



Arif Habib Corp



**CONTRIBUTING
TO PAKISTAN'S
GROWTH**
quarterly report
30 September 2013

Arif Habib Corporation Limited

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

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Company Information

Board of Directors

Asadullah Khawaja
Chairman

Arif Habib
Chief Executive Officer

Sirajuddin Cassim
Independent Director

Nasim Beg
Non-Executive Director

Samad A. Habib
Non-Executive Director

Kashif A. Habib
Non-Executive Director

Muhammad Ejaz
Non-Executive Director

Chief Financial Officer & Company Secretary

Basit Habib

Audit Committee

Sirajuddin Cassim
Chairman

Kashif A. Habib
Member

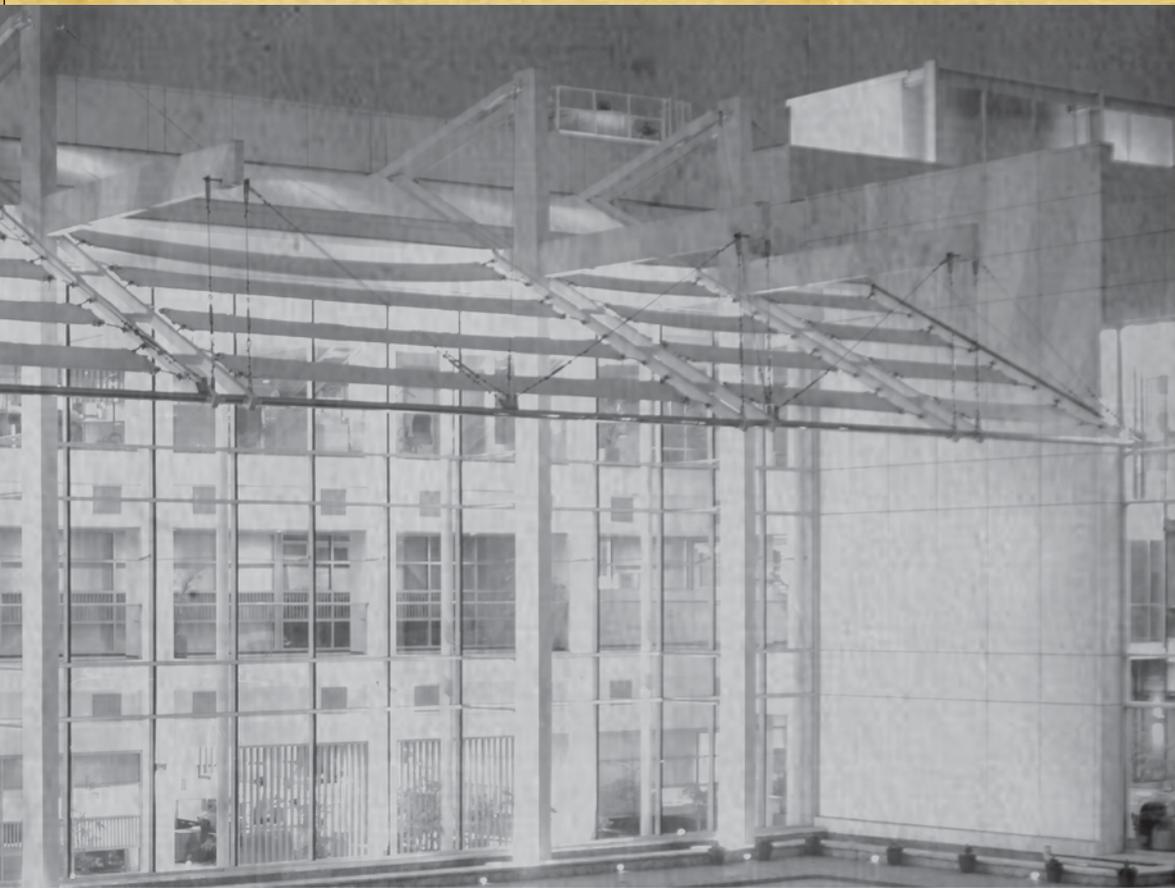
Muhammad Ejaz
Member

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
Sindh 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

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 statements for the quarter ended 30th September 2013.

Financial Results

During the quarter, AHCL recorded operating revenue of Rs.628.14 million, which includes dividend income of Rs.103.51 million, gain on sale of securities amounting to Rs.131.24 million and unrealized gain on re-measurement of investments amounting to Rs.312.31 million. After accounting for operating, administrative, financial and other expenses of Rs.72.05 million, the Company earned a profit before tax of Rs. 556.35 million. The Company has reported an after-tax profit of Rs.520.76 million for the quarter under review as compared with Rs.395.18 million for the corresponding quarter ended 30th September 2012. Earnings per share during the quarter ended 30th September 2013 was Rs.1.15 as compared to Re. 0.87 in the corresponding quarter during 2012-13.

Performance of Subsidiaries and Associates

FY14 has started off on a positive note as gas supply, under the government's short term plan, was resumed partly to Pakarab Fertilizer Limited. The fertilizer sector is a significant constituent of your Company's portfolio and diligent efforts by the management, with much appreciated, albeit belated understanding by the government, has led to a sustainable gas management plan. Fatima Fertilizers continued to perform well. Securities brokerage company, Arif Habib Limited and Asset management company, MCB-Arif Habib Savings also performed satisfactorily. We are pleased to inform you that the ongoing divestment from Thatta Cement Company Limited was also completed during the quarter under review. Recent increase in power tariff and fuel prices is expected to have an adverse affect and Power Cement Limited may see a contraction in margins moving forward. However, the management is looking to offset this by improving utilization and further investment in efficiency enhancing measures. Progress has picked up pace in your Company's investment in a wind farm and we hope to achieve financial close during the ongoing year.

Economic Review

Pakistan's external sector continues to face pressure and the current account deficit for 1Q FY14 stood at US \$ 1,234 million against a surplus of US \$ 439 million in the corresponding period of last year while sequentially widening by 2%. The affect of a deteriorating external front was evident in the exchange rate as the PKR lost 6.3% of its value during 1Q FY14 against 1.2% in 4Q FY13.

Inflationary pressures have also started building up over the last few months. Although CPI inflation during the quarter under review has declined from 9.14% last year to 8.06% during

1Q FY14, the metric has witnessed a sequential uptick from an average of 5.6% during 4Q FY12. This prompted the State Bank of Pakistan to reverse its policy of monetary easing and the discount rate was increased by 50bps during September 2013.

Future Outlook

The government has shown great intent through its policy initiatives regarding the resolution of circular debt, rationalization of energy prices and intent to privatize state owned enterprises. Not only will this support the economy through plugging leaks but also bodes well for fresh investment in Pakistan markets.

Your Company's management is hopeful that through proactive portfolio management it will continue to add to shareholder value and play it's part in supporting Pakistan's economic growth.

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
26th October 2013

Arif Habib
Chief Executive

Condensed Interim Unconsolidated Balance Sheet (Unaudited)

as at 30 september 2013

	Note	Unaudited September 2013	Audited June 2013
————— (Rupees) —————			
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital 1,000,000,000 ordinary shares of Rs. 10 each		10,000,000,000	10,000,000,000
Issued, subscribed and paid up share capital		4,537,500,000	4,537,500,000
Reserves		19,637,435,165	20,147,031,615
		24,174,935,165	24,684,531,615
Non-current liabilities			
Deferred taxation		2,909,480,208	2,910,445,107
Long term loan - secured	4	-	-
		2,909,480,208	2,910,445,107
Current liabilities			
Trade and other payables		876,295,727	835,484,461
Dividend payable	15	1,134,375,000	-
Interest / mark-up accrued		37,236,413	64,734,006
Short term borrowings	5	1,312,207,884	649,062,344
Current maturity of long term loan		656,550,000	656,550,000
Provision for taxation		187,802,409	169,316,957
		4,204,467,433	2,375,147,768
	Rupees	31,288,882,806	29,970,124,490
Contingencies and commitments	6		



Chief Executive Officer



Director



Chief Financial Officer

Condensed Interim Unconsolidated Balance Sheet (Unaudited)

as at 30 september 2013

	Note	Unaudited September 2013	Audited June 2013
————— (Rupees) —————			
ASSETS			
Non-current assets			
Property and equipment	7	38,147,308	39,593,712
Long term investments	8	27,470,121,999	26,649,847,252
Loan to subsidiary		-	500,000,000
Long term deposits		3,280,290	3,280,290
		27,511,549,597	27,192,721,254
Current assets			
Loans and advances	9	2,444,855,056	1,357,838,113
Prepayments		11,885,881	14,308,813
Advance tax		234,696,352	247,474,296
Markup receivable		181,478,749	130,497,326
Trade and other receivables		688,914,152	579,492,974
Short term investments		204,007,369	238,778,546
Cash and bank balances		11,495,650	97,200,299
Asset held for sale		-	111,812,869
		3,777,333,209	2,777,403,236
	Rupees	31,288,882,806	29,970,124,490

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



Chief Executive Officer



Director



Chief Financial Officer

Condensed Interim Unconsolidated Profit and Loss Account (Unaudited)

For the three months period ended 30 september 2013

	Note	Three months period ended	
		September 2013	September 2012
————— (Rupees) —————			
Operating revenue	10	628,136,822	560,644,016
Operating and administrative expenses	11	(22,193,693)	(25,330,720)
Operating profit		605,943,129	535,313,296
Finance cost		(37,253,610)	(80,162,979)
Other charges		(12,604,003)	(648,115)
Other income		260,621	-
Profit before tax		556,346,137	454,502,202
Taxation			
For the period			
- Current		(18,485,452)	(65,113,874)
- Prior		(18,063,206)	-
- Deferred		964,899	5,787,795
		(35,583,759)	(59,326,079)
Profit after tax	Rupees	520,762,378	395,176,123
Earnings per share - basic and diluted	Rupees	1.15	0.87

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



Chief Executive Officer



Director



Chief Financial Officer

Condensed Interim Unconsolidated Statement of Comprehensive Income

For the three months period ended 30 september 2013

	Note	Three months period ended	
		September 2013	September 2012
		————— (Rupees) —————	
Profit for the period		520,762,378	395,176,123
Other comprehensive income			
Unrealized appreciation during the period on remeasurement of investments classified as 'available for sale'		86,515,636	97,641,674
Reclassification adjustments relating to loss / (gain) realized on disposal of investments classified as available for sale' -net of tax		17,500,536	(22,933,426)
Other comprehensive income for the period		104,016,172	74,708,248
Total comprehensive income for the period	Rupees	624,778,550	469,884,371

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



Chief Executive Officer



Director



Chief Financial Officer

Condensed Interim Unconsolidated Cash Flow Statement (Unaudited)

For the three months period ended 30 september 2013

	Note	Three months period ended	
		September 2013	September 2012
————— (Rupees) —————			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	12	(957,595,920)	(221,576,982)
Income tax paid		(5,285,262)	(56,435,046)
Finance cost paid		(64,751,203)	(77,569,350)
Dividend received		-	564,051,308
Interest received		9,449,710	4,862,475
Net cash (used in) / generated from operating activities		(1,018,182,675)	213,332,405
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(77,350)	(125,800)
Loan to subsidiary- received		500,000,000	-
Proceeds from sale of property and equipment		-	-
Acquisition of long term investments		(946,292,494)	(21,623,410)
Proceeds from sale of long term investments		715,702,330	278,747,500
Long term deposits		-	(4,200)
Net cash generated from investing activities		269,332,486	256,994,090
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flows (used in) / generated from financing activities		-	-
Net (decrease) / increase in cash and cash equivalents		(748,850,189)	470,326,495
Cash and cash equivalents at beginning of the period		(551,862,045)	(1,674,497,962)
Cash and cash equivalents at end of the period	13 Rupees	(1,300,712,234)	(1,204,171,467)

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



Chief Executive Officer



Director



Chief Financial Officer

Condensed Interim Unconsolidated Statement of Changes in Equity (Unaudited)

For the three months period ended 30 september 2013

Note	Share capital issued, subscribed and paid up	Unrealized (diminution) / appreciation on remeasurement of investments classified as 'available for sale'	General reserve	Reserves Reserves for issue of bonus shares	Unappropriated profit	Sub total	Total
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	-	-	-	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)	(825,000,000)	(825,000,000)
Balance as at 30 September 2012 Rupees	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
Balance as at 1 July 2013	4,537,500,000	(495,713,334)	4,000,000,000	-	16,642,744,949	20,147,031,615	24,684,531,615
Total comprehensive income for the three months period							
Profit for the three months period ended 30 September 2013	-	-	-	-	520,762,378	520,762,378	520,762,378
Unrealized appreciation during the period on remeasurement of investments classified as 'available for sale'	-	86,515,636	-	-	-	86,515,636	86,515,636
Reclassification adjustments relating to loss realized on disposal of investments classified as available for sale' -net of tax	-	17,500,536	-	-	-	17,500,536	17,500,536
	-	104,016,172	-	-	520,762,378	624,778,550	624,778,550
Transactions with owners							
Cash dividend for the year ended 30 June 2013 (Rs. 2.5 per share)	15	-	-	-	(1,134,375,000)	(1,134,375,000)	(1,134,375,000)
	-	-	-	-	(1,134,375,000)	(1,134,375,000)	(1,134,375,000)
Balance as at 30 September 2013 Rupees	4,537,500,000	(391,697,162)	4,000,000,000	-	16,029,132,327	19,637,435,165	24,174,935,165

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



Chief Executive Officer



Director



Chief Financial Officer

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 september 2013

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.

These condensed interim financial statements are separate financial statements of the Company in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated condensed interim financial 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	69.00%
- Power Cement Limited (Formerly Al-Abbas Cement Industries Limited), a cement manufacturing company	64.34%
- Arif Habib DMCC, a UAE incorporated member company of Dubai Gold and Commodities Exchange	100.00%
- Serendib Stock Brokers (Private) Limited (Formerly SKM Lanka Holdings (Private) Limited), a Sri Lankan incorporated brokerage house at Colombo Stock Exchange	58.12%
- 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%
<i>Associates</i>	
- Pakarab Fertilizers Limited	30.00%
- Aisha Steel Mills Limited	35.96%
- MCB-Arif Habib Savings and Investments Limited (Formerly Arif Habib Investments Limited)	30.09%
- Fatima Fertilizer Company Limited	17.43%
- Crescent Textile Mills Limited	14.65%
- Javedan Corporation Limited	15.10%
<i>Others</i>	
- Takaful Pakistan Limited	10.00%
- Sunbiz (Private) Limited	4.65%
- Khabeer Financial Services (Private) Limited	5.00%

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 september 2013

1.1 Change in the composition of the Group

Changes in composition of the Group during the three months period ended 30 September 2013 are summarized as under:

- The Company sold 5,017,500 shares of Arif Habib Limited, a subsidiary of the Company, resulting in a decrease in the Company's holding from 79.03% to 69.00%.
- The Company sold 20,000,000 shares of Power Cement Limited (Formerly Al-Abbas Cement Industries Limited) , a subsidiary of the Company, resulting in a decrease in the Company's holding from 69.81% to 64.34%.
- the Company sold 10,000,000 shares of Fatima Fertilizer Company Limited, an associate of the Company, resulting in a decrease in the Company's holding from 17.91% to 17.43%.
- the Company sold 4,956,500 shares of Crescent Textile Mills Limited, an associate of the Company, resulting in a decrease in the Company's holding from 24.82% to 14.65%.
- the Company purchased 12,292,280 ordinary shares of Javedan Corporation Limited (JCL), an associate of the Company, resulting in an increase in the Company's holding from 7.90% to 15.10% of JCL's total paidup capital.

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 2013.

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.

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 september 2013

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 2013.

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 2013.

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 2013.

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. 1,341.600 million (30 June 2013: 1,281.228 million).

5. SHORT TERM BORROWINGS - secured

	Note	Unaudited 30 September 2013	Audited 30 June 2013
From various banking companies	5.1 & 5.2 Rupees	<u>1,312,207,884</u>	<u>649,062,344</u>

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 September 2013

5.1 Short term running finance facilities are available from various commercial banks, under mark-up arrangements, amounting to Rs. 3,550 million (2013: Rs. 3,830 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 31 May 2014. These arrangements are secured against pledge of marketable securities with minimum 30% margin (2013: 30% margin). These running finance facilities carry mark-up ranging from 1 month KIBOR+ 1% to 3 month KIBOR+ 2.25% per annum (2013: 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. 2,237.792 million (2013: Rs. 3,180.938 million).

5.2 The carrying amount of securities pledged as collateral against outstanding liability amounts to Rs. 2,508.777 million (2013: 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 2013.

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 2013:

	Unaudited			
	Three months period ended 30 September 2013		Three months period ended 30 September 2012	
	Additions	Disposals	Additions	Disposals
Vehicles	-	-	67,500	-
Computer and allied equipments	77,350	-	58,300	-
Rupees	77,350	-	125,800	-

8. LONG TERM INVESTMENTS

	Note	Unaudited 30 September 2013	Audited 30 June 2013
Subsidiaries- at cost	8.1	3,032,263,306	3,351,878,288
At fair value through profit or loss	8.2	22,161,016,224	22,053,934,621
Available for sale	8.3	2,276,842,469	1,244,034,343
Rupees		27,470,121,999	26,649,847,252

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 september 2013

8.1 Subsidiaries- at cost

	Note	Cost	Provision for Impairment	Carrying amount	
				Unaudited 30 September 2013	Audited 30 June 2013
Arif Habib Limited (AHL)		2,375,720,796	(716,627,289)	1,659,093,507	1,900,385,082
Power Cement Limited (Formerly Al-Abbas Cement Industries Limited) (PCL)	8.1.1	921,455,424	-	921,455,424	999,778,831
Arif Habib DMCC (AHD) Serendib Stock Brokers (Private) Limited (Formerly) SKM Lanka Holdings (Private) Limited (SBPL)		29,945,898	-	29,945,898	29,945,898
Pakistan Private Equity Management Limited (PPEML)		91,893,357	(21,598,608)	70,294,749	70,294,749
Sachal Energy Development (Private) Limited (SEDPL)		42,500,000	(25,500,000)	17,000,000	17,000,000
Sweetwater Dairies Pakistan (Private) Limited (SDPL)		250,000,060	-	250,000,060	250,000,060
		84,473,668	-	84,473,668	84,473,668
Rupees		3,795,989,203	(763,725,897)	3,032,263,306	3,351,878,288

8.1.1 Before acquisition of control, PCL 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 1,436.30 million. (30 June 2013: Rs. 1,558.39 million)

8.2 At fair value through profit or loss

	Cost	Unrealized appreciation / (diminution) on remeasurement of investments	Carrying amount		
			Unaudited 30 September 2013	Audited 30 June 2013	
Associates:					
MCB - Arif Habib Savings and investments Limited (Formerly Arif Habib Investments Ltd) (MCB-AH)	8.2.1	477,694,882	(112,220,385)	365,474,497	349,226,372
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)		4,031,814,737	5,487,674,619	9,519,489,356	9,339,412,334
Crescent Textile Mills Limited (CTML)		172,661,196	(46,608,825)	126,052,371	215,295,915
Rupees		6,006,502,888	16,154,513,336	22,161,016,224	22,053,934,621

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 september 2013

8.2.1 Before loss of control, MCB-AH 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 of investments	Provision for Impairment	Carrying amount	
				Unaudited 30 September 2013	Audited 30 June 2013
Associates:					
Aisha Steel Mills Limited (ASML)	800,082,500	(86,408,910)	-	713,673,590	723,274,580
Aisha Steel Mills Limited - convertible preference shares (ASML-PS)	427,345,747	(13,337,788)	-	414,007,959	349,441,913
Javedan Corporation Limited (JCL)	946,292,490	24,797,630	-	971,090,120	-
Javedan Corporation Limited- convertible preference shares (JCL-PS)	92,620,761	69,450,039	-	162,070,800	155,317,850
	2,266,341,498	(5,499,029)	-	2,260,842,469	1,228,034,343

Other investments:

Takaful Pakistan Limited (TPL)	30,000,000	-	(15,000,000)	15,000,000	15,000,000
Al-Khabeer Financial Services (Pvt) Limited	1,000,000	-	-	1,000,000	1,000,000
Sun Biz (Private) Limited (SBL)	1,000,000	-	(1,000,000)	-	-
	32,000,000	-	(16,000,000)	16,000,000	16,000,000
Rupees	2,298,341,498	(5,499,029)	(16,000,000)	2,276,842,469	1,244,034,343

8.4 Fair value of long term investments pledged with banking companies against various finance facilities amounts to Rs. 2,639.416 million (30 June 2013: Rs. 2,861.91 million).

	Unaudited 30 September 2013	Audited 30 June 2013
8.5 Movement in provision for impairment		
Opening balance	(883,949,153)	(1,013,547,974)
Reversal during the period	104,223,256	129,598,821
Provision made during the period	-	-
Closing balance	(779,725,897)	(883,949,153)

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 september 2013

9. LOANS AND ADVANCES

	Note	Unaudited 30 September 2013	Audited 30 June 2013
Unsecured			
<i>Considered good</i>			
Advance for new investment	9.1	346,824,937	295,324,937
Advance against salaries		792,726	932,581
<i>To related parties:</i>			
Serendib Stock Brokers (Private) Limited (Formerly SKM Lanka Holdings (Private) Limited) (SBPL) - Advance against equity	9.2	8,505,136	-
Sachal Energy Development (Pvt) Limited -Advance against equity	9.2	25,000,000	-
Power Cement Limited (Formerly Al-Abbas Cement Industries Limited)	9.3	250,500,000	87,500,000
Aisha Steel Mills Limited	9.4	320,000,000	-
		951,622,799	383,757,518
Secured			
<i>Considered good</i>			
Receivable against reverse repurchase agreements (Reverse repo)	9.5	550,158,693	200,007,031
<i>To related parties:</i>			
Aisha Steel Mills Limited	9.6	16,650,000	16,650,000
Javedan Corporation Limited	9.7	926,423,564	757,423,564
		943,073,564	774,073,564
	Rupees	2,444,855,056	1,357,838,113

- 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 subsidiaries.
- 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 11.53% (30 June 2013: 11.58% to 14.49%) per annum.
- 9.4** 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 3% per annum. Mark-up is payable on quarterly basis. The effective mark-up charged during the period was 12.02% per annum.
- 9.5** The Company entered into two Agreement for Purchase and Sale of Securities (Reverse repo) with

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 september 2013

financees. The effective rate between purchase and resale price is 15% per annum and 3 months KIBOR +5% respectively. The fair value of the securities as at the balance sheet date is Rs. 433.394 million and Rs. 590.100 million respectively. As per the agreements, all transaction costs relating to purchase and sale of securities shall be borne by the financee.

9.6 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 semi-annual basis. The effective mark-up charged during the period was 12.02% to 12.37% (30 June 2013: 12.37% to 15.29%) per annum.

9.7 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 12.03% (30 June 2013: 12.28% to 14.95%) per annum.

10. OPERATING REVENUE

	Unaudited	
	Three months period ended	
	September 2013	September 2012
Dividend income	103,505,283	448,417,105
Markup on loans and advances	60,431,133	36,089,854
Put option fee	20,571,195	-
Gain on sale of securities-net	131,244,732	180,494,664
Gain / (loss) on remeasurement of investments-net	312,310,451	(104,372,677)
Profit on bank accounts	74,028	15,070
	Rupees 628,136,822	560,644,016

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 september 2013

11. OPERATING AND ADMINISTRATIVE EXPENSES

	Note	Unaudited	
		Three months period ended	
		September 2013	September 2012
Salaries and benefits		7,527,341	7,791,038
Printing and stationery		2,160,390	2,320,811
Communication		243,471	174,861
Rent, rates & taxes		3,717,920	3,611,597
Electricity		577,664	622,926
Legal and professional charges		497,232	1,665,239
Custody & settlement charges		462,377	453,849
Entertainment		192,470	301,917
Travelling & conveyance		1,664,453	822,260
Audit fees		500,000	500,000
Advertisement & business promotion		50,000	2,191,700
Depreciation		1,523,754	1,785,513
Repair and maintenance		757,110	338,740
Insurance		478,810	312,503
Fees & subscription		916,446	1,752,707
Directors' Meeting fees		25,000	25,000
Ujrah payments		373,041	490,905
Others		526,214	169,154
	Rupees	22,193,693	25,330,720

12. CASH GENERATED FROM OPERATIONS

	Unaudited	
	30 September 2013	30 September 2012
Profit before tax	556,346,137	454,502,202
Adjustments for:		
Depreciation	1,523,754	1,785,513
Dividend income	(103,505,283)	(448,417,105)
Mark-up on loans and advances	(60,431,133)	(36,089,854)
Loss / (gain) on remeasurement of investments-net	(312,310,451)	104,372,677
Gain on disposal of long term investment	(149,725,147)	(155,329,006)
Finance cost	37,253,610	80,162,979
Workers' Welfare fund	11,373,431	-
	(575,821,219)	(453,514,796)
	(19,475,082)	987,406

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 september 2013

	Unaudited	
	30 September 2013	30 September 2012
Changes in working capital		
<i>(Increase) / decrease in current assets</i>		
Loans and advances	(1,087,016,943)	(69,262,097)
Prepayments	2,422,932	123,504
Trade and other receivables	(5,915,895)	(124,370,330)
Short term investments	11,138,364	425,895,963
Asset held for sale	111,812,869	-
<i>Increase / (decrease) in current liabilities</i>		
Trade and other payables	29,437,835	(454,951,428)
	(938,120,838)	(222,564,388)
Cash used in operations	(957,595,920)	(221,576,982)
	Rupees	

13. CASH AND CASH EQUIVALENTS

Cash and bank balances	11,495,650	110,511,051
Short term running finance	(1,312,207,884)	(1,314,682,518)
	Rupees	
	(1,300,712,234)	(1,204,171,467)

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 2013	September 2012
- Services availed	Rupees 2,587,615	2,851,151
- Mark-up income on loan and advance	Rupees 16,227,089	18,210,959
- Dividend income	Rupees 103,499,283	103,530,855
- Loan extended	Rupees 213,000,000	-
- Loan repayment	Rupees 550,000,000	-
- Subscription of right shares /fresh equity investment	Rupees -	23,621,362
- Number of bonus shares entitled	3,449,976	3,834,476

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 September 2013

		Unaudited	
		Three months period ended	
		September 2013	September 2012
Transaction with Associates			
- Dividend income	Rupees	-	344,886,251
- Cash dividend received	Rupees	-	563,451,308
- Loan extended	Rupees	589,000,000	-
- Loan repayment	Rupees	100,000,000	-
- Mark-up on loan and advance	Rupees	33,081,559	18,170,819
- Mark-up income received	Rupees	1,949,710	4,862,475
Transaction with Other related party			
- Provident fund contribution	Rupees	879,756	738,678
- Payment of rent and maintenance charges	Rupees	1,380,053	4,719,128
		Unaudited 30 September 2013	Audited 30 June 2013
Balances as at			
- Markup receivable from Javedan Corporation Limited	Rupees	27,809,633	1,340,677
- Markup receivable from Aisha Steel Mills Limited	Rupees	6,638,731	1,975,838
- Markup receivable from Power Cement Limited (Formerly Al-Abbas Cement Industries Limited)	Rupees	16,804,754	577,665
- Receivable from Arif Habib Limited against sale of listed securities from stock exchange under T+2 settlement method	Rupees	3,382,221	1,227,495
- Dividend receivable from Arif Habib Limited	Rupees	103,499,283	-

Notes to the Condensed Interim Unconsolidated Financial Information (Unaudited)

For the three months period ended 30 September 2013

15. APPROPRIATION FOR DIVIDEND

Shareholders in their annual general meeting held on September 21, 2013 have approved cash dividend of Rs. 2.5 per share amounting to Rs. 1,134.375 million. This condensed interim financial information includes the effect of the aforementioned appropriation.

Subsequent to the balance sheet date, cash dividend were distributed to those shareholders whose name were appearing on the Members' Register as on the close of business on 12th September 2013

16. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim unconsolidated financial information has been authorized for issue on 26th October 2013 by the Board of Directors of the Company.



Chief Executive Officer



Director



Chief Financial Officer



**Condensed Interim
Consolidated
Financial Information**

For the three months period ended 30 September 2013



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Condensed Interim Consolidated Balance Sheet

as at 30 september 2013

Note	Unaudited September 2013	Audited June 2013
	(Rupees)	
EQUITY AND LIABILITIES		
Equity		
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	4,537,500,000	4,537,500,000
Reserves	9,165,977,135	10,142,336,656
Equity attributable to owners of the Parent	13,703,477,135	14,679,836,656
Non-controlling interest	740,294,679	534,798,525
	<u>14,443,771,814</u>	<u>15,214,635,181</u>
Non-current liabilities		
Long term loans	2,242,105,444	1,722,582,190
Deferred liability	7,636,147	6,224,708
Deferred taxation - net	228,936,493	278,712,581
	<u>2,478,678,084</u>	<u>2,007,519,479</u>
Current liabilities		
Trade and other payables	2,579,971,534	2,728,273,287
Dividend Payable	1,134,375,000	-
Interest / mark-up accrued	145,353,835	148,513,246
Short term borrowings - secured	3,738,284,692	2,645,744,666
Current portion of long term loans	956,347,000	954,438,000
Current portion of liabilities against assets subject to finance lease	4,177,715	4,984,549
Provision for taxation	187,802,409	215,067,877
	<u>8,746,312,185</u>	<u>6,697,021,625</u>
	<u>25,668,762,083</u>	<u>23,919,176,285</u>
Rupees		

Contingencies and commitments

4

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



Chief Executive Officer



Director



Chief Financial Officer

Condensed Interim Consolidated Balance Sheet

as at 30 september 2013

	Note	Unaudited September 2013	Audited June 2013
————— (Rupees) —————			
ASSETS			
Non-current assets			
Property, plant and equipment	5	4,634,895,007	4,616,141,791
Intangible assets - others		35,988,046	34,399,641
Biological assets		4,654,000	4,654,000
Goodwill		1,163,961,863	1,163,961,863
Trading right entitlement certificate, membership cards and licenses		59,052,499	71,455,000
Long term investments		11,587,280,799	10,812,777,385
Investment property		315,336,600	315,336,600
Long term loans and advances - considered good		975,000	975,000
Long term deposits and prepayments		45,644,343	40,657,233
		17,847,788,157	17,060,358,513
Current assets			
Stock-in-trade		433,789,000	301,385,000
Stores, spares and loose tools		235,511,832	510,513,832
Trade debts		1,406,721,623	731,286,802
Loans and advances - considered good		2,357,216,223	1,385,422,469
Deposits and prepayments		125,403,046	76,331,112
Advance tax		241,164,492	302,247,804
Tax refund due from government		223,485,000	213,749,000
Markup receivables		164,677,485	184,109,656
Other receivables - considered good		877,848,638	651,238,589
Short term investments		1,655,738,693	1,808,619,904
Cash and bank balances		99,417,894	564,358,765
Assets held for sale		-	129,554,839
		7,820,973,926	6,858,817,772
	Rupees	25,668,762,083	23,919,176,285



Chief Executive Officer



Director



Chief Financial Officer

Condensed Interim Consolidated Profit and Loss Account (Unaudited)

For the three months period ended 30 september 2013

	Note	Three months period ended	
		September 2013	September 2012
		————— (Rupees) —————	
Operating revenue		264,454,589	587,970,386
Operating, administrative and other expenses		(214,097,955)	(207,117,219)
Operating profit		50,356,634	380,853,167
Other income		36,828,931	333,493,551
Finance cost		(163,308,303)	(222,347,109)
Other charges		(12,617,368)	(22,964,115)
		(88,740,106)	469,035,494
Share of profit / (loss) of equity-accounted associates - net of tax		99,894,421	(112,196,335)
Profit before tax		11,154,315	356,839,159
Taxation			
For the period			
- Current		(28,694,933)	(71,384,919)
- Prior		(18,063,206)	-
- Deferred		49,776,088	28,171,331
		3,017,949	(43,213,588)
Profit after tax	Rupees	14,172,264	313,625,571
Profit / (loss) attributable to:			
Equity holders of Arif Habib Corporation Limited		32,758,751	251,115,522
Non-controlling interests		(18,586,487)	62,510,049
	Rupees	14,172,264	313,625,571
Earnings per share - basic & diluted	Rupees	0.07	0.55

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



Chief Executive Officer



Director



Chief Financial Officer

Condensed Interim Consolidated Statement of Comprehensive Income (Unaudited)

For the three months period ended 30 september 2013

	<u>Three months period ended</u>	
	September 2013	September 2012
	————— (Rupees) —————	
Profit for the period	14,172,264	313,625,571
Other comprehensive income / (loss)		
Effect of translation of net assets of foreign subsidiary to presentation currency - net	4,186,477	(4,365,941)
Share of other comprehensive income / (loss) of equity-accounted associates -net of tax	55,408,244	78,852,653
Reclassification adjustment	(62,697,089)	(22,933,426)
Other comprehensive income / (loss) for the period	(3,102,368)	51,553,286
Total comprehensive income for the period	11,069,896	365,178,857
Total comprehensive income attributable to:		
Equity holders of Arif Habib Corporation Limited	29,275,639	302,595,747
Non-controlling interests	(18,205,743)	62,583,110
	11,069,896	365,178,857

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



Chief Executive Officer



Director



Chief Financial Officer

Condensed Interim Consolidated Cash Flow Statement (Unaudited)

For the three months period ended 30 september 2013

Note	Three months period ended	
	September 2013	September 2012
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	11,154,315	356,839,159
Adjustments for:		
Depreciation	18,551,457	28,801,869
Loss / (gain) on sale of property and equipment	56,034	(357,000)
Gain on disposal of stock exchange room	(1,797,499)	-
Unrealised gain on short term investments	(156,944,395)	(526,941,496)
Unrealised gain on long term investments	-	(144,275,977)
Share in loss of equity accounted investee - net of tax	(99,894,421)	112,196,335
Amortization	169,945	(225,000)
Mark-up on loans and advances	(33,081,559)	-
Refund of central excise duty	-	(182,604,000)
Finance cost	163,308,303	222,347,109
	(109,632,135)	(491,058,160)
Operating (loss) / profit before working capital changes	(98,477,820)	(134,219,001)
Changes in working capital:		
Decrease / (Increase) in current assets		
Stock in trade	(132,404,000)	(217,087,000)
Store and spares	275,002,000	191,220,000
Trade debts	(675,434,821)	12,419,247
Loans and advances	(971,793,754)	(108,247,081)
Deposits and prepayments	(49,071,934)	(10,571,085)
Tax refund due from government	(9,736,000)	-
Other receivables	(226,610,049)	517,840,754
Short term investments	309,825,606	820,284,356
Assets held for sale	129,554,839	-
(Decrease) / Increase in current liabilities	(148,301,753)	22,731,913
Trade and other payables	(1,498,969,866)	1,228,591,104
Cash (used in) / generated from operations	(1,597,447,686)	1,094,372,103
Taxes paid	(12,940,295)	(37,521,643)
Finance cost paid	(166,467,714)	(117,829,353)
Interest received	52,513,730	-
Net cash (used in) / generated from operating activities	(1,724,341,965)	939,021,107
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(33,840,212)	(22,642,000)
Proceeds from sale of assets	665,982	475,000
Acquisition of intangible assets	(1,758,350)	-
Proceeds from sale of stock exchange room	14,200,000	-
Investment property	-	(4,200,000)
Long term investments	(329,456,101)	241,756,884
Long term deposits	(4,987,110)	(2,266,593)
Net cash (used in) / generated from investing activities	(355,175,791)	213,123,291
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing	521,432,254	-
Deferred liability	1,411,439	-
Lease liability	(806,834)	-
Net cash flows generated from financing activities	522,036,859	-
Net (decrease) / increase in cash and cash equivalents	(1,557,480,897)	1,152,144,398
Cash and cash equivalents at beginning of the period	(2,081,385,901)	(3,838,456,002)
Cash and cash equivalents at end of the period	(3,638,866,798)	(2,686,311,604)

7 Rupees

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



Chief Executive Officer



Director



Chief Financial Officer

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

For the three months period ended 30 September 2013

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 investments	Exchange difference on translation to presentation currency	General Reserve	Reserve for issue of bonus shares	Unappropriated profit			Total	
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	
<i>Other Comprehensive income</i>										
Effect of translation of net assets of foreign subsidiary to presentation currency - net	-	-	(4,439,002)	-	-	-	(4,439,002)	73,061	(4,365,941)	
Share of other comprehensive income of equity-accounted associates -net of tax	-	78,852,653	-	-	-	-	78,852,653	-	78,852,653	
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)	
	-	55,919,227	(4,439,002)	-	-	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	-	-	-	-	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	-	-	-	-	412,500,000	(6,625,720)	(890,625,720)	(5,997,690)	(11,623,410)	
	-	-	-	-	412,500,000	(1,243,125,720)	(890,625,720)	(37,466,835)	(868,082,555)	
Balance as at 30 September 2012	Rupees	4,125,000,000	65,094,594	36,657,124	4,019,567,665	412,500,000	5,345,387,901	14,004,207,284	576,605,904	14,580,813,188
Balance as at 1 July 2013		4,537,500,000	130,701,387	46,564,052	4,019,567,665	-	5,945,503,552	14,679,836,656	534,798,525	15,214,635,181
Total comprehensive income for the three months period										
Profit for the three months period ended 30 September 2013	-	-	-	-	-	32,758,751	32,758,751	(18,586,487)	14,172,264	
<i>Other comprehensive income</i>										
Unrealized appreciation during the period on remeasurement of investments classified as 'available for sale'	-	-	-	-	-	-	-	-	-	
Share of other comprehensive income / (loss) of equity-accounted associates -net of tax	-	55,408,244	-	-	-	-	55,408,244	-	55,408,244	
Reclassification adjustment	-	(62,697,089)	-	-	-	-	(62,697,089)	-	(62,697,089)	
Effect of translation of net assets of foreign subsidiary to presentation currency - net	-	-	3,805,733	-	-	-	3,805,733	380,744	4,186,477	
	-	(7,288,845)	3,805,733	-	-	32,758,751	29,275,639	(18,205,743)	11,069,896	
Transactions with owners										
Cash dividend for the year ended 30 June 2013 (Rs. 2.5 per share)	9	-	-	-	-	(1,134,375,000)	(1,134,375,000)	-	(1,134,375,000)	
Increase in non-controlling interest on further disposal	-	-	-	-	-	128,739,840	128,739,840	223,701,897	352,441,737	
	-	-	-	-	-	(1,005,635,160)	(1,005,635,160)	223,701,897	(781,933,263)	
Balance as at 30 September 2013	Rupees	4,537,500,000	123,412,542	50,369,785	4,019,567,665	-	4,972,627,143	13,703,477,135	740,294,679	14,443,771,814

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



Chief Executive Officer



Director



Chief Financial Officer

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the three months period ended 30 september 2013

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 2013 comprise of the Parent and following subsidiary companies (here-in-after referred to as "the Group").

Name of Company	Note	Shareholding (including indirect holding)
- Arif Habib Limited (AHL)	1.1	69.00%
- Arif Habib Commodities (Private) Limited, investment management of commodities, wholly owned subsidiary of Arif Habib Limited	1.1	69.00%
- Power Cement Limited (Formerly Al-Abbas Cement Industries Limited) (PCL)	1.2	69.11%
- Arif Habib DMCC (AHD)	1.3	100.00%
- Serendib Stock Brokers (Private) Limited (Formerly SKM Lanka Holdings (Private) Limited) (SBPL)	1.4	89.53%
- 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 the following associates and these are being carried under equity accounting

Associates

- Pakarab Fertilizers Limited	30.00%
- Aisha Steel Mills Limited	35.96%
- MCB-Arif Habib Savings and Investments Limited (Formerly Arif Habib investments Limited)	31.18%
- Fatima Fertilizer Company Limited	18.72%
- Crescent Textile Mills Limited	14.65%
- Javedan Corporation Limited	15.10%

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the three months period ended 30 september 2013

- 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 holds Trading Right Entitlement Certificates of Karachi, Lahore and Islamabad Stock Exchanges. The principal activities of the Company are investments, share brokerage, interbank brokerage, initial public offering (IPO) underwriting, advisory and consultancy services.

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

- 1.2** Power Cement Limited (Formerly Al-Abbas Cement Industries Limited) (PCL) 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).
- 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** Serendib Stock Brokers (Private) Limited (SBPL) (Formerly SKM Lanka Holdings (Private) Limited) 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.
- 1.5** Pakistan Private Equity Management Limited (PPEML) was incorporated in Pakistan on 6 September 2006 under the Companies Ordinance, 1984 as a public limited company (Un-Quoted). The registered office of the Company is situated at 23 M.T. Khan Road, Karachi, Pakistan. The Company is a Fund Management Company (FMC) registered, under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 as amended through S.R.O.1131(1) 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.
- 1.6** Sachal Energy Development (Private) Limited (SEDPL) is a company 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.

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the three months period ended 30 september 2013

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 2013.

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 2013.

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.

2.3 Use of estimates and judgements

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 2013.

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the three months period ended 30 september 2013

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 2013.

4. 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 2013.

5. PROPERTY AND EQUIPMENT

Capital expenditure incurred during the period amounted to Rs 33.840 million. Further, assets having WDV of Rs. 0.722 million wheresold for Rs. 0.666 million.

6. CASH AND CASH EQUIVALENTS

	Unaudited	
	Three months period ended	
	September 2013	September 2012
Cash and bank balances	99,417,894	257,918,855
Short term borrowings	(3,738,284,692)	(2,944,230,459)
	<u>(3,638,866,798)</u>	<u>(2,686,311,604)</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 Consolidated Financial Information (Unaudited)

For the three months period ended 30 september 2013

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

	<u>Unaudited</u>	
	<u>Three months period ended</u>	
	<u>September</u> <u>2013</u>	<u>September</u> <u>2012</u>
Transaction with associates		
- Dividend income	Rupees -	344,886,251
- Cash dividend received	Rupees -	563,451,308
- Mark-up on loan and advance	Rupees 33,081,559	639,999
- Mark-up income received	Rupees 1,949,710	4,862,475
- Loan extended	Rupees 589,000,000	-
- Loan repayment	Rupees 100,000,000	-
- Sale of goods	Rupees 616,500	581,000
- Purchase of stores and spares	Rupees 675,938	-
Transaction with Other related party		
- Provident fund contribution	Rupees 879,756	1,238,451
- Payment of rent and maintenance charges	Rupees 7,657,202	10,466,144
- Mark-up on loan and advance	Rupees -	17,530,821
- Sale of goods and services	Rupees 18,199,563	407,147
- Loan recieved-net	Rupees 491,000,000	-
	Unaudited 30 September 2013	Audited 30 June 2013
Balances as at		
- Markup receivable from Javedan Corporation Limited	Rupees 27,809,633	1,340,677
- Markup receivable from Aisha Steel Mills Limited	Rupees 6,638,731	1,975,838
- Trade receivable from Safe Mix Concrete Products Limited	Rupees 5,206,290	851,000
- Trade receivable from Javedan Corporation Limited	Rupees 996,000	663,000
- Receivable from Thatta Cement Company Limited	Rupees 870,000	870,000
- Loan to Aisha Steel Mills Limited	Rupees 336,650,000	16,650,000
- Loan to Javedan Corporation Limited	Rupees 926,423,564	757,423,564
- Loan payable to Mr. Arif Habib	Rupees 803,000,000	312,000,000
- Loan received-net	Rupees 491,000,000	-

Notes to the Condensed Interim Consolidated Financial Information (Unaudited)

For the three months period ended 30 september 2013

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 2013. 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 21, 2013 have approved cash dividend of Rs. 2.5 per share amounting to Rs. 1,134.375 million. This condensed interim financial information includes the effect of the aforementioned appropriation.

Subsequent to the balance sheet date, cash dividend were distributed to those shareholders whose name were appearing on the Members' Register as on the close of business on 12th September 2013

10. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim consolidated financial information has been authorized for issue on 26 October 2013 by the Board of Directors of the Company.



Chief Executive Officer



Director



Chief Financial Officer