



Arif Habib Corp

# Promoting Investments

Half Yearly Report  
31 December 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  
Sindh 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](mailto:info@arifhabibcorp.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

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](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)

#### Ratings (JCR-VIS)

Long term: AA  
Short term: A-1+

# 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 information for the Half Year ended 31st December 2012.

### Financial Results

During the half year, AHCL recorded an operating revenue of Rs.1,514.40 million, which includes dividend income of Rs.448.42 million and gain on remeasurement of investments amounting to Rs.820.88 million. After accounting for operating, administrative and financial expenses of Rs.195.41 million, the company earned a profit before tax of Rs.1,318.43 million. The company has reported an after-tax profit of Rs.1,364.61 million for the half year under review as compared to the net profit of Rs. 3,090.76 million for the corresponding half year ended 31st December 2011. This translates into earnings of Rs.3.01 per share as compared with Rs.6.81 per share in corresponding period last year.

### Performance of Subsidiaries and Associates

Your Company's strategic investments have continued to perform well during the half year under review. Investments in the cement sector continue to prosper as focus on improving efficiency has resulted in improved market share and production stability while favorable fundamentals and a low interest rate environment have contributed to the bottom-line of the investee companies. Fatima Fertilizer continues to operate in a satisfactory manner while Pakarab Fertilizers is facing challenges due to excessive curtailment of natural gas by SNGPL. The performance of the steel plant post-commissioning is challenging because of thin conversion margin due to the volatile HRC market and due to time-taking process in attainment of full capacity utilization for production of CRC. Good thing is that the downstream industries' response has been overwhelming. Positive developments have been made in the dairy and wind energy sectors and the management continues to focus on consolidating the strategic investment portfolio. Brokerage business has achieved good financial results whereas asset management company is performing satisfactorily. Positive performance of KSE 100 Index has contributed well in the profitability of the company.

### Economic Review

Pakistan's economy continues to show signs of improvement, notably on the external front with the current account posting a surplus of USD 250 million during 1H FY13 against a deficit of USD 2.43 billion in the corresponding period of last year. Similarly, the overall balance of payment deficit also contracted by an impressive 70% to USD 541 million from USD 1.79 billion in 1H FY12. However, looming IMF repayments and speculative activity kept the PKR under pressure which lost 2.9% in value during July to December 2012, where 88% of the devaluation occurred in the latter half of the period under review.

On a more positive note, inflation continues to subside and touched a low of 6.9% in November 2012. Headline CPI during 1H FY13 averaged at 8.3% against 10.9% 1H FY12 and 11.13% in 2H FY12. The central bank continued to implement monetary easing on the back of easing inflationary pressures and a stable external front. The policy rate now stands at 9.50% with a cut of 150 bps in August 2012 followed by two consecutive cuts of 50 bps each in October and December 2012. This is the first time in 6.5 years that the discount rate has touched single digits and bodes well for the promotion of investment.



#### Future Outlook

The prevalent low interest rate environment is expected to stimulate the economy as credit facilities are once again affordable for the consumer and private sector. Leveraged investments of your Company are also expected to benefit. Tangible progress has been made on a long term plan that will ensure sustainable gas supply to the fertilizer industry and all stakeholders continue to reiterate their commitment and resolve. There is a positive development for Pakarab Fertilizers that ECC has allocated natural gas to all fertilizer units on SNGPL from dedicated gas reserves directly to be supplied through tolling by SSGC and SNGPL. Cement investee companies have started producing good results and are expected to do better. The steel business is expected to incur loss in its first year but we hope that it will generate profits in medium term. Political noise is expected to increase in the run up to the general elections but consumer confidence and investor sentiment to remain resilient, but it will improve on installation of caretaker Government ensuring continuity of democratic process in Pakistan. Your Company's positioning and presence in key sectors of the economy is expected to have satisfactory performance for the coming half year.

#### Emphasis of matter paragraphs included in the Auditors' Review Report

The Auditors' Review Report includes emphasis of matter paragraphs on notes 6.1 & 8.2.1 to the

condensed interim unconsolidated financial information in connection with non-provision of Workers' Welfare Fund and merger of Arif Habib Investments Limited with MCB Asset Management Company Limited respectively. The conclusion of auditors is not qualified in respect of above-mentioned matters.

The issues were also highlighted by the auditors in the annual audit. The instance of the management is presented in the respective notes to the condensed interim unconsolidated financial information.

#### 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

Karachi  
22 February 2013



Arif Habib  
Chairman & Chief Executive



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

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## Auditors' Report to the Members on Review of Condensed Interim Unconsolidated Financial Information

### Introduction

We have reviewed the accompanying condensed interim unconsolidated balance sheet of Arif Habib Corporation Limited ("the Company") as at 31 December 2012 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated cash flow statement, condensed interim unconsolidated statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as the "condensed interim unconsolidated financial information"). Management is responsible for the preparation and presentation of this condensed interim unconsolidated financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim unconsolidated financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim unconsolidated financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### Emphasis of Matter

We draw attention to note 6.1 to the condensed interim unconsolidated financial information which describes the basis on which the Company has not recognized provision for Workers' Welfare Fund.

We also draw attention to note 8.2.1 to the condensed interim unconsolidated financial information which describes the uncertainty related to the outcome of the constitutional petition filed by Arif Habib Investments Limited against Securities and Exchange Commission of Pakistan in the case of merger of Arif Habib Investments Limited with MCB Asset Management Company Limited.

Our conclusion is not qualified in respect of above-mentioned matters.

### Other Matter

The figures for the quarter ended 31 December 2012 in the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Date: 29 January 2013

Place: Karachi

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Mohammad Mahmood Hussain





condensed interim  
unconsolidated  
financial information

# Condensed Interim Unconsolidated Balance Sheet

As at 31 December 2012

	Note	Unaudited December 2012	Audited June 2012
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised share capital 1,000,000,000 Ordinary shares of Rs. 10 each		<b>10,000,000,000</b>	10,000,000,000
Issued, subscribed and paid up share capital		<b>4,537,500,000</b>	4,125,000,000
Reserves		<b>20,409,769,250</b>	20,120,018,064
		<b>24,947,269,250</b>	24,245,018,064
<b>Non-current liabilities</b>			
Deferred taxation		<b>2,824,045,431</b>	2,832,876,106
Long term loan - secured	4	-	656,550,000
		<b>2,824,045,431</b>	3,489,426,106
<b>Current liabilities</b>			
Trade and other payables		<b>289,876,954</b>	473,424,311
Interest / mark-up accrued on borrowings		<b>68,119,186</b>	77,088,375
Short term borrowings	5	<b>1,878,565,179</b>	1,685,677,935
Current maturity of long term loan	4	<b>656,550,000</b>	-
Provision for taxation		<b>61,081,629</b>	99,826,284
		<b>2,954,192,948</b>	2,336,016,905
	Rupees	<b>30,725,507,629</b>	30,070,461,075
<b>Contingencies and commitments</b>			
	6		

## As at 31 December 2012

The annexed notes 1 to 16 form an integral part of this condensed interim unconsolidated financial information.

  
CHIEF FINANCIAL OFFICER

# Condensed Interim Unconsolidated Profit & Loss Account (Unaudited)

For the six months period ended 31 December 2012

		Six months period ended		Quarter ended	
		December	December	December	December
		2012	2011	2012	2011
<b>Operating revenue</b>	11	<b>1,514,395,192</b>	3,272,167,732	<b>953,751,176</b>	1,531,204,815
Operating and administrative expenses		(45,399,778)	(37,132,721)	(20,069,058)	(21,226,534)
Other income		42,100	180,430	42,100	180,430
Finance cost		(150,010,690)	(138,956,328)	(69,847,711)	(77,603,892)
Other charges		(600,000)	(4,300,000)	48,115	-
<b>Profit before tax</b>		<b>1,318,426,824</b>	3,091,959,113	<b>863,924,622</b>	1,432,554,819
<b>Taxation</b>					
For the period					
- Current		(61,081,629)	(1,639,520)	4,032,245	166,059
- Prior		99,826,284	-	99,826,284	-
- Deferred		7,434,201	441,002	1,646,406	28,859,047
		46,178,856	(1,198,518)	105,504,935	29,025,106
<b>Profit after tax</b>	Rupees	<b>1,364,605,680</b>	3,090,760,595	<b>969,429,557</b>	1,461,579,925
<b>Earnings per share - basic and diluted</b>	Rupees	<b>3.01</b>	6.81	<b>2.14</b>	3.22

The annexed notes 1 to 16 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 six months period ended 31 December 2012

	Six months period ended		Quarter ended	
	December	December	December	December
	2012	2011	2012	2011
<b>Profit for the period</b>	<b>1,364,605,680</b>	3,090,760,595	<b>969,429,557</b>	1,461,579,925
<b>Other comprehensive income</b>				
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Unrealized appreciation during the period on remeasurement of investments classified as 'available for sale'	185,578,932	43,199,393	87,937,258	57,364,313
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	162,645,506	43,199,393	87,937,258	57,364,313
<b>Total comprehensive income for the period</b>	<b>1,527,251,186</b>	3,133,959,988	<b>1,057,366,815</b>	1,518,944,238
Rupees				

The annexed notes 1 to 16 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 six months period ended 31 December 2012

	Note	December 2012	December 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from / (used in) operations</b>	12	<b>462,237,479</b>	(455,019,850)
Income tax paid		(70,954,012)	(6,663,291)
Finance cost paid		(158,979,879)	(114,192,343)
Dividend received		700,080,414	63,625,132
Interest received		4,862,476	60,073,913
<b>Net cash generated from / (used in) operating activities</b>		<b>937,246,477</b>	(452,176,439)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure incurred		(265,090)	(269,500)
Proceeds from sale of property and equipment		-	189,030
Acquisition of long term investments		(60,007,621)	(44,762,260)
Proceeds from sale of long term investments		353,619,817	-
Long term loan to subsidiary		(500,000,000)	-
Long term deposits		(304,200)	(143,500)
<b>Net cash used in investing activities</b>		<b>(206,957,094)</b>	(44,986,230)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan from related party		-	400,000,000
Long term loan obtained		-	656,550,000
Dividend paid		(825,000,000)	(750,000,000)
<b>Net cash flows (used in) / generated from financing activities</b>		<b>(825,000,000)</b>	306,550,000
<b>Net decrease in cash and cash equivalents</b>		<b>(94,710,617)</b>	(190,612,669)
<b>Cash and cash equivalents at beginning of the period</b>		<b>(1,674,497,962)</b>	(1,318,887,033)
<b>Cash and cash equivalents at end of the period</b>	13 Rupees	<b>(1,769,208,579)</b>	(1,509,499,702)

The annexed notes 1 to 16 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 six months period ended 31 December 2012

	Share Capital Issued, Subscribed and Paid Up	Capital reserve Unrealized appreciation/ (diminution) on remeasurement of investments classified as 'available for sale'	Revenue reserves General reserve	Unappropriated profit	Total reserves	Total
<b>Balance as at 1 July 2011</b>	3,750,000,000	(436,042,975)	4,000,000,000	13,797,693,943	17,361,650,968	21,111,650,968
<b>Total comprehensive income for the six months period</b>						
<b>Items that are or may be reclassified subsequently to profit or loss</b>						
Profit for the six months period ended 31 December 2011	-	-	-	3,090,760,595	3,090,760,595	3,090,760,595
Unrealized appreciation during the period on remeasurement of investments classified as 'available for sale'	-	43,199,393	-	-	43,199,393	43,199,393
	-	43,199,393	-	3,090,760,595	3,133,959,988	3,133,959,988
<b>Transactions with owners</b>						
Issue of 37.5 million bonus shares (1 share for every 10 shares held) for the year ended 30 June 2011	375,000,000	-	-	(375,000,000)	(375,000,000)	-
Cash dividend for the year ended 30 June 2011 (Rs. 2 per share)	-	-	-	(750,000,000)	(750,000,000)	(750,000,000)
	375,000,000	-	-	(1,125,000,000)	(1,125,000,000)	(750,000,000)
<b>Balance as at 31 December 2011</b>	<b>Rupees 4,125,000,000</b>	<b>(392,843,582)</b>	<b>4,000,000,000</b>	<b>15,763,454,538</b>	<b>19,370,610,956</b>	<b>23,495,610,956</b>
<b>Balance as at 1 July 2012</b>	<b>4,125,000,000</b>	<b>(394,481,956)</b>	<b>4,000,000,000</b>	<b>16,514,500,020</b>	<b>20,120,018,064</b>	<b>24,245,018,064</b>
<b>Total comprehensive income for the six months period</b>						
<b>Items that are or may be reclassified subsequently to profit or loss</b>						
Profit for the six months period ended 31 December 2012	-	-	-	1,364,605,680	1,364,605,680	1,364,605,680
Unrealized appreciation during the period on remeasurement of investments classified as 'available for sale'	-	185,578,932	-	-	185,578,932	185,578,932
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)
	-	162,645,506	-	1,364,605,680	1,527,251,186	1,527,251,186
<b>Transactions with owners</b>						
Issue of 41.25 million bonus shares (1 share for every 10 shares held) for the year ended 30 June 2012	412,500,000	-	-	(412,500,000)	(412,500,000)	-
Cash dividend for the year ended 30 June 2012 (Rs. 2 per share)	-	-	-	(825,000,000)	(825,000,000)	(825,000,000)
	412,500,000	-	-	(1,237,500,000)	(1,237,500,000)	(825,000,000)
<b>Balance as at 31 December 2012</b>	<b>Rupees 4,537,500,000</b>	<b>(231,836,450)</b>	<b>4,000,000,000</b>	<b>16,641,605,700</b>	<b>20,409,769,250</b>	<b>24,947,269,250</b>

The annexed notes 1 to 16 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 six months period ended 31 December 2012

## 1. STATUS AND NATURE OF BUSINESS

Arif Habib Corporation Limited ("the Company") was incorporated in Pakistan on 14 November 1994 as a public limited company under the Companies Ordinance, 1984. The Company is listed on the Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. The principal activity of the Company is to make 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 unconsolidated financial information is separate financial information of the Company in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated condensed interim financial information is prepared separately.

The Company has following long term investments:

<i>Name of Company</i>	<i>Shareholding</i>
------------------------	---------------------

### *Subsidiaries*

- Arif Habib Limited, a brokerage house	77.25%
- 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 Sri Lankan incorporated brokerage house at Colombo Stock Exchange	80.98%
- 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%
- Fatima Fertilizer Company Limited	18.58%
- Arif Habib Investments Limited	30.09%
- Thatta Cement Company Limited	9.06%
- Crescent Textile Mills Limited	24.82%

### *Others*

- Takaful Pakistan Limited	10.00%
- Sunbiz (Private) Limited	4.65%
- Javedan Corporation Limited	7.90%

# Notes To the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2012

## 1.1 Change in the composition of the Group

Changes in composition of the Group during the six months period ended 31 December 2012 are summarized as under:

- the Company purchased 282,000 shares of Arif Habib Limited, a subsidiary of the Company, resulting in an increase in Company's holding from 76.69% to 77.25%.
- the Company purchased 1,948,350 shares of Al-Abbas Cement Industries Limited, a subsidiary of the Company, resulting in an increase in the Company's holding from 65.03% to 65.56%.
- the Company subscribed for 3,142,923 ordinary shares of SKM Lanka Holdings (Private) Limited, a subsidiary of the Company, resulting in an increase in the Company's holding from 75.00% to 80.98%.
- the Company received 13,500,000 shares of Fatima Fertilizer Company Limited (FFCL) as specie dividend from Pakarab Fertilizers Limited and sold 12,500,000 shares of the said company. This resulted in an overall increase in Company's holding in FFCL from 18.53% to 18.58%.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

This condensed interim unconsolidated financial information of the Company for six months period ended December 31 2012 has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial reporting" and provisions of and directives issued under the Companies Ordinance 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim unconsolidated financial information is unaudited and subject to limited scope review by the auditors, 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 Pakistani 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.

# Notes To the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2012

## 2.2 Significant accounting policies

The accounting policies and the methods of computation adopted in the preparation of this condensed interim unconsolidated financial information are the same as those applied in preparation of the financial statements 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 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 were made by management in applying the Company's accounting policies 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

		Unaudited 31 December 2012	Audited 30 June 2012
Term finance loan	4.1	656,550,000	656,550,000
Less: Current portion of term finance loan		(656,550,000)	-
	Rupees	<u>-</u>	<u>656,550,000</u>

- 4.1** This represents term finance facility obtained by the Company from a commercial bank under mark-up arrangement at the rate of 3 months KIBOR +1% to be charged quarterly having maturity upto 31 December 2013. The fair value of shares of associated company pledged as collateral against long term loan amount to Rs. 1,362.240 million (30 June 2012: Rs. 1,272.972 million)

## 5. SHORT TERM BORROWINGS - secured

From various banking companies			
- short term running finance	5.1 & 5.2	Rupees	<u>1,878,565,179</u>
			<u>1,685,677,935</u>



# Notes To the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2012

**5.1** Short term running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 3,530 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. 1,651.435 million (30 June 2012: Rs. 1,444.322 million).

**5.2** The fair value of shares of associated companies and shares held for trading pledged as collateral against short term borrowings amount to Rs. 2,662.427 million (30 June 2012: Rs. 2,292.471 million).

## **6. CONTINGENCIES AND COMMITMENT**

**6.1** During the year ended 30 June 2011, the Honourable High Court of Lahore vide their order in respect of writ petition No. 8763/2011, has declared amendments introduced through Finance Acts 2006 and 2008 in Workers' Welfare Ordinance, 1971 as unconstitutional. Further, the Company has also filed a writ petition in the High Court of Sindh at Karachi to impugn the amendments made to the Workers' Welfare Ordinance 1971, vide Finance Act 2008. Moreover, the Appellate Tribunal Inland Revenue, Islamabad has also settled issue of WWF in the favour of taxpayers and against the Inland Revenue Service Department in ITA No. 38/1B/2012 (Tax year 2009), ITA No. 136/IB/2012 (Tax year 2009) and ITA No. 137/IB/2012 (Tax year 2010) dated 21 May 2012. The management of the Company is contesting the case vigorously and as per the legal counsel, the Company has a reasonable case and expects that the constitution petition pending in the Honourable High Court of Sindh on the subject as referred above will be decided in the favour of the Company. Accordingly, the management has not recorded any liability towards Worker's Welfare Fund.

**6.2** During the year ended 30 June 2012, the Securities and Exchange Commission of Pakistan ("SECP") issued an order u/s 22 of the Securities and Exchange Ordinance, 1969 ("the Ordinance") regarding non compliance of orders passed by SECP u/s 18A of the Ordinance for depositing confiscated subscription money amounting to Rs. 3.14 million relating to fictitious applications received by the Company for subscription of shares of Summit Bank Limited that were offered to general public by the Company in 2007. On 02 November 2012, Appellate bench of SECP dismissed the appeal filed by the Company against the order. The Company is in process of filing a constitutional petition challenging the orders passed by SECP before Honourable High Court of Sindh. The petition will be contested vigorously and the management is confident that the petition will be decided in the Company's favour.

**6.3** During the period, Income tax assessment for the Tax Year 2011, taken as deemed assessment u/s 120 of the Income Tax Ordinance, 2001 was subsequently amended twice u/s 122 (5A) of the Income Tax Ordinance, 2001. The appeals filed by the Company with Commissioner Inland Revenue (Appeals) against these amendments were decided in favor of the Company.

# Notes To the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2012

Income tax assessment for Tax Year 2012 is deemed to have been finalised u/s 120 of the Income Tax Ordinance, 2001.

- 6.4** During the period, the Company has sent a letter of intent to Silk Bank Limited (SBL) to enter into a put option agreement with SBL and subscribers of the preference shares of SBL. The Subscribers have the option to sell their respective preference shares at a strike price of Rs 3.70 to the Company, at the end of a tenor of 3 years from the date of proposed put option agreement provided SBL has not redeemed the preference shares on or before the expiry of said tenor.

Silk Bank Limited will pay the Company put option fee calculated quarterly at the rate of 2.5 % per annum on the outstanding preference shares, based on the price at which the Put option will be exercised.

- 6.5** There are no other changes 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 period:

	Six months period ended 31 December 2012		Six months period ended 31 December 2011	
	Additions	Disposals	Additions	Disposals
Vehicles	67,500	-	-	700,000
Office equipment	53,640	-	-	-
Computer and allied equipments	143,950	-	269,500	-
Rupees	<u>265,090</u>	<u>-</u>	<u>269,500</u>	<u>700,000</u>

## 8. LONG TERM INVESTMENTS

		Unaudited 31 December 2012	Audited 30 June 2012
Subsidiaries at cost	8.1	3,016,677,813	2,943,048,831
At fair value through profit or loss	8.2	22,964,132,027	22,202,652,951
Available for sale	8.3	1,628,962,536	1,450,762,597
Rupees		<u>27,609,772,376</u>	<u>26,596,464,379</u>

# Notes To the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2012

## 8.1 Subsidiaries at cost

		Cost	Provision for Impairment	Carrying amount	
				Unaudited 31 December 2012	Audited 30 June 2012
Arif Habib Limited (AHL)		2,694,733,072	(950,449,366)	1,744,283,706	1,735,367,496
Arif Habib DMCC (AHD)		29,945,898	-	29,945,898	29,945,898
Pakistan Private Equity Management Limited (PPEML)		42,500,000	(25,500,000)	17,000,000	17,000,000
SKM Lanka Holdings (Private) Limited (SKML)		66,286,578	(21,598,608)	44,687,970	21,598,608
Al-Abbas Cement Industries Limited (AACIL)		881,286,511	-	881,286,511	869,663,101
8.1.1	Sachal Energy Development (Private) Limited (SEDPL)	215,000,060	-	215,000,060	185,000,060
Sweetwater Dairies Pakistan (Private) Limited (SDPL)		84,473,668	-	84,473,668	84,473,668
Rupees		4,014,225,787	(997,547,974)	3,016,677,813	2,943,048,831

**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 31 December 2012	Audited 30 June 2012
<b>Associates :</b>					
Arif Habib Investments Limited (AHIL)	8.2.1 & 8.2.2	477,694,882	(152,515,735)	325,179,147	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)		4,296,099,121	6,003,443,917	10,299,543,038	9,599,940,861
Crescent Textile Mills Limited (CTML)		292,566,283	(103,156,441)	189,409,842	108,685,118
	Rupees	6,390,692,359	16,573,439,668	22,964,132,027	22,202,652,951

**8.2.1** During the year ended 30 June 2011, the shareholders of Arif Habib Investments Limited (AHIL) and MCB Asset Management Company Limited (MCB-AMC) approved merger of these two entities under the scheme of amalgamation ("the scheme"). The scheme was sanctioned by Securities and Exchange Commission of Pakistan (SECP) through its order dated 10 June 2011 with effect from 27 June 2011. Subsequently SECP through its order dated 27 June 2011 extended the effective date of merger from 27 June 2011 to 30 July 2011. The company in reply to the SECP order filed the petition in the Honourable Sindh High Court claiming that the same is a past and closed transaction. In view of this, the Honourable Sindh High Court (SHC) through its interim order dated 28 September 2011 suspended the SECP order for extension of the effective date of merger. The matter is pending with the SHC.

# Notes To the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2012

- 8.2.2** 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.

## 8.3 Available for sale

	Cost	Unrealized appreciation on remeasurement investments	Provision for Impairment	Carrying amount	
				Unaudited 31 December 2012	Audited 30 June 2012
<b>Associates:</b>					
Thatta Cement Company Limited (THCCL)	188,370,257	37,473,493	-	225,843,750	189,979,763
Aisha Steel Mills Limited (ASML)	800,082,500	52,005,363	-	852,087,863	800,082,500
Aisha Steel Mills Limited- Convertible Preference shares (ASML-PS)	345,700,580	1,382,802	-	347,083,382	345,700,580
	<b>1,334,153,337</b>	<b>90,861,658</b>	<b>-</b>	<b>1,425,014,995</b>	<b>1,335,762,843</b>
<b>Other investments:</b>					
Takaful Pakistan Limited (TPL)	30,000,000	-	(15,000,000)	15,000,000	15,000,000
Javedan Corporation Limited (JCL)	92,620,761	96,326,780	-	188,947,541	99,999,754
Sun Biz (Private) Limited (SBL)	1,000,000	-	(1,000,000)	-	-
	<b>123,620,761</b>	<b>96,326,780</b>	<b>(16,000,000)</b>	<b>203,947,541</b>	<b>114,999,754</b>
Rupees	<b>1,457,774,098</b>	<b>187,188,438</b>	<b>(16,000,000)</b>	<b>1,628,962,536</b>	<b>1,450,762,597</b>

- 8.4** Fair value of long term investments pledged with banking companies against various finance facilities amounts to Rs. 3,387.392 million (30 June 2012: Rs. 3,228.024 million).

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

- 9.** The Company has entered into a long term financing agreement with Al-Abbas Cement Industries Limited on 1 October 2012. The loan is repayable at the end of fifth year from the date of first draw down with the option to repay early to the AACIL. The markup rate on said loan is 3 month KIBOR plus 2.5 %. Markup is payable on semi annual basis.

# Notes To the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2012

## 10. LOANS AND ADVANCES

		Unaudited 31 December 2012	Audited 30 June 2012
<b>Unsecured</b>			
<i>Considered good</i>			
Advance for new investment	10.1	182,000,000	60,000,000
Advance against expenses		635,000	635,000
Advance against salaries		1,222,163	1,301,000
<i>To related parties:</i>			
SKML - Advance against equity		-	13,621,362
Al-Abbas Cement Industries Limited		-	500,000,000
		183,857,163	575,557,362
<b>Secured</b>			
<i>To related parties:</i>			
Aisha Steel Mills Limited	10.2	16,650,000	16,650,000
Javedan Corporation Limited	10.3	473,000,000	460,000,000
		489,650,000	476,650,000
	Rupees	673,507,163	1,052,207,362

**10.1** This represents amount paid as deposit money for acquisition of shares of a company in dairy farming industry.

**10.2** 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.

**10.3** 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 ranged between 13.18% to 14.95% (30 June 2012: 14.91% to 16.54%) per annum.



# Notes To the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2012

## 11. OPERATING REVENUE

	Six months period ended		Quarter ended	
	December 2012	December 2011	December 2012	December 2011
Dividend income	448,419,106	1,232,806,884	2,001	62,959,109
Markup on loans	67,948,782	51,218,868	31,858,928	27,258,883
Markup on bank deposits	100,551	73,913	85,481	73,913
Underwriting commission	-	4,112,014	-	-
Gain / (loss) on sale of securities - net	177,046,059	(75,264,090)	(3,448,605)	(79,319,674)
Gain on remeasurement of investments - net	820,880,694	2,059,220,143	925,253,371	1,520,232,584
Rupees	<u>1,514,395,192</u>	<u>3,272,167,732</u>	<u>953,751,176</u>	<u>1,531,204,815</u>

## 12. CASH GENERATED FROM OPERATIONS

	31 December 2012	31 December 2011
Profit before tax	1,318,426,824	3,091,959,113
<b>Adjustments for:</b>		
Depreciation	3,528,239	4,030,557
Dividend income	(448,419,106)	(1,232,806,884)
Mark-up on loans and advances	(67,948,782)	(51,292,781)
Gain on disposal of Long term investment	(195,292,707)	-
Gain on remeasurement of investments	(820,880,694)	(2,059,220,143)
Finance cost	150,010,690	138,956,328
	<u>(1,379,002,360)</u>	<u>(3,200,332,923)</u>
	(60,575,536)	(108,373,810)
<b>Changes in working capital</b>		
(Increase) / decrease in current assets		
Loans and advances	365,078,837	(399,719,931)
Prepayments	365,507	272,992
Other receivables	-	(8,958,367)
Short term investments	340,916,028	28,555,545
(Decrease) / increase in current liabilities		
Trade and other payables	(183,547,357)	33,203,721
	<u>522,813,015</u>	<u>(346,646,040)</u>
<b>Cash generated from / (used in) operations</b> Rupees	<u>462,237,479</u>	<u>(455,019,850)</u>

# Notes To the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2012

## 13. CASH AND CASH EQUIVALENTS

	31 December 2012	31 December 2011
Cash and bank balances	109,356,600	7,055,634
Short term running finance	(1,878,565,179)	(1,516,555,336)
Rupees	<u>(1,769,208,579)</u>	<u>(1,509,499,702)</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:

### Transactions with Subsidiaries

		Six months period ended December 2012	December 2011
- Services availed	Rupees	5,075,739	3,859,661
- Mark-up income on loan and advance	Rupees	33,716,440	38,542
- Dividend income	Rupees	103,530,855	-
- Subscription of right shares /fresh equity investment	Rupees	53,089,362	35,000,000
- Number of bonus shares received		3,834,226	-
- Loan extended	Rupees	500,000,000	-
- Loan repayment	Rupees	500,000,000	-

### Transactions with Associates

- Dividend income	Rupees	344,886,251	1,190,796,251
- Dividend received	Rupees	563,451,308	32,496,251
- Mark-up on loan and advance	Rupees	1,279,997	3,007,549
- Mark-up income received	Rupees	4,862,475	-
- Subscription of right shares	Rupees	-	27,101,250
- Loan / advance	Rupees	-	376,938,467
- Loan / advance repayment	Rupees	-	62,028,860

# Notes To the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2012

## Transactions with Other related parties

		Six months period ended	
		December 2012	December 2011
- Provident fund contribution	Rupees	1,495,258	1,000,706
- Payment of rent and maintenance charges	Rupees	9,187,446	6,372,944
- Loan extended	Rupees	13,000,000	81,550,246
- Mark-up on loan	Rupees	33,244,269	48,172,777
- Mark-up received	Rupees	-	60,000,000

## Key management personnel:

- Remuneration	Rupees	10,163,426	10,462,166
		Unaudited 31 December 2012	Audited 30 June 2012

## Balance with Subsidiaries as at

- Markup receivable from Al-Abbas Cement Industries Limited	Rupees	58,983,288	25,266,849
- Payable to Arif Habib Limited against purchase of listed securities from stock exchange under T+2 settlement method	Rupees	15,606,760	471,345,862

## Balances with associates as at

- Dividend receivable from Fatima Fertilizer Company Limited	Rupees	-	563,451,308
- Markup receivable from Aisha Steel Mills Limited	Rupees	1,906,487	5,955,730

## Balances with Other related party as at

- Markup receivable from Javedan Corporation Limited	Rupees	69,346,106	36,101,837
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# Notes To the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the six months period ended 31 December 2012

## 15. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim unconsolidated financial information has been authorized for issue on 29 January, 2013 by the Board of Directors of the Company.

## 16. GENERAL

For the purposes of better presentation the amount of markup receivable amounting to Rs. 189.8 million has been presented separately on the balance sheet.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER





condensed interim  
consolidated  
financial information

# Condensed Interim Consolidated Balance Sheet

As at 31 December 2012

	Note	Unaudited December 2012	Audited June 2012
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Authorised share capital		<u>10,000,000,000</u>	<u>10,000,000,000</u>
Issued, subscribed and paid up share capital		4,537,500,000	4,125,000,000
Reserves		10,333,688,599	10,407,237,257
Equity attributable to owners of the Parent		14,871,188,599	14,532,237,257
Non-Controlling interest		705,667,795	551,489,629
		<u>15,576,856,394</u>	<u>15,083,726,886</u>
<b>Non-current liabilities</b>			
Long term loans		1,863,024,811	2,645,978,686
Liabilities against assets subject to finance lease		2,216,036	2,497,747
Deferred liability		35,565,498	121,470,185
Deferred taxation - net		265,763,198	400,164,556
		<u>2,166,569,543</u>	<u>3,170,111,174</u>
<b>Current liabilities</b>			
Trade and other payables		1,468,238,553	1,284,566,638
Dividend Payable		-	-
Interest / mark-up accrued		109,762,265	139,775,482
Short term borrowings - secured		4,365,748,220	3,943,892,456
Current portion of long term loans		938,778,000	251,838,000
Current portion of liabilities against assets subject to finance lease		3,556,126	3,544,570
Provision for taxation		61,081,629	102,000,328
		<u>6,947,164,793</u>	<u>5,725,617,474</u>
		<u>24,690,590,730</u>	<u>23,979,455,534</u>
<b>Contingencies and commitments</b>			

Rupees



# Condensed Interim Consolidated Balance Sheet

As at 31 December 2012

	Note	Unaudited December 2012	Audited June 2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	4,590,035,622	4,584,688,321
Intangible assets - others		34,172,362	32,827,376
Biological assets		4,654,000	4,654,000
Goodwill		1,244,928,814	1,244,928,814
Trading right entitlement certificate and offices		68,655,000	68,655,000
Long term investments		11,750,467,325	11,524,620,559
Investment property		311,253,600	53,000,000
Long term loans and advances - considered good		-	154,428,115
Long term deposits and prepayments		48,680,647	32,895,771
		<b>18,052,847,370</b>	<b>17,700,697,956</b>
<b>Current assets</b>			
Stock-in-trade		391,132,000	219,062,000
Stores, spares and loose tools		370,464,832	517,179,832
Trade debts		588,002,587	329,173,031
Loans and advances - considered good		745,353,729	654,583,733
Deposits and prepayments		90,201,557	36,866,882
Receivable against sale of investment		-	529,534,120
Advance tax		168,682,510	138,489,636
Tax refund due from government		216,902,803	-
Other receivables - considered good		257,038,900	814,044,612
Short term investments		3,577,908,479	2,934,387,278
Cash and bank balances		232,055,963	105,436,454
		<b>6,637,743,360</b>	<b>6,278,757,578</b>
	Rupees	<b>24,690,590,730</b>	<b>23,979,455,534</b>

The annexed notes 1 to 10 form an integral part of this condensed interim consolidated financial information.



CHAIRMAN & CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

# Condensed Interim Consolidated Profit & Loss Account (Unaudited)

For the six months period ended 31 December 2012

Note	Six months period ended		Quarter ended	
	December	December	December	December
	2012	2011	2012	2011
Operating revenue	1,040,665,019	187,506,361	452,694,633	179,515,545
Unrealised gain on re-measurement of investment property	96,253,788	-	96,253,788	-
Operating, administrative and other expenses	(309,190,619)	(126,131,084)	(102,073,400)	(38,809,690)
Operating profit	827,728,188	61,375,277	446,875,021	140,705,855
Other income	463,365,521	71,781,888	129,871,970	51,596,631
Finance cost	(397,691,438)	(437,510,963)	(175,344,329)	(240,888,881)
Other charges	(600,000)	(100,985,456)	22,364,115	(96,663,172)
	892,802,271	(405,339,254)	423,766,777	(145,249,567)
Share of profit of equity-accounted associates - net of tax	156,800,168	1,491,544,722	268,996,503	619,771,677
<b>Profit before tax</b>	<b>1,049,602,439</b>	<b>1,086,205,468</b>	<b>692,763,280</b>	<b>474,522,110</b>
Taxation				
For the period				
- Current	(75,164,824)	(33,036,848)	(3,779,905)	3,057,683
- Deferred	132,533,747	(96,469,727)	104,362,416	(96,469,727)
Prior year	99,826,284	(3,353,000)	99,826,284	(3,353,000)
	157,195,207	(132,859,575)	200,408,795	(96,765,044)
<b>Profit after tax</b>	<b>1,206,797,646</b>	<b>953,345,893</b>	<b>893,172,075</b>	<b>377,757,066</b>
<b>Profit / (loss) attributable to:</b>				
Equity holders of Arif Habib Corporation Limited	1,006,745,101	1,060,722,119	755,629,579	440,401,432
Non-controlling interest	200,052,545	(107,376,226)	137,542,496	(62,644,366)
	1,206,797,646	953,345,893	893,172,075	377,757,066
<b>Earnings per share - basic and diluted</b>	<b>2.22</b>	<b>2.34</b>	<b>1.67</b>	<b>0.97</b>

The annexed notes 1 to 10 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 (Unaudited)

For the six months period ended 31 December 2012

	Six months period ended		Quarter ended	
	December	December	December	December
	2012	2011	2012	2011
<b>Profit for the period</b>	<b>1,206,797,646</b>	953,345,893	<b>893,172,075</b>	377,757,066
<b>Other comprehensive income</b>				
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Effect of translation of net assets of foreign subsidiary to presentation currency - net	7,538,026	3,138,548	11,903,967	2,563,657
Share of other comprehensive income of equity-accounted associates	82,409,247	50,340,752	3,556,594	50,340,752
Unrealized appreciation during the period on remeasurement of investments classified as 'available for sale'	96,326,780	-	96,326,780	-
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	163,340,627	53,479,300	111,787,341	52,904,409
<b>Total comprehensive income for the period</b>	<b>1,370,138,273</b>	1,006,825,193	<b>1,004,959,416</b>	430,661,475
<b>Total comprehensive income attributable to:</b>				
Equity holders of Arif Habib Corporation Limited	1,170,145,080	1,113,960,158	867,549,333	493,064,580
Non-controlling interest	199,993,193	(107,134,965)	137,410,083	(62,403,105)
	<b>1,370,138,273</b>	<b>1,006,825,193</b>	<b>1,004,959,416</b>	<b>430,661,475</b>

The annexed notes 1 to 10 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 six months period ended 31 December 2012

Note	December 2012	December 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	1,049,602,439	1,086,205,468
<b>Adjustments for:</b>		
Depreciation	61,658,699	64,941,566
Gain on sale of property, plant and equipment	(336,486)	(28,257,302)
Loss on sale of investment property	-	400,000
Unrealised gain on re-measurement of investment property	(96,253,788)	-
Unrealised (gain) / loss on short term investments	(347,669,943)	177,688,181
Unrealised gain on long term investments	(144,275,977)	-
Share of profit from associate - net of tax	(156,800,168)	(1,491,544,722)
Amortization	269,920	1,684,171
Mark-up on loans and advances	(34,232,342)	(57,841,502)
Dividend Income	(15,094,813)	(56,776,190)
Deferred liabilities written off	(115,192,000)	-
Refund of central excise duty	(182,604,000)	-
Finance cost	397,691,438	437,510,963
	(632,839,460)	(952,194,835)
Operating profit before working capital changes	416,762,979	134,010,633
<b>Changes in working capital:</b>		
<i>(Increase) / decrease in current assets</i>		
Stock in trade	(172,070,000)	(109,609,000)
Store and spares	146,715,000	19,620,000
Trade debts	(258,829,556)	(1,072,453,102)
Loans and advances	(90,769,996)	(314,496,174)
Deposits and prepayments	(53,334,675)	(19,551,210)
Receivable against sale of securities- Net	529,534,120	-
Other receivables	21,643,018	(61,528,918)
Short term investments	(295,851,258)	(562,591,279)
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	183,671,915	534,023,005
	10,708,568	(1,586,586,678)
<b>CASH GENERATED FROM OPERATIONS</b>	427,471,547	(1,452,576,045)
Taxes paid	(82,616,527)	(16,057,252)
Finance cost paid	(427,704,655)	(242,869,802)
Gratuity - net	29,287,313	3,334,000
Interest received	4,862,476	70,886,858
<b>Net cash used in operating activities</b>	(48,699,846)	(1,637,282,241)

# Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the six months period ended 31 December 2012

Note	December 2012	December 2011
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(59,661,608)	(79,653,329)
Sale proceeds from disposal of property, plant & equipment	530,120	
Deferred cost	-	(27,534,583)
Investment property	(7,571,697)	6,900,000
Dividend received	612,323,624	67,954,783
Acquisition of intangible assets	(1,614,906)	(6,626,491)
Long term investments	177,996,109	(27,157,787)
Long term deposits	(15,784,876)	12,181,219
<b>Net cash generated from / (used in) investing activities</b>	<b>706,216,766</b>	<b>(53,936,188)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term financing	(96,013,875)	697,792,131
Dividend paid	(825,000,000)	(750,000,000)
Dividend paid to Non-controlling interest	(31,469,145)	-
Lease liability	(270,155)	(448,699)
<b>Net cash flows used in financing activities</b>	<b>(952,753,175)</b>	<b>(52,656,568)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(295,236,255)</b>	<b>(1,743,874,997)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>(3,838,456,002)</b>	<b>(1,930,855,154)</b>
<b>Cash and cash equivalents at end of the period</b> 6 Rupees	<b>(4,133,692,257)</b>	<b>(3,674,730,151)</b>

The annexed notes 1 to 10 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 six months period ended 31 December 2012

	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	Unappropriated profit	Total		
<b>Balance as at 1 July 2011</b>	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
<b>Total comprehensive income for the six months period</b>								
<b>Items that are or may be reclassified subsequently to profit or loss</b>								
Profit for the six months period ended 31 December 2011	-	-	-	-	1,060,722,119	1,060,722,119	(107,376,226)	953,345,893
Share of other comprehensive income of equity-accounted associates	-	50,340,752	-	-	-	50,340,752	-	50,340,752
Net effect of translation of net assets of foreign subsidiary to presentation currency	-	-	2,897,286	-	-	2,897,286	241,262	3,138,548
	-	50,340,752	2,897,286	-	1,060,722,119	1,113,960,157	(107,134,964)	1,006,825,193
<b>Transactions with owners</b>								
Appropriation for 37.5 million bonus shares (1 share for every 10 shares held) for the year ended 30 June 2011	375,000,000	-	-	-	(375,000,000)	-	-	-
Cash dividend for the year ended 30 June 2011 (Rs. 2 per share)	-	-	-	-	(750,000,000)	(750,000,000)	-	(750,000,000)
Decrease in non-controlling interest on further acquisition	-	-	-	-	-	-	-	-
	375,000,000	-	-	-	(1,125,000,000)	(750,000,000)	-	(750,000,000)
<b>Balance as at 31 December 2011</b>	<b>4,125,000,000</b>	<b>48,392,110</b>	<b>32,926,508</b>	<b>4,019,567,665</b>	<b>5,312,226,342</b>	<b>13,538,112,625</b>	<b>442,063,492</b>	<b>13,980,176,117</b>
<b>Balance as at 1 July 2012</b>	<b>4,125,000,000</b>	<b>9,175,367</b>	<b>41,096,126</b>	<b>4,019,567,665</b>	<b>6,337,398,099</b>	<b>14,532,237,257</b>	<b>551,489,629</b>	<b>15,083,726,886</b>
<b>Total comprehensive income for the six months period</b>								
<b>Items that are or may be reclassified subsequently to profit or loss</b>								
Profit for the six months period ended 31 December 2012	-	-	-	-	1,006,745,101	1,006,745,101	200,052,545	1,206,797,646
Share of other comprehensive income of equity-accounted associates	-	82,409,247	-	-	-	82,409,247	-	82,409,247
Unrealized appreciation during the period on remeasurement of investments classified as 'available for sale'	-	96,326,780	-	-	-	96,326,780	-	96,326,780
Net effect of translation of net assets of foreign subsidiary to presentation currency	-	-	7,597,378	-	-	7,597,378	(59,352)	7,538,026
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)
	-	155,802,601	7,597,378	-	1,006,745,101	1,170,145,080	199,993,193	1,370,138,273
<b>Transactions with owners</b>								
Issue of 41.25 million bonus shares (1 share for every 10 shares held) for the year ended 30 June 2012	412,500,000	-	-	-	(412,500,000)	-	-	-
Cash dividend for the year ended 30 June 2012 (Rs. 2 per share)	-	-	-	-	(825,000,000)	(825,000,000)	(31,469,145)	(856,469,145)
Decrease in non-controlling interest on further acquisition	-	-	-	-	(6,193,738)	(6,193,738)	(14,345,882)	(20,539,620)
	412,500,000	-	-	-	(1,243,693,738)	(831,193,738)	(45,815,027)	(877,008,765)
<b>Balance as at 31 December 2012</b>	<b>4,537,500,000</b>	<b>164,977,968</b>	<b>48,693,504</b>	<b>4,019,567,665</b>	<b>6,100,449,462</b>	<b>14,871,188,599</b>	<b>705,667,795</b>	<b>15,576,856,394</b>

The annexed notes 1 to 10 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 six months period ended 31 December 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.

This condensed interim consolidated financial information of Arif Habib Corporation Limited for the period ended 31 December 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	77.25%
- Arif Habib Commodities (Private) Limited (AHCPL)	1.1	77.25%
- 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	80.98%
- 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, the 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	18.58%
- Crescent Textile Mills Limited	24.82%

# Notes To the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 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 Trading Right Entitlement Certificate holder 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 reporting period, the Parent purchased 282,000 shares of AHL resulting in an increase in Parent's holding from 76.69% to 77.25%.

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 AACIL resulting in an increase in the Parent's holding from 69.08% to 69.61%.
- 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 3,142,923 ordinary shares of SKML, resulting in an increase in the Company's holding from 75.00% to 80.98%.
- 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 Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 2012

- 1.6** Sachal Energy Development (Private) Limited (SEDL) 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 form of energy and the related services. During the period, the Parent subscribed for 3,000,000 ordinary shares of SEDL.
- 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.

## **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.

### **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 Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 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 COMMITMENT

### 4.1 Contingencies

#### Arif Habib Corporation Limited

**4.1.1** During the year ended 30 June 2012, the Securities and Exchange Commission of Pakistan ("SECP") issued an order u/s 22 of the Securities and Exchange Ordinance, 1969 ("the Ordinance") regarding noncompliance of orders passed by SECP u/s 18A of the Ordinance for depositing confiscated subscription money amounting to Rs. 3.14 million relating to fictitious applications received by the Company for subscription of shares of Summit Bank Limited that were offered to general public by the Company in 2007. On 02 November 2012, Appellate bench of SECP dismissed the appeal filed by the Company against the order. The Company is in process of filing a constitutional petition challenging the orders passed by SECP before Honourable High Court of Sindh. The petition will be contested vigorously and the management is confident that the petition will be decided in the Company's favour.

**4.1.2** During the period, Income tax assessment for the Tax Year 2011, taken as deemed assessment u/s 120 of the Income Tax Ordinance, 2001 was subsequently amended twice u/s 122 (5A) of the Income Tax Ordinance, 2001. The appeals filed by the Company with Commissioner Inland Revenue (Appeals) against these amendments were decided in favor of the Company.

Income tax assessment for Tax Year 2012 is deemed to have been finalised u/s 120 of the Income Tax Ordinance, 2001.

**4.1.3** During the period, the Company has sent a letter of intent to Silk Bank Limited (SBL) to enter into a put option agreement with SBL and subscribers of the preference shares of SBL. The Subscribers have the option to sell their respective preference shares at a strike price of Rs 3.70 to the Company, at the end of a tenor of 3 years from the date of proposed put option agreement provided SBL has not redeemed the preference shares on or before the expiry of said tenor.

# Notes To the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 2012

Silk Bank Limited will pay the Company put option fee calculated quarterly at the rate of 2.5 % per annum on the outstanding preference shares, based on the price at which the Put option will be exercised.

## **Al-Abbas Cement Industries Limited**

- 4.1.4** From 1993-94 to 1998-99, excise duty was levied and recovered from the Company being wrongly worked out on retail price based on misinterpretation of sub section 2 of section 4 of the Central Excise Act, 1944 by Central Board of Revenue. Such erroneous basis of working of excise duty has been held, being without lawful authority, by the Honourable Supreme Court of Pakistan as per its judgment dated February 15, 2007. Accordingly, the Company filed an application to the Collector of Federal Excise and Sales Tax to refund the excess excise duty amounting to Rs. 182.604 million. The refund was however, rejected by Collector of Appeals vide his order in appeal number 01 of 2009 dated 19 March 2009 and Additional Collector, Customs, Sales tax and Federal excise vide its order in original number 02 of 2009 dated 24 January 2009 primarily based on the fact that the Company has failed to discharge the burden of proof to the effect that incidence of duty had not been passed on to the customers of the Company. Accordingly, the Company filed an appeal before the Learned Appellate Tribunal Inland Revenue (ATIR) regarding CED which, vide its order dated 23 May 2012 held that the requisite documents proving the fact that the incidence of duty had not been passed to the customers of the Company has been submitted by the Company and therefore the Company has discharged its onus. Based on the foregoing, the original order number 01 of 2009 dated 19 March 2009 and order number 02 of 2009 dated 24 January 2009 were set aside by ATIR and appeal was allowed.

To date, the department has not challenged the decision of ATIR and a refund claim has been filed by the company with the department.

Based on the decision by ATIR and the tax adviser's opinion that the refund claim is allowed to the company, the company has recorded the refund claim receivable with a corresponding credit to the profit & loss account. The Company is actively pursuing the matter for the settlement of the said refund claim.

- 4.1.5** The management of the Company was taken over by purchasing controlling shareholding during the year 2005. One of the condition of takeover of the management from the previous sponsors was that the amount payable in respect of this loan was required to be adjusted in respect of any differences in the value of assets and/or unrecorded liabilities. However, due to dispute between the previous sponsors and the management, the final amount of the sponsor's loan remained undetermined and unsettled.

Pending the outcome of the decision, the amount standing to the credit of the previous sponsors was kept intact under the head 'Deferred Liabilities'. The matter was under arbitration as per the Share Purchase Agreement between the management and the old sponsors.

# Notes To the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 2012

During the period, the arbitrator decided in favour of the Company and determined an amount of Rs. 0.735 million to be paid by the company to the previous sponsors. The award has been sent to the Registrar High Court of Sindh Karachi for making the award a rule of court. The management, based on its lawyers' advice is of the opinion that the award has attained finality and accordingly, has reversed the liability with a corresponding credit in the profit & loss account. However, as previous sponsors have filed objections to the award, the matter has been disclosed as a contingent liability in this condensed interim financial information. Further, the amount of Rs. 0.735 million has been shown as a current liability.

**4.1.6** The Hyderabad Electric Supply Corporation (HESCO) has charged an amount of Rs 30.776 million as arrears on account of fuel price adjustment (FPA) in the electricity bills for the months of November and December 2012 pertaining to the months of April and May 2012. The Company has challenged this claim in the Honorable High Court of Sindh, Hyderabad, whereby a stay order has been granted in its favour. The management is actively pursuing the matter and is hopeful for its favourable outcome. Accordingly, no provision against the above demand has been made in the condensed interim financial information and no payment in respect of FPA has been made by the Company.

**4.1.7** There are no other changes in the status of contingencies as disclosed in the preceding annual consolidated financial statements of the Company as at 30 June 2012.

## 4.2 Commitments

**Unaudited  
31 December  
2012**

Audited  
30 June  
2012

### Arif Habib Limited

**4.2.1** Following commitments are outstanding as at the period end.

- Outstanding settlement against sale/purchases of securities in future market.	<b>61,625,070</b>	164,721,490
- Outstanding Settlements against Marginal Trading contracts	<b>1,003,164,063</b>	262,917,405
- Outstanding Settlements against sale of securities in regular market.	<b>369,925</b>	12,055,180
- Guarantee given by a commercial bank on behalf of the company	<b>100,000,000</b>	100,000,000

### Al-Abbas Cement Industries Limited

- Commitment against open letter of credit for Stores and spares	<b>-</b>	31,124,000
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**4.2.2** There are no other change in the status of commitments as disclosed in the preceding annual consolidated financial statements as at 30 June 2012.

# Notes To the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 2012

## 5. PROPERTY AND EQUIPMENT

Capital expenditure incurred during the period amounted to Rs 59.662 million. Further, assets having WDV of Rs. 0.194 million were sold for Rs. 0.530 million.

## 6. CASH AND CASH EQUIVALENTS

	<b>Six months period ended</b>	
	<b>31 December 2012</b>	31 December 2011
Cash and bank balances	<b>232,055,963</b>	115,537,687
Short term borrowings	<b>(4,365,748,220)</b>	(3,790,267,838)
	<b>(4,133,692,257)</b>	(3,674,730,151)

## 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.

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

		<b>Six months period ended</b>	
		<b>31 December 2012</b>	31 December 2011
<b>Transaction with associates</b>			
- Dividend received	Rupees	<b>563,451,308</b>	32,496,251
- Dividend income	Rupees	<b>344,886,251</b>	1,190,796,251
- Mark-up income received	Rupees	<b>4,862,475</b>	-
- Mark-up on loan and advance	Rupees	<b>1,279,997</b>	3,046,091
- Sale of goods	Rupees	<b>1,146,000</b>	13,438,000
- Loan and advance	Rupees	-	376,938,467
- Loan and advance repayments	Rupees	-	62,028,860
- Advance against shares	Rupees	-	125,596
- Subscription of right shares	Rupees	-	27,101,250

# Notes To the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 2012

## Transaction with Other related party

- Loan received	Rupees	<b>447,000,000</b>	-
- Mark-up on loan and advance	Rupees	<b>33,244,269</b>	48,840,328
- Payment of rent and maintenance charges	Rupees	<b>20,681,480</b>	18,238,667
- Payment to key management personnels	Rupees	<b>19,315,833</b>	18,323,118
- Loan / advance extended	Rupees	<b>13,000,000</b>	147,430,452
- Brokerage expenses	Rupees	<b>3,868,889</b>	5,632,024
- Provident fund contribution	Rupees	<b>2,451,323</b>	1,859,715
- Purchase of goods	Rupees	<b>676,000</b>	757,000
- Sale of goods	Rupees	<b>601,000</b>	-
- Repayment of loan and advance	Rupees	-	48,968,046
- Mark-up received	Rupees	-	60,000,000
		<b>Unaudited 31 December 2012</b>	<b>Audited 30 June 2012</b>

## Balances as at

- Loan to Javedan Corporation Limited	Rupees	<b>473,000,000</b>	460,000,000
- Markup receivable from Javedan Corporation Limited	Rupees	<b>69,346,106</b>	36,101,836
- Receivable from other related parties	Rupees	<b>42,081,219</b>	7,165,998
- Loan to Aisha Steel Mills Limited	Rupees	<b>16,650,000</b>	16,650,000
- Markup receivable from Aisha Steel Mills Limited	Rupees	<b>1,906,487</b>	5,955,731
- Receivable from Fatima Fertilizer Company Limited	Rupees	-	563,451,308

## 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.

# Notes To the Condensed Interim Consolidated Financial Information (Unaudited)

For the six months period ended 31 December 2012

- 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. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim consolidated financial information has been authorized for issue on 22 February 2013 by the Board of Directors of the Company.

## 10. 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	4,300,000
Distribution cost	Operating and administrative expense	Rupees	76,217,905
Cost of goods sold - Operating and administrative expense	Operating revenue	Rupees	1,121,358,000

  
CHAIRMAN & CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER









## Arif Habib Corp

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