

Quarterly Report  
31<sup>st</sup> March 2021



# Investing in **Tomorrow**



Arif Habib Corp





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# Company Information

## Board of Directors

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Dr. Shamshad Akhtar  
Chairperson - Independent Director

Arif Habib  
Chief Executive Officer

Sirajuddin Cassim  
Independent Director

Asadullah Khawaja  
Non-Executive Director

Nasim Beg  
Non-Executive Director

Samad A. Habib  
Non-Executive Director

Kashif A. Habib  
Non-Executive Director

Muhammad Ejaz  
Non-Executive Director

## Audit Committee

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Sirajuddin Cassim - Chairman

Kashif A. Habib - Member

Muhammad Ejaz - Member

## Management

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

## Bankers

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

### Auditors

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KPMG Taseer Hadi & Co.  
Chartered Accountants

### Legal Advisors

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Bawaney & Partners  
Akhund Forbes Hadi

### Registered & Corporate Office

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

### Registrar & Share Transfer Agent

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CDC Share Registrar Services Limited

### Share Registrar Office

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

### Corporate Memberships

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

# Directors' Review Report

## Dear Shareholders,

The Directors of Arif Habib Corporation Limited (AHCL) present herewith the Directors' report of the Company together with condensed interim consolidated and unconsolidated financial statements for the nine months period ended 31st March 2021.

## The Economy

Economic activity has continued on a recovery path post COVID-19 first wave. Policy rate sustained at 7%, signaling pro-growth policy of SBP. GDP growth is now projected at 3% by SBP as compared to negative growth rate of 0.4% last year. Large Scale Manufacturing Index has posted a growth rate of 7.4% YoY acceleration during 8MFY21. Meanwhile, the external account continues to show resilience with remittances continuing to remain upbeat, growing at 26% in the first nine months of the current financial year. The Current Account is a surplus by USD 881 million during 8MFY21 against a deficit of USD 2,741 million same period last year. FBR has exceeded its tax collection target by PKR 100 billion, having collected nearly PKR 3.4 trillion during 9M-FY21. Rupee value appreciated by ~10.0% year-to-date against the greenback during the current financial year. On the inflationary front, supply side issues continue to haunt food inflation while core inflation has managed to show resilience, while CPI is at 8.3% YoY during 9M-FY21.

## Financial Results

During the nine months period ended 31 March 2021 (9M-FY21) under review, on a consolidated basis, your Company posted a profit-after-tax (attributable to AHCL's ownership) of PKR 5,330.99 million as opposed to profit-after-tax of PKR 2,194.52 million during the same period last year (SPLY). This translates to an earning of PKR 13.05 per share during 9M-FY21 as compared with profit of PKR 5.29 per share in the SPLY. On standalone basis during 9M-FY21, AHCL recorded operating revenue of PKR 237.25 million. After accounting for net realised capital gain of PKR 204.63 million on sale of securities, and net unrealised gain on re-measurement of investments amounting to PKR 3,081.19 million, and operating, administrative, impairment loss on an investment, financial and other expenses of PKR 155.27 million, the Company recorded a profit-before-tax of PKR 3,383.35 million during 9M-FY21 as compare with profit-before-tax of PKR 600.98 million during SPLY. The Company has reported an after-tax profit of PKR 3,124.01 million for the 9M-FY21 as compared with after-tax profit of PKR 583.12 million during SPLY. During the third quarter of the current financial year, AHCL recorded a profit-after-tax of PKR 633.91 million as compared to a profit-after-tax of PKR 1,589.57 million in the corresponding quarter. Earnings per share during the third quarter remained PKR 1.55 as compared to profit per share of PKR 3.89 during SPLY. During the comparative reporting period, the Company had opted for special accounting treatment as allowed by SECP vide S.R.O. 278(I)/2020 dated 1st April 2020 with respect to recognition of unrealised loss arising on fair value measurement of equity instruments classified as 'Fair Value through Profit or Loss' held as at 31 March 2020 in the statement of changes in equity as a separate component of equity rather than in the statement of profit or loss. Accordingly in the comparative quarter, unrealised loss on re-measurement of investments have not been recorded in the statement of profit or loss and same is recorded in the statement of changes in equity.

## Performance of Subsidiaries and Associates

Our Securities brokerage subsidiary, Arif Habib Limited (AHL) and asset management company, MCB-Arif Habib Savings & Investments Limited (MCBAH) have both reaped benefits from the remarkable performance of the Stock Market. During the quarter under review, the benchmark KSE-100 index saw a 22 months high with the Market touching the 47,000 level and closed at 44,588 points. On account of this, AHL has posted its highest ever profit of PKR 1,587 million (EPS: 26.71) during 9M-FY21 which is 1,039% higher than the comparative period. MCBAH has also posted remarkable profit after tax of PKR 287.79 million during 9M-FY21 as compared with PKR 127.54 million during the SPLY. Also, the net asset under management increased by 47% to Rs.148 billion as compared to corresponding period last year.

With the combined name plate capacity of 2.57 million MT/year representing almost one third of total name plate production capacity of fertilizers in Pakistan, the fertilizer manufacturing associate, Fatima Fertilizer Company Limited's, operational and financial performance remained impressive, with the company posting after-tax profit of PKR 3,773 million for the quarter ended March 31, 2021 as compared with PKR 2,459 during the SPLY. Fatima's overall production volumes have also improved as compared to last year mainly due to production volumes from the Multan plant which was acquired in second half of 2020. Sachal Energy, our wind energy project, posted after-tax profit of PKR 1,115.2 million during 9M-FY21 while plant availability factor remained more than 99%.

Aisha Steel Mills Limited recorded its highest ever nine month after-tax profit of PKR 4,752 million with an EPS (basic) of PKR 6.11 during 9M-FY21. Aisha's sales revenue crossed PKR 41 billion during 9M-FY21 showing a growth of around 66% compared to the SPLY. Performance of Javedan and Power Cement remained satisfactory.

## Future Outlook

The prevailing low interest rate regime is likely to keep economic activity upbeat. However, ambitious revenue targets are expected to be set for the FBR in the next budget resulting in additional taxes.

We expect robust sales in the fertiliser and steel sectors to continue and coupled with strong pricing, margins are expected to remain healthy, supporting the overall profitability of your company. Financial services are also expected to perform well with equities being seen as the preferred asset class due to low interest rates, which should not only be a trigger for stock market performance, but also for trading volumes at the bourse. Furthermore, we expect the cement business to be supported by increased construction activity going forward.

On an overall basis, your company is confident to show a stellar performance going forward attributable to its excellently diversified portfolio.

## Acknowledgement

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



**Mr. Arif Habib**  
Chief Executive

Karachi: 29<sup>th</sup> April 2021

**For and on behalf of the Board**



**Dr. Shamsad Akhtar**  
Chairperson







# Condensed Interim Unconsolidated Financial Statements

FOR THE NINE MONTHS PERIOD ENDED 31<sup>st</sup> MARCH 2021

# CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31<sup>st</sup> March 2021

		31 March 2021 (Unaudited)	30 June 2020 (Audited)
	Note	(Rupees)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital		10,000,000,000	10,000,000,000
Share capital			
Issued, subscribed and paid up share capital	5	4,083,750,000	4,083,750,000
Revenue reserves			
General reserve		4,000,000,000	4,000,000,000
Fair value reserve		20,085,153	20,085,153
Unappropriated profit		12,510,653,628	9,999,201,190
		16,530,738,781	14,019,286,343
		20,614,488,781	18,103,036,343
Non-current liabilities			
Deferred taxation - net		228,117,888	101,282,836
Lease liability		2,608,888	14,582,113
		230,726,776	115,864,949
Current liabilities			
Trade and other payables		4,379,984	4,647,143
Mark-up accrued on borrowings		702,752	24,059,455
Short term borrowings	6	-	670,828,552
Current portion of lease liability		15,325,860	12,754,406
Taxation - net		-	27,772,826
Unclaimed dividend		19,608,404	19,062,446
		40,017,000	759,124,828
Contingencies and commitments			
	7	20,885,232,557	18,978,026,120

Chief Executive Officer

Chief Financial Officer

Director

# CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31<sup>st</sup> March 2021

		31 March 2021 (Unaudited)	30 June 2020 (Audited)
	Note		(Rupees)
ASSETS			
Non-current assets			
Operating fixed assets	8	47,495,359	61,589,127
Long term investments	9	16,449,449,230	15,325,669,912
Long term loan to related party	10	134,970,641	134,970,641
Long term deposits and other receivables		3,144,728	2,537,030
		16,635,059,958	15,524,766,710
Current assets			
Loans and advances	11	35,532,642	34,561,656
Mark-up receivable	12	4,986,662	21,636,362
Prepayments, trade and other receivables	13	21,082,107	649,189,817
Advance taxation - net		14,469,424	-
Short term investments	14	3,881,098,828	2,712,628,138
Cash and bank balances		293,002,936	35,243,437
		4,250,172,599	3,453,259,410
		20,885,232,557	18,978,026,120

The annexed notes 1 to 25 form an integral part of these condensed interim unconsolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

# CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the nine months period and quarter ended 31<sup>st</sup> March 2021

	Note	Nine months period ended		Quarter ended	
		31 March	31 March	31 March	31 March
		2021	2020	2021	2020
----- (Rupees) -----					
Operating revenue	15	237,254,772	165,610,581	55,753,468	32,851,264
Gain / (loss) on sale of investments - net		204,628,142	683,209,519	61,177,255	(5,526,903)
Gain on remeasurement of investments - net	16	3,081,192,256	-	584,694,937	1,632,413,862
		3,523,075,170	848,820,100	701,625,660	1,659,738,223
Operating and administrative expenses		(85,652,163)	(92,102,091)	(25,532,627)	(38,128,813)
Impairment loss on an investment	9.1.3	(50,000,000)	-	-	-
Finance cost	17	(19,249,663)	(171,158,810)	(1,315,388)	(33,843,395)
Other income		15,540,891	16,037,970	4,493,245	5,345,018
Other charges		(365,392)	(616,378)	-	(42,203)
Profit before tax		3,383,348,843	600,980,791	679,270,890	1,593,068,830
Taxation	18	(259,333,905)	(17,855,939)	(45,358,308)	(3,497,607)
Profit for the period		3,124,014,938	583,124,852	633,912,582	1,589,571,223
Other comprehensive income		-	-	-	-
Total comprehensive income		3,124,014,938	583,124,852	633,912,582	1,589,571,223
Earnings per share - basic and diluted	19	7.65	1.41	1.55	3.89

The annexed notes 1 to 25 form an integral part of these condensed interim unconsolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

# CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months period and quarter ended 31<sup>st</sup> March 2021

	Issued, subscribed and paid up share capital	Fair value reserve *	Revenue Reserves			Fair value adjustment under specially opted accounting treatment	Total
			General reserve	Unappropriated profit	Sub total		
Balance as at 1 July 2019	4,537,500,000	-	4,000,000,000	11,340,451,283	15,340,451,283	-	19,877,951,283
<b>Total comprehensive loss for the nine months period ended 31 March 2020</b>							
Profit for the period	-	-	-	583,124,852	583,124,852	-	583,124,852
Other comprehensive income for the period	-	-	-	-	-	-	-
	-	-	-	583,124,852	583,124,852	-	583,124,852
Fair value adjustment of FVPL under specially opted accounting treatment (Refer note 16.1)	-	-	-	-	-	(3,749,897,057)	(3,749,897,057)
<b>Transactions with owners of the Company recorded directly in equity</b>							
Buy-back of shares at Rs. 27 per share	(453,750,000)	-	-	(771,375,000)	(771,375,000)	-	(1,225,125,000)
Balance as at 31 March 2020	4,083,750,000	-	4,000,000,000	11,152,201,135	15,152,201,135	(3,749,897,057)	15,486,054,078
<b>Total comprehensive income for the three months period ended 30 June 2020</b>							
Profit for the period	-	-	-	(1,152,999,945)	(1,152,999,945)	3,749,897,057	2,596,897,112
Other comprehensive income for the period	-	20,085,153	-	-	20,085,153	-	20,085,153
	-	20,085,153	-	(1,152,999,945)	(1,132,914,792)	3,749,897,057	2,616,982,265
Balance as at 30 June 2020	4,083,750,000	20,085,153	4,000,000,000	9,999,201,190	14,019,286,343	-	18,103,036,343
<b>Total comprehensive income for the nine months period ended 31 March 2021</b>							
Profit for the period	-	-	-	3,124,014,938	3,124,014,938	-	3,124,014,938
Other comprehensive income for the period	-	-	-	-	-	-	-
	-	-	-	3,124,014,938	3,124,014,938	-	3,124,014,938
<b>Transactions with owners of the Company recorded directly in equity - Distribution</b>							
Final cash dividend at the rate of Rs. 1.5 per share for the year ended 30 June 2020	-	-	-	(612,562,500)	(612,562,500)	-	(612,562,500)
Balance as at 31 March 2021	4,083,750,000	20,085,153	4,000,000,000	12,510,653,628	16,530,738,781	-	20,614,488,781

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

The annexed notes 1 to 25 form an integral part of these condensed interim unconsolidated financial statements.

Chief Executive Officer

Chief Financial Officer

Director

# CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

		Nine months period ended	
		31 March 2021	31 March 2020
	Note	(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Net cash generated from operations</b>	20	<b>879,411,388</b>	1,560,790,024
Income tax paid		(174,741,103)	(24,840,455)
Finance cost paid		(40,513,742)	(194,426,001)
Dividend received		854,092,874	98,649,167
Interest received		35,003,493	133,080,333
<b>Net cash generated from operating activities</b>		<b>1,553,252,910</b>	1,573,253,068
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure incurred		(1,025,874)	(15,868,894)
Proceeds from sale of operating fixed assets		1,366,000	57,626
Change in long term deposits		(607,698)	(50,000)
Purchase of investment properties		-	(183,117,445)
<b>Net cash used in investing activities</b>		<b>(267,572)</b>	(198,978,713)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of lease liability		(11,494,395)	(8,211,917)
Dividend paid		(612,562,500)	-
Loan from a sponsor - net		-	800,000,000
Buy-back of shares		-	(1,225,125,000)
<b>Net cash used in financing activities</b>		<b>(624,056,895)</b>	(433,336,917)
<b>Net increase in cash and cash equivalents</b>		<b>928,928,443</b>	940,937,438
<b>Cash and cash equivalents at beginning of the period</b>		<b>(635,585,115)</b>	(1,377,025,450)
<b>Effect of exchange rate fluctuations on cash held</b>		<b>(340,392)</b>	(374,175)
<b>Cash and cash equivalents at end of the period</b>	21	<b>293,002,936</b>	(436,462,187)

The annexed notes 1 to 25 form an integral part of these condensed interim unconsolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

## 1. LEGAL STATUS AND NATURE OF BUSINESS

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

These condensed interim unconsolidated 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 condensed interim financial statements are prepared separately.

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

### Name of Companies

### Shareholding

#### *Subsidiaries*

- Arif Habib Limited, a brokerage house	69.44%
- Sachal Energy Development (Pvt) Limited, a wind power generation company	85.83%
- Black Gold Power Limited, a coal power generation company	100.00%

#### *Associates*

- MCB-Arif Habib Savings and Investments Limited - a pension fund manager, asset management company and investment advisor	30.09%
- Pakarab Fertilizers Limited - a fertilizer company	30.00%
- Fatima Fertilizer Company Limited - a fertilizer company	15.19%

#### *Others*

- Khabeer Financial Services (Private) Limited	5.00%
- Sunbiz (Private) Limited	4.65%

# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

## 1.1 Change in the composition of the Group

There is no change of shareholding in long term investments from the preceding annual audited unconsolidated financial statements for the year ended 30 June 2020.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These condensed interim unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of;

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34 or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**2.2** These condensed interim unconsolidated financial statements are unaudited and do not include all the statements required for full annual financial statements and should be read in conjunction with the audited annual unconsolidated financial statements of the Company as at and for the year ended 30 June 2020.

**2.3** The comparative statement of financial position presented in these condensed interim unconsolidated financial statements has been extracted from the audited annual unconsolidated financial statements of the Company for the year ended 30 June 2020, whereas the comparative condensed interim unconsolidated statement of profit or loss and other comprehensive income, condensed interim unconsolidated statement of cash flows and condensed interim unconsolidated statement of changes in equity are extracted from the unaudited condensed interim unconsolidated financial statements for the nine months period ended 31 March 2020.

**2.4** These condensed interim unconsolidated financial statements have been prepared on the basis of a single reportable segment.



# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

## 2.5 Basis of measurement

These condensed interim unconsolidated financial statements have been prepared under the historical cost convention, except as stated otherwise and should be read in conjunction with the audited annual unconsolidated financial statements of the Company as at and for the year ended 30 June 2020.

## 2.6 Functional and presentation currency

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

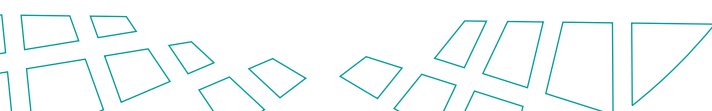
## 3. IMPACT OF COVID-19

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

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

## 4. SIGNIFICANT ACCOUNTING POLICIES

- 4.1** The accounting policies and the methods of computation adopted in the preparation of these condensed interim unconsolidated financial statements are the same as those applied in the preparation of annual audited unconsolidated financial statements of the Company as at and for the year ended 30 June 2020.



# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

## 4.2 New standards, interpretations and amendments adopted by the Company

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after 1 July 2020 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore are not detailed in these condensed interim unconsolidated financial statements.

## 4.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective.

In addition certain IFRS, amendments and interpretations to approved accounting standards are not yet effective. However, these are not likely to have any material effect on the Company's financial statements.

## 4.4 Accounting estimates and judgments

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

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements as at and for the year ended 30 June 2020.



# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

## 5. SHARE CAPITAL

### 5.1 Authorised share capital

31 March 2021 (Number of shares)	30 June 2020		31 March 2021 (Unaudited) (Rupees)	30 June 2020 (Audited)
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	10,000,000,000	10,000,000,000

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

31 March 2021 (Number of shares)	30 June 2020		31 March 2021 (Unaudited) (Rupees)	30 June 2020 (Audited)
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	455,750,000	455,750,000
4,507,500,000	4,507,500,000		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)
(45,375,000)	(45,375,000)	Ordinary shares of Rs. 10 each bought back at Rs. 27 per share	(453,750,000)	(453,750,000)
408,375,000	408,375,000		4,083,750,000	4,083,750,000

## 6. SHORT TERM BORROWINGS

- 6.1 Running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 3,600 million (30 June 2020: Rs. 3,600 million). This include sub-limit of Rs. 800 million for Standby Letter of Credit (SBLC) availed from National Bank of Pakistan. These facilities have various maturity dates up to 30 September 2021, and need to be renewed after that these arrangements are secured against pledge of marketable securities with minimum 30% margin (30 June 2020: 30% margin).

# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

- 6.2** These running finance facilities carry mark-up ranging from 1 month KIBOR + 1% to 3 month KIBOR + 1.75% per annum (30 June 2020: 1 month KIBOR + 1% to 3 month KIBOR + 1.75% per annum) calculated on a daily product basis, and is payable quarterly. The aggregate amount of these facilities which have not been availed as at the reporting date amounts to Rs. 3,600 million (30 June 2020: Rs. 2,929 million).

## **7. CONTINGENCIES AND COMMITMENTS**

- 7.1** There is no other change in the status of contingencies and commitments as disclosed in the preceding audited annual unconsolidated financial statements of the Company as at and for the year ended 30 June 2020 except for the following:

- The Company has further pledged shares for securing running finance facilities of Rs. 573.3 million obtained by Arif Habib Limited (related party).
- The Company had issued corporate guarantee on behalf of subsidiary company, Sachal Energy Development (Private) Limited, amounting to USD 100 million. During the period, the exposure against this guarantee was reduced to USD 65 million.
- The Company had issued corporate guarantee on behalf of associated concern, Power Cement Limited to the extent of USD 10.127 million. During the period, the exposure against this guarantee was reduced to USD 4.264 million.

- 7.2** During financial year 2020, Silkbank Limited's sponsor has exercised the option granted to him to purchase the Company's entire investment in Silkbank Limited. Accordingly, the Company has already derecognised its investment in Silkbank Limited and has also set off relevant deposits and margin against this investment. However, shares will be transferred as per the option agreement in due course in line with regulatory approvals.

# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

## 8. OPERATING FIXED ASSETS

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

	Nine months period ended March 2021		Nine months period ended March 2020	
	Additions (Unaudited)	Disposals (Unaudited)	Additions (Unaudited)	Disposals (Unaudited)
	(Rupees)			
Office equipment	32,000	-	-	-
Vehicle	463,900	396,600	15,717,281	57,626
Computer equipment	529,974	-	151,613	-
Right-of-use asset - Building	-	-	38,482,259	-
	1,025,874	396,600	54,351,153	57,626

## 9. LONG TERM INVESTMENTS

	Note	31 March 2021 (Unaudited) (Rupees)	30 June 2020 (Audited) (Rupees)
Subsidiaries - at cost	9.1	4,903,984,832	4,953,984,832
Associates - designated at FVTPL	9.2	10,195,464,398	9,021,685,080
Associates - at FVOCI	9.3	1,350,000,000	1,350,000,000
Other equity securities - at FVOCI	9.4	-	-
		16,449,449,230	15,325,669,912

### 9.1 Subsidiaries - at cost

	Note	Cost	Provision for Impairment	Carrying amount 31 March 2021 (Unaudited) (Rupees)	30 June 2020 (Audited)
<i>Listed</i>					
Arif Habib Limited (AHL)	9.1.1	2,157,519,772	-	2,157,519,772	2,157,519,772
<i>Unlisted</i>					
Sachal Energy Development (Private) Limited (SEDPL)		2,746,465,060	-	2,746,465,060	2,746,465,060
Black Gold Power Limited (BGPL)	9.1.2	50,000,000	(50,000,000)	-	50,000,000
		4,953,984,832	(50,000,000)	4,903,984,832	4,953,984,832

# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

**9.1.1** Market value of these shares as at 31 March 2021 was Rs. 2.73 billion.

**9.1.2** Investment in BGPL (unquoted) represents 5 million (30 June 2020: 5 million) fully paid ordinary shares of Rs. 10 each, representing 100% (30 June 2020: 100%) of BGPL's paid up share capital as at 31 March 2021. BGPL has been allocated with supply of coal for its 660 MW Thar Coal based power project to be constructed, commissioned and operated at Thar Block II.

During the period, the Company has reassessed the indicator of impairment against its investment. Management has recognized impairment of Rs. 50 million against the said investment (30 June 2020: Rs. Nil in aggregate). Consequently the investment is carried at Nil value in these condensed interim unconsolidated financial statements.

## 9.1.3 Movement in provision for impairment

	31 March 2021 (Unaudited)	30 June 2020 (Audited)
	(Rupees)	
Balance as at 1 July 2020	-	-
Provision made during the year	50,000,000	-
Balance as at 31 March 2021	50,000,000	-

## 9.2 Associates - designated at FVTPL

	Cost at the beginning and the end of the period to date	Unrealised appreciation on remeasurement of investments	Carrying amount	
			31 March 2021 (Unaudited)	30 June 2020 (Audited)
	(Rupees)			
<i>Listed entities</i>				
MCB - Arif Habib Savings and Investments Limited(MCB-AH)	477,694,882	345,543,464	823,238,346	494,809,574
Fatima Fertilizer Company Limited (FFCL)	3,512,782,225	5,859,443,827	9,372,226,052	8,526,875,506
	3,990,477,107	6,204,987,291	10,195,464,398	9,021,685,080

# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

## 9.3 Associates - at FVOCI

	Cost at the beginning and the end of the period to date	Unrealised appreciation on remeasurement of investments	Carrying amount	
			31 March 2021 (Unaudited)	30 June 2020 (Audited)
			----- (Rupees) -----	
Pakarab Fertilizers Limited (PFL)	1,324,332,073	25,667,927	1,350,000,000	1,350,000,000

## 9.4 Other equity securities - at FVOCI

The Company has designated below investment as equity securities at FVOCI.

	Note	31 March 2021		
		Shares (Number)	Cost ----- (Rupees)	Fair value ----- (Rupees)
Sun Biz (Private) Limited (SBL)	9.4.1	10,000	1,000,000	-
Al-Khabeer Financial Services (Private) Limited (AKFS)	9.4.1	5,000	1,000,000	-
				-

**9.4.1** Investment in SBL (unquoted) and AKFS (unquoted) were fully impaired in previous years and no change in fair value has been recognised in current period.

**9.5** Fair value of long term investments pledged with banking companies against various financing facilities amounts to Rs. 4,382 million (30 June 2020: Rs. 4,120 million).

## 10. LONG TERM LOAN TO RELATED PARTY - Secured

	31 March 2021 (Unaudited) (Rupees)	30 June 2020 (Audited)
Aisha Steel Mills Limited (ASML)	163,404,133	163,404,133
Less: Current portion of long term loan	(28,433,492)	(28,433,492)
	134,970,641	134,970,641

# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

- 10.1** The Company entered into loan agreement with ASML. The loan is a syndicate loan and secured against first charge on all present and future fixed assets, accounts receivables and interest in any insurance claim and equitable mortgage of land and building. The mark-up rate in the said loan is 6 month KIBOR + 3.25% per annum (30 June 2020: 6 months KIBOR + 3.25% per annum). At the period end the applicable markup rate was 10.60%. The rate of mark-up on the loan during the period was ranged between 10.49% to 10.60% per annum (30 June 2020: ranged between 16.38% to 16.74% per annum). Mark-up is payable on semi-annual basis.

The repayment terms of the above loan has been rescheduled under the State Bank of Pakistan's deferment scheme vide BPRD Circular letter No. 13 of 2020 dated 26 March 2020 and now the balance is repayable in semi-annually instalments of Rs. 28.43 million. The loan is repayable by January, 2025. The repayment period due to above deferment has been extended by one year and has been approved by the shareholders in their Annual General Meeting. No other terms have been revised.

- 10.2** Maximum balance due from related party in respect of long term loan as at the end of any month during the period was Rs. 163.40 million (30 June 2020: Rs. 163.40 million) including the short term portion.

## 11. LOANS AND ADVANCES - considered good

	Note	31 March 2021 (Unaudited)	30 June 2020 (Audited)
		(Rupees)	
Loans to related parties			
Black Gold Power Limited (BGPL)	11.1	5,500,000	5,500,000
<i>Secured</i>			
Current portion of long term loan to Aisha Steel Mills Limited (ASML)	10	28,433,492	28,433,492
Advance against salaries to employees		1,599,150	628,164
		<b>35,532,642</b>	<b>34,561,656</b>



# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

- 11.1** The Company entered into an interest free financing agreement with BGPL, a wholly owned subsidiary, to the extent of Rs. 10 million in order to finance its working capital requirements and for any other business as may be mutually agreed between the parties to the agreement. The loan is repayable within 30 business days of notice of demand.

Maximum balance due from related parties in respect of loans and advances as at the end of any month during the period was Rs. 205.5 million (30 June 2020: Rs. 762 million).

## 12. MARK-UP RECEIVABLE

	Note	31 March 2021 (Unaudited)	30 June 2020 (Audited) (Rupees)
From related parties:			
- Aisha Steel Mills Limited	12.1	4,270,892	21,441,982
- Power Cement Limited		715,770	-
- Javedan Corporation Limited		-	147,616
Others:			
Banks saving account		-	46,764
		<b>4,986,662</b>	<b>21,636,362</b>

- 12.1** Represents the markup receivable on a loan of Rs. 230 million given to the Power Cement Limited, the said loan was repaid during the period.

- 12.3** The maximum amount due from related parties in respect of mark-up receivable as at the end of any month during the period was Rs. 9.86 million (30 June 2020: Rs. 36.32 million). Further, the said receivable from related parties are on account of loans provided to them which are current and not past due.

# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

## 13. PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	Note	31 March 2021 (Unaudited) (Rupees)	30 June 2020 (Audited)
Prepayments		6,054,862	4,427,879
Guarantee commission receivable from related parties:			
- Arif Habib Limited		457,168	454,370
- Sachal Energy Development (Private) Limited		2,578,713	3,045,845
- Aisha Steel Mills Limited		1,076,290	1,095,427
- Power Cement Limited		381,074	445,884
		4,493,245	5,041,526
Dividend receivable		-	638,000,412
Others		10,534,000	1,720,000
		<b>21,082,107</b>	<b>649,189,817</b>

**13.1** The maximum amount due from related party as at the end of any month during the period was Rs. 5.16 million (30 June 2020: Rs. 5.39 million).

## 14. SHORT TERM INVESTMENTS

	Note	31 March 2021 (Unaudited) (Rupees)	30 June 2020 (Audited)
Equity securities - at FVTPL	14.1	<b>3,881,098,828</b>	2,712,628,138

**14.1** This includes investments in associated concerns, Aisha Steel Mills Limited, Power Cement Limited and Javedan Corporation Limited.

**14.2** Fair value of short term investments pledged with banking companies against various financing facilities amounts to Rs. 294.26 million (30 June 2020: Rs. 288.07 million).

# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

## 15. OPERATING REVENUE

	Nine months period ended		Quarter ended	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	(Rupees)			
Dividend income	216,092,462	98,649,167	48,744,376	21,664,167
Mark-up on loans and advances	18,353,793	61,044,133	5,000,042	9,281,990
Mark-up on bank deposits	2,808,517	313,799	2,009,050	36,012
Mark-up on term finance certificates	-	5,603,482	-	1,869,095
	237,254,772	165,610,581	55,753,468	32,851,264

## 16. GAIN ON REMEASUREMENT OF INVESTMENTS - NET

Long Term Investment - at FVTPL	1,173,779,318	-	304,011,952	1,061,604,837
Short Term Investment - at FVTPL	1,907,412,938	-	280,682,985	570,809,025
	3,081,192,256	-	584,694,937	1,632,413,862

- 16.1** In comparative period, the Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O. 278(I)/2020 dated 1 April 2020 had allowed all companies to recognize unrealised gain / loss arising on fair value measurement of equity Instruments classified as "Fair Value through Profit or Loss" held as at 31 March 2020 in the statement of changes in equity as a separate component of equity. As per that circular the amount taken to equity on 31 March 2020, after any adjustment/effect for price movements shall be taken to the Statement of Profit or Loss for the year/period ended 30 June 2020. However, this amount taken to equity, shall be treated as a charge to statement of profit or loss for the purposes of distribution as dividend, where applicable.

The recognition of unrealised loss on fair value measurement in accordance with the requirements of IFRS-9 'Financial Instruments' would had the effect of Rs. 3,749,897,057 on the comparative condenses interim unconsolidated financial statements for the period ended 31 March 2020.

# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

## 17. FINANCE COST

	Nine months period ended		Quarter ended	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	(Rupees)			
Mark-up on running finance	12,782,321	167,835,194	702,752	32,847,633
Mark-up on loan from Sponsor	4,355,592	-	25,934	-
Bank charges	19,126	41,138	4,148	1,782
Interest expense - Lease Liability	2,092,624	3,282,478	582,554	993,980
	19,249,663	171,158,810	1,315,388	33,843,395

## 18. TAXATION

Current	132,498,853	16,042,366	10,335,658	3,497,607
Prior	-	1,813,573	-	-
Deferred	126,835,052	-	35,022,650	-
	259,333,905	17,855,939	45,358,308	3,497,607

**18.1** The provision for current year tax represents tax on taxable income at the rate of 29% (30 June 2020: 29%) per annum or minimum tax per annum, whichever is higher. The rate of tax imposed on the taxable income of a Company for the tax year 2021 and onwards is 29%. The Company computes current tax expense based on the generally accepted interpretation of the tax laws to ensure that sufficient provision for the purpose of taxation is available. According to management, the tax provision made in these condensed unconsolidated interim financial statements is sufficient.

**18.2** During the period, the petition filed by the Company against the imposition of super tax for rehabilitation of temporarily displaced persons under section 4B of the Income Tax Ordinance, 2001 for the tax years 2015 to 2019 in the Honourable High Court of Sindh was rejected vide order dated 21 July 2020. The Company, in consultation with its legal and tax advisors, has filed an appeal against the decision of the Honourable High Court of Sindh in the Supreme Court of Pakistan.

Consequent to the High Court judgement, the tax authorities issued notices to the Company and subsequently framed orders for the recovery of super tax for the relevant tax years. An appeal has been filed against these orders with the Commissioner Inland Revenue (Appeals) along with stay against recovery of demand based on certain contentious and factual grounds. Further, through an interim order dated 26 November 2020, the Honourable Supreme Court of Pakistan has ordered for no coercive action against the petitioners who deposit 50% of outstanding tax demand. The management has assessed the sufficiency of tax provision on account of super tax and considers that these sufficient for the purpose.

# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

Further, the deemed assessments for the tax years 2016 to 2019 were subsequently modified by the Additional Commissioner Inland Revenue by issuing amended assessment orders (Orders), mainly attempting to reclassify company's normal business income to income from other sources. The Company had filed appeal before the CIR (Appeals) against the Orders, who remanded back the liability raised through the Order for tax year 2019. Appeals for remaining tax years are pending for adjudication before CIR (Appeals), while the Company has sought stay on payment of demand from the Honourable High Court of Sindh against the remaining Orders. The legal advisor of the Company is of the opinion that there are reasonable grounds for a favourable decision.

## 18.3 DEFERRED TAXATION - NET

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

	Note	31 March 2021 (Unaudited)	30 June 2020 (Audited)
		(Rupees)	
Taxable temporary differences			
- Unrealised gain on investment in equity securities at FVTPL		182,952,731	-
- Accelerated accounting depreciation		1,255,648	-
- Associates - at FVOCI		5,582,774	5,582,774
- Dividend receivable		-	95,700,062
		189,791,153	101,282,836
Deductible temporary differences			
- Impairment loss on long term investment - unquoted		(11,310,000)	(435,000)
- Right of use asset / lease liability		(551,137)	(487,687)
- Accelerated accounting depreciation		-	(264,692)
- Unrealised loss on investment in equity securities at FVTPL		-	(90,789,262)
		(11,861,137)	(91,976,641)
- Unused tax losses		(196,706,850)	(145,086,693)
		(18,776,834)	(135,780,498)
Deferred tax asset not recognised (including on losses)	18.3.1	246,894,722	237,063,334
Deferred tax liability		228,117,888	101,282,836

# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

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

## 19. 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 period. There is no dilutive effect on the basic earnings per share of the Company:

	Nine months period ended		Quarter ended	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	(Rupees)			
Profit for the period	<b>3,124,014,938</b>	583,124,852	<b>633,912,582</b>	1,589,571,223
	(Number)			
Weighted average number of ordinary shares	<b>408,375,000</b>	414,810,000	<b>408,375,000</b>	408,375,000
	(Rupees)			
Earnings per share - basic and diluted	<b>7.65</b>	1.41	<b>1.55</b>	3.89

# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

## 20. NET CASH GENERATED FROM OPERATIONS

	Nine months period ended	
	31 March 2021	31 March 2020
	(Rupees)	
Profit before tax	3,383,348,843	600,980,791
<b>Adjustments for:</b>		
Depreciation	14,723,042	12,989,735
Dividend income	(216,092,462)	(98,649,167)
Mark-up on loans and advances	(18,353,793)	(61,044,133)
Mark-up on term finance certificates	-	(5,603,482)
Gain on remeasurement of long term investments	(1,173,779,318)	-
Gain on remeasurement of short term investments	(1,907,412,938)	-
Gain on disposal of assets	(969,400)	-
Exchange loss	340,392	374,175
Interest expense on lease	2,092,624	-
Impairment loss on investments	50,000,000	-
Finance cost	17,157,039	171,158,810
	(3,232,294,814)	19,225,938
	151,054,029	620,206,729
<b>Effect on cash flow due to working capital changes</b>		
<b>Decrease / (increase) in current assets</b>		
Loans and advances	(970,986)	(293,349,007)
Prepayments, trade and other receivables	(9,892,702)	4,310,326
Short term investments	738,942,248	6,151,493,807
	728,078,560	5,862,455,126
<b>(Decrease) / increase in current liabilities</b>		
Trade and other payables	(267,159)	(4,909,706,518)
Unclaimed dividend	545,958	(12,165,313)
	278,799	(4,921,871,831)
<b>Net cash generated from operations</b>	<b>879,411,388</b>	<b>1,560,790,024</b>

## 21. CASH AND CASH EQUIVALENTS

Cash and bank balances	Note	293,002,936	30,037,427
Short term borrowings	6	-	(466,499,614)
		293,002,936	(436,462,187)

# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

## 22. FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. These condensed interim unconsolidated financial statements do not include all financial risk management statements and disclosures required in the audited annual unconsolidated financial statements; they should be read in conjunction with the Company's audited annual unconsolidated financial statements as at and for the year ended 30 June 2020 as financial risk management objectives and policies are consistent with the prior year.

## 23. FAIR VALUE MEASUREMENTS

A number of the Company's accounting policies and disclosures 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) elected to be measured at fair value and financial assets where prices are not quoted or readily available in the market. Involvement of external valuers is decided upon by management. Selection criteria include market knowledge, reputation, relevant experience, independence and whether professional standards are maintained.

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

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

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



# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

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

Valuation models for valuing securities for which there is no active market requires significant unobservable inputs and a higher degree of management 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.

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



# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

31 March 2021 (Unaudited)						
	Carrying amount				Fair value	
	Financial Assets at fair value through profit or loss	Financial Assets at fair value through other comprehensive income	Financial assets at amortized cost	Other financial liabilities	Level 1	Level 2
						Level 3
Note	(Rupees)					
<b>Financial assets measured at fair value</b>						
Associates	10,195,464,398	1,350,000,000	-	-	10,195,464,398	-
Short term investments	3,881,098,828	-	-	-	3,881,098,828	-
<b>Financial assets not measured at fair value</b>	23.1.1					
Subsidiaries*	-	-	4,903,984,832	-	2,731,714,897	-
Long term loan to related party	-	-	134,970,641	-	-	-
Long term deposits and other receivables	-	-	3,144,728	-	-	-
Trade receivable	-	-	-	-	-	-
Other receivables	-	-	4,493,245	-	-	-
Loans and advances	-	-	33,933,492	-	-	-
Mark-up receivable	-	-	4,986,662	-	-	-
Cash and bank balances	-	-	273,394,532	-	-	-
	<u>14,076,563,226</u>	<u>1,350,000,000</u>	<u>5,358,908,132</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities not measured at fair value</b>	23.1.1					
Lease liability	-	-	-	2,608,888	-	-
Trade and other payables	-	-	-	4,379,984	-	-
Mark-up accrued on short term borrowings	-	-	-	702,752	-	-
Short term borrowings	-	-	-	-	-	-
Current portion of lease liability	-	-	-	15,325,860	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,017,484</u>	<u>-</u>	<u>-</u>

30 June 2020 (Audited)						
	Carrying amount				Fair value	
	Financial Assets at fair value through profit or loss	Financial Assets at fair value through other comprehensive income	Financial assets at amortized cost	Other financial liabilities	Level 1	Level 2
						Level 3
Note	(Rupees)					
<b>Financial assets measured at fair value</b>						
Associates	9,021,685,080	1,350,000,000	-	-	9,021,685,080	-
Short term investments	2,712,628,138	-	-	-	2,712,628,138	-
<b>Financial assets not measured at fair value</b>	23.1.1					
Subsidiaries*	-	-	4,953,984,832	-	1,341,728,607	-
Long term loan to related party	-	-	134,970,641	-	-	-
Long term deposits and other receivables	-	-	2,537,030	-	-	-
Other receivables	-	-	-	-	-	644,761,938
Loans and advances	-	-	33,933,492	-	-	-
Mark-up receivable	-	-	21,636,362	-	-	-
Cash and bank balances	-	-	35,243,437	-	-	-
	<u>11,734,313,218</u>	<u>-</u>	<u>1,350,000,000</u>	<u>-</u>	<u>5,827,067,732</u>	<u>-</u>
<b>Financial liabilities not measured at fair value</b>	23.1.1					
Lease liability	-	-	-	14,582,113	-	-
Trade and other payables	-	-	-	4,647,143	-	-
Mark-up accrued on borrowings	-	-	-	24,059,455	-	-
Short term borrowings	-	-	-	670,828,552	-	-
Current portion of lease liability	-	-	-	12,754,406	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>726,871,669</u>	<u>-</u>	<u>-</u>

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

# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

**23.1.1** The Company has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are a reasonable approximation of their fair value.

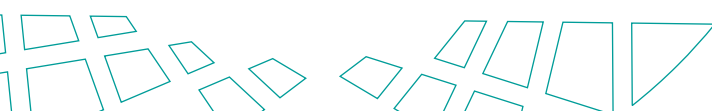
The fair value of quoted equity securities categorised in level 1 in fair value hierarchy is determined using quotation from the Pakistan Stock Exchange Limited on the reporting date. Unquoted equity securities measured at fair value is derived using discounted cash flow method. The valuation method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

## **24. TRANSACTIONS WITH RELATED PARTIES**

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

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



# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

Name of the related party	Transactions during the period	Nine months period ended	
		31 March 2021	31 March 2020
		(Rupees)	
Arif Habib Limited	Services availed	4,714,428	2,396,253
	Dividend income / received	103,114,710	-
	Guarantee commission income	1,411,734	1,635,725
	Guarantee commission received	1,408,936	1,490,113
Sachal Energy Development (Private) Limited	Guarantee commission income	8,209,789	9,262,026
	Guarantee commission received	8,676,921	9,522,627
<i>Associates</i>			
MCB-Arif Habib Savings and Investment Limited	Dividend income / received	97,488,752	50,910,792
Fatima Fertilizer Company Limited	Dividend received	638,000,412	-
<i>Associated companies by virtue of common directorship and related concern</i>			
Aisha Steel Mills Limited	Mark-up on loan and advances	16,185,768	45,978,108
	Mark-up received	33,356,858	72,048,345
	Loan extended	1,630,000,000	1,715,000,000
	Loan repayment	1,630,000,000	1,393,000,000
	Guarantee commission income	3,358,084	3,927,957
	Guarantee commission received	3,377,221	3,677,294
Javedan Corporation Limited	Mark-up on loan and advances	1,245,902	624,487
	Mark-up received	1,393,518	41,192,368
	Loan extended	200,000,000	73,000,000
	Loan repaid	200,000,000	83,067,474
	Purchase of investment property	-	183,117,445
Power Cement Limited	Mark-up on loan and advances	922,124	14,441,538
	Mark-up received	206,354	14,441,538
	Loan extended	462,000,000	1,542,000,000
	Loan repaid	462,000,000	1,542,000,000
	Guarantee commission income	1,591,884	1,212,262
	Guarantee commission received	1,656,694	1,210,610
Rotocast Engineering Company (Private) Limited	Payment of rent and sharing of utilities, insurance and maintenance charges	20,311,500	15,066,107
Arif Habib Dolmen REIT Management Limited	Receivables against SBLC charges	8,814,000	-
<i>Others</i>			
Mr. Arif Habib	Dividend paid	482,924,951	-
	Loan received from sponsor	541,000,000	1,300,000,000
	Loan repaid to sponsor	541,000,000	500,000,000
	Markup expense on loan / paid	4,355,592	-

# NOTES TO THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

		Nine months period ended	
		31 March 2021	31 March 2020
		------(Rupees)-----	
Employees retirement benefit fund - Provident fund	Company's Contribution	2,105,301	1,780,370
<i>Remuneration of chief executive officer, directors, key management personnel and executives</i>			
Managerial Remuneration		22,961,138	19,921,257
Contribution to provident fund		1,621,251	1,367,043
Bonus		2,246,771	1,726,824
Other perquisites and benefits		3,079,050	2,936,220
Dr. Shamshad Akhtar	Meeting fee paid	150,000	150,000
	Dividend paid	150	-
Mr. Sirajuddin Cassim	Meeting fee paid	150,000	-
	Dividend paid	344,840	-
Mr. Asadullah Khawaja	Meeting fee paid	150,000	150,000
	Dividend paid	121,509	-
Khawaja Jalaluddin Roomi	Meeting fee paid	-	50,000
Mr. Abdus Samad	Dividend paid	1,509	-
Mr. Muhammad Kashif	Dividend paid	52,935	-
Mr. Nasim Beg	Dividend paid	37,617	-
Mr. Muhammad Ejaz	Dividend paid	182	-

## 25. DATE OF AUTHORISATION FOR ISSUE

These condensed interim unconsolidated financial statements have been authorised for issue on 29 April 2021 by the Board of Directors of the Company.



Chief Executive Officer



Chief Financial Officer



Director





# Condensed Interim Consolidated Financial Statements

FOR THE NINE MONTHS PERIOD ENDED 31<sup>st</sup> MARCH 2021

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31<sup>st</sup> March 2021

		31 March 2021 (Unaudited)	30 June 2020 (Audited)
	Note	(Rupees)	
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised share capital	5	10,000,000,000	10,000,000,000
<i>Share capital</i>	5		
Issued, subscribed and paid-up share capital		4,083,750,000	4,083,750,000
Capital reserves			
Surplus on revaluation of fixed assets		15,432,500	15,432,500
Revenue reserves		23,718,353,525	19,172,874,845
Equity attributable to owners of the Parent Company		27,817,536,025	23,272,057,345
Non-controlling interest		2,611,936,973	2,085,339,281
<b>Total Equity</b>		<b>30,429,472,998</b>	<b>25,357,396,626</b>
<b>Non-current liabilities</b>			
Long term loans - secured		7,879,986,744	9,834,371,868
Land lease liability		10,275,173	10,325,571
Lease liability		15,541,045	39,690,700
Loan under State Bank of Pakistan scheme		28,866,322	14,985,323
Deferred liability - gratuity		20,974,141	19,043,769
Deferred taxation - net		1,765,537,582	1,508,687,660
		<b>9,721,181,007</b>	<b>11,427,104,891</b>
<b>Current liabilities</b>			
Trade and other payables		1,518,084,844	1,009,462,430
Mark-up accrued on borrowings		176,906,718	180,310,125
Short term borrowings	6	412,996,689	3,436,903,268
Subordinated loan		-	300,000,000
Current portion of long term loans		1,531,000,000	1,854,166,667
Current portion of land lease liability		1,360,000	1,360,000
Current portion of lease liability		31,674,950	26,029,805
Payable against purchase of investment - net		28,408,844	28,513,698
Taxation - net		191,207,046	90,390,071
Unclaimed dividend		34,687,041	32,889,754
		<b>3,926,326,132</b>	<b>6,960,025,818</b>
<b>Contingencies and commitments</b>	7		
		<b>44,076,980,137</b>	<b>43,744,527,335</b>

Chief Executive Officer

Chief Financial Officer

Director



# CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31<sup>st</sup> March 2021

		31 March 2021 (Unaudited)	30 June 2020 (Audited)
	Note	(Rupees)	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	13,870,180,178	15,599,224,795
Intangible assets - others		2,088,847	2,401,806
Goodwill		910,206,117	910,206,117
Trading right entitlement certificate, membership cards and offices		8,100,000	8,100,000
Investment properties	9	1,807,915,232	1,678,415,232
Equity accounted investees	10	14,260,001,033	13,404,127,610
Other long term investments		58,992,656	45,056,656
Long term loan to related party		134,970,641	134,970,641
Long term deposits and other receivables		34,345,058	34,136,280
		<b>31,086,799,762</b>	<b>31,816,639,137</b>
<b>Current assets</b>			
Trade debts		4,242,000,420	3,642,791,553
Loans and advances		239,733,717	56,148,802
Deposits and prepayments		244,866,979	135,448,245
Accrued mark-up and other receivables		339,848,222	162,207,359
Advance sales tax		15,923,813	-
Short term investments	11	6,017,692,259	6,563,712,710
Cash and bank balances		1,890,114,965	1,367,579,529
		<b>12,990,180,375</b>	<b>11,927,888,198</b>
		<b>44,076,980,137</b>	<b>43,744,527,335</b>

The annexed notes 1 to 21 form an integral part of these condensed interim consolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the nine months period and quarter ended 31<sup>st</sup> March 2021

		Nine months period ended		Quarter ended	
		31 March	31 March	31 March	31 March
	Note	2021	2020	2021	2020
(Rupees)					
Operating revenue	12	3,629,349,698	3,211,868,892	1,059,360,435	763,951,652
Gain / (loss) on remeasurement of investments - net		2,079,897,329	-	(247,307,197)	11,560,584
Gain on sale of investments - net		1,203,305,069	433,467,384	608,170,491	36,721,909
Unrealised gain on remeasurement of investment property		129,500,000	132,500,000	129,500,000	-
Gain on sale of investments property		500,000	775,000	500,000	-
		7,042,552,096	3,778,611,276	1,550,223,729	812,234,145
Operating and administrative expenses		(1,479,946,146)	(1,304,326,778)	(493,765,801)	(502,598,617)
Other income		82,611,799	113,900,222	23,167,373	40,160,131
Finance cost		(585,305,118)	(1,252,759,598)	(123,466,368)	(351,300,110)
Other charges		(21,774,092)	(458,235)	1,301,427	366,553
		5,038,138,539	1,334,966,887	957,460,360	(1,137,898)
Share of profit of equity-accounted associates investees - net of tax		1,588,375,169	1,173,335,604	674,565,870	396,141,672
Profit before tax		6,626,513,708	2,508,302,491	1,632,026,230	395,003,774
Taxation	13	(646,112,574)	(230,188,517)	(299,332,400)	(73,725,572)
Profit after tax		5,980,401,134	2,278,113,974	1,332,693,830	321,278,202
Profit attributable to:					
Equity holders of the Parent Company		5,330,989,994	2,194,520,182	1,219,179,529	463,654,443
Non-controlling interests		649,411,140	83,593,792	113,514,301	(142,376,241)
		5,980,401,134	2,278,113,974	1,332,693,830	321,278,202
Earnings per share - basic & diluted	14	13.05	5.29	2.99	1.14

The annexed notes 1 to 21 form an integral part of these condensed interim consolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the nine months period and quarter ended 31 March 2021

	Nine months period ended		Quarter ended	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	(Rupees)			
<b>Profit after tax</b>	<b>5,980,401,134</b>	2,278,113,974	<b>1,332,693,830</b>	321,278,202
<b>Other comprehensive income</b>				
<i>Items that are or may be reclassified subsequently to consolidated statement of profit or loss</i>				
Share of other comprehensive income / (loss) of equity accounted investees - net of tax	767,551	-	767,551	-
<i>Items that will not be reclassified subsequently to consolidated statement of profit or loss</i>				
Share of other comprehensive income of equity-accounted associates - net of tax	2,219,867	-	2,219,867	-
Investment in equity securities at FVOCI - net change in fair value	(253,364,390)	-	21,671,070	-
	(251,144,523)	-	23,890,937	-
Other comprehensive income for the period	(250,376,972)	-	24,658,488	-
<b>Total comprehensive income for the period</b>	<b>5,730,024,162</b>	2,278,113,974	<b>1,357,352,318</b>	321,278,202
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Parent Company	5,158,041,180	2,194,520,182	1,237,215,338	463,654,443
Non-controlling interests	571,982,982	83,593,792	120,136,980	(142,376,241)
	<b>5,730,024,162</b>	2,278,113,974	<b>1,357,352,318</b>	321,278,202

The annexed notes 1 to 21 form an integral part of these condensed interim consolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months period ended 31 March 2021

	Equity attributable to owners of the Parent				Non-controlling interests	Fair value adjustment under specially opted accounting treatment	Total equity
	Issued, subscribed and paid up share capital	Surplus on revaluation	Capital Reserve	General reserve	Unappropriated profit	Total	
<b>Balance as at 1 July 2019</b>	4,537,500,000	15,432,500	(924,160)	4,019,567,665	12,957,205,428	21,528,781,433	23,306,003,343
<b>Total comprehensive income for the nine months period 31 March 2020</b>							
Profit for the period	-	-	-	-	2,194,520,182	2,194,520,182	2,278,113,974
Other comprehensive income	-	-	-	-	-	-	-
Fair value adjustment of FVPL under specially opted accounting treatment	-	-	-	-	-	-	(1,081,581,232)
<b>Transactions with owners recorded directly in equity</b>							
Buy-back of shares of Rs. 27 per shares	(453,750,000)	-	-	-	(771,375,000)	(1,225,125,000)	(1,225,125,000)
Buy-back of shares by Subsidiary Company of Rs. 35 per shares	(453,750,000)	-	-	-	1,423,145,182	969,395,182	(28,592,258)
<b>Balance as at 31 March 2020</b>	4,083,750,000	15,432,500	(924,160)	4,019,567,665	14,380,350,610	22,498,176,615	23,046,411,085
<b>Total comprehensive income for the nine months period 30 June 2020</b>							
Profit for the period	-	-	-	-	443,998,446	443,998,446	638,599,974
Other comprehensive income	-	-	-	-	470,738	377,948,627	523,444,335
Fair value adjustment of FVPL under specially opted accounting treatment	-	-	-	-	444,469,184	821,347,073	1,162,044,309
Gain realised on disposal of equity securities at FVOCI	-	-	(36,245,185)	-	36,245,185	-	-
<b>Distributions</b>							
Disposal of subsidiary without change in control	-	-	-	-	(47,466,343)	(47,466,343)	-
<b>Balance as at 30 June 2020</b>	4,083,750,000	15,432,500	338,708,544	4,019,567,665	14,813,598,636	23,272,057,345	25,357,396,626
<b>Total comprehensive income for the nine months period 31 March 2021</b>							
Profit for the period	-	-	-	-	5,330,989,994	5,330,989,994	5,980,401,134
Other comprehensive income	-	-	(173,716,365)	-	767,551	(172,948,814)	(250,376,972)
Gain realised on disposal of equity securities at FVOCI	-	-	(173,716,365)	-	5,331,757,545	5,158,041,180	5,730,024,162
<b>Transactions with owners recorded directly in equity</b>							
Final cash dividend at the rate of Rs. 1.5 per share for the year ended 30 June 2020	-	-	-	-	(612,562,500)	(612,562,500)	(612,562,500)
Distribution by subsidiary	-	-	-	-	-	-	(45,385,290)
<b>Balance as at 31 March 2021</b>	4,083,750,000	15,432,500	(56,046,576)	4,019,567,665	19,754,832,436	27,817,536,025	30,429,472,998

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

The annexed notes 1 to 21 form an integral part of these condensed interim consolidated financial statements.

Chief Executive Officer

Chief Financial Officer

Director

# CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

		Nine months period ended		
		31 March 2021	31 March 2020	
Note		(Rupees)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
	<b>Cash generated from operations</b>	15	5,797,209,590	3,436,525,313
	Income tax paid		(288,445,677)	(80,826,470)
	Finance cost paid		(498,701,584)	(1,014,515,168)
	Mark-up received		46,254,715	201,017,726
	Dividend received		47,481,201	119,922,128
	Gratuity paid		(2,082,063)	-
	<b>Net cash generated from operating activities</b>		5,101,716,182	2,662,123,529
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
	Capital expenditure incurred		(28,630,520)	(21,349,820)
	Proceeds from sale of property, plant and equipment		1,366,000	57,626
	Acquisition of investment properties		(152,500,000)	-
	Proceeds from sale of investment property		153,000,000	-
	Dividend from equity accounted investee		735,489,164	50,910,792
	Change in long term deposits - net		(208,778)	1,877,578
	Proceeds from disposal of investment property		-	160,250,000
	Acquisition of intangible assets		-	(489,433)
	Advances paid for investment properties		-	(183,117,445)
	<b>Net cash generated from investing activities</b>		708,515,866	8,139,298
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
	Repayment of long term loan		(1,293,287,261)	(777,500,000)
	Land lease liability		(1,360,000)	(24,077,124)
	Lease rental paid		(25,075,981)	-
	Repayment of subordinated loan		(300,000,000)	(500,000,000)
	Loan under State Bank of Pakistan scheme		13,880,999	-
	Loan received from sponsor		1,951,000,000	2,400,000,000
	Loan repaid to sponsor		(1,951,000,000)	-
	Dividend paid		(612,562,500)	-
	Distribution by subsidiary to non-controlling interest		(45,385,290)	-
	Buy-back of shares by Parent Company		-	(1,225,125,000)
	Buy-back of shares by Subsidiary Company		-	(231,000,000)
	<b>Net cash used in financing activities</b>		(2,263,790,033)	(357,702,124)
	<b>Net increase in cash and cash equivalents</b>		3,546,442,015	2,312,560,703
	<b>Cash and cash equivalents at beginning of the period</b>		(2,069,323,739)	(3,242,677,267)
	<b>Cash and cash equivalents at end of the period</b>	16	1,477,118,276	(930,116,564)

The annexed notes 1 to 21 form an integral part of these condensed interim consolidated financial statements.



Chief Executive Officer



Chief Financial Officer



Director

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

## 1. STATUS AND NATURE OF BUSINESS

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

These condensed interim consolidated financial statements of Arif Habib Corporation Limited for the nine months period ended 31 March 2021 comprise of the Parent Company and following subsidiary companies (here-in-after referred to as “the Group”).

Name of companies	Note	Effective holding
<i>Subsidiaries</i>		
- Arif Habib Limited, a brokerage house	1.1.1	69.44%
- Arif Habib Commodities (Private) Limited, investment management of commodities [wholly owned subsidiary of Arif Habib Limited]	1.1.2	69.44%
- Arif Habib 1857 (Private) Limited, investments and share brokerage company [wholly owned subsidiary of Arif Habib Limited]	1.1.3	69.44%
- Sachal Energy Development (Private) Limited, a wind power generation Company	1.1.4	85.83%
- Black Gold Power Limited, a coal power generation company	1.1.5	100.00%
<i>Associates</i>		
- MCB-Arif Habib Savings and Investments Limited - a pension fund manager, asset management company and investment advisor	1.1.6	30.09%
- Fatima Fertilizer Company Limited, a fertilizer company	1.1.7	15.19%
- Pakarab Fertilizers Limited, a fertilizer company	1.1.8	30.00%

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

- 1.1.1** Arif Habib Limited (AHL) was incorporated in Pakistan on 07 September 2004 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017), as a public limited company. The shares of AHL are quoted on Pakistan Stock Exchange Limited. The registered office of AHL is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi, Pakistan. It is domiciled in the province of Sindh. AHL holds Trading Right Entitlement Certificate of Pakistan Stock Exchange Limited. The principal activities of AHL are investments, share brokerage, inter-bank brokerage, Initial Public Offer (IPO) underwriting, advisory and consultancy services.
- 1.1.2** Arif Habib Commodities (Private) Limited (AHCPL) was incorporated on 2 April 2012 as a private limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of AHCPL is located at Arif Habib Centre, 23, M.T. Khan Road, Karachi. The principal activity of AHCPL is to effectively manage investment portfolios in commodities. AHCPL is a wholly owned subsidiary of Arif Habib Limited. AHCPL holds license of Pakistan Mercantile Exchange (PMEX).
- 1.1.3** Arif Habib 1857 (Private) Limited (AH1857) was incorporated on 17 July 2014 as a private limited company in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of the AH1857 is located at Arif Habib Centre, 23, M.T. Khan Road, Karachi. The principal activities of AH1857 are investments and shares brokerage. AH1857 is a wholly owned subsidiary of Arif Habib Limited. AH1857 holds Trading Right Entitlement Certificate (TREC).
- 1.1.4** Sachal Energy Development (Private) Limited (SEDPL) was incorporated in Pakistan on 20 November 2006 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). SEDPL's registered office is located at Plot no 1, Ranjha Plaza, sector F-10/2, Tariq Market, Islamabad, Pakistan. The principal activity of SEDPL upon commencement of commercial operation is to generate and sell electricity upto 49.5 MW. SEDPL has achieved Commercial Operation Date ("COD") for its 49.5 MW wind power generation facility on 11 April 2017. The wind power plant is located in Jhampir, district Thatta, Sindh for which Alternative Energy Development Board ("AEDB") has allocated 680 acres of land to SEDPL under a sublease agreement.
- 1.1.5** Black Gold Power Limited (BGPL) is a public unlisted limited company, incorporated on 8 December 2016 in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). BGPL's registered office is situated at Arif Habib Centre, 23, M.T. Khan Road, Karachi. The principle activity of BGPL is to carry on all or any of the business of generating, purchasing, importing, transforming, converting, distributing, supplying, exporting and dealing in electricity and all other forms of energy products or services. BGPL has been allocated with supply of coal for its 660 MW Thar Coal based power project to be constructed, commissioned and operated at Thar Block II.
- 1.1.6** MCB - Arif Habib Savings and Investments Limited (MCB-AH) was incorporated in the name of Arif Habib Investment Management Limited (AHIML) on 30 August 2000 as an unquoted public limited company under the requirements of the repealed Companies Ordinance, 1984 (now Companies Act, 2017). MCB-AH is listed on the Pakistan Stock Exchange Limited. MCB-AH is registered

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

as a pension fund manager under the Voluntary Pension System Rules, 2005 and as an Asset Management Company and an Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. MCB-AH's registered office is situated at 2nd Floor, Adamjee House, I.I Chundrigar Road, Karachi, Pakistan. MCB-AH has been assigned an Asset Manager rating of AM1 (30 June 2020: AM2++) by the Pakistan Credit Rating Agency Limited (PACRA). The rating was determined by PACRA on 6 October 2020. The fund under management is Rs. 148 billion (30 June 2020: Rs.107.65 billion).

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

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

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



# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34 or IFAS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**2.2** These condensed interim consolidated financial statements are unaudited and do not include all the statements required for full annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Group as at and for the year ended 30 June 2020.

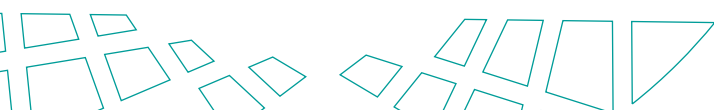
**2.3** The comparative statement of financial position presented in these condensed interim consolidated financial statements has been extracted from the audited annual consolidated financial statements of the Group for the year ended 30 June 2020, whereas the comparative condensed interim consolidated statement of profit or loss, Condensed interim Consolidated Statement of other comprehensive income, condensed interim consolidated statement of cash flows and condensed interim consolidated statement of changes in equity are extracted from the unaudited condensed interim consolidated financial statements for the nine months period ended 31 March 2020.

### 2.4 Basis of measurement

These condensed interim consolidated financial statements have been prepared under the historical cost convention, except as stated otherwise and should be read in conjunction with the audited annual consolidated financial statements of the Group as at and for the year ended 30 June 2020.

### 2.5 Functional and presentation currency

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



# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

## 3. IMPACT OF COVID-19

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

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

## 4. ACCOUNTING POLICIES

**4.1** The accounting policies and the methods of computation adopted in the preparation of these condensed interim consolidated financial statements are the same as those applied in the preparation of annual audited consolidated financial statements of the Group as at and for the year ended 30 June 2020.

### 4.2 New standards, interpretations and amendments adopted by the Group

There are certain new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after 1 July 2020 but are considered not to be relevant or do not have any significant effect on the Group's operations and therefore are not detailed in these condensed interim consolidated financial statements.

### 4.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

In addition certain IFRS, amendments and interpretations to approved accounting standards are not yet effective. However, these are not likely to have any material effect on the Group's financial statements.

### 4.4 Accounting estimates and judgments

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

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual consolidated financial statements as at and for the year ended 30 June 2020.

## 5. SHARE CAPITAL

### 5.1 Authorised share capital

31 March 2021 (Number of shares)	30 June 2020 (Audited)		31 March 2021 (Unaudited) (Rupees)	30 June 2020 (Audited)
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	10,000,000,000	10,000,000,000

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

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

## 6. SHORT TERM BORROWINGS

	Note		
- Running finance	6.1	282,996,689	2,506,903,268
- Term finance	6.2	130,000,000	930,000,000
		412,996,689	3,436,903,268

- 6.1** Running finance facilities are available to Parent Company and AHL from various commercial banks, under mark-up arrangements, amounting to Rs. 8,350 million (30 June 2020: Rs. 8,600 million). This include sub-limit of Rs. 800 million for Standby Letter of Credit (SBL)C) availed from National Bank of Pakistan by Parent Company. These facilities have various maturity dates up to 31 December 2021, and need to be renewed after that these arrangements are secured against pledge of marketable securities with minimum 30% margin (30 June 2020: 30% margin).

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

These running finance facilities carry mark-up ranging from 1 month KIBOR + 0.75% to 1.50% and 3 month KIBOR 0.50% to 1.75% (30 June 2020: 1 month KIBOR + 0.75% to 1.50% and 3 month KIBOR + 0.55% to 1.75%) calculated on a daily product basis, and is payable quarterly. The aggregate amount of these facilities which have not been availed as at the reporting date amounts to Rs. 8,067 million (30 June 2020: Rs. 6,093 million).

**6.2** This represent short term finance facility of Rs. 1,000 million (30 June 2020: 1,000 million) obtained from Faysal Bank by SEDPL, subsidiary company it carries mark-up at 3 months KIBOR + 2.5% (30 June 2020: 3 months KIBOR + 2.5%) payable quarterly in arrears. The facility is repayable on demand over a period of one year and the facility is secured against;

- ranking charge over all present and future current and fixed assets of SEDPL
- personal guarantee of director Mr. Arif Habib.

**6.3** The fair value of shares of associated companies, shares held for trading and other securities / assets pledged as collateral against short term borrowings amounts to Rs. 8,325 million (30 June 2020: Rs. 8,785 million).

## 7. CONTINGENCIES AND COMMITMENTS

There are no other changes in the status of contingencies and commitments as disclosed in the preceding annual audited consolidation financial statements as at and in the year ended 30 June 2020 except for the following:

### *Parent Company*

- The Parent Company has further pledged shares for securing running finance facilities of Rs.573.3 million obtained by AHL.
- The Parent Company had issued corporate guarantee on behalf of subsidiary company, Sachal Energy Development (Private) Limited, amounting to USD 100 million. During the period, the exposure against this guarantee was reduced to USD 65 million.
- The Parent Company had issued corporate guarantee on behalf of associated concern, Power Cement Limited to the extent of USD 10.127 million. During the period, the exposure against this guarantee was reduced to USD 4.264 million.

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

During financial year 2020, Silkbank Limited's sponsor has exercised the option granted to him to purchase the Parent Company's entire investment in Silkbank Limited. Accordingly, the Parent Company has already derecognised its investment in Silkbank Limited and has also set off relevant deposits and margin against this investment. However, shares will be transferred as per the option agreement in due course in line with regulatory approvals.

## AHL, Subsidiary Company

**31 March**  
**2021**  
**(Unaudited)**  
(Rupees)

**30 June**  
**2020**  
**(Audited)**

Following commitments are outstanding as at the year end:

- Outstanding Settlements against Marginal Trading contracts	<b>831,279,618</b>	112,323,212
- Outstanding Settlements against sale / (purchase) of securities in regular market	<b>17,317,289</b>	53,073,167
- Financial guarantee given by a commercial bank on behalf of AHL	<b>750,000,000</b>	250,000,000

## 8. PROPERTY, PLANT AND EQUIPMENT

Capital expenditure incurred during the period amounted to Rs. 28.63 million (30 June 2020: 20.19 million). The exchange loss of Rs. 1,067.7 million (30 June 2020: exchange gain of Rs. 231 million) has also been recognised. Further, assets having written down value of Rs. 2.35 million (30 June 2020: 13.14 million) were disposed off.

## 9. INVESTMENT PROPERTIES

Opening balance	<b>1,678,415,232</b>	1,726,419,800
Development charges / additions during the year	<b>152,500,000</b>	11,943,765
Disposal during the year	<b>(152,500,000)</b>	(159,475,000)
Transfer to property, plant and equipment	-	(32,473,333)
	<b>1,678,415,232</b>	1,546,415,232
Changes in fair value - net	<b>129,500,000</b>	132,000,000
	<b>1,807,915,232</b>	1,678,415,232

- 9.1** This represents investment in plots of land and residential bungalows situated at Naya Nazimabad, Deh Mangohpir, Gadap Town, Karachi owned by, a subsidiary company, AHL. Further, this includes investment in offices located in the building complex of Pakistan Stock Exchange Limited and LSE Financial Services Limited owned by AHL. The Naya Nazimabad Project is owned and managed by Javedan Corporation Limited (a related party of the Group).

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

## 10. EQUITY ACCOUNTED INVESTEEES

		31 March 2021 (Unaudited)	30 June 2020 (Audited)
	Note	(Rupees)	
Fatima Fertilizer Company Limited (FFCL)	10.1	13,804,289,155	12,937,523,356
MCB - Arif Habib Savings and Investments Limited (MCB-AH)	10.2	575,694,483	586,586,859
Pakarab Fertilizers Limited (PFL)	10.3	-	-
		14,379,983,638	13,524,110,215
Less: Provision for impairment		(119,982,605)	(119,982,605)
		14,260,001,033	13,404,127,610

- 10.1** Investment in FFCL (quoted) represents 319 million (30 June 2020: 319 million) fully paid ordinary shares of Rs. 10 each, representing 15.19% (30 June 2020: 15.19%) of FFCL's paid up share capital as at 31 March 2021. Fair value per share as at 31 March 2021 is Rs. 29.38 (30 June 2020: Rs. 26.73) which is based on quoted share price on stock exchange at reporting date.
- 10.2** Investment in MCB-AH (quoted) represents 21.66 million (30 June 2020: 21.66 million) fully paid ordinary shares of Rs. 10 each, representing 30.09% (30 June 2020: 30.09%) of MCB-AH's paid up share capital as at 31 March 2021. Market value per share as at 31 March 2021 was Rs. 38 (30 June 2020: Rs. 22.84) which is based on quoted share price on stock exchange at reporting date.
- 10.3** Investment in PFL (unquoted) represents 135 million (30 June 2020: 135 million) fully paid ordinary shares of Rs. 10 each, representing 30% (30 June 2020: 30%) of PFL's paid up share capital as at 31 March 2021, having cost of Rs. 1,324.33 million (30 June 2020: Rs. 1,350 million). Fair value per share as at 31 March 2021 is Rs. 10 per share (30 June 2020: Rs. 10 per share) determined using discounted cash flow approach. The fair value determination involved significant assumptions which mainly includes long term growth rates, long term return on equity and weighted average cost of capital. The group has not recognised loss amounting to Rs. 1.08 billion (30 June 2020: Rs. 1.22 billion) in relation to its interest in PFL, because the Group has no obligation in respect of this loss.

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

## 11. SHORT TERM INVESTMENTS

		31 March 2021 (Unaudited)	30 June 2020 (Audited)
	Note	(Rupees)	
Equity securities - at FVTPL	11.1	5,832,034,774	5,483,967,779
Equity securities - at FVOCI		162,017,485	827,578,375
Corporate debt securities - mandatorily at FVTPL		23,640,000	252,166,556
		<b>6,017,692,259</b>	<b>6,563,712,710</b>

### 11.1 Equity securities - at FVTPL

Investment in quoted equity securities			
- Related parties	11.1.1	3,567,207,036	2,424,528,620
- Others		2,264,827,738	3,059,439,159
		<b>5,832,034,774</b>	<b>5,483,967,779</b>

**11.1.1** This includes investments in associated concerns, Aisha Steel Mills Limited, Power Cement Limited and Javedan Corporation Limited.

**11.2** Fair value of short term investments pledged with various banking companies against various finance facilities amounts of Rs. 3,943 million (30 June 2020: Rs. 4,665 million).

## 12. OPERATING REVENUE

	Nine months period ended		Quarter ended	
	31 March 2021	31 March 2020	31 March 2021	March 2020
	(Rupees)			
Revenue from sale of energy - net	2,492,430,063	2,577,023,665	582,222,109	563,680,073
Mark-up income on loans and advances	18,494,621	83,610,462	5,000,042	9,281,990
Mark-up income on term finance certificates	15,103,781	5,603,482	4,778,115	1,869,095
Dividend income	47,481,201	119,922,128	30,400,000	25,353,625
Brokerage income	530,901,096	259,621,278	222,269,501	94,600,568
Mark-up on bank deposits	51,437,672	54,677,896	23,496,404	16,288,247
Underwriting, consultancy and placement commission	473,501,264	111,409,981	191,194,264	52,878,054
	<b>3,629,349,698</b>	<b>3,211,868,892</b>	<b>1,059,360,435</b>	<b>763,951,652</b>

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

## 13. TAXATION

	Nine months period ended		Quarter ended	
	31 March 2021	31 March 2020	31 March 2021	March 2020
	(Rupees)			
Current	389,262,652	57,411,852	166,690,962	13,300,663
Prior	-	1,809,246	-	-
Deferred	256,849,922	170,967,419	132,641,438	60,424,909
	<b>646,112,574</b>	<b>230,188,517</b>	<b>299,332,400</b>	<b>73,725,572</b>

## 14. EARNINGS PER SHARE - BASIC & DILUTED

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

	Nine months period ended		Quarter ended	
	31 March 2021	31 March 2020	31 March 2021	March 2020
	(Rupees)			
Profit after tax attributable to ordinary shareholders	5,330,989,994	2,194,520,182	1,219,179,529	463,654,443
	(Number)			
Weighted average number of ordinary shares	408,375,000	414,810,000	408,375,000	408,375,000
	(Rupees)			
Earnings per share - basic & diluted	13.05	5.29	2.99	1.14



# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

## 15. CASH GENERATED FROM OPERATIONS

	Nine months period ended	
	31 March 2021	31 March 2020
	(Rupees)	
Profit before tax	6,626,513,708	2,508,302,491
<b>Adjustments for:</b>		
Depreciation	687,628,744	698,860,231
Amortisation	312,959	419,444
Dividend income	(47,481,201)	(119,922,128)
Gain on sale of property, plant and equipment	(969,400)	-
Unrealised gain on remeasurement of other long term investment	(13,936,000)	-
Unrealised gain on short term investments	(2,065,961,329)	-
Share of profit of equity-accounted associates - net of tax	(1,588,375,169)	(1,173,335,604)
Mark-up on loans and advances	(18,494,621)	(83,610,462)
Mark-up income on term finance certificates	(15,103,781)	(5,603,482)
Amortisation of land lease rent	1,309,602	9,111,304
Amortization of transaction cost	83,435,470	123,624,416
Interest expense on lease	6,571,471	-
Finance cost	495,298,177	1,121,338,260
Provision for gratuity	4,012,435	3,979,599
Unrealised gain on re-measurement of investment property	(129,500,000)	(132,500,000)
Gain on sale of investment property	(500,000)	(775,000)
Adjustment and written off from property, plant and equipment	1,949,793	12,993,897
	(2,599,802,850)	454,580,475
Operating profit before working capital changes	4,026,710,858	2,962,882,966
<b>Changes in working capital:</b>		
<i>Decrease / (increase) in current assets</i>		
Trade debts	(599,208,867)	(297,590,905)
Loans and advances	(183,584,915)	(326,675,837)
Deposits and prepayments	(109,418,734)	240,353,955
Accrued mark-up and other receivables	(190,297,176)	2,119,062
Advance sales tax	(15,923,813)	(5,438,510)
Short term investments	2,358,617,390	5,772,983,002
Stores and spares	-	(3,870,944)
Receivable against sale of securities	-	(71,034,671)
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	508,622,414	(4,793,884,873)
Payable against sale of securities - net	(104,854)	(30,970,319)
Unclaimed dividend	1,797,287	(12,347,613)
	1,770,498,732	473,642,347
<b>Cash generated from operations</b>	<b>5,797,209,590</b>	<b>3,436,525,313</b>

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

## 16. CASH AND CASH EQUIVALENTS

	Nine months period ended	
	31 March 2021	31 March 2020
	(Rupees)	
Cash and bank balances	1,890,114,965	990,845,430
Short term borrowings	(412,996,689)	(1,920,961,994)
	<u>1,477,118,276</u>	<u>(930,116,564)</u>

## 17. FINANCIAL INSTRUMENTS

The financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements of the Group as at and for the year ended 30 June 2020.

## 18. FAIR VALUE MEASUREMENT

The accounting policies and disclosure requirement for the measurement of fair values are consistent with those disclosed in the annual audited consolidated financial statements of the Group as at and for the year ended 30 June 2020.

## 19. TRANSACTIONS WITH RELATED PARTIES

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

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

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

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

		Nine months period ended	
		31 March 2021	31 March 2020
Name of the related party	Transactions during the period	(Rupees)	
Fatima Fertilizer Company Limited	Dividend received	638,000,412	-
MCB-Arif Habib Savings and Investment Limited	Dividend income / received	97,488,752	50,910,792
Associated companies by virtue of common directorship and related concern			
Aisha Steel Mills Limited	Mark-up on loan and advance	11,914,876	68,544,437
	Mark-up received	33,356,858	94,614,674
	Loan extended	1,630,000,000	2,015,000,000
	Loan repayment	1,630,000,000	1,693,000,000
	Guarantee commission income	3,358,084	3,927,957
	Guarantee commission received	3,377,221	3,677,294
Javedan Corporation Limited	Mark-up on loan and advance	1,245,902	624,487
	Mark-up received	1,393,518	41,192,368
	Loan extended	200,000,000	73,000,000
	Loan repaid	200,000,000	83,067,474
	Advance paid for purchase of property	152,500,000	183,117,445
Power Cement Limited	Mark-up income / received on loan	922,124	14,441,538
	Mark-up received	206,354	14,441,538
	Loan extended	462,000,000	1,542,000,000
	Loan repaid	462,000,000	1,542,000,000
	Guarantee commission income	1,591,884	1,212,262
	Guarantee commission received	1,656,694	1,210,610
Rotocast Engineering Company (Private) Limited	Payment of rent and sharing of utilities, insurance and maintenance charges	57,708,422	36,464,562
Arif Habib Dolmen REIT Management Limited	Receivables against SBLC charges	8,814,000	-
Arif Habib Securities Limited - Employees Provident fund	Company's Contribution	2,105,301	1,780,370
Arif Habib Limited - Provident fund	Company's Contribution	5,579,088	4,602,807
Remuneration of chief executive officer, directors, key management personnel and executives			
Managerial Remuneration		140,521,205	91,832,526
Contribution to provident fund		7,478,546	5,103,916
Gratuity		2,393,062	3,061,597
Bonus		6,127,725	5,087,575
Other perquisites and benefits		67,786,761	37,518,450

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

Name of the related party	Transactions during the period	Nine months period ended	
		31 March 2021	31 March 2020
Mr. Arif Habib (CEO of Parent Company)	Dividend paid	490,952,471	-
	Loan received	1,951,000,000	2,400,000,000
	Loan repaid	2,251,000,000	500,000,000
	Markup on loan	4,355,592	2,145,205
	Markup paid	21,101,498	-
	Brokerage commission earned	4,832,575	5,942,019
	Purchase consideration against shares bought by AHL	-	130,070,292
Mr. Samad A. Habib (Director of Parent Company)	Brokerage commission earned	1,696,097	409,718
	Dividend paid	1,509	-
Mr. Kashif A. Habib (Director of Parent Company)	Brokerage commission earned	-	6,363
	Dividend paid	52,935	-
Dr. Shamshad Akhtar (Director of Parent Company)	Meeting fee paid	150,000	150,000
	Dividend paid	150	-
Mr. Sirajuddin Cassim (Director of Parent Company)	Meeting fee paid	150,000	-
	Dividend paid	344,840	-
Mr. Asadullah Khawaja (Director of Parent Company)	Meeting fee paid	150,000	150,000
	Dividend paid	121,509	-
Khawaja Jalaluddin Roomi (Director of Parent Company)	Meeting fee paid	-	50,000
Mr. Nasim Beg (Director of Parent Company)	Dividend paid	37,617	-
Mr. Muhammad Ejaz (Director of Parent Company)	Dividend paid	182	-
Mr. Mohsin Madni (CFO of Parent Company and Director of Subsidiary Company)	Brokerage commission earned	11,713	-
	Dividend paid	1,250	-
Mr. Zafar Alam (Chairman of subsidiary company)	Brokerage commission earned	687,196	-
	Meeting fee paid	50,000	75,000
	Dividend paid	91,500	-
Mr. Muhammad Shahid Ali (CEO of Subsidiary Company)	Brokerage commission earned	12,564,434	5,699,749
	Dividend paid	2,195	-
Ms. Sharmin Shahid (Director of Subsidiary Company)	Brokerage commission earned	2,326,163	301,533
	Meeting fee paid	50,000	75,000
	Dividend paid	2,748	-
Ms. Nida Ahsan (Director of Subsidiary Company)	Brokerage commission earned	350,000	1,340,170
	Meeting fee paid	25,000	-
	Dividend paid	2,748	-

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

Name of the related party	Transactions during the period	Nine months period ended	
		31 March 2021	31 March 2020
Mr. Muhammad Haroon (Director of Subsidiary Company)	Brokerage commission earned	264,042	125,915
	Meeting fee paid	50,000	75,000
	Dividend paid	3,893	-
Mr. Muhammad Sohail Salat (Director of Subsidiary Company)	Meeting fee paid	50,000	75,000
	Dividend paid	1,500	-
		<b>31 March 2021 (Unaudited)</b>	30 June 2020 (Audited)
		(Rupees)	

## Balance as at:

Aisha Steel Mills Limited	Loan (long-term and short-term)	163,404,133	163,404,133
	Mark-up receivable	4,270,892	21,441,982
	Commission on guarantee receivable	1,076,290	1,095,427
Javedan Corporation Limited	Mark-up receivable	-	147,616
Power Cement Limited	Commission on guarantee receivable	381,074	445,884
	Mark-up receivable	715,770	-
Rotocast Engineering Company (Private) Limited	Prepaid rent	9,578,481	9,759,824
	Payable against sharing of utilities, insurance and maintenance charges	2,132,745	980,879

## Key Management Personnel

Mr. Arif Habib (CEO of Parent Company)	Markup payable	5,615,347	-
	Balance payable	996,820	-
	Balance receivable	-	42,574
	Loan payable	-	300,000,000
Mr. Samad A. Habib (Director of Parent Company)	Balance payable	42,453	-
	Balance receivable	-	1,451,078
Mr. Kashif A. Habib (Director of Parent Company)	Balance receivable	10,584	19,630
Mr. Mohsin Madni (CFO of Parent Company and Director of Subsidiary Company)	Balance payable	10,172	175
Mr. Zafar Alam (Chairman of Subsidiary Company)	Balance payable	57,604	2,148,473
Mr. Muhammad Shahid Ali (CEO of Subsidiary Company)	Balance payable	31,217,052	3,150,901

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months period ended 31<sup>st</sup> March 2021

		31 March 2021 (Unaudited)	30 June 2020 (Audited)
Name of the related party	Transactions during the period		
Ms. Sharmin Shahid (Director of Subsidiary Company)	Balance receivable	1,222,342	50,302
Ms. Nida Ahsan (Director of Subsidiary Company)	Balance receivable	46,501	65,419
Mr. Muhammad Haroon (Director of Subsidiary Company)	Balance payable	5,605	700,697

## 20. REPORTABLE SEGMENTS

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

**20.2** The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in the annual audited consolidated financial statements for the year ended 30 June 2020. The group evaluates performance on the basis of profit or loss from operations before tax expense not including non-recurring gains and losses and foreign exchange gains and losses. The group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market price unless disclosed otherwise.

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

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

## 21. DATE OF AUTHORISATION FOR ISSUE

**21.1** These condensed interim consolidated financial statements have been authorised for issue on 29 April 2021 by the Board of Directors of the Parent Company.



Chief Executive Officer



Chief Financial Officer



Director





Arif Habib Corp

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