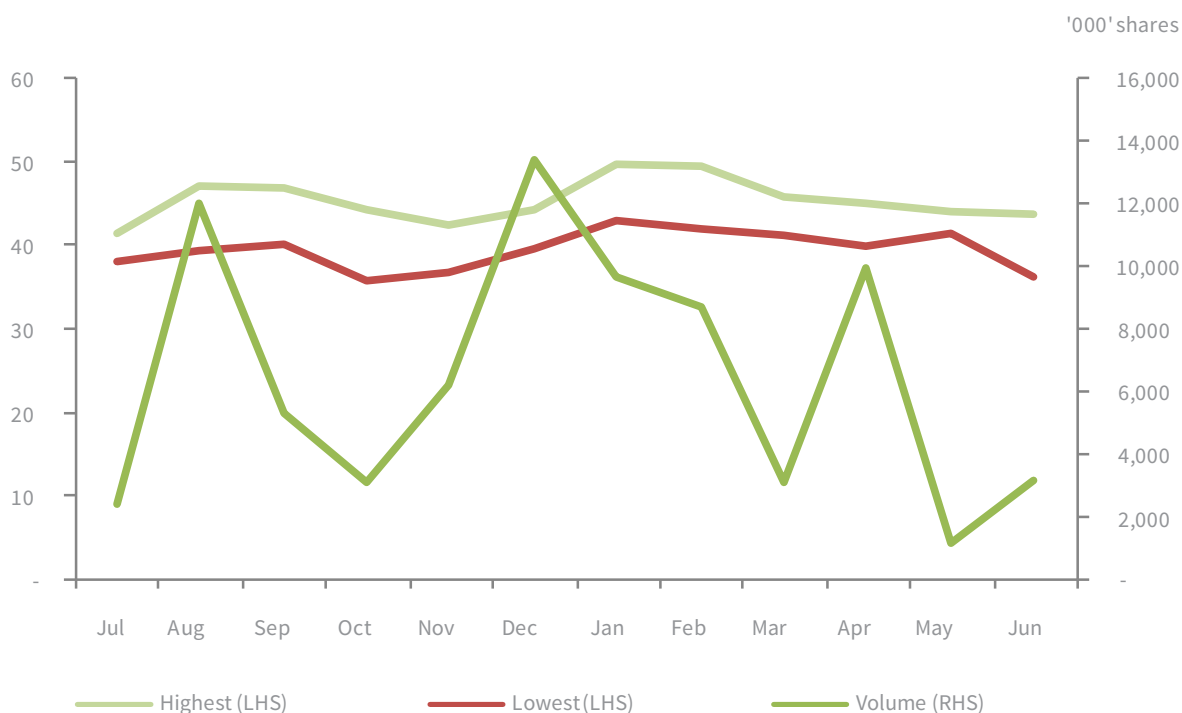
# Share Price/ Volume Analysis

Month	Highest (LHS)	Lowest (LHS)	Volume (RHS)
-------	---------------	--------------	--------------

## AHCL Share Price on the PSX

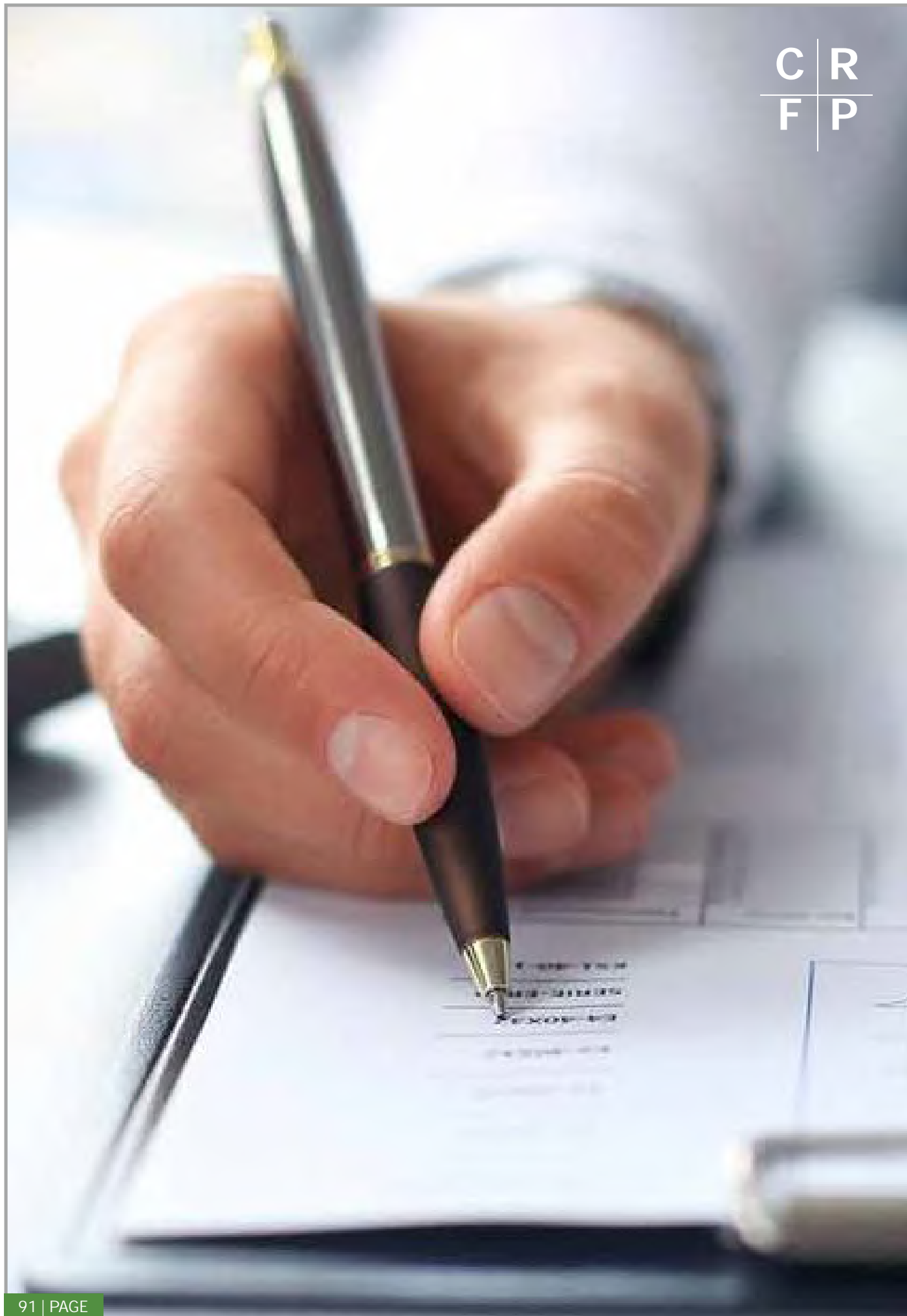
July-16	41.50	38.15	2,430,000
August-16	47.25	39.49	12,009,000
September-16	46.80	40.21	5,349,000
October-16	44.34	35.74	3,126,000
November-16	42.55	36.80	6,241,000
December-16	44.39	39.52	13,381,500
January-17	49.70	43.01	9,670,000
February-17	49.35	41.90	8,679,500
March-17	45.79	41.16	3,136,500
April-17	45.16	40.00	9,923,000
May-17	44.00	41.40	1,186,500
June-17	43.80	36.20	3,218,000

Share price movement at PSX during FY2017









# Comments on the Results of Financial Performance

## Comments on six years Profitability

Post capital market crises in 2008-09, the return on equity fluctuated from 4.38% to 21.15%. The variation is mainly attributable to Company's nature of business and dependence on performance of its investee companies and capital market.

## Comments on six years Liquidity

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

## Comments on six years Investment / Market

The company has made consistent annual distributions to its shareholders including cash dividends, bonus shares and specie dividends. The EPS of the Company hasn't dipped below the level of Rs. 2 per share during the six years.

## Comments on six years Capital Structure

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

## Comments on six years Cash Flows

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

## Comments on six years Balance sheet analysis

Currently, total asset base of the company stands at Rs. 37.74 billion, growing from Rs. 30.07 billion in the last six years. This translated in to compound growth rate of 3.86% per year.

Shareholders' equity have compound growth of 3.89% per year during the last six years. Reiteratively, the growth rate in equity is in addition to earnings distributed the shareholders as dividends.

Sound balance sheet strategy of the company has been witnessed in optimal use of financial leverage. Financial leverage ratio (Total liabilities to shareholders equity) of the company hovered in the range of 20-35%. At the end of current year, the ratio stands at 23.85%.

## Comments on six years Profit and Loss analysis

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

# Analysis of Quarterly Results

		Quarter ended			
		Jun-17	Mar-17	Dec-16	Sep-16
Operating revenue	Quarter end	(1,170,436,188)	897,190,489	864,303,736	1,347,096,078
	Contribution to FY2017	(60.38%)	46.29%	44.59%	69.50%
	Year to date	1,938,154,115	3,108,590,303	2,211,399,814	1,347,096,078
Profit after tax	Quarter end	(608,812,072)	876,045,755	976,189,013	1,147,950,321
	Contribution to FY2017	(25.43%)	36.63%	40.82%	48.00%
	Year to date	2,391,373,017	3,000,185,089	2,214,139,334	1,147,950,321

## Analysis of quarterly results

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

### Operating revenues:

During the first quarter of the year under review, the company earned 69.50% of its annual operating revenue being Rs. 1,347 million, majorly based on gain on remeasurement on investment and dividend income amounting to Rs. 680.9 million and 623.04 million respectively. The accumulated revenue at the end of the third quarter amounted to Rs. 3,108 million. However, in the fourth quarter revenue was reduced due to loss on re-measurement of investment.

### Operating & other expenses:

Operating expenses were more uniformly distributed throughout the four quarters where the fourth quarter emerged as the most efficient, contributing 17% to total operating expenses for the year while the third quarter had the highest contribution of 34%. Other charges, which were highly incurred during the fourth quarter, stood at Rs. 13.69 million. The main component of other charges was donations during the period amounting to Rs. 22.26 million.

### Finance costs:

Finance costs were mainly incurred on the short term borrowings facilities availed by the Company. The major expense contribution of 38.36% were made in the first quarter. However, the Company has efficiently reduced finance cost over the following three quarters and due to decreased utilization of financing facility available with the Company. The third quarter was the most efficient by contributing just 8.53% of the finance cost and reduced cost by 72.36% as compared to second quarter.

### Profit after tax:

The company's profitability principally followed the quarterly trends observed in operating revenues with Rs. 1,148 million of net income earned during the first quarter. The first quarter was also emerged as the best performing; contributing Rs. 1,148 million (48%) to profitability as the major share of operating revenues were recorded in the said quarter. Whereas, second quarter qualified as runner up with the net contribution of Rs. 976 million (40.82%) towards the net profit for the financial year 2016-17.

# 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](mailto:info@arifhabibcorp.com)  
Website: [www.arifhabibcorp.com](http://www.arifhabibcorp.com)  
Share Registrar Office  
Central Depository Company of Pakistan

## Share Registrar Department

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

## Listing on Stock Exchanges

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

## Stock Code

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

## Investor Service Centre

AHCL share department is operated by Central Depository Company of Pakistan (CDC) Registrar Services. It also functions as an Investor Service Centre and has been servicing nearly 4,706 shareholders. The Investor Service Centre is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function. Team is headed by Mr. Abdus Samad at Registrar Office and Company Secretary at AHCL Registered Office. For assistance, shareholders may contact either the Registered Office or the Share Registrar office.

## Contact Persons:

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

Mr. Altaf Jatoi  
Tel: (021) 111-111-500  
Email: [altaf\\_jatoi@cdcpak.com](mailto:altaf_jatoi@cdcpak.com)

## Statutory Compliance

During the year the Company has complied with all applicable provisions, filed all returns/forms and furnished all the relevant information as required under the repealed Companies Ordinance, 1984 ( now Companies Act, 2017 )and allied laws and rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the Listing Regulations.



### **Cash Dividend Announcement**

A final Cash Dividend for the year ended 30<sup>th</sup> June 2017 at Rs. 3.0 per share i.e. 30% has been recommended by the Board of Directors.

### **Book Closure Dates**

The Share Transfer Books of the Company will be closed from 21<sup>st</sup> October, 2017 to 28<sup>th</sup> October, 2017 (both days inclusive). Transfers received in order at the office of our Share Registrar M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi at the close of the business on Friday, 20<sup>th</sup> October, 2017 will be considered in time for the determination of entitlement of shareholders to cash dividend and to attend and vote at the meeting

### **Dispatch of dividend warrants**

Subject to the approval by members in the AGM, the company expects to dispatch the final dividend warrants on or before 27<sup>th</sup> November 2017, being the statutory limit of 30 days from the date of General Meeting in which the dividend is approved.

### **Legal Proceedings**

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

### **General Meetings & Voting Rights**

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

### **Proxies**

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

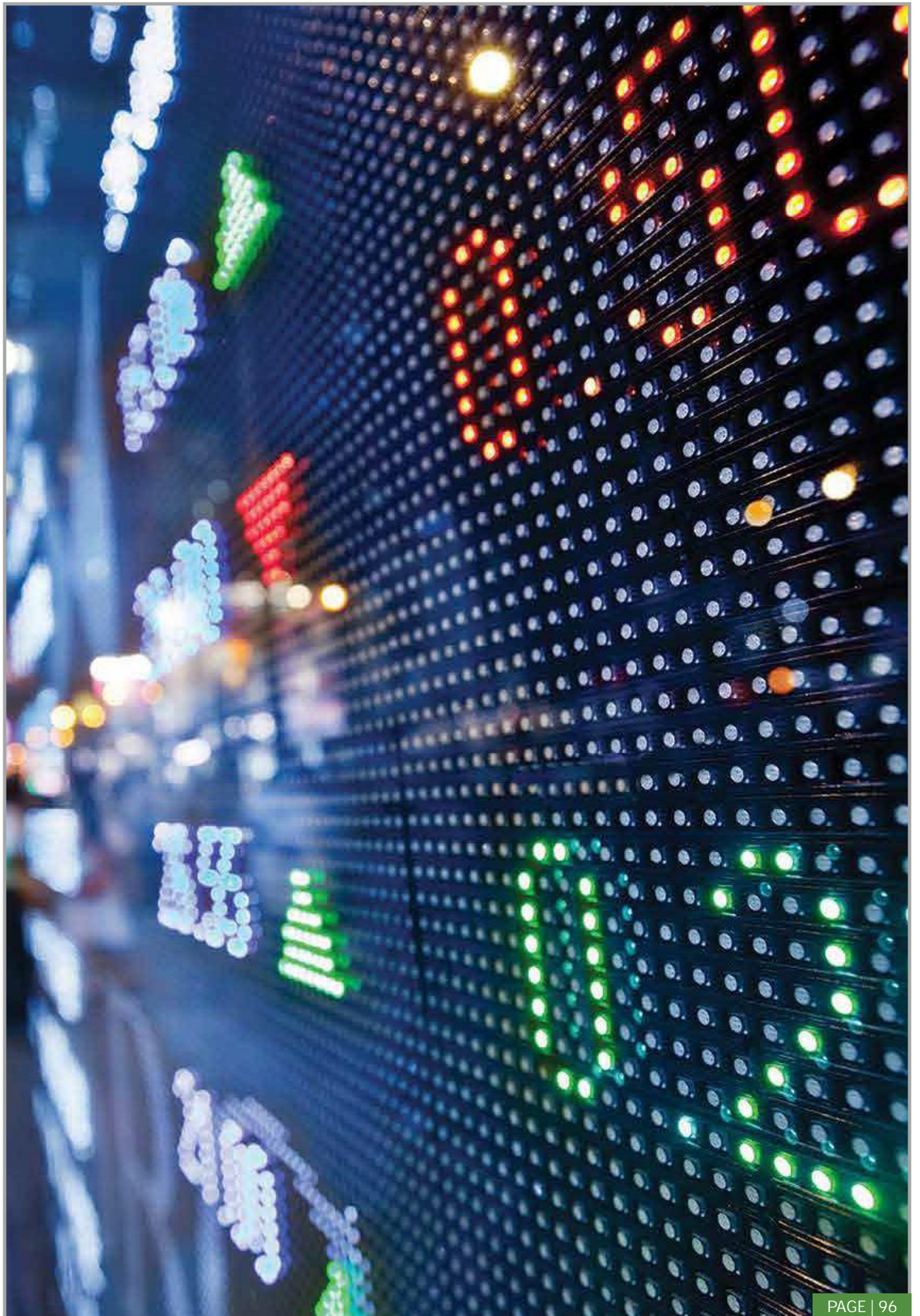
Every notice calling a General Meeting of the Company contains a statement that shareholder entitled to attend and vote is entitled to appoint a proxy. The instrument appointing proxy, duly signed by the shareholder should be deposited at the office of the Share Registrar of the Company not less than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

### **Web Presence**

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

### **Shareholding Pattern**

The shareholding pattern of the equity share capital of the Company as on 30<sup>th</sup> June 2017 alongwith categories of shareholders are given on page 65 to 68 of this report.





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

The audit committee has concluded its annual review of the conduct and operations of the Company during financial year ended on 30<sup>th</sup> June 2017, 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" which has also been reviewed by the auditors of the Company.
- Appropriate accounting policies have been consistently applied Applicable accounting standards were followed in preparation of financial statements of the Company and consolidated financial statements on a going concern assumption basis, for the financial year ended 30<sup>th</sup> June 2017, 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 reviewed the financial statements of the Company, consolidated financial statements and the Directors' Report and presented the financial statements, duly endorsed under their respective signatures, 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 and system of the Company.
- Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with (previously Companies Ordinance, 1984) now companies Act, 2017.
- The financial statements comply with the requirements of the Fourth Schedule to the (previously Companies Ordinance, 1984) now 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 Separate Financial Statements", the "Consolidated Financial Statements" and the "Statement of Compliance with the Code of Corporate Governance" for the financial year ended 30<sup>th</sup> June 2017 and shall retire on the conclusion of the 23<sup>rd</sup> 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 28<sup>th</sup> October 2017.
- 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 30<sup>th</sup> June 2018.

Karachi, 15<sup>th</sup> September 2017

Chairman – Audit Committee



# Statement of Compliance with the code of Corporate Governance

## Arif Habib Corporation Limited For the Year Ended 30<sup>th</sup> June 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulations under Clause 5.19 (Code of Corporate Governance) of the Rule Book of Pakistan Stock Exchange Limited (PSX) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

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

The independent director meets the criteria of independence under clause 5.19.1.(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy has occurred on the board during the reporting period.
5. 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.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. No director is required to have certification under any Directors' Training Program (DTP) offered by institutions – local or foreign – that meet the criteria specified by the SECP, during the year. Three directors had already completed this course earlier whereas four directors are exempt from attending the directors training program as per criteria approved under Code of Corporate Governance.
10. The board has approved appointment of Head of Internal Audit, including his remuneration and terms and conditions of employment. Further, no new appointments of CFO & Company Secretary were made during the year under review.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises 3 members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises 4 members, of whom 3 are non-executive directors and the chairman of the committee is a non-executive director.
18. 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.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.



**Arif Habib**  
Chief Executive

Karachi, 15<sup>th</sup> September 2017



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No.2  
Beaumont Road  
Karachi, 75530 Pakistan

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# Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **Arif Habib Corporation Limited** ("the Company") for the year ended 30 June 2017 to comply with the requirements of Listing Regulations of Pakistan Stock Exchange where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2017.

Date: 15 September 2017  
Karachi

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Moneeza Usman Butt**

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

# Audited Financial Statements for the year ended 30<sup>th</sup> June 2017

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KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No.2  
Beaumont Road  
Karachi, 75530 Pakistan

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# Auditors' Report to the Members

We have audited the annexed balance sheet of **Arif Habib Corporation Limited** ("the Company") as at 30 June 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the changes as stated in note 2.5 with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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 2017 and of the profit, other comprehensive income, its cash flows and changes in equity for the year then ended; and



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- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Date: 15 September 2017  
Karachi

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Moneeza Usman Butt**

# Balance Sheet

As at 30<sup>th</sup> June 2017

	Note	2017 (Rupees)	2016
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised share capital		10,000,000,000	10,000,000,000
Issued, subscribed and paid up share capital	4	4,537,500,000	4,537,500,000
Reserves		25,931,978,512	24,525,530,636
		30,469,478,512	29,063,030,636
<b>Non-current liabilities</b>			
Deferred taxation	5	2,435,632,968	2,623,901,023
Long term loans	6	455,179,583	147,819,191
		2,890,812,551	2,771,720,214
<b>Current liabilities</b>			
Trade and other payables	7	2,681,803,807	1,905,179,120
Mark-up accrued on borrowings		144,389,340	173,878,386
Short term borrowings	8	1,193,616,235	2,547,610,430
Current maturity of long term loans	6	65,431,028	149,035,318
Provision for taxation		289,478,206	153,988,654
		4,374,718,616	4,929,691,908
		37,735,009,679	36,764,442,758
<b>Contingencies and commitments</b>			
	9		

# Balance Sheet

As at 30<sup>th</sup> June 2017

	Note	2017 (Rupees)	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Operating fixed assets	10	36,592,671	43,437,245
Intangible assets	11	133,326	353,760
Investment properties	12	1,993,162,500	1,646,538,800
Long term investments	13	28,128,147,990	28,810,290,871
Long term deposits	14	2,487,030	1,938,930
		<b>30,160,523,517</b>	30,502,559,606
<b>Current assets</b>			
Loans and advances	15	643,736,475	785,706,360
Prepayments		1,880,003	1,577,137
Advance tax		311,410,531	169,477,037
Mark-up receivable	16	9,913,724	19,756,811
Trade receivable	17	183,073,309	-
Other receivables	18	1,786,964	2,461,964
Short term investments	19	6,383,805,496	5,227,924,435
Cash and bank balances	20	38,879,660	25,033,510
Assets held for sale		-	29,945,898
		<b>7,574,486,162</b>	6,261,883,152
		<b>37,735,009,679</b>	36,764,442,758

The annexed notes from 1 to 39 form an integral part of these financial statements

  
Chief Executive Officer

  
Chief Financial Officer

  
Director

# Profit and Loss Account

For the year ended 30<sup>th</sup> June 2017

	Note	2017 (Rupees)	2016
Operating revenue	21	1,938,154,115	1,491,082,102
Operating and administrative expenses	22	(116,727,915)	(117,011,097)
Unrealised gain on remeasurement of investment property	12	346,623,700	485,214,046
Other income	23	388,814,752	3,078,009
Finance cost	24	(148,335,384)	(277,668,410)
Other charges	25	(27,525,602)	(16,348,531)
<b>Profit before tax</b>		<b>2,381,003,666</b>	<b>1,568,346,119</b>
Taxation	26	10,369,351	(287,222,131)
<b>Profit after tax</b>		<b>2,391,373,017</b>	<b>1,281,123,988</b>
<b>Earnings per share - basic and diluted</b>	27	<b>5.27</b>	<b>2.82</b>

The annexed notes from 1 to 39 form an integral part of these financial statements

  
Chief Executive Officer

  
Chief Financial Officer

  
Director




# Statement of Comprehensive Income

For the year ended 30<sup>th</sup> June 2017

	Note	2017 (Rupees)	2016
<b>Profit for the year</b>		<b>2,391,373,017</b>	1,281,123,988
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit and loss account</i>			
Unrealised appreciation / (diminution) during the year on remeasurement of investments classified as 'available for sale'		<b>108,103,750</b>	(32,469,533)
Related tax thereon		<b>1,947,512</b>	(27,191,991)
		<b>110,051,262</b>	(59,661,524)
Reclassification adjustments relating to disposal of investments - net		<b>39,398,597</b>	211,636,477
Other comprehensive income		<b>149,449,859</b>	151,974,953
<b>Total comprehensive income</b>		<b>2,540,822,876</b>	1,433,098,941

The annexed notes from 1 to 39 form an integral part of these financial statements



Chief Executive Officer



Chief Financial Officer



Director

# Cash Flow Statement

For the year ended 30<sup>th</sup> June 2017

	Note	2017 (Rupees)	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from / (used in) operations	29	830,780,470	(1,958,511,557)
Income taxes paid		(182,395,134)	(56,174,712)
Dividend received		1,404,714,083	336,908,617
Interest received		61,801,376	144,220,012
Finance cost paid		(177,824,430)	(146,735,885)
Long term deposits - net		(548,100)	12,460
<b>Net cash generated from / (used in) operating activities</b>		<b>1,936,528,265</b>	<b>(1,680,281,065)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure incurred		(1,210,259)	(1,064,673)
Proceeds from sale of operating fixed assets		115,387	44,790
Acquisition of long term investments		(72,024,461)	(2,270,419,390)
Proceeds from sale of long term investments		359,237,865	4,677,897,085
Proceed from liquidation of Subsidiary Company		55,812,446	-
<b>Net cash generated from investing activities</b>		<b>341,930,978</b>	<b>2,406,457,812</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long term loans		520,000,000	-
Repayment of long term loans		(296,243,898)	(99,035,316)
Dividend paid		(1,134,375,000)	(1,815,000,000)
<b>Net cash used in financing activities</b>		<b>(910,618,898)</b>	<b>(1,914,035,316)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,367,840,345</b>	<b>(1,187,858,569)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>(2,522,576,920)</b>	<b>(1,334,718,351)</b>
<b>Cash and cash equivalents at end of the year</b>	30	<b>(1,154,736,575)</b>	<b>(2,522,576,920)</b>

The annexed notes from 1 to 39 form an integral part of these financial statements

  
Chief Executive Officer

  
Chief Financial Officer

  
Director

# Statement of Changes in Equity

For the year ended 30<sup>th</sup> June 2017

	Issued, subscribed and paid up share capital	Unrealised appreciation / (diminution) on remeasurement of investments classified as 'available for sale'	Revenue reserves General reserve	Unappropriated profit	Sub total	Total
(Rupees)						
Balance as at 1 July 2015	4,537,500,000	(211,635,998)	4,000,000,000	21,119,067,693	24,907,431,695	29,444,931,695
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	1,281,123,988	1,281,123,988	1,281,123,988
Other comprehensive income						
Unrealised diminution during the year on remeasurement of investments classified as 'available for sale' - net of related tax	-	(59,661,524)	-	-	(59,661,524)	(59,661,524)
Reclassification adjustments relating to disposal of investments - net	-	211,636,477	-	-	211,636,477	211,636,477
	-	151,974,953	-	1,281,123,988	1,433,098,941	1,433,098,941
<b>Transactions with owners of the Company recorded directly in equity - Distributions</b>						
Final cash dividend at the rate of Rs. 4 per share for the year ended 30 June 2015	-	-	-	(1,815,000,000)	(1,815,000,000)	(1,815,000,000)
<b>Balance as at 30 June 2016</b>	<b>4,537,500,000</b>	<b>(59,661,045)</b>	<b>4,000,000,000</b>	<b>20,585,191,681</b>	<b>24,525,530,636</b>	<b>29,063,030,636</b>
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	2,391,373,017	2,391,373,017	2,391,373,017
Other comprehensive income						
Unrealised diminution during the year on remeasurement of investments classified as available for sale' - net of related tax	-	110,051,262	-	-	110,051,262	110,051,262
Reclassification adjustments relating to disposal of investments - net	-	39,398,597	-	-	39,398,597	39,398,597
	-	149,449,859	-	2,391,373,017	2,540,822,876	2,540,822,876
<b>Transactions with owners of the Company recorded directly in equity - Distributions</b>						
Final cash dividend at the rate of Rs. 2.5 per share for the year ended 30 June 2016	-	-	-	(1,134,375,000)	(1,134,375,000)	(1,134,375,000)
<b>Balance as at 30 June 2017</b>	<b>4,537,500,000</b>	<b>89,788,814</b>	<b>4,000,000,000</b>	<b>21,842,189,698</b>	<b>25,931,978,512</b>	<b>30,469,478,512</b>

The annexed notes from 1 to 39 form an integral part of these financial statements

  
Chief Executive Officer

  
Chief Financial Officer

  
Director

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 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 registered office of the Company is situated at Arif Habib Centre, 2nd Floor, 23, M. T. Khan Road, Karachi, Pakistan. The Company is domiciled in the province of Sindh.

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

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

### Name of Companies

#### Subsidiaries

#### Shareholding

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

#### Associates

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

#### Others

- Takaful Pakistan Limited	<u>10.00%</u>
- Khabeer Financial Services (Private) Limited	<u>5.00%</u>
- Sunbiz (Private) Limited	<u>4.65%</u>

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the repealed Companies Ordinance, 1984 shall prevail.

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

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## 2.2 Basis of measurement

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

## 2.3 Functional and presentation currency

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

## 2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. 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 by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates and assumptions with a significant risk of material adjustment in the future periods are included in following notes:

- Provision for taxation (note 3.2)
- Useful lives and residual values of operating fixed assets (note 3.3)
- Useful lives and residual values of intangible assets (note 3.4)
- Classification of investments (note 3.5.1 - 3.5.1.6)
- Fair value of investments (note 3.5.1 - 3.5.1.6)
- Impairment of investments (note 3.5.2)
- Investment property (note 3.7)
- Derivative financial instruments (note 3.9)

## 2.5 Amendments / interpretation to existing standard and forthcoming requirements

### Standards, amendments or interpretations which became effective during the year

During the year, amendments to certain standards became effective which were not relevant to the Company's accounting policies.



# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

## **New / revised accounting standards, amendments to published accounting standards and interpretations that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 - 'Share-based Payment' clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
  - Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Company's financial statements.
  - Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.

The above amendments are not likely to have an impact on Company's financial statements.

- In addition, the Companies Act, 2017 was enacted on 30 May 2017 and the SECP vide its circular No.CLD/CCD/PR(11)/2017 dated 20 July 2017 has clarified that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 will be applicable for financial year beginning on or after 1 July 2017 which will result in certain additional disclosures.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Staff retirement benefits

#### *Defined contribution plan*

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

### 3.2 Taxation

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

#### *Current*

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

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

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## *Deferred*

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

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

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

### **3.3 Operating fixed assets**

#### *Owned*

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

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

#### *Leased*

Leased assets which are obtained under Ijarah agreement are not recognised in the Company's balance sheet 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 the profit and loss account on a straight line basis over the lease term.

### **3.4 Intangible assets**

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

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

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

## 3.5 Financial instruments

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

### 3.5.1 Investments

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

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

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

The Company classifies its investments in the following categories:

#### 3.5.1.1 Subsidiaries and associates

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

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

Investment in subsidiaries are carried at cost in accordance with IAS 27 - 'Separate Financial Statements'.

Investments in associates are accounted for under 'IAS 39 - Financial instruments Recognition and Measurement' considering each investment individually.

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

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

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

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## 3.5.1.2 At fair value through profit or loss

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

## 3.5.1.3 Available for sale

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

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

## 3.5.1.4 Loans and Receivables

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

## 3.5.1.5 Held to maturity

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

## 3.5.1.6 Financial Liabilities

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



# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

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## 3.5.2 Impairment

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

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

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

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

## 3.5.3 Offsetting of financial assets and financial liabilities

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

## 3.6 Assets held for sale

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

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

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

## 3.7 Investment property

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

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

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

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

## **3.8 Purchase under resale agreement**

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

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

## **3.9 Derivative financial instruments**

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

## **3.10 Trade and other receivables**

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

## **3.11 Trade and other payables**

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

## **3.12 Short term borrowings**

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

## **3.13 Revenue recognition**

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

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

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## **3.14 Provisions**

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

## **3.15 Financial instruments**

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

## **3.16 Foreign currency**

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

## **3.17 Mark-up bearing borrowings**

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

## **3.18 Cash and cash equivalents**

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

## **3.19 Dividend and appropriation to reserve**

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

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

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 3.20 Expenses

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

## 4. SHARE CAPITAL

### 4.1 Authorised share capital

2017 (Number of shares)	2016		2017 (Rupees)	2016
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	10,000,000,000	10,000,000,000

### 4.2 Issued, subscribed and paid up share capital

5,000,000	5,000,000	Ordinary shares of Rs. 10 each fully paid in cash	50,000,000	50,000,000
450,750,000	450,750,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	4,507,500,000	4,507,500,000
455,750,000	455,750,000		4,557,500,000	4,557,500,000
(2,000,000)	(2,000,000)	Ordinary shares of Rs. 10 each bought back at Rs. 360 per share	(20,000,000)	(20,000,000)
453,750,000	453,750,000	4.2.1	4,537,500,000	4,537,500,000

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

**4.2.2** At year end, Mr. Arif Habib and Mrs. Zetun Arif held 57.69% (2016: 57.69%) and 11.88% (2016: 16.29%) of ordinary shares in the Company respectively.

## 5. DEFERRED TAXATION - net

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

	2017 (Rupees)	2016
<i>Taxable temporary differences</i>		
- Accelerated tax depreciation	539,265	1,342,388
- Investment in associates classified as at fair value through profit or loss	2,344,650,284	2,696,908,313
- Unrealised gain on investments	97,643,419	58,679,774
<i>Deductible temporary differences</i>		
- Unused tax credits	-	(116,289,452)
- Impairment loss on long term investment - unquoted	(7,200,000)	(16,740,000)
	2,435,632,968	2,623,901,023

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 6. LONG TERM LOANS - secured

	Note	2017 (Rupees)	2016
<i>From related party:</i>			
Term finance loan	6.1	-	150,000,000
Term musharaka finance	6.2	520,000,000	-
Less: current portion		(65,000,000)	(100,000,000)
		455,000,000	50,000,000
<i>Others:</i>			
Term finance loan	6.3	-	145,812,870
Less: current portion		-	(48,604,290)
		-	97,208,580
Diminishing musharakah financing	6.4	610,611	1,041,639
Less: current maturity		(431,028)	(431,028)
		179,583	610,611
		455,179,583	147,819,191

**6.1** During the year, the Company has made early payment as final settlement of term finance facility with Summit Bank Limited, related party, amounting to Rs. 125 million and has also paid semi-annual principal instalment of Rs. 25 million.

**6.2** During the year, the Company has obtained term musharaka finance amounting to Rs. 520 million from Summit Bank Limited, related party, under mark-up arrangement at the rate of 6 months KIBOR + 2% to be charged on semi annually basis. The loan is repayable in eight semi-annually instalments after completion of one year grace period ending on 18 October 2017 and the date of maturity of loan is 17 October 2021. The loan is secured against first pari passu charge over receivable of the Company, ranking charge on an associate's property situated at Naya Nazimabad, Survey # 248, 249, 250 of Rs. 286 million and personal guarantee of Chief Executive Officer of the Company.

**6.3** During the year, the Company has made early payment as final settlement of term finance facility with a commercial bank amounting to Rs. 145.813 million.

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

## 7. TRADE AND OTHER PAYABLES

	Note	2017 (Rupees)	2016
Accrued liabilities		1,477,230	1,376,926
Other liabilities		1,035,356	1,043,951
Advance guarantee fee - from related parties	9.3	498,702	-
Provision for Workers' Welfare Fund	23.1	-	387,631,507
Deposit from profit participant	7.1	2,649,000,000	1,499,000,000
Unclaimed dividend		29,792,519	16,126,736
		2,681,803,807	1,905,179,120



# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

- 7.1** It represents deposit received amounting to Rs. 1.999 billion from a profit participant procured by the existing sponsor of Silkbank Limited, under the Option Agreement dated 15 December 2015 which has been extended till 31 December 2017. In consideration of extending period of option, sponsor of Silkbank Limited has further procured Rs. 500 million from profit participant and has also provided additional margin of Rs. 650 million. As per the revised terms of the agreement, the Company has granted further one year option to existing sponsor to purchase entire investment in Silkbank Limited at an agreed price not more than Rs. 2.0477 per share. In the event of exercise of Purchase option, the profit will be shared by the Company with the profit participant in an agreed revised ratio and the deposit amount will be refunded to the profit participant and additional margin will be adjusted against purchase price payable by existing sponsor. In case the option is not exercised, then the Company will adjust deposit amounting to Rs. 1,350 million through sale and repurchase transaction between the Company and profit participant, thereby reducing the Company's purchase price to Re. 0.5265 per share as per agreement.

## 8. SHORT TERM BORROWINGS

	Note	2017 (Rupees)	2016
<i>Secured - from banking companies</i>			
<i>From related parties:</i>			
Term finance	8.1	-	360,000,000
<i>Others</i>			
Running finance under mark-up arrangement	8.2	1,193,616,235	2,187,610,430
		<b>1,193,616,235</b>	<b>2,547,610,430</b>

- 8.1** During the year, the Company has made final settlement of term finance loan from Summit Bank Limited, related party amounting to Rs. 360 million along with accrued mark-up till the date of repayment.
- 8.2** Short term running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 2,300 million (2016: Rs. 2,800 million), which represents the aggregate of sale prices of all mark-up agreements between the Company and the banks. These facilities have various maturity dates up to 30 June 2018. These arrangements are secured against pledge of marketable securities with minimum 30% margin (2016: 30% margin).
- These running finance facilities carry mark-up ranging from 1 month KIBOR + 1% to 3 month KIBOR + 2.25% per annum (2016: 1 month KIBOR + 1% to 3 month KIBOR + 2.25% per annum) calculated on a daily product basis, and is payable quarterly. The aggregate amount of these facilities which have not been availed as at the balance sheet date amounts to Rs. 1,106.38 million (2016: Rs. 612.39 million).
- 8.3** The fair value of shares of associated companies, shares held for trading and other securities pledged as collateral against short term borrowings amount to Rs. 3,982.16 million (2016: Rs. 1,825.47 million).

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 9. CONTINGENCIES AND COMMITMENTS

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

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

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

- 9.2** 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.

- 9.3** The Company has issued Corporate Guarantee, on behalf of a subsidiary company, namely Sachal Energy Development (Private) Limited (SEDPL), amounting to USD 100,000,000 to Industrial Commercial Bank of China (ICBC) in relation to financing agreement of SEDPL.

The Company had also issued Corporate Guarantees on behalf of associated concerns, Aisha Steel Mills Limited, amounting to Rs. 1.68 billion and for the borrowings of Power Cement Limited, related party, to the extent of Rs. 267.86 million, the Company has pledged shares having fair value of Rs. 266.56 million (2016: Rs. 111.54 million) there against. The Company has also obtained letter of indemnity from respective related parties.

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

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 10. OPERATING FIXED ASSETS

	Vehicles	Furniture and office equipment	Computer and allied equipment (Rupees)	Leasehold improvements	Total
<b>Cost</b>					
Balance as at 01 July 2015	29,906,393	673,029	2,697,939	67,750,472	101,027,833
Additions	198,500	279,373	586,800	-	1,064,673
Disposals / written off	-	-	(176,250)	-	(176,250)
Balance as at 30 June 2016	30,104,893	952,402	3,108,489	67,750,472	101,916,256
Balance as at 01 July 2016	30,104,893	952,402	3,108,489	67,750,472	101,916,256
Additions	-	214,157	996,102	-	1,210,259
Disposals / written off	(76,500)	(60,000)	(315,500)	-	(452,000)
<b>Balance as at 30 June 2017</b>	<b>30,028,393</b>	<b>1,106,559</b>	<b>3,789,091</b>	<b>67,750,472</b>	<b>102,674,515</b>
<b>Depreciation</b>					
Balance as at 01 July 2015	7,237,100	330,419	1,960,480	40,712,080	50,240,079
Charge for the year	4,174,461	73,599	285,578	3,788,223	8,321,861
Disposals / written off	-	-	(82,929)	-	(82,929)
Balance as at 30 June 2016	11,411,561	404,018	2,163,129	44,500,303	58,479,011
Balance as at 01 July 2016	11,411,561	404,018	2,163,129	44,500,303	58,479,011
Charge for the year	3,754,954	96,037	582,335	3,487,526	7,920,852
Disposals / written off	(66,727)	(20,760)	(230,532)	-	(318,019)
<b>Balance as at 30 June 2017</b>	<b>15,099,788</b>	<b>479,295</b>	<b>2,514,932</b>	<b>47,987,829</b>	<b>66,081,844</b>
Written down value as at 30 June 2016	18,693,332	548,384	945,360	23,250,169	43,437,245
<b>Written down value as at 30 June 2017</b>	<b>14,928,605</b>	<b>627,264</b>	<b>1,274,159</b>	<b>19,762,643</b>	<b>36,592,671</b>
<b>Annual rates of depreciation</b>	<b>20%</b>	<b>15%</b>	<b>33%</b>	<b>15%</b>	

**10.1** During the year, computer and allied equipment having a cost of Rs. Nil (2016: Rs. 0.1 million) and accumulated depreciation of Rs. Nil (2016: Rs. 0.055 million) have been fully charged to the profit and loss account, as their written down value falls below Rs. 10,000 as per Company's Policy.

### 10.2 Particulars of the assets disposed off during the year

Particulars of the asset	Cost	Accumulated depreciation	Written down value (Rupees)	Sale proceeds	Mode of disposal	Particulars of buyer
<b>Vehicles</b>						
Assets having written down value of less than Rs. 50,000 individually	76,500	66,727	9,773	9,500	Company's policy	Various
<b>Furniture and office equipment</b>						
Assets having written down value of less than Rs. 50,000 individually	60,000	20,760	39,240	20,000	Company's policy	Various
<b>Computer and allied equipment</b>						
Assets having written down value of less than Rs. 50,000 individually	315,500	230,532	84,968	85,887	Company's policy	Various

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 11. INTANGIBLE ASSETS - computer software

	2017 (Rupees)	2016
<b>Balance as at 1 July</b>	<b>353,760</b>	566,016
Amortisation for the year	(220,434)	(212,256)
<b>Written down value as at 30 June</b>	<b>133,326</b>	353,760
<b>Annual rate of amortisation</b>	<b>25%</b>	25%

## 12. INVESTMENT PROPERTIES

Opening balance	<b>1,646,538,800</b>	2,661,504,400
Cancelled allotments	-	(1,500,179,646)
Change in fair value	<b>346,623,700</b>	485,214,046
<b>Balance as at 30 June</b>	<b>1,993,162,500</b>	1,646,538,800

**12.1** This represents certain plots, purchased from related concern, situated at Naya Nazimabad, Deh Manghopir, Gadap Town, Karachi. The fair value of investment property was determined by an external independent property valuer having appropriate recognised qualification and relevant experience. A gain of Rs. 346.62 million (2016: Rs. 485.21 million) representing change in fair value has been recognised in profit and loss account.

## 13. LONG TERM INVESTMENTS

	Note	2017 (Rupees)	2016
Subsidiaries - at cost	13.1	<b>5,018,602,290</b>	5,258,140,246
At fair value through profit or loss	13.2	<b>23,109,545,700</b>	23,552,050,625
Available for sale	13.3	-	100,000
		<b>28,128,147,990</b>	28,810,290,871

### 13.1 Subsidiaries - at cost

Arif Habib Limited (AHL)	13.1.1	<b>2,262,137,230</b>	2,511,675,186
Sachal Energy Development (Private) Limited (SEDPL)	13.1.2	<b>2,746,465,060</b>	2,746,465,060
Black Gold Power Limited (BGPL)	13.1.3	<b>10,000,000</b>	-
Pakistan Opportunities Limited (POL)	13.1.4	-	-
		<b>5,018,602,290</b>	5,258,140,246

### 13.2 At fair value through profit or loss - designated on initial recognition

		Cost	Unrealised appreciation / (diminution) on remeasurement of investments (Rupees)	Carrying amount 2017	2016
<b>Associates:</b>					
MCB - Arif Habib Savings and Investments Limited (MCB-AH)	13.2.1	477,694,882	139,733,878	617,428,760	575,183,634
Pakrab Fertilizers Limited (PFL)	13.2.2	1,324,332,073	10,420,667,927	11,745,000,000	12,150,000,000
Fatima Fertilizer Company Limited (FFCL)	13.2.3	3,512,782,225	7,234,334,715	10,747,116,940	10,826,866,991
		5,314,809,180	17,794,736,520	23,109,545,700	23,552,050,625

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 13.3 Available for sale

		Cost	Provision for impairment	Carrying amount 2017	2016
			(Rupees)		
<b>Other investments:</b>					
Takaful Pakistan Limited (TPL)	13.3.1	30,000,000	(30,000,000)	-	-
Sun Biz (Private) Limited (SBL)	13.3.2	1,000,000	(1,000,000)	-	-
Al-Khabeer Financial Services (Private) Limited (AKFS)	13.3.3	1,000,000	(1,000,000)	-	100,000
		<b>32,000,000</b>	<b>(32,000,000)</b>	<b>-</b>	<b>100,000</b>

**13.1.1** Investment in AHL (quoted) represents 36.04 million (2016: 40.3 million) fully paid ordinary shares of Rs. 10 each, representing 65.52% (2016: 73.29%) of AHL's paid up share capital as at 30 June 2017. Market value per share as at 30 June 2017 is Rs. 80.41 (2016: Rs. 45.12), whereas book value based on net assets as per audited financial statements as at 30 June 2017 is Rs. 58.20 (2016: Rs. 49.19) per share.

**13.1.2** Investment in SEDPL (unquoted) represents 274.65 million (2016: 274.65 million) fully paid ordinary shares of Rs. 10 each, representing 100% (2016: 100%) of SEDPL's paid up share capital as at 30 June 2017. Book value based on net assets, as per audited financial statements as at 30 June 2017 is Rs. 10.83 per share (2016: Rs.9.47 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** During the year, the Company has incorporated BGPL on 8 December 2016, as a wholly owned Subsidiary of the Company. The Company has paid Rs. 10 million for subscribing 1 million fully paid ordinary shares of Rs. 10 each. Currently, the Company is planning to establish 330 MW Thar Coal based power project at Thar Block II.

**13.1.4** During the year, the Company has sold its entire investment in POL to a related party. Carrying value of investment was Rs. Nil and book value based on net assets, as per audited financial statements as at 30 June 2017 is Rs. 1.28 million and accordingly gain of Rs. 1.5 million has recognised in these financial statements.

**13.2.1** Investment in MCB-AH (quoted) represents 21.66 million (2016: 21.66 million) fully paid ordinary shares of Rs. 10 each, representing 30.09% (2016: 30.09%) of MCB-AH's paid up share capital as at 30 June 2017, having historical cost of Rs. 81.95 million (2016: 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 2017 was Rs. 28.50 (2016: Rs. 26.55), whereas book value based on net assets, as per audited financial statements as at 30 June 2017 is Rs. 21.94 per share (2016: Rs. 21.52 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 PFL (unquoted) represents 135 million (2016: 135 million) fully paid ordinary shares of Rs. 10 each, representing 30% (2016: 30%) of PFL's paid up share capital as at 30 June 2017, having cost of Rs. 1,324.33 million (2016: Rs. 1,324.33 million). Fair value per share as at 30 June 2017 is Rs. 87 (2016: Rs. 90). Book value based on net assets, as per audited financial statements, as at 31 December 2016 is Rs. 48.91 per share (31 December 2015: Rs. 53.14 per share). Details regarding valuation techniques and inputs used are disclosed in note 33 to these financial statements.

**13.2.3** Investment in FFCL (quoted) represents 319 million (2016: 319 million) fully paid ordinary shares of Rs. 10 each, representing 15.19% (2016: 15.19%) of FFCL's paid up share capital as at 30 June 2017. Fair value per share as at 30 June 2017 is Rs. 33.69 (2016: Rs. 33.94). Book value based on net assets as per audited financial statements as at 31 December 2016 is Rs. 22.56 per share (31 December 2015: Rs. 19.16 per share).



# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

**13.3.1** Investment in TPL (unquoted) represents 3 million (2016: 3 million) fully paid ordinary shares of Rs.10 each, representing 10% (2016: 10%) of TPL's paid up share capital as at 30 June 2017. Book value based on net assets, as per audited financial statements, as at 31 December 2016 is Rs. 5.98 per share (31 December 2015: Rs. 5.74 per share).

**13.3.2** Investment in SBL (unquoted) represents 10,000 (2016: 10,000) fully paid ordinary shares of Rs. 100 each, representing 4.65% (2016: 4.65%) of SBL's paid up share capital as at 30 June 2017.

**13.3.3** Investment in AKFS represents 5,000 (2016: 5,000) fully paid ordinary shares of Rs. 1 million (2016: Rs 1 million), representing 5% of the total paid up share capital of the investee company as at 30 June 2017.

**13.4** Fair value of long term investments pledged with banking companies against various financing facilities amounts to Rs. 3,982.19 million (2016: Rs. 1,551.058 million).

## **13.5 Movement in provision for impairment**

	Note	2017	2016
		(Rupees)	
Balance as at 1 July		(74,400,000)	(502,409,244)
Reversal on sale of investment		-	287,361,776
Provision made during the year		(100,000)	-
Reclassified to short term investment on loss of significant influence		-	140,647,468
Balance as at 30 June		(74,500,000)	(74,400,000)

## **14. LONG TERM DEPOSITS - non interest bearing, unsecured**

Security deposit with Central Depository Company of Pakistan Limited	4,090	4,090
Security deposits with cellular phone companies	40,500	40,500
Security deposits with Pakistan State Oil Company Limited - for fuel cards	45,000	45,000
Security deposit for employees cars	2,397,440	1,849,340
	<b>2,487,030</b>	<b>1,938,930</b>

## **15. LOANS AND ADVANCES - considered good**

### *Unsecured*

Advances		
- against salaries to employees	943,240	1,019,648

### Loans to related parties - interest bearing (conventional)

- Aisha Steel Mills Limited	-	545,471,149
- Sachal Energy Development (Private) Limited		-
	<b>432,000,000</b>	<b>545,471,149</b>

### *Secured*

Loan to Aisha Steel Mills Limited - interest bearing	210,793,235	239,215,563
	<b>643,736,475</b>	<b>785,706,360</b>

**15.1** The Company has provided interest free loan to its wholly owned Subsidiary Company. The all or part of outstanding loan is convertible into equity at any point of time at the option of the Company or is repayable within 30 business days of notice of demand.

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

**15.2** 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 (2016: 6 months KIBOR + 3.25% per annum). The effective rate of mark-up on the loan during the year was 9.31% to 9.40% (2016: ranged between 9.76% to 10.29%) per annum. Mark-up is payable on semi-annually basis. The loan is payable within 60 days of notice of demand.

**15.3** Maximum balance due from related party during the year was Rs. 1,506.47 million (2016: Rs. 2,805.93 million).

## **16. MARK-UP RECEIVABLE - considered good**

	Note	2017 (Rupees)	2016
From related parties:			
- Aisha Steel Mills Limited	15.2	9,913,724	19,717,359
- Javedan Corporation Limited		-	39,452
		<b>9,913,724</b>	<b>19,756,811</b>

**16.1** The above receivable from related parties are on account of loans provided to them which are current and not past due.

## **17. TRADE RECEIVABLE**

This represent amount receivable from Arif Habib Limited, Subsidiary Company, for sale of listed securities from stock exchange under T+2 settlement method.

## **18. OTHER RECEIVABLES**

This include guarantee fee receivable of Rs. 0.067 million (2016: Rs. 0.742 million) from a related party.

## **19. SHORT TERM INVESTMENTS**

	Note	2017 (Rupees)	2016
<i>At fair value through profit or loss - designated</i>			
Investment in related parties and associate	19.2	5,894,896,137	4,363,397,382
Other investments		30,715,771	216,232,486
		<b>5,925,611,908</b>	<b>4,579,629,868</b>
<i>At available for sale</i>			
Investment in related parties	19.3	458,193,588	648,294,567
		<b>6,383,805,496</b>	<b>5,227,924,435</b>

**19.1** The above represent investment in equity securities. Fair value of these investments is determined using quoted market prices prevailing at the balance sheet date. Short term investments include equity securities pledged with various banking companies against short term running finance facilities having a market value of Rs. Nil (2016: Rs. 465.8 million).

**19.2** This includes investment in Silkbank Limited (Bank), associated concern. Refer note 7.1 for an arrangement with Sponsor of the Bank. This also include investment in right shares issued by Aisha Steel Mills Limited (ASML) and Power Cement Limited (PCL) during the year which has been subscribed by the Company.

**19.3** This represent investment in Javedan Corporation Limited.

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 19.4 Reconciliation of gain / (loss) on remeasurement of investments at fair value through profit or loss

	Note	2017 (Rupees)	2016
Cost of investment		5,391,674,269	4,226,221,069
<b>Unrealised gain:</b>			
Balance as at 1 July		353,408,799	42,630,513
Unrealised gain for the year		180,528,840	310,778,286
		533,937,639	353,408,799
<b>Balance as at 30 June</b>		<b>5,925,611,908</b>	<b>4,579,629,868</b>

## 19.5 Reconciliation of gain / (loss) on remeasurement of investments as available for sale

Cost of investment	19.5.1	343,160,774	680,764,100
<b>Unrealised gain / (loss):</b>			
Balance as at 1 July		(32,469,533)	130,246,016
Unrealised gain / (loss) for the year		108,103,750	(32,469,533)
Reclassification adjustment on disposal of investment		39,398,597	(130,246,016)
		115,032,814	(32,469,533)
<b>Balance as at 30 June</b>		<b>458,193,588</b>	<b>648,294,567</b>

**19.5.1** This is net of related impairment amounting to Rs. 72.57 million (2016: Rs. 140.65 million).

## 20. CASH AND BANK BALANCES

	Note	2017 (Rupees)	2016
With banks in:			
Current accounts			
- In local currency		34,182,902	20,355,416
- In foreign currency		4,202,018	4,189,989
		38,384,920	24,545,405
Deposit accounts	20.1	443,119	354,860
		38,828,039	24,900,265
Cash in hand		51,621	133,245
		<b>38,879,660</b>	<b>25,033,510</b>

**20.1** Mark-up on deposit account was at rates ranging from 3.75% to 4.75% (2016: 3.75% to 5%) per annum. The deposit accounts are placed with banks under conventional banking arrangements.

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 21. OPERATING REVENUE

	Note	2017 (Rupees)	2016
Dividend income		1,404,714,083	336,908,617
Gain on sale of securities - net	21.1	717,130,001	1,531,724,126
Loss on remeasurement of investments - net	21.2	(261,976,085)	(601,015,652)
Mark-up on loans and advances	21.3	51,958,289	128,590,345
Income from reverse repurchase transaction		-	16,530,577
Put option fee		-	72,144,022
Mark-up on bank deposits		461,279	6,200,067
Gain on liquidation of Subsidiary Company	21.4	25,866,548	-
		<b>1,938,154,115</b>	<b>1,491,082,102</b>
<b>21.1 Gain on sale of securities - net</b>			
Gain on sale of securities		718,029,184	1,556,742,173
Loss on sale of securities		(899,183)	(23,053,652)
Tenderable gain		-	(1,964,395)
		<b>717,130,001</b>	<b>1,531,724,126</b>
<b>21.1.1</b> The above gain is netted off with transaction cost.			
<b>21.2 (Loss) / gain on remeasurement of investments - net</b>			
Loss on remeasurement of investment in associates - at fair value through profit or loss		(442,504,926)	(911,793,938)
Gain on remeasurement of short term investments - at fair value through profit or loss		180,528,841	310,778,286
		<b>(261,976,085)</b>	<b>(601,015,652)</b>
<b>21.2.1</b> The above gain is netted off with transaction cost.			
<b>21.3</b> This includes mark-up income received from an associated concern Aisha Steel Mills Limited. The mark-up rate on the said loans is ranging from 3 months KIBOR plus 3% per annum to 6 months KIBOR plus 3.25%. The effective mark-up charged during the year on these loans ranges from 9.04% to 9.40%.			
<b>21.4</b> During the year, the Company has completed the liquidation requirement of Arif Habib DMCC, a subsidiary company and has recognised gain in excess of cost of investment amounting to Rs. 25.87 million.			
<b>21.5</b> Operating revenue is not subject to trade or any other type of discount.			

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 22. OPERATING AND ADMINISTRATIVE EXPENSES

	Note	2017 (Rupees)	2016
Salaries and benefits	35	32,607,334	31,434,901
Printing and stationery		2,385,714	2,949,643
Communication		1,594,801	1,061,101
Rent, rates and taxes		28,004,485	19,469,331
Electricity		2,553,086	2,407,222
Legal and professional charges		2,523,287	5,197,484
Custody and settlement charges		1,389,245	4,683,964
Entertainment		2,251,754	3,689,839
Travelling and conveyance		4,228,310	4,345,334
Advertisement and business promotion		15,995,137	18,456,836
Depreciation	10	7,920,852	8,321,861
Amortisation of intangible assets	11	220,434	212,256
Repairs and maintenance		4,818,486	3,084,276
Insurance		3,117,604	2,321,253
Auditors' remuneration	22.1	1,704,760	1,615,510
Fees and subscription		1,125,866	2,560,273
Directors' meeting fees		125,000	205,000
Consultancy charges		2,700,000	2,400,000
Commission expense		-	1,220,000
Others		1,461,760	1,375,013
		<b>116,727,915</b>	<b>117,011,097</b>
<b>22.1 Auditors' remuneration</b>			
Audit fee		1,067,000	1,067,000
Certification including interim review		355,000	355,000
Sales tax		113,760	109,260
Out of pocket		169,000	84,250
		<b>1,704,760</b>	<b>1,615,510</b>
<b>23. OTHER INCOME</b>			
Reversal of provision against Workers' Welfare Fund	23.1	387,631,507	-
Guarantee commission income	23.2	1,169,154	2,967,855
Profit on foreign currency translation		14,091	110,154
		<b>388,814,752</b>	<b>3,078,009</b>

**23.1** During the year, the Honourable Supreme Court of Pakistan vide its judgement dated 10 November 2016 while adjudicating the civil appeal filed by the Company declared amendments made vide Finance Act 2006 and 2008 in Workers' Welfare Ordinance, 1971 ("the Ordinance") as unlawful and ultra vires the Constitution of Pakistan. However, the Commissioner Inland Revenue (Peshawar) has filed the Civil Review Petitions (CRPs) against the judgement of the Supreme Court of Pakistan. The Legal Counsel which has contested the Company's petition consider that the Department wishes to try for re-argue the appeal through CRPs which generally is not allowed by the Supreme Court in review unless an 'error' is pointed out rather than request for change of opinion. Accordingly based on legal advice, management has reversed the provision created against Workers' Welfare Fund.



# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

**23.2** This pertains to corporate guarantee issued to associated concerns namely Aisha Steel Mills Limited, Power Cement Limited and Javedan Corporation Limited as disclosed in note 9.3 to these financial statements.

## 24. FINANCE COST

	Note	2017 (Rupees)	2016
Mark-up on short term borrowings		109,098,631	245,114,757
Mark-up on long term loan		39,022,368	32,133,563
Mark-up on diminishing musharakah financing		102,557	139,293
Bank charges		111,828	280,797
		<b>148,335,384</b>	<b>277,668,410</b>

## 25. OTHER CHARGES

Donations	25.1	27,407,008	16,300,000
Loss on disposal of fixed assets		18,594	48,531
Impairment loss		100,000	-
		<b>27,525,602</b>	<b>16,348,531</b>

### 25.1 Donations

Donations in which directors are interested, are as follows:

Name of director	Interest in donee	Name and address of the donee	2017 (Rupees) Amount donated	2016
Mr. Muhammad Ejaz	Trustee	Jinnah Foundation		
Mr. Sirajuddin Cassim	Trustee	Plot No. A 11, 12, 13 & 14,		
Mr. Nasim Beg	Trustee	Bhitai Colony, Korangi		
		Crossing, Karachi	<b>3,230,500</b>	-

## 26. TAXATION - net

Current			
- for the year		208,120,185	110,879,672
- for the prior years		(32,168,993)	(88,576,607)
		<b>175,951,192</b>	<b>22,303,065</b>
Deferred		(186,320,543)	264,919,066
		<b>(10,369,351)</b>	<b>287,222,131</b>

**26.1** 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. 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.

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

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

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

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

Income tax return was filed by the Company for the Tax Year 2016, taken as deemed assessment under section 120 of the Income Tax Ordinance, 2001 which is subject to audit under section 177 of the Income Tax Ordinance, 2001. However, the Income Tax Department has power to re-open these assessments within five years of their filing.

- 26.2** Under section 5A of the Income Tax Ordinance, 2001 as amendment by the Finance Act 2017, tax shall be imposed at the rate of 7.5% of the accounting profit before tax on the every public company, other than schedule bank or modaraba, that drives profit for a tax year but does not distribute at least 40% of its after tax profits within six months of the end of the tax year through cash or bonus shares.

The Board of Directors in their meeting held on 15 September 2017 have recommended sufficient cash dividend for the year ended 30 June 2017 (refer note 39.2) for the consideration and approval of the shareholders of the Company in the forthcoming annual general meeting which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognised in these financial statements for the year ended 30 June 2017.

**26.3 Relationship between tax (income) / expense and accounting profit**

	2017	2016
	(Rupees)	
Profit before taxation	2,381,003,666	1,568,346,119
Tax at the applicable tax rate	738,111,136	501,870,758
Tax effect of income under final tax regime	(259,870,713)	(65,697,180)
Tax effect of income taxed at lower rate	(224,314,958)	301,544,297
Prior year tax effect	(32,168,993)	(88,576,607)
Tax effect of non-deductible expenses	43,821,016	5,216,000
The effect of exempt income / permanent difference	(146,410,896)	(490,151,720)
Others	(129,535,943)	123,016,583
	(10,369,351)	287,222,131

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 27. EARNINGS PER SHARE - BASIC AND DILUTED

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

	2017 (Rupees)	2016
Profit after tax	2,391,373,017	1,281,123,988
	(Number)	
Weighted average number of ordinary shares	453,750,000	453,750,000
	(Rupees)	
Earnings per share - basic and diluted	5.27	2.82

## 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 five 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 Officer 2017	2016	Director and other Executives 2017	2016
			(Rupees)	
Managerial remuneration	8,400,000	8,400,000	8,976,440	15,740,400
Contribution to provident fund	677,424	677,424	711,277	1,269,397
Bonus	1,400,000	1,400,000	1,475,240	2,722,350
Other perquisites and benefits	960,000	960,000	2,556,660	3,108,290
Commission		-	-	1,220,000
Total	11,437,424	11,437,424	13,719,617	24,060,437
Number of person(s)	1	1	8	7

**28.3** Besides the above, group insurance and medical facilities under insurance coverage were provided to the above mentioned personnel.

**28.4** The aggregate amount charged to these financial statements in respect of directors' fee paid to two directors (2016: two) was Rs. 0.13 million (2016: Rs. 0.21 million). The Chief Executive Officer draws salary on account of managerial remuneration.

**28.5** The Chief Executive Officer and certain Executives have been provided with free use of Company's maintained vehicles in accordance with the Company's policy.

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 29. CASH GENERATED FROM / (USED IN) OPERATIONS

	2017	2016
	(Rupees)	
Profit before tax	2,381,003,666	1,568,346,119
<b>Adjustments for:</b>		
Depreciation	7,920,852	8,321,861
Amortisation of intangibles	220,434	212,256
Dividend income	(1,404,714,083)	(336,908,617)
Mark-up on loans and advances	(51,958,289)	(128,590,345)
Gain on liquidation of Subsidiary Company	(25,866,548)	-
Impairment loss on investment	100,000	-
Loss on remeasurement of investment in associates	442,504,926	911,793,938
Income from reverse repurchase transaction	-	(16,530,577)
Loss on disposal of assets	18,594	48,531
Gain on remeasurement of short term investments	(180,528,841)	(310,778,286)
Gain on disposal of long term investment	(47,675,449)	(1,531,724,126)
(Reversal) / provision for workers' welfare fund	(387,631,507)	-
Finance cost	148,335,384	277,668,410
Unrealised gain on remeasurement of investment property	(346,623,700)	(485,214,046)
	(1,845,898,227)	(1,611,701,001)
	535,105,439	(43,354,882)
<b>Changes in working capital</b>		
<i>(Increase) / decrease in current assets</i>		
Loans and advances	141,969,885	102,192,203
Prepayments	(302,866)	13,613,143
Trade receivable	(183,073,309)	-
Other receivables	675,000	1,214,350,000
Short term investments	(827,849,873)	(3,334,914,663)
	(868,581,163)	(2,004,759,317)
<i>Increase in current liabilities</i>		
Trade and other payables	1,164,256,194	89,602,642
	295,675,031	(1,915,156,675)
<b>Cash generated from / (used in) operations</b>	830,780,470	(1,958,511,557)

## 30. CASH AND CASH EQUIVALENTS

Cash and bank balances	20	38,879,660	25,033,510
Short term borrowings	8	(1,193,616,235)	(2,547,610,430)
		(1,154,736,575)	(2,522,576,920)

## 31. OPERATING SEGMENTS

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

All non-current assets of the Company as at 30 June 2017 are located in Pakistan.

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

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

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

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

	2017	2016
	(Rupees)	
Long term deposits	89,590	89,590
Loans	642,793,235	784,686,712
Trade receivable	183,073,309	-
Other receivables	66,964	741,964
Mark-up receivable	9,913,724	19,756,811
Cash and bank balances	38,828,039	24,900,265
	<b>874,764,861</b>	<b>830,175,342</b>

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

#### *Long term deposits*

This represents 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.



# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

## *Loans, mark-up receivable, trade receivable and other receivables*

The Company extends loans to its related concerns and follows due process of seeking approval from shareholders as per applicable laws and regulations. Wherever possible, management obtains collateral from counterparties. As loans are mainly provided to related concerns, management is not expecting to incur loss against the same. Mark-up receivable mainly pertains to loans extended to related parties for which the management does not expect to incur any credit loss. Trade receivable pertains to the receivable from subsidiary company 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, trade receivable, other receivables and mark-up receivable is as follows:

	2017 (Rupees)	2016
Not past due	835,847,232	805,185,487

## *Cash and bank balances*

As at 30 June 2017 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 A-1 to A1+ (short term) and A-1 to AAA (long term).

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

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

	2017 (Rupees)		
	Carrying amount	Contractual cash flows	Up to one year More than one year
<b>Financial liabilities</b>			
Long term loan	520,610,611	563,042,611	107,863,028 455,179,583
Trade and other payables	2,652,011,288	2,652,011,288	2,652,011,288 -
Short term borrowings	1,193,616,235	1,299,966,585	1,299,966,585 -
	4,366,238,134	4,515,020,484	4,059,840,901 455,179,583

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

	2016			
	Carrying amount	Contractual cash flows	Up to one year	More than one year
	(Rupees)			
Financial liabilities				
Long term loan	296,854,509	302,010,883	154,191,692	147,819,191
Trade and other payables	1,501,420,877	1,501,420,877	1,501,420,877	-
Short term borrowings	2,547,610,430	2,591,283,401	2,591,283,401	-
	4,345,885,816	4,394,715,161	4,246,895,970	147,819,191

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

## 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	2017		2016	
	(Rupees)	(US Dollars)	(Rupees)	(US Dollars)
Cash in hand	4,716	45	114,950	1,100
Bank balances	4,202,018	40,096	4,189,989	40,096

The following significant exchange rates were applicable during the year:

	Average rates		Balance sheet date rate	
	2017	2016	2017	2016
US Dollars to Pakistan Rupee	104.73	104.40	104.80 / 105.00	104.50 / 104.70

### Sensitivity analysis

A 10 percent strengthening / (weakening) of the Pakistan Rupee against various foreign currencies at 30 June would have (decreased) / increased the profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2016.

	Effect on profit and loss (net of tax)	
	2017	2016
(Rupees)		
As at 30 June		
Effect in US Dollars	420,202	418,999

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

## b) Interest / mark-up rate risk

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

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

	2017 (Effective interest rate %)	2016	2017 (Rupees)	2016
<b>Financial assets</b>				
<i>Variable rate financial instruments</i>				
Loans	9.04% to 9.40%	8.6% to 10.29%	210,793,235	784,686,712
Cash and bank balances	3.75% to 4.75%	3.75% to 5%	443,119	354,860
<b>Financial liabilities</b>				
<i>Variable rate financial instruments</i>				
Long term loan	8.01% to 8.85%	8.35% to 10.68%	455,179,583	147,819,191
Current maturity of long term loan	8.01% to 8.85%	8.35% to 10.68%	65,431,028	149,035,318
Short term borrowings	7.20% to 8.37%	6.35% to 7.01%	1,193,616,235	2,547,610,430

## Fair value sensitivity analysis for fixed rate instruments

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

## Cash flow sensitivity analysis for variable rate instruments

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

	Increase 100 bps	Decrease 100 bps
	(Rupees)	
As at 30 June 2017		
Cash flow sensitivity - Variable rate financial assets	2,112,364	(2,112,364)
Cash flow sensitivity - Variable rate financial liabilities	17,142,268	(17,142,268)
As at 30 June 2016		
Cash flow sensitivity - Variable rate financial assets	7,850,416	(7,850,416)
Cash flow sensitivity - Variable rate financial liabilities	28,444,649	(28,444,649)

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 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 2017 and 2016 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 PSE 100 index.

	Fair value (Rupees)	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in shareholders equity (Rupees)	Hypothetical increase (decrease) in profit / (loss) before tax
<b>30 June 2017</b>	<b>17,748,351,196</b>	<b>30% increase</b>	<b>23,072,856,555</b>	<b>137,458,076</b>	<b>5,187,047,282</b>
		<b>30% decrease</b>	<b>12,423,845,837</b>	<b>(137,458,076)</b>	<b>(5,187,047,282)</b>
<b>30 June 2016</b>	<b>16,629,975,060</b>	<b>30% increase</b>	<b>21,618,967,578</b>	<b>194,518,370</b>	<b>4,794,474,148</b>
		<b>30% decrease</b>	<b>11,640,982,542</b>	<b>(194,518,370)</b>	<b>(4,794,474,148)</b>

## 32.4 Financial instruments by category

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

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

	At fair value 'through profit or loss' -	Loans and receivables	Available for sale	Other financial assets	Other financial liabilities
	(Rupees)				
<b>30 June 2017</b>					
<b>Financial assets</b>					
Cash and bank balances	-	38,879,660	-	-	-
Pledged investments	3,982,191,690	-	265,866,170	2,746,465,060	-
Non-pledged investments	19,127,354,010	-	192,327,418	2,272,137,230	-
Long term deposits	-	89,590	-	-	-
Loans and advances	-	210,793,235	-	-	-
Mark-up receivable	-	9,913,724	-	-	-
Trade receivable	-	183,073,309	-	-	-
Other receivables	-	66,964	-	-	-
	<b>23,109,545,700</b>	<b>442,816,482</b>	<b>458,193,588</b>	<b>5,018,602,290</b>	<b>-</b>
<b>Financial liabilities</b>					
Long term loan - secured	-	-	-	-	455,179,583
Trade and other payables	2,652,011,288	-	-	-	2,652,011,288
Mark-up accrued on borrowings	-	-	-	-	144,389,340
Current maturity of long term loan	-	-	-	-	65,431,028
Short term borrowings	-	-	-	-	1,193,616,235
	<b>2,652,011,288</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,510,627,474</b>
<b>30 June 2016</b>					
<b>Financial assets</b>					
Cash and bank balances	-	25,033,510	-	-	-
Pledged investments	1,766,466,485	-	250,390,406	2,746,465,060	-
Non-pledged investments	26,365,214,008	-	398,004,161	2,511,675,186	-
Long term deposits	-	89,590	-	-	-
Loans and advances	-	784,686,712	-	-	-
Mark-up receivable	-	19,756,811	-	-	-
Other receivables	-	741,964	-	-	-
	<b>28,131,680,493</b>	<b>830,308,587</b>	<b>648,394,567</b>	<b>5,258,140,246</b>	<b>-</b>
<b>Financial liabilities</b>					
Long term loan - secured	-	-	-	-	147,819,191
Trade and other payables	-	-	-	-	1,517,547,613
Mark-up accrued on borrowings	-	-	-	-	173,878,386
Current maturity of long term loan	-	-	-	-	149,035,318
Short term borrowings	-	-	-	-	2,547,610,430
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,535,890,938</b>

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

## 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.



# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

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

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

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

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

30 June 2017								
	Carrying amount					Fair value		
	At fair value through profit and loss	Loans and Receivables	Available for sale	Other financial assets	Other financial liabilities (Rupees)	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>								
Long term investments	23,109,545,700	-	-	-	-	11,364,545,700	-	11,745,000,000
Short term investments	5,925,611,908	-	458,193,588	-	-	6,383,805,496	-	-
<b>Financial assets not measured at fair value</b>								
Long term investments	-	-	-	5,018,602,290	-	2,897,834,637	-	-
Long term deposits	-	89,590	-	-	-	-	-	-
Trade receivable	-	183,073,309	-	-	-	-	-	-
Other receivable	-	66,964	-	-	-	-	-	-
Loans and advances	-	643,736,475	-	-	-	-	-	-
Mark-up receivable	-	9,913,724	-	-	-	-	-	-
Cash and bank balances	-	38,879,660	-	-	38,879,660	-	-	-
<b>Financial liabilities not measured at fair value</b>								
Long term loan - secured	-	-	-	-	455,179,583	-	-	-
Trade and other payables	-	-	-	-	2,652,011,288	-	-	-
Mark-up accrued on borrowings	-	-	-	-	144,389,340	-	-	-
Short term borrowings	-	-	-	-	1,193,616,235	-	-	-
Current maturity of long term loan	-	-	-	-	65,431,028	-	-	-
30 June 2016								
	Carrying amount					Fair value		
	At fair value through profit and loss	Loans and Receivables	Available for sale	Other financial assets	Other financial liabilities (Rupees)	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>								
Long term investments	23,552,050,625	-	100,000	-	-	11,401,950,625	-	12,150,100,000
Short term investments	4,579,629,868	-	648,294,567	-	-	5,227,924,435	-	-
<b>Financial assets not measured at fair value</b>								
Long term investments	-	-	-	5,258,140,246	-	1,818,685,093	-	-
Long term deposits	-	89,590	-	-	-	-	-	-
Other receivable	-	741,964	-	-	-	-	-	-
Loans and advances	-	784,686,712	-	-	-	-	-	-
Mark-up receivable	-	19,756,811	-	-	-	-	-	-
Cash and bank balances	-	25,033,510	-	-	-	-	-	-
Asset held for sale	-	-	-	29,945,898	-	-	-	-
<b>Financial liabilities not measured at fair value</b>								
Long term loan - secured	-	-	-	-	147,819,191	-	-	-
Trade and other payables	-	-	-	-	1,517,547,613	-	-	-
Mark-up accrued on borrowings	-	-	-	-	173,878,386	-	-	-
Short term borrowing	-	-	-	-	2,547,610,430	-	-	-
Current maturity of long term loan	-	-	-	-	149,035,318	-	-	-

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

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:

	2017 (Rupees)	2016
Unlisted equity instruments		
<b>Balance at 1 July</b>	<b>12,150,000,000</b>	11,070,000,000
Total (losses) / gains recognised in profit and loss account on remeasurement of investment	<b>(405,000,000)</b>	1,080,000,000
<b>Balance at 30 June</b>	<b>11,745,000,000</b>	12,150,000,000

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

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

Assets measured at fair value	Date of valuation	Valuation approach and input used	Inter-relationship between significant unobservable Inputs and fair value measurement						
<i>Non-financial assets at fair value</i> Investment Properties	30 June 2017	<p>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.</p>	<p>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.</p>						
<i>Financial assets at fair value</i> Equity securities - unquoted	30 June 2017	<p><b>Discounted cash flows:</b></p> <p>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.</p> <p><b>Inputs used:</b></p> <table><tr><td>Long term growth rate</td><td>5%</td></tr><tr><td>Long term return on equity</td><td>13.82%</td></tr><tr><td>Weighted average cost of capital</td><td>11.61%</td></tr></table>	Long term growth rate	5%	Long term return on equity	13.82%	Weighted average cost of capital	11.61%	<p><b>The estimated fair value would increase / (decrease) if:</b></p> <ul style="list-style-type: none"><li>- no. of operating days increase / (decrease)</li><li>- the annual growth rate were higher or lower</li><li>- the EBITDA margin were higher or lower</li></ul> <p>Generally, a change in the annual growth rate is accompanied by a directionally similar change in EBITDA margin.</p>
Long term growth rate	5%								
Long term return on equity	13.82%								
Weighted average cost of capital	11.61%								

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

The fair value of quoted equity securities categorised in level 1 in fair value hierarchy is determined using quotation from the Pakistan Stock Exchange Limited on the reporting date. Investment in a subsidiary company namely Arif Habib Limited is quoted on the Pakistan Stock Exchange and fair value of investment, based on the available market price, is Rs. 2,897.83 million (2016: Rs. 1,818.69 million). The said subsidiary is carried at cost and fair value is determined for disclosure purposes. The reconciliation of investment property has been disclosed in respective note; hence not disclosed separately. The fair value of investment property amounting to Rs. 1,993.16 million (2016: Rs. 1,646.54 million) has been classified under level 3 in fair value hierarchy.

## 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. STAFF RETIREMENT BENEFITS

### Defined contribution plan - staff provident fund

Salaries, wages and benefits include Rs. 1.75 million (2016: Rs. 1.64 million) in respect of provident fund contribution.

The following information is based on the latest financial statements of the Fund:

	2017 (Unaudited) (Rupees)	2016 (Audited)
Size of the Fund - total assets	23,643,180	19,168,811
Cost of investments made	23,543,906	19,088,614
Percentage of investments made	99.58%	99.58%
Fair value of investments	23,543,906	19,088,614

Breakup of investments is as follows:

	2017 (Rupees)	%	2016 (Rupees)	%
Balance with bank in savings account	23,543,906	100.00	19,088,614	100.00

The contributions were made by the Company to the Trust in accordance with the requirement of Section 227 of the repealed Companies Ordinance, 1984. The audit of the provident fund for the year ended 2017 is in progress. The investments out of the fund have been made in accordance with the provisions of Section 227 of the repealed Companies Ordinance, 1984 and the rules formulated for the purpose.

# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 36. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

	2017	2016
	(Rupees)	
<b>Relationship with the Company and the nature of transaction</b>		
<i>Transactions with Subsidiaries</i>		
Services availed	3,396,864	7,083,514
Fresh equity investment / subscription of right shares	10,000,000	2,134,465,000
Mark-up income on loan and advance	-	55,149,142
Mark-up income received	-	55,149,142
Dividend income / received	282,154,159	265,648,159
Loan extended	432,000,000	2,150,000,000
Loan repayment	-	2,150,000,000
Guarantee commission income	-	133,922
Guarantee commission received	-	200,892
Disposal of computer and allied equipment	-	29,789
<i>Transactions with Associates</i>		
Dividend income / received	1,107,159,213	70,408,543
Mark-up on loan and advance	-	49,972,491
Mark-up income received	-	65,695,658
Loan / advance extended	-	1,438,169,776
Loan / advance repayment	-	1,334,500,767
Guarantee commission income	-	1,416,964
Guarantee commission received	-	2,041,964
<i>Transactions with Other related parties and associated undertakings</i>		
Subscription of right shares	1,357,651,432	-
Provident fund contribution	1,754,357	1,639,319
Payment of rent and maintenance charges	22,811,074	6,542,713



# Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2017

	2017 (Rupees)	2016
Dividend income / received	520	817,209
Mark-up on loan and advance	51,958,289	23,468,712
Mark-up income received	61,801,376	3,711,901
Loan / advance extended	2,126,000,000	1,440,471,148
Loan / advance repayment	2,699,893,477	1,267,215,536
Guarantee commission income	1,169,154	1,416,964
Guarantee commission received	2,342,856	675,000
Mark-up paid on long term loan	25,751,397	16,970,418
Mark-up paid on short term running finance	16,067,737	31,791,747

## 37. NUMBER OF EMPLOYEES

Number of persons employed by the Company as on the year end are 20 (2016: 18) and average number of employees during the year are 19 (2016: 18).

## 38. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and / or re-classified, wherever necessary, for the purpose of comparison and better presentation the impact of which is not material.

## 39. GENERAL

### 39.1 Date of authorisation for issue

These financial statements have been authorised for issue on 15 September 2017 by the Board of Directors of the Company.

### 39.2 Non adjusting event after balance sheet date

The Board of Directors of the Company has proposed a cash dividend of Rs. 3 per share amounting to Rs. 1,361,250,000 at its meeting held on 15 September 2017 for the approval of the members at the annual general meeting to be held on 28 October 2017. The financial statements for the year ended 30 June 2017 do not include the effect of the proposed final cash dividend which will be accounted in the year ending 30 June 2018.

  
Chief Executive Officer

  
Chief Financial Officer

  
Director

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# Audited Consolidated Financial Statements for the year ended 30<sup>th</sup> June 2017

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# Auditors' Report on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of **Arif Habib Corporation Limited** ("the Holding Company") and its subsidiary companies as at 30 June 2017 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary companies namely; Black Gold Power Limited and Sachal Energy Development (Private) Limited except for Arif Habib Limited, Arif Habib Commodities (Private) Limited and Arif Habib 1857 (Private) Limited which were audited by other firms of auditors, whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the reports of such other auditors. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully explained in note 3.1.4.2 to the consolidated financial statements, the Holding Company has accounted for its investment in Silkbank Limited using equity method of accounting as per the requirement of IAS 28 'Investment in Associates and Joint Ventures' and has recognized Rs. 221.48 million as its share in profit and other comprehensive income for the year ended 30 June 2017. The financial information of Silkbank Limited from which its share of profit and other comprehensive income are incorporated are reviewed by their external auditors. As the underlying financial information of the equity accounted associate is unaudited, consequently, we were unable to determine whether any adjustments to these amounts were necessary.

In our opinion, except for the possible effects of the matter described above, the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary companies as at 30 June 2017 and the results of their operations for the year then ended.

We draw attention to:

- Note 3.1.4.2 to the consolidated financial statements which state that the Holding Company's share of profit and other comprehensive income has been recognized from the financial information of Fatima Fertilizer Company Limited (FFCL) which were reviewed by their external auditors. Their external auditors have responded to our request for audit procedures on significant audit risk areas based on the audit of FFCL for the year ended 31 December 2016.



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- Note 3.1.4.2 to the consolidated financial statements which state that the Holding Company's share of loss and other comprehensive income has been recognized from the management accounts of Pakarab Fertilizers Limited (PFL). Their external auditors have responded to our request for audit procedures on significant audit risk areas based on the audit of PFL for the year ended 31 December 2016.
  - Note 2.6 to the consolidated financial statements which explain that comparative information of Sachal Energy Development (Private) Limited, subsidiary company, for the year ended 30 June 2016 were restated for the reasons explained therein. The auditors of the subsidiary company have included emphasis of matter paragraph in their audit report in respect of this matter.
  - Recognition of deferred tax assets by Silkbank Limited amounting to Rs.3.577billion based on the financial projections for taxable profit for five years which have been approved by the Board of Directors of the Bank. Further the Bank has acquired significant non-banking assets amounting to Rs.12.299 billion (net of impairment) in settlement of its claims which have not been disposed of at reporting date. The auditors of the Bank have included emphasis of matter paragraph in their review report to the financial information for the six months period ended 30 June 2017 pertaining to these matters.

Our opinion is not qualified in respect of above matters.

Date: 15 September 2017  
Karachi

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Moneeza Usman Butt**



# Consolidated Balance Sheet

As at 30<sup>th</sup> June 2017

	Note	2017	2016 Restated (Rupees)	1 July 2015 Restated
<b>EQUITY AND LIABILITIES</b>				
<b>Share capital and reserves</b>				
Authorised share capital		10,000,000,000	10,000,000,000	10,000,000,000
Issued, subscribed and paid-up share capital	4	4,537,500,000	4,537,500,000	4,537,500,000
Reserves				
Equity attributable to owners of the Parent Company		17,656,329,854	15,314,650,437	13,705,671,841
		22,193,829,854	19,852,150,437	18,243,171,841
Non-controlling interests	5	1,130,836,818	742,537,812	1,550,040,084
		23,324,666,672	20,594,688,249	19,793,211,925
Surplus on revaluation of fixed assets	6	15,432,500	15,432,500	15,432,500
<b>Non-current liabilities</b>				
Long term loans - secured	7	8,801,426,130	1,132,876,263	1,252,251,503
Loans from related parties - unsecured		-	-	1,180,989,352
Liabilities against assets subject to finance lease	8	470,480	1,878,241	1,660,874
Land lease liability	9	10,527,163	8,777,840	7,028,517
Long term payable		-	-	1,700,179,646
Deferred liability - Staff gratuity	10	6,857,337	2,310,380	50,073,519
Deferred taxation - net	11	986,504,840	783,536,683	621,315,664
		9,805,785,950	1,929,379,407	4,813,499,075
<b>Current liabilities</b>				
Loan from previous sponsors		-	-	735,000
Payable against purchase of securities - net		-	465,407,950	44,558,395
Trade and other payables	12	3,715,072,333	2,310,567,803	3,124,271,790
Mark-up accrued on borrowings		392,013,599	301,112,788	102,354,574
Short term borrowings	13	2,952,849,499	4,428,479,243	4,621,066,027
Current portion of long term loans	7	1,115,431,028	149,035,318	544,143,322
Current portion of liabilities against assets subject to finance lease	8	1,345,933	687,187	500,013
Provision for taxation		457,522,632	214,436,239	670,102,867
Liabilities directly associated with the assets held for sale		-	13,640,441	-
		8,634,235,024	7,883,366,969	9,107,731,988
		41,780,120,146	30,422,867,125	33,729,875,488
Contingencies and commitments	14			

# Consolidated Balance Sheet

As at 30<sup>th</sup> June 2017

	Note	2017	2016 Restated (Rupees)	1 July 2015 Restated
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	15	12,456,140,468	2,638,833,629	4,834,507,608
Intangible assets - others	16	3,761,009	4,130,891	15,037,353
Goodwill	17	910,206,117	910,206,117	1,163,961,863
Trading right entitlement certificate, membership card and offices	18	17,100,000	24,600,000	24,600,000
Investment properties	19	2,362,374,219	2,178,505,214	3,173,144,374
Equity accounted investees	20	16,786,341,661	16,674,180,757	14,293,581,206
Other long term investments	21	84,314,338	121,442,551	121,442,551
Long term deposits and prepayments	22	49,535,059	1,068,127,142	46,443,144
		<b>32,669,772,871</b>	<b>23,620,026,301</b>	<b>23,672,718,099</b>
<b>Current assets</b>				
Stock-in-trade		-	-	284,975,000
Stores, spares and loose tools		-	-	562,409,000
Trade debts	23	1,479,383,278	618,645,963	791,170,241
Loans and advances	24	346,324,959	979,181,828	1,313,522,636
Deposits and prepayments	25	45,749,075	207,760,622	433,919,303
Advance tax		577,036,715	194,014,092	533,133,862
Tax refund due from government		-	-	287,265,000
Mark-up receivable	26	9,927,249	19,756,976	18,856,147
Receivable against sale of investment - net		148,659,303	-	-
Other receivables	27	189,140,563	169,842,640	1,320,649,417
Short term investments	28	5,340,218,228	4,163,587,442	1,682,189,185
Cash and bank balances	29	973,907,905	386,112,717	2,829,067,598
Assets held for sale		-	63,938,544	-
		<b>9,110,347,275</b>	<b>6,802,840,824</b>	<b>10,057,157,389</b>
		<b>41,780,120,146</b>	<b>30,422,867,125</b>	<b>33,729,875,488</b>

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

  
Chief Executive Officer

  
Chief Financial Officer

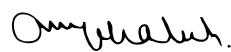
  
Director

# Consolidated Profit and Loss Account

For the year ended 30<sup>th</sup> June 2017

	Note	2017	2016 Restated
		(Rupees)	
<b>Continuing Operations</b>			
Operating revenue	31	3,185,281,642	992,937,902
Operating and administrative expenses	32	(687,534,154)	(424,623,918)
Unrealised gain on remeasurement of investment property	19	378,902,970	486,250,486
Other income	33	539,548,576	39,104,356
Finance cost	34	(424,793,688)	(401,890,076)
Other charges	35	(85,519,303)	(25,862,226)
		2,905,886,043	665,916,524
Share of profit of equity accounted investees - net of tax	20	1,211,493,374	2,676,978,026
<b>Profit before tax</b>		<b>4,117,379,417</b>	<b>3,342,894,550</b>
Taxation	36	(602,096,767)	(469,230,778)
<b>Profit after tax from continuing operation</b>		<b>3,515,282,650</b>	<b>2,873,663,772</b>
<b>Discontinued operations</b>			
Net profit from discontinued operations - net of tax	30	48,364,670	965,514,910
<b>Profit for the year</b>		<b>3,563,647,320</b>	<b>3,839,178,682</b>
<b>Profit attributable to:</b>			
Equity holders of the Parent Company - continuing operation		3,229,533,151	2,712,253,779
Equity holders of the Parent Company - discontinued operation		48,400,767	829,932,780
		3,277,933,918	3,542,186,559
Non-controlling interests - continuing operation		285,749,499	161,261,839
Non-controlling interests - discontinued operation		(36,097)	135,730,284
		285,713,402	296,992,123
		3,563,647,320	3,839,178,682
<b>Earnings per share - basic and diluted</b>			
From continuing operations		7.12	5.98
From discontinued operations		0.10	1.83
	37	7.22	7.81

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

# Consolidated Statement of Comprehensive Income

For the year ended 30<sup>th</sup> June 2017

	Note	2017	2016 Restated
		(Rupees)	
<b>Profit after tax</b>		<b>3,563,647,320</b>	3,839,178,682
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit and loss account</i>			
Unrealised appreciation / (diminution) during the year on remeasurement of investment classified as 'available for sale' - net of tax		110,051,262	(85,872,065)
Reclassification adjustments relating to disposal of investments - net		39,398,597	-
Effect of translation of net assets of foreign subsidiary to presentation currency - net		(1,911)	2,359,568
Reclassification of foreign currency translation difference on disposal of foreign operation		(49,244,309)	-
Share of other comprehensive income of equity - accounted associates - net of tax		18,958,568	10,099,314
		119,162,207	(73,413,183)
<i>Items that will never be reclassified subsequently to profit and loss accounts</i>			
Share of other comprehensive income of equity - accounted associates - net of tax		(11,131,825)	7,558,487
Other comprehensive income for the year - net of tax		108,030,382	(65,854,696)
<b>Total comprehensive income</b>		<b>3,671,677,702</b>	3,773,323,986
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Parent Company		3,385,964,300	3,476,331,863
Non-controlling interests		285,713,402	296,992,123
		<b>3,671,677,702</b>	3,773,323,986

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

  
Chief Executive Officer

  
Chief Financial Officer

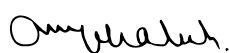
  
Director

# Consolidated Cash Flow Statement

For the year ended 30<sup>th</sup> June 2017

	Note	2017	2016 Restated
		(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from operations</b>	39	<b>2,815,615,727</b>	3,081,750,227
Income tax paid		(539,064,840)	(423,556,617)
Finance cost paid		(333,892,877)	(203,131,862)
<b>Net cash generated from operating activities</b>		<b>1,942,658,010</b>	2,455,061,748
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(9,991,019,083)	(1,822,029,017)
Acquisition of intangible assets		(754,346)	(802,606)
Dividend from equity accounted investee		1,107,159,213	70,408,543
Acquisition of investment property		(12,945,000)	(19,290,000)
Disposal of investment property		207,978,965	-
Net sale / purchase of long term investment - net		332,741,618	(413,734,265)
Proceeds from sale of property, plant and equipment and intangibles		178,348	769,779
Long term deposits		1,018,592,083	3,636,487
Disposal of discontinued operation - net of cash disposed of		57,312,446	1,059,439,500
<b>Net cash used in investing activities</b>		<b>(7,280,755,756)</b>	(1,121,601,579)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceed / (repayment) of long term financing - net		8,634,945,577	(1,649,882,807)
Liability against assets subject to finance lease		(749,015)	404,541
Deferred liabilities - net		4,546,957	-
Distribution by subsidiary to non-controlling interest		(102,845,841)	(119,350,000)
Dividend paid		(1,134,375,000)	(1,815,000,000)
<b>Net cash from / (used) in financing activities</b>		<b>7,401,522,678</b>	(3,583,828,266)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>2,063,424,932</b>	(2,250,368,097)
<b>Cash and cash equivalents at beginning of the year</b>		<b>(4,042,366,526)</b>	(1,791,998,429)
<b>Cash and cash equivalents at end of the year</b>	40	<b>(1,978,941,594)</b>	(4,042,366,526)

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

# Consolidated Statement of Changes in Equity

For the year ended 30<sup>th</sup> June 2017

	Issued, subscribed and paid up share capital	Equity attributable to owners of the Parent Company Unrealized appreciation / (diminution) on remeasurement of investments classified as 'available for sale'	Exchange difference on translation of foreign operation to presentation currency	General reserve	Unappropriated profit	Total	Non-controlling interests	Total equity
					(Rupees)			
<b>Balance as at 30 June 2015</b>	4,537,500,000	115,262,601	46,886,652	4,019,567,665	9,523,954,923	18,243,171,841	1,550,040,084	19,793,211,925
<b>Total comprehensive income for the year (Restated)</b>								
Profit for the year	-	-	-	-	3,542,186,559	3,542,186,559	296,992,123	3,839,178,682
<i>Other comprehensive income</i>								
Unrealised diminution during the year on remeasurement of investment classified as 'available for sale'	-	(85,872,065)	-	-	-	(85,872,065)	-	(85,872,065)
Effect of translation of net assets of foreign subsidiary to presentation currency - net	-	-	2,359,568	-	-	2,359,568	-	2,359,568
Share of other comprehensive income of equity-accounted associates - net of tax	-	10,099,314	-	-	8,117,797	18,217,111	-	18,217,111
	-	(75,772,751)	2,359,568	-	8,117,797	(65,295,386)	-	(65,295,386)
Total comprehensive income for the year (Restated)	-	(75,772,751)	2,359,568	-	3,550,304,356	3,476,891,173	296,992,123	3,773,883,296
<b>Transactions with owners recorded directly in equity</b>								
<i>Distributions</i>								
Final cash dividend at the rate of Rs. 4 per share for the year ended 30 June 2015	-	-	-	-	(1,815,000,000)	(1,815,000,000)	-	(1,815,000,000)
<b>Changes in ownership interests in subsidiaries</b>								
Disposal of non-controlling interest without a change in control	-	-	-	-	-	-	(902,102,582)	(902,102,582)
Acquisition of non-controlling interest without change in control	-	-	-	-	(52,912,577)	(52,912,577)	(83,041,813)	(135,954,390)
	-	-	-	-	(1,867,912,577)	(1,867,912,577)	(985,144,395)	(2,853,056,972)
Distribution by Subsidiaries	-	-	-	-	-	-	(119,350,000)	(119,350,000)
<b>Restated Balance as at 30 June 2016</b>	4,537,500,000	39,489,850	49,246,220	4,019,567,665	11,206,346,702	19,852,150,437	742,537,812	20,594,688,249
<b>Total comprehensive income for the year</b>								
Profit for the year	-	-	-	-	3,277,933,918	3,277,933,918	285,713,402	3,563,647,320
<i>Other comprehensive income</i>								
Unrealised appreciation during the year on remeasurement of investment classified as 'available for sale'	-	110,051,262	-	-	-	110,051,262	-	110,051,262
Reclassification adjustments relating to disposal of investments - net of tax	-	39,398,597	-	-	-	39,398,597	-	39,398,597
Effect of translation of net assets of foreign subsidiary to presentation currency - net	-	-	(1,911)	-	-	(1,911)	-	(1,911)
Reclassification of foreign currency translation difference on disposal of foreign operation	-	-	(49,244,309)	-	-	(49,244,309)	-	(49,244,309)
Share of other comprehensive income of equity-accounted associates - net of tax	-	18,958,568	-	-	(11,131,825)	7,826,743	-	7,826,743
	-	168,408,427	(49,246,220)	-	(11,131,825)	108,030,382	-	108,030,382
Total comprehensive income for the year	-	168,408,427	(49,246,220)	-	3,266,802,093	3,385,964,300	285,713,402	3,671,677,702
<b>Transactions with owners recorded directly in equity</b>								
<i>Distributions</i>								
Final cash dividend at the rate of Rs. 2.50 per share for the year ended 30 June 2016	-	-	-	-	(1,134,375,000)	(1,134,375,000)	-	(1,134,375,000)
<b>Changes in ownership interests in subsidiaries</b>								
Disposal of subsidiary (refer note 30)	-	-	-	-	-	-	(191,843)	(191,843)
Disposal of equity interest in subsidiary without loss of control (refer note 5.1)	-	-	-	-	109,792,685	109,792,685	247,945,180	357,737,865
Acquisition of non-controlling interest without change in control (refer note 5.2)	-	-	-	-	(19,702,568)	(19,702,568)	(42,321,892)	(62,024,460)
	-	-	-	-	(1,044,284,883)	(1,044,284,883)	205,431,445	(838,853,438)
Distribution by Subsidiaries	-	-	-	-	-	-	(102,845,841)	(102,845,841)
<b>Balance as at 30 June 2017</b>	4,537,500,000	207,898,277	-	4,019,567,665	13,428,863,912	22,193,829,854	1,130,836,818	23,324,666,672

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

  
Chief Executive Officer

  
Chief Financial Officer

  
Director



# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 1. STATUS AND NATURE OF BUSINESS

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

These consolidated financial statements of Arif Habib Corporation Limited for the year ended 30 June 2017 comprise of the Parent Company and following subsidiary companies (here-in-after referred to as “the Group”).

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

**1.1** Arif Habib Limited (AHL) was incorporated in Pakistan on 07 September 2004 under the repealed Companies Ordinance, 1984, (now Companies Act, 2017) as a public limited company. The registered office of AHL is situated at Arif Habib Centre, 23, M.T. Khan Road, Karachi, Pakistan. It is domiciled in the province of Sindh. AHL holds Trading Right Entitlement Certificates of Pakistan Stock Exchange Limited. The principal activities of AHL are brokerage of shares, equity and debt securities, forex and other financial instruments, corporate finance services and securities investments. During the year, the Parent Company has decreased holding in AHL from 73.29% to 65.52%.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

- 1.4** Sachal Energy Development (Private) Limited (SEDPL) was incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). on 20 November 2006. SEDPL's registered office is located in Islamabad, Pakistan. The principal activity of the SEDPL upon commencement of commercial operation is to generate and sell electricity upto 49.5 MW in Jhampir Sindh province for which Alternative Energy Development Board ("AEDB") has allocated 680 acres of land to the SEDPL under a sublease agreement. SEDPL has achieved financial close on 13 December 2015 and commenced its commercial operation on 11 April 2017.
- 1.5** Black Gold Power Limited (BGPL) is a public unlisted limited company, incorporated on 8 December 2016 in Pakistan repealed Companies Ordinance, 1984 (now Companies Act, 2017). BGPL's registered office is situated at 23, Arif Habib Centre, M.T Khan Road, Karachi. The principal activity of the BGPL is carry on all or any of the business of generating, purchasing, importing, transforming, converting, distributing, supplying, exporting and dealing in electricity and all other forms of energy products or services. Currently, the Company is planning to establish 330 MW Thar Coal based power project at Thar Block II.
- 1.6** MCB - Airf Habib Savings and Investments Limited (MCB-AH) was incorporated in the name of Arif Habib Investment Management Limited (AHIML) on 30 August 2000 as an unquoted public limited company under the requirements of the repealed Companies Ordinance, 1984 (now Companies Act, 2017). MCB-AH is listed on the Pakistan Stock Exchange Limited. MCB-AH is registered as a Pension Fund Manager under the Voluntary Pension System Rules, 2005 and as an Asset Management Company and an Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. MCB-AH's registered office is situated at 24th Floor, Centrepont, Off Shaheed-e-Millat Expressway, near K.P.T. Interchange, Karachi, Pakistan. MCB-AH has been assigned an Asset Manager rating of AM2++ (2016: AM2++) by the Pakistan Credit Rating Agency Limited (PACRA). The rating was determined by PACRA on 23 June 2017.
- 1.7** Fatima Fertilizer Company Limited (FFCL) and its wholly owned subsidiaries - Fatimafert Limited (FF) and Buber Sher (Private) Limited (BSPL) were incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). FFCL is listed on Pakistan Stock Exchange Limited. The control of FF and BSPL was transferred to FFCL on 1 July 2015. On 20 January 2017, the shareholders of BSPL and FF unanimously approved to merge the entire undertaking of BSPL along with its assets and liabilities with into FF. The merger has been approved by the Honourable Lahore High Court on 3 April 2017. The principal activity of the FFCL and FF is manufacturing, producing, buying, selling, importing and exporting fertilizers and chemicals. Principal activity of BSPL is sale, marketing and distribution of fertilizers and its derivative, insecticides, pesticides, and all kinds of agricultural, fruit growing and other chemicals. Registered offices of the FFCL, FF and BSPL are located in Lahore, Pakistan. The manufacturing facility of FFCL is located at Mukhtargarh, Sadiqabad, Pakistan and that of FF is located at Sheikhpura Road.
- 1.8** Pakarab Fertilizers Limited (PFL) was incorporated as a private limited company in Pakistan under the Companies Act, 1913, (now Companies Act, 2017). PFL changed to a non-listed public company from 7 June 2007. PFL Term Finance Certificates were listed at the Karachi Stock Exchange Limited (now merged as Pakistan Stock Exchange Limited) during the period from March 2008 to March 2013. Thereafter PFL is a non-listed public company. PFL on 12 April 2011; incorporated a wholly owned subsidiary company, Reliance Sacks Limited (RSL). PFL is principally engaged in the manufacturing and sale of chemical fertilizers while the RSL is principally engaged in the manufacturing and sale of polypropylene sacks, cloth and liners. PFL registered address is E-110, Khayaban-e-Jinnah, Lahore Cantt while its manufacturing facility is located in Multan.

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

**1.9** Silkbank Limited (Silkbank) was incorporated in Pakistan on 4 April 1994 as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). Silkbank commenced commercial operations on 7 May 1995. Silkbank's shares are quoted on Pakistan Stock Exchange Limited. Silkbank is engaged in banking services as described in Banking Companies Ordinance, 1962. Silkbank operates through 88 branches (2016: 88 branches) including 10 (2016: 10) Islamic banking branches in Pakistan. Silkbank registered office is located at Silkbank Building, Kaghan Road, F-8 Markaz, Islamabad. The short-term and long-term credit ratings of the Silkbank rated by JCR-VIS Credit Rating Company Limited in June 2017 are 'A-2' and 'A-' respectively.

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

### **2.2 Basis of measurement**

These consolidated financial statements have been prepared under the historical cost convention unless otherwise disclosed elsewhere in these consolidated financial statements.

### **2.3 Functional and presentation currency**

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

### **2.4 Use of judgements and estimates**

The preparation of these consolidated financial statements in conformity with approved accounting 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.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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 by management in the application of approved accounting standards, as applicable in Pakistan, that have most significant effect on the amounts recognised in the consolidated financial statements and estimates and assumptions with a significant risk of material adjustment in the future periods are included in following notes:

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

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

## **2.5 Standards, Amendments to Approved Accounting Standards and Interpretations**

### **2.5.1 Amendments to approved accounting standards, or interpretations which became effective during the year**

During the year amendments to certain approved accounting standards and interpretation become effective which were not relevant to the Group's accounting policies.

### **2.5.2 Amendments to Approved Accounting Standards, Interpretations and Forthcoming requirements that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment to be reflected in the measurement of current and deferred tax.
- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's financial statements.
- In addition, the Companies Act, 2017 was enacted on 30 May 2017 and the SECP vide its circular No.CLD/CCD/PR(11)/2017 dated 20 July 2017 has clarified that the companies whose financial year closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 will be applicable for financial year beginning on 1 July 2017 which requires certain additional disclosures.

## 2.6 Correction of errors and change in accounting policy:

### 2.6.1 Correction of errors

During the year, management of SEDPL, subsidiary company, discovered that it has erroneously capitalized transaction cost of long term loan and insurance cost in capital work in progress in the financial year 2016. Moreover, the land lease liability is not recognized according to the criteria specified in IAS 17- "Leases" in previous years. These errors have now been corrected by restating below line items:

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

	As previously reported	30 June 2016 Impact due to correction of error (Rupees)	As restated
<b>Effect on consolidated balance sheet</b>			
Property, plant and equipment	2,147,958,965	490,874,664	2,638,833,629
Long term loan	1,226,229,191	(93,352,928)	1,132,876,263
Deposits and prepayments	162,028,849	45,731,773	207,760,622
Long term deposits and prepayment	43,963,390	1,024,163,752	1,068,127,142
Land lease liability	-	(8,777,840)	(8,777,840)
Loans and advances	2,624,294,005	(1,645,112,177)	979,181,828

	As previously reported	30 June 2015 Impact due to correction of error (Rupees)	As restated
<b>Effect on consolidated balance sheet</b>			
Property, plant and equipment	4,790,605,043	43,902,565	4,834,507,608
Deposits and prepayments	433,919,303	-	433,919,303
Long term deposits and prepayment	47,599,877	(1,156,733)	46,443,144
Land lease liability	-	(7,028,517)	(7,028,517)

The correction of error has been accounted for in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', resulting in restatement of prior periods. The Consolidated Balance Sheet presents the prior year numbers as stated, due to the said change, and opening consolidated balance sheet as at 1 July 2015 as required by IAS 1 'Presentation of Financial Statements' has been presented.

## 2.6.2 Change in accounting policy

During the year, SEDPL, subsidiary company has availed the benefit of exemption relating to the treatment of foreign exchange differences under International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" as allowed under S.R.O 24/(1)/2012 dated 16 January 2012 issued by the Securities and Exchange Commission of Pakistan. This has resulted in change in accounting policy for the recognition of foreign exchange differences. This change in accounting policy has been applied retrospectively in accordance with the requirement of the International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, foreign exchange loss of Rs. 233,100 has been capitalized for the year ended 30 June 2016 with corresponding adjustment in consolidated profit and loss account for the year then ended. Had the exemption not availed, the unappropriated profit would have been lower by Rs. 40.57 million.



# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

		30 June 2016	
	As previously reported	Impact due to change in accounting policy (Rupees)	As restated
<b>Effect on consolidated balance sheet</b>			
Unappropriated profit	11,206,113,602	233,100	11,206,346,702
<b>Effect on consolidated profit and loss</b>			
Exchange loss during the year	343,254	(233,100)	110,154

The above change in accounting policy has no material impact on consolidated Earning per share reported last year.

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

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

Due to purchase of total output by NTDC, it appears that the plant of SEDPL, subsidiary company, fall under the scope of IFRIC 4. However, Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O No. 24 (I)/2012 has exempted application of IFRIC 4 for all companies. However, impact of IFRIC-4 is mandatory to be disclosed in the financial statements as per requirements of IAS-8.

Had this interpretation been applied, following adjustments to consolidated profit and loss account and consolidated balance sheet would have been made:

	2017	2016
	Rupees	
Decrease in consolidated profit for the year	(273,170,787)	-
Decrease in consolidated unappropriated profit at end of the year	(273,170,787)	-

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below and have been consistently applied to all the periods presented except as disclosed in note 2.6.2 to these consolidated financial statements. Certain comparative figures in the consolidated statement of profit and loss and other comprehensive income have been re-presented as a result of an operation discontinued during the year (Refer note 30) and marked as restated.

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

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## 3.1 Basis of consolidation and equity accounting

### 3.1.1 Business Combination

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

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in consolidated profit and loss account.

### 3.1.2 Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Parent Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that 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 profit and loss account. Any retained interest in the former subsidiary is measured at fair value where control is lost.

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

### 3.1.3 Non-controlling interests

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

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 3.1.4 Associates

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

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

**3.1.4.1** The Group's share of results of associate MCB - Arif Habib Savings and Investments Limited, are based on audited financial statements of the associate,

**3.1.4.2** The financial statements of Fatima Fertilizer Company Limited, Silkbank Limited and Pakarab Fertilizers Limited were audited as of 31 December 2016. In the case of Fatima Fertilizer Company Limited and Silkbank Limited, limited reviewed financial information as of 30 June 2017 by their external auditor has been used for equity accounting purposes. For Pakarab Fertilizer Limited, consolidated unaudited management accounts as at 30 June 2017 have been used. The share of loss and other comprehensive income recognized for the year ended 30 June 2017 for its investment in PFL (equity accounted investee) based on management accounts is Rs. 539.08 million in these consolidated financial statements. Further, share of profit and other comprehensive income recognized for the year ended 30 June 2017 for its investment in FFCL and Silkbank (equity accounted investees) based on reviewed financial statements is Rs. 1,457.39 million and Rs. 221.48 million respectively.

## 3.1.5 Transactions eliminated on consolidation

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

## 3.2 Other Investments

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

Investments classified as at fair value through profit or loss are measured at fair value, and changes therein are recognised in the consolidated profit and loss account. Whereas, in the case of available for sale, such gain or loss is recognised directly in consolidated other comprehensive income except for impairment and foreign currency differences on debt instruments which is recognised in consolidated profit and loss account. Where active market of the quoted investment exists, fair value is determined through Pakistan Stock Exchange daily quotation. In case of unquoted investment, where active market does not exist, fair value is determined using valuation techniques.

The investments in equity instruments that do not have a market / quoted price in an active market and whose fair value cannot be reliably measured are carried at cost less impairment cost, if any.

The Group classifies its other investments in the following categories:

## **3.2.1 At fair value through profit or loss**

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

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

## **3.2.2 Derivative financial instruments**

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

## **3.2.3 Available for sale**

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

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## 3.2.4 Held-to-maturity investments

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

## 3.3 Loans and Receivables

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

## 3.4 Impairment

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

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## **3.5 Purchase / Sold under resale / repurchase agreement**

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

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 balance sheet 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.

## **3.6 Staff retirement benefits**

The Group operates following retirement and other benefit schemes:

### **3.6.1 Defined contribution plan**

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

### **3.6.2 Voluntary pension scheme**

POL operates a voluntary pension scheme for all its permanent employees. Equal monthly contributions are made both by POL and the employees.

### **3.6.3 Defined benefit plan**

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 drawing salary for every one year of services with SEDPL. For the purpose of any part of year, the period exceeding six months will be considered as one full year.

### **3.6.4 Compensated Absences**

The PCL accounts for liability in respect of un-availed compensated absences for all its permanent employees, in the period of absences. Provision for liabilities towards compensated absences is made on the basis of last drawn gross salary.

## **3.7 Taxation**

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



# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## *Current*

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

## *Deferred*

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

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilized. Carrying amount of all deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. However, in case of SEDPL, no deferred tax has been provided owing to exemption of its income derived from electric power generation as provided under claus 132 of Part I of second schedule to the Income Tax Ordinance, 2001.

## **3.8 Property, Plant and Equipment**

### *Owned*

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## *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 balance sheet as liabilities against assets subject to finance lease.

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

## **Major stores and spares (Capital Spares)**

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

## **3.9 Investment property**

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

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

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

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

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

When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

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## **3.10 Intangible assets**

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

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

### **3.10.1 Trading right entitlement certificate, membership card and offices**

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

## **3.11 Biological assets**

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

## **3.12 Discontinued operation**

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

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

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

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

## **3.13 Assets held for sale**

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

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

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 profit and loss account.

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

## **3.14 Trade and other receivables**

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

## **3.15 Fiduciary assets**

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

## **3.16 Trade and other payables**

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

## **3.17 Short term borrowings**

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

## **3.18 Revenue recognition**

- Gain / loss on sale of investments are recognised on the date of transaction and charged to consolidated profit and loss account in the period in which they arise.
- Brokerage, consultancy and advisory fee, commission etc. are recognized as and when such services are provided.
- Rental income from investment property is recognised on accrual basis.
- Dividend income is recognized when the Group's right to receive such dividend is established.
- Mark-up / interest income is recognised on a time proportion basis over the period of its tenor.
- Revenue from sale of goods is measured at fair value of the consideration received or receivable. Domestic sales are recognised as revenue on dispatch of goods to customers. Export sales are recognised as revenue on the basis of goods shipped to customers.

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

- Rebate on export is recognized after finalization of export documents.
- Put option fee is recognized on time proportion basis over the period of its tenor.
- Unrealized capital gains / (losses) arising from mark to market of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in consolidated profit and loss account for the period in which they arise.
- Reverse repo income is recorded on accrual basis and late payment charges are accrued in the period in which they arise.
- Revenue from the sale of electricity to the National Transmission and Dispatch Company (NTDC), the sole customer of SEDPL, is recorded upon the output delivered and capacity available at the rates as specified under the Energy Purchase Agreement (EPA), as amended from time to time. EPA is a contract over a period of 20 years starting from Commercial Operation Date i.e. 11 April 2017.
- Guarantee fee is recognised based on the agreed rate with counter party.
- Miscellaneous income is recognised on receipt basis.

## 3.19 Provisions

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

## 3.20 Financial instruments

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

## 3.21 Offsetting of financial assets and financial liabilities

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

## 3.22 Foreign currency transaction and foreign operations

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

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

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

The assets and liabilities of foreign operations, are translated to Pakistan Rupees at exchange rates at the reporting date. The income and expenses of foreign operations, are translated to Pakistan Rupees at exchange rates at the dates of the transactions. Foreign currency differences are recognised in consolidated other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity except to the extent that the translation differences is allocated to Non Controlling Interest (NCI). When a foreign operation is disposed off in its entirety or partially such that control or significant influence is lost, the cumulative amount in translation reserve related to that foreign operation is reclassified to consolidated profit and loss account as part of gain or loss on disposal. If group retain control then it is reattributed to NCI. When group retain significant influence the relative portion of cumulative amount is reclassified to consolidated profit and loss account.

## **3.23 Borrowing costs**

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

## **3.24 Cash and cash equivalents**

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

## **3.25 Stock in trade**

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

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

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

## **3.26 Stores, spare parts and loose tools**

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

## **3.27 Mark-up bearing borrowings**

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



# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 3.28 Expenses

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

## 3.29 Segment reporting

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

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

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

## 3.30 Dividend and appropriation to reserve

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

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

## 4. SHARE CAPITAL

### 4.1 Authorised share capital

2017 (Number of shares)	2016		2017 (Rupees)	2016
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	10,000,000,000	10,000,000,000

### 4.2 Issued, subscribed and paid-up share capital

5,000,000	5,000,000	Ordinary shares of Rs. 10 each fully paid in cash	50,000,000	50,000,000
450,750,000	450,750,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	4,507,500,000	4,507,500,000
455,750,000 (2,000,000)	455,750,000 (2,000,000)	Ordinary shares of Rs. 10 each bought back at Rs. 360 per share	4,557,500,000	4,557,500,000
453,750,000	453,750,000	4.2.1	(20,000,000)	(20,000,000)
			4,537,500,000	4,537,500,000

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

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

**4.2.2** At year end, Mr. Arif Habib and Mrs. Zetun Arif held 57.69% (2016: 57.69%) and 11.88% (2016: 16.29%) of ordinary shares in the Company respectively.

## 5. NON CONTROLLING INTEREST (NCI)

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

	30 June 2017			30 June 2016		
	Arif Habib Limited	Arif Habib Commodities (Private) Limited	Arif Habib 1857 (Private) Limited	Arif Habib Limited	Arif Habib Commodities (Private) Limited	Arif Habib 1857 (Private) Limited
	(Rupees)					
<b>NCI Percentage</b>	<b>34.48%</b>	<b>34.48%</b>	<b>34.48%</b>	<b>26.71%</b>	<b>26.71%</b>	<b>26.71%</b>
Non-current assets	611,581,289	13,327,662	26,007,500	840,023,443	10,695,533	26,007,500
Current assets	5,046,988,712	34,425,090	22,905,661	4,723,318,459	14,614,710	23,212,008
Non-current liabilities	470,480	-	-	1,878,241	-	-
Current liabilities	2,457,039,770	17,916,517	120,000	2,855,939,358	813,080	95,064
<b>Net assets</b>	<b>3,201,059,751</b>	<b>29,836,235</b>	<b>48,793,161</b>	<b>2,705,524,303</b>	<b>24,497,163</b>	<b>49,124,444</b>
Net assets attributable to NCI	1,103,725,402	10,287,534	16,823,882	722,645,541	6,543,192	13,121,139
Revenue	1,493,991,521	20,384,269	2,605	590,033,652	15,084,326	5,383
Profit / (loss)	880,535,448	5,339,072	(331,283)	409,496,751	(3,186,981)	(166,956)
Other Comprehensive Income	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>880,535,448</b>	<b>5,339,072</b>	<b>(331,283)</b>	<b>409,496,751</b>	<b>(3,186,981)</b>	<b>(166,956)</b>
Profit / (loss) allocated to NCI	284,022,813	1,840,912	(114,226)	154,083,068	(851,243)	(44,594)
Cash flows from operating activities	1,022,680,119	(10,435,729)	(306,347)	(1,152,154,072)	179,581	(7,970,513)
Cash flows from investing activities	352,002,651	(2,873,250)	-	35,480,999	(182,340)	(16,200,000)
Cash flows from financing activities	(375,473,967)	17,000,000	-	(379,710,894)	-	-
Net increase / (decrease) in cash and cash equivalents	999,208,803	3,691,021	(306,347)	(1,496,383,967)	(2,759)	(24,170,513)
Dividend paid to NCI	102,845,841	-	-	119,351,841	-	-

### 5.1 Disposal of equity interest in Subsidiary without change in control

During the year, Parent Company has sold 9.09% interest in Arif Habib Limited for Rs. 357.74 million in cash, decreasing its ownership from 73.29% to 64.20%. The carrying amount of AHL's net assets in the consolidated financial statements on the date of disposal was Rs. 2,727.67 million. The Group recognised an increase in NCI of Rs. 247.95 million.

**2017**  
**(Rupees)**

Consideration received from NCI

Change in NCI

**Decrease in equity attributable to owners of the Parent Company**

**357,737,865**  
**(247,945,180)**  
**109,792,685**

### 5.2 Acquisition of Non Controlling Interest (NCI)

During the year, Parent Company has acquired 1.32% interest in Arif Habib Limited for Rs. 62.02 million in cash, increasing its ownership from 64.20% to 65.52%. The carrying amount of AHL's net assets in the consolidated financial statements on the date of disposal was Rs. 3,206.20 million. The Group recognised a decrease in NCI of Rs. 42.32 million.

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

	2017 (Rupees)
Carrying amount of NCI acquired	62,024,460
Consideration paid to NCI	(42,321,892)
<b>Increase in equity attributable to owners of the Parent Company</b>	<b>19,702,568</b>

## 6. SURPLUS ON REVALUATION OF FIXED ASSETS

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

## 7. LONG TERM LOANS - secured

	Note	2017	2016 Restated
		(Rupees)	
Term musharakah finance	7.1	520,000,000	-
Less: current portion		(65,000,000)	-
		455,000,000	-
Term finance loan	7.2 & 7.3	10,500,000,000	1,374,222,870
Less: current portion		(1,050,000,000)	(148,604,290)
		9,450,000,000	1,225,618,580
Transaction cost		93,352,928	-
Balance at 01 July		1,064,829,731	117,292,205
Add: Transfer from prepaid transaction cost		(54,429,206)	(23,939,277)
Less: Amortization		(1,103,753,453)	93,352,928
Diminishing musharakah financing	7.4	610,611	1,041,639
Less: current portion		(431,028)	(431,028)
		179,583	610,611
		<b>8,801,426,130</b>	<b>1,132,876,263</b>

**7.1** During the year, the Parent Company has obtained term musharakah finance amounting to Rs. 520 million from Summit Bank Limited, related party under mark-up arrangement at the rate of 6 months KIBOR + 2% to be charged on semi annually basis. The loan is repayable in eight semi-annually instalments after completion of one year grace period ending on 18 October 2017 and the date of maturity of loan is 17 October 2021. The loan is secured against first pari passu charge over receivable of the Parent Company, ranking charge on an associate's property situated at Naya Nazimabad, Survey # 248, 249, 250 of Rs. 286 million and personal guarantee of Chief Executive Officer of the Parent Company.

**7.2** This includes long term loan facility of US Dollar 100,000,000 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 six monthly basis. Principal is repayable in 20 bi-annual instalments with a grace period of two years.

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

This loan has been secured against first charge of US Dollar 100,000,000 duly registered with Securities and Exchange Commission of Pakistan, over all present and future current and fixed assets, pledge of all shares of the Company in favour of ICBC and corporate guarantee issued by the Parent Company in the favour of ICBC.

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

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

As explained in note 2.6.1, the SEDPL, subsidiary company, has rectified error concerning the transaction cost incurred against aforementioned loan.

**7.3** This also include term finance loan availed by the Parent Company from Summit Bank Limited, related party and a commercial bank for which the Parent Company has made early payment as final settlement amounting to Rs. 125 million and Rs. 145.813 million, respectively and has also paid semi-annual principal instalment of Rs. 25 million to Summit Bank Limited, related party.

**7.4** The Parent Company has acquired a vehicle under diminishing musharakah financing arrangement entered into with First Habib Modaraba for a period of 4 years with monthly principal repayment. The financing is secured against the respective vehicle and promissory note issued in favour of the lender. The effective rate of interest on the borrowing is 10% per annum.

## **8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

	Note	2017 (Rupees)	2016
Present value of minimum lease payments	8.1	1,816,413	2,565,428
Less: Current portion shown under current liabilities		(1,345,933)	(687,187)
		<b>470,480</b>	<b>1,878,241</b>

**8.1** The above represents finance leases entered into by AHL, subsidiary company with a financial institution for vehicles having a term of 4 years. Monthly payments of leases bearing predetermined mark-up rate include finance charge ranging from 8% to 9% per annum (2016: 8% to 9% per annum) which are used as a discounted factor.

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

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

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

	Minimum lease payments	Future finance cost	Present value of lease liability	
			2017	2016
	(Rupees)			
Not later than one year	1,372,057	26,124	1,345,933	687,187
Later than one year and not later than five year	525,936	55,456	470,480	1,878,241
	1,897,993	81,580	1,816,413	2,565,428

## 9. Land lease liability

	2017	2016 Restated
	(Rupees)	
Balance at 01 July	8,777,840	7,028,517
Charge for the year	1,749,323	1,749,323
Balance at 30 June	10,527,163	8,777,840

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 amounted to Rs. 5,905,000 for 10 years. SEDPL is required to pay lease rental amounting to Rs. 13,600,000 in year 2018 and Rs. 31,450,000 in year 2028. The lease rentals are being amortized on straight line basis over the useful life of the project.

## 10. DEFERRED LIABILITY - STAFF GRATUITY

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

	2017	2016
	(Rupees)	
Balance at beginning of the year	2,310,380	10,514,519
Liability recognised for the year	4,708,706	2,667,861
Gratuity paid during the year	(161,749)	(10,872,000)
Balance at end of the year	6,857,337	2,310,380

The actuarial valuation in respect of provision for gratuity has not been carried out since the management of SEDPL believes that impact is not material.

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 11. DEFERRED TAXATION - net

	Note	2017	2016 Restated
			(Rupees)
The liability for deferred taxation comprises of temporary differences relating to:			
- Accelerated tax depreciation		6,631,092	-
- Investment in equity accounted associates		933,980,685	919,960,572
- Investment property		60,935,289	-
- Unrealised gain on investments		74,252,928	-
		<b>1,075,799,994</b>	919,960,572
Deferred tax asset comprises of temporary differences relating to:			
- Accelerated tax depreciation		-	(20,134,437)
- Unused tax credits		(82,095,154)	(116,289,452)
- Impairment loss		(7,200,000)	-
		<b>(89,295,154)</b>	(136,423,889)
		<b>986,504,840</b>	783,536,683

## 12. TRADE AND OTHER PAYABLES

Creditors	12.1	830,382,012	291,066,341
Accrued liabilities		11,267,182	10,077,176
Withholding tax payable		12,454,171	23,414,485
Advance guarantee fee - from related parties		498,702	-
Provision for Workers' Welfare Fund	33.1	-	456,911,587
Deposit from profit participant	12.2	2,649,000,000	1,499,000,000
Deposit against contractor's performance obligation	12.3	135,649,705	-
Unclaimed dividend		49,689,655	25,748,824
Other liabilities		26,130,906	4,349,390
		<b>3,715,072,333</b>	2,310,567,803

**12.1** This includes amount of Rs. Nil (2016: 3.38 million) payable to related parties by AHL. Further, this include an amount of Rs. 53.2 million (2016: Rs. 32.3 million) payable to related parties by the AHL on account of commission.

**12.2** It represents deposit received amounting to Rs. 1.999 billion received by the Parent Company from a profit participant which is procured by the existing sponsor of Silkbank Limited, under the Option Agreement dated 15 December 2015 which has been extended till 31 December 2017. In consideration of extending period of option, sponsor of Silkbank Limited has further procured Rs. 500 million from profit participant and has also provided additional margin of Rs. 650 million. As per the revised terms of the agreement, the Parent Company has granted further one year option to existing sponsor to purchase entire investment in Silkbank Limited at an agreed price not more than Rs. 2.0477 per share. In the event of exercise of Purchase option, the profit will be shared by the Parent Company with the profit participant in an agreed revised ratio and the deposit amount will be refunded to the profit participant and additional margin will be adjusted against purchase price payable by existing sponsor. In case the option is not exercised, then the Parent Company will adjust deposit amounting to Rs. 1,350 million through sale and repurchase transaction between the Parent Company and profit participant, thereby reducing the Parent Company's purchase price to Re. 0.5265 per share as per agreement.



# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

- 12.3** This represent amount deposited with SEDPL, subsidiary company, by EPC contractor (onshore) against an arrangement for performance related obligation pertaining to post Commercial Operation Date (COD). The amount has been deposited under an arrangement in addition to Novation and Amendment agreement dated 16 February 2015.

## **13. SHORT TERM BORROWINGS**

	Note	2017	2016
		(Rupees)	
<i>Secured- from banking companies</i>			
- Running finance from banks	13.1	2,601,629,558	4,068,279,243
- Term finance	13.2	351,219,941	360,000,000
<i>Unsecured</i>			
- Other than banking companies - related party		-	200,000
		<b>2,952,849,499</b>	<b>4,428,479,243</b>

- 13.1** Short term running finance facilities are available to Parent Company and AHL, subsidiary company, from various commercial banks, under mark-up arrangements, amounting to Rs. 6,790 million (2016: Rs. 6,350 million), which represents the aggregate of sale prices of all mark-up agreements between the Company and the banks. These facilities have various maturity dates up to 30 June 2018. These arrangements are secured against pledge of marketable securities with minimum 30% margin (2016: 30% margin).

These running finance facilities carry mark-up ranging from 1 month KIBOR + 0.5% to 6 months KIBOR + 1.25% (2016: 1 month KIBOR+ 0.5% to 6 month KIBOR+ 1.25% per annum) calculated on a daily product basis, and is payable quarterly. The aggregate amount of these facilities which have not been availed as at the balance sheet date amounts to Rs. 4,188 million (2016: Rs. 2,282 million).

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

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

Further, during the year, the Parent Company has made final settlement of term finance loan from Summit Bank Limited, related party, amounting to Rs. 360 million along-with mark-up till the date of repayment.

- 13.3** The fair value of shares of associated companies, shares held for trading and other securities pledged as collateral against short term borrowings amount to Rs. 8,785.56 million (2016: Rs. 2,755.32 million).

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 14. CONTINGENCIES AND COMMITMENTS

### 14.1 Contingencies

#### *Parent Company*

**14.1.1** 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.

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

**14.1.3** The Parent Company has issued Corporate Guarantee, on behalf of a subsidiary company, namely Sachal Energy Development (Private) Limited (SEDPL), amounting to USD 100,000,000 to Industrial Commercial Bank of China (ICBC) in relation to financing agreement of SEDPL.

The Parent Company had also issued Corporate Guarantees on behalf of associated concerns, Aisha Steel Mills Limited, amounting to Rs. 1.68 billion and for the borrowings of Power Cement Limited, related party, to the extent of Rs. 267.86 million, the Parent Company has pledged shares having fair value of Rs. 266.56 million (2016: Rs. 111.54 million) there against. The Parent Company has also obtained letter of indemnity from respective related parties.

#### *AHL, Subsidiary Company*

**14.1.4** AHL is contesting a demand of PKR 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 stay was granted against the impugned demand. During the 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.

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## *SEDPL, Subsidiary Company*

**14.1.5** There are no contingencies as on 30 June 2017.

## *Associates*

**14.1.6** The Group's share of associates' contingent liabilities is Rs. 16,532.70 million (2016: Rs. 14,882.423 million).

## **14.2 Commitments**

### *AHL, Subsidiary Company*

**14.2.1** Following commitments are outstanding as at the year end:

	2017	2016
	(Rupees)	
Outstanding settlements against marginal trading contracts	282,746,717	1,806,919,064
Outstanding settlements against sale/purchase of securities in regular market	381,424,500	471,058,025
Financial guarantee given by a commercial bank on behalf of AHL	250,000,000	100,000,000

## *SEDPL, Subsidiary Company*

### **Significant contracts of SEDPL, Subsidiary Company:**

#### **(a) Energy Purchase Agreement (EPA)**

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

#### **(b) Implementation Agreement (IA)**

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

#### **(c) Agreement for Procurement and Supply of Equipment**

SEDPL has entered into Agreement for Procurement and Supply of Equipment with Hydrochina Corporation on 28 April 2012.

#### **(d) Construction Agreement and Operation and Maintenance Agreement**

SEDPL has entered into Construction Agreement and Operation and Maintenance Agreement with Hydrochina International Engineering Company Limited on 28 April 2012.

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 15. PROPERTY, PLANT AND EQUIPMENT

	Note	2017	2016
			Restated
		(Rupees)	
Operating fixed assets	15.1	12,456,140,468	2,638,833,629

### 15.1 Operating fixed assets

	Leasehold land	Buildings on freehold land	Leasehold buildings and improvements	Furniture, fixtures and fittings	Vehicles Owned	Leased	Plant and machinery	Office equipment	Computer and allied equipment	Capital work in progress	Exchange Gain/Loss	Total
<b>COST</b>							(Rupees)					
Balance as at 01 July 2016	-	-	170,235,651	1,794,306	34,178,893	3,880,500	3,750,000	3,083,332	23,722,495	2,545,247,697	-	2,785,892,874
Additions during the year	-	-	-	639,439	-	-	-	582,266	6,665,688	9,942,794,990	40,336,700	9,991,019,083
Disposals	-	-	-	(771,000)	(76,500)	-	-	-	(1,243,413)	-	-	(1,397,013)
Transfers	-	-	-	-	-	-	12,488,042,687	-	-	(12,488,042,687)	-	-
<b>Assets of subsidiary disposed off</b>								(90,000)	(154,000)	-	-	(244,000)
<b>Balance as at 30 June 2017</b>	-	-	170,235,651	2,356,645	34,102,393	3,880,500	12,491,792,687	3,575,598	28,990,770	-	40,336,700	12,775,270,944
<b>DEPRECIATION</b>												
Balance as at 01 July 2016	-	-	112,374,303	803,979	14,418,557	1,293,834	957,134	1,430,740	15,780,698	-	-	147,059,246
Charge for the year	-	-	8,336,737	168,017	3,968,355	474,036	156,240,177	331,892	3,424,177	-	504,209	173,447,570
Disposals / transfers	-	-	-	(37,860)	(66,277)	-	-	-	(1,051,783)	-	-	(1,156,370)
<b>Assets of subsidiary disposed off</b>								(83,506)	(136,463)	-	-	(219,969)
<b>Balance as at 30 June 2017</b>	-	-	120,711,040	934,136	18,320,185	1,767,870	157,197,311	1,679,096	18,016,629	-	504,209	319,130,476
<b>Written down value as at 30 June 2017</b>	-	-	49,524,611	1,422,509	15,782,208	2,112,630	12,334,595,376	1,896,502	10,974,141	-	39,832,491	12,456,140,468
<b>COST</b>												
Balance as at 01 July 2015: restated	3,025,000	27,089,034	746,424,054	21,238,373	61,483,039	4,590,500	4,116,581,109	3,575,303	33,076,989	288,040,763	-	5,302,124,164
Additions during the year	-	-	-	279,373	198,500	1,039,000	-	965,311	4,311,998	2,262,206,934	-	2,269,001,116
Disposals / transfers	-	-	-	(15,800)	-	(1,749,000)	-	(180,516)	(394,050)	-	-	(2,339,366)
<b>Assets of subsidiary disposed off</b>	(3,025,000)	-	(578,188,403)	(18,522,098)	(27,502,646)	-	(4,112,831,109)	(1,276,768)	(13,272,442)	-	-	(4,754,618,464)
Reclassification to assets held for sale	-	(27,089,034)	-	(1,185,542)	-	-	-	-	-	-	-	(28,274,576)
<b>Balance as at 30 June 2016: restated</b>	-	-	170,235,651	1,794,306	34,178,893	3,880,500	3,750,000	3,083,332	23,722,495	2,545,247,697	-	2,785,892,874
<b>DEPRECIATION</b>												
Balance as at 01 July 2015: restated	-	8,084,905	205,964,354	10,947,332	30,323,351	1,858,163	281,264,644	2,940,919	21,842,579	-	-	563,226,447
Charge for the year	-	-	9,376,236	140,027	4,469,206	578,022	-	300,447	2,971,029	-	-	17,835,057
Disposals / transfers	-	-	-	(15,800)	-	(1,142,351)	-	(180,516)	(124,763)	-	-	(1,463,430)
<b>Assets of subsidiary disposed off</b>	-	-	(102,966,377)	(9,500,744)	(20,374,000)	-	(280,307,510)	(1,630,110)	(8,908,147)	-	-	(423,686,888)
Reclassification to assets held for sale	-	(8,084,905)	-	(767,086)	-	-	-	-	-	-	-	(8,851,941)
<b>Balance as at 30 June 2016: restated</b>	-	-	112,374,303	803,979	14,418,557	1,293,834	957,134	1,430,740	15,780,698	-	-	147,059,246
<b>Effect of exchange rate difference</b>	-	612,465	-	10,730	-	-	-	-	-	-	-	623,195
Reclassification to assets held for sale	-	(612,465)	-	(10,730)	-	-	-	-	-	-	-	(623,195)
<b>Written down value as at 30 June 2016: restated</b>	-	-	282,609,954	2,598,285	48,597,450	5,174,334	4,707,134	4,314,072	39,903,193	2,545,247,697	-	2,638,833,629
Rates of depreciation (%)	-	5	5 - 15	5 - 20	20	20	5 - 10	3 - 38	33	-	-	5

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 15.1.1 Depreciation charge has been allocated as follows:

	Note	2017 (Rupees)	2016 Restated
Operating and administrative expenses	32	173,342,838	17,835,057
Capital work in progress		104,732	150,490
		<b>173,447,570</b>	<b>17,985,547</b>

## 15.2 Disposals of property, plant and equipment

The major disposals during the year are as follows:

Particulars of the assets	Cost	Accumulated depreciation	Written down value (Rupees)	Sale proceeds	Mode of disposal	Particulars of buyer
<b>Vehicles</b>						
Assets having written down value of less than Rs. 50,000 individually	76,500	66,727	9,773	9,500	Company's policy	Various
<b>Furniture and office equipment</b>						
Assets having written down value of less than Rs. 50,000 individually	77,100	37,860	39,240	20,000	Company's policy / written off	Various
<b>Computer and allied equipment</b>						
Assets having written down value of less than Rs. 50,000 individually	1,243,413	1,051,783	191,630	148,848	Company's policy / negotiation	Various

## 16. INTANGIBLE ASSETS - OTHERS

	2017 (Rupees)	2016
<b>Cost</b>		
Opening balance	8,632,151	17,964,459
Additions during the year	754,346	802,606
Write off	(374,250)	-
Disposal of subsidiary	-	(1,485,000)
Reclassification to assets held for sale	-	(8,649,914)
<b>Closing balance</b>	<b>9,012,247</b>	<b>8,632,151</b>
<b>Amortization</b>		
Opening balance	4,501,260	4,432,523
Amortization for the year	1,110,701	1,140,737
Write off	(360,723)	-
Disposal of subsidiary	-	(1,072,000)
<b>Closing balance</b>	<b>5,251,238</b>	<b>4,501,260</b>
Effect of exchange rate difference	-	1,880,577
Reclassification to assets held for sale	-	(1,880,577)
	-	-
<b>Written down value as at 30 June</b>	<b>3,761,009</b>	<b>4,130,891</b>

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

**16.1** The amortisation charge has been allocated to operating and administrative expenses (note 32).

## **17. GOODWILL**

	2017	2016
	(Rupees)	
Opening	910,206,117	1,163,961,863
Disposal of subsidiary, PCL	-	(253,755,746)
	910,206,117	910,206,117
<b>17.1 Impairment testing of goodwill</b>		
The carrying amount of goodwill allocated to the individual cash generating units (CGUs) is as follows:		
Arif Habib Limited	838,683,576	838,683,576
Sachal Energy Development (Private) Limited	71,522,541	71,522,541
	910,206,117	910,206,117

### **Impairment testing of Goodwill relating to Arif Habib Limited (AHL):**

For the year ended 30 June 2017, the recoverable amount of AHL (cash generating unit) which comprises of brokerage business segment, is based upon "fair value less cost to sell". "Fair value less cost to sell" is determined with reference to quoted price of Subsidiary Company obtained from Pakistan Stock Exchange Limited as at 30 June 2017. The selling costs are estimated at 5% of gross market value. Management believes that due to its large size of holding in underlying investee company which allow it to have a control premium demanded from prospective buyers and correcting the reasonable possible changes in assumptions used to determine the fair value less cost to sell will not result in an impairment of goodwill. As the 'fair value less cost to sell' including the expected control premium is higher than carrying amount of net assets of cash generating unit, no impairment is likely to arise.

### **Impairment testing of Goodwill relating to Sachal Energy Development (Private) Limited (SEDPL):**

The recoverable amount of the business operations of SEDPL (cash generating unit) have been determined based on value in use calculation, using discounted cash flow projections prepared by management covering twenty-year period. The Group has applied 10% discount rate to cash flow projections for the twenty-years period for the year ended 30 June 2017.

### **The calculation of 'value in use' for the business operations is most sensitive to the following assumptions:**

#### **Revenue growth (Tariff rate)**

Revenue growth assumptions have been derived from the projections prepared by management taking into account the tariff fixed by regulatory authority. Management is of the view that these assumptions are reasonable considering the current market conditions.

#### **Cost of supply of services and gross margins**

Cost of supply of power has been projected on the basis of multiple strategies planned by management to ensure profitable operations. These strategies include cost cutting mechanism such as reducing maintenance cost, and increasing efficiency of power supply etc. resulting in improved gross margins over the forecasted period.



# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## Financial charges

Financial cost has projected based on the long term financing arrangement made by the SEDPL. The training has been arranged in such a way that the cost has been reduced over the period of projection which will result in increase in profit margin over projection period.

## Discount rate

Discount rates reflect management's estimate of the rate of return required for the business and are calculated after taking into account the prevailing risk free rate, industry risk and business risk. Discount rates are calculated by using the weighted average cost of capital.

## Sensitivity to changes in assumptions

Management believes that reasonable possible changes in other assumptions used to determine the recoverable amount of the cash generating units will not result in an impairment of Goodwill.

## 18. TRADING RIGHT ENTITLEMENT CERTIFICATE, MEMBERSHIP CARD AND OFFICES

	Note	2017 (Rupees)	2016
<i>Trading right entitlement certificate</i>			
Cost		35,500,000	35,500,000
Impairment		(21,500,000)	(14,000,000)
	18.1	14,000,000	21,500,000
<i>Membership cards</i>			
- Pakistan Mercantile Exchange Limited		1,000,000	1,000,000
<i>Booths</i>			
- Pakistan Stock Exchange Limited - three booths		2,100,000	2,100,000
		17,100,000	24,600,000

- 18.1** Pursuant to Memorandum of Understanding was signed between Karachi Stock Exchange Limited (KSE), Lahore Stock Exchange Limited (LSE) and Islamabad Stock Exchange Limited (ISE) for integration of all three stock exchanges in Pakistan as envisaged in the Stock Exchanges (Corporatization, Demutualization and Integration) Act 2012 (XV of 2012) [the Act], the Group has been issued three Trading Right Entitlement Certificates of Pakistan Stock Exchange, in lieu of TREC of KSE, LSE and ISE previously issued. These have been carried at Cost less impairment. During the year further impairment charged of Rs. 7.5 million has been recognized against carrying cost of Rs. 35 million based on minimum value provided by Pakistan Stock Exchange Limited.

## 19. INVESTMENT PROPERTIES

	2017 (Rupees)	2016
Opening balance	2,178,505,214	3,173,144,374
Acquisition during the year	12,945,000	19,290,000
Disposal during the year	(207,978,965)	-
Cancelled allotments	-	(1,500,179,646)
	1,983,471,249	1,692,254,728
Changes in fair value - net	378,902,970	486,250,486
	2,362,374,219	2,178,505,214

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

**19.1** This represent certain plots, situated at Naya Nazimabad, Deh Mangohpir, Gadap Town, Karachi owned by the Parent Company and AHL. Further, this include the investment in offices located in the building complex of Pakistan Stock Exchange Limited, ISE Towers REIT Management Company Limited and LSE Financial Services Limited owned by AHL. The fair value of investment property was determined by external independent property valuer having appropriate recognised qualification and relevant experience. A gain of Rs. 378.90 million representing change in fair value has been recognised in consolidated profit and loss account.

## **20. EQUITY ACCOUNTED INVESTEEES**

	Note	2017	2016
		(Rupees)	
Pakarab Fertilizers Limited (PFL)	20.1	3,011,222,100	3,550,298,482
Fatima Fertilizer Company Limited (FFCL)	20.2	9,031,050,296	8,610,412,902
MCB - Arif Habib Savings and Investments Limited (MCB-AH)	20.3	595,265,420	586,145,460
Silkbank Limited	20.4	4,268,786,450	4,047,306,518
		16,906,324,266	16,794,163,362
Less: Provision for impairment		(119,982,605)	(119,982,605)
		16,786,341,661	16,674,180,757

**20.1** Investment in PFL (unquoted) represents 135 million (2016: 135 million) fully paid ordinary shares of Rs. 10 each, representing 30% (2016: 30%) of PFL's paid up share capital as at 30 June 2017, having cost of Rs. 1,324.33 million (2016: Rs. 1,324.33 million). Fair value per share as at 30 June 2017 is Rs. 87 per share (2016: Rs. 90 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

**20.2** Investment in FFCL (quoted) represents 319 million (2016: 319 million) fully paid ordinary shares of Rs. 10 each, representing 15.19% (2016: 15.19%) of FFCL's paid up share capital as at 30 June 2017. Fair value per share as at 30 June 2017 is Rs. 33.69 (2016: Rs. 33.94) which is based on quoted share price on stock exchange at reporting date.

**20.3** Investment in MCB-AH (quoted) represents 21.66 million (2016: 21.66 million) fully paid ordinary shares of Rs. 10 each, representing 30.09% (2016: 30.09%) of MCB-AH's paid up share capital as at 30 June 2017. Market value per share as at 30 June 2017 was Rs. 28.50 (2016: Rs. 26.55) which is based on quoted share price on stock exchange at reporting date.

**20.4** Investment in Silkbank (quoted) represent 2.563 billion (2016: 2.563 billion) ordinary shares issued by Silkbank Limited at a purchase price of Rs. 1.56 per share under an agreement, representing 28.23% shareholding (2016: 28.23%) in Silkbank and accounted for as associates in accordance with the requirement of IAS 28 'Investments in Associates and Joint Ventures'. Fair value per share as at 30 June 2017 is Rs. 1.68 (2016: Rs. 1.70) which is based on quoted share price on stock exchange at reporting date.

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 20.5 Summarized financial information of the associates of the Group as of 30 June 2017 is as follows:

	2017			
	MCB - Arif Habib Savings and Investments Limited	Pakarab Fertilizer Limited	Silkbank Limited	Fatima Fertilizer Company Limited
	(Rupees in '000)			
<b>Percentage ownership interest</b>	<b>30.09%</b>	<b>30.00%</b>	<b>28.23%</b>	<b>15.19%</b>
Non-current assets	953,465	42,707,217	7,684,796	95,923,466
Current assets	1,316,475	21,546,796	139,141,702	30,357,581
Non-current liabilities	49,013	19,604,772	-	32,909,536
Current liabilities	641,390	23,125,184	134,308,362	33,917,592
Net Assets	1,579,537	21,524,057	12,518,136	59,453,919
Elimination of revaluation surplus with related deferred taxation*	-	(11,486,650)	(90,890)	-
Net assets of equity accounted investee (adjusted)	1,579,537	10,037,407	12,427,246	59,453,919
Group's interest in net assets of investee company	475,283	3,011,222	3,508,211	9,031,050
Goodwill	-	-	760,575	-
Carrying amount of equity accounted investee	475,283	3,011,222	4,268,786	9,031,050
Revenue	793,504	22,675,546	10,003,806	43,899,736
Profit from continuing operations	202,194	(1,776,990)	871,515	9,578,634
Other comprehensive income	62,114	(19,931)	(25,662)	15,538
Total comprehensive income	264,308	(1,796,921)	845,853	9,594,172
Share of total comprehensive income in equity accounted investee	79,529	(539,076)	221,480	1,457,388

	2016			
	MCB - Arif Habib Savings and Investments Limited	Pakarab Fertilizer Limited	Silkbank Limited	Fatima Fertilizer Company Limited
	(Rupees in '000)			
Non-current assets	799,748	43,053,472	8,184,021	94,418,452
Current assets	1,374,123	16,506,165	136,227,096	31,204,614
Non-current liabilities	47,238	11,413,993	-	32,913,321
Current liabilities	577,404	24,706,168	132,768,846	36,024,998
Net Assets	1,549,229	23,439,476	11,642,271	56,684,747
Elimination of revaluation surplus with related deferred taxation*	-	(11,605,148)	-	-
Net assets of equity accounted investee (adjusted)	1,549,229	11,834,328	11,642,271	56,684,747
Group's interest in net assets of investee company	466,163	3,550,298	3,286,732	8,610,413
Goodwill	-	-	760,575	-
Carrying amount of equity accounted investee	466,163	3,550,298	4,047,307	8,610,413
Revenue	760,377	23,371,875	2,536,766	27,048,195
Profit from continuing operations	239,109	1,467,664	143,494	18,866,224
Other comprehensive income	33,565	(2,880)	25,184	8,527
Total comprehensive income	272,674	1,464,784	168,678	18,874,751
Share of total comprehensive income in equity accounted investee	110,561	629,074	47,620	1,938,111

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

**20.5.1** The figures of revenue, profits and other comprehensive income of PFL, Silkbank and FFCL have been adjusted due to different accounting year ends. The financial information included are same as included in their own financial statements adjusted for differences in accounting policies, if any.

\* The adjustment represent alignment of accounting policy of associates with the Group.

\*\* Group's share of net assets equal the carrying amount of equity accounted investees.

**20.5.2** Following is summarised financial information for the Group's interest in immaterial associates, based on the amounts reported in the Group's consolidated financial statements:

	2017	2016
	(Rupees)	
Group's share of:		
- Loss from continuing operations	-	(30,730,366)

**20.6** Financial statements of MCB-AH have been audited by its independent auditor and interim financial information of FFCL and Silkbank for the six months period ended 30 June 2017 have been reviewed by their independent auditor. Financial statements of PFL used for equity accounting are neither audited nor reviewed by their external auditors.

## 21. OTHER LONG TERM INVESTMENTS

	Note	2017	2016
		(Rupees)	
Investments - available-for-sale	21.1	-	100,000
Investment at fair value through profit or loss	21.2	84,314,338	121,342,551
		84,314,338	121,442,551
<b>21.1 Investments - available-for-sale</b>			
Takaful Pakistan Limited (TPL)	21.1.1	30,000,000	30,000,000
Sun Biz (Private) Limited (SBL)	21.1.2	1,000,000	1,000,000
Al-Khabeer Financial Services (Private) Limited (AKSF)	21.1.3	1,000,000	1,000,000
		32,000,000	32,000,000
Provision for impairment		(32,000,000)	(31,900,000)
		-	100,000

**21.1.1** Investment in TPL (unquoted) represents 3 million (2016: 3 million) fully paid ordinary shares of Rs.10 each, representing 10% (2016: 10%) of TPL's paid up share capital as at 30 June 2017. Book value based on net assets, as per audited financial statements, as at 31 December 2016 is Rs. 5.98 per share (31 December 2015: Rs. 5.74 per share).

**21.1.2** Investment in SBL (unquoted) represents 10,000 (2016: 10,000) fully paid ordinary shares of Rs. 100 each, representing 4.65% (2016: 4.65%) of SBL's paid up share capital as at 30 June 2017.

**21.1.3** Investment in AKFS represents 5,000 (2016: 5,000) fully paid ordinary shares of Rs. 1 million (2016: Rs 1 million), representing 5% of the total paid up share capital of the investee company as at 30 June 2017.

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 21.2 Investment at fair value through profit or loss

	Note	2017 (Rupees)	2016
Pakistan Stock Exchange Limited	21.2.1	25,727,405	62,755,618
ISE Towers REIT Management Company Limited	21.2.2	47,097,039	33,380,639
LSE Financial Services Limited	21.2.2	11,489,894	25,206,294
		<b>84,314,338</b>	<b>121,342,551</b>

**21.2.1** This represents the investment in ordinary shares of Pakistan Stock Exchange Limited (PSX) received by AHL, subsidiary company, in pursuance of the promulgation of Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012. The total number of shares received by AHL were 4,007,383 out of which 60% shares were held in a separate blocked account in the Central Depository Company of Pakistan Limited (CDC) to restrict the sale of such shares by the members of PSX.

During the current year, PSX sold 40% shares of its shares held by AHL (previously held in a separate blocked account in CDC) at an offer price of PKR 28 per ordinary share. Further, as per Section 5(2) of Public Offering Regulations, 2017, AHL is required to retain not less than 25% of the total paid up capital for a period of not less than three financial years from the last date for the public subscription. Given the above, the investment to the extent of 25% of ordinary shares of PSX has been classified as long term investment while the remaining investment in such shares has been classified as short term investment.

**21.2.2** This represents the investment in 843,975 unquoted ordinary shares of M/s. LSE Financial Services Limited and 3,034,604 unquoted ordinary shares of M/s. ISE Towers REIT Management Company Limited. Management of subsidiary company has carried out the valuation of the aforementioned investments. In this connection, Discounted Free Cash Flow to Equity model for business valuation was used to determine fair value of respective investee companies. Assumptions and inputs used in the valuation technique mainly include risk-free rate, equity risk premium, long term growth rate and projected rates of increase in revenues, other income and expenses. Principal assumptions used in the valuation of above unquoted investments described in note 42 to these consolidated financial statements.

## 22. LONG TERM DEPOSITS AND PREPAYMENTS

	Note	2017 (Rupees)	2016 Restated
Pakistan Stock Exchange Limited		17,207,961	17,049,485
LSE Financial Services Limited		12,761,941	12,761,941
ISE Towers REIT Management Company Limited		150,000	150,000
National Clearing Company of Pakistan Limited		4,045,826	901,000
Security deposit for leased car		1,164,150	1,164,150
Security deposit for employees' cars		2,397,440	1,849,340
Pakistan Mercantile Exchange deposit for office		11,507,205	9,007,205
Other deposits		300,536	514,036
Prepaid transaction cost	2.6.1	-	1,024,729,985
		<b>49,535,059</b>	<b>1,068,127,142</b>

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 23. TRADE DEBTS

	Note	2017	2016
		(Rupees)	
Considered good			
- Secured	23.1	1,404,600,138	503,507,049
- Unsecured	23.2	74,783,140	115,138,914
		1,479,383,278	618,645,963
Considered doubtful		874,618,000	874,618,000
		2,354,001,278	1,493,263,963
Provision for doubtful debts			
- Opening provision		(875,288,868)	(875,288,868)
- Reversal for the year		670,868	670,868
- Provision as at 30 June		(874,618,000)	(874,618,000)
		1,479,383,278	618,645,963

**23.1** This includes receivable by AHL, subsidiary company, against margin financing amounting to Rs. 559.45 million (2016: 30.65 million). The same is provided to client's on mark-up basis ranging from 10% to 13% (2016: 12% to 16%) per annum.

This also includes Rs. 845.14 million (2016: Nil) trade debts of SEDPL, subsidiary company, from Central Power Purchasing Agency (G) Limited (CPPA) which are secured by a guarantee from Government of Pakistan (GoP) under the Implementation Agreement (IA) dated 11 August 2014. Further, these are subject to mark-up on delay payments under EPA dated 27 February 2014 at the rate of 3 month KIBOR plus 4.5% per annum.

**23.2** This includes Rs. 0.5 million (2016: Rs. 8.14 million) due from related parties. AHL, subsidiary company, holds capital securities having fair value of Rs. 33,780 million (2016: Rs. 49,933 million) owned by its clients, as collaterals against trade debts.

## 24. LOANS AND ADVANCES

	Note	2017	2016
			Restated
		(Rupees)	
<b>Unsecured - Considered good</b>			
Advance:			
- for investment property	24.1	100,000,000	-
- to executives and employees - unsecured		5,489,983	7,090,427
Loan to Aisha Steel Mills Limited		-	545,471,149
<b>Secured - Considered good</b>			
Receivable against Reverse repo		26,007,569	186,459,040
Loan to Employees	24.2	4,034,172	945,649
To related parties:			
- Aisha Steel Mills Limited	24.3	210,793,235	239,215,563
		346,324,959	979,181,828

**24.1** This represents advance given to M/s. Javedan Corporation by AHL, subsidiary company, for the purchase of certain plots of land located at Naya Nazimabad, Deh Manghopir, Gadap Town, Karachi.



# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

**24.2** This includes loan provided to executives amounting to Rs. 0.143 million (2016: Rs. 0.476 million) and to staff amounting to Rs. 3.891 million (2016: Rs. 0.469 million).

**24.3** The Parent Company entered into a loan agreement with the said associated concern on 19 January 2011. 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 (2016: 6 months KIBOR + 3.25% per annum). The effective rate of mark-up on the loan during the year was 9.31% to 9.40% (2016: ranged between 9.76% to 10.29%) per annum. Mark-up is payable on semi-annually basis. The loan is payable within 60 days of notice of demand.

**24.4** Maximum balance due from related party during the year was Rs. 1,506.47 million (2016: Rs. 2,805.93 million).

## 25. DEPOSITS AND PREPAYMENTS

	Note	2017	2016 Restated
		(Rupees)	
Deposits - future clearing	25.1	28,496,602	31,637,101
Prepayments		7,254,939	48,719,343
MTS exposure deposit	25.2	9,997,534	126,126,460
Others		-	1,277,718
		<b>45,749,075</b>	<b>207,760,622</b>

**25.1** These represent amounts of deposits held at the year end against exposure arising out of the trading in securities by AHL, subsidiary company, in accordance with the regulations of Pakistan Stock Exchange Limited.

**25.2** 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.

## 26. MARK-UP RECEIVABLE

	Note	2017	2016
		(Rupees)	
<i>From related parties:</i>			
Aisha Steel Mills Limited	26.1	9,913,724	19,717,359
Javedan Corporation Limited		-	39,452
Others		13,525	165
		<b>9,927,249</b>	<b>19,756,976</b>

**26.1** The above receivable from related parties are on account of loans provided to them which are current and not past due.

## 27. OTHER RECEIVABLES

This include guarantee fee receivable of Rs. 0.067 million (2016: 0.742 million) from a related party.

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 28. SHORT TERM INVESTMENTS

	Note	2017 (Rupees)	2016
<i>At fair value through profit or loss - designated</i>			
Investment in quoted equity securities			
-Related parties	28.2	1,587,540,904	1,097,790,929
-Others		3,093,001,984	2,417,118,129
Investment in term finance certificates		201,481,752	383,817
<i>At available for sale</i>			
Investment in related parties	28.3	458,193,588	648,294,567
		5,340,218,228	4,163,587,442

**28.1** Fair value of these investments is determined using quoted market prices and repurchase prices prevailing at the balance sheet date. Short term investments include equity securities pledged with various banking companies against short term running finance facilities having a market value of Rs. 4,803.40 million (2016: Rs. 1,395.65 million). Total value of pledged securities with financial institutions by AHL, subsidiary company, indicating separately securities belonging to customers as at 30 June 2017 is as under:

	Number of securities	Amount (Rupees)
Clients	126,100,000	4,280,985,000
Brokerage House	27,668,000	791,933,923
	153,768,000	5,072,918,923

**28.2** This represents investment in right shares issued by Aisha Steel Mills Limited (ASML) and Power Cement Limited (PCL) during the year which have been subscribed by the Parent Company.

**28.3** This represents investment in Javedan Corporation Limited.

## 29. CASH AND BANK BALANCES

		2017 (Rupees)	2016
With banks in:			
Current accounts			
- In local currency		171,256,061	48,723,623
- In foreign currency		4,202,018	4,189,989
		175,458,079	52,913,612
Deposit accounts	29.1	796,764,040	333,042,275
	29.2	972,222,119	385,955,887
Cash in hand		1,685,786	156,830
		973,907,905	386,112,717

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

- 29.1** The balance in deposit accounts carry mark-up ranging from 2.4% to 5% per annum (2016: 3.75% to 5% per annum).
- 29.2** Bank balances include customers' bank balances held in designated bank accounts by AHL, subsidiary company, amounting to Rs. 789.431 million (2016: 260.925 million).

## 30. DISCONTINUED OPERATIONS

	Note	2017	2016
(Loss) / profit for the year from discontinued operation - net of tax			
- Pakistan Opportunities Limited	30.1	(240,648)	(148,154)
- Arif Habib DMCC	30.2	(1,051,883)	(3,384,752)
- Power Cement Limited		-	315,354,507
		(1,292,531)	311,821,601
Gain on disposal of Subsidiary Company			
- Pakistan Opportunities Limited	30.1	412,892	-
- Arif Habib DMCC	30.2	49,244,309	-
- Power Cement Limited		-	653,693,309
		49,657,201	653,693,309
		48,364,670	965,514,910

### 30.1 Pakistan Opportunities Limited (POL)

As on 30 June 2017, the Parent Company has disposed off its entire investment in Pakistan Opportunities Limited (Subsidiary Company), to a related party for a total consideration of Rs. 1.5 million resulting in loss of control. Accordingly, results of the Subsidiary till the date of disposal are presented as discontinued operations. The Subsidiary was not a discontinued operation or classified as held for sale as at 30 June 2016 and the comparative consolidated profit and loss account has been re-presented to show the discontinued operation separately from continuing operations.

	2017	2016
	(Rupees)	
<b>Results of POL</b>		
Operating and administrative expenses	(242,740)	(150,579)
Other income	2,092	2,425
<b>Loss before tax</b>	(240,648)	(148,154)
Taxation	-	-
<b>Loss from discontinued operations</b>	(240,648)	(148,154)
<b>Gain on disposal of subsidiary</b>	412,892	-
<b>Cash flows (used in) / generated from POL</b>		
Net cash flows used in operating activities	(208,989)	(119,261)
Net cash flows used in investing activities	2,052	2,506
Net cash flows generated from financing activities	200,000	100,000
	(6,937)	(16,755)

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## Effect of disposal on the financial position of the Group

2017

Advance tax	(1,687,400)
Accrued mark-up	(205)
Cash and bank balances	(51,346)
Sponsor's loan	400,000
Accrued liabilities	60,000
Net assets and liabilities	(1,278,951)

### 30.2 Arif Habib DMCC (AHD)

As on 30 June 2017, the Parent Company has liquidated Arif Habib DMCC, subsidiary company. The subsidiary was a discontinued operation and classified as held for sale as at 30 June 2016. The Parent Company has realised proceed of Rs. 55.81 million from liquidation of subsidiary company net assets and accordingly recorded in these consolidated financial statements. Further, during the year translation reserve has been reclassified from consolidated other comprehensive income to consolidated profit and loss account amounting to Rs. 49.24 million.

### 31. OPERATING REVENUE

	Note	2017	2016 Restated
			(Rupees)
Dividend income		106,588,942	61,562,877
Mark-up income on loans and advances	31.1	51,958,289	86,770,710
Brokerage income		418,830,366	285,757,636
Mark-up on bank deposits		21,818,522	29,204,031
Underwriting, consultancy and placement commission		365,121,371	252,103,725
Revenue from sale of energy		722,343,961	-
Income from reverse repo transaction		60,155,705	110,657,628
Loss on remeasurement of investments - net		(143,560,212)	(505,088,749)
Gain on sale of investments - net		1,545,425,767	599,826,022
Gain on sale of investment property		36,598,931	-
Put option fee		-	72,144,022
		3,185,281,642	992,937,902

**31.1** This includes mark-up income received from an associated concern Aisha Steel Mills Limited. The mark-up rate on the said loans is ranging from 3 months KIBOR plus 3% per annum to 6 months KIBOR plus 3.25%. The effective mark-up charged during the year on these loans ranges from 9.04% to 9.40%.

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 32. OPERATING AND ADMINISTRATIVE EXPENSES

	Note	2017 (Rupees)	2016 Restated
Cost of energy's sales	32.1	184,078,032	-
Salaries and benefits	32.2	150,980,968	124,339,318
Printing and stationery		7,886,419	7,627,495
Communication		12,654,181	8,623,809
Rent, rates and taxes		51,058,534	42,557,018
Preliminary expenses of newly incorporated subsidiary (BGPL)	32.3	5,637,795	-
Utilities		3,475,104	3,463,039
Legal and professional charges		10,538,733	14,923,170
Central Depository Company and clearing house charges		21,166,863	19,666,114
Entertainment		3,689,169	4,692,369
Travel and conveyance		21,877,698	19,636,408
Depreciation		16,703,183	17,823,222
Amortization of intangible assets		1,110,701	1,134,075
Repairs and maintenance		20,976,302	19,073,005
Insurance		6,789,175	5,112,465
Fees and subscription		6,183,626	3,017,605
Advertisement, business promotion and research		29,294,183	31,736,070
Meeting expenses		125,000	205,000
Auditors' remuneration	32.4	4,280,872	3,790,510
Technical assistance / commission and advisory fee		119,497,614	89,984,696
Others		9,530,002	7,218,530
		<b>687,534,154</b>	<b>424,623,918</b>

**32.1** This includes depreciation expense of Rs. 156.64 million (2016: Nil) recognized by SEDPL, subsidiary company.

**32.2** This includes the Group's contribution to staff retirement benefits amounting to Rs. 12.05 million (2016: Rs. 6.232 million).

**32.2.1** Parent Company and AHL have set up provident fund for its employees and the contributions were made by them to the Trust in accordance with the requirement of Section 227 of the repealed Companies Ordinance, 1984. The audit of the provident fund of Parent Company for the year ended 2017 and provided fund of Subsidiary Company, AHL for the year ended 2016 and 2017 is in progress.

The following information is based on the latest financial statements of provident fund managed by the Parent Company:

	2017 (Unaudited) (Rupees)	2016 (Audited)
Size of the Fund - total assets	23,643,180	19,168,811
Cost of investments made	23,543,906	19,088,614
Percentage of investments made	99.58%	99.58%
Fair value of investments	23,543,906	19,088,614

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

Breakup of investments of the Fund managed by the Parent Company is as follows:

	2017		2016	
	(Rupees)	%	(Rupees)	%
Balance with bank in savings account	23,543,906	100	19,088,614	100

The following information is based on the latest financial statements of provident fund managed by the Subsidiary Company, AHL, subsidiary company.

	2017 (Unaudited) (Rupees)	2016 (Unaudited) (Rupees)
Size of the Fund - total assets	16,182,524	11,058,507
Cost of investments made	15,572,660	11,070,547
Percentage of investments made	96%	99%
Fair value of investments	16,124,750	11,173,674

Breakup of investments of the Fund managed by AHL is as follows:

	2017		2016	
	(Rupees)	%	(Rupees)	%
Open end mutual fund	3,527,928	22	3,021,191	27
Balance with bank in savings account	12,596,822	78	8,152,483	73
	16,124,750	100	11,173,674	100

**32.3** This represents preliminary expenses incurred for newly incorporated subsidiary company BGPL which has not commenced any commercial operations as of reporting date.

## 32.4 Auditors' remuneration

	2017 (Rupees)	2016
Audit fee	2,922,360	2,611,760
Certifications including half yearly review	923,400	878,500
Other certifications	203,512	120,250
Out of pocket	231,600	180,000
	4,280,872	3,790,510

## 33. OTHER INCOME

### Income from financial assets:

Profit on exposure deposit	8,941,731	8,342,347
Mark-up on Margin Trading System	29,401,061	716,974
Guarantee commission income	1,169,154	2,967,855
Mark-up from group companies	-	811,999
Reversal of provision of bad debts	30,236,570	670,868
Exchange gain	14,091	-

### Income from non-financial assets:

Rental income	993,831	3,188,820
Others	11,880,551	22,405,493
Reversal of provision against Workers' Welfare Fund	456,911,587	-
	539,548,576	39,104,356



# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

**33.1** During the year, the Honourable Supreme Court of Pakistan vide its judgement dated 10 November 2016 while adjudicating the civil appeal filed by the Parent Company and AHL declared amendments made vide Finance Act 2006 and 2008 in Workers' Welfare Ordinance, 1971 ("the Ordinance") as unlawful and ultra vires the Constitution of Pakistan. Accordingly, the civil appeal filed by the Parent Company against amendments made in the Ordinance vide Finance Act 2006 and 2008 in the Supreme Court of Pakistan is disposed off in Parent Company's and AHL'S favour. However, the Commissioner Inland Revenue (Peshawar) has filed the Civil Review Petitions (CRPs) against the judgement of the Supreme Court of Pakistan. The Legal counsel which has contested the Parent Company's and AHL's petition consider that the Department wishes to try for re-argue the appeal through CRPs which generally is not allowed by the Supreme Court in review unless an 'error' is pointed out rather than request for change of opinion. Accordingly based on legal advice, management of the Parent Company and AHL has reversed the provision created against Workers' Welfare Fund.

## 34. FINANCE COST

	Note	2017	2016
		(Rupees)	
Mark-up on long term loans		158,584,339	32,133,563
Mark-up on short term borrowings		231,317,602	354,931,853
Mark-up on loan from associate		-	564,750
Mark-up on finance lease		217,344	275,472
Bank charges		8,760,709	3,314,747
Amortization of transaction cost		12,043,984	-
Mark-up on margin trading system securities		13,869,710	10,669,691
		<b>424,793,688</b>	<b>401,890,076</b>

## 35. OTHER CHARGES

			Restated
Workers' Welfare Fund		-	9,307,053
Donations	35.1	77,857,008	16,338,862
Exchange loss		-	110,154
Impairment loss on trading rights entitlement certificates and others		7,500,000	-
Impairment loss on long term investments		100,000	-
Loss on disposal of fixed / scrap assets		62,295	106,157
		<b>85,519,303</b>	<b>25,862,226</b>

## 35.1 Donations

Donations in which a director are interested is as follows:

Name of director	Interest in donee	Name and address of the donee	Amount donated
Mr. Muhammad Ejaz	Trustee	Jinnah Foundation	
Mr. Sirajuddin Cassim	Trustee	Plot No. A 11, 12, 13 & 14,	
Mr. Nasim Beg	Trustee	Bhitai Colony, Korangi Crossing, Karachi	
			<b>3,230,500</b>

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 36. TAXATION

	2017 (Rupees)	2016
For the year		
- Current	456,168,214	178,107,819
- Prior year	(41,136,055)	(107,864,758)
	415,032,159	70,243,061
- Deferred	187,064,608	398,987,717
	602,096,767	469,230,778

### Relationship between tax expense and accounting profit

Profit before taxation	4,117,379,417	3,342,894,550
Tax at the applicable tax rate	1,276,387,619	1,069,604,255
Tax effect of income under final tax regime	(300,491,708)	(83,840,967)
Tax effect of income taxed at lower rate	249,055,220	289,787,993
Prior year tax effect	(41,136,055)	(107,864,758)
Tax effect of non-deductible expenses	54,834,503	-
The effect of exempt income / permanent difference	(51,399,340)	-
Others	(87,043,032)	(698,455,745)
	602,096,767	469,230,778

### Parent Company

**36.1** 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. Income tax assessment for the Tax Year 2010, taken as deemed assessment under section 120 of the Income Tax Ordinance, 2001, was subsequently amended twice under section 122 (5A) of the Income Tax Ordinance, 2001. The appeals filed by the Parent Company with Commissioner Inland Revenue (Appeals-1) against these amendments were decided in favour of the Parent Company and the relief was maintained by Appellate Tribunal.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

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

Income tax return was filed by the Parent Company for the Tax Year 2016, taken as deemed assessment under section 120 of the Income Tax Ordinance, 2001 which is subject to audit under section 177 of the Income Tax Ordinance, 2001. However, the Income Tax Department has power to re-open these assessments within five years of their filing.

- 36.2** Under section 5A of the Income Tax Ordinance, 2001 as amendment by the Finance Act 2017, tax shall be imposed at the rate of 7.5% of the accounting profit before tax on the every public company, other than schedule bank or modaraba, that drives profit for a tax year but does not distribute at least 40% of its after tax profits within six months of the end of the tax year through cash or bonus shares.

The Board of Directors of the Parent Company in their meeting held on 15 September 2017 have recommended sufficient cash dividend for the year ended 30 June 2017 (refer note 48.3) for the consideration and approval of the shareholders of the Parent Company in the forthcoming annual general meeting which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognised in these consolidated financial statements for the year ended 30 June 2017.

## AHL, Subsidiary Company

- 36.3** Assessment up to Tax Year 2016 deemed to be finalized under section 120 of the Income tax Ordinance 2001.
- 36.4** AHL, based on the future projections, has recognized deferred tax assets only to the extent of deferred tax liabilities amounting, in aggregate, to Rs 82.095 million. (2016: 150.167 million).
- 36.5** AHL has been contesting Civil Suit No. 284/2016 against levy of "Super Tax" u/s 4B of the Income Tax Ordinance, 2001 through Finance Act, 2015 in the High Court of Sindh and has not paid the Super Tax accordingly. AHL is of the view that the same is imposed against the merit of law and its legal council is of the view that the AHL has a favourable case on merit. However, on prudent basis, a provision was made in the consolidated financial statements in respect of super tax charge for the tax years 2015.

## 37. EARNINGS PER SHARE - BASIC AND DILUTED

		2017	2016 Restated
		(Rupees)	
<b>37.1 Basic earnings per share</b>			
Profit after tax from continuing operations attributable to ordinary shareholders	Rupees	3,229,533,151	2,712,253,779
Profit after tax from discontinued operations attributable to ordinary shareholders	Rupees	48,400,767	829,932,780
Weighted average number of ordinary shares	Number	453,750,000	453,750,000
Earnings per share - continuing operations	Rupees	7.12	5.98
Earning per share - discontinued operations	Rupees	0.10	1.83

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 37.2 Diluted earnings per share

Diluted earnings per share has not been presented as there is no convertible instruments in issue as at 30 June 2017 and 30 June 2016 which would have any effect on the earnings per share if the option to convert is exercised.

## 38. REMUNERATION OF CHIEF EXECUTIVE OFFICERS, DIRECTORS AND OTHER EXECUTIVES

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

**38.2** The aggregate amounts charged in these consolidated financial statements in respect of remuneration including benefits to the Chief Executive Officers, Directors and other Executives of the Parent and respective subsidiaries are given below:

	Chief Executives Officer		Director and other Executives	
	2017	2016	2017	2016
	(Rupees)			
Managerial remuneration	35,581,781	38,322,505	64,853,818	59,304,012
Retirement benefits	2,884,316	3,623,001	3,493,137	3,394,724
Commission and bonus	33,216,175	23,965,094	3,431,737	9,276,791
Other allowance	1,958,650	2,742,522	4,782,148	5,058,046
Total	73,640,922	68,653,122	76,560,840	77,033,573
Number of persons	4	4	36	36

**38.3** The aggregate amount charged to these consolidated financial statements in respect of directors' fee paid to two directors (2016: two) was Rs. 0.13 million (2016: Rs. 0.21 million). The Chief Executive Officer draws salary on account of managerial remuneration.

**38.4** Besides above, group insurance and medical facilities under insurance coverage were provided to the above mentioned personnel.

**38.5** The Chief Executive Officer and certain Executives has been provided with free use of respective Group Companies' maintained vehicles in accordance with the policy.

**38.6** Certain key management personnel have also been provided with free use of respective Group Companies' maintained vehicles in accordance with the policy.

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 39. CASH GENERATED FROM OPERATIONS

		2017 (Rupees)	2016 Restated
Profit before tax	39.1	4,165,744,087	3,791,161,296
<b>Adjustments for:</b>			
Depreciation		173,447,570	17,835,057
Amortization of intangible assets		1,110,701	1,140,737
Share of profit of equity-accounted associate - net of tax		(1,211,493,374)	(2,676,978,026)
Unrealized gain on investment property		(378,902,970)	(486,250,486)
Reversal of provision of bad debts		(30,236,570)	(670,868)
Impairment loss on trading rights entitlement certificates and others		7,500,000	-
Loss on sale of property, plant and equipment		62,295	106,157
Written-off of property, plant and equipment of discontinued operation		24,031	-
Written-off of intangible assets of discontinued operation		13,527	-
Amortization on lease rental		1,749,323	-
(Gain) / loss on disposal of long term investment		(49,657,201)	601,412,818
Impairment loss on investment		100,000	-
Finance cost		423,044,365	401,890,076
		(1,063,238,303)	(2,141,514,535)
		3,102,505,784	1,649,646,761
<b>Changes in working capital:</b>			
(Increase) / decrease in current assets			
Trade debts		(830,500,745)	173,195,146
Stock in trade		-	284,975,000
Stores and spares		-	562,409,000
Loans and advances		632,856,869	(1,475,054,054)
Deposits and prepayments		162,011,547	271,890,454
Receivable against sale of investment		(148,659,303)	-
Mark-up receivable		9,829,727	(900,829)
Other receivables		(19,297,923)	1,160,285,946
Short term investments		(1,032,226,809)	611,190,338
Tax refund due from Government		-	287,265,000
Assets held for sale		-	(63,938,544)
		(1,225,986,637)	1,811,317,457
(Increase) / Decrease in current liabilities			
Trade and other payables		1,404,504,530	(813,703,987)
Liabilities held for sale		-	13,640,441
Payable against purchase of securities - net		(465,407,950)	420,849,555
		939,096,580	(379,213,991)
		(286,890,057)	1,432,103,466
<b>Cash generated from operations</b>		<b>2,815,615,727</b>	<b>3,081,750,227</b>
<b>39.1 Profit before tax</b>			
Profit before tax from continuing operations		4,117,379,417	3,342,894,550
Profit before tax from discontinued operations		48,364,670	448,266,746
		<b>4,165,744,087</b>	<b>3,791,161,296</b>

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## 40. CASH AND CASH EQUIVALENTS

		2017 (Rupees)	2016
Cash and bank balances	29	973,907,905	386,112,717
Short term running finance	13	(2,952,849,499)	(4,428,479,243)
		<u>(1,978,941,594)</u>	<u>(4,042,366,526)</u>

## 41. FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

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

### 41.1 Credit risk

Credit risk represents the financial loss that would be recognized at the balance sheet date if counterparties fail to meet its contractual obligations. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Group believes that it is not exposed to major concentration of credit risk.

Management has netted off receivable against purchase of investment from AHL, subsidiary company with payable against purchase of investment appearing in said subsidiary's book. The receivable and payable pertain to similar transaction and will settled net.

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

	2017 (Rupees)	2016 Restated
Trade debts - gross	2,354,001,278	1,493,263,963
Long term deposits	11,807,741	9,521,241
Loans and advances	236,800,804	971,145,752
Mark-up receivable	9,927,249	19,756,976
Other receivables	189,140,563	169,842,640
Deposits	38,494,136	159,041,279
Bank balances	972,222,119	385,955,887
	<u>3,812,393,890</u>	<u>3,208,527,738</u>



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For the year ended 30<sup>th</sup> June 2017

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

## Trade debts

The maximum exposure to credit risk for trade debt at the balance sheet date by geographic region were as follows:

Domestic (Pakistan)	<b>2,354,001,278</b>	1,493,263,963
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The maximum exposure to credit risk for trade debt at the balance sheet date by type of customer were as follows:

	<b>2017</b>	2016
	<b>(Rupees)</b>	
End-user customer / exports	<b>2,354,001,278</b>	1,493,263,963
At 30 June, the age analysis of trade debts is as follows:		
Neither past due nor impaired	<b>1,394,168,812</b>	1,424,437,729
Past due 1 - 30 days	<b>75,206,461</b>	16,248,472
Past due 31 - 180 days	<b>10,008,005</b>	26,775,913
Past due more than 180 days	<b>874,618,000</b>	25,801,849
	<b>2,354,001,278</b>	1,493,263,963

All provision of trade debts are past due more than 180 days.

## Deposits

These deposits are with counterparties for provision of continued supply of services, Central Depository Company of Pakistan Limited (CDC) for the purpose of effecting transactions, Pakistan Stock Exchange Limited for taking exposure in stock market, National Clearing Company Pakistan Limited for trading in securities in stock market and for the license of trading in Pakistan Mercantile Exchange. Management does not expect to have any credit risk against such deposits, as it is refundable upon termination of agreement / services from counterparties.

## Loans, advances, mark-up and other receivables.

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

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## Bank balances

As at 30 June 2017, the Group has placed funds with banks having good credit ratings and not considered itself to be exposed to credit risk there against. The Surplus has been kept from bank having short term lower rating from A- to higher rating A1+ / A-1+ and long term lower rating from A1 / A-1 to higher rating A1+ / AAA.

## Investment in margin trading system

Management does not expect to incur impairment there-against as the loan extended under agreement and its settlement is carried out through National Clearing Company of Pakistan Limited. Management hold underlying securities subject to lending as pledge.

## 41.2 Liquidity risk

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

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

	2017			
	Carrying amount	Contractual cash flows	Up to one year	More than one year
	(Rupees)			
<b>Financial liabilities</b>				
Long term loans	9,916,857,158	10,023,207,508	1,221,781,378	8,801,426,130
Liabilities against assets subject to finance lease	1,816,413	1,897,993	1,345,933	470,480
Land lease liability	10,527,163	45,050,000	13,600,000	31,450,000
Trade and other payables	3,715,072,333	3,715,072,333	3,715,072,333	-
Accrued mark-up on borrowings	392,013,599	434,445,599	434,445,599	-
Short term borrowings	2,952,849,499	2,952,849,499	2,952,849,499	-
	<b>16,989,136,165</b>	<b>17,172,522,932</b>	<b>8,339,094,742</b>	<b>8,833,346,610</b>
	2016 (Restated)			
	Carrying amount	Contractual cash flows	Up to one year	More than one year
	(Rupees)			
<b>Financial liabilities</b>				
Long term loans	1,375,264,509	1,380,420,883	154,191,692	1,226,229,191
Liabilities against assets subject to finance lease	2,565,428	2,752,842	687,187	1,878,241
Land lease liability	8,777,840	45,050,000	13,600,000	31,450,000
Trade and other payables	2,310,567,803	2,310,567,803	2,310,567,803	-
Accrued mark-up on borrowings	301,112,788	301,112,788	301,112,788	-
Short term borrowings	4,428,479,243	4,428,479,243	4,428,479,243	-
	<b>8,426,767,611</b>	<b>8,468,383,559</b>	<b>7,208,638,713</b>	<b>1,259,557,432</b>

# Notes to the Consolidated Financial Statements

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

## 41.3 Market risk

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

### 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

	2017		
	Rupees	US Dollars	UAE Dirhams
Cash and Bank balances	4,202,018	41,196	-

	2016		
	Rupees	US Dollars	UAE Dirhams
Cash and Bank balances	4,189,989	41,196	384,913

The following significant exchange rates were applicable during the year:

	Average rates		Balance sheet date rate	
	2017	2016	2017	2016
US Dollars to Pakistan Rupee	104.73	104.4	104.80 / 105.00	104.5 / 104.7
UAE Dirhams to Pakistan Rupee	28.48	28.76	28.75 / 29.00	28.45 / 28.51

#### 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 2015.

	Effect on profit and loss (net of tax)	
	2017 (Rupees)	2016
As at 30 June		
Effect in US Dollars	420,202	419,165
Effect in UAE Dirhams	-	1,238,708

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## b) Interest / mark-up rate risk

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

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

	2017	2016	2017	2016
	Effective interest rate (in %)		Carrying amounts (in Rupees)	
<b>Financial assets</b>				
Loans and advances	9.31% to 9.4%	8.6% to 10.29%	210,793,235	784,686,712
Bank balances	2.4% to 5%	3.75% to 5%	972,222,119	333,042,275
<b>Financial liabilities</b>				
Short term finance	6.77% to 8.12%	6.35% to 12.18%	2,601,629,558	4,428,479,243
Long term finance	8.01% to 8.85%	8% to 10.68%	8,801,426,130	1,375,264,509

## Fair value sensitivity analysis for fixed rate instruments

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

## 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)	
<b>As at 30 June 2017</b>		
Cash flow sensitivity-Variable rate financial liabilities	(114,030,557)	114,030,557
Cash flow sensitivity-Variable rate financial assets	11,830,154	(11,830,154)
<b>As at 30 June 2016</b>		
Cash flow sensitivity-Variable rate financial liabilities	(58,037,438)	58,037,438
Cash flow sensitivity-Variable rate financial assets	11,177,290	(11,177,290)

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.

# Notes to the Consolidated Financial Statements

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## c) Price risk

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

Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value.

### Sensitivity analysis

The table below summarizes the Group's equity price risk as of 30 June 2017 and 2016 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)	
<b>30 June 2017</b>	<b>2,446.69</b>	<b>30% increase</b>	<b>3,180.70</b>	<b>137.46</b>	<b>596.55</b>
		<b>30% decrease</b>	<b>1,712.68</b>	<b>(137.46)</b>	<b>596.55</b>
30 June 2016	4,186.94	30% increase	5,443.02	194.49	1,061.59
		30% decrease	2,930.86	(194.49)	(1,061.59)

## 41.4 Financial instruments by categories

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

30 June 2017	At fair value through profit and loss	Loans and receivables	Available for Sale	Other financial liabilities
	(Rupees)			
<b>Financial assets</b>				
Cash and bank balances	-	973,907,905	-	-
Investments	4,966,238,978	-	458,293,588	-
Long term deposits	-	49,535,059	-	-
Loans and advances	-	336,800,804	-	-
Mark-up receivable	-	9,927,249	-	-
Other receivables	-	187,420,563	-	-
Trade debts	-	1,479,383,278	-	-
Deposits	-	38,494,136	-	-
	<b>4,966,238,978</b>	<b>3,075,468,994</b>	<b>458,293,588</b>	<b>-</b>
<b>Financial liabilities</b>				
Long term loan	-	-	-	9,916,857,158
Liabilities against assets subject to finance lease	-	-	-	470,480
Trade and other payables	-	-	-	3,652,928,507
Interest / mark-up accrued on borrowings	-	-	-	392,013,599
Short term borrowings	-	-	-	2,952,849,499
	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,915,119,243</b>

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30 June 2016	At fair value through profit and loss	Loans and receivables	Available for Sale	Other financial liabilities
	(Rupees)			
Financial assets				
Cash and bank balances	-	386,112,717	-	-
Investments	3,636,635,426	-	648,394,567	-
Long term deposits	-	43,963,390	-	-
Loans and advances	-	2,616,257,929	-	-
Mark-up receivable	-	19,756,976	-	-
Other receivables	-	168,122,640	-	-
Trade debts	-	618,645,963	-	-
Deposits	-	159,041,279	-	-
	3,636,635,426	4,011,900,894	648,394,567	-
Financial liabilities				
Long term loan	-	-	-	1,375,264,509
Trade and other payables	-	-	-	1,878,241
Liabilities against assets subject to finance lease	-	-	-	1,804,492,907
Interest / mark-up accrued on borrowings	-	-	-	301,112,788
Short term borrowings	-	-	-	4,428,479,243
	-	-	-	7,911,227,688

## 42. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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

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



# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

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

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

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

	30 June 2017					Fair value		
	At fair value through profit and loss	Loans and Receivables	Carrying amount Available for sale	Other financial assets	Other financial liabilities (Rupees)	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>								
Long term investments	84,314,338	-	-	-	-	25,727,405	-	58,586,933
Short term investments	5,138,736,476	-	458,193,588	-	-	5,395,448,312	201,481,752	-
<b>Financial assets not measured at fair value</b>								
Long term investments	-	-	-	-	-	-	-	-
Long term deposits	-	49,535,059	-	-	-	-	-	-
Other receivable	-	187,420,563	-	-	-	-	-	-
Loans and advances -	-	336,800,804	-	-	-	-	-	-
Mark-up receivable	-	9,927,249	-	-	-	-	-	-
Cash and bank balances	-	973,907,905	-	-	-	-	-	-
<b>Financial liabilities not measured at fair value</b>								
Long term loan - secured	-	-	-	-	8,801,426,130	-	-	-
Mark-up accrued on short term borrowings	-	-	-	-	392,013,599	-	-	-
Trade and other payables	-	-	-	-	3,652,928,507	-	-	-
Current maturity of long term loan	-	-	-	-	1,115,431,028	-	-	-
Short term borrowings	-	-	-	-	2,952,849,499	-	-	-
	30 June 2016					Fair value		
	At fair value through profit and loss	Loans and Receivables	Carrying amount Available for sale	Other financial assets	Other financial liabilities (Rupees)	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>								
Long term investments	121,342,551	-	100,000	-	-	-	-	121,442,551
Short term investments	3,515,292,875	-	648,294,567	-	-	4,163,203,625	383,817	-
<b>Financial assets not measured at fair value</b>								
Long term investments	-	-	-	-	-	-	-	-
Long term deposits	-	43,963,390	-	-	-	-	-	-
Other receivable -	-	168,122,640	-	-	-	-	-	-
Loans and advances	-	2,616,257,929	-	-	-	-	-	-
Mark-up receivable	-	19,756,976	-	-	-	-	-	-
Cash and bank balances	-	386,112,717	-	-	-	-	-	-
<b>Financial liabilities not measured at fair value</b>								
Long term loan - secured	-	-	-	-	1,375,264,509	-	-	-
Mark-up accrued on short term borrowings	-	-	-	-	301,112,788	-	-	-
Trade and other payables	-	-	-	-	1,804,492,907	-	-	-
Current maturity of long term loan	-	-	-	-	149,035,318	-	-	-
Short term borrowings	-	-	-	-	4,428,479,243	-	-	-

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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:

	2017 (Rupees)	2016
Unlisted equity instruments		
<b>Balance at 1 July</b>	<b>121,442,551</b>	121,442,551
Total gains recognised in profit and loss account on remeasurement of investment	<b>(62,755,618)</b>	-
<b>Balance at 30 June</b>	<b>58,686,933</b>	121,442,551

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

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

Assets measured at fair value	Date of valuation	Valuation approach and input used	Inter-relationship between significant unobservable inputs and fair value measurement
<b>Non-financial assets at fair value</b> Investment Properties	30 June 2017	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.
<b>Financial assets at fair value</b> Equity securities - unquoted (refer note 21.2.2)	30 June 2017	<p><b>Discounted cash flows:</b></p> <p>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.</p> <p><b>Inputs used:</b></p> <p>Long term growth rate 7% Long term return on equity 12.70%</p>	<p><b>The estimated fair value would increase / (decrease) if:</b></p> <ul style="list-style-type: none"> <li>- no. of operating days increase / (decrease)</li> <li>- the annual growth rate were higher or lower</li> <li>- the EBITDA margin were higher or lower</li> </ul> <p>Generally, a change in the annual growth rate is accompanied by a directionally similar change in EBITDA margin.</p>

# Notes to the Consolidated Financial Statements

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The reconciliation of investment property has been disclosed in respective note; hence not disclosed separately. The fair value of investment property amounting to Rs. 2,362.37 million has been classified under level 3 in fair value hierarchy.

## 43. CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business, safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Group defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders.

There were no changes in the Group's approach to capital management during the year.

## 44. TRANSACTIONS WITH RELATED PARTIES

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The Group considers its Chief Executive Officer, Chief Financial Officer, Company Secretary, Non-executive Director and Departmental Heads to be its key management personnel. Remuneration and benefits to executives of the Group are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Remuneration of chief executive, directors and executives is disclosed in note 38 to these consolidated financial statements.

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

	2017	2016
	(Rupees)	
<b>Transactions with associates</b>		
Loan advanced and repaid	-	1,334,500,767
Loans and advances extended	-	1,438,169,776
Mark-up on loans and advances	-	49,972,491
Mark-up received	-	65,695,658
Guarantee fees	-	1,416,964
Guarantee fees received	-	2,041,964
Dividend income / received	1,107,159,213	70,408,543
Purchase of investment property	-	12,800,000
<b>Transaction with employees and key management personnel</b>		
Brokerage commission to key management personnel	6,277,786	841,916
Balance receivable at year end	206,022	61,685
Balance payable at year end	21,654,699	2,217,301
Loan received from Mr. Arif Habib	200,000	100,000

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	2017 (Rupees)	2016
<b>Transaction with other related parties</b>		
Payment to employees' provident fund / gratuity fund	11,016,029	16,305,686
Dividend income / received	520	817,209
Loan repayment	-	1,500,000,000
Payment of rent and maintenance	55,996,211	27,441,193
Brokerage commission charged to related parties	22,538,685	9,029,532
Capital gain earned	-	6,823,760
Mark-up receivable	-	165
Mark-up on loans and advances	51,958,289	23,468,712
Mark-up income received	61,801,376	3,711,901
Loan advanced and repaid	2,699,893,477	1,267,215,536
Loans and advances extended	2,126,000,000	1,440,471,148
Guarantee fees	1,169,154	1,416,964
Guarantee fees received	2,342,856	675,000
Mark-up paid on long term loan	25,751,397	16,970,418
Mark-up paid on short term running finance	16,067,737	31,791,747

## 45. SEGMENT INFORMATION

For management purposes the Group is organized into following major business segments:

<b>Capital market operations</b>	Principally engaged in trading of equity securities and maintaining strategic and trading portfolios.
<b>Brokerage</b>	Principally engaged in brokerage, underwriting, corporate consultancy, research and corporate finance services.
<b>Energy Development</b>	Principally engaged in energy development.
<b>Material and Construction</b>	Principally engaged in manufacturing, selling and marketing of cement.
<b>Others</b>	Others includes assets of multi commodities entities.

	Capital market operations	Brokerage Development	2017 Energy	Material and constructions (Discontinued operations) (Rupees)	Others* (Discontinued operations)	Consolidated
<b>Continuing operations</b>						
<b>Revenues</b>						
Operating revenue	646,250,858	648,036,148	724,471,839	-	2,092	2,018,760,937
Gain on sale of securities - net	650,201,114	895,224,653	-	-	-	1,545,425,767
	1,296,451,972	1,543,260,801	724,471,839	-	2,092	3,564,186,704
Operating and administrative expenses	(113,331,050)	(354,765,629)	(219,437,475)	-	(1,294,623)	(688,828,777)
	1,183,120,922	1,188,495,172	505,034,364	-	(1,292,531)	2,875,357,927
Other income	388,814,752	150,733,544	280	-	-	539,548,576
	1,571,935,674	1,339,228,716	505,034,644	-	(1,292,531)	3,414,906,503
Finance cost and other charges	(175,860,986)	(196,524,551)	(137,927,454)	-	-	(510,312,991)
	1,396,074,688	1,142,704,165	367,107,190	-	(1,292,531)	2,904,593,512
Share of profit from equity accounted associates - net of tax	1,211,493,374	-	-	-	-	1,211,493,374
<b>Segment results</b>	2,607,568,062	1,142,704,165	367,107,190	-	(1,292,531)	4,116,086,886
Taxation	(341,538,975)	(260,557,792)	-	-	-	(602,096,767)
<b>Profit / (loss) after tax</b>	2,266,029,087	882,146,373	367,107,190	-	(1,292,531)	3,513,990,119
Gain on disposal of subsidiary	49,657,201	-	-	-	-	49,657,201
<b>Profit / (loss) for the year</b>	2,315,686,288	882,146,373	367,107,190	-	(1,292,531)	3,563,647,320

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

	2016 (Restated)					
	Capital market operations	Brokerage	Energy Development	Material and constructions (Discontinued operations)	Others* (Discontinued operations)	Consolidated
	(Rupees)					
Continuing operations						
Revenues						
Operating revenue	291,418	872,896,434	-	335,889,000	6,410,039	1,215,486,891
Gain on sale of securities - net	600,310,339	(484,317)	-	-	-	599,826,022
	600,601,757	872,412,117	-	335,889,000	6,410,039	1,815,312,913
Operating and administrative expenses	(117,011,096)	(286,857,673)	-	(28,590,000)	(24,290,480)	(456,749,249)
	483,590,661	585,554,444	-	307,299,000	(17,880,441)	1,358,563,664
Other income	2,967,855	36,136,501	-	335,988,000	-	375,092,356
	486,558,516	621,690,945	-	643,287,000	(17,880,441)	1,733,656,020
Finance cost and other charges	(294,127,095)	(133,557,933)	-	(181,309,493)	(300,374)	(609,294,895)
	192,431,421	488,133,012	-	461,977,507	(18,180,815)	1,124,361,125
Share of profit from equity accounted associates - net of tax	2,676,978,026	-	-	-	-	2,676,978,026
Segment results	2,869,409,447	488,133,012	-	461,977,507	(18,180,815)	3,801,339,151
Taxation	(422,509,176)	(46,721,602)	-	(146,623,000)	-	(615,853,778)
<b>Profit / (loss) after tax</b>	<b>2,446,900,271</b>	<b>441,411,410</b>	<b>-</b>	<b>315,354,507</b>	<b>(18,180,815)</b>	<b>3,185,485,373</b>
Gain on disposal of subsidiary	-	-	-	653,693,309	-	653,693,309
<b>Profit / (loss) for the year</b>	<b>2,446,900,271</b>	<b>441,411,410</b>	<b>-</b>	<b>969,047,816</b>	<b>(18,180,815)</b>	<b>3,839,178,682</b>

	Capital market operations	Brokerage	2017 Energy Development	Material and constructions (Discontinued operations)	Others*	Consolidated
	(Rupees)					
<b>Other information</b>						
Segment assets	4,694,433,147	6,664,127,048	13,635,218,290	-	-	24,993,778,485
Investment in equity accounted associates	16,786,341,661	-	-	-	-	16,786,341,661
	21,480,774,808	6,664,127,048	13,635,218,290	-	-	41,780,120,146
<b>Segment liabilities</b>	<b>5,816,403,039</b>	<b>2,458,546,768</b>	<b>10,165,071,168</b>	<b>-</b>	<b>-</b>	<b>18,440,020,975</b>
Capital expenditure	1,210,259	6,138,360	22,480,606,983	-	-	22,487,955,602
Depreciation and amortization	8,141,286	8,885,292	787,306	-	-	17,813,884
Expenses other than depreciation and amortization	105,189,764	345,880,337	218,650,169	-	-	669,720,270

	Capital market operations	Brokerage	2016 (Restated)			
			Energy Development	Material and constructions (Discontinued operations)	Others*	Consolidated
	(Rupees)					
Other information						
Segment assets	8,866,312,965	3,847,537,468	-	-	1,119,177,923	13,833,028,356
Investment in equity accounted associates	16,674,180,757	-	-	-	-	16,674,180,757
	25,540,493,722	3,847,537,468	-	-	1,119,177,923	30,507,209,113
Segment liabilities	5,882,419,847	2,829,383,168	-	-	1,185,518,449	9,897,321,464
Capital expenditure	1,064,673	5,565,191	-	-	1,816,201,759	1,822,831,623
Depreciation and amortization	8,534,117	9,632,509	-	-	809,168	18,975,794
Non-cash expenses other than depreciation	108,476,979	277,225,164	-	-	20,096,560	405,798,703

\*This includes loss reported by Subsidiary Company, AHD and POL, classified as discontinued operations during the year.

# Notes to the Consolidated Financial Statements

For the year ended 30<sup>th</sup> June 2017

## Reconciliations of reportable segment revenues, profit or loss and assets and liabilities

	2017	2016 Restated
	(Rupees)	
<b>Operating revenues</b>		
Total revenue for reportable segments	4,670,787,313	1,377,365,277
Elimination of inter-segment revenue	(1,485,505,671)	(384,427,375)
Consolidated revenue	3,185,281,642	992,937,902
<b>Profit or loss</b>		
Total profit or loss before tax for reportable segments	5,599,488,224	4,053,724,420
Elimination of inter-segment revenue / expense	(1,482,108,807)	(710,829,870)
Consolidated profit before tax	4,117,379,417	3,342,894,550

## 45.1 Geographical segment analysis

	2017			
	Profit / (loss) before tax	Total assets employed	Net assets	Contingencies and commitments
	(Rupees)			
Pakistan	4,117,379,417	41,780,120,146	23,340,099,172	1,024,028,433
	2016 (Restated)			
	Profit / (Loss) before tax	Total assets employed	Net assets	Contingencies and commitments
	(Rupees)			
Pakistan	3,345,898,048	30,443,270,569	20,560,661,502	2,487,834,305
Dubai, UAE	(3,384,752)	63,938,544	33,768,463	-
	3,342,513,296	30,507,209,113	20,594,429,965	2,487,834,305

## 45.2 CAPACITY AND PRODUCTION

	Note	2017 (Megawatt hours)	2016
Sachal Energy Development (Private) Limited			
Annual benchmark energy		136,500	-
Actual energy delivered	45.2.1	46,982	-

**45.2.1** This represents energy delivered from the Commercial Operation Date (COD) i.e. 11 April 2017 till 30 June 2017.



#### 46 NUMBER OF EMPLOYEES

	2017	2016
Parent Company:		
Average number of employees	19	18
Number of employees as at 30 June	20	18
Subsidiary Company, AHL:		
Average number of employees	90	76
Number of employees as at 30 June	100	78
Subsidiary Company, AHCPL		
Average number of employees	21	27
Number of employees as at 30 June	18	24
Subsidiary Company, SEDPL:		
Average number of employees	25	18
Number of employees as at 30 June	26	23

#### 47. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and / or re-classified, wherever necessary, for the purposes of comparison and better presentation the impact of which is not material.

#### 48. GENERAL

48.1 The investment turnover during the year 30 June 2017 reported by AHL, subsidiary company, is as follows:

	2017
Institution	169,256,685,474
Retail	84,139,125,849
Proprietary	40,719,043,164
	294,114,854,487

48.2 These consolidated financial statements have been authorized for issue on 15 September 2017 by the Board of Directors of the Parent Company.

48.3 The Board of Directors of the Parent Company has proposed a cash dividend of Rs. 3 per share amounting to Rs. 1,361,250,000 at its meeting held on 15 September 2017 for the approval of the members at the annual general meeting to be held on 28 October 2017. These consolidated financial statements do not reflect this application as explained in note 3.30.

  
Chief Executive Officer

  
Chief Financial Officer

  
Director

# Corporate Calendar of Major Events

- Results**

The Company follows the period of 1<sup>st</sup> July to 30<sup>th</sup> June as the Financial Year.

For the Financial Year ending on 30<sup>th</sup> June 2018, Financial Results will be announced as per the following tentative schedule:

1 <sup>st</sup> quarter ending	30 <sup>th</sup> September 2017	Last Week of October, 2017	2 <sup>nd</sup> quarter ending	31 <sup>st</sup> December 2017	Last Week of February, 2018
3 <sup>rd</sup> quarter ending	31 <sup>st</sup> March 2018	Last Week of April, 2018	Year ending	30 <sup>th</sup> June 2018	Last Week of September, 2018

- Issuance of Annual Report**

21 days before AGM i.e. on or before 7<sup>th</sup> October 2017.

- 23<sup>rd</sup> Annual General Meeting**

The 23<sup>rd</sup> Annual General Meeting of the Shareholders of Arif Habib Corporation Limited ("the Company") will be held on Saturday, 28<sup>th</sup> October 2017 at 12:00 P.M at the PSX Auditorium, 3<sup>rd</sup> floor, Admin Block, Pakistan Stock Exchange.

- CASH DIVIDEND**

A final Cash Dividend for the year ended 30<sup>th</sup> June 2017 at Rs. 3.00 per share i.e. 30% as recommended by the Board of Directors. Subject to the approval by members in the AGM, the date of entitlement of cash dividend shall be 20<sup>th</sup> October 2017, and the company expects to dispatch the final dividend warrants on or before 27<sup>th</sup> November 2017, being the statutory limit of 30 days from the date of General Meeting in which the dividend is approved.

# Notice of Twenty Third Annual General Meeting

Notice is hereby given that the Twenty Third Annual General Meeting of the Shareholders of Arif Habib Corporation Limited (“the Company”) will be held on Saturday, 28<sup>th</sup> October, 2017 at 12:00 p.m. at PSX Auditorium, 3<sup>rd</sup> Floor, Admin Block, 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 29<sup>th</sup> October 2016.
- 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 30<sup>th</sup> June 2017 together with the Audited Consolidated Financial Statements of the Company and the Auditors' Reports thereon for the year ended 30<sup>th</sup> June 2017.
- 3) To appoint the Auditors for the year ending 30<sup>th</sup> June 2018 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 30<sup>th</sup> June 2017 at Rs.3.00 per share i.e. 30% as recommended by the Board of Directors.

## Special Business

- 5) 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 “Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012” for the following limit of investments / additional investments in associated companies and associated undertakings subject to the terms and conditions mentioned in the Annexure-A 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 “Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012” for renewal of following equity investments limit upto unutilized portion for which approval had been sought in previous general meeting, in associated companies and associated undertakings 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 “Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012” for renewal of following sanctioned limits of loans and advances for which approval has been sought in previous general meeting, in associated companies and associated undertakings as mentioned in the Annexure-B of statement under Section 134(3) whereas the renewal of limits will be in the nature of running finance and/or corporate guarantee for a period of one year and shall be renewable in next general meeting(s) for further period(s) of one year.”

	Name of Associated Companies & Undertakings	Proposed Fresh Investment		Renewal Requested	
		Equity	Loan/ Advance/ Guarantee	Unutilized Equity Portion	Sanctioned Loan/ Advance/ Guarantee
1	Javedan Corporation Ltd.	-	-	1,199	2,432
2	Summit Bank Ltd.	-	-	499	-
3	Arif Habib Ltd.	500	-	-	1,500
4	MCB-Arif Habib Savings and Investments Ltd.	-	-	399	-
5	Pakarab Fertilizers Ltd.	-	-	1,000	1,000
6	Fatima Fertilizer Company Ltd.	-	-	1,800	1,000
7	Rotocast Engineering Co. (Pvt.) Ltd.	-	-	300	200
8	Arif Habib Dolmen REIT Management Ltd.	-	-	1,000	500
9	Aisha Steel Mills Ltd.	-	2,000	876	6,250
10	Power Cement Ltd.	-	-	1,074	1,500
11	Sachal Energy Development (Pvt.) Ltd.	250	10,850	504	250
12	Safe Mix Concrete Ltd.	-	-	150	150
13	Dolmen City REIT	-	-	799	-

**“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, 2012” for the change in nature and repayment period of loan amounting to Rs. 211 million extended to an associated Company namely Aisha Steel Mills Limited, from renewable limit in the nature of Running Finance Facility for period(s) of one year to a long term loan repayable in semi-annual installments starting from January 2018 up to January 2024.”

**“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, 2012” to rectify the equity investment in Airf Habib Limited (a subsidiary) amounting to Rs.9.5 million made in excess of available approval by the shareholders due to an oversight.”

**“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.”

- 6) To consider and if deemed fit, approve the amendments in Memorandum of Association of the Company in connection for renumbering of following ‘Object’ sub-clauses of Memorandum of Association; for the reason as explained in Annexure-C of the statement under Section 134(3), and pass the following resolutions, with or without modifications, as Special Resolutions:

**“RESOLVED THAT** Selected ‘Object’ sub-clauses of Memorandum of Association of the Company be and are hereby approved to be renumbered as follows:

Existing number	Proposed number	Existing number	Proposed number
01	02	02	01
1A	2A	2A	1A
1B	2B	2B	1B
1C	2C	-	-
1D	2D	-	-

**“FURTHER RESOLVED THAT** in connection with the resolutions passed above and subject to the necessary approvals to be obtained from regulators / creditors, and any consequent modification thereon, the amendments in Memorandum of Association of the Company which is laid before the members as explained in the Statement under Section 134(3), be and are hereby approved.”

**“FURTHER RESOLVED THAT** the Chief Executive or / and Company Secretary be and are hereby authorized to complete necessary formalities in connection with amendments in Memorandum of Association, as modified in the Annual General Meeting or in accordance with the advice of any regulator / creditor.”

### **Any Other Business**

7) To consider any other business with the permission of the Chair.

A Statement under Section 134(3) of the Companies Act 2017 pertaining to the special business is being sent to the shareholders along with this notice.

By order of the Board

Karachi: 7<sup>th</sup> October 2017

**Manzoor Raza**  
Company Secretary

### **Notes:**

1. Share transfer books of the company will remain closed from 21<sup>st</sup> October 2017 to 28<sup>th</sup> October 2017 (both days inclusive). Transfers received in order at the office of our registrar: M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi, by the close of business on Friday, 20<sup>th</sup> October 2017 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 26<sup>th</sup> January 2000 issued by Securities & Exchange Commission of Pakistan:
  - (i) Members, proxies or nominees shall authenticate their identity by showing their original national identity card or original passport and bring their folio numbers at the time of attending the meeting.
  - (ii) In the case of corporate entity, Board of Directors' resolution/power of attorney and attested copy of the CNIC or passport of the nominee shall also be produced (unless provided earlier) at the time of meeting.
  - (iii) In order to be effective, the proxy forms must be received at the office of our registrar not later than 48 hours before the meeting, duly signed and stamped and witnessed by two persons with their names, address, NIC numbers and signatures.
  - (iv) In the case of individuals, attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - (v) In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the CNIC or passport of the proxy shall be submitted alongwith proxy form.
4. Members are requested to submit copies of their CNICs and promptly notify any change in address by writing to the office of the registrar.

### **Important:**

#### **Payment of Cash Dividend through electronic mode (Mandatory):**

Under the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders.

In order to receive dividend directly into their bank account, shareholders are requested to fill in Electronic Mode Dividend Form available at Company's website containing prescribed details and send it duly signed along with a copy of CNIC to the Registrar of the Company, M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi, in case of physical shares. In case of book-entry securities, respective shareholders must get their respective records 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, the Company will be constraint to withhold the payment of dividend to such members till provision of prescribed details.

### Withholding tax on dividend

The Government of Pakistan through Finance Act, 2017 has made certain amendments in tax rates applicable through Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under :

- For filers of Income Tax Returns 15%
- For non-filer of Income Tax Returns 20%

Shareholders who are filers are advised to make sure that their names (and/or the name of their joint holders) are appearing in latest Active Tax Payers List (ATL) provided on the website of FBR, otherwise they (and/or joint holders) shall be treated as non-filers and tax on their cash dividend income will be deducted at the rate of 20.0% instead of 15%.

### Withholding tax on dividend in case of Joint Account Holders

In order to enable the Company to follow the directives of the regulators to determine shareholding proportion in case of Joint account, all shareholders who hold shares with Joint shareholders, are requested to provide shareholding proportions of Principal shareholder and Joint Holder(s) in respect of shares held by them to our Share Registrar, in writing, as follows:

Folio / CDS Account #	Total Shares	Principal Shareholder		Joint Shareholder	
		Name and CNIC #	Shareholding Proportion (%)	Name and CNIC #	Shareholding Proportion (%)

**Note:** In the event of non-receipt of the information by 20th October 2017, each shareholder will be assumed to have equal proportion of shares and the tax will be deducted accordingly.

### Notice to Shareholders who have not provided their CNIC

The Individual Members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) to the Company / Share Registrar, are once again reminded to send the same at the earliest directly to Company's Share Registrar, M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi. The Corporate Entities are requested to provide their National Tax Number (NTN). Please give Folio Number with the copy of CNIC / NTN details. Reference is also made to the Securities and Exchange Commission of Pakistan (SECP) Notifications SRO 779(I)/2011 dated 18<sup>th</sup> August 2011 and SRO 831(I)/2012 dated 5<sup>th</sup> July 2012, SRO 19(I)/2014 dated 10<sup>th</sup> January 2014 and SRO 275(I)/2016 dated 31<sup>st</sup> March 2016 which mandates that the dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members.

In case of non-receipt of the copy of a valid CNIC, the Company would be unable to comply with aforementioned directives of SECP and therefore will be constrained under Section 243(2)(a) of the Companies Act, 2017 to withhold dispatch of dividend warrants of such shareholders.



### **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**

Pursuant to the Companies (E-Voting) Regulations, 2016, shareholders will be able to exercise their right to vote through e-voting by giving their consent in writing at least 10 days before the date of the meeting to the Company on the appointment of Execution Officer by the intermediary as Proxy.

### **Provision of Video Link Facility:**

Shareholders may participate in the meeting via video-link facility. If the Company receives a demand (at least 7 days before the date of meeting) from shareholder(s) holding an aggregate 10% or more shareholding residing in any other city, to participate in the meeting through video link, the Company will arrange video link facility in that city.

Shareholders, who wish to participate through video-link facility, are requested to fill in Video Link Facility Form available at Company's website and send a duly signed copy to the Registered Address of the Company.

### **Distribution of Annual Report**

The audited financial statements of the Company for the year ended 30<sup>th</sup> June 2017 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 31<sup>st</sup> 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 21<sup>st</sup> September 2016. Accordingly, Annual Report of the Company for the year ended 30<sup>th</sup> June 2017 is dispatched to the shareholders through CD. However, if a shareholder, in addition, request for hard copy of Annual Audited Financial Statements, the same shall be provided free of cost within seven days of receipt of such request. For convenience of shareholders, a "Standard Request Form for provision of Annual Audited Accounts" have also been made available on the Company's website (<http://arifhabibcorp.com/contact.php>).

# Statement under Section 134(3) of the Companies Act, 2017

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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

Material facts concerning special business to be transacted at the Annual General Meeting are given below:

## Investments in Associated Companies & Associated Undertakings

The Board of Directors of the Company has approved the specific limits for equity investments and loans/advances alongwith other particulars for investments in its following existing and planned 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, 2012. The Board of Directors do hereby undertake that necessary due diligence for the following proposed investments have been carried out. The principle purpose of this special resolution is to make the Company in a ready position to capitalise on the investment opportunities as and when they arrive. It is prudent that the Company should be able to make the investment at the right time when the opportunity is available.

## 1 Investment in Securities

Sr.No	Description	Information Required
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	<b>ARIF HABIB LIMITED</b> <b>A subsidiary company</b>
2	Purpose, benefits and period of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
3	Maximum amount of investment	Fresh limit of Rs. 500 million is requested for approval. This is in addition to Investment approved upto 2,921 million approved upto previous annual general meeting. Total investment made upto 30 June 2017 in the subsidiary is Rs.2,931 million, i.e. investment amounting to Rs.10 million has been made over and above the sanctioned amount, which is hereby presented to shareholders for ratification in the general meeting
4	Maximum price at which securities will be acquired	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
5	Maximum number of securities to be acquired	No. of securities purchasable under approved limit in accordance with / based on Sr. Nos. 3 & 4 above
6	Number of securities and percentage thereof held before and after the proposed investment	Before : 36,038,237 shares being 65.52% holding in the company as on 30 June 2017 After : Increase in securities / percentage in accordance with / based on Sr. Nos. 3, 4 & 5 above
7	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired	Rs. 90.98

## Annexure-A

Sr.No	Description	Information Required
8	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(1)	Not Applicable
9	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements	Rs. 58.20
10	Earning per share of the associated company or associated undertaking for the last three years	2017 : Rs. 16.01 2016 : Rs. 7.45 2015 : Rs. 16.88
11	Sources of fund from which securities will be acquired	From company's own available liquidity and credit lines
12	Where the securities are intended to be acquired using borrowed funds (i) justification for investment through borrowings (ii) detail of guarantees and assets pledged for obtaining such funds	Company foresee the return on this strategic investment higher than the borrowing cost Pledge of listed securities and/or charge over assets of the company
13	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	There is no agreement as this would be Long Term Strategic Investment
14	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
15	Any other important details necessary for the members to understand the transaction	Not Applicable
16	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely (i) description of the project and its history since conceptualization (ii) starting and expected dated of completion of work time by which such project shall become commercially operational (iii) expected time by which the project shall start paying return on investment (iv)	Not Applicable

## 2 Investment in Securities

Sr.No	Description	Information Required
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	<b>SACHAL ENERGY DEVELOPMENT (PRIVATE) LIMITED</b> <b>A wholly owned subsidiary company</b>
2	Purpose, benefits and period of investment	For the benefit of the company and to earn better returns in the long run on strategic investment by capturing the opportunities on the right time
3	Maximum amount of investment	Fresh limit of Rs. 250 million is requested for approval. This is in addition to : - renewal requested separately for the unutilised limit of equity investment of Rs. 503.5 million; and - Investment at cost of Rs.2,746 million already made upto 30 June 2017
4	Maximum price at which securities will be acquired	At par/premium/market/offered/negotiated price prevailing on the date of transaction/investment
5	Maximum number of securities to be acquired	No. of securities purchasable under approved limit in accordance with / based on Sr. Nos. 3 & 4 above
6	Number of securities and percentage thereof held before and after the proposed investment	Before : 274,646,510 shares being 100% holding in the company as on 30 June 2017 After : Increase in securities / percentage in accordance with / based on Sr. Nos. 3, 4 & 5 above
7	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired	Not Applicable
8	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(1)	Not Applicable
9	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements	Rs. 10.83
10	Earning per share of the associated company or associated undertaking for the last three years	2017 : Rs. 1.36 2016 : Rs.(0.05) 2015 : Rs.(0.33)
11	Sources of fund from which securities will be acquired	From company's own available liquidity and credit lines
12	Where the securities are intended to be acquired using borrowed funds (i) justification for investment through borrowings (ii) detail of guarantees and assets pledged for obtaining such funds	Company foresee the return on this strategic investment higher than the borrowing cost Pledge of listed securities and/or charge over assets of the company
13	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	There is no agreement as this would be Long Term Strategic Investment

Sr.No	Description	Information Required
14	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
15	Any other important details necessary for the members to understand the transaction	AHCL has given a loan amounting to Rs. 432 million against working capital to Sachal Energy, without any mark-up, which is convertible into equity shares. In case the loan is not converted into equity or Sachal Energy does not remain a wholly owned subsidiary of AHCL at anytime in future, interest will be charged in line with prevailing commercial rates for similar facilities. It may be noted that AHCL holds 100% ownership in Sachal Energy and hence exempted from obtaining approval through special resolutions for investments in Sachal Energy in pursuance of clause (f) of S.R.O.704(I)/2011 dated 13th July 2011
16	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely (i) description of the project and its history since conceptualization (ii) starting and expected dated of completion of work (iii) time by which such project shall become commercially operational (iv) expected time by which the project shall start paying return on investment	Not Applicable

## 1 Loans and Advances

Sr.No	Description	Information Required
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	<b>AISHA STEEL MILLS LIMITED</b> <b>An associated undertaking due to common directorships of Mr. Arif Habib, Mr. Kashif A. Habib, Mr. Nasim Beg and Mr. Muhammad Ejaz in both the companies</b>
2	Amount of loans or advances	Fresh limit for issuance of Corporate Guarantee upto Rs.2,000 million is requested for approval. Corporate Guarantee will be issued by Arif Habib Corporation Limited in favor of any bank / financial institution / company etc. in connection with financing or other facilities availed / to be availed by Aisha Steel Mills Limited. Further conversion of nature of loan from running finance to long term loan amounting to Rs. 211 million is also requested for approval



Sr.No	Description	Information Required
		<p>This is in addition to renewal requested of previously <b>sanctioned limit of loan (for the balance amount after requested conversion in nature above)</b> in the nature of running finance amounting to Rs. 2,539 million (Rs. 2,750 million - Rs. 211 million) and corporate guarantee of Rs. 3,500 million</p> <p>Above facilities (running finance &amp; corporate guarantee) shall be renewable in next general meeting(s) for further period(s) of one year(s)</p> <p>The outstanding loan is secured against first charge on all present and future fixed assets, accounts receivable and interest in any insurance claim and equitable mortgage of land and building</p>
3	Purpose of loans or advances and benefits likely to accrue to the investing company and its members from such loans or advances	To support the functionality, operations and growth of the associated undertaking
4	In case any loan has already been granted to the said associated company or associated undertaking, the complete details thereof	Outstanding amount of facility in the nature of running finance as on 30th June 2016 was Rs.784.7 million. During 2016-17, further payment of Rs. 2,126 million was made to the associated undertaking ; whereas the associated undertaking has repaid the amount of Rs. 2,700 million. Outstanding amount of facility as on 30th June 2017 is Rs.211 million. The facilities carry markup which is over and above borrowing cost of the Company. Approval from shareholders for renewal of the loan amounting to Rs.2,539 million being running finance and renewal of loan amounting Rs.3,500 million (corporate guarantee), for a period of one year, which shall be renewable in next general meeting(s) for further period(s) of one year(s) has also been sought. Further, conversion of loan amounting to Rs.211 million (from running finance to long term loan) is also sought
5	Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements	<p>Total Equity, Total assets and total liability amounting to Rs. 2,655 million, Rs. 15,352 million and Rs. 12,697 million respectively as on 30th June 2016</p> <p><b>Loss before taxation and Loss after taxation amounts to Rs. 192 million and Rs. 155 million respectively for 2015-16</b></p>
6	Average borrowing cost of the investing company or in case of absence of borrowing the Karachi Inter Bank Offered Rate for the relevant period	Average borrowing cost of the investing company is 8.01% in 2016-17
7	Rate of interest, mark up, profit, fees or commission etc. to be charged	Negotiable; in line with prevailing commercial rates for similar facilities
8	Sources of funds from where loans or advances will be given	Not applicable as the proposed facility is Unfunded
9 (i)	Where loans or advances are being granted using borrowed funds justification for granting loan or advance out of borrowed funds	Not applicable on Corporate Guarantee as the proposed facility is Unfunded; and long term loan convertible from running finance is managed from company's own available liquidity and/or credit lines

Sr.No	Description	Information Required
(ii) (iii)	detail of guarantees / assets pledged for obtaining such funds, if any repayment schedules of borrowing of the investing company	
10	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any	Letter of indemnity to be obtained from associated company before execution of unfunded facility
11	If the loans or advances carry conversion feature i.e. it is convertible into securities, this fact along with complete detail including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	Not applicable
12	Repayment schedule and terms of loans or advances to be given to the investee company	Fresh facility will be in the nature of Guarantee for a period of one year and shall be renewable in next general meeting(s) for further period(s) of one year(s). Rs.211 million requested to be converted from running finance to long term loan, which shall be repayable in semi-annual installments starting from January 2018 up to January 2024
13	Salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment	As disclosed
14	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	Following directors of the company have no interest in the investee company except in their capacity as director / shareholding : Mr. Arif Habib, Mr. Kashif A. Habib, Mr. Nasim Beg and Mr. Muhammad Ejaz
15	Any other important details necessary for the members to understand the transaction	Not applicable
16	In case of investment in a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information is required, namely (i) a description of the project and its history since conceptualization (ii) starting date and expected date of completion (iii) time by which such project shall become commercially operational (iv) expected return on total capital employed in the project (v) funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts	Not Applicable

## 2 Loans and Advances

Sr.No	Description	Information Required
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	<b>SACHAL ENERGY DEVELOPMENT (PRIVATE) LIMITED</b> <b>A wholly owned subsidiary company</b>
2	Amount of loans or advances	Fresh limit of Rs.350 million in the nature of running finance and Rs.10.5 billion in the nature of corporate guarantee is requested for approval. This is in lieu of loan already disbursed and guarantee already given in excess to previously notified sanctioned amount. AHCL holds 100% ownership in Sachal Energy and hence exempted from obtaining approval through special resolutions for investments in Sachal Energy in pursuance of clause (f) of S.R.O.704(I)/2011 dated 13th July 2011  Aforementioned requested limit is in addition to renewal requested for the previously sanctioned limit of loan in the nature of running finance amounting to Rs.250 million
3	Purpose of loans or advances and benefits likely to accrue to the investing company and its members from such loans or advances	To support the functionality, operations and growth of the wholly owned subsidiary
4	In case any loan has already been granted to the said associated company or associated undertaking, the complete details thereof	During 2016-17, loan amounting to Rs. 432 million was given to the Sachal Energy for working capital without any mark-up, being a loan to a wholly owned subsidiary. Approval from shareholders for renewal of the sanctioned loan amounting to Rs.250 million in the nature of running finance for a period of one year, which shall be renewable in next general meeting(s) for further period(s) of one year(s) has also been sought
5	Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements	Total Equity, Total assets and total liability amounting to Rs. 2,975 million, Rs. 13,569 million and Rs. 10,595 million respectively as on 30th June 2017  Profit before taxation and Profit after taxation amounts to Rs. 373 million and Rs. 373 million respectively for 2016-17
6	Average borrowing cost of the investing company or in case of absence of borrowing the Karachi Inter Bank Offered Rate for the relevant period	Average borrowing cost of the investing company is 8.01% in 2016-17
7	Rate of interest, mark up, profit, fees or commission etc. to be charged	AHCL holds 100% ownership in Sachal Energy and hence exempted from obtaining approval through special resolutions for investments in Sachal Energy in pursuance of clause (f) of S.R.O.704(I)/2011 dated 13th July 2011. In case any loan already granted is not converted into equity or Sachal Energy does not remain a wholly owned subsidiary of AHCL at anytime in future, interest will be charged in line with prevailing commercial rates for similar facilities
8	Sources of funds from where loans or advances will be given	Not applicable as the proposed facility is Unfunded and already issued. Running finance is managed from company's own available liquidity and/or credit lines

Sr.No	Description	Information Required
9	Where loans or advances are being granted using borrowed funds	
(i)	justification for granting loan or advance out of borrowed funds	To support the functionality, operations and growth of the wholly owned subsidiary
(ii)	detail of guarantees / assets pledged for obtaining such funds, if any	Pledge of listed securities and/or change over assets of the company
(ii)	repayment schedules of borrowing of the investing company	Fresh facility will be in the nature of Running Finance / Guarantee for a period of one year and shall be renewable in next general meeting(s) for further period(s) of one years(s)
10	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any	Letter of indemnity to be obtained from associated company before execution of unfunded facility
11	If the loans or advances carry conversion feature i.e. it is convertible into securities, this fact along with complete detail including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable	Not applicable
12	Repayment schedule and terms of loans or advances to be given to the investee company	Fresh facility will be in the nature of Running Finance / Guarantee for a period of one year and shall be renewable in next general meeting(s) for further period(s) of one year(s)
13	Salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment	As disclosed
14	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
15	Any other important details necessary for the members to understand the transaction	Not applicable
16	In case of investment in a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information is required, namely	Not Applicable
(i)	a description of the project and its history since conceptualization	
(ii)	starting date and expected date of completion	
(iii)	time by which such project shall become commercially operational	
(iv)	expected return on total capital employed in the project	
(v)	funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts	

Following directors of the company have no interest in the investee companies except in their capacity as director / shareholder

Mr. Arif Habib	Chairman and shareholder of Aisha Steel Mills Ltd. & Sachal Energy Development (Pvt.) Ltd.
Mr. Kashif Habib	Director and shareholder of Aisha Steel Mills Ltd.
Mr. Nasim Beg	Director and shareholder of Aisha Steel Mills Ltd.
Mr. Muhammad Ejaz	Director and shareholder of Aisha Steel Mills Ltd.& Sachal Energy Development (Pvt.) Ltd.

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, 2012, 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) 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) 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 and advances is also hereby sought for the companies, in which directors of the company have no interest except in their capacity as director/shareholder, as per following details:

**1 Name of associated company/undertaking: Javedan Corporation Limited**

S. No.	Description	Investment in Securities	Loans & Advances In The Nature of:	
			Running Finance	Corporate Guarantee
a)	total investment approved;	3,250,000,000	2,231,550,000	200,000,000
b)	amount of investment made to date;	2,050,909,906	-	-
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 to be availed as and when needed in the interest of the shareholders	Facility is in the nature of Guarantee to be availed as and 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 :		FY2016	FY2015
i	Earnings per share - basic & diluted		5.50 & 3.64	7.10 & 3.65
ii	Net Profit		695,616,000	800,521,000
iii	Shareholders Equity		8,936,538,000	8,745,100,000
iv	Total Assets		13,060,519,000	14,124,202,000
v	Break-up value		40.47	38.24
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 1,199,090,094	Sanctioned 2,231,550,000	Sanctioned 200,000,000



# Annexure-B

## 2 Name of associated company/undertaking: Summit Bank Limited

S. No.	Description	Investment in Securities	Loans & Advances In The Nature of:	
			Running Finance	Corporate Guarantee
a)	total investment approved;	755,822,522	-	-
b)	amount of investment made to date;	257,071,472	-	-
c)	reasons for 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 :		FY2016	FY2015
i	(Loss)/earnings per share - basic & diluted		(1.00) & (1.00)	0.15 & 0.09
ii	Net (Loss)/Profit		(2,174,392,000)	217,222,000
iii	Shareholders Equity		12,671,952,000	11,957,666,000
iv	Total Assets		215,022,348,000	188,420,421,000
v	Break-up value		6.35	9.24
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 498,751,050	Sanctioned -	Sanctioned -

## 3 Name of associated company/undertaking: Arif Habib Limited

S. No.	Description	Investment in Securities	Loans & Advances In The Nature of:	
			Running Finance	Corporate Guarantee
a)	total investment approved;	2,921,676,000	1,500,000,000	-
b)	amount of investment made to date;	2,931,230,886	-	-
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time; and	Limit of investment was overutilized with Rs.9.5 million, which is hereby presented for ratification from members	Facility is in the nature of running finance to be availed as and when needed in the interest of the shareholders	-
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :		FY2017	FY2016
i	Earnings per share		16.01	7.45
ii	Net Profit		880,535,448	409,496,751
iii	Shareholders Equity		3,201,059,751	2,705,524,303
iv	Total Assets		5,692,984,008	5,563,341,902
v	Break-up value		58.20	49.19
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Over-utilised Presented for ratification by the members  9,554,886	Sanctioned 1,500,000,000	Sanctioned -

## Annexure-B

### 4 Name of associated company/undertaking: MCB - Arif Habib Savings and Investments Limited

S. No.	Description	Investment in Securities	Loans & Advances In The Nature of:	
			Running Finance	Corporate Guarantee
a)	total investment approved;	481,200,000	-	-
b)	amount of investment made to date;	81,947,527	-	-
c)	reasons for 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 :		FY2017	FY2016
i	Earnings per share - basic & diluted		2.81	3.32
ii	Net Profit		202,194,317	239,108,886
iii	Shareholders Equity		1,579,537,437	1,549,228,787
iv	Total Assets		2,269,940,004	2,173,870,897
v	Break-up value		21.94	21.52
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 399,252,473	Sanctioned -	Sanctioned -

### 5 Name of associated company/undertaking: Pakarab Fertilizers Limited

S. No.	Description	Investment in Securities	Loans & Advances In The Nature of:	
			Running Finance	Corporate Guarantee
a)	total investment approved;	2,324,332,000	1,000,000,000	-
b)	amount of investment made to date;	1,324,332,073	-	-
c)	reasons for 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 to be availed as and 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 :		FY2016	FY2015
i	(Loss)/Earnings per share		(4.28)	5.47
ii	Net Profit/(Loss)		(1,927,087,000)	2,459,712,000
iii	Shareholders Equity		22,007,339,000	23,911,341,000
iv	Total Assets		60,560,581,000	65,680,440,000
v	Break-up value		48.91	53.14
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 999,999,927	Sanctioned 1,000,000,000	Sanctioned -

**6 Name of associated company/undertaking: Fatima Fertilizer Company Limited**

S. No.	Description	Investment in Securities	Loans & Advances In The Nature of:	
			Running Finance	Corporate Guarantee
a)	total investment approved;	2,500,000,000	1,000,000,000	-
b)	amount of investment made to date;	700,037,106	-	-
c)	reasons for 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 to be availed as and 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 :		FY2016	FY2015
i	Earnings per share - basic & diluted		4.66	4.41
ii	Net Profit		9,782,143,000	9,253,611,000
iii	Shareholders Equity		47,374,016,000	40,228,509,000
iv	Total Assets		110,597,118,000	94,789,153,000
v	Break-up value		22.56	19.16
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 1,799,962,894	Sanctioned 1,000,000,000	Sanctioned -

**7 Name of associated company/undertaking: Rotocast Engineering Company (Private) Limited**

S. No.	Description	Investment in Securities	Loans & Advances In The Nature of:	
			Running Finance	Corporate Guarantee
a)	total investment approved;	300,000,000	200,000,000	-
b)	amount of investment made to date;	-	-	-
c)	reasons for 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 to be availed as and 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 :		FY2016	FY2015
i	Loss per share		(13.65)	(54.41)
ii	Net Profit/(Loss)		(13,650,873)	(54,409,362)
iii	Shareholders Equity		3,952,528,001	3,880,698,633
iv	Total Assets		6,100,237,462	5,937,415,088
v	Break-up value		3,952.53	3,880.70
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 300,000,000	Sanctioned 200,000,000	Sanctioned -

**8 Name of associated company/undertaking: Arif Habib Dolmen REIT Management Limited**

S. No.	Description	Investment in Securities	Loans & Advances In The Nature of:	
			Running Finance	Corporate Guarantee
a)	total investment approved;	1,500,000,000	1,000,000,000	-
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 to be availed as and when needed in the interest of the shareholders	-
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :		FY2017	FY2016
i	Earnings/(Loss) per share		0.98	(1.96)
ii	Net Profit/(Loss)		19,574,929	(39,109,597)
iii	Shareholders Equity		496,550,603	362,454,959
iv	Total Assets		1,540,186,006	1,487,797,958
v	Break-up value		24.83	18.12
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 1,000,000,000	Sanctioned 500,000,000	Sanctioned -

**9 Name of associated company/undertaking: Aisha Steel Mills Limited**

S. No.	Description	Investment in Securities	Loans & Advances In The Nature of:	
			Running Finance	Corporate Guarantee
a)	total investment approved;	3,750,000,000	2,750,000,000	3,500,000,000
b)	amount of investment made to date;	2,873,863,091	210,793,235	1,677,457,000
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 to be availed as and when needed in the interest of the shareholders	Facility is in the nature of Guarantee to be availed as and 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 :		FY2016	FY2015
i	Loss per share		(1.43)	(4.97)
ii	Net Loss		(154,891,000)	(1,210,822,000)
iii	Shareholders Equity		2,655,343,000	2,810,748,000
iv	Total Assets		15,352,275,000	15,336,862,000
v	Break-up value		5.15	5.45
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 876,136,909	Sanctioned 2,539,206,765 (RF)* 210,793,235 (LTL)**	Sanctioned 3,500,000,000

\* RF = Running Finance

\*\*LTL = Long Term Loan

**10 Name of associated company/undertaking: Power Cement Limited**

S. No.	Description	Investment in Securities	Loans & Advances In The Nature of:	
			Running Finance	Corporate Guarantee
a)	total investment approved;	3,322,000,000	1,000,000,000	500,000,000
b)	amount of investment made to date;	2,247,885,056	-	267,857,143
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 to be availed as and when needed in the interest of the shareholders	Facility is in the nature of Guarantee to be availed as and 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 :		FY2016	FY2015
i	Earnings per share		1.33	1.19
ii	Net Profit		486,391,000	433,833,000
iii	Shareholders Equity		2,348,110,000	1,862,170,000
iv	Total Assets		6,242,978,000	5,988,209,000
v	Break-up value		6.42	5.09
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 1,074,114,944	Sanctioned 1,000,000,000	Sanctioned 500,000,000

**11 Name of associated company/undertaking: Sachal Energy Development (Private) Limited**

S. No.	Description	Investment in Securities	Loans & Advances In The Nature of:	
			Running Finance	Corporate Guarantee
a)	total investment approved;	3,250,000,000	250,000,000	-
b)	amount of investment made to date;	2,746,465,560	432,000,000	-
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	The limit was overutilised. AHCL holds 100% ownership in Sachal Energy and hence exempted from obtaining approval through special resolutions for investments in SEDPL in pursuance of clause (f) of S.R.O.704(I)/2011 dated 13 <sup>th</sup> July 2011.	-
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company :		FY2017	FY2016 (Restated)
i	Earning/(Loss) per share		1.36	(0.05)
ii	Net Profit/(Loss)		372,843,487	(14,647,912)
iii	Shareholders Equity		2,974,512,128	2,601,668,641
iv	Total Assets		13,569,292,046	3,686,556,711
v	Break-up value		10.83	9.47
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 503,534,440	Sanctioned 250,000,000	Sanctioned -

**12 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 to be availed as and 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 :		FY2016	FY2015 (Restated)
i	(Loss)/Earnings per share		(1.49)	1.01
ii	Net (Loss)/Profit		(37,250,757)	21,648,586
iii	Shareholders Equity		256,441,019	294,807,813
iv	Total Assets		453,987,266	460,092,312
v	Break-up value		10.26	11.79
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 150,000,000	Sanctioned 150,000,000	Sanctioned -

**13 Name of associated company/undertaking: Dolmen City REIT**

S. No.	Description	Investment in Securities	Loans & Advances In The Nature of:	
			Running Finance	Corporate Guarantee
a)	total investment approved;	1,000,000,000	-	-
b)	amount of investment made to date;	201,492,133	-	-
c)	reasons for 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 :		FY2017	FY2016
i	Earnings per unit		1.70	7.98
ii	Net Profit		3,787,120,000	17,742,638,000
iii	Total unit-holders' fund		41,735,498,000	40,261,026,000
iv	Total Assets		42,399,852,000	40,885,917,000
v	Net Assets value per unit		18.77	18.11
	RENEWAL IN PREVIOUS LIMITS REQUESTED FOR PORTION I.E. :	Unutilised 798,507,867	Sanctioned -	Sanctioned -



# Statement under Section 134(3)

Arif Habib Corporation Limited proposed amendments in memorandum of association

Section 27(A)(iii)(b) of the Companies Act, 2017 provides that if the object stated at serial number 1 of the object clause is not the principal line of business of the company, it shall be required to intimate to the registrar their principal line of business within such time from commencement of this Act and in the form as may be specified. A revised copy of the memorandum of association indicating therein its principal business at serial number 1 of the object clause shall also be furnished to the registrar.

In order to bring the principal line of business at serial number 1 of the object clause, renumbering of existing clauses of Memorandum of Association is proposed as follows:

Existing number	Proposed number	Existing number	Proposed number
01	02	02	01
1A	2A	2A	1A
1B	2B	2B	1B
1C	2C	-	-
1D	2D	-	-

Consequent to above renumbering of 'Object' sub-clauses of Memorandum of Association of the Company, Object to be stated at serial number 1 of the object clause will be the following clause, presently stated at serial number 2."

*"To carry on the business of an investment holding company and for that purpose to buy, sell, hold or otherwise acquire or invest the capital of the Company and other money in shares, stocks, fixed income securities, bonds, modaraba certificates, participation term certificates, term finance certificates, certificates of investments, commercial papers, debentures, debenture stock, obligations or securities issued or guaranteed by any company incorporated or registered in Pakistan; or in any foreign country and fixed income, securities, bonds, obligations and securities issued or guaranteed by any Government, or public body or authority, whether, federal, provincial, municipal, local or otherwise in Pakistan or abroad, and also to invest in security or securities for short term or long term gains and to realize such gains."*

The proposed amendments will not affect any rights or obligations of the Company or the interest of any shareholder, investor or creditor in any manner. The interest of the Directors and Chief Executive of the Company in the aforementioned amendment is only their being the Chief Executive, Shareholder and Directors of the Company.

# Form of Proxy

23<sup>rd</sup> 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 Third Annual General Meeting of the Company to be held on 28<sup>th</sup> October 2017 and/or  
any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017.

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. Central Depository Company of Pakistan, Share Registrar Department, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahra-e-Faisal, Karachi, not later than 48 hours before the meeting duly signed and stamped and witnessed by two persons with their signature, name, address and CNIC number given on the form.
4. In the case of individuals attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy Form.
5. In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the CNIC or passport of the proxy shall be submitted alongwith proxy Form.



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ARIF HABIB CORPORATION LIMITED

Registrar:

Central Depository Company of Pakistan Limited,  
Share Registrar Department, CDC  
House, 99-B, Block-B, S.M.C.H.S,  
Main Shahra-e-Faisal, Karachi.

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پراکسی فارم  
تنیسواں سالانہ جنرل اجلاس

کمپنی سیکریٹری  
عارف حبیب کارپوریشن لمیٹڈ  
عارف حبیب سینٹر  
23، ایم ٹی خان روڈ  
کراچی۔

میں مسمی / مسماة \_\_\_\_\_ ساکن \_\_\_\_\_ ضلع \_\_\_\_\_ بحیثیت ممبر عارف حبیب  
کارپوریشن لمیٹڈ، مسمی / مسماة \_\_\_\_\_ ساکن \_\_\_\_\_ کو بطور مختار (پراکسی) مقرر کرتا ہوں تاکہ وہ میری جگہ اور  
میری طرف سے کمپنی کے سالانہ عام اجلاس کو بتاریخ 28 اکتوبر 2017 کو منعقد ہو رہا ہے میں اور ان کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

دستخط \_\_\_\_\_ بروز / بتاریخ \_\_\_\_\_ 2017

گواہان

1	نام _____	2	نام _____
پتہ _____	پتہ _____	پتہ _____	پتہ _____
شناختی کارڈ نمبر _____	شناختی کارڈ نمبر _____	شناختی کارڈ نمبر _____	شناختی کارڈ نمبر _____
دستخط _____	دستخط _____	دستخط _____	دستخط _____

دستخط 5 روپے  
ریونیو اسٹیپ

نوٹ :

- ☆ وہ رکن جسے یہ اجلاس یا اجلاس میں ووٹ کا حق حاصل ہے وہ کسی ناگزیر صورتحال میں اپنی جگہ کسی دوسرے (مخصوص) رکن کو یہ حق دے سکتا ہے کہ وہ رکن اس کی پراکسی استعمال کرتے ہوئے اس کی بجائے اجلاس میں شریک ہو سکتا ہے، خطاب کر سکتا ہے یا ووٹ کا اندراج کر سکتا ہے۔
- ☆ پراکسی ثابت کرنے کیلئے اسے اپنا اصل پاسپورٹ اور فوٹیو نمبر دکھانا لازمی ہے تاکہ اجلاس میں شرکت کی اجازت سے قبل اس کی شناخت کی جاسکے۔
- ☆ مؤثر بنانے کیلئے پراکسی فارم ہمارے رجسٹرار کے دفتر (ایم/ایس) سینٹری ڈپوزیٹری کمپنی آف پاکستان، شیئرز رجسٹرار ڈپارٹمنٹ، سی ڈی سی ہاؤس B-99، ایس ایم سی ایچ ایس، شاہراہ فیصل، کراچی، پاکستان میں اجلاس سے کم از کم 48 گھنٹے قبل وصول ہونا لازمی ہے۔ فارم میں تمام مطلوبہ معلومات، رکن کے دستخط اور مہر، نیز دو گواہان کی بنیادی معلومات یعنی نام، پتہ، دستخط اور شناختی کارڈ نمبر کا اندراج ضروری ہے۔
- ☆ انفرادی رکن کی صورت میں اصل اور پراکسی کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول منسلک کرنا لازمی ہے۔
- ☆ پراکسی کے کارپوریٹ ہونے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد، پاور آف اٹارنی، شناختی کارڈ اور پاسپورٹ کی تصدیق شدہ نقول، پراکسی فارم کے ساتھ منسلک کرنا ضروری ہے۔



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ARIF HABIB CORPORATION LIMITED  
Registrar:  
Central Depository Company of Pakistan Limited,  
Share Registrar Department, CDC  
House, 99-B, Block-B, S.M.C.H.S,  
Main Shahra-e-Faisal, Karachi.

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





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## متعلقہ پارٹی کالین دین:

لسٹنگ کے ضابطوں پر عملدرآمد کے تحت، کمپنی نے آڈٹ کمیٹی اور بورڈ کے روبرو تمام متعلقہ پارٹی ٹرانزیکشنز جائزے اور منظوری کیلئے پیش کر دی ہیں۔ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے اپنی اپنی میٹنگز کے دوران ان ٹرانزیکشنز کی منظوری دیدی ہے۔ متعلقہ پارٹی ٹرانزیکشنز کی تفصیلات آڈٹ شدہ مالی گوشوارے کے ساتھ نوٹ نمبر 36 کے طور پر منسلک ہیں۔

## اعتراف:

مستقل اعتماد اور سرپرستی کیلئے ڈائریکٹرز کمپنی کے اسٹیک ہولڈرز کے مشکور ہیں۔ کاروباری شراکت داروں، بینکرز اور مالی اداروں کی جانب سے ہم پر جو اعتماد اور بھروسہ کیا گیا وہ قابل تحسین ہے اور ہم اسے ریکارڈ پر رکھنے کے خواہشمند ہیں۔ ہم وزارت خزانہ، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، مسابقتی کمیشن پاکستان، سینٹرل ڈپازٹری کمپنی آف پاکستان اور پاکستان اسٹاک ایکسچینج کی انتظامیہ کے مشکور ہیں کہ انہوں نے ہمارے ساتھ تعاون کیا اور رہنمائی کی جس کی وجہ سے کمپنی آج اس مقام پر موجود ہے۔

کسی بھی کمپنی کے نتائج، کمپنی کیلئے اور کمپنی کے ساتھ مل کر کام کرنے والے افراد کی کوششوں کے عکاس ہوتے ہیں۔ ڈائریکٹرز اپنی کمپنی کے ملازمین کی محنت اور ان کی کوششوں کے معترف ہیں جن کی وجہ سے کمپنی کے آپریشنز کو کامیابی حاصل ہوئی۔ اہمیت کے حامل امور کے حوالے سے انتظامیہ کی حمایت و رہنمائی کیلئے ہم آڈٹ اور دیگر کمیٹیوں کے ارکان کے سرگرم کردار اور ان کے قابل قدر کردار کو بھی سراہتے ہیں۔

منجانب بورڈ

Til. Asadullah

اسد اللہ خواجہ

چیئرمین

عارف حبیب

چیف ایگزیکٹو

کراچی

مورخہ، 15 ستمبر 2017



تفصیلی نمونہ اور کمپنی شیئر ہولڈنگ کی کیٹگریز بشمول ڈائریکٹرز اور ایگزیکٹوز کے پاس موجود شیئرز کی تفصیلات ضمنی گوشوارہ سوم (انیکشر نمبر تین) کے نام سے منسلک ہے۔

### مالی اور کاروباری جھلکیاں:

اہم ترین آپریٹنگ اور مالی اعداد و شمار مختصراً ”مالی و کاروباری جھلکیاں“: 6 سالہ کارکردگی پر نظر“ کے نام سے صفحہ نمبر 80-79 پر دی گئی ہے اور اہم اعداد و شمار کے حوالے سے تصویری خاکہ صفحہ نمبر 82-81 پر پیش کیا گیا ہے۔

### ریٹائرمنٹ کے فوائد میں سرمایہ کاری:

متعلقہ آڈٹ شدہ مالی گوشواروں کے مطابق 30 جون 2016 تک کمپنی کے زیرِ نگرانی اسٹاف کے پراویڈنٹ فنڈ میں کی جانے والی سرمایہ کاری کی مالیت 19.10 ملین روپے رہی۔

### آڈٹ کمیٹی:

کارپوریٹ گورننس کے ضابطے کے تحت، آڈٹ کمیٹی نے بورڈ کی مقرر کردہ شرائط کار کے تحت اپنا کام جاری رکھا۔ کمیٹی کی تشکیل اور اس کے شرائط کار کی نمایاں خصوصیات اس رپورٹ کے ساتھ منسلک ہیں۔

### آڈیٹرز:

موجودہ بیرونی آڈیٹرز میسرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی کی خدمات کا عرصہ مورخہ 28 اکتوبر 2017 کو ہونے والے سالانہ عام اجلاس کے بعد مکمل ہو جائے گا اور اپنی اہلیت کی بنیاد پر آڈیٹرز نے 30 جون 2018 کو ختم ہونے والے مالی سال کے دوران دوبارہ تقرر کیلئے اپنی خدمات پیش کی ہیں۔ کوالٹی کنٹرول ریویو پروگرام کے تحت یہ بیرونی آڈیٹرز انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (آئی سی اے پی) کی اطمینان بخش ریٹنگ کے حامل ہیں۔ آڈٹ کمیٹی کی تجویز کے مطابق، بورڈ میسرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی کو 30 جون 2018 تک کیلئے دوبارہ کمپنی کا آڈیٹ مقرر کرنے کی سفارش کرتا ہے جس کی فیس کا تعین باہمی رضامندی سے کیا جائے گا۔ اس حوالے سے حتمی منظوری مورخہ 28 اکتوبر 2017 کو ہونے والے شیئر ہولڈرز کے سالانہ عام اجلاس کے دوران حاصل کی جائے گی۔

### سیکریٹریل مشق پر عملدرآمد:

کمپنی سیکریٹری نے طے شدہ فارم پر سیکریٹریل کمپلائنس سٹوفیلیٹ پیش کیا ہے، یہ سٹوفیلیٹ پاکستان اسٹاک ایکسچینج کے طے شدہ ضابطوں کے تحت لازمی قرار دیا گیا ہے اور یہ کمپنی کے رجسٹرار کے پاس جمع کرائے جانے والے سالانہ ریٹرن کا حصہ ہے تاکہ اس بات کی تصدیق کی جاسکے کہ کمپنیز آرڈیننس 1984 اور لسٹنگ ضابطوں کے تحت لازمی قرار دی گئی سیکریٹریل اور کارپوریٹ ذمہ داریاں ادا کی گئی ہیں۔

### ڈائریکٹرز کا انتخاب:

کمپنیز ایکٹ 2017 کے سیکشن 161 کے تحت، 2016 میں غیر معمولی عام اجلاس میں منتخب کیے جانے والے 8 ڈائریکٹرز کی مدت ستمبر 2019 میں مکمل ہو جائے گی۔

### بیلنس شیٹ کے بعد کے ایونٹس:

مادی لحاظ سے 30 جون 2017 سے لے کر اس رپورٹ کے اجراء تک کوئی تبدیلی واقع نہیں ہوئی ماسوائے حتمی نقد منافع کے اعلان کے جو 30 فیصد ہے اور یہ مورخہ 28 اکتوبر 2017 کو ہونے والے سالانہ عام اجلاس میں ممبران کی منظوری سے مشروط ہے۔ اس اعلان کے حوالے سے معلومات آئندہ سال کے مالی گوشوارے میں پیش کی جائیں گی۔

حوالے سے صفحہ نمبر 69 پر تفصیلی معلومات موجود ہیں۔

### کارپوریٹ گورننس:

عارف حبیب کارپوریشن لمیٹڈ پاکستان اسٹاک ایکسچینج کی فہرست پر موجود ہے۔ کمپنی کا بورڈ اور انتظامیہ فہرست پر موجود کمپنیوں کیلئے مقرر کردہ کارپوریٹ گورننس کے ضابطہ اخلاق پر عمل کیلئے پرعزم ہے اور وہ اپنی ذمہ داریوں اور آپریشنز اور کارکردگی کی نگرانی کے حوالے سے اپنی ذمہ داریوں سے بخوبی آگاہ ہیں تاکہ مالیاتی اور غیر مالیاتی معلومات کی درستی، فراست اور شفافیت کو فروغ دیا جاسکے۔

بورڈ یہ بتانا چاہتا ہے کہ کمپنی کے کھاتوں کی کتابوں کی مناسب انداز سے دیکھ بھال کی گئی ہے اور کھاتہ داری (اکاؤنٹنگ) کی موزوں پالیسیوں کو اختیار و استعمال کیا گیا ہے۔ کھاتوں اور کھاتہ داری کے تخمینوں کی تیاری کیلئے معقول اور محتاط طریقہ کار اختیار کیا گیا ہے۔ بین الاقوامی مالیاتی رپورٹنگ معیارات، جو پاکستان میں قابل اطلاق ہیں، پر عمل کرتے ہوئے مالیاتی گوشوارے تیار کیے گئے۔ داخلی ضابطوں کا نظام، بشمول مالیاتی کنٹرول، ڈیزائن کے لحاظ سے بہتر ہے اور اس پر موثر انداز سے عملدرآمد کیا جا رہا ہے اور نگرانی کی جارہی ہے۔ کمپنی کے مالی گوشوارے کمپنی کے حالات، اس کے آپریشنز کی نتائج، نقدی کے بہاؤ، محصولات، لیوی یا چارجز اور ڈیویڈنڈ کے حوالے سے بہتر عکاسی کرتے ہیں۔ کمپنی پر گریجویٹ، پنشن یا پراویڈنٹ فنڈ کی مد میں کسی طرح کے قابل ادا واجبات نہیں ہیں۔

کمپنی کی پالیسی ہے کہ اپنے مفادات کی بنیاد پر ہونے والی ہراسٹرٹجک سرمایہ کاری کیلئے کمپنی اپنے ڈائریکٹرز نامزد کرتی ہے۔ عارف حبیب کارپوریشن لمیٹڈ کے نامزد کردہ عہدیداران تفصیلی کاروباری منصوبے اور بجٹ کے حوالے سے سرمایہ کاری کرنے والی ہراسٹرٹجک کمپنی کی انتظامیہ کے ساتھ مل کر کام کرتے ہیں، اور کارکردگی کا جائزہ بجٹ اور کاروباری منصوبہ دیکھ کر لیا جاتا ہے۔ سرمایہ کاری کرنے والی کمپنی کی کارکردگی کا جائزہ وقتاً فوقتاً لیا جاتا ہے۔ ضابطہ پر عمل کرتے ہوئے، بورڈ حلفیہ اس عزم کا اظہار کرتا ہے کہ اس بات میں کسی بھی طرح کا کوئی شک و شبہ نہیں کہ کمپنی بدستور اپنی سرگرمیاں جاری رکھے گی اور کارپوریٹ گورننس کے بہترین اصولوں، جو لسٹنگ کے ضابطوں اور ٹرانسفر کی قیمت کے تعین میں وضع کردہ ہیں، میں سے کسی ایک اصول پر بھی کوئی سمجھوتا نہیں کیا گیا۔

کمپنی کی ہمیشہ سے ہی یہ کوشش رہی ہے کہ وہ کارپوریٹ گورننس کے ضابطوں پر عمل اور شفاف اور منصفانہ اقدامات کے ذریعے ترقی کرے، ان میں سے کئی ضابطوں پر اس وقت سے عمل کیا جا رہا ہے جب سے یہ قانون کا حصہ نہیں تھے۔

### ڈائریکٹرز اور ایگزیکٹوز کی جانب سے کمپنی کے شیئرز میں لین دین:

کمپنی کے چیف ایگزیکٹو، چیف فنانشل افسر اور ایگزیکٹو سمیت تمام ڈائریکٹرز کو کمپنی کے سیکریٹری کی جانب سے تحریری نوٹس بھجوائے گئے کہ فوری طور پر تحریری طور پر آگاہ کریں کہ آیا وہ خود یا ان کے شریک حیات یا اہل خانہ میں سے کوئی شخص کمپنی کے شیئرز میں لین دین کرتا ہے تو قیمتوں کا تحریری ریکارڈ، شیئرز کی تعداد اور سی ڈی سی کے گوشوارے دو دن میں فراہم کریں۔ کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو افسر، چیف فنانشل افسر، کمپنی سیکریٹری اور ان کے شریک حیات یا کم عمر اہل خانہ کی جانب سے خریدے گئے کمپنی کے شیئرز ضمنی گوشوارہ نمبر ایک (انیکشز نمبر ایک) کے نام سے منسلک ہے۔

### بورڈ کے اجلاسوں میں حاضری:

سال کے دوران کمپنی کے ڈائریکٹرز کی حیثیت سے خدمات انجام دینے والے افراد کے نام اور بورڈ کے اجلاس میں ان کی حاضری کے حوالے سے تفصیل ضمنی گوشوارہ نمبر دوم (انیکشز نمبر دو) کے نام سے منسلک ہے۔

### شیئر ہولڈنگ کا نمونہ:

کمپنی کے شیئرز کی فہرست پاکستان اسٹاک ایکسچینج میں موجود ہے۔ 30 جون 2017ء • تک کمپنی کے شیئر ہولڈرز کی تعداد 4706 تھی۔ شیئر ہولڈنگ کا

بورڈ نے ایک سرمایہ کاری کمیٹی تشکیل دی ہے جس کی ذمہ داریوں میں اسٹریٹجک سرمایہ کاری کی تصدیق و توثیق اور مسلسل مانیٹرنگ کا عمل شامل ہے۔ دوسری جانب، کمپنی کا انتظامی اسٹاف؛ کمیٹی کو اسٹریٹجک سرمایہ کاری کے حوالے سے بروقت رپورٹس فراہم کرنے کا پابند ہے۔ رسک مینجمنٹ کے حوالے سے کمپنی کی کارکردگی اور کمیت کے بارے میں رپورٹس اور جائزہ مالی گوشواروں کے نوٹ نمبر 32 میں پیش کیا گیا ہے۔

### سرمایہ کی مینجمنٹ اور لیکوئڈٹی:

سرمایہ کی مضبوط بنیاد کو برقرار رکھنا کمپنی کی پالیسی ہے تاکہ سرمایہ کار، قرض خواہوں اور مارکیٹ کا اعتماد برقرار رکھا جاسکے، مستقبل میں کاروباری ترقی کو برقرار رکھا جاسکے، شیئر ہولڈرز کو منافع کی فراہمی کیلئے کمپنی کی بقا کی حفاظت کی جاسکے اور دیگر اسٹیک ہولڈرز کا فائدہ ہو سکے اور سرمایہ کی اصل قدر میں کمی کو روکنے کیلئے متوازی کیپیٹل اسٹرکچر کو برقرار رکھا جاسکے۔ بورڈ آف ڈائریکٹرز کیپیٹل کے ریٹرن کی نگرانی کرتے ہیں، جسے کمپنی ٹیکس کے بعد خالص منافع قرار دیتی ہے جسے شیئر ہولڈرز کی مجموعی ایکوئٹی میں تقسیم کیا جاتا ہے۔ کیپیٹل مینجمنٹ کے حوالے سے سال کے دوران کمپنی کے طرز عمل میں کوئی تبدیلی نہیں آئی اور کمپنی پر بیرونی طور پر سرمایہ کی ضروریات کا اطلاق نہیں ہوتا۔

### افراد قوت:

آپ کی کمپنی اپنے تمام شعبہ جات کے ملازمین کے عزم، ان کی اہلیت اور ملکیت کے اظہار کو باعث فخر سمجھتی ہے۔ کمپنی اپنی افرادی قوت کے حوالے سے تشکیل دی جانے والی پالیسیوں کو مزید بہتر بنانے کیلئے اقدامات کا سلسلہ جاری رکھے ہوئے ہے تاکہ کاروبار کی بڑھتی ہوئی ضروریات کو پورا کیا جاسکے۔ آپ کی کمپنی کی زیادہ تر توجہ عوام کی بہتری پر مرکوز ہے۔

عارف حبیب کارپوریشن لمیٹڈ (اے ایچ سی ایل) میں، ہیومن ریسورسز ڈپارٹمنٹ اپنے کاروبار شراکت کے کردار میں ہر ملازم کی کارکردگی کو مزید بہتر بنانے کیلئے حکمت عملی مرتب کرتا ہے تاکہ ان کی زیادہ سے زیادہ صلاحیتوں سے استفادہ کیا جاسکے۔ ہماری کامیابی کی بنیادی وجہ یہ ہے کہ ہماری کمپنی میں ایسے ملازمین کو شامل کیا گیا ہے جو عمومی حالات سے ایک قدم آگے بڑھ کر کارکردگی کا مظاہرہ کرنے کی خواہش رکھتے ہیں۔ کارکردگی کی بنیاد پر ملازمین کی قدر شناسی کی جاتی ہے اور انہیں انعامات دیئے جاتے ہیں، جس کے نتیجے میں ہر سطح پر وہ پر عزم اور باصلاحیت نظر آتے ہیں۔ ہماری تمام آپریشنل سرگرمیاں شفاف اور ضابطہ اخلاق کے عین مطابق ہوتی ہیں اور ان پر کوئی سمجھوتا نہیں کیا جاتا۔

### کارپوریٹ سماجی ذمہ داری:

اپنے قیام سے لے کر ذمہ دار انداز سے اور پائیدار ترقی ہمیشہ سے ہی ہماری ترجیحات میں شامل رہی ہے یہی وجہ ہے کہ ہم اپنے گروپ کی کمپنیوں کی حوصلہ افزائی کرتے ہیں کہ وہ ان عوام اور جس ماحول میں وہ کام کرتے ہیں ان کے حوالے سے ذمہ داری اور حساسیت کا مظاہرہ کریں۔ آج، عارف حبیب گروپ کی کمپنیاں پاکستان میں ایک نمایاں سی ایس آر پروگرام چلا رہی ہیں جس میں کئی ایسے شعبہ جات شامل ہیں جو فوری توجہ کے متقاضی ہیں، اس پروگرام میں خصوصی توجہ تعلیم، ہیلتھ کیئر یعنی صحت، ماحولیات، عوامی فلاح و بہبود، کھیلوں اور امدادی سرگرمیوں پر دی جاتی ہے اور مستقبل میں اس پروگرام کو وسعت دینے پر توجہ مرکوز کی جا رہی ہے۔

عارف حبیب گروپ میں ہم اپنے ملازمین اور عوام کی بہبود کا بھی خیال رکھتے ہیں۔ گروپ میں شامل کمپنیاں توانائی کی بچت پر توجہ دیتی ہیں اور تمام محکمے اور ملازمین توانائی کی بچت کے اصولوں پر کاربند رہتے ہیں۔ یہ ہمارا خواب ہے کہ معیشت میں سرمایہ کاری سلسلہ جاری رکھتے ہوئے پاکستان کی معاشی نمو کی افزائش اور ماحولیات کے استحکام کیلئے کردار ادا کرتے رہیں۔ گروپ مسلسل ایسے اقدامات اور جدوجہد میں مصروف ہے جن کی مدد سے وسائل کے استعمال میں کمی آئے اور قابل تجدید ذرائع سے حاصل ہونے والی توانائی کے شعبے میں تحقیق کی حوصلہ افزائی ہو۔ آپ کی کمپنی ملکی معیشت میں اپنا حصہ ادا کرنے کے عمل کو سنجیدگی سے لیتی ہے اور ہمیشہ سے اپنی ذمہ داریاں شفاف، درست اور بروقت انداز سے انجام دی ہیں۔ گروپ کمپنیز کی جانب سے ادا کیے گئے کردار کے

## مستقبل کا منظر نامہ:

آئندہ سال کیلئے، مجموعی قومی پیداوار اور مہنگائی کی شرح بالترتیب 5.5 فیصد اور 5 فیصد رہنے کا امکان ہے۔ پاک چین اقتصادی راہداری پروجیکٹس (سی پیک) پر عملدرآمد کی وجہ سے تعمیرات اور توانائی کے شعبوں کی سرگرمیوں میں تیزی آسکتی ہے جس سے مجموعی معاشی نمو میں اضافے کا امکان ہے۔ اضافی شرح نمو کی وجہ سے تجارتی خسارے کے کھاتوں پر بوجھ بڑھ رہا ہے کیونکہ مشینری، تیل اور آٹوموبیل کی درآمد تیزی سے بڑھ رہی ہے جبکہ برآمدات اور زرمبادلہ کے ذخائر اپنی موجودہ سطح پر ہیں۔ پورٹ فولیو کی سطح پر دیکھا جائے تو سرمایہ کاری کرنے والی کمپنیاں متوقع طور پر ملٹی جلی کارکردگی کا مظاہرہ کر سکتی ہیں۔ مارکیٹ کا ثانوی انوسٹمنٹ پورٹ فولیو کو دھچکا پہنچنے کا اندیشہ ہے کیونکہ رواں مالی سال کے ابتدائی 5 دنوں میں اس میں 2.82 فیصد کمی دیکھنے کو ملی ہے۔ بروکرینج اور ایسیٹ مینجمنٹ کے شعبوں میں مقابلے کا رجحان بڑھنے کی توقع ہے جبکہ فریٹلائزرز، پاور، سیسٹم، اسٹیل اور ریل اسٹیل کے شعبے کی کارکردگی میں بہتری رہے گی۔ مجموعی طور پر آپ کی کمپنی متنوع انوسٹمنٹ پورٹ فولیو کی وجہ سے اطمینان بخش کارکردگی کا مظاہرہ کرنے کیلئے پر عزم ہے۔

## رسک مینجمنٹ:

بورڈ کے قائم کردہ رسک مینجمنٹ سسٹم میں بہتر انداز سے مرتب کردہ تنظیمی اور ضابطہ کاری کے کئی عناصر شامل ہیں اور اس نظام میں کمپنی کو درپیش ممکنہ پرخطر واقعات اور حالات کو پہچاننے کی صلاحیت موجود ہے۔ یہ رسک مینجمنٹ سسٹم اس طرح تشکیل دیا گیا ہے کہ یہ ہر سطح پر تنظیمی خطرات سے نمٹنے کیلئے متوازی طریقہ کار اختیار کرنے کو فروغ دیتا ہے، ابتدائی مراحل پر خطرات اور مواقع کی نشاندہی کرتا ہے اور ان کا جائزہ لیتا ہے، ان کی پیمائش کرتا ہے اور موزوں آلات کی مدد سے خطرات و خدشات کی نگرانی اور ان سے نمٹنے کے ذرائع کی نشاندہی کرتا ہے۔

چونکہ کمپنی کا اہم کاروبار سرمایہ کاری ہے، اسلئے کمپنی نے اپنے رسک مینجمنٹ سسٹم کا ارتقاء سرمایہ کاری کی حکمت عملی کے تحت کیا ہے۔ کمپنی نے ثانوی مارکیٹ سرمایہ کاری سے شروعات کی، اور ہمیشہ مختلف شعبہ جات اور کمپنیوں کے درمیان تنوع کی پالیسی پر عمل کیا ہے اور ساتھ ہی انفرادی سرمایہ کاری کیلئے بنیادی تجزیے پر عمل کرتے ہوئے منافع بخش سرمایہ کاری کے اصول اپنائے ہیں۔ سیکورٹی سلیکشن کے حوالے سے کمپنی محتاط رہتے ہوئے خطرات سے نمٹتی ہے، خطرات کے ارتکاز سے گریز کرتی ہے، نقدی کے بہاؤ کو مناسب انداز سے یقینی بناتی ہے اور ہم منصب کمپنیوں کی صلاحیت کا بھی جائزہ لیتی ہے۔ اس کے علاوہ، کمپنی نے بنیادی کمپیوٹر مارکیٹ انفراسٹرکچر کے شعبے میں اپنے نمائندوں کے ذریعے مسلسل کردار ادا کیا ہے۔

اپنی اسٹرٹیجک سرمایہ کاری کیلئے، کمپنی نے اس طرح کی سرمایہ کاری کیلئے موزوں رسک مینجمنٹ سسٹم تشکیل دیا ہے۔ جامع انداز سے پروجیکٹ کا جائزہ، جس میں ممکنہ خطرات اور مواقعوں کی نشاندہی ہوتی ہے، لینے اور مشاورت کے بعد ہی کاروباری فیصلے کیے جاتے ہیں۔ خطرات سے نمٹنے کیلئے، کمپنی اہم ترین شعبوں، جن میں بورڈ اور سینئر انتظامیہ کے ذریعے گورننس اور پالیسیوں اور ضابطوں پر عملدرآمد، خطرات کی نگرانی، مینجمنٹ انفارمیشن سسٹم اور داخلی کنٹرول شامل ہیں، پر توجہ مرکوز رکھتی ہے۔ کمپنی کے پاس خطرات کی نشاندہی، ان کے جائزے اور ضابطے کا ایک منظم نظام ہے، جب ضرورت پیش آئے تو ان ذرائع اور طریقوں کو بہتر بنایا جاتا ہے جن سے خطرات سے نمٹا جاتا ہے۔ ایک جاری عمل کے طور پر اور کم از کم سال میں ایک مرتبہ، فنانشل رپورٹنگ کے گوشواروں اور ساتھ ہی رسک مینجمنٹ کے گوشواروں، کاروباری سماجی ذمہ داری، ساکھ اور ضابطہ اخلاق پر عملدرآمد، کھاتہ داری کے مینوئل، قانونی ضابطوں اور دیگر شرائط و ضوابط پر عملدرآمد کے حوالے سے انتظامیہ ان سب کا جائزہ لیتی ہے۔

آپریشنل رسک مینجمنٹ سے نمٹنے کیلئے سرمایہ کاری سے قبل سب سے پہلے صورتحال کا گہرائی سے جائزہ لیا جاتا ہے، جس کے بعد سرمایہ کاری کی جانے والی کمپنیوں کے بورڈ میں نمائندگی کیلئے اہل اور تجربہ کار پیشہ ور افراد کی خدمات حاصل کی جاتی ہیں، بورڈ ممبرز کے ذریعے ان کمپنیوں کے حوالے سے میزانی دیگر داخلی ضابطوں پر عمل کیا جاتا ہے، ضرورت پیش آنے پر صورتحال کی درنگی کیلئے اقدامات کیے جاتے ہیں، اور اگر درست اقدام کے طور پر سرمایہ کاری کے ارتداد (ڈس انوسٹمنٹ) کا آپشن رہ جائے تو اس پر بھی عمل کیا جاتا ہے۔

ٹن سے بڑھ کر 7 لاکھ ٹن سالانہ ہو جائے گی۔ زیرغور پیداواری مرکب میں 4 لاکھ 50 ہزار میٹرک ٹن سی آر سی اور 2 لاکھ 50 ہزار میٹرک ٹن گیلوانائزڈ کوئلز شامل ہیں۔ تکمیل کا مجوزہ عرصہ رواں مالی سال 2018 ہے۔

### سیمنٹ:

پاور سیمنٹ لمیٹڈ میں سیمنٹ کے پیداواری یونٹس کی ساکھ کو بہتر بنانے کیلئے نمایاں سرمایہ کاری کی گئی ہے، اس سے کمپنی کی پیداواری صلاحیت میں نمایاں اضافہ ہوگا۔

پاور سیمنٹ لمیٹڈ نے آلودگی سے بچاؤ کیلئے کنٹرول بیگ سسٹم نصب کر رکھا ہے جس سے یہ کمپنی جنوبی زون میں صاف ہوا خارج کرنے والا پلانٹ بن چکا ہے۔ پلانٹ سے گیسوں کے اخراج کی سطح ورلڈ بینک اور آئی ایف سی کے طے شدہ رہنما اصولوں سے بھی کم اور بہتر ہے۔

فی الوقت کمپنی اپنے پیداواری یونٹس میں وسعت لارہی پچیس سے اس کی پیداواری صلاحیت سالانہ 0.9 ملین ٹن سے بڑھ کر 3.4 ملین ٹن ہو جائے گی۔ ایف ایل شمش سے حاصل کیے جانے والے پلانٹ کیلئے سنگ بنیاد رکھ دیا گیا ہے اور انتظامیہ پر امید ہے کہ نیا پلانٹ مالی سال 2019 میں فعال ہو جائے گا۔

### ریئل اسٹیٹ:

نیا ناظم آباد ہاؤسنگ پروجیکٹ اپنے طے شدہ شیڈول کے مطابق آگے بڑھ رہا ہے اور اس نے وہ تاریخی مقام حاصل کر لیا ہے جو اس کیلئے سوچا گیا تھا۔ پلان کے مطابق پلاٹس اور گھروں کا قبضہ دینے کا عمل شروع ہو چکا ہے۔ گھروں میں رہائشیوں کی منتقلی شروع ہو چکی ہے جبکہ جن لوگوں نے پلاٹس خریدے تھے انہوں نے اپنے گھروں کی تعمیر شروع کر دی ہے اور جلد ہی اس پروجیکٹ میں آباد کاری مکمل ہو جائے گی۔

فروخت شدہ پلاٹس اور گھروں کی مارکیٹ ویلیو میں صحتمند اضافہ ریکارڈ کیا گیا ہے جس سے کمپنی کی جانب سے کیے جانے والے تعمیراتی کام کی قدر اور ساکھ کی توثیق ہوتی ہے۔ انتظامیہ کمرشل ڈویلپمنٹ کا کام شروع کرنے کا ارادہ بھی رکھتی ہے، اسی شعبے میں کمپنی نے نمایاں سرمایہ کاری کر رکھی ہے۔

### ونڈپاور (پن بجلی):

آپ کی کمپنی نے سچل انرجی ڈویلپمنٹ (پرائیوٹ) لمیٹڈ کی صورت میں ونڈپاور کے شعبے میں سرمایہ کاری کر رکھی ہے اور ونڈ انرجی پروجیکٹ کے ذریعے 49.5 میگا واٹ کا کمرشل منصوبہ شروع کر رکھا ہے، اس پروجیکٹ نے اپریل 2017 سے بجلی کی پیداوار شروع کر دی ہے اور تین ماہ کے آپریشنل عرصہ کے دوران 372.84 ملین روپے کا بعد از ٹیکس منافع کمایا ہے۔ یہ سرمایہ کاری مکمل طور پر رواں سال سے کمپنی کی آمدنی میں اپنا حصہ ادا کرے گی۔

سچل انرجی کا ونڈپاور پروجیکٹ سی بیک کے تحت پاکستان میں شروع کیا جانے والا سب سے پہلا پروجیکٹ ہے جسے جھمپیر میں سندھ کے ہوادار علاقے میں 1680 ایکڑ زمین پر تعمیر کیا گیا ہے۔

بجلی کی خریداری کے معاہدے کے تحت کمپنی 20 سال تک نیشنل ٹرانسمیشن اینڈ ڈسٹریбуٹن کمپنی کے ذریعے قومی گرڈ کو بجلی فراہم کرنے کیلئے پرعزم ہے۔

### کول پاور:

سندھ اینگری کوئل مائننگ کمپنی لمیٹڈ نے تھر بلاک ٹوکی سائٹ پر تعمیر ہونے والی کوئلے کی کان میں سیکالا جانے والا 1.9 ملین ٹن کوئلہ سالانہ عارف حبیب کمپنی لمیٹڈ کیلئے مختص کرنے کا فیصلہ کیا ہے تاکہ تھر بلاک ٹوکی سائٹ پر 330 میگا واٹ کا کول پاور پلانٹ تعمیر کیا جاسکے۔ آپ کی کمپنی سمجھتی ہے کہ 660 میگا واٹ کا پروجیکٹ دانشمندانہ فیصلہ ہوگا اور اسی سوچ کے تحت کمپنی نے اس ایلوکیشن کیلئے درخواست دیدی ہے اور توقع ہے کہ یہ منظور ہو جائے گی۔

غالب امکان ہے کہ کوئلے کی سپلائی 2022 سے شروع ہو جائے گی۔ 2017 کی تیسری سہ ماہی میں فیروز 4 کی فزیتہٹی مکمل ہوتے ہی کوئلے کی فراہمی کی تاریخ سے آگاہ کر دیا جائے گا۔ مذکورہ بالا پروجیکٹ کیلئے، عارف حبیب کمپنی لمیٹڈ نے ایک مکمل ذیلی ادارہ قائم کیا ہے جسے ”بلیک گولڈ پاور لمیٹڈ“ کا نام دیا گیا ہے۔

میں ہماری ایسوسی ایٹڈ کمپنی، سلک بینک لمیٹڈ، کا سال 31 دسمبر کو ختم ہو چکا ہے اور اس کا آڈٹ 31 دسمبر 2016 کو مکمل کر لیا گیا تھا اور بیرونی آڈیٹرز 30 جون 2017 کو ختم ہونے والے عرصہ کے دوران مالی معلومات کا جائزہ لے چکے ہیں۔ نتیجتاً، 30 جون 2017 تک دستیاب معلومات کے مطابق لیے گئے محدود جائزے کی بنیاد پر مالی گوشواروں میں نتائج کا حصہ شامل کیا گیا ہے۔

## جن شعبوں میں سرمایہ کاری کی گئی ان پر ایک نظر:

### فریٹلائزر:

کمپنی کی سرمایہ کاری کا ایک نمایاں حصہ فریٹلائزر کے شعبے میں ہے۔ اس شعبے میں سرکردہ کمپنی فاطمہ فریٹلائزرز کمپنی لمیٹڈ (ایف ایف سی ایل) ہے جس کے بعد پاک عرب فریٹلائزرز لمیٹڈ (پی اے ایف سی ایل) کا نام آتا ہے۔ ایف ایف سی ایل نے 31 دسمبر 2016 کو ختم ہونے والے سال کے دوران اچھی کارکردگی کا مظاہرہ کیا اور ٹیکس کے بعد 9.78 ارب روپے منافع کمایا جس میں فی شیئر آمدن 4.66 روپے رہی۔ کمپنی نے 30 جون 2017 تک ختم ہونے والے آدھے سال کے دوران 4.29 ارب روپے کا منافع کمایا ہے جبکہ فی شیئر آمدن 2.04 روپے تک رہی ہے۔

پی اے ایف سی ایل نے 31 دسمبر 2016 کو ختم ہونے والے سال کے دوران 1.93 ارب روپے کا نقصان برداشت کیا جبکہ 30 جون 2017 کو ختم ہونے والے آدھے سال کے دوران 812.44 ملین روپے کا نقصان ریکارڈ کیا جا چکا ہے۔ نقصان کی بنیادی وجوہات میں ایس این جی پی ایل کی جانب سے پائپ لائن گیس کی عدم فراہمی، مہنگی آرائیل این جی اور فریٹلائزرز کی قیمتوں کا کم ہونا شامل ہے۔

### مالی خدمات:

اس شعبے میں ایسوسی ایٹ اور ذیلی اداروں کی آپریشنل مالی کارکردگی میں نمایاں بہتری دیکھنے کو ملی ہے۔ عارف حبیب لمیٹڈ (اے ایچ ایل) کو اس سال 881 ملین روپے کا منافع ہوا جبکہ گزشتہ سال منافع 409 ملین روپے تھا، یعنی منافع میں 115 فیصد کا نمایاں اضافہ ریکارڈ کیا گیا، اس طرح فی شیئر آمدن 16.01 روپے رہی۔ کمپنی نے 100 فیصد شرح کے ساتھ 10 روپے فی شیئر نقد منافع منقسمہ کا اعلان کیا ہے۔

ایم سی بی۔ عارف حبیب سیونگزمز اینڈ انوسٹمنٹ لمیٹڈ نے 30 جون 2017 کو ختم ہونے والے سال کے دوران بعد از ٹیکس 202.19 ملین روپے کا منافع کمایا۔ اور کمپنی نے فی شیئر 3.25 روپے نقد منافع منقسمہ کا اعلان کیا۔ موجودہ انتظامیہ کے تحت کمپنی کے فنڈز میں بھی نمایاں اضافہ ہوا ہے، گزشتہ سال کے 42.36 ارب روپے کے مقابلے میں اس سال یہ فنڈز 73.61 ارب روپے تک جا پہنچے ہیں۔ آگے بڑھتے ہوئے یہ کمپنی اپنی تمام تر توجہ میوچل فنڈ کی صنعت میں اپنا مارکیٹ شیئر جارحانہ انداز سے بڑھانے کا ارادہ رکھتی ہے اور اس مقصد کیلئے کمپنی مرحلہ وار پیشرفت کی حکمت عملی اختیار کرتے ہوئے ملک بھر میں ریٹیل کے شعبے میں اپنی چھاپ چھوڑتی جا رہی ہے۔ ایم سی بی اے ایچ آئندہ سال کے دوران موجودہ اور نئے شہروں میں اپنی شاخیں کھولنے کا ارادہ رکھتی ہے۔

سلک بینک کی کارکردگی میں بھی بہتری آئی ہے اور 31 دسمبر 2016 کو ختم ہونے والے سال میں 738.55 ملین روپے کا منافع کمایا جبکہ ای پی ایس 0.09 روپے رہی، جبکہ 30 جون 2017 کو ختم ہونے والے آدھے سال کے دوران بعد از ٹیکس منافع 478.26 ملین روپے جبکہ ای پی ایس 0.05 روپے رہی۔

عارف حبیب کموڈٹیز (پرائیویٹ) لمیٹڈ نے بھی بہتر کارکردگی کا مظاہرہ کیا ہے اور کمپنی نے منافع کمانا شروع کر دیا ہے۔

### اسٹیل:

عائشہ اسٹیل ملز لمیٹڈ نے 95 فیصد صلاحیت کے مطابق کارکردگی کا مظاہرہ کیا ہے جبکہ گزشتہ سال یہ صلاحیت 89 فیصد تھی۔ رواں مالی سال کے دوران کمپنی نے 214,314 ٹن سی آر سی فروخت کیا جبکہ گزشتہ سال 181,259 ٹن سی آر سی فروخت کیا گیا تھا۔ اس طرح پیداواری لحاظ سے 18 فیصد جبکہ آمدنی کے لحاظ سے 46 فیصد اضافہ ریکارڈ کیا گیا۔ کمپنی نے اپنے پیداواری یونٹس کو وسعت دینے کا عمل شروع کر دیا ہے جس سے پیداواری صلاحیت سالانہ 2 لاکھ 20 ہزار



روپے شامل تھے جو صرف ایک مرتبہ فاطمہ فریلاز رکپنی لمیٹڈ کی جانب سے حاصل کی گئی ذیلی کمپنیوں کو حاصل کرنے کی وجہ سے بارگین پر چیزگین کی مد میں تھے۔ تاہم، زیر جائزہ سال کے دوران ہمارے بروکر تاج ہاؤس کی کارکردگی میں شاندار اضافہ ہوا ہے اور اس کا بعد از ٹیکس منافع گزشتہ سال کے مقابلے میں 115 فیصد زیادہ رہا۔ مزید برآں، ہمارے ونڈ پاور پروجیکٹ نے اپریل 2017 سے اپنی سرگرمیاں شروع کر دی ہیں اور تین ماہ کے آپریشنز کے دوران اس ضمن میں 372.84 ملین روپے کی آمدنی ہوئی ہے۔ علاوہ ازیں، فاطمہ فریلاز رکپنی سے حاصل ہونے والے منافع میں کمپنی کا حصہ 79 فیصد بڑھ گیا ہے اور اس میں ایک مرتبہ کیلئے بارگین کے فوائد شامل نہیں۔ مجموعی طور پر ہونے والی آمدنی کمپنی، اس کے ذیلی اداروں اور ایسوسی ایٹس سے حاصل ہونے والے منافع کے حصہ کی اصل کارکردگی کی عکاسی کرتی ہے۔

غیر مجموعی بنیادوں پر دیکھا جائے تو کمپنی نے بعد از ٹیکس 2.39 ارب روپے کا منافع کمایا ہے جبکہ 16 - 2015 میں کمایا جانے والا منافع 1.28 ارب روپے تھا۔ اس طرح فی شیئر آمدنی 5.27 روپے رہی جو گزشتہ سال 2.82 روپے فی شیئر تھی۔ زیر جائزہ سال کے دوران ہونے والے منافع کی بنیاد پر، بورڈ نے 30 جون 2017 کو ختم ہونے والے مالی سال کیلئے 3 روپے فی شیئر یعنی 30 فیصد کے حتمی نقد منافع کی تجویز پیش کی ہے۔ صرف وہی شیئر ہولڈرز اس منافع کے اہل ہوں گے جن کے نام 20 اکتوبر 2017ء کو کاروباری اوقات کار کے اختتام تک شیئر ہولڈرز کے رجسٹر پر درج ہوں گے۔

### مالی نتائج کا اختصار ذیل میں پیش کیا جا رہا ہے:

2016	2017	
1,281,123,988	2,391,373,017	ٹیکس کے بعد منافع
19,304,067,693	19,450,816,681	میزان کھاتے پر آگے لایا جانے والا غیر استعمال شدہ منافع
20,585,191,681	21,842,189,698	دستیاب قابل استعمال منافع

### مصارف:

1,134,375,000	1,361,250,000	☆ 30 جون 2017 کو ختم ہونے والے سال کیلئے بورڈ آف ڈائریکٹرز کی جانب سے تجویز کردہ حتمی نقد منافع 3 روپے فی شیئر، یعنی 30 فیصد (30 جون 2016 کو ختم ہونے والے سال کیلئے 2.5 روپے فی شیئر یعنی 25 فیصد منافع کی تجویز تھی)
19,450,816,681	20,480,939,698	☆ اگلے صفحے پر منتقل کیا گیا (کیری فارورڈ) غیر تصرف شدہ منافع
2.82	5.27	فی شیئر آمدنی: بنیادی اور ڈیلیویٹڈ

☆ 28 اکتوبر 2017 کو ہونے والے سالانہ عام اجلاس میں ممبران کی منظوری سے مشروط

### ذیلی اداروں اور ایسوسی ایشن کی کارکردگی:

آپ کی کمپنی کچھ عرصے قبل سے استحکام کی جانب گامزن ہے اور اب اس کی تمام تر توجہ اپنے تمام شعبوں کو مضبوط بنانے اور سرمایہ کاری کا پورٹ فولیو مضبوط بنانے پر مرکوز ہے۔ ذیلی اداروں اور ایسوسی ایٹ کمپنیوں نے توقع کے مطابق کارکردگی کا مظاہرہ کیا ہے اور اس کی عکاسی آپ کی کمپنی کے بہتر مالی نتائج سے ہوتی ہے (علیحدہ اور مجموعی مالی گوشواروں کی بنیاد پر)۔ بیرونی آڈیٹرز نے مجموعی مالی گوشواروں کے حوالے سے اپنی رائے موڈیفائی کی ہے اور اس کی وجہ ہماری ایسوسی ایٹ کا آڈٹ نہ ہونا ہے۔ اس حوالے سے تفصیلات نوٹ نمبر 3.1.4.2 میں موجود ہیں۔ اس ضمن میں، ہم آپ کو آگاہ کرنا چاہتے ہیں کہ بینکاری کے شعبے



# ڈائریکٹر رپورٹ

عارف حبیب کارپوریشن لمیٹڈ

عزیز ساتھی شیئر ہولڈرز

ڈائریکٹر ز کو آپ کی کمپنی کی 30 جون 2017 کو ختم ہونے والے مالی سال کی سالانہ رپورٹ اور آڈٹ شدہ مالیاتی گوشوارے بشمول آڈیٹر رپورٹ پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

## بنیادی سرگرمیاں:

عارف حبیب لمیٹڈ (اے ایچ سی ایل) مختلف انواع کے کاروبار کی ہولڈنگ کمپنی ہے جن میں مالیاتی خدمات، صنعتیں اور رینیل اسٹیٹ شامل ہیں۔ فریڈلانڈرز، سیکورٹیز اور کموڈٹیز بروکر، کارپوریٹ فنانس، ایسیٹ مینجمنٹ، سینٹ، اسٹیل، ونڈ پاور (پن بجلی) اور رینیل اسٹیٹ کے شعبے میں کمپنی کے نمایاں مفادات موجود ہیں۔ کمپنی سیکورٹیز مارکیٹ پورٹ فولیو کے انتظامات بھی دیکھتی ہے۔

## معیشت:

امن عامہ کی بہتر ہوتی صورتحال کے دوران معیشت نہ صرف مستحکم ہو رہی ہے بلکہ اس میں اضافہ بھی ہو رہا ہے۔ کئی میکرو اکنامک اشاریے بہتری کی عکاسی کر رہے ہیں؛ تاہم، جاری کھاتوں کا خسارہ بڑھ کر 4 فیصد ہو گیا ہے جس سے غیر ملکی زرمبادلہ کے ذخائر پر دباؤ بڑھ گیا ہے۔ ملک میں وفاقی اور صوبائی سطح پر ترقیاتی سرگرمیوں میں اضافہ ہوا ہے اور دونوں حکومتیں بجلی کی پیداوار اور انفراسٹرکچر کی بہتری پر توجہ مرکوز کیے ہوئے ہیں اور ساتھ ہی پاک چین اقتصادی راہداری (سی پیک) کے منصوبے بھی تیزی سے آگے بڑھ رہے ہیں۔ ان اخراجات کے باوجود، کساد بازاری کی شرح تقریباً 4.2 فیصد ہے اور مطابقتی سودی شرح کم ہے، جس سے نجی شعبے کو بینکوں کی جانب سے قرضوں کے اجرا میں بہتری دیکھنے کو ملی ہے۔ ہمیں برآمدی شعبے اور ساتھ ہی ترسیلات زر میں زوال دیکھنے کو ملا ہے جبکہ دوسری جانب مجموعی قومی پیداوار (جی ڈی پی) کی شرح 4.7 فیصد ہے اور ترقیاتی اخراجات کی وجہ سے پلانٹ اور مشینری کے لحاظ سے درآمدات میں بھی نمایاں اضافہ ہوا ہے، اس کے علاوہ پٹرولیم مصنوعات اور دیگر اشیاء کی درآمد میں بھی اضافہ دیکھا گیا ہے۔

جو عوامل مسابقت میں رکاوٹ بنے ہوئے ہیں ان میں توانائی پر بھاری ٹیکسز، انسانی ترقی کے شعبے میں کم سرمایہ کاری اور نتیجتاً افرادی قوت کی کم پیداوار، آسانی سے کاروبار کرنے کے حوالے سے ہماری کم رینٹنگ اور رکاوٹوں کو دور کرنے کیلئے پالیسی سازوں کی عدم توجہ کے باعث صنعتی ترقی اور استعداد میں رکاوٹ پیدا ہو رہی ہے۔

حال ہی میں ہونے والی مردم شماری نے آبادی کی تیزی سے بڑھتی شرح کی عکاسی کی ہے اور ساتھ ہی تیزی سے ملازمتیں پیدا کرنے کی ضرورت کو اجاگر کیا ہے۔ نظر ثانی کے بعد شدہ فی کس آمدنی کم ہو گئی ہے۔ پالیسی کے ذریعے ایسے اقدامات کرنے کی اشد ضرورت ہے جن کی مدد سے معاشی فوائد کے حصول میں تیزی لائی جاسکے اور انہیں مستحکم کیا جاسکے۔

## مالی نتائج:

کمپنی نے رواں سال بعد از ٹیکس (مالکان کیلئے قابل وصف) 3.28 ارب روپے کا منافع ریکارڈ کیا جبکہ 2016 میں کمایا جانے والا منافع 3.54 ارب روپے تھا۔ اس طرح فی شیئر آمدنی 7.22 روپے فی شیئر رہی جبکہ گزشتہ سال یہ آمدنی 7.81 فی شیئر تھی۔ گزشتہ سال مجموعی ای پی ایل میں 4.03



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