



Arif Habib Corp

Promoting Investments

Quarterly Report
30 September 2012



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company information

Board of Directors

Arif Habib
Chairman & Chief Executive

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

Kashif Shah
Non-executive Director

Chief Financial Officer & Company
Secretary
Basit Habib

Audit Committee

Kashif A. Habib
Chairman

Muhammad Ejaz
Member

Kashif Shah
Member

Management

Arif Habib
Chief Executive Officer

Basit Habib
Chief Financial Officer

Zeshan Afzal
Group Head - Strategic Investments

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Al Falah Limited
Bank Al-Habib Limited
Bank of Khyber
Barclays Bank (Pakistan) Limited
Faysal Bank Limited
First Women Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
KASB Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Standard Chartered Bank (Pakistan) Limited
Soneri Bank Limited
Summit Bank Limited
The Bank of Punjab
United Bank Limited

Auditors

KPMG Taseer Hadi & Co., Chartered
Accountants

Legal Advisors

Bawaney & Partners

Registered & Corporate Office

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

Registrar & Share Transfer Agent

Central Depository Company of Pakistan
Limited

Share Registrar Department

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

directors' report

Dear Shareholders

The Directors of Arif Habib Corporation Limited (AHCL) are pleased to present the Directors' report of the Company together with interim condensed unconsolidated and consolidated financial statements for the quarter ended 30th September 2012.

Financial Results

During the quarter, AHCL recorded operating revenue of Rs.560.64 million, which includes dividend income of Rs.448.42 million and net gain on remeasurement and sale of investments amounting to Rs.76.12 million. After accounting for operating, administrative and financial expenses of Rs.105.5 million, the company earned a profit before tax of Rs. 454.5 million. The company has reported an after-tax profit of Rs.395.18 million for the quarter under review as compared with a net profit of Rs.1.63 billion for the corresponding quarter ended 30th September 2011. Earnings per share – (basic) during the quarter ended 30th September 2012 remains Rs.0.96 as compared to Earnings per share – (basic) of Rs.3.95 in the corresponding quarter during 2011-12. Earnings per share – (diluted) during the quarter ended 30th September 2012 is Rs.0.87 as compared to Earnings per share – (diluted) of Rs.3.59 in the corresponding quarter during 2011-12. Diluted Earnings per share has been calculated taking into account the effect of Bonus Shares (as approved in the Annual General Meeting of the Company held on 29th September 2012) to be issued subsequent to the quarter ended on 30th September 2012.

Performance of Subsidiaries and Associates

Investee companies have generally performed well during the quarter under review. Financial services continue to carry the momentum built over the last two quarters while the cement sector continues to benefit from favorable fundamentals. Fertilizer presents a mixed theme with our SNGPL plant Pakarab Fertilizers facing gas curtailment, while the performance of our Mari based plant Fatima Fertilizer has been promising. Steel plant has started trial runs in July, 2012 while sales were initiated in the second week of August, 2012. The formal commercial operations date was announced on 1st October 2012. Investment in dairies and wind power are at developing stage and progressing satisfactorily.

Economic Review

Pakistan's economy has proven to be resilient during 1Q FY12 with key indicators showing marked signs of improvement. The current account posted a surplus of USD 432 million during 1Q FY12 against a deficit of USD 1.34 billion in the corresponding period of last year. The PKR remained fairly stable against the USD, shedding only a nominal 0.3% during the quarter while currency devaluation in the preceding quarter had stood at 4.4%.



Inflationary pressures also subsided with CPI inflation clocking in at a 33 month low of 8.8% in September 2012. Average inflation for the quarter under review works out to 9.2% which is in sharp contrast to 11.5% in 1Q FY12 and 11.6% in 4Q FY12. Government borrowing also depicted improved discipline as SBP's requirement of zero net cash borrowing from the central bank at quarter end was met after consistent slippages for the last three quarters. All these factors combined together compelled SBP to further cut the discount rate by another 150bps to 10.5%. Subsequent to the quarter end, the central bank has implemented another round of monetary easing and the policy rate now stands at 10%.

Future Outlook

Interest rates have declined to 10% from 14% in June 2011 and we hope and believe that this will provide much needed stimulus to Pakistan's economy. More specific to our businesses, a lower discount rate is likely to revalue the KSE and we expect multiples to improve.

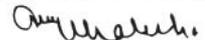
The fundamentals of non-financial investee companies remain strong where your Company's efforts in forming a well diversified portfolio has paid off. Gas curtailment continues to hamper fertilizer production but the industry

and the government remain committed to reaching a sustainable solution. The Steel business has started its commercial production and is expected to generate profits in medium term. Cement investee companies have also started producing good results. Over all, the Company is poised to have satisfactory performance during the current year.

Acknowledgement

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

For and on behalf of the Board



Arif Habib

Chairman & Chief Executive
Karachi: 23rd October 2012



condensed interim
unconsolidated
financial information

Condensed Interim Unconsolidated Balance Sheet

As at 30 September 2012

	Note	Unaudited September 2012	Audited June 2012
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 1,000,000,000 ordinary shares of Rs. 10 each		<u>10,000,000,000</u>	<u>10,000,000,000</u>
Issued, subscribed and paid up share capital		4,125,000,000	4,125,000,000
Reserves		19,764,902,435 23,889,902,435	20,120,018,064 24,245,018,064
Non-current liabilities			
Deferred taxation		2,825,691,837	2,832,876,106
Long term loan - secured	4	656,550,000 3,482,241,837	656,550,000 3,489,426,106
Current liabilities			
Trade and other payables		18,472,883	473,424,311
Dividend payable		825,000,000	-
Interest / mark-up accrued		79,682,004	77,088,375
Short term borrowings	5	1,314,682,518	1,685,677,935
Provision for taxation		164,940,158 2,402,777,563	99,826,284 2,336,016,905
	Rupees	<u>29,774,921,835</u>	<u>30,070,461,075</u>
Contingencies and commitments	6		

Condensed Interim Unconsolidated Balance Sheet

As at 30 September 2012

	Note	Unaudited September 2012	Audited June 2012
ASSETS			
Non-current assets			
Property and equipment	7	44,554,365	46,214,078
Long term investments	8	26,685,911,374	26,596,464,379
Long term deposits		2,962,290	2,958,090
		26,733,428,029	26,645,636,547
Current assets			
Loans and advances	9	1,107,848,097	1,052,207,362
Prepayments		1,017,788	1,141,292
Advance tax		149,190,973	92,581,087
Trade and other receivables		483,027,857	755,629,191
Short term investments		1,189,898,040	1,512,085,623
Cash and bank balances		110,511,051	11,179,973
		3,041,493,806	3,424,824,528
		29,774,921,835	30,070,461,075
	Rupees		

The annexed notes 1 to 17 form an integral part of this condensed interim unconsolidated financial information.


CHAIRMAN & CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the three months period ended 30 September 2012

	Note	Three months period ended	
		September 2012	September 2011
Operating revenue	10	560,644,016	1,740,962,917
Operating and administrative expenses	11	(25,330,720)	(15,906,187)
Operating profit		535,313,296	1,725,056,730
Finance cost		(80,162,979)	(61,352,436)
Other charges		(648,115)	(4,300,000)
Profit before tax		454,502,202	1,659,404,294
Taxation			
For the period			
- Current		(65,113,874)	(1,805,579)
- Deferred		5,787,795	(28,418,045)
		(59,326,079)	(30,223,624)
Profit after tax		395,176,123	1,629,180,670
	Rupees		
Earnings per share - Basic		0.96	3.95
	Rupees		
Earnings per share - Diluted	15 Rupees	0.87	3.59

The annexed notes 1 to 17 form an integral part of this condensed interim unconsolidated financial information.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

Condensed Interim Unconsolidated Statement of Comprehensive Income (Unaudited)

For the three months period ended 30 September 2012

	Note	Three months period ended	
		September 2012	September 2011
Profit for the period		395,176,123	1,629,180,670
Other comprehensive income / (loss)			
Unrealized appreciation / (diminution) during the period on remeasurement of investments classified as 'available for sale'		97,641,674	(14,164,920)
Reclassification adjustments relating to gain realized on disposal of investments classified as 'available for sale' -net of tax		(22,933,426)	-
Other comprehensive income / (loss) for the period		74,708,248	(14,164,920)
Total comprehensive income for the period	Rupees	469,884,371	1,615,015,750

The annexed notes 1 to 17 form an integral part of this condensed interim unconsolidated financial information.


CHAIRMAN & CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the three months period ended 30 September 2012

	Note	Three months period ended	
		September 2012	September 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	12	(221,576,982)	(245,903,847)
Income tax paid		(56,435,046)	(1,401,649)
Finance cost paid		(77,569,350)	(51,837,656)
Dividend received		564,051,308	11,547,775
Interest received		4,862,475	-
Net cash generated from / (used in) operating activities		213,332,405	(287,595,377)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(125,800)	(239,500)
Proceeds from sale of property and equipment		-	189,030
Acquisition of long term investments		(21,623,410)	(32,559,870)
Proceeds from sale of long term investments		278,747,500	-
Long term deposits		(4,200)	(281,500)
Net cash generated from / (used in) investing activities		256,994,090	(32,891,840)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash generated from / (used in) financing activities		-	-
Net increase / (decrease) in cash and cash equivalents		470,326,495	(320,487,217)
Cash and cash equivalents at beginning of the period		(1,674,497,962)	(1,318,887,033)
Cash and cash equivalents at end of the period	13 Rupees	(1,204,171,467)	(1,639,374,250)

The annexed notes 1 to 17 form an integral part of this condensed interim unconsolidated financial information.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)

For the three months period ended 30 September 2012

Note	Share capital issued, subscribed and paid up	Unrealized (diminution) / appreciation on remeasurement of Investments classified as 'available for sale'	General reserve	Reserves Reserve for issue of bonus share	Unappropriated profit	Sub total	Total
Balance as at 1 July 2011	3,750,000,000	(436,042,975)	4,000,000,000	-	13,797,693,943	17,361,650,968	21,111,650,968
Total comprehensive income for the three months period							
Profit for the three months period ended 30 September 2011	-	-	-	-	1,629,180,670	1,629,180,670	1,629,180,670
Unrealized diminution during the period on remeasurement of investments classified as 'available for sale'	-	(14,164,920)	-	-	-	(14,164,920)	(14,164,920)
	-	(14,164,920)	-	-	1,629,180,670	1,615,015,750	1,615,015,750
Balance as at 30 September 2011	3,750,000,000	(450,207,895)	4,000,000,000	-	15,426,874,613	18,976,666,718	22,726,666,718
Balance as at 1 July 2012	4,125,000,000	(394,481,956)	4,000,000,000	-	16,514,500,020	20,120,018,064	24,245,018,064
Total comprehensive income for the three months period							
Profit for the three months period ended 30 September 2012	-	-	-	-	395,176,123	395,176,123	395,176,123
Unrealized appreciation during the period on remeasurement of investments classified as 'available for sale'	-	97,641,674	-	-	-	97,641,674	97,641,674
Reclassification adjustments relating to gain realized on disposal of investments classified as available for sale' -net of tax	-	(22,933,426)	-	-	-	(22,933,426)	(22,933,426)
	-	74,708,248	-	-	395,176,123	469,884,371	469,884,371
Transactions with owners							
Appropriation for 41.25 million bonus shares (1 share for every 10 shares held) for the year ended 30 June 2012	15	-	-	412,500,000	(412,500,000)	-	-
Cash dividend for the year ended 30 June 2012 (Rs. 2 per share)	15	-	-	412,500,000	(825,000,000)	(825,000,000)	(825,000,000)
	-	-	-	412,500,000	(1,237,500,000)	(825,000,000)	(825,000,000)
Balance as at 30 September 2012	4,125,000,000	(319,773,709)	4,000,000,000	412,500,000	15,672,176,143	19,764,902,435	23,889,902,435

The annexed notes 1 to 17 form an integral part of this condensed interim unconsolidated financial information.


CHAIRMAN & CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 September 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

Arif Habib Corporation Limited was incorporated in Pakistan on 14 November 1994 as a public limited company under the Companies Ordinance, 1984. The Company is listed on the Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. The principal activity of the Company is to manage strategic investments in subsidiary companies and associates engaged in Chemical, Fertilizer, Financial Services, Construction Materials, Industrial Metal, Steel and Other Sectors including investments in securities. The registered office of the Company is situated at Arif Habib Centre, 2nd Floor, 23 M. T. Khan Road, Karachi, Pakistan. The Company is domiciled in the province of Sindh.

This condensed interim financial information 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 information is prepared separately.

The Company has following long term investments:

<i>Name of Company Subsidiaries</i>	<i>Shareholding</i>
- Arif Habib Limited, a brokerage house	76.69%
- Al-Abbas Cement Industries Limited, a cement manufacturing company	65.56%
- Arif Habib DMCC, a UAE incorporated member company of Dubai Gold and Commodities Exchange	100.00%
- SKM Lanka Holdings (Private) Limited, a Srilankan incorporated brokerage house at Colombo Stock Exchange	78.90%
- Pakistan Private Equity Management Limited, a venture capital company	85.00%
- Sachal Energy Development (Pvt) Limited, a wind power generation company	99.99%
- Sweetwater Dairies Pakistan (Private) Limited, a dairy farming company	85.20%
Associates	
- Pakarab Fertilizers Limited	30.00%
- Aisha Steel Mills Limited	33.33%
- Arif Habib Investments Limited	30.09%
- Thatta Cement Company Limited	9.06%
- Fatima Fertilizer Company Limited	18.70%
- Crescent Textile Mills Limited	24.82%
Others	
- Takaful Pakistan Limited	10.00%
- Sunbiz (Private) Limited	4.65%
- Javedan Corporation Limited	8.53%

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 September 2012

1.1 Change in the composition of the Group

During the three months period ended 30 September 2012, further investments by the Company leading to changes in composition of the Group are summarized as under:

- The Company purchased 1,948,350 shares of Al-Abbas Cement Industries Limited, a subsidiary of the Company, resulting in an increase in Company's holding from 65.03% to 65.56%.
- The Company subscribed for 1,848,750 ordinary shares of SKM Lanka Holdings (Private) Limited, a subsidiary of the Company, resulting in an increase in Company's holding from 75% to 78.90%.
- The Company received 13,500,000 shares of Fatima Fertilizer Company Limited (FFCL) as specie dividend from Pakarab Fertilizers Limited and also sold 10,000,000 shares of the said company. This resulted in an overall increase in Company's holding in FFCL, an associate of the Company, from 18.53% to 18.70%.
- The Company subscribed for 1,000,000 ordinary shares of Sachal Energy Development (Private) Limited, a subsidiary of the Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

This condensed interim unconsolidated financial information does not include all the information required for full financial statements and should be read in conjunction with the annual financial statements as at and for the year ended 30 June 2012.

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

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

2.2 Significant accounting policies

The accounting policies adopted by the Company in the preparation of this condensed interim unconsolidated financial information are the same as those applied in preparation of the preceding annual financial statements of the Company as at and for the year ended 30 June 2012.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 September 2012

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

2.3 Use of estimates and judgments

The preparation of this condensed interim unconsolidated financial information in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience. Actual results may differ from these estimates.

In preparing this condensed interim unconsolidated financial information, significant judgments made by management and the key sources of estimating uncertainty were the same as those that applied to the annual financial statements of the Company as at and for the year ended 30 June 2012.

3. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Company as at and for the year ended 30 June 2012.

4. LONG TERM LOAN - secured

The Company obtained term finance facility from a commercial bank under mark-up arrangement at the rate of 3 month KIBOR+1% to be charged on quarterly basis. The loan is payable till 31 December 2013. The loan is secured against pledge of shares of associated company. The market value of pledged shares as collateral amounts to Rs. 1,246.656 million (30 June 2012: 1,272.972 million).

5. SHORT TERM BORROWINGS - secured

	Note		Unaudited 30 September 2012	Audited 30 June 2012
From various banking companies	5.1 & 5.2	Rupees	<u>1,314,682,518</u>	<u>1,685,677,935</u>

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 September 2012

5.1 Short term running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 3,030 million (30 June 2012: Rs. 3,130 million) which represents the aggregate of sale prices of all mark-up agreements between the Company and the banks. These facilities have various maturity dates upto 30 September 2013. These arrangements are secured against pledge of marketable securities with minimum 30% margin (30 June 2012: 30% margin). These running finance facilities carry mark-up ranging from 1 month KIBOR+ 1% to 3 month KIBOR+ 2.5% per annum (30 June 2012: 1 month KIBOR+ 1% to 3 month KIBOR+ 2.5% per annum) calculated on a daily product basis, that is payable quarterly. The aggregate amount of these facilities which have not been availed as at the balance sheet date amounts to Rs. 1,715.317 million (30 June 2012: Rs. 1,444.322 million).

5.2 The carrying amount of securities pledged as collateral against outstanding liability amounts to Rs. 2,661.285 million (30 June 2012: Rs. 3,176.757 million).

6. CONTINGENCIES AND COMMITMENT

There is no change in the status of contingencies as disclosed in the preceding annual financial statements of the Company as at 30 June 2012.

7. PROPERTY AND EQUIPMENT

Following is the cost of property and equipment that have been added / disposed off during the three months period ended 30 September 2012:

	Unaudited			
	Three months period ended 30 September 2012		Three months period ended 30 September 2011	
	Additions	Disposals	Additions	Disposals
Vehicles	67,500	-	-	189,030
Office equipment	-	-	239,500	-
Computer and allied equipments	58,300	-	-	-
Rupees	<u>125,800</u>	<u>-</u>	<u>239,500</u>	<u>189,030</u>

8. LONG TERM INVESTMENTS

	Note	Unaudited 30 September 2012	Audited 30 June 2012
At cost	8.1	2,978,293,603	2,943,048,831
At fair value through profit or loss	8.2	22,159,213,500	22,202,652,951
Available for sale	8.3	1,548,404,271	1,450,762,597
Rupees		<u>26,685,911,374</u>	<u>26,596,464,379</u>

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 September 2012

8.1 At cost

	Note	Cost	Provision for Impairment	Carrying amount	
				Unaudited 30 September 2012	Audited 30 June 2012
Subsidiaries					
Arif Habib Limited (AHL)		2,685,816,862	(950,449,366)	1,735,367,496	1,735,367,496
Al-Abbas Cement Industries Limited (AACIL)	8.1.1	881,286,511	-	881,286,511	869,663,101
Arif Habib DMCC (AHD)		29,945,898	-	29,945,898	29,945,898
SKM Lanka Holdings (Private) Limited (SKML)		56,818,578	(21,598,608)	35,219,970	21,598,608
Pakistan Private Equity Management Limited (PPEML)		42,500,000	(25,500,000)	17,000,000	17,000,000
Sachal Energy Development (Private) Limited (SEDPL)		195,000,060	-	195,000,060	185,000,060
Sweetwater Dairies Pakistan (Private) Limited (SDPL)		84,473,668	-	84,473,668	84,473,668
	Rupees	<u>3,975,841,577</u>	<u>(997,547,974)</u>	<u>2,978,293,603</u>	<u>2,943,048,831</u>

8.1.1 Before acquisition of control, AACIL was classified as 'Available for sale' category in accordance with IAS 39. On control acquisition date, previously held equity interest was remeasured and the resulting fair value was made the deemed cost. Historical cost of investment is Rs 1,491.21 million.

8.2 At fair value through profit or loss

	Cost	Unrealized appreciation / (diminution) on remeasurement of investments	Carrying amount		
			Unaudited 30 September 2012	Audited 30 June 2012	
Associates:					
Arif Habib Investments Limited (AHIL)	8.2.1	477,694,882	(136,484,252)	341,210,630	344,026,972
Pakarab Fertilizers Limited (PFL)		1,324,332,073	10,825,667,927	12,150,000,000	12,150,000,000
Fatima Fertilizer Company Limited (FFCL)		4,323,628,744	5,162,413,672	9,486,042,416	9,599,940,861
Crescent Textile Mills Limited (CTML)		292,566,283	(110,605,829)	181,960,454	108,685,118
	Rupees	<u>6,418,221,982</u>	<u>15,740,991,518</u>	<u>22,159,213,500</u>	<u>22,202,652,951</u>

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

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 September 2012

8.3 Available for sale

	Cost	Unrealized appreciation on remeasurement of investments	Provision for Impairment	Carrying amount	
				Unaudited 30 September 2012	Audited 30 June 2012
Associates:					
Thatta Cement Company Limited (THCL)	188,370,257	1,157,818	-	189,528,075	189,979,763
Aisha Steel Mills Limited (ASML)	800,082,500	80,808,333	-	880,890,833	800,082,500
Aisha Steel Mills Limited - convertible preference shares (ASML-PS)	345,700,580	17,285,029	-	362,985,609	345,700,580
	<u>1,334,153,337</u>	<u>99,251,180</u>	-	<u>1,433,404,517</u>	<u>1,335,762,843</u>
Other investments:					
Javedan Corporation Limited (JCL)	99,999,754	-	-	99,999,754	99,999,754
Takaful Pakistan Limited (TPL)	30,000,000	-	(15,000,000)	15,000,000	15,000,000
Sun Biz (Private) Limited (SBL)	1,000,000	-	(1,000,000)	-	-
	<u>130,999,754</u>	-	<u>(16,000,000)</u>	<u>114,999,754</u>	<u>114,999,754</u>
Rupees	<u>1,465,153,091</u>	<u>99,251,180</u>	<u>(16,000,000)</u>	<u>1,548,404,271</u>	<u>1,450,762,597</u>

8.4 Fair value of long term investments pledged with banking companies against various finance facilities amounts to Rs. 3,269,247 million (30 June 2012: Rs. 3,228.024 million).

8.5 There is no movement in provision for impairment during the period.

9. LOANS AND ADVANCES

		Unaudited 30 September 2012	Audited 30 June 2012
Unsecured			
<i>Considered good:</i>			
Advance for new investment	9.1	120,000,000	60,000,000
Advance against expenses		635,000	635,000
Advance against salaries		1,095,097	1,301,000
<i>To related parties:</i>			
SKM Lanka Holdings (Private) Limited - Advance against equity	9.2	9,468,000	13,621,362
Al-Abbas Cement Industries Limited	9.3	500,000,000	500,000,000
		<u>631,198,097</u>	<u>575,557,362</u>
Secured			
<i>To related parties:</i>			
Aisha Steel Mills Limited	9.4	16,650,000	16,650,000
Javedan Corporation Limited	9.5	460,000,000	460,000,000
		<u>476,650,000</u>	<u>476,650,000</u>
Rupees		<u>1,107,848,097</u>	<u>1,052,207,362</u>

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 September 2012

- 9.1** This represents amount paid as deposit money for acquisition of shares of a company in dairy farming industry.
- 9.2** This represents advance for subscription of prospective issue of shares of the subsidiary.
- 9.3** The Company has entered into a loan agreement with said subsidiary on 24 November 2011. The loan is repayable within 30 business days of notice of demand. The mark-up rate on the said loan is 3 month KIBOR prevailing on the base rate setting date plus 2.5% per annum. Mark-up is payable on quarterly basis. The effective mark-up charged during the period was 14.49% (30 June 2012: 14.41% to 14.42%) per annum.
- 9.4** The Company has entered into an agreement with said associate on 19 January 2011. Under the arrangement, the Company shall disburse loan to the associated company in one or more tranches. The loan is secured against first charge on all present and future fixed assets, accounts receivables and interest in any insurance claim and equitable mortgage of land and building. The mark-up rate on the said loan is 6 month KIBOR prevailing on the base rate setting date plus 3.25% per annum. Mark-up is payable on quarterly basis. The effective mark-up charged during the period was 15.25% (30 June 2012: 15.20 to 16.45%) per annum.
- 9.5** The Company has entered into an arrangement with said associate on 20 November 2010. Under the arrangement, the Company shall disburse loan to the associate company in one or more tranches on a short term basis and is secured against REIT units to be issued by the borrower to the Company in the proposed REIT scheme of the borrower which is in the process of getting permissions from Securities and Exchange Commission of Pakistan (SECP). In case where REIT Scheme is not approved by the SECP, the borrower, as an alternate shall provide a registered mortgage deed in favour of the Company over its immovable property located in Deh Manghopir and Gadap Town, Karachi, totaling 166 acres. The loan is repayable on demand.

The mark-up rate on the said loan is three months KIBOR prevailing on the base rate setting date plus 3% per annum. Mark-up is payable on a quarterly basis. The effective mark-up charged during the period was 14.95% (30 June 2012: 14.91% to 16.54%) per annum.

10. OPERATING REVENUE

	Unaudited	
	Three months period ended	
	September 2012	September 2011
Dividend income	448,417,105	1,169,847,775
Markup on loans	36,089,854	23,959,985
Underwriting commission	-	4,112,014
Gain on sale of securities-net	180,494,664	4,055,584
(Loss) / Gain on rereasurement of investments-net	(104,372,677)	538,987,559
Profit on bank accounts	15,070	-
	560,644,016	1,740,962,917

Rupees

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 September 2012

11. OPERATING AND ADMINISTRATIVE EXPENSES

	Unaudited	
	Three months period ended	
	September 2012	September 2011
Salaries and benefits	7,791,038	7,961,806
Printing and stationery	2,320,811	604,566
Communication	174,861	122,647
Rent, Rates & taxes	3,611,597	1,971,671
Electricity	622,926	179,159
Legal and professional charges	1,665,239	860,648
Custody & settlement charges	453,849	192,856
Entertainment	301,917	189,465
Travelling & conveyance	822,260	220,498
Audit fees	500,000	-
Advertisement & business promotion	2,191,700	155,000
Depreciation	1,785,513	2,057,780
Repair and maintenance	338,740	195,324
Insurance	312,503	239,704
Fees & subscription	1,752,707	345,600
Directors' Meeting fees	25,000	60,000
Ujrah payments	490,905	497,859
Others	169,154	51,604
Rupees	25,330,720	15,906,187

12. CASH GENERATED FROM OPERATIONS

Profit before tax	454,502,202	1,659,404,294
Adjustments for:		
Depreciation	1,785,513	2,057,780
Dividend income	(448,417,105)	(1,169,847,775)
Mark-up on loans and advances	(36,089,854)	(23,959,985)
Loss / (gain) on remeasurement of investments-net	104,372,677	(538,987,559)
Gain on disposal of long term investment	(155,329,006)	-
Finance cost	80,162,979	61,352,436
	(453,514,796)	(1,669,385,103)
	987,406	(9,980,809)
Changes in working capital		
<i>(Increase) / decrease in current assets</i>		
Loans and advances	(69,262,097)	(64,407,270)
Prepayments	123,504	119,614
Trade and other receivables	(124,370,330)	20,080,874
Short term investments	425,895,963	(218,625,111)
<i>(Decrease) / Increase in current liabilities</i>		
Trade and other payables	(454,951,428)	26,908,855
	(222,564,388)	(235,923,038)
Cash used in operations	(221,576,982)	(245,903,847)
Rupees		

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 September 2012

13. CASH AND CASH EQUIVALENTS

	Unaudited	
	Three month period ended	
	September 2012	September 2011
Cash and bank balances	110,511,051	6,590,508
Short term running finance	(1,314,682,518)	(1,645,964,758)
Rupees	<u>(1,204,171,467)</u>	<u>(1,639,374,250)</u>

14. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties comprise of group companies (subsidiaries and associates), directors and their close family members, major shareholders of the Company, key management personnel and staff provident fund. Transactions with related parties are on arm's length. Remuneration and benefits to executives of the Company are in accordance with the terms of the employment while contribution to the provident fund is in accordance with staff service rules. Transactions and balances with related parties during the period other than those disclosed elsewhere in the condensed interim unconsolidated financial information are given below:

Transaction with Subsidiaries

		Unaudited	
		Three months period ended	
		September 2012	September 2011
- Services availed	Rupees	2,851,151	2,752,200
- Mark-up income on loan and advance	Rupees	18,210,959	-
- Dividend income	Rupees	103,530,855	-
- Subscription of right shares /fresh equity investment	Rupees	23,621,362	15,458,685
- Number of bonus shares entitled		3,834,476	-
Associates			
- Dividend income	Rupees	344,886,251	1,158,300,000
- Cash dividend received	Rupees	563,451,308	-
- Mark-up on loan and advance	Rupees	639,999	-
- Mark-up income received	Rupees	4,862,475	-
- Subscription of right shares	Rupees	-	27,101,250
Other related party			
- Provident fund contribution	Rupees	738,678	248,880
- Payment of rent and maintenance charges	Rupees	4,719,128	2,410,205
- Loan / advance extended	Rupees	-	81,550,246
- Mark-up on loan and advance	Rupees	17,530,821	23,959,985

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 September 2012

		Unaudited 30 September 2012	Audited 30 June 2012
Balances as at			
- Markup receivable from Javedan Corporation Limited	Rupees	53,632,659	36,101,837
- Markup receivable from Aisha Steel Mills Limited	Rupees	1,266,488	5,955,730
- Markup receivable from Al-Abbas Cement Industries Limited	Rupees	43,477,808	25,266,849
- Receivable from Arif Habib Limited against sale of listed securities from stock exchange under T+2 settlement method	Rupees	108,366,080	-
- Dividend receivable from Arif Habib Limited	Rupees	103,530,855	-
- Dividend receivable from Arif Habib Investment Limited	Rupees	32,496,250	-

15. APPROPRIATION FOR DIVIDEND

Shareholders in their annual general meeting held on September 29, 2012 have approved cash dividend of Rs. 2 per share amounting to Rs. 825 million and bonus shares in the proportion of 1 ordinary share per 10 ordinary shares held amounting to Rs. 412.5 million. This condensed interim financial information includes the effect of the aforementioned appropriation. Diluted earnings per share has been calculated taking into account the effect of Bonus Shares.

Subsequent to the balance sheet date, cash dividend is to be distributed and bonus shares are to be allotted / issued to those shareholders whose name were appearing on the Members' Register as on the close of business on 20 September 2012.

16. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim unconsolidated financial information has been authorized for issue on 23 October 2012 by the Board of Directors of the Company.

17. GENERAL

Following corresponding figures have been re-classified for the purposes of comparison and better presentation:

Re-classified from	Re-classified to	
Donations - Operating and administrative expenses	Other charges	Rupees <u>4,300,000</u>



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER



condensed interim
consolidated
financial information

Condensed Interim Consolidated Balance Sheet

As at 30 September 2012

	Note	Unaudited September 2012	Audited June 2012
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 1,000,000,000 ordinary shares of Rs. 10 each		<u>10,000,000,000</u>	<u>10,000,000,000</u>
Issued, subscribed and paid up share capital		4,125,000,000	4,125,000,000
Reserves		9,879,207,284	10,407,237,257
Equity attributable to owners of the Parent		14,004,207,284	14,532,237,257
Non-Controlling interest		576,605,904	551,489,629
		<u>14,580,813,188</u>	<u>15,083,726,886</u>
Non-current liabilities			
Long term loans		2,656,535,035	2,645,978,686
Liabilities against assets subject to finance lease		9,342,839	2,497,747
Deferred liability		121,978,810	121,470,185
Deferred taxation - net		370,370,060	400,164,556
		<u>3,158,226,744</u>	<u>3,170,111,174</u>
Current liabilities			
Trade and other payables		1,306,789,926	1,284,566,638
Dividend Payable		856,469,145	-
Interest / mark-up accrued		244,293,238	139,775,482
Short term borrowings - secured		2,944,230,459	3,943,892,456
Current portion of long term loans		251,102,000	251,838,000
Current portion of liabilities against assets subject to finance lease		3,507,911	3,544,570
Provision for taxation		166,630,539	102,000,328
		<u>5,773,023,218</u>	<u>5,725,617,474</u>
		<u>23,512,063,150</u>	<u>23,979,455,534</u>
	Rupees		
Contingencies and commitments			

Condensed Interim Consolidated Balance Sheet

As at 30 September 2012

	Note	Unaudited September 2012	Audited June 2012
ASSETS			
Non-current assets			
Property, plant and equipment	5	4,578,410,599	4,584,688,321
Intangible assets - others		33,052,376	32,827,376
Biological assets		4,654,000	4,654,000
Goodwill		1,244,928,814	1,244,928,814
Membership cards and licenses		68,655,000	68,655,000
Long term investments		11,429,127,748	11,524,620,559
Investment property		57,200,000	53,000,000
Long term loans and advances - considered good		154,428,115	154,428,115
Long term deposits and prepayments		35,162,364	32,895,771
		17,605,619,016	17,700,697,956
Current assets			
Stock-in-trade		436,149,000	219,062,000
Stores, spares and loose tools		325,959,832	517,179,832
Trade debts		316,753,784	329,173,031
Loans and advances - considered good		762,830,814	654,583,733
Deposits and prepayments		47,437,967	36,866,882
Receivable against sale of investment		-	529,534,120
Advance tax		350,237,406	138,489,636
Other receivables - considered good		328,700,109	814,044,612
Short term investments		3,080,456,367	2,934,387,278
Cash and bank balances		257,918,855	105,436,454
		5,906,444,134	6,278,757,578
		23,512,063,150	23,979,455,534
	Rupees		

The annexed notes 1 to 11 form an integral part of this condensed interim consolidated financial information.


CHAIRMAN & CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the three months period ended 30 September 2012

	Note	Three months period ended	
		September 2012	September 2011
Operating revenue		587,970,386	519,662,816
Operating, administrative and other expenses		(207,117,219)	(598,993,394)
Operating profit		380,853,167	(79,330,578)
Other income		333,493,551	20,185,257
Finance cost		(222,347,109)	(196,622,082)
Other charges		(22,964,115)	(4,322,284)
		469,035,494	(260,089,687)
Share of (loss) /profit of equity - accounted associates - net of tax		(112,196,335)	871,773,045
Profit before tax		356,839,159	611,683,358
Taxation			
For the period			
- Current		(71,384,919)	(36,094,531)
- Deferred		28,171,331	-
		(43,213,588)	(36,094,531)
Profit after tax	Rupees	313,625,571	575,588,827
Profit / (loss) attributable to:			
Equity holders of Arif Habib Corporation Limited		251,115,522	620,320,687
Non-controlling interests		62,510,049	(44,731,860)
	Rupees	313,625,571	575,588,827
Earnings per share - Basic	Rupees	0.61	1.50
Earnings per share - Diluted	9 Rupees	0.55	1.37

The annexed notes 1 to 11 form an integral part of this condensed interim consolidated financial information.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

Condensed Interim Consolidated Statement of Comprehensive Income (Un-audited)

For the three months period ended 30 September 2012

	Three months period ended	
	September	September
	2012	2011
Profit for the period	313,625,571	575,588,827
Other comprehensive income		
Effect of translation of net assets of foreign subsidiary to presentation currency - net	(4,365,941)	574,891
Share of other comprehensive income / (loss) of equity-accounted associates	78,852,653	
Reclassification adjustments relating to gain realized on disposal of investments classified as available for sale' -net of tax	(22,933,426)	-
Other comprehensive income for the period	51,553,286	574,891
Total comprehensive income for the period	365,178,859	576,163,718

Rupees

The annexed notes 1 to 11 form an integral part of this condensed interim consolidated financial information.


CHAIRMAN & CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the three months period ended 30 September 2012

	Note	Three months period ended	
		September 2012	September 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		356,839,159	611,683,358
Adjustments for:			
Depreciation		28,801,869	26,160,453
(Gain) / loss on sale of property and equipment		(357,000)	13,254
Loss on short term investments		526,941,496	110,105,876
Unrealised gain on long term investments		(144,275,977)	-
Share in loss of equity accounted investee - net of tax		112,196,335	-
Amortization		(225,000)	166,344
Mark-up on bank balances, loans and advances		-	(24,159,641)
Dividend Income		-	(14,173,551)
Refund of central excise duty		(182,604,000)	-
Finance cost		222,347,109	196,622,082
		(491,058,160)	294,734,817
Operating (loss) / profit before working capital changes		(134,219,001)	906,418,175
Changes in working capital:			
(Increase) / decrease in current assets			
Stock in trade		(217,087,000)	(90,978,000)
Store and spares		191,220,000	(959,000)
Trade debts		12,419,247	(187,745,590)
Loans and advances		(108,247,081)	(58,436,155)
Deposits and prepayments		(10,571,085)	(830,087)
Other receivables		517,840,754	(31,788,427)
Short term investments		820,284,356	(745,524,420)
Increase / (decrease) in current liabilities		22,731,913	316,281,452
Trade and other payables		1,228,591,104	(799,980,227)
Cash generated from operations		1,094,372,103	106,437,948
Taxes paid		(37,521,643)	(27,832,997)
Finance cost paid		(117,829,353)	(116,070,941)
Gratuity - net		-	(1,751,000)
Net cash generated from / (used in) operating activities		939,021,107	(39,216,990)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(22,642,000)	(15,650,507)
Proceeds from sale of assets		475,000	318,895
Investment property		(4,200,000)	-
Dividend received		-	14,173,551
Acquisition of intangible assets		-	(6,664,494)
Interest received		-	210,551
Long term investments		241,756,884	(833,569,912)
Long term deposits		(2,266,593)	4,186,058
Net cash generated from / (used in) investing activities		213,123,291	(836,995,858)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing		-	95,194,450
Lease liability		-	667,502
Net cash flows generated from financing activities		-	95,861,952
Net increase / (decrease) in cash and cash equivalents		1,152,144,398	(780,350,896)
Cash and cash equivalents at beginning of the period		(3,838,456,002)	(1,930,855,154)
Cash and cash equivalents at end of the period		(2,686,311,604)	(2,711,206,050)

6 Rupees

The annexed notes 1 to 11 form an integral part of this condensed interim consolidated financial information.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the three months period ended 30 September 2012

Note	Equity attributable to owners of the Parent							Non-controlling interests	Total equity
	Issued, subscribed and paid up share capital	Unrealized (diminution)/ appreciation on remeasurement of available - for - sale investment	Exchange difference on translation to presentation currency	General reserve	Reserve for issue of bonus shares	Unappropriated profit	Total		
Balance as at 1 July 2011	3,750,000,000	(1,948,642)	30,029,222	4,019,567,665	-	5,376,504,223	13,174,152,468	549,198,456	13,723,350,924
Total comprehensive income for the three months period									
Profit for the three months period ended 30 September 2011	-	-	-	-	-	620,320,687	620,320,687	(44,731,860)	575,588,827
Net effect of translation of net assets of foreign subsidiary to presentation currency	-	-	574,891	-	-	-	574,891	-	574,891
	-	-	574,891	-	-	620,320,687	620,895,578	(44,731,860)	576,163,718
Balance as at 30 September 2011	3,750,000,000	(1,948,642)	30,604,113	4,019,567,665	-	5,996,824,910	13,795,048,046	504,466,596	14,299,514,642
Balance as at 1 July 2012	4,125,000,000	9,175,367	41,096,126	4,019,567,665	-	6,337,398,099	14,532,237,257	551,489,629	15,083,726,886
Total comprehensive income for the three months period									
Profit for the three months period ended 30 September 2012	-	-	-	-	-	251,115,522	251,115,522	62,510,049	313,625,571
Other comprehensive income	-	74,413,651	-	-	-	-	74,413,651	73,061	74,486,712
Reclassification adjustments relating to gain realized on disposal of investments classified as available for sale - net of tax	-	(22,933,426)	-	-	-	-	(22,933,426)	-	(22,933,426)
	-	51,480,225	-	-	-	251,115,522	302,595,747	62,583,110	365,178,857
Transactions with owners									
Appropriation for 41.25 million bonus shares (1 share for every 10 shares held) for the year ended 30 June 2012	9	-	-	412,500,000	(412,500,000)	-	-	-	-
Cash dividend for the year ended 30 June 2012 (Rs. 2 per share)	9	-	-	-	-	(825,000,000)	(825,000,000)	(31,469,145)	(856,469,145)
Decrease in non-controlling interest on further acquisition	-	-	-	-	-	(5,625,720)	(5,625,720)	(5,997,690)	(11,623,410)
	-	-	-	-	412,500,000	(1,243,125,720)	(830,625,720)	(37,466,835)	(868,092,555)
Balance as at 30 September 2012	4,125,000,000	60,655,592	41,096,126	4,019,567,665	412,500,000	5,345,387,901	14,004,207,284	576,605,904	14,580,813,188

The annexed notes 1 to 11 form an integral part of this condensed interim consolidated financial information.


CHAIRMAN & CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the three months period ended 30 September 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

Arif Habib Corporation Limited, the Parent was incorporated in Pakistan on 14 November 1994 as a public limited company under the Companies Ordinance, 1984. The Company is listed on the Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. The principal activity of the Company is to manage strategic investments in subsidiary companies and associates engaged in Chemical, Fertilizer, Financial Services, Construction Materials, Industrial Metal, Steel and Other Sectors including investments in securities. The registered office of the Company is situated at Arif Habib Centre, 2nd Floor, 23 M. T. Khan Road, Karachi, Pakistan. The Company is domiciled in the province of Sindh.

These condensed interim consolidated financial statements of Arif Habib Corporation Limited for the period ended 30 September 2012 comprise of the Parent and following subsidiary companies (here-in-after referred to as "the Group").

<i>Name of Company</i>	<i>Note</i>	<i>Shareholding (including indirect holding)</i>
- Arif Habib Limited (AHL)	1.1	76.69%
- Arif Habib Commodities (Private) Limited, investment management of commodities, wholly owned subsidiary of Arif Habib Limited	1.1	76.69%
- Al-Abbas Cement Industries Limited (AACIL)	1.2	69.61%
- Arif Habib DMCC (AHD)	1.3	100.00%
- SKM Lanka Holdings (Private) Limited (SKML)	1.4	78.90%
- Pakistan Private Equity Management Limited (PPEML)	1.5	85.00%
- Sachal Energy Development (Pvt) Limited (SEDL)	1.6	99.99%
- Sweetwater Dairies Pakistan (Private) Limited (SDPL)	1.7	85.20%

Additionally, AHCL has long term investments in following associates and these are being carried under equity accounting

Associates

- Pakarab Fertilizers Limited	30.00%
- Aisha Steel Mills Limited	33.33%
- Arif Habib Investments Limited	30.09%
- Thatta Cement Company Limited	9.06%
- Fatima Fertilizer Company Limited	18.70%
- Crescent Textile Mills Limited	24.82%

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 September 2012

- 1.1** Arif Habib Limited (AHL) was incorporated in Pakistan on 07 September 2004 under the Companies Ordinance, 1984, as a public limited company. The registered office of AHL is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi, Pakistan. It is domiciled in the province of Sindh. AHL is member of Karachi, Lahore and Islamabad Stock Exchanges. It is registered with SECP as securities brokerage house and principally engaged in the business of securities brokerage, IPO underwriting, advisory and consultancy services. The shares of AHL are listed at the Karachi Stock Exchange since 31 January 2007.
- During the year ended 30 June 2012, AHL incorporated a wholly owned subsidiary namely, Arif Habib Commodities (Private) Limited (AHCPL). The business of the subsidiary comprises of commodity brokerage and commodity investments in commodity exchanges.
- 1.2** Al-Abbas Cement Industries Limited (AACIL) was established as private limited company on 01 December 1981 and was converted into public limited company on 09 July 1987 and is listed on Karachi and Lahore Stock Exchanges. The company's principal activity is manufacturing, selling and marketing of cement. Registered office of the company is situated at the Arif Habib Centre, 23 M.T Khan Road, Karachi, Pakistan and its undertaking is situated at Deh Kalo Kohar, Nooriabad Industrial Estate, District Dadu (Sindh). During the period, the Parent purchased 1,948,350 shares of Al-Abbas Cement Industries Limited.
- 1.3** Arif Habib DMCC (AHD) was incorporated in Dubai, U.A.E. on 24 October 2005 as a limited liability company. Its registered office is situated at Dubai Metals and Commodities Center, Dubai, U.A.E. AHD is a wholly owned subsidiary of AHCL and was granted registration and trading license by the Registrar of Companies of the Dubai Multi Commodities Center (DMCC) Authority on 26 October 2005. AHD is expected to start its commercial operations at the Dubai Gold and Commodities Exchange within next twelve months besides consultancy business which has already been started.
- 1.4** SKM Lanka Holdings (Private) Limited (SKML) was incorporated in Colombo, Sri Lanka on 15 February 2007 as a limited liability company. Its registered office is situated at 86/1, Dawson Street, Colombo 02, Sri Lanka. It is domiciled in the province of Colombo and is registered with Securities and Exchange Commission of Sri Lanka as securities brokerage house. During the period, the Parent subscribed for 1,848,750 ordinary shares of SKM Lanka Holdings (Private) Limited.
- 1.5** Pakistan Private Equity Management Limited (PPEML) was incorporated in Pakistan on 06 September 2006 as a public limited company under the Companies Ordinance, 1984. The registered office of PPEML is situated at Arif Habib Centre, 23 M.T. Khan Road, Karachi, Pakistan. It is domiciled in the province of Sindh. PPEML is a fund management company (FMC) registered, under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 as amended through SRO 113(I)/2007 and SRO 271(I)/2010, with the Securities and Exchange Commission of Pakistan and licensed to carry out private equity and venture capital fund management services.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 September 2012

- 1.6** Sachal Energy Development (Private) Limited (SEDPL) was incorporated in Pakistan under the Companies Ordinance, 1984 on 20 November 2006. The company's registered office is located in Islamabad, Pakistan. The company plans to carry out the business of purchasing, importing, transforming, converting, distributing, supplying and dealing in electricity and all other forms of energy and related services. During the period, the Parent subscribed for 1,000,000 ordinary shares of Sachal Energy Development (Private) Limited.
- 1.7** Sweetwater Dairies Pakistan (Private) Limited (SDPL) was incorporated in Pakistan on 29 March 2007 as a private limited company under the Companies Ordinance, 1984. The registered office of the company is situated at 24 - Q, Shibley Road, Gulberg II, Lahore. The Principal activity of the company is to setup cattle rearing / raising facilities and to buy, sell, pasteurize, prepare, bottle or otherwise pack milk in its natural form or otherwise and to develop farmlands and to cultivate, grow and produce fodder with heavy nutritional contents required for better generation of milk. On 22 March 2012, the Parent obtained control of SDPL by acquiring 34,653,550 ordinary shares of Rs. 10 each.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

This condensed interim consolidated financial information does not include all the information required for full financial statements and should be read in conjunction with the annual financial statements as at and for the year ended 30 June 2012.

This condensed interim consolidated financial information is presented in Pakistan Rupees which is the Group's functional currency and presentation currency. The financial statements of two foreign incorporated subsidiaries have been translated into Pakistan Rupees for the purpose of these consolidated financial statements. All financial information presented has been rounded off to the nearest rupee.

2.2 Significant accounting policies

The accounting policies adopted by the Group in the preparation of this condensed interim consolidated financial information are the same as those applied in preparation of the preceding annual financial statements of the Group as at and for the year ended 30 June 2012.

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

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 September 2012

2.3 Use of estimates and judgments

The preparation of this condensed interim consolidated financial information in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience. Actual results may differ from these estimates.

In preparing this condensed interim consolidated financial information, significant judgments made by management and the key sources of estimating uncertainty were the same as those that applied to the annual financial statements of the Company as at and for the year ended 30 June 2012.

3. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements of the Group as at and for the year ended 30 June 2012.

4. CONTINGENCIES AND COMMITMENTS

There is no change in the status of contingencies as disclosed in the preceding annual financial statements of the Company as at 30 June 2012.

5. PROPERTY AND EQUIPMENT

Capital expenditure incurred during the period amounted to Rs 22.642 million. Further, assets having written down value of Rs. 0.118 million was sold for Rs. 0.47 million.

6 CASH AND CASH EQUIVALENTS

	Unaudited	
	For the three month period ended	
	September	September
	2012	2011
Cash and bank balances	257,918,855	87,138,150
Short term borrowings	(2,944,230,459)	(2,798,344,200)
	<u>(2,686,311,604)</u>	<u>(2,711,206,050)</u>

7. 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 on arm's length. 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.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 September 2012

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

		Unaudited	
		Three months period ended	
		September	September
		2012	2011
Transaction with associates			
- Dividend income	Rupees	344,886,251	675,000,000
- Cash dividend received	Rupees	563,451,308	-
- Mark-up on loan and advance	Rupees	639,999	-
- Mark-up income received	Rupees	4,862,475	-
- Subscription of right shares	Rupees	-	27,101,250
- Sale of goods	Rupees	581,000	-
Transaction with Other related party			
- Provident fund contribution	Rupees	1,238,451	682,392
- Payment of rent and maintenance charges	Rupees	10,466,144	2,410,205
- Loan / advance extended	Rupees	-	81,550,246
- Mark-up on loan and advance	Rupees	17,530,821	23,959,985
- Sale of services	Rupees	407,147	-
		Unaudited	Audited
		30 September	30 June
		2012	2012
Balances as at			
- Markup receivable from Javedan Corporation Limited	Rupees	53,632,659	36,101,837
- Markup receivable from Aisha Steel Mills Limited	Rupees	1,266,488	5,955,730
- Dividend receivable from Arif Habib Investment Limited	Rupees	32,496,250	-
- Receivable from Aisha Steel Mills Limited	Rupees	2,764,000	-
- Receivable from Javedan Corporation Limited	Rupees	294,000	-
- Receivable from Thatta Cement Company Limited	Rupees	3,675,000	-

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 September 2012

8 REPORTABLE SEGMENTS

8.1 The group has six reportable segments: Fertilizer, Capital Market Operations, Financial Services, Cement, Steel and Dairies. The fertilizer segment is principally engaged in manufacturing & sale of fertilizer. The capital market operations' segment is principally engaged in trading of equity securities and maintaining strategic and trading portfolios. The financial services' segment is principally engaged in providing investment advisory and assets management services to different mutual funds and unit trusts and brokerage, underwriting, corporate consultancy, research and corporate finance services. The cement segment is principally engaged in manufacturing & sale of cement. The steel and dairy segments are presently under the developing stage.

8.2 The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in the last published annual audited consolidated financial statements for the year ended 30 June 2012. 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.

8.3 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.

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

9. APPROPRIATION FOR DIVIDEND

Shareholders in their annual general meeting held on September 29, 2012 have approved cash dividend of Rs. 2 per share amounting to Rs. 825 million and bonus shares in the proportion of 1 ordinary share per 10 ordinary shares held amounting to Rs. 412.5 million. This condensed interim consolidated financial information includes the effect of the aforementioned appropriation. Diluted earnings per share has been calculated taking into account the effect of Bonus Shares.

Subsequent to the balance sheet date, cash dividend is to be distributed and bonus shares are to be allotted / issued to those shareholders whose name were appearing on the Members' Register as on the close of business on 20th September 2012.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 September 2012

10. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim consolidated financial information has been authorized for issue on 23 October 2012 by the Board of Directors of the Company.

11. GENERAL

Following corresponding figures have been re-classified for the purposes of comparison and better presentation:

Re-classified from	Re-classified to	
Donations - Operating and administrative expenses	Other charges	Rupees <u>4,300,000</u>



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER



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